

Comprehensive Annual Financial Report For the Year Ended June 30, 2017



Mission Statement

The City of East Palo Alto provides responsive, respectful and efficient public services to enhance the quality of life and safety for its multi-cultural community

City of East Palo Alto

East Palo Alto, California

Comprehensive Annual Financial Report

For the year ended June 30, 2017

Prepared by:
Finance Department

City of East Palo Alto
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Table of Contents	i
Transmittal Letter	v
Directory of City Officials.....	xii
Map of City’s Location.....	xiii
Organization Chart.....	xiv
GFOA Certificate of Excellence in Financial Reporting	xv
 <u>FINANCIAL SECTION</u>	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	5
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
 Fund Financial Statements:	
Governmental Fund Financial Statements	
Balance Sheet.....	30
Reconciliation of the Governmental Funds Balance Sheet	
to the Government-Wide Statement of Net Position.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances.....	34
Reconciliation of the Governmental Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the Government-Wide	
Statement of Activities	36

City of East Palo Alto
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Proprietary Fund Financial Statements:	
Statement of Net Position.....	38
Statement of Revenues, Expenses and Changes in Net Position.....	39
Statement of Cash Flows	40
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position.....	42
Statement of Changes in Fiduciary Net Position.....	43
Notes to Basic Financial Statements.....	46
Required Supplementary Information (Unaudited):	
Budgets and Budgetary Accounting.....	90
Budgetary Comparison Schedules:	
General Fund.....	91
Low and Moderate Income Housing Successor Special Revenue Fund.....	92
Public Improvements in Lieu Special Revenue Fund.....	93
Housing in Lieu Special Revenue Fund	94
Defined Benefit Pension Plan	95
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	104
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
NPDES Fees Special Revenue Fund	107
Gas Tax Special Revenue Fund	108
Federal and State Law Enforcement Special Revenue Fund.....	109
Park in Lieu Special Revenue Fund.....	110
Rent Stabilization Special Revenue Fund	111
Federal and State Grant Special Revenue Fund.....	112
US EPA Special Revenue Fund	113
Housing Assistance Special Revenue Fund.....	114
Measure A Special Revenue Fund	115
CYSFF Child/Family Special Revenue Fund.....	116
Lighting District Special Revenue Fund	117
Drainage District Special Revenue Fund	118

City of East Palo Alto
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Measure C Special Revenue Fund	119
Local Grants Special Revenue Fund	120
Silicon Valley.....	121
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Position by Component - Last Ten Fiscal Years	124
Changes in Net Position - Last Ten Fiscal Years.....	125
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	127
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	128
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	129
Property Tax Rates All Overlapping Governments - Last Ten Fiscal Years.....	130
Principal Property Tax Payers - Current Year and Ten Years Ago.....	131
Property Tax Levies and Collections - Last Ten Fiscal Years.....	132
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	133
Computation of Direct and Overlapping Debt.....	134
Computation of Legal Bonded Debt Margin - Last Ten Fiscal Years.....	135
Bonded Debt Pledged-Revenue Coverage - Last Ten Fiscal Years	136
Demographic and Economic Statistics - Last Ten Fiscal Years.....	137
Principal Employers - Last Fiscal Year and Three Years Ago.....	138
Number of Positions - City Government by Function - Last Ten Fiscal Years	139
Capital Asset by Function - Last Ten Fiscal Years	140
Operating Indicators by Function - Last Eight Fiscal Years.....	141

This page intentionally left blank



CITY OF EAST PALO ALTO

DEPARTMENT OF FINANCE

2415 University Avenue, East Palo Alto, CA 94303

December 29, 2017

Honorable Mayor Ruben Abrica
Honorable Vice Mayor Lisa Gauthier
Members of the City Council
City Manager, and Citizens 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, 2017. 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. These controls are 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, 2017 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is most

commonly known as an “unqualified” or “clean” opinion. The auditor’s report is located 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. It is located in San Mateo County on the Peninsula in the Greater San Francisco Bay Area. It is in a desirable setting, with enviable weather, and well situated among three major metropolitan cities: San Jose, Oakland, and San Francisco. The City borders Menlo Park to the north, Palo Alto to the west and south, and the San Francisco Bay to the east. East Palo Alto currently occupies 2.5 square miles and has a population of approximately 30,340¹.

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 the various 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. In addition, the City Council appoints other advisory bodies such as the Measure C Oversight Committee.

The City Council is required to adopt a budget on an annual basis which is passed by June 30th of each year. For the most recent budget cycle, the Council approved the adoption of a biennial budget covering Fiscal Year 2016-17 and 2017-18. In compliance with the City’s municipal ordinance, the Council reviewed and updated the Fiscal Year 2017-18 budget through a public hearing process. 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 function. Transfers between departments require City Manager, or designee, approval. Unless mandated by regulation, transfers between funds require approval from the City Council.

¹ Source: MuniServices LLC from data provided by California Department of Finance, June 2017

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, limited housing, rent stabilization services, community development, lighting, drainage, refuse collection, water system capital construction, and general administrative services.

The City also has an extensive base of community volunteers, religious organizations, philanthropists, and social activists. These organizations provide a wide range of services and enrichment activities and create a sense of community for our citizens.

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

The City continues to benefit from generally positive economic trends as a result of both continued U.S. economic growth, and new resources from local development and voter-approved general taxes. While the near-term outlook remains positive overall, year over year declines in some major revenues supports the expectation of low tax revenue growth beyond FY 17-18 with continued volatility in development-related and contribution revenues.

Assessed property values in fiscal year 2016-17 totaled \$2.48 billion, surpassing the record high of \$2.37 billion set in fiscal year 2008-09. FY 17-18 assessed valuation growth will remain robust due to the completion of 208,000 square feet of Class A office space, high value turnover of residential properties, and value stabilization related to the Columbia Property Trust joint venture with Allianz Real Estate at University Circle. Longer-term future growth prospects are positive due to: (1) current pre-entitlement development activity; (2) developers with assembled industrial properties within the Ravenswood Business District; and, (3) the historical and unprecedented acquisition of a permanent transfer of water rights which will enable the City to lift the imposed moratorium for new or expanded water service connections.

While the immediate and longer-term growth prospects are positive; heightened uncertainty surrounds the pattern of mid-term growth beyond FY 2017-18. The uncertainty relates to expected economic cycling, but also primarily, major uncertainty relates to whether development projects in the planning process are ultimately approved; and if so, when construction of such development will occur. Overall, we expect a multi-year development “gap” between the completion of current development construction and until the next wave of development projects under review and consideration results in increased local property taxes.

Sales tax revenues declined year over year primarily as a result of weakness in the retail and fuel sectors. The decline appears to have stabilized and improved for the near-term due to new retail opening in the Gateway Shopping Center and improvement in retail and fuel sectors. The local sales and use tax approved by voters is projected to increase revenues approximately \$1.6 million in FY 2017-18.

Transient occupancy tax, business license, and franchise fees increased overall but at significantly lower growth levels. In FY 17-18, the local gross rental receipts business license tax approved by voters is projected to increase revenues approximately \$0.5 million. Projected development-related permits and plan review fees are highly volatile and uncertain due to the timing and reaction to the lift of the current development moratorium. The City also receives contribution revenues for capital grants, settlements, community benefits, and other purposes. These revenues are typically restricted to specific activity and can fluctuate significantly year over year.

Despite enjoying the second-most significant economic expansion in its history, the City also always must balance recent improvements with the reality of the difficult, protracted issues facing the City today. Our challenges, among others, include: a lack of sufficient funding for critically-deferred infrastructure investment; imminent facilities risk due to terminating lease agreements; low City staffing to service ratios in a community with high service needs; and, a community which remains at the heart of Statewide issues related to inadequate housing supply and increasingly unaffordable housing costs.

A June 2017 report to City Council 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 drains and flood-prevention infrastructure. In recent years, the City has committed surplus funding to address deferred infrastructure maintenance risks; however, as the pace of revenue growth declines, funding levels will be difficult to sustain.

Two general tax measure passed by voters in November 2017, will provide estimated revenues of \$2.1 million which are targeted for additional infrastructure investments; improving employee attraction and retention; improving local housing and displacement services; and, offsetting the deleterious effects of Redevelopment Dissolution and other significant losses of Federal, State and local restricted funding sources for police, violence prevention, and streets maintenance and construction. The most recent fiscal outlook prepared by the State Legislative Analyst's Office reports that the economic growth prospect forecast consensus through FY 2018-19 is generally positive with a heightened degree of uncertainty beyond FY 2018-19.

LONG TERM FINANCIAL PLANNING

As part of a strategic budget planning process, management annually presents a multi-year financial projection to the City Council. This document is intended to provide the City Council with the opportunity to plan for the management of financial resources and to address forecasted financial challenges. The most recently prepared update of the FY 16-18 Biennial Forecast reflected strategic spending of the new tax measures and revised projections under two scenarios: (1) a soft-growth economic “extension” through FY 2020-21; and, (2) a mild recession scenario to demonstrate the City’s fiscal resiliency under both conditions.

Demonstration of operating results under both scenarios emphasizes that the City must plan and prepare for both the expected development “gap”, and the next economic contraction. Planning for various outcomes is particularly important as recent regulatory mandates and strategic decisions have increased the complexity and cost-risk of City services, including citizen expectation of the stability of such services. Aside from economic cycle risk, the City faces a number of other uncertainties, including: addressing mandated infrastructure regulations, risks associated with unplanned infrastructure events requiring ad hoc funding; City workforce retirements and turnover; and, funding future increases in CalPERS retirement costs.

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 City Council funds the reserve based on adopted budget operating expenditures. At June 30, 2017, the reserve balance of \$3.1 million equals approximately 15% of General Fund adopted operating expenditures; and, 17% of actual 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.

FINANCIAL POLICIES AND INFORMATION

Budgetary Controls

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Annual 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.

Major Initiatives

Major initiatives for the year were developed through both 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 a long-term crime and violence reduction programs and conducting public education and outreach on fire safety and emergency preparation.

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

Increase Organizational Effectiveness and Efficiency: includes goals for developing a 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, developing additional water supply and enhancing the water system, enhancing flood protection, and developing a comprehensive mobility plan.

Improve Communication and Enhance Community Engagement: includes goals for 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, develop a parks master plan, and preserve and expand affordable housing in East Palo Alto.

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

- *Addressed the City's water supply shortage through an innovative and multi-pronged approach, including:*
 - *Entering into an agreement to acquire a permanent transfer of the rights to one million gallons per day (1 MGD) of water for \$5 million.*
 - *Making substantial progress in developing underground water resources.*
- *Appropriating \$3.7 million in capital funding for Bay Road, Pedestrian Overpass, Park Playground Replacement, facilities planning, and ADA transition planning.*
- *Approving a Strategic Spending Plan for new tax measures including funding for streets, storm-water compliance, community development staff positions, and new housing assistance, displacement and outreach programs.*
- *Entered into a \$13.4 million Memorandum of Agreement with Facebook, including \$2.5 for transportation-related capital funding.*

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, 2016. This was the eighth year the City applied for and received 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. Such report 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. Deepest appreciation is extended to Financial Services Manager, Paul Maumalanga; Payroll Accountant II, Ana Torres; Accountant II, Agnes Pabis; Account Technician II, Mona Nissan; and Account Technician I, James Colin - each of whom demonstrated exemplary personal dedication and professionalism during this process.

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

Respectfully submitted,



Brenda Olwin
Finance Director



CITY OF EAST PALO ALTO

DIRECTORY OF OFFICIALS

City Council

Ruben Abrica.....	Mayor
Lisa Gauthier.....	Vice Mayor
Larry Moody.....	Councilmember
Carlos Romero.....	Councilmember
Donna Rutherford.....	Councilmember

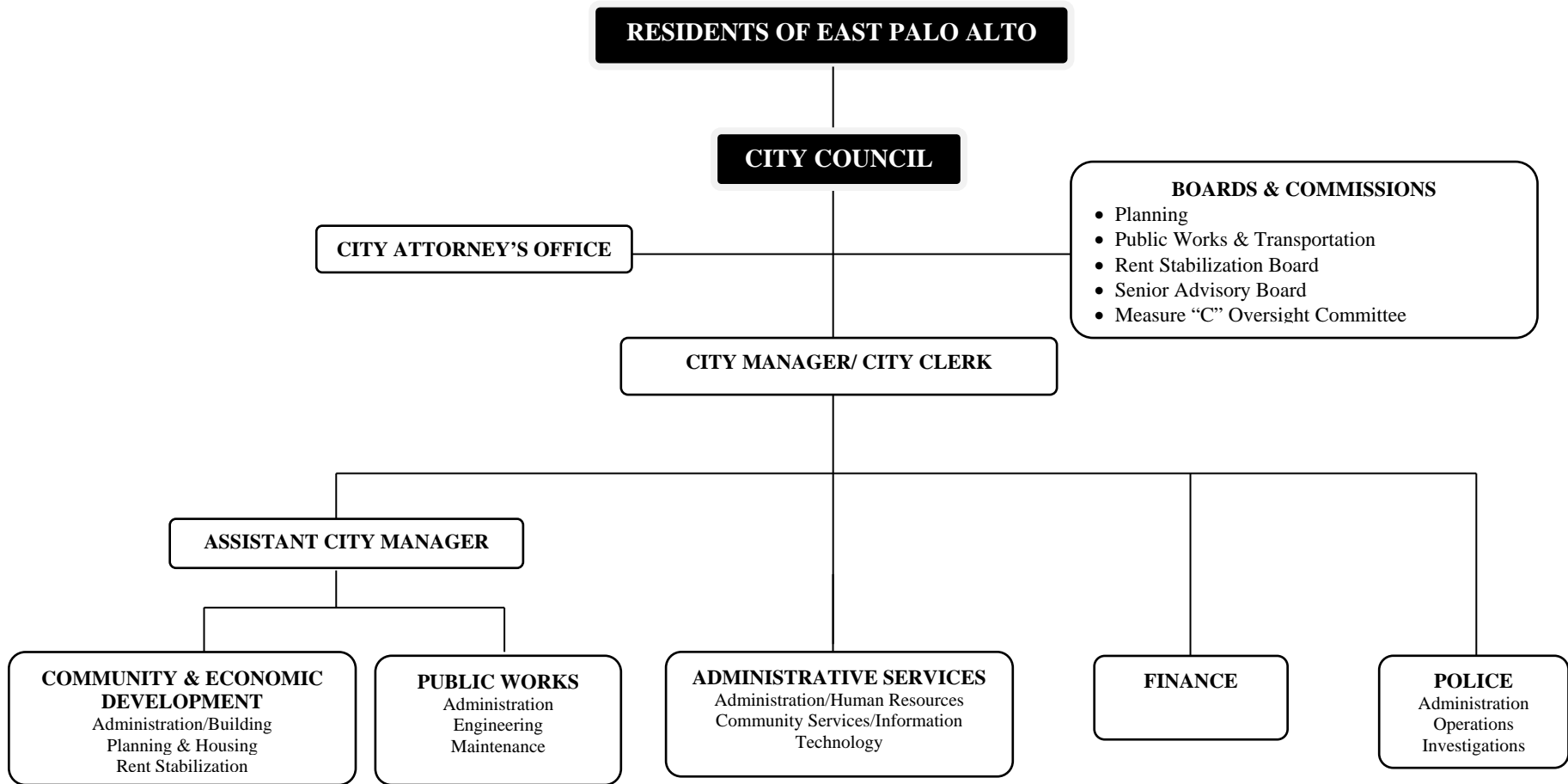
Administration

Carlos Martinez.....	City Manager
Sean Charpentier.....	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, 2016

Executive Director/CEO

This page intentionally left blank



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, 2017, 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.

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, California
Page 2

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, 2017, 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 5-18 and 90-96 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.

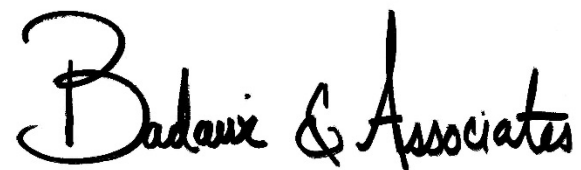
The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 100-121 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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.

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, 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 black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 29, 2017

This page intentionally left blank

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, 2017. We advise readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2016-17 FINANCIAL HIGHLIGHTS

- The City's total net position equals \$121 million at June 30, 2017, an increase of \$14.8 million over the previous year's net position of \$106.2 million. Of the total increase, \$13.5 million is attributable to governmental activities including settlement and gift income of \$5 million restricted to capital and housing-related activities. The remaining increase of \$1.3 million relates to business-type activities related to water capital surcharges and capital transfers.
- Total revenues, excluding transfers and special items, equal \$39.5 million which represents a decrease of \$1.2 million from the prior year. Total expenses are \$24.7 million in fiscal year 2016-17 compared to prior year expenses of \$25.2 million.
- Governmental program revenues equal \$12.0 million in FY 2016-17 compared to \$13.9 million in the prior year, primarily due to decreased capital grants and contributions (\$4.1M) offset by increased operating grants and contributions (\$2.3M). Business-type program revenues equal \$3.7 million in fiscal year 2016-17 compared to \$3.5 million in fiscal year 2015-16 primarily due to increased water capital surcharges of \$0.2 million.
- Governmental general revenues (excluding transfers and special items) equal \$23.8 million in fiscal year 2016-17 compared to \$23.4 million in fiscal year 2015-16, primarily due to an increase in property taxes (\$0.9M) offset by a reduction in miscellaneous revenues (\$0.5M). Business-type general revenues (excluding transfers) remained approximately the same year over year.
- General Fund revenues of \$23.7 million decreased by \$0.6 million from the prior year. Tax-related revenues increased \$0.5 million primarily as a result of new tax measures offset by reductions in community donations (\$0.8M) and various other revenues.
- General Fund balance of \$30.5 million increased by \$1.9 million over the prior year, including transfers of \$3.8 million; of which \$3.6 million relates to funding for critical capital infrastructure.

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 in a manner similar to a private-sector business.

Statement of Net Position: Presents information on all of 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 as soon as the underlying 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 (e.g. revenues pertaining to uncollected taxes and expenses pertaining to earned unused vacation leave). Non-financial factors, such as changes in the City's property tax base and the condition of the City's roads must be considered in order 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 franchised garbage collection services are reported here.

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 money 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 money (such as grants received from the Federal government). The City reports the following major funds: General Fund, Low and Moderate Income Housing Successor Fund, Public Improvements in Lieu Fund, Housing in Lieu 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, which focus 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 future 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 - these 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 cash flows, for proprietary funds.
- *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 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 similar 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 comparative information in its Management Discussion & Analysis by presenting two years of financial information in the GASB Statement No. 34 format and a comparative analysis of government-wide data. Net position serves as a useful indicator of a government's financial position.

Analysis of Net Position

Government-wide assets exceeded liabilities by \$121 million at the end of the current fiscal year. However, a significant portion of these assets are not liquid, 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 the governmental and business-type activities:

STATEMENT OF NET POSITION (Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	78,927	66,544	7,815	6,487	86,742	73,031
Capital assets	42,326	41,144	4,051	3,353	46,377	44,497
Total assets	121,253	107,688	11,866	9,840	133,119	117,528
Deferred outflows of resources						
Deferred outflows related to pension	5,753	3,828	-	-	5,753	3,828
Total deferred outflows	5,753	3,828	-	-	5,753	3,828
Liabilities:						
Current and other liabilities	4,580	3,452	999	587	5,579	4,039
Noncurrent liabilities	10,922	9,356	295	54	11,217	9,410
Total liabilities	15,502	12,808	1,294	641	16,796	13,449
Deferred inflows of resources						
Deferred inflows related to pension	1,099	1,750	-	-	1,099	1,750
Total deferred inflows	1,099	1,750	-	-	1,099	1,750
Net Position:						
Investment in capital, net of debt	42,278	41,044	4,051	3,353	46,329	44,397
Restricted	34,208	27,115	4,417	3,899	38,625	31,014
Unrestricted	33,919	28,799	2,104	1,947	36,023	30,746
Total Net Position	110,405	96,958	10,572	9,199	120,977	106,157

Net Position - Governmental Activities

Total governmental activities assets of \$121.3 million consist of current and other assets of \$78.9 million and capital assets of \$42.3 million.

Deferred outflows of \$5.8 million relate to GASB #68 "Accounting and Financial Reporting for Pensions" (GASB #68), of which \$1.5 million relates to deferred employer pension contributions paid after the pension liability measurement date, \$1.0 million relates to differences in proportionate share of aggregate employer contributions, \$0.9 million is the change in

proportion under the City's multi-employer cost-sharing plans, and \$2.4 million relates to net differences between projected and actual earnings on plan investments.

Total liabilities of \$15.5 million consist of \$4.6 million current liabilities and \$10.9 non-current liabilities. Of the non-current liabilities, the most significant portion (\$9.5 M) relates to net pension liability reported as a result of GASB #68 reporting requirements.

Deferred inflows of \$1.1 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.

The most significant portion of net position (38%) of the governmental net position 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 provide no 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 and grant-funded activity. As a result of redevelopment dissolution, this focus has rotated to utilizing increased general tax revenues for capital contributions – primarily due to the City's lack of facilities that can be leveraged for lease-based debt financing.

A lesser portion of net position (31%) relates to resources that are 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 agreements, housing funds, and other restricted uses.

The City is able to report positive balances in all three categories of net position for governmental activities; however a significant portion of the unrestricted balances are non-spendable and/or committed for capital projects and contingencies.

Net Position - Business-type Activity

The City's business-type assets of \$11.9 million include \$4.1 million in capital assets, consisting primarily of municipal water-service assets and infrastructure. Net position of \$10.6 million includes \$4.1 million of capital assets net of related debt, and \$4.4 million represents assets restricted for capital projects to improve water system infrastructure.

Analysis of Statement of Activities

The statement of activities shows the net increases / (decreases) of net position during the fiscal year. The following table indicates the changes in net position for governmental and business-type activities (Note: certain 2016 expenditures are reclassified in order to consistently present statement-wide allocation of pension and capital activity):

STATEMENT OF ACTIVITIES

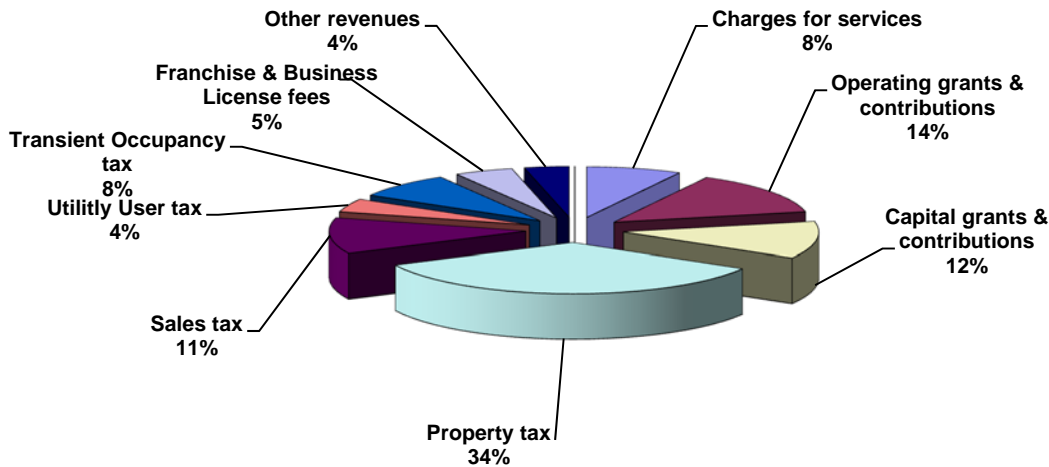
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	2,799	2,907	3,689	3,463	6,488	6,370
Operating grants & contributions	4,970	2,643	-	-	4,970	2,643
Capital grants & contributions	4,229	8,348	-	-	4,229	8,348
General revenues:						
Property taxes	12,289	11,428	-	-	12,289	11,428
Sales taxes	4,079	4,364	-	-	4,079	4,364
Utility user tax	1,520	1,516	-	-	1,520	1,516
Transient Occupancy taxes	2,906	2,809	-	-	2,906	2,809
Franchise & Business taxes	1,719	1,510	-	-	1,719	1,510
Other taxes	722	714	-	-	722	714
Investment Earnings	395	313	33	34	428	347
Miscellaneous	194	721	-	-	194	721
Total revenues	35,822	37,273	3,722	3,497	39,544	40,770
Expenses						
Program expenses:						
General government	4,184	3,858	-	-	4,184	3,858
Public safety	9,313	9,653	-	-	9,313	9,653
Public works	4,735	4,947	-	-	4,735	4,947
Culture and recreation	1,183	1,182	-	-	1,183	1,182
Community development	2,427	2,749	-	-	2,427	2,749
Water services	-	-	379	342	379	342
Garbage collection	-	-	2,501	2,491	2,501	2,491
Interest on long-term debt	2	4	-	-	2	4
Total expenses	21,844	22,393	2,880	2,833	24,724	25,226
Excess before transfers or special items	13,978	14,880	842	664	14,820	15,544
Transfers	(531)	(2,262)	531	2,262	-	-
Special items	-	3,246	-	-	-	3,246
Change in Net Position	13,447	15,864	1,373	2,926	14,820	18,790
Net Position-Beginning	96,958	81,394	9,199	6,273	106,157	87,667
Restatement of Net Position	-	(300)	-	-	-	(300)
Net Position-Ending	110,405	96,958	10,572	9,199	120,977	106,157

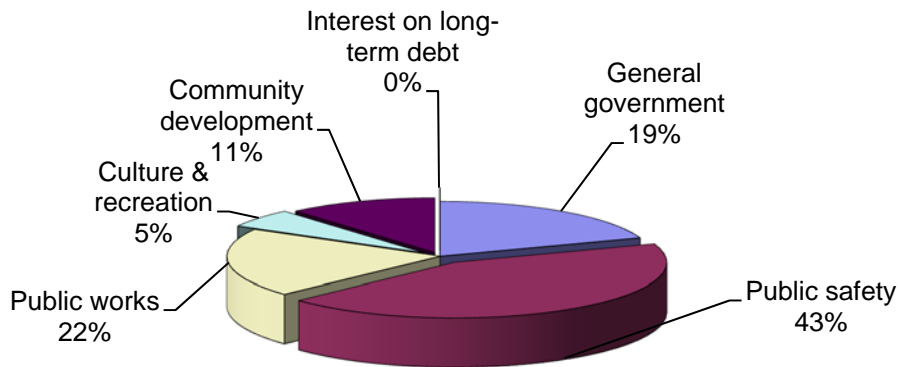
Statement of Activities - Governmental

Government-wide Net position for governmental activities increased by approximately \$13.4 million compared to previous fiscal year. A further depiction of governmental type revenues and expenditures 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 and special items equal \$35.8 million; a decrease of \$1.4 million or 3.9% from the prior year. Capital grants and contributions decreased \$4.1 million due two housing developments in fiscal year 15-16. This decrease is offset by increased operating grants and contributions of \$2.3 million primarily due to a gift (\$2.5M) restricted to affordable housing-related activities. Property tax revenues increased \$0.9 million over the prior year; however, all other tax revenues combined were approximately flat year over year, with noted weakness in sales tax revenues. Miscellaneous revenues declined approximately \$0.5 million as the result of a general contribution received from a developer in the prior year.
- Net transfers consist of governmental resources transferred out to fund construction of water enterprise infrastructure (primarily water wells) and declined \$1.7 million year over year as the City rotated available general resources into funding street and pedestrian infrastructure projects.
- Total expenses equal \$21.8 million, a decrease of approximately \$0.5 million or 2.4% from the prior year. Expenditures decreased from prior year primarily due to comparatively high consulting costs in the prior year related to the General Plan Update (\$0.5M); groundwater feasibility and monitoring, and outside pre-construction planning costs.

Statement of Activities - Business-type

- Total net position increased by \$1.4 million primarily due to water capital surcharge revenues invested in capital construction in progress and \$0.5 million of capital contributions to the water fund.
- Garbage operating revenues declined slightly to \$2.5 million. Operating expenses remained approximately the same year over year at \$2.5 million.
- Water revenues increased slightly by \$0.3 million due to a full fiscal year of new water surcharges compared to the prior year. Water expenses increased by \$36,600 to \$0.38 million due to costs with the planning and monitoring of groundwater systems.

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.

At June 30, 2017, the City's combined governmental funds ending fund balances total \$71.9 million.

Governmental revenues total \$36.7 million compared to \$38.8 million in the prior year. The decrease of 5.0%, or \$2.1 million is attributable to year over year volatility in one-time or specific revenues such as community benefit contributions (\$.08M), and development-related in-lieu fees collected in prior year (\$6.8M) compared to traffic settlement (\$2.5M) and gift contributions (\$2.5M) received in the current year. Of the remaining net changes, major tax revenues increased \$0.5 million net combined - primarily due a local sales tax measure approved by voters in November 2017.

Governmental expenditures total \$24.7 million compared to \$23.2 million in the prior year. The \$1.5 million net increase in expenditures is primarily attributable to increased capital outlay (\$0.8M) and personnel costs (\$0.3M). Despite modest wage increases and increased pension and benefit costs per employee; overall costs increased less than expected due to higher vacancy levels and reduced overtime costs.

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 in) total \$23.7 million; a decrease of \$0.9 million or 4.0% from the prior year. The decrease is primarily due to reduced miscellaneous revenues (\$1.1M) consisting of prior year one-time community benefit contributions (\$0.8M) and insured loss reimbursements. While property tax revenues increased \$0.9 million, sales tax decreased \$0.4 million despite the passage of a local sales tax measure in November 2017. Net combined tax-related increases of \$0.5 million are offset by reductions most other revenue sources.

Expenditures (before transfers) total \$18.1 million, an increase of \$0.4 or 2.1%. The major increases in expenditures are due to increased professional services in Community Development (\$0.3M) and Public Works (\$0.2M) related to professional services for pre-entitlement planning environmental and design for four large development projects.

Net Other Financing Uses total \$3.7 million comprising transfers to the Capital Improvement fund (\$3.7M) to provide funding for major capital projects such as the Highway 101 Pedestrian Overcrossing and Bay Road Improvements.

Fund Balance totals \$30.5 million, an increase of \$1.9 million or 6.6% over the prior year. Of the total fund balance, \$12.1 million is non-spendable and relates to Successor Agency loans, and \$1.2 million is assigned for encumbrances. Of the \$17.2 million remaining balance, the following amounts are set-aside: Minimum Fund Reserve (\$3.1M), Technology, Equipment & Vehicles, and Self-Insurance (\$4.1M); Community Benefits (\$0.1M); leaving a remaining unassigned balance of \$9.9 million; of which \$0.5 million is designated to fund a loan to the Water Services Fund.

Low and Moderate Income Housing Successor Special Revenue Fund: This fund accounts for certain assets of the former RDA's Housing Fund to be used in accordance with the low and moderate incoming housing provisions of California Redevelopment Law. Fund activity is mainly comprised of affordable housing project loans receivable.

Public Improvement in Lieu Special Revenue Fund is used to account for revenues and expenditures for public improvement assets including settlement and other fees collected from developers. Total Fund Balance decreased by approximately \$50,200 from the prior year to \$229,000 as a result of revenues offset by expenditures of approximately \$161,000 incurred related to the Bay Road Phase II capital project.

Housing in Lieu Special Revenue Fund is accounts for revenues and expenditures related to affordable housing including in lieu fees collected from developers and 10% of transient occupancy taxes (TOT) collected as approved by voters. Total Fund Balance increased \$0.3 million to \$8.8 million primarily due to TOT and minimal housing in lieu fees collected during the year.

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.

Total Fund Balance increased by \$6 million from \$4.9 million in the prior year to \$10.9 million at June 30, 2017. Capital and capital-related expenditures of \$2.8 million were funded by a combination of capital grants and local sources, and the net increase is due to a restricted settlement (\$2.5M) received for future transportation projects and General Fund transfers for both current and future projects (\$3.7M). City currently has cash funding and/or grant commitments available to fund a number of committed capital projects.

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 \$0.90 million and \$9.7 million, respectively. The Garbage Fund net position balance is unrestricted. The Water Fund net position includes \$4.1 million net investment in capital and \$4.4 million in cash restricted for capital projects leaving an unrestricted net position of \$1.2 million. The net change in position of both funds equals \$1.4 million; primarily comprising an increase in Water Service 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 of \$21.1 million increased \$2.1 million to final amended revenues of \$23.2 million. Major revenue amendments related to higher than anticipated real estate transfer and supplemental property taxes, including ERAF; lower than anticipated sales tax offset by the

passage of a local sales tax; and higher than anticipated development-related permits, fees, and charges due to continued commercial and residential improvement projects, as well as, pre-application planning activity incurred despite a development moratorium enacted in July 2016. Total Adopted Expenditures (before transfers) of \$20.8 million decreased \$1.2 million to final Amended Expenditures of \$19.6 million. The additional resources primarily were appropriated and transferred to the Capital Improvement Fund.

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

- Actual revenues total \$23.7 million, approximately \$0.6 million greater than the amended budget of \$23.1 million. Major actual differences relate to charges for services and fees for environmental review planning, building inspection and plan check, and engineering design review fees related to four major projects, and continued building improvement and building inspection activity not affected by the development moratorium enacted.
- Actual expenditures total \$18.1 million, approximately \$1.5 million less than the amended budget of \$19.6 million. Of this amount, approximately \$0.4 million relates to equipment assets ordered but not delivered and expended by June 30. Other factors include, reduced liability settlements and legal fees; deferred technology purchases (\$0.2M); and encumbered but unexpended professional service contracts for appropriated development and finance-related studies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets for governmental and business-type activities balance as of June 30, 2017 amounted to \$46.4 million (net of accumulated depreciation), an increase of \$1.9 million or 4.3% over the prior year. The increase is primarily attributable to construction in progress (\$0.8M) in business-type activities. 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 presented on the following page to illustrate changes from the prior year:

June 30, 2017
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	4,059	4,059	264	207	4,323	4,266
Buildings and Improvements	8,216	8,186	-	44	8,216	8,230
Improvements Other than Bldgs.	9,507	9,327	7,058	7,058	16,565	16,385
Construction in Progress	4,144	4,024	836		4,980	4,024
Furnishings & Equipment	2,015	1,979	-	64	2,015	2,043
Vehicles	2,111	1,788	-	89	2,111	1,877
Street and Roadways	46,022	46,022			46,022	46,022
Storm Drain System	6,175	4,089			6,175	4,089
Less: Accumulated Depreciation	<u>(39,923)</u>	<u>(38,330)</u>	<u>(4,107)</u>	<u>(4,109)</u>	<u>(44,030)</u>	<u>(42,439)</u>
Total	<u>42,326</u>	<u>41,144</u>	<u>4,051</u>	<u>3,353</u>	<u>46,377</u>	<u>44,497</u>

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

Governmental Activities

Capital assets increased \$1.20 million, net of depreciation. New assets acquired and in progress total \$2.7 million, including Bay Road Underground Utility improvements, drainage system improvements, Hwy 101/University Avenue Interchange improvements, and replacement of police vehicles.

Business-Type Activities

Capital assets increased \$0.7 million, net of depreciation and consist of water infrastructure projects for capital activity related to Capital assets additions were in the Water Service Fund (\$0.76M) legal and engineering costs incurred to acquire water rights and Gloria Well Rehabilitation construction in progress improvements.

For government-wide financial statements presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. 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

The City carries approximately \$52,300 of public safety vehicle lease payments accounted for as capitalized lease debt. 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 a number of factors, including that the City owns minimal property assets that are easily debt-leveraged. Additionally, with the dissolution of the former RDA, the Successor Agency fiduciary fund assumed the long-term term debt of the former RDA as of February 1, 2012. Total Successor Agency fiduciary debt balance outstanding at June 30, 2017 is \$19.4 million. Additional information about the Successor Agency debt can be found in Note 15 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

According to California Employment Development Department statistics, the City of East Palo Alto's unemployment rate decreased from 5.4% in June 2016 to 4.8% in June 2017. Historically, the City's unemployment rates have been higher than the rates of San Mateo County and the State of California. In June 2017, the State and County unemployment rates reached historically low levels of 4.9% and 3.0%, respectively. Compared to June 2016, the State and County unemployment rates were 5.4% and 3.4% respectively. Overall, California, San Mateo County, and local economies are continuing to experience low unemployment rates and extended, steady economic growth. Generally, East Palo Alto lags behind most other communities in the San Francisco Bay Area during economic recoveries; and, to date, the City continues to experience intense property and development interest as a result of relatively affordable land and property values compared to other communities in the Silicon Valley.

The City experienced a significant slowing of recent growth trends across a broad range of major revenue categories; however, the current year also resulted in a number of far-reaching and positive economic trends, including: (1) an agreement with the City of Mountain View to purchase a permanent transfer of water rights (see Note 14E); (2) economic development interest and attraction of brand-familiar business entities; (3) voter passage of a general 1/2% local sales and use tax effective April 2017; (4) voter passage of a general gross rental receipts business license tax effective in 2018; and, (5) the anticipated lift of the development moratorium during FY 17-18.

These trends are accompanied by deep challenges related to long-term deferred infrastructure investment, increased and costly regulatory requirements, continued loss of operational grant funding for public safety, the sunset of the local Measure C tax, and the anticipation of normal economic cycling impacting the current expansion. Additionally, the City anticipates a development "gap" period between realizing the full economic value of recent residential and commercial development, and until the next cycle of development projects results in additional economic stimulus, if approved.

In June 2016, the City adopted a two-year budget for fiscal years (FY) 2016-17 and 2017-18.

During the recent Mid-Cycle amendment of the FY 2017-18 Budget, Council appropriated the new tax measures for a number of spending initiatives focused on addressing housing displacement and services; streets and mandatory storm drain funding; and, employee attraction and retention issues.

Looking forward, the focus of the next two-year budget cycle will be prioritizing service programs and demands. City staff levels, while improved, remain under-resourced in relation to current regulatory requirements, infrastructure projects in progress, and community needs and demands. Additionally, the budget priorities will continue to address citizen interest in improving fiscal resiliency; including planning and preparation for normal economic cycling risk and uncertainty.

The City General Fund Emergency reserve is fully funded at 15% of operating expenditures (reserve is funded based upon budgeted expenditures). Over the course of the next budget cycle, Council will consider defined and expanded reserve policies in order to guide strategic decisions regarding committing current, available General Fund reserves.

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.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank

City of East Palo Alto
Statement of Net Position
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 52,703,921	\$ 6,744,190	\$ 59,448,111
Restricted cash and investments with fiscal agents	1,211,712	836,386	2,048,098
Receivables:			
Accounts receivable	425,546	106,674	532,220
Interest receivable	389,070	16,825	405,895
Taxes receivable	1,370,222	-	1,370,222
Intergovernmental receivables	2,680,273	111,043	2,791,316
Deposits and prepayments	79,206	-	79,206
Total current assets	<u>58,859,950</u>	<u>7,815,118</u>	<u>66,675,068</u>
Noncurrent assets:			
Loans to Successor Agency	11,990,306	-	11,990,306
Loans and notes receivable	8,077,021	-	8,077,021
Capital assets:			
Non-depreciable	8,203,106	1,099,595	9,302,701
Depreciable, net	34,122,782	2,950,971	37,073,753
Total capital assets	<u>42,325,888</u>	<u>4,050,566</u>	<u>46,376,454</u>
Total noncurrent assets	<u>62,393,215</u>	<u>4,050,566</u>	<u>66,443,781</u>
Total assets	<u>121,253,165</u>	<u>11,865,684</u>	<u>133,118,849</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	1,493,218	-	1,493,218
Deferred outflows of resources - pension	4,260,255	-	4,260,255
Total deferred outflows of resources	<u>5,753,473</u>	<u>-</u>	<u>5,753,473</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,765,795	751,385	2,517,180
Accrued liabilities	1,037,748	117,933	1,155,681
Retention payable	129,861	18,962	148,823
Unearned revenue	1,211,712	-	1,211,712
Compensated absences - due within one year	370,703	-	370,703
Claims payable - due within one year	34,050	-	34,050
Capital lease payable - due within one year	31,399	-	31,399
Total current liabilities	<u>4,581,268</u>	<u>888,280</u>	<u>5,469,548</u>
Noncurrent liabilities:			
Deposits payable	786,512	47,757	834,269
Advance from developers	100,891	246,986	347,877
Compensated absences - due in more than one year	365,623	-	365,623
Claims payable - due in more than one year	192,950	-	192,950
Capital lease payable - due in more than one year	16,085	-	16,085
Note payable	-	111,043	111,043
Net pension liability	9,458,584	-	9,458,584
Total noncurrent liabilities	<u>10,920,645</u>	<u>405,786</u>	<u>11,326,431</u>
Total liabilities	<u>15,501,913</u>	<u>1,294,066</u>	<u>16,795,979</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	1,099,303	-	1,099,303
Total deferred inflows of resources	<u>1,099,303</u>	<u>-</u>	<u>1,099,303</u>
NET POSITION			
Net investment in capital assets	42,278,404	4,050,566	46,328,970
Restricted for:			
Highway and Street Projects	6,411,718	-	6,411,718
Parks and Recreation	1,117,148	-	1,117,148
Measure C Program	1,510,846	-	1,510,846
Housing Programs	20,518,013	-	20,518,013
Special Programs	853,741	-	853,741
Capital Projects	3,796,398	4,416,627	8,213,025
Total restricted	<u>34,207,864</u>	<u>4,416,627</u>	<u>38,624,491</u>
Unrestricted	33,919,154	2,104,425	36,023,579
Total net position	<u>\$ 110,405,422</u>	<u>\$ 10,571,618</u>	<u>\$ 120,977,040</u>

City of East Palo
Statement of Activities
For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 4,183,768	\$ 26,441	\$ 17,644	\$ -	\$ 44,085
Public safety	9,313,300	480,048	174,558	-	654,606
Public works	4,734,883	298,451	1,847,206	4,202,916	6,348,573
Culture and recreation	1,183,150	4,731	59,396	-	64,127
Community Development	2,426,699	1,989,755	2,870,931	26,407	4,887,093
Interest on long-term debt	2,347	-	-	-	-
Total governmental activities	21,844,147	2,799,426	4,969,735	4,229,323	11,998,484
Business-type activities:					
Garbage Collections	2,501,535	2,461,388	-	-	2,461,388
Water Services	378,893	1,227,649	-	-	1,227,649
Total business-type activities	2,880,428	3,689,037	-	-	3,689,037
Total primary government	\$ 24,724,575	\$ 6,488,463	\$ 4,969,735	\$ 4,229,323	\$ 15,687,521

General Revenues:

Taxes:

- Property taxes
- Sales taxes
- Utility users tax
- Transient occupancy taxes
- Other taxes
- Franchise and business tax

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues, transfers and special item

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,139,683)	\$ -	\$ (4,139,683)
(8,658,694)	-	(8,658,694)
1,613,690	-	1,613,690
(1,119,023)	-	(1,119,023)
2,460,394	-	2,460,394
(2,347)	-	(2,347)
(9,845,663)	-	(9,845,663)
-	(40,147)	(40,147)
-	848,756	848,756
-	808,609	808,609
(9,845,663)	808,609	(9,037,054)
12,288,670	-	12,288,670
4,078,803	-	4,078,803
1,520,017	-	1,520,017
2,906,241	-	2,906,241
721,870	-	721,870
1,719,382	-	1,719,382
23,234,983	-	23,234,983
394,890	32,939	427,829
194,024	-	194,024
(531,049)	531,049	-
23,292,848	563,988	23,856,836
13,447,185	1,372,597	14,819,782
96,958,237	9,199,021	106,157,258
\$ 110,405,422	\$ 10,571,618	\$ 120,977,040

This page intentionally left blank

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

This page intentionally left blank

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 the other funds.

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 those with low and moderate incomes. The main source of revenue is the repayment of loans restricted for housing activities.

Public Improvements in Lieu Special Revenue Fund accounts for development fee and contractual revenues, and capital expenditures for related public improvement assets.

Housing in Lieu Special Revenue Fund accounts for developer fees and deposits in lieu of providing affordable housing and 10% set-aside of transient occupancy taxes collected as approved by voters, and the expenditures related to allowable affordable housing activities.

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, 2017

	Major Funds		
	General	Low and Moderate Income Housing Successor Special Revenue Fund	Public Improvements in Lieu Special Revenue Fund
ASSETS			
Cash and investments	\$ 18,834,064	\$ 606,514	\$ 257,428
Restricted cash and investments	-	-	1,209,856
Receivables:			
Accrued interest	69,254	268,337	866
Taxes	1,311,304	-	-
Intergovernmental	4,719	-	-
Accounts receivable	339,490	-	-
Deposits and prepayments	76,541	-	-
Due from other funds	-	-	-
Loans to Successor Agency	11,990,306	-	-
Loans and notes receivable	-	7,158,808	-
Total assets	\$ 32,625,678	\$ 8,033,659	\$ 1,468,150
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 552,363	\$ -	\$ 29,327
Retentions payable	-	-	-
Deposits payable	781,512	-	-
Other accrued liabilities	605,319	-	-
Unearned revenue	-	-	1,209,856
Due to other funds	-	-	-
Advances from developers	-	-	-
Total liabilities	1,939,194	-	1,239,183
Deferred inflows of resources:			
Unavailable revenues	195,401	253,765	-
Fund Balances: (Note 9)			
Nonspendable	12,066,847	-	-
Restricted	-	7,779,894	228,967
Assigned	1,188,899	-	-
Unassigned	17,235,337	-	-
Total fund balances	30,491,083	7,779,894	228,967
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,625,678	\$ 8,033,659	\$ 1,468,150

See accompanying Notes to Basic Financial Statements.

Major Funds

Housing in Lieu Special Revenue Fund	Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 8,064,858	\$ 11,173,782	\$ 13,767,275	\$ 52,703,921
-	-	1,856	1,211,712
21,482	-	29,131	389,070
29,459	-	29,459	1,370,222
-	2,349,202	326,352	2,680,273
-	-	86,056	425,546
-	-	2,665	79,206
-	29,006	-	29,006
-	-	-	11,990,306
700,000	-	218,213	8,077,021
<u>\$ 8,815,799</u>	<u>\$ 13,551,990</u>	<u>\$ 14,461,007</u>	<u>\$ 78,956,283</u>
\$ -	\$ 591,522	\$ 592,583	\$ 1,765,795
-	63,982	65,879	129,861
-	5,000	-	786,512
-	420,000	12,429	1,037,748
-	-	1,856	1,211,712
-	-	29,006	29,006
-	100,891	-	100,891
-	<u>1,181,395</u>	<u>701,753</u>	<u>5,061,525</u>
-	<u>1,513,689</u>	<u>29,090</u>	<u>1,991,945</u>
-	-	-	12,066,847
8,815,799	3,567,431	13,730,164	34,122,255
-	7,289,475	-	8,478,374
-	-	-	17,235,337
<u>8,815,799</u>	<u>10,856,906</u>	<u>13,730,164</u>	<u>71,902,813</u>
<u>\$ 8,815,799</u>	<u>\$ 13,551,990</u>	<u>\$ 14,461,007</u>	<u>\$ 78,956,283</u>

This page intentionally left blank

City of East Palo Alto
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds \$ 71,902,813

Amounts reported for governmental activities in the Statement of Net Position were different because:

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	8,203,106
Depreciable, net	34,122,782
	42,325,888
Total capital assets	42,325,888

Employer pension contributions are recorded as expenditures in the Governmental funds when paid based upon recommended actuarial contributions. In the Government-wide financial statements, certain pension activity is reported as deferred inflows of resources or deferred outflows of resources, as follows:

Employer pension contributions reported as expense in the Governmental funds, but paid after the pension liability measurement date. 1,493,218

For multi-employer cost sharing pension plans, differences between actual employer pension contributions and the City's proportionate share of total aggregate employer contributions during the measurement period are deferred and amortized over the estimated average remaining service period of active members in the plan in the Government-wide statements, however, in the Governmental funds such transactions are not recorded. 4,260,255

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension and differences due to changes proportion are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. (1,099,303)

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. 1,991,945

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

Compensated absences - due within one year	(370,703)
Claims payable - due within one year	(34,050)
Capital lease payable - due within one year	(31,399)
Compensated absences - due in more than one year	(365,623)
Claims payable - due in more than one year	(192,950)
Capital lease payable - due in more than one year	(16,085)
Net pension liability	(9,458,584)
	(10,469,394)
Total long-term liabilities	(10,469,394)

Net Position of Governmental Activities \$ 110,405,422

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2017

	Major Funds		
	General Fund	Low and Moderate Income Housing Successor Special Revenue Fund	Public Improvements in Lieu Special Revenue Fund
REVENUES:			
Property taxes	\$ 11,706,500	\$ -	\$ -
Sales taxes	3,942,801	-	-
Transient occupancy tax	2,324,992	-	-
Utility users tax	1,520,017	-	-
Other taxes	16,435	-	-
Licenses, fees and permits	2,204,508	-	-
Charges for services	1,220,065	14	60,128
Fines and forfeitures	442,911	-	-
Use of money and property	262,195	41,426	955
Grants and intergovernmental	18,741	-	-
Miscellaneous	76,118	52,500	-
Total revenues	23,735,283	93,940	61,083
EXPENDITURES:			
Current:			
General government	3,483,784	-	-
Public safety	9,611,092	-	-
Public works	2,549,917	-	-
Culture and recreation	422,970	-	-
Community development	1,946,205	15,934	7,673
Capital outlay	40,021	-	153,245
Debt service:			
Principal	52,302	-	-
Interest, and fiscal charges	2,347	-	-
Total expenditures	18,108,638	15,934	160,918
REVENUES OVER (UNDER) EXPENDITURES	5,626,645	78,006	(99,835)
OTHER FINANCING SOURCES (USES):			
Transfers in	65,800	-	49,618
Transfers out	(3,811,148)	-	-
Total other financing sources (uses)	(3,745,348)	-	49,618
Net change in fund balances	1,881,297	78,006	(50,217)
FUND BALANCES:			
Beginning of year	28,609,786	7,701,888	279,184
End of year	<u>\$ 30,491,083</u>	<u>\$ 7,779,894</u>	<u>\$ 228,967</u>

See accompanying Notes to Basic Financial Statements.

Major Funds

Housing in Lieu Special Revenue Fund	Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 582,170	\$ 12,288,670
-	-	591,379	4,534,180
290,624	-	290,624	2,906,240
-	-	-	1,520,017
-	-	1,305,031	1,321,466
72,384	-	-	2,276,892
-	-	810,588	2,090,795
-	-	-	442,911
43,115	-	62,312	410,003
-	5,122,156	3,583,344	8,724,241
-	40,000	36,478	205,096
<u>406,123</u>	<u>5,162,156</u>	<u>7,261,926</u>	<u>36,720,511</u>
31,268	139,889	615,182	4,270,123
-	-	548,722	10,159,814
-	420,000	590,241	3,560,158
-	-	536,918	959,888
36,977	-	390,607	2,397,396
-	2,266,134	830,962	3,290,362
-	-	-	52,302
-	-	-	2,347
<u>68,245</u>	<u>2,826,023</u>	<u>3,512,632</u>	<u>24,692,390</u>
<u>337,878</u>	<u>2,336,133</u>	<u>3,749,294</u>	<u>12,028,121</u>
-	3,662,000	99,530	3,876,948
-	-	-	(3,811,148)
-	3,662,000	99,530	65,800
337,878	5,998,133	3,848,824	12,093,921
<u>8,477,921</u>	<u>4,858,773</u>	<u>9,881,340</u>	<u>59,808,892</u>
<u>\$ 8,815,799</u>	<u>\$ 10,856,906</u>	<u>\$ 13,730,164</u>	<u>\$ 71,902,813</u>

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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 12,093,921
Amounts reported for governmental activities in the Statement of Activities were different because:	
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.	3,372,102
Donated capital assets and capital assets transferred to enterprise funds are reflected in the Government-Wide Statement of Activities as transfers. However capital contributions related to these capital assets are not reported in governmental funds.	(596,849)
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.	(1,593,681)
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.	(30,680)
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.	(182,000)
Payments on capital lease obligations are reported as expenditures in Governmental funds as paid, but the repayments reduce long-term liabilities in the Government-wide Statement of Net Position.	52,302
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.	1,493,218
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(263,016)
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.	(898,132)
Change in Net Position of Governmental Activities	<u>\$ 13,447,185</u>

See accompanying Notes to Basic Financial Statements.

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, 2017

	Enterprise Funds		
	Garbage Collection	Water Service	Total
ASSETS			
Current assets:			
Cash and investments	\$ 1,504,829	\$ 5,239,361	\$ 6,744,190
Cash with fiscal agents	-	836,386	836,386
Accrued interest	3,523	13,302	16,825
Intergovernmental receivable	-	111,043	111,043
Accounts receivable, net	15,417	91,257	106,674
Total current assets	1,523,769	6,291,349	7,815,118
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	1,099,595	1,099,595
Depreciable, net	-	2,950,971	2,950,971
Total capital assets	-	4,050,566	4,050,566
Total noncurrent assets	-	4,050,566	4,050,566
Total assets	1,523,769	10,341,915	11,865,684
LIABILITIES			
Current liabilities:			
Accounts payable	542,768	208,617	751,385
Retentions payable	-	18,962	18,962
Other accrued liabilities	117,933	-	117,933
Total current liabilities	660,701	227,579	888,280
Noncurrent liabilities:			
Deposits payable	-	47,757	47,757
Advances from developers	-	246,986	246,986
Note payable	-	111,043	111,043
Total noncurrent liabilities	-	405,786	405,786
Total liabilities	660,701	633,365	1,294,066
NET POSITION			
Net investment in capital assets	-	4,050,566	4,050,566
Restricted for:			
Capital projects	-	4,416,627	4,416,627
Unrestricted	863,068	1,241,357	2,104,425
Total net position	\$ 863,068	\$ 9,708,550	\$ 10,571,618

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, 2017

	Enterprise Funds		
	Garbage Collection	Water Service	Total
OPERATING REVENUES:			
Charges for services and other fees	\$ 2,190,138	\$ 854,808	\$ 3,044,946
Other	271,250	372,841	644,091
Total operating revenues	2,461,388	1,227,649	3,689,037
OPERATING EXPENSES:			
Outside services	2,412,690	140,033	2,552,723
Administration	88,845	43,569	132,414
Depreciation	-	195,291	195,291
Total operating expenses	2,501,535	378,893	2,880,428
OPERATING INCOME	(40,147)	848,756	808,609
NONOPERATING REVENUES (EXPENSES):			
Interest income	5,868	27,071	32,939
Total nonoperating revenues (expenses)	5,868	27,071	32,939
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	(34,279)	875,827	841,548
Capital contributions	-	596,849	596,849
Transfers out	-	(65,800)	(65,800)
Total transfers	-	531,049	531,049
Change in net position	(34,279)	1,406,876	1,372,597
NET POSITION			
Beginning of year	897,347	8,301,674	9,199,021
End of year	\$ 863,068	\$ 9,708,550	\$ 10,571,618

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

	Enterprise Funds		
	Garbage Collection	Water Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from others	\$ 271,250	\$ 372,841	\$ 644,091
Cash received from customers	2,246,805	752,633	2,999,438
Cash payments to suppliers for goods and services	(2,293,658)	(140,033)	(2,433,691)
Cash paid to employees and city administration	(88,845)	(43,569)	(132,414)
Net cash provided by operating activities	135,552	941,872	1,077,424
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	-
Transfers out		(65,800)	(65,800)
Net cash provided by noncapital financing activities	-	(65,800)	(65,800)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets		(2,566)	(2,566)
Advances from developers		241,121	241,121
Net cash (used in) capital and related financing activities	-	238,555	238,555
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	4,774	20,380	25,154
Net cash provided by investing activities	4,774	20,380	25,154
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,326	1,135,007	1,275,333
CASH AND CASH EQUIVALENTS - Beginning of year	1,364,503	4,940,740	6,305,243
CASH AND CASH EQUIVALENTS - End of year	\$ 1,504,829	\$ 6,075,747	\$ 7,580,576
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 1,504,829	\$ 5,239,361	\$ 6,744,190
Cash with fiscal agents	-	836,386	836,386
Total	\$ 1,504,829	\$ 6,075,747	\$ 7,580,576
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ (40,147)	\$ 848,756	\$ 808,609
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	195,291	195,291
Changes in assets and liabilities:			
Accounts receivable	56,667	(102,175)	(45,508)
Accounts payable	119,032	-	119,032
Total adjustments	175,699	93,116	268,815
Net cash provided by operating activities	\$ 135,552	\$ 941,872	\$ 1,077,424

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. As discussed in Note 14, all California Redevelopment Agencies were dissolved pursuant to the Dissolution Act. In January 2012, 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 the 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 Changes in Fiduciary Net Position
All Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2017

	Successor Agency Trust Fund
ADDITIONS:	
RDA property tax trust fund distribution	\$ 1,558,734
Use of money and property	6,022
Total additions	1,564,756
DEDUCTIONS:	
General government	137,500
Community development	52,500
Interest expense and fiscal charges	639,710
Total Deductions	829,710
Change in net position	735,046
NET POSITION:	
Beginning of year	(30,150,366)
End of year	\$ (29,415,320)

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank

NOTES TO BASIC FINANCIAL STATEMENTS

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

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 considered to be 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 the basis of funds, 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 specific 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 the means by which spending activities are controlled.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

The financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

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.

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. The main source of revenue is the repayment of loans restricted for housing activities.

Public Improvements in Lieu Special Revenue Fund accounts for development fee and contractual revenues, and capital expenditures for related public improvement assets.

Housing in Lieu Special Revenue Fund accounts for developer fees and deposits in lieu of providing affordable housing and 10% set-aside of transient occupancy taxes collected as approved by voters, and the expenditures related to affordable housing activities.

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.

Governmental Fund Financial Statements, Continued

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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 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.

US EPA Special Revenue Fund accounts for U.S. Environmental Protection Agency grant money received and expended.

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 Children/Youth/Seniors/Family 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.

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 the revenues and expenditures of Measure C Special Parcel tax. Measure C was approved by the voters in November 2006. The tax is annual parcel tax and the 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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. The gift is available to use upon the transfer of certain water rights. The funds are further restricted to pay a minimum amount of \$500,000 for an affordable housing manager over a minimum period of five years. Up to \$2,000,000 is authorized for an inter-fund loan to provide monies to purchase certain water rights.

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:

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements, Continued

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 include blended component unit activity of the East Palo Alto Public Finance Authority (the Authority), and such activities are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary fund financial statements.

C. Cash, Cash Equivalents and Investments

The City pools cash resources from all funds in order 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. 3)*, 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

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.

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 enterprise 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 nonspendable fund balance equal to the amount of 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 in excess of 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

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.

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 is 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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:

	Secured	Unsecured
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)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) will sometimes 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 so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes 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 so 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Net Position, Continued

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 represents balances set aside to indicate items 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 Nonspendable amounts are required to be presented as a component of the applicable category.

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 Nonspendable 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

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 the City to strive to maintain a reserve in the General Fund which represents 15% of the fund expenditures.

On June 30, 2017, the General Fund reported \$3,111,000 in reserve which meets the City's minimum 15% requirement level of \$2,803,275. The General Fund reserve fund balance is \$307,725 above this requirement.

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Pronouncements

In 2017, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement were not applicable to the City.
- GASB Statement No. 77, *Tax Abatement Disclosures*- This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the City.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Pronouncements

corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the City.

- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This Statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Specifically, this Statement addresses issued regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard.

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.

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2017:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 52,703,921	\$ 6,744,190	\$ 2,391,890	\$ 61,840,001
Restricted cash and investments	1,211,712	836,386	-	2,048,098
Total cash and investments	\$ 53,915,633	\$ 7,580,576	\$ 2,391,890	\$ 63,888,099

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, continued

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 10,500
Deposits with financial institution	2,103,606
Total cash on hand and deposits	<u>2,114,106</u>
Local Agency Investment Funds	8,896,428
San Mateo County Pool	50,829,468
Total investments	<u>59,725,896</u>
Total City Treasury	61,840,001
Restricted cash and investments	
Cash with fiscal agent	2,048,098
Total restricted cash and investments	2,048,098
Total cash and investments	<u><u>\$ 63,888,099</u></u>

B. Deposits

The carrying amount of the City's cash deposit was \$2,103,606 at June 30, 2017. Bank balances before reconciling items were a positive amount of \$2,457,283 at June 30, 2017. 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.

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 considered to be held in the City's name.

The market 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

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 Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Government Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Demand Deposits	2 years	None	None
Money Market/Mutual Funds	2 years	20%	None
Repurchase Agreements	92 days	None	None
Passbook Savings Accounts	2 years	None	None
Negotiable Certificates of Deposit	2 years	30%	None
State Local Agency Investment Fund (LAIF)	2 years	\$50 million	None
San Mateo County Pooled Investment Funds	3 years	None	None
Guaranteed Investment Contracts	2 years	None	None
Medium Term Notes	5 years	30%	None

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

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	\$ 145,915
Unrealized gain(loss) in changes in fair value of investments	(65,918)
Total investment income	\$ 79,997

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

D. Investments, Continued

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, 2017, 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, 2017, the City had \$8,896,428 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.81% in the previous year. The LAIF fair value factor of 0.998940671 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 0.99894 was used to calculate the fair value of the investments in the County Pool.

E. Risk Disclosures

Interest Risk: Interest rate risk is the market 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, 2017, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years
City Local Agency Investment Fund	\$ 8,896,428	\$ 8,896,428	\$ -	\$ -	\$ -	\$ -
San Mateo County Pool	50,829,468	50,829,468	-	-	-	-
Total	\$ 59,725,896	\$ 59,725,896	\$ -	\$ -	\$ -	\$ -

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

E. Risk Disclosures, Continued

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, 2017 for each investment type:

	Credit Quality Ratings		Fair Value
	Moody's	S&P	
Local Agency Investment Funds	Not Rated	Not Rated	\$ 8,896,428
San Mateo County Pool	Not Rated	Not Rated	50,885,951

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 fair value measurement disclosures.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

3. INTERFUND TRANSACTIONS

A. Due To/From Other Funds

At June 30, 2017, the City had the following due to/from other funds:

Fund	Due From Other Funds	Due To Other Funds
Capital Project Fund	\$ 29,006	\$ -
Non-Major Governmental Funds	-	29,006
Total	\$ 29,006	\$ 29,006

The amounts due to the Capital Project Fund from other non-major funds represent reclassified temporary negative cash balances pending grant reimbursements or other receivables. Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.

B. Transfers

At June 30, 2017, the City had the following transfers in/out which arise in the normal course of operations.

Transfers Out	Transfers In				Total
	General Fund	Public Improvements Fund	Capital Improvements Fund	Non-Major Governmental Funds	
Major Funds					
General Fund	\$ -	\$ 49,618	\$ 3,662,000	\$ 99,530	\$ 3,811,148
Water Fund	65,800	-	-	-	65,800
Total	\$ 65,800	\$ 49,618	\$ 3,662,000	\$ 99,530	\$ 3,876,948

Transfers from the General fund were made to: 1) the Capital Improvements Fund to fund various capital improvement projects, and 2) to non-major funds for storm drain and street sweeping operational costs, and as approved under the budget. Transfer to the General Fund from Water fund was made to reimburse for inspection costs paid from General Fund.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

4. LOANS AND NOTES RECEIVABLE

Loans receivable as of June 30, 2017, composed of the following, were held by the City:

	<u>June 30, 2017</u>
Nairobi Housing Associates Loan	\$ 5,500,000
Nugent Square Partners Loan	1,100,000
Bay Road Housing Loan	462,500
First Time Home Buyer Assistance Loans	314,521
University Senior Apts	<u>700,000</u>
Subtotal	8,077,021
Loans to Successor Agency	<u>11,990,306</u>
Total:	<u><u>\$ 20,067,327</u></u>

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 made by the former Agency to Nairobi was funded by a loan originally made by the David and Lucille Packard Foundation (Packard Foundation) to Bridge Housing Corporation and then passed through to Nairobi Housing Associates via the former Agency. Nairobi used the loan proceeds to develop approximately 129 multi-family rental housing units and ancillary landscaping, and other improvements inside the Gateway 101 redevelopment project area. The loan receivable accrues simple interest at the rate of one percent 1% per annum, commencing February 1, 2001. The entire principal amount is due to the Agency, now the housing successor, on June 18, 2036. The entire loan is secured by a note and deed of trust with Nairobi.

B. Nugent Square Partners

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 multi-family rental housing units and ancillary landscaping, and other improvements on the property located on University Avenue and Weeks Street. The loan accrues simple interest at the rate of 1% per annum. The entire principal amount is due to the former Agency, now the housing successor, in 2043.

C. Bay Road Housing Loan

In December 2004, the former Agency entered into a loan agreement with a housing developer. The Agency agreed to loan the developer a maximum loan of \$1.2 million over 20 years. Outstanding principal of the loan accrues at the simple interest rate of 2% per annum. The loan matures in December 2024.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

4. LOANS AND NOTES RECEIVABLE, Continued

D. First Time Home Buyer Assistance Loans

On December 21, 2004, Council 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 Council entered into a loan agreement in the amount of \$700,000 with University Senior Apartments, L.P. to develop a multi-family housing project consisting of forty one units affordable to low- and moderate-income senior households. The loan bears an interest rate of 3% per annum, commencing after receiving a certificate of completion or certificate of occupancy for the project and is payable in fifty seven years. As of June 30, 2017, the outstanding loan balance was \$700,000.

F. Loans to Successor Agency

At June 30, 2017, the outstanding balance of \$11,990,306 is comprised of two advances to the former Agency which were assumed by the Successor Agency on February 1, 2012. Repayment of the loans receivable were conditional upon, and 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 (\$5,576,576)* – provided for the ongoing assistance and services in connection with the implementation of the redevelopment plan for the Ravenswood Project Area. During the fiscal year 2011, the City and Agency made findings and amended the Repayment Agreement to provide for a repayment schedule to ensure full repayment of the outstanding balance. Interest on the outstanding principal is calculated utilizing LAIF rates as dictated under Dissolution Law.
- b. *Gateway/101Purchase and Sale Agreement (\$6,413,730)* – 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. During the fiscal year 2011, the City and Agency made findings and amended the Repayment Agreement and the Purchase and Sale Agreement to specify the repayment terms for the purchase price of the property. There is no interest provision.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2017, are comprised of the following:

	Balance as of Balance at June 30, 2016	Additions	Transfers/ Deletions	Balance at June 30, 2017
Government activities				
Capital assets not being depreciated:				
Land	\$ 4,058,724	\$ -	\$ -	\$ 4,058,724
Construction in progress	4,024,112	2,540,051	(2,419,781)	4,144,382
Total capital assets not being depreciated	<u>8,082,836</u>	<u>2,540,051</u>	<u>(2,419,781)</u>	<u>8,203,106</u>
Capital assets being depreciated:				
Infrastructure				
Streets and roadways	46,021,659	-	-	46,021,659
Storm drain system	4,089,492	2,085,907	-	6,175,399
Buildings and Improvements	8,185,936	31,161	-	8,217,097
Improvements other than buildings	9,327,443	179,224	-	9,506,667
Furniture, Fixtures, and Equipment	1,978,887	35,987	-	2,014,874
Vehicles	1,787,870	322,704	-	2,110,574
Total capital assets being depreciated	<u>71,391,287</u>	<u>2,654,983</u>	<u>-</u>	<u>74,046,270</u>
Less accumulated depreciation for:				
Infrastructure				
Streets and roadways	(29,341,593)	(646,581)	-	(29,988,174)
Storm drain system	(2,343,689)	(36,053)	-	(2,379,742)
Buildings and Improvements	(2,458,247)	(290,431)	-	(2,748,678)
Improvements other than building	(1,488,337)	(362,419)	-	(1,850,756)
Furniture, Fixtures and Equipment	(1,605,880)	(106,702)	-	(1,712,582)
Vehicles	(1,092,061)	(151,495)	-	(1,243,556)
Total accumulated depreciation	<u>(38,329,807)</u>	<u>(1,593,681)</u>	<u>-</u>	<u>(39,923,488)</u>
Total capital assets, being depreciated, net	<u>33,061,480</u>	<u>1,061,302</u>	<u>-</u>	<u>34,122,782</u>
Government activities capital assets, net	<u>\$ 41,144,316</u>	<u>\$ 3,601,353</u>	<u>\$ (2,419,781)</u>	<u>\$ 42,325,888</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS, Continued

	Balance as of June 30, 2016	Additions	Transfers/ Deletions	Balance at June 30, 2017
Business-type activities				
Capital assets not being depreciated:				
Land and Land Rights	\$ 206,750	\$ 56,924	\$ -	\$ 263,674
Construction in Progress	-	835,921	-	835,921
Total capital assets not being depreciated	206,750	892,845	-	1,099,595
Capital assets being depreciated:				
Buildings and Improvements	43,790	-	(43,790)	-
Improvements other than buildings	7,057,659	-	-	7,057,659
Furniture, Fixtures, and Equipment	63,943	-	(63,943)	-
Vehicles	89,890	-	(89,890)	-
Total capital assets being depreciated	7,255,282	-	(197,623)	7,057,659
Less accumulated depreciation for:				
Buildings and Improvements	(43,790)	-	43,790	-
Improvements other than building	(3,911,397)	(195,291)	-	(4,106,688)
Furniture, Fixtures and Equipment	(63,943)	-	63,943	-
Vehicles	(89,890)	-	89,890	-
Total accumulated depreciation	(4,109,020)	(195,291)	197,623	(4,106,688)
Total capital assets, being depreciated, net	3,146,262	(195,291)	-	2,950,971
Business-type activities capital assets, net	\$ 3,353,012	\$ 697,554	\$ -	\$ 4,050,566

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS, Continued

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	\$ 18,383
Public Safety	185,355
Culture and Recreation	233,033
Public Works	1,045,053
Community Development	111,857
Total Governmental Activities	\$ 1,593,681
Business-Type Activities:	
Water Service	\$ 195,291
Total Business-Type Activities	\$ 195,291

C. Capital Project Commitments

The City has commitments under the following significant capital, infrastructure and other projects and programs.

Project	Project	Expended through	Committed
	Authorization	June 30, 2017	
Safe Routes to School Cycle 3	\$ 771,800	\$ 45,080	\$ 726,720
Bay Road Phase II Improvements	1,644,200	1,385,740	258,460
Bay Road Underground Utility Project	1,069,220	1,015,760	53,460
Highway 101 Pedestrian-Bicycle Overcrossing	1,105,000	1,054,215	50,785
University Avenue Interchange	1,009,120	837,730	171,390
Cooley Landing Park	5,372,150	4,950,575	421,575
Gloria Way Well Retrofit	4,324,895	1,092,745	3,232,150
Runnymede Storm Drain Project: Phase II	2,230,205	1,678,325	551,880
San Fransisquito Creek Flood Control Project	1,260,000	420,000	840,000
Second Ground Water Well	926,710	719,315	207,395
	\$ 19,954,205	\$ 13,369,750	\$ 6,584,455

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

6. LONG-TERM DEBT

A. Governmental Activities

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

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
2013 Capital Lease - 5 Police Vehicles 3.25% due 2/1/17	\$ 21,905	\$ -	\$ 21,905	\$ -	\$ -
2015 Capital Lease - 2 Police Vehicles 3.25% due 12/23/18	77,881	-	30,397	47,484	31,399
Total	\$ 99,786	\$ -	\$ 52,302	\$ 47,484	\$ 31,399

2013 Capital Lease - 5 Police Vehicles

On February 1, 2013, the City of East Palo Alto purchased five 2013 Dodge Chargers for the police department and entered into an equipment lease purchase agreement with Capital One Public Funding, LLC, in an amount not to exceed \$127,212 with an interest rate of 3.25%. The final lease payment was due on February 1, 2017.

Under the capital lease terms, the City had the option to purchase the vehicles upon giving written notice to the lessor at least thirty days before the date of purchase. Therefore, these capital leases were recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets were included in the Statement of Net Position as appropriate.

2015 Capital Lease - 2 Police Vehicles

On December 23, 2014, the City of East Palo Alto purchased two 2016 Police Interceptor Utility AWD vehicles with installed emergency equipment for the police department and entered into an equipment lease purchase agreement with PNC Equipment Finance, LLC, in an amount not to exceed \$121,666 with an interest rate of 3.25% and due on December 23, 2018. Principal and interest is payable on the first day of every month and commencing on January 23, 2015.

Under the capital leases terms, the City will have the option to purchase the vehicles upon giving written notice to the lessor at least thirty days before the date of purchase. Therefore, these capital leases have been recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets have been included in the Statement of Net Position as appropriate. Capital lease payments are made exclusively from legally available funds.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

6. LONG-TERM DEBT, Continued

A. Governmental Activities, continued

2015 Capital Lease - 2 Police Vehicles, Continued

Future capital lease payments at June 30, 2017 are as follows:

For the Year Ending Balance June 30, 2017	Police Interceptor Utility AWD Capital Lease		
	Principal	Interest	Total
2018	31,399	1,080	32,479
2019	16,085	153	16,238
Total Payments Due	\$ 47,484	\$ 1,233	\$ 48,717

B. Business-Type Activities

Note payable

On March 30, 2017, 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).

Under the terms of the promissory note (the Note), project expenditures incurred between May 1, 2015 and April 30, 2019 are eligible for use of loan proceeds. The Note matures thirty (30) years from the date of the issuance of a Certificate of Completion for the Project, but in no event later than thirty-five years or March 30, 2052. Annual principal due plus accrued interest will be forgiven for each full year of operations, provided the Project remains in compliance with CDBG Program requirements and the use is as originally intended. The Project must maintain the intended use throughout the Note term. The Note bears zero interest until Project completion.

If the Gloria Way Well property is sold or discontinued as a water treatment well for the City 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. As of June 30, 2017, the City had requested Note proceeds from the County in the amount of \$111,043.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. OPERATING LEASE

The City leases building and office facility space under noncancellable operating leases. Total costs for such leases were \$545,655 for governmental activities and \$38,074 for business-type activities for the fiscal year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2018	592,320
2019	604,816
2020	621,256
2021	625,087
	\$ 2,443,479

8. COMPENSATED ABSENCES

Compensated absences comprise of unpaid vacation and are accrued as earned. The City's liability for compensated absences is recorded in various governmental funds. The 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 7/1/2016	Additions	Deletions	Balance 6/30/2017	Due Within One Year
Governmental Activities					
Compensated Leave Payable	\$ 705,646	\$ 777,235	\$ (746,555)	\$ 736,326	\$ 370,703

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

9. FUND BALANCES

Detailed classifications of the City's Fund Balances, as of June 30, 2017, are below:

	Major Governmental Funds						Total	
	Low and Moderate Income Housing Successor		Public Improvements in Lieu Special Revenue		Housing in-lieu Special Revenue	Capital Improvements		Other Government Funds
	General Fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Capital Projects Fund		Government Funds
Fund Balances								
Nonspendable fund balance:								
Loans to Successor Agency	\$ 11,990,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,990,306	
Deposits and prepayments	76,541	-	-	-	-	-	76,541	
	<u>12,066,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,066,847</u>	
Restricted fund balance for:								
Low and Moderate								
Income Housing	-	7,779,894	-	-	-	-	7,779,894	
Gas Tax	-	-	-	-	-	2,404,174	2,404,174	
NPDES Fees	-	-	-	-	-	21,313	21,313	
Federal and State								
Law Enforcement	-	-	-	-	-	95,707	95,707	
Park in Lieu	-	-	-	-	-	1,117,148	1,117,148	
Rent Stabilization	-	-	-	-	-	732,427	732,427	
Housing in Lieu	-	-	-	8,815,799	-	-	8,815,799	
Housing Assistance	-	-	-	-	-	436,128	436,128	
Public Improvement in Lieu Measure A	-	-	-	-	-	2,127,981	2,127,981	
CYSFF Children/Youth/ Seniors/Family	-	-	-	-	-	658,183	658,183	
Lighting District	-	-	-	-	-	1,757,401	1,757,401	
Drainage District	-	-	-	-	-	100,849	100,849	
Measure C	-	-	-	-	-	1,510,846	1,510,846	
Capital projects	-	-	228,967	-	3,567,431	-	3,796,398	
SVCF	-	-	-	-	-	2,500,000	2,500,000	
Other Purposes	-	-	-	-	-	268,007	268,007	
	-	<u>7,779,894</u>	<u>228,967</u>	<u>8,815,799</u>	<u>3,567,431</u>	<u>13,730,164</u>	<u>34,122,255</u>	
Assigned fund balance for:								
Capital projects	-	-	-	-	7,289,475	-	7,289,475	
Other Purposes	1,188,899	-	-	-	-	-	1,188,899	
	<u>1,188,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,289,475</u>	<u>-</u>	<u>8,478,374</u>	
Unassigned fund balance								
Minimum fund balance reserve	3,111,000	-	-	-	-	-	3,111,000	
Community benefits reserve	124,885	-	-	-	-	-	124,885	
Information Technology Reserve	1,406,711	-	-	-	-	-	1,406,711	
Vehicles and Equipment Reserve	812,319	-	-	-	-	-	812,319	
Self Insurance Reserve	1,879,147	-	-	-	-	-	1,879,147	
Other	9,901,275	-	-	-	-	-	9,901,275	
	<u>17,235,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,235,337</u>	
Total Fund Balances	\$ 30,491,083	\$ 7,779,894	\$ 228,967	\$ 8,815,799	\$ 10,856,906	\$ 13,730,164	\$ 71,902,813	

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

9. FUND BALANCES, Continued

Encumbrance balances by major funds and non-major funds as of June 30, 2017 are:

	Major Funds					TOTAL
	General Fund	Capital Improvement Fund	Housing in-Lieu Fund	Public Improvements In Lieu	Non-Major Funds	
Construction	\$ -	\$ 549,230	\$ -	\$ -	\$210,286	\$ 759,516
Materials and Equipment	498,742	-	-	-	-	498,742
Services	690,157	-	22,426	4,715	74,807	792,105
	\$ 1,188,899	\$ 549,230	\$ 22,426	\$ 4,715	\$285,093	\$ 2,050,363

10. FUND BALANCE/NET POSITION DEFICIT AND EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

Fund	Excess
Special Revenue Fund:	
US EPA	\$ 64,712
Local Grants	\$ 1,197

11. 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).

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. RETIREMENT PLANS, Continued

A. CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN), *Continued*

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: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2017 are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
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	16.656%	9.498%
	<u>Safety</u>	<u>Miscellaneous</u>
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	12.082%	6.555%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$363,644 and \$194,275 for safety and miscellaneous respectively, in fiscal year 2017.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. RETIREMENT PLANS, Continued

A. CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN), Continued

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 year ended June 30, 2017, the contribution to the plan was \$1,493,218.

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$9,458,584.

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, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 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 June 30, 2014 and 2015 were as follows:

Proportion - June 30, 2014	0.11819%
Proportion - June 30, 2015	0.10931%
Change - Increase (Decrease)	<u>-0.00888%</u>

For the year ended June 30, 2017, the City recognized pension expense of \$263,016. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,493,218	\$ -
Changes in assumption	-	467,685
Differences between expected and actual experience	-	49,427
Change in proportion	925,281	582,191
Difference between the employer's contribution and the employer's proportionate share of contributions	982,980	-
Net differences between projected and actual earnings on plan investments	2,351,994	-
Total	<u>\$ 5,753,473</u>	<u>\$ 1,099,303</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. RETIREMENT PLANS, Continued

A. CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN), Continued

Pension contributions subsequent to the measurement date in the amount of \$1,493,218 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, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2018	810,512
2019	674,651
2020	1,064,773
2021	611,016

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return (1)	7.50%
Mortality	Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Net of pension plan Administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. RETIREMENT PLANS, Continued

A. CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN), Continued

Discount Rate – The discount rate used to measure the total pension liability was 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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 took into account 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. RETIREMENT PLANS, 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		6.65%
Net Pension Liability	\$	13,749,983
Current Discount Rate		7.65%
Net Pension Liability	\$	9,458,584
1% Increase		8.65%
Net Pension Liability	\$	5,925,763

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, 2017 the City reported a payable of \$132,541 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2017. All amounts were paid in July 2017 in a timely manner.

B. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan (Plan) created in accordance with Internal Revenue Code Section 401(a) and (k). Under this plan, 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 the Plan.

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 Plan. The administrators pool the assets of the Plan with those of other participants and do not make separate investments for the City. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. 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 ABAG Plan Corporation (ABAG PLAN), a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG 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, ABAG becomes responsible for payment of all claims up to the limit. ABAG PLAN also purchases special excess and excess insurance policies over ABAG PLAN limits up to \$25,000,000 in general liability coverage and provides for replacement cost of property claims, subject to terms of the policies.

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 calculated considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources.

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, 2016 and 2017:

	2016	2017
Beginning balance of claims payable	\$ 22,203	\$ 45,000
Increase/Decrease in estimated claims liability	182,348	209,345
Claims paid	(159,551)	(27,345)
Ending balance of claims payable	<u>\$ 45,000</u>	<u>\$ 227,000</u>
Current Portion	<u>\$ 6,750</u>	<u>\$ 34,050</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 coverage in the prior year.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. 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. *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 in order 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. Financial statements may be obtained by mailing a request to 610 Elm Street, Suite 202, San Carlos, CA 94070.

B. *San Francisquito Creek Joint Powers Authority*

The City is also one of five members of the San Francisquito Creek Joint Powers Authority (SFCJPA) which exists to manage flood control and other environmental issues surrounding the San Francisquito Creek. The City has no equity interest in the SFCJPA. Financial statements may be obtained by mailing a request to 3723 Haven Avenue, Suite 127, Menlo Park, CA 94025.

C. *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. The City's contribution to C/CAG was \$182,291 for the year ended June 30, 2017. An annual report may be obtained at 555 County Center 5th Floor, Redwood City, CA 94063.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. CONTINGENT LIABILITIES AND COMMITMENTS

A. *Lease Agreement with American Water Service, Inc.*

On April 9, 2001, the City entered into a lease agreement with American Water Services, Inc. (the Company) and agreed to lease the water system owned by the City to the Company. The Company is responsible for operating, maintaining and managing the water system as well as bill and collect water services charges and utility tax from the City's residents and water customers. The Company also agreed to pay lease payments and franchise fees to the City. The franchise fees and lease payments represents 5% and 6%, respectively, of the net revenue, defined as gross revenue of the Company received from the City's residents net of utility tax collected and transferred to the City.

The City has retained title of the Water System and related capital assets related to the lease. The Company agrees to use the Water System to furnish potable water service and water service for fire protection to all customers in the service area. The Company 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.

As of June 30, 2017, the City has capitalized \$3,786,891 for the Water system and services related capital assets. For the year ended June 30, 2017, the Company paid lease payments and franchise fees to the City in the amount of \$372,841 and \$310,701 respectively.

B. *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.

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 a number of corrective actions developed to prevent another similar incident.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

C. California State Water Resources Control Board Corrective Action Plan, Continued

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 that SFPUC water becomes unavailable. The critical elements of the CAP are the drilling of 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, and has secured grant funding for the ground water wells. As of June 30, 2017, the City has capital water reserves of approximately \$4.4 million and Federal and State grant commitments of approximately \$2 million toward these and other water-related capital projects.

D. California State Department of Parks and Recreation – 2006 Parks Bond Act Grant

In September 2015, the California State Department of Parks and Recreation notified the City that grant-related project deliverables on Cooley Landing Park had not been completed. The City has until June of 2019 to complete the deliverables, or the State will not reimburse a minimum of 20% of the \$5,000,000 in 2006 Parks Bond Act grant funds approved for the project. As of June 30, 2017, the State is retaining approximately \$887,805 in approved project costs pending the City's completion of project deliverables.

The remaining project deliverables have a roughly estimated cost of approximately \$800,000. The City currently has set-aside approximately \$1,000,000 in non-committed capital funds in the Capital Improvement Fund pending settlement of the project deliverables and determination of funding requirements to complete the project. City management fully expects the City will complete the project deliverables in a timely manner.

E. Water Supply Implementation and 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. Under the terms of the WSIA, the developers agreed to provide funding up to an initial amount of \$1.5 million for the City to obtain outside professional services related to implementing water supply solutions; including the design and installation of new wells and water treatment systems, and potential permanent water transfers.

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 a water capacity charge or related impact or buy-in charge imposed by the City.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

E. Water Supply Implementation and Water Rights Acquisition and Related Agreements, Continued

Further, the City agrees to allocate new water supply to the developers on a priority basis subject to certain conditions including, either: (1) both City water well sites are in sustained production; (2) one site, Pad D, has minimum sustained production of 700,000 gallons per day; or, (3) the City secures a minimum permanent water rights transfer of 500,000 gallons per day.

As of June 30, 2017, developers had advanced funds of approximately \$241,120.

Water Rights Acquisition and Related Agreements

The City is a party to a Water Supply Agreement dated July 2009 (Supply Agreement) between the City and County of San Francisco and other municipal entities whereby the City is a wholesale customer as defined in the Supply Agreement. As such, the San Francisco Public Utilities Commission guarantees an annual individual supply (ISG) of water to wholesale customers who are party to the Supply Agreement. Further, the Supply Agreement authorizes a wholesale customer to permanently transfer a portion of ISG to another wholesale customer party to the Supply Agreement. On June 20, 2017, the City approved agreements intended to effectuate and fund the acquisition of a permanent water rights transfer from the City of Mountain View to the City of East Palo Alto, as follows:

Permanent Water Rights Transfer Agreement

On June 21, 2017, the City entered into an agreement with the City of Mountain View whereby Mountain View agreed to permanently 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 the transfer is \$5,000,000 predicated upon meeting certain precedent conditions, including approval by the SFPUC pursuant to provisions of the Water Supply Agreement. The effective date of the permanent water rights transfer was August 4, 2017.

Silicon Valley Community Foundation Gift Agreement

On June 26, 2017, the City entered into a gift agreement with the Silicon Valley Community Foundation in the amount of \$2.5 million whereby the gift is restricted for the purpose of incentivizing the development of affordable housing within the City. The funds are further restricted to fund not less than \$500,000 for an affordable housing manager over a minimum period of five years. Up to \$2,000,000 is authorized for an inter-fund loan to provide monies for acquiring permanent water rights pursuant to the Water Rights Transfer Agreement with the City of Mountain View. As of June 30, 2017, the City received the total amount of \$2.5 million.

On August 4, 2017 upon meeting all conditions precedent for the permanent transfer of water rights from the City of Mountain View; \$2 million of the gift monies were loaned to the Water Service Enterprise Fund for the acquisition cost of the water transfer.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

E. Water Supply Implementation and Water Rights Acquisition and Related Agreements, Continued

Amendment to Water Supply Implementation Agreement

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 with the City of Mountain View. Under the terms of the amendment; 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively “developers”) agree to pay 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.

On August 4, 2017, the effective date of the permanent water rights transfer, the developers will have no further obligation to provide additional funding under the Amended WSIA. As of June 30, 2017, no additional funding had been received under the Amended WSIA.

Sobrato Organization LLC Reimbursement Agreement

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 Water Rights Transfer Agreement with the City of Mountain View. 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). If the Agreement expires due to the passage of time, the City’s obligation to make future reimbursement payments will terminate.

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 enter into 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

A. Redevelopment Dissolution, Continued

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, 2017 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2017.

B. Long-Term Debt

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

	<u>Issue Amount</u>	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Discount/ Premium Amortization</u>	<u>Balance at June 30, 2017</u>	<u>Due within one year</u>
Successor Agency 2015 Tax Allocation Refunding Bonds Series A							
3.625%-4% due 10/1/2032	\$ 16,950,000	\$ 17,819,992	\$ -	\$ -	\$ (160,142)	\$ 17,659,850	\$ -
2015 Tax Allocation Refunding Bonds Series B							
1.25%-2% due 10/1/2018	2,500,000	2,494,005	-	(795,000)	3,529	\$ 1,702,534	865,000
Total Successor Agency	<u>\$ 19,450,000</u>	<u>\$ 20,313,997</u>	<u>\$ -</u>	<u>\$ (795,000)</u>	<u>\$ (156,613)</u>	<u>\$ 19,362,384</u>	<u>\$ 865,000</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
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 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
2018	\$ -	\$ 679,350	\$ 679,350
2019	45,000	678,450	723,450
2020	900,000	659,550	1,559,550
2021	935,000	618,175	1,553,175
2022	975,000	570,425	1,545,425
2023-2027	5,700,000	2,057,750	7,757,750
2028-2032	6,880,000	795,948	7,675,948
2033	1,515,000	27,460	1,542,460
Subtotal	16,950,000	\$ 6,087,108	\$ 23,037,108
Bond Premium	709,850		
Total	\$ 17,659,850		

Series 2015B Refunding Bonds

The 2015B Refunding Bonds mature annually starting October 1, 2016 through 2018, with installments ranging from \$795,000 to \$860,000. The interest on the 2015B Refunding Bonds is payable semi-annually on each April 1 and October 1, with coupon rates ranging from 1.250% to 2.00%. The 2015B Refunding Bonds are not subject to early redemption.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2017

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

2015 Tax Allocation Refunding Bonds, Continued

Series 2015B Refunding Bonds, Continued

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 865,000	\$ 23,838	\$ 888,838
2019	840,000	8,400	848,400
Subtotal	1,705,000	<u>\$ 32,238</u>	<u>\$ 1,737,238</u>
Bond Discount	(2,466)		
Total	<u>\$ 1,702,534</u>		

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.

C. Deferred Inflows of Resources

The Successor Agency recorded the following item as deferred inflows of resources as of June 30, 2017.

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
2015 Tax Allocation Refunding Bonds - gain on refunding	\$ 467,906		\$ (75,836)	\$ 392,070
Total	<u>\$ 467,906</u>	<u>\$ -</u>	<u>\$ (75,836)</u>	<u>\$ 392,070</u>

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

City of East Palo Alto
Required Supplementary Information
For the year ended June 30, 2017

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, 2017**

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	\$ 10,741,000	\$ 11,561,000	\$ 11,706,500	\$ 145,500
Sales taxes	3,815,000	4,015,000	3,942,801	(72,199)
Transient occupancy tax	2,290,000	2,290,000	2,324,992	34,992
Utility users tax	1,565,000	1,565,000	1,520,017	(44,983)
Other taxes	11,800	11,800	16,435	4,635
Licenses, fees and permits	1,668,730	1,932,000	2,204,508	272,508
Charges for services	330,200	917,085	1,220,065	302,980
Fines and forfeitures	463,000	463,000	442,911	(20,089)
Use of money and property	67,000	315,000	262,195	(52,805)
Grants and intergovernmental	30,250	30,250	18,741	(11,509)
Miscellaneous	99,000	69,000	76,118	7,118
Total revenues	21,080,980	23,169,135	23,735,283	566,148
EXPENDITURES:				
Current:				
General government	4,515,835	3,825,935	3,483,784	342,151
Public safety	10,467,060	10,056,060	9,611,092	444,968
Public works	3,000,615	2,981,315	2,549,917	431,398
Culture and recreation	512,920	517,260	422,970	94,290
Community development	1,965,225	2,098,890	1,946,205	152,685
Capital outlay	326,295	108,305	40,021	68,284
Debt service:				
Principal	-	-	52,302	(52,302)
Interest, and fiscal charges	-	-	2,347	(2,347)
Total expenditures	20,787,950	19,587,765	18,108,638	1,533,776
REVENUES OVER (UNDER) EXPENDITURES	293,030	3,581,370	5,626,645	2,099,924
OTHER FINANCING SOURCES (USES):				
Transfer in	-	65,800	65,800	-
Transfer out	(1,122,030)	(3,811,475)	(3,811,148)	327
Total other financing sources (uses)	(1,122,030)	(3,745,675)	(3,745,348)	327
Net change in fund balance	\$ (829,000)	\$ (164,305)	1,881,297	\$ 2,100,251
FUND BALANCE:				
Beginning of year			28,609,786	
End of year			<u>\$ 30,491,083</u>	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules

Budgetary Comparison Schedule, Low and Moderate Income Housing Successor Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 14	\$ 14
Use of money and property	79,500	79,500	41,426	(38,074)
Miscellaneous	60,000	60,000	52,500	(7,500)
Total revenues	139,500	139,500	93,940	(45,560)
EXPENDITURES:				
Current:				
Community development	61,000	61,000	15,934	45,066
Total expenditures	61,000	61,000	15,934	45,066
Net change in fund balance	\$ 78,500	\$ 78,500	78,006	\$ (494)
FUND BALANCE:				
Beginning of year			7,701,888	
End of year			\$ 7,779,894	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules

Budgetary Comparison Schedule, Public Improvements in Lieu Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, fees and permits	-	182,100	-	(182,100)
Charges for services	\$ 15,000	\$ 55,000	\$ 60,128	\$ 5,128
Use of money and property	-	-	955	955
Total revenues	15,000	237,100	61,083	(176,017)
EXPENDITURES:				
Current:				
Community development	50,000	12,400	7,673	4,727
Capital outlay	173,000	322,100	153,245	168,855
Total expenditures	223,000	334,500	160,918	173,582
REVENUES OVER (UNDER) EXPENDITURES	(208,000)	(97,400)	(99,835)	(2,435)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	49,620	49,618	(2)
Total other financing sources (uses)	-	49,620	49,618	(2)
Net change in fund balance	\$ (208,000)	\$ (47,780)	(50,217)	\$ (2,437)
FUND BALANCE:				
Beginning of year			279,184	
End of year			\$ 228,967	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules

Budgetary Comparison Schedule, Housing in Lieu Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 286,250	\$ 286,250	\$ 290,624	\$ 4,374
Licenses, fees and permits	1,000,000	75,000	72,384	(2,616)
Use of money and property	15,000	15,000	43,115	28,115
Total revenues	1,301,250	376,250	406,123	29,873
EXPENDITURES:				
Current:				
General government	27,570	32,570	31,268	1,302
Community development	75,000	124,400	36,977	87,423
Total expenditures	102,570	156,970	68,245	88,725
Net change in fund balance	\$ 1,198,680	\$ 219,280	337,878	\$ 118,598
FUND BALANCE:				
Beginning of year			8,477,921	
End of year			<u>\$ 8,815,799</u>	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2017

2. DEFINED BENEFIT PENSION PLAN

*A. SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - Last 10 Years**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.109310%	0.118190%	0.126260%
Proportionate share of the net pension liability	\$ 9,458,584	\$ 8,112,375	\$ 7,856,469
Covered payroll	\$ 8,407,528	\$ 7,926,057	\$ 8,008,699
Proportionate share of the net pension liability as percentage of covered payroll	112.50%	102.35%	98.10%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%

Note to Schedule:

*-Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2017

2. DEFINED BENEFIT PENSION PLAN, Continued

B. SCHEDULE OF CONTRIBUTIONS - Last 10 Years*

	2017	2016	2015
Contractually required contribution(actuarially determined)	\$ 1,493,218	\$ 1,371,578	\$ 1,477,383
Contribution in relation to the actuarially determined contributions	<u>(1,493,218)</u>	<u>(1,371,578)</u>	<u>(1,477,383)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,464,356	\$ 8,407,528	\$ 7,926,057
Contributions as a percentage of covered payroll	17.64%	16.31%	18.64%

Notes to Schedule:

*- Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown

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.

US EPA Fund accounts for U.S. Environmental Protection Agency grant money received and expended.

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 Children/Youth/Seniors/Family 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.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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

Measure C Fund accounts for the revenues and expenditures of Measure C Special Parcel tax. Measure C was approved by the voters in November 2006. The tax is annual parcel tax and the 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. The gift is available to use upon the transfer of certain water rights. The funds are further restricted to pay a minimum amount of \$500,000 for an affordable housing manager position over a minimum period of five years. Up to \$2,000,000 is authorized for an inter-fund loan to provide monies to purchase certain water rights.

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
ASSETS					
Cash and investments	\$ 36,565	\$ 2,418,271	\$ 75,100	\$ 1,114,167	\$ 731,984
Restricted cash and investments	-	-	-	1,856	-
Receivables:					
Accrued interest	152	6,400	200	2,981	2,029
Taxes	-	-	-	-	-
Intergovernmental	-	-	37,425	-	-
Accounts receivable	-	-	-	-	26,407
Deposits and prepayments	-	-	-	-	-
Loans and notes receivable	-	-	-	-	-
Total assets	\$ 36,717	\$ 2,424,671	\$ 112,725	\$ 1,119,004	\$ 760,420
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,975	\$ 20,497	\$ 14,335	\$ -	\$ 1,586
Retentions payable	-	-	-	-	-
Other accrued liabilities	12,429	-	-	-	-
Unearned revenue	-	-	-	1,856	-
Due to other funds	-	-	-	-	-
Total liabilities	15,404	20,497	14,335	1,856	1,586
Deferred inflows of resources:					
Unavailable revenue - grants	-	-	2,683	-	26,407
Fund Balances:					
Restricted	21,313	2,404,174	95,707	1,117,148	732,427
Total fund balances	21,313	2,404,174	95,707	1,117,148	732,427
Total liabilities, deferred inflows of resources, and fund balances	\$ 36,717.00	\$ 2,424,671	\$ 112,725	\$ 1,119,004	\$ 760,420

Special Revenue

Federal and State Grants	US EPA	Housing Assistance	Measure A	CYSFF Child/ Family	Lighting District
\$ 91,379	\$ -	\$ 216,783	\$ 2,134,453	\$ 700,380	\$ 1,851,127
-	-	-	-	-	-
-	-	-	5,653	2,027	4,876
-	-	-	-	29,459	-
8,472	280,455	-	-	-	-
-	-	1,132	58,517	-	-
-	-	-	2,665	-	-
-	-	218,213	-	-	-
<u>\$ 99,851</u>	<u>\$ 280,455</u>	<u>\$ 436,128</u>	<u>\$ 2,201,288</u>	<u>\$ 731,866</u>	<u>\$ 1,856,003</u>
\$ -	\$ 251,449	\$ -	\$ 10,853	\$ 73,683	\$ 95,177
-	-	-	62,454	-	3,425
-	-	-	-	-	-
-	-	-	-	-	-
-	29,006	-	-	-	-
-	280,455	-	73,307	73,683	98,602
-	-	-	-	-	-
99,851	-	436,128	2,127,981	658,183	1,757,401
99,851	-	436,128	2,127,981	658,183	1,757,401
<u>\$ 99,851</u>	<u>\$ 280,455</u>	<u>\$ 436,128</u>	<u>\$ 2,201,288</u>	<u>\$ 731,866</u>	<u>\$ 1,856,003</u>

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue				Total Non-Major Governmental Funds
	Drainage District	Measure C	Local Grants	SVCF	
ASSETS					
Cash and investments	\$ 108,775	\$ 1,620,135	\$ 168,156	\$ 2,500,000	\$ 13,767,275
Restricted cash and investments	-	-	-	-	1,856
Receivables:					
Accrued interest	191	4,622	-	-	29,131
Taxes	-	-	-	-	29,459
Intergovernmental	-	-	-	-	326,352
Accounts receivable	-	-	-	-	86,056
Deposits and prepayments	-	-	-	-	2,665
Loans and notes receivable	-	-	-	-	218,213
Total assets	\$ 108,966	\$ 1,624,757	\$ 168,156	\$ 2,500,000	\$ 14,461,007
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8,117	\$ 113,911	\$ -	\$ -	\$ 592,583
Retentions payable	-	-	-	-	65,879
Other accrued liabilities	-	-	-	-	12,429
Unearned revenue	-	-	-	-	1,856
Due to other funds	-	-	-	-	29,006
Total liabilities	8,117	113,911	-	-	701,753
Deferred inflows of resources:					
Unavailable revenue - grants	-	-	-	-	29,090
Fund Balances:					
Restricted	100,849	1,510,846	168,156	2,500,000	13,730,164
Total fund balances	100,849	1,510,846	168,156	2,500,000	13,730,164
Total liabilities, deferred inflows of resources, and fund balances	\$ 108,966	\$ 1,624,757	\$ 168,156	\$ 2,500,000	\$ 14,461,007

This page intentionally left blank

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, 2017

	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	-	599,596	-	-	-
Licenses, fees and permits	-	-	-	-	-
Charges for services	130,803	-	-	-	679,198
Use of money and property	515	11,812	427	5,513	2,943
Grants and intergovernmental	-	-	171,875	-	-
Miscellaneous	-	1,478	-	-	-
Total revenues	131,318	612,886	172,302	5,513	682,141
EXPENDITURES:					
Current:					
General government	89,326	193,357	-	-	218,067
Public safety	-	-	158,427	-	-
Public works	84,046	308,813	-	-	-
Culture and recreation	-	-	-	-	-
Community development	55,833	-	-	8,447	270,749
Capital outlay	-	-	-	-	-
Total expenditures	229,205	502,170	158,427	8,447	488,816
REVENUES OVER (UNDER) EXPENDITURES	(97,887)	110,716	13,875	(2,934)	193,325
OTHER FINANCING SOURCES (USES):					
Transfers in	37,500	-	-	-	-
Total other financing sources (uses)	37,500	-	-	-	-
Net change in fund balances	(60,387)	110,716	13,875	(2,934)	193,325
FUND BALANCES:					
Beginning of the year	81,700	2,293,458	81,832	1,120,082	539,102
End of year	<u>\$ 21,313</u>	<u>\$ 2,404,174</u>	<u>\$ 95,707</u>	<u>\$ 1,117,148</u>	<u>\$ 732,427</u>

Special Revenue

Federal and State Grants	US EPA	Housing Assistance	Measure A	CYSFF Child/ Family	Lighting District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 493,264
-	-	-	591,379	-	-
-	-	-	-	290,624	-
-	-	-	-	-	-
-	-	587	-	-	-
-	-	9,932	10,176	3,756	8,804
60,376	661,368	-	-	-	-
-	-	35,000	-	-	-
<u>60,376</u>	<u>661,368</u>	<u>45,519</u>	<u>601,555</u>	<u>294,380</u>	<u>502,068</u>
-	-	300	12,208	16,930	64,823
-	-	-	-	-	-
-	-	-	-	-	95,599
47,081	-	-	-	261,183	-
-	-	1,561	54,988	-	1,200
(5,137)	469,712	-	195,536	-	170,851
<u>41,944</u>	<u>469,712</u>	<u>1,861</u>	<u>262,732</u>	<u>278,113</u>	<u>332,473</u>
<u>18,432</u>	<u>191,656</u>	<u>43,658</u>	<u>338,823</u>	<u>16,267</u>	<u>169,595</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>18,432</u>	<u>191,656</u>	<u>43,658</u>	<u>338,823</u>	<u>16,267</u>	<u>169,595</u>
<u>81,419</u>	<u>(191,656)</u>	<u>392,470</u>	<u>1,789,158</u>	<u>641,916</u>	<u>1,587,806</u>
<u>\$ 99,851</u>	<u>\$ -</u>	<u>\$ 436,128</u>	<u>\$ 2,127,981</u>	<u>\$ 658,183</u>	<u>\$ 1,757,401</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, 2017

	Special Revenue				Total Non-Major Governmental Funds
	Drainage District	Measure C	Local Grants	SVCF	
REVENUES:					
Property taxes	\$ 88,906	\$ -	\$ -	\$ -	\$ 582,170
Sales taxes	-	-	-	-	591,379
Transient occupancy tax	-	-	-	-	290,624
Other taxes	-	705,435	-	-	1,305,031
Licenses, fees and permits	-	-	-	-	-
Charges for services	-	-	-	-	810,588
Use of money and property	233	8,161	40	-	62,312
Grants and intergovernmental	-	-	189,725	2,500,000	3,583,344
Miscellaneous	-	-	-	-	36,478
Total revenues	89,139	713,596	189,765	2,500,000	7,261,926
EXPENDITURES:					
Current:					
General government	12,949	7,222	-	-	615,182
Public safety	-	374,407	15,888	-	548,722
Public works	101,783	-	-	-	590,241
Culture and recreation	-	226,174	2,480	-	536,918
Community development	-	-	(2,171)	-	390,607
Capital outlay	-	-	-	-	830,962
Total expenditures	114,732	607,803	16,197	-	3,512,632
REVENUES OVER (UNDER) EXPENDITURES	(25,593)	105,793	173,568	2,500,000	3,749,294
OTHER FINANCING SOURCES (USES):					
Transfers in	62,030	-	-	-	99,530
Total other financing sources (uses)	62,030	-	-	-	99,530
Net change in fund balances	36,437	105,793	173,568	2,500,000	3,848,824
FUND BALANCES:					
Beginning of the year, as restated	64,412	1,405,053	(5,412)	-	9,881,340
End of year	\$ 100,849	\$ 1,510,846	\$ 168,156	\$ 2,500,000	\$ 13,730,164

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 134,000	\$ 134,000	\$ 130,803	\$ (3,197)
Use of money and property	-	-	515	515
Grants and intergovernmental revenue	-	64,500	-	(64,500)
Total revenues	134,000	198,500	131,318	(67,182)
EXPENDITURES:				
Current:				
General government	15,140	90,140	89,326	814
Public works	80,780	80,780	84,046	(3,266)
Community development	34,175	61,175	55,833	5,342
Capital outlay	5,000	5,000	-	5,000
Total expenditures	135,095	237,095	229,205	7,890
REVENUES OVER (UNDER) EXPENDITURES	(1,095)	(38,595)	(97,887)	(59,292)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	37,500	37,500	-
Total other financing sources (uses)	-	37,500	37,500	-
Net change in fund balance	\$ (1,095)	\$ (1,095)	(60,387)	\$ (59,292)
FUND BALANCE:				
Beginning of year			81,700	
End of year			\$ 21,313	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 603,300	\$ 603,300	\$ 599,596	\$ (3,704)
Use of money and property	8,020	8,020	11,812	3,792
Miscellaneous	-	-	1,478	1,478
Total revenues	611,320	611,320	612,886	1,566
EXPENDITURES:				
Current:				
General government	196,730	196,730	193,357	3,373
Public works	627,145	512,145	308,813	203,332
Total expenditures	823,875	708,875	502,170	206,705
Net change in fund balance	\$ (212,555)	\$ (97,555)	110,716	\$ 208,271
FUND BALANCE:				
Beginning of year			2,293,458	
End of year			\$ 2,404,174	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 427	\$ 427
Grants and intergovernmental	100,000	175,000	171,875	(3,125)
Total revenues	100,000	175,000	172,302	(2,698)
EXPENDITURES:				
Current:				
Public safety	100,000	175,000	158,427	16,573
Total expenditures	100,000	175,000	158,427	16,573
Net change in fund balance	\$ -	\$ -	13,875	\$ 13,875
FUND BALANCE:				
Beginning of year			81,832	
End of year			\$ 95,707	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 600	\$ 600	\$ 5,513	\$ 4,913
Total revenues	600	600	5,512	4,912
EXPENDITURES:				
Current:				
Community development	-	13,600	8,446	5,154
Capital outlay	-	217,150	-	217,150
Total expenditures	-	230,750	8,446	222,304
Net change in fund balance	\$ 600	\$ (230,150)	(2,934)	\$ 227,216
FUND BALANCE:				
Beginning of year			1,120,082	
End of year			\$ 1,117,148	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Charges for services	\$ 571,800	\$ 651,515	\$ 679,198	\$ 27,683
Use of money and property	1,000	1,000	2,943	1,943
Total revenues	572,800	652,515	682,141	29,626
EXPENDITURES:				
Current:				
General government	218,060	218,060	218,067	(7)
Community development	485,300	385,300	270,749	114,551
Total expenditures	703,360	603,360	488,816	114,544
Net change in fund balance	\$ (130,560)	\$ 49,155	193,325	\$ 144,170
FUND BALANCE:				
Beginning of year			539,102	
End of year			\$ 732,427	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Grants and intergovernmental	\$ 43,000	\$ 43,000	\$ 60,376	\$ 17,376
Total revenues	43,000	43,000	60,376	17,376
EXPENDITURES:				
Current:				
Culture and recreation	43,000	43,000	47,081	(4,081)
Capital outlay	-	-	(5,137)	5,137
Total expenditures	43,000	43,000	41,944	1,056
Net change in fund balance	\$ -	\$ -	18,432	\$ 18,432
FUND BALANCE:				
Beginning of year			81,419	
End of year			\$ 99,851	

City of East Palo Alto

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

US EPA Special Revenue Fund

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Grants and intergovernmental	\$ 405,000	\$ 597,000	\$ 661,368	\$ 64,368
Total revenues	<u>405,000</u>	<u>597,000</u>	<u>661,368</u>	<u>64,368</u>
EXPENDITURES:				
Capital outlay	405,000	405,000	469,712	(64,712)
Total expenditures	<u>405,000</u>	<u>405,000</u>	<u>469,712</u>	<u>(64,712)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 192,000</u>	191,656	<u>\$ (344)</u>
FUND BALANCE:				
Beginning of year			(191,656)	
End of year			<u>\$ -</u>	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 587	\$ 587
Use of money and property	5,500	5,500	9,932	4,432
Miscellaneous	-	-	35,000	35,000
Total revenues	5,500	5,500	45,519	40,019
EXPENDITURES:				
Current:				
General government	-	-	300	(300)
Community development	5,000	5,000	1,561	3,439
Total expenditures	5,000	5,000	1,861	3,139
Net change in fund balance	\$ 500	\$ 500	43,658	\$ 43,158
FUND BALANCE:				
Beginning of year			392,470	
End of year			\$ 436,128	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 605,000	\$ 605,000	\$ 591,379	\$ (13,621)
Use of money and property	8,500	8,500	10,176	1,676
Total revenues	613,500	613,500	601,555	(11,945)
EXPENDITURES:				
Current:				
General government	13,040	13,040	12,208	832
Public works	10,000	10,000	-	10,000
Community development	115,000	115,000	54,988	60,012
Capital outlay	275,000	275,000	195,536	79,464
Total expenditures	413,040	413,040	262,732	150,308
Net change in fund balance	\$ 200,460	\$ 200,460	338,823	\$ 138,363
FUND BALANCE:				
Beginning of year			1,789,158	
End of year			\$ 2,127,981	

City of East Palo Alto

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

CYSFF Child/Family Special Revenue Fund

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 286,250	\$ 286,250	\$ 290,624	\$ 4,374
Use of money and property	1,500	1,500	3,756	2,256
Total revenues	287,750	287,750	294,381	6,631
EXPENDITURES:				
Current:				
General government	16,930	16,930	16,930	-
Culture and recreation	270,000	320,000	261,183	58,817
Total expenditures	286,930	336,930	278,113	58,817
Net change in fund balance	\$ 820	\$ (49,180)	16,267	\$ 65,447
FUND BALANCE:				
Beginning of year			641,916	
End of year			\$ 658,183	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 378,500	\$ 378,500	\$ 493,264	\$ 114,764
Use of money and property	5,000	5,000	8,804	3,804
Total revenues	383,500	383,500	502,068	118,568
EXPENDITURES:				
Current:				
General government	64,860	64,860	64,823	37
Public works	198,135	198,135	95,599	102,536
Community development	1,200	1,200	1,200	-
Capital outlay	-	180,000	170,851	9,149
Total expenditures	264,195	444,195	332,473	111,722
Net change in fund balance	\$ 119,305	\$ (60,695)	169,595	\$ 230,290
FUND BALANCE:				
Beginning of year			1,587,806	
End of year			<u>\$ 1,757,401</u>	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 76,480	\$ 76,480	\$ 88,906	\$ 12,426
Use of money and property	900	900	233	(667)
Total revenues	77,380	77,380	89,139	11,759
EXPENDITURES:				
Current:				
General government	12,950	12,950	12,949	1
Public works	126,460	126,460	101,783	24,677
Total expenditures	139,410	139,410	114,732	24,678
REVENUES OVER (UNDER) EXPENDITURES	(62,030)	(62,030)	(25,593)	36,437
OTHER FINANCING SOURCES (USES):				
Transfer in	62,030	62,030	62,030	-
Total other financing sources (uses)	62,030	62,030	62,030	-
Net change in fund balance	\$ -	\$ -	36,437	\$ 36,437
FUND BALANCE:				
Beginning of year			64,412	
End of year			\$ 100,849	

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, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 700,000	\$ 700,000	\$ 705,435	\$ 5,435
Use of money and property	3,165	3,165	8,161	4,996
Total revenues	703,165	703,165	713,596	10,431
EXPENDITURES:				
Current:				
General government	8,200	8,200	7,222	978
Public safety	352,500	352,500	374,407	(21,907)
Culture and recreation	375,000	790,605	226,174	564,431
Total expenditures	735,700	1,151,305	607,803	543,502
Net change in fund balance	\$ (32,535)	\$ (448,140)	105,793	\$ 553,933
FUND BALANCE:				
Beginning of year			1,405,053	
End of year			\$ 1,510,846	

City of East Palo Alto

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

Local Grants

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 40	\$ 40
Grants and intergovernmental	148,000	230,000	189,725	(40,275)
Total revenues	148,000	230,000	189,766	(40,234)
EXPENDITURES:				
Current:				
Public safety	\$ -	\$ 15,000	\$ 15,888	\$ (888)
Culture and recreation	40,000	65,000	2,480	62,520
Community development	-	-	(2,171)	2,171
Capital outlay	108,000	-	-	-
Total expenditures	148,000	80,000	16,197	63,803
Net change in fund balance	\$ -	\$ 150,000	173,568	\$ 23,568
FUND BALANCE:				
Beginning of year			(5,412)	
End of year			\$ 168,156	

City of East Palo Alto

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

Silicon Valley Community Foundation (SVCF)

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Grants and intergovernmental	\$ -	\$ -	\$ 2,500,000	\$ 2,500,000
Total revenues	-	-	2,500,000	2,500,000
Net change in fund balance	\$ -	\$ -	2,500,000	\$ 2,500,000
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 2,500,000	

This page intentionally left blank

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 of Governmental Funds
4. Changes in Fund Balances of 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 and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
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, Redevelopment Tax Allocation Bonds

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/Program
3. Capital Asset Statistics by Function/Program

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
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government activities										
Net investment in capital assets	24,175,266	\$ 24,877,257	\$ 25,163,127	\$ 28,011,307	\$ 28,412,193	\$ 29,816,204	\$ 31,132,522	\$ 35,561,630	\$ 41,044,530	\$ 42,278,404
Restricted For:										
Debt Service	19,881,567	20,744,394	4,421,602	2,034,560	-	-	-	-	-	-
Low and moderate income housing	10,937,302	11,546,134	12,383,908	10,997,923	-	-	-	-	-	-
Public Safety	460,293	-	-	-	-	-	-	-	-	-
Highway and Street Projects	3,725,541	4,152,124	4,234,053	2,851,472	2,771,433	3,017,783	4,971,963	5,538,340	5,816,534	6,411,718
Parks and Recreation	1,379,246	1,147,341	940,572	703,171	713,964	358,473	496,583	550,014	1,120,082	1,117,148
Measure C programs	-	1,334,347	1,219,908	1,158,492	1,350,227	1,505,044	1,483,198	1,464,460	1,405,053	1,510,846
Housing Programs	-	-	-	1,342,896	1,517,432	2,088,380	13,108,951	14,012,643	17,325,494	20,518,013
Special Programs	-	-	-	-	-	-	726,772	954,220	1,168,856	853,741
Capital projects	-	-	-	-	-	-	209,247	188,644	279,184	3,796,398
Total restricted	36,383,949	38,924,340	23,200,043	19,088,514	6,353,056	6,969,680	20,996,714	22,708,321	27,115,203	34,207,864
Unrestricted	(29,124,597)	(27,641,786)	(13,680,807)	(8,749,180)	33,078,872	37,447,102	26,832,636	23,123,638	28,798,504	33,919,154
Total governmental activities net assets	31,434,618	36,159,811	34,682,363	38,350,641	67,844,121	74,232,986	78,961,872	81,393,589	96,958,237	110,405,422
Business-type activities										
Net investment in capital assets	5,100,616	4,867,912	4,503,722	4,319,814	4,134,175	3,938,884	3,743,594	3,548,303	3,353,012	4,050,566
Restricted For:										
Capital Projects	-	-	834,095	834,286	834,470	836,720	834,882	835,114	3,899,058	4,416,627
Total restricted	-	-	834,095	834,286	834,470	836,720	834,882	835,114	3,899,058	4,416,627
Unrestricted	2,459,697	2,360,001	1,483,820	1,055,762	1,037,305	1,453,874	1,685,818	1,889,840	1,946,951	2,104,425
Total business-type activities net assets	7,560,313	7,227,913	6,821,637	6,209,862	6,005,950	6,229,478	6,264,294	6,273,257	9,199,021	10,571,618
Primary Government										
Net investment in capital assets	29,275,882	29,745,169	29,666,849	32,331,121	32,546,368	33,755,088	34,876,116	39,109,933	44,397,542	46,328,970
Restricted	36,383,949	38,924,340	24,034,138	19,922,800	7,187,526	7,806,400	21,831,596	23,543,435	31,014,261	38,624,491
Unrestricted	(26,664,900)	(25,281,785)	(12,196,987)	(7,693,418)	34,116,177	38,900,976	28,518,454	25,013,478	30,745,455	36,023,579
Total primary government net assets	38,994,931	43,387,724	41,504,000	44,560,503	73,850,071	80,462,464	85,226,166	87,666,846	106,157,258	120,977,040

Note: Prior to the dissolution of the Former Redevelopment Agency on 2/1/2012; the capital debt financing and Low/Moderate Income Housing balances had been reported in the Government Activities. All assets and liabilities of the former Agency were transferred whereby the debt financing activity is reported in the Successor Agency Trust Fund and the housing activity was transferred to the City as successor for the program.

**City of East Palo Alto
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year Ending June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	3,932,553	3,859,589	5,119,297	4,700,459	4,634,178	4,396,506	4,055,087	3,660,815	3,857,915	4,183,768
Public safety	8,935,880	10,309,298	11,005,614	10,972,657	10,374,212	10,408,814	10,806,440	10,303,086	9,653,248	9,313,300
Public works	3,063,920	459,853	4,036,926	3,055,334	3,028,589	3,521,107	3,371,899	4,622,878	4,947,019	4,734,883
Culture and recreation	700,497	4,076,009	1,228,036	1,333,904	1,525,961	513,923	775,115	786,238	1,181,861	1,183,150
Community Development	3,603,493	5,920,364	7,230,567	5,333,924	3,340,428	2,608,543	3,147,112	2,419,345	2,748,306	2,426,699
Interest on long-term debt	2,618,397	3,067,294	2,882,117	2,291,283	1,295,832	1,306	3,281	4,180	4,325	2,347
Total governmental activities	22,854,740	27,692,407	31,502,557	27,687,561	24,199,200	21,450,199	22,158,934	21,796,542	22,392,674	21,844,147
Business-type activities										
Water Service	524,709	460,887	619,277	439,826	326,502	340,916	402,914	357,769	342,263	378,893
Garbage collection	1,895,331	1,708,893	1,616,967	2,602,083	2,583,098	2,174,074	2,353,590	2,420,314	2,490,862	2,501,535
Total business-type activities	2,420,040	2,169,780	2,236,244	3,041,909	2,909,600	2,514,990	2,756,504	2,778,083	2,833,125	2,880,428
Total primary government expenses	25,274,780	29,862,187	33,738,801	30,729,470	27,108,800	\$ 23,965,189	24,915,438	24,574,625	25,225,799	24,724,575
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	3,481	19,249	2,536	18,101	4,744	5,153	6,549	11,512	22,278	26,441
Public safety	186,210	173,177	207,305	249,676	248,855	242,704	283,271	392,781	574,595	480,048
Public works	121,665	104,772	47,852	169,034	79,138	114,107	337,426	129,437	221,994	298,451
Culture and recreation	11,808	43,638	11,411	91,961	311,158	11,429	-	-	-	4,731
Community Development	1,211,953	765,015	455,586	1,049,045	1,203,310	1,427,453	1,440,886	1,660,988	2,088,395	1,989,755
Operating Grants and Contributions	3,214,779	4,162,714	4,896,638	3,621,393	3,799,544	4,616,972	2,794,311	3,353,230	2,643,028	4,969,735
Capital Grants and Contributions	3,416,868	1,614,942	178,073	1,266,486	703,817	1,414,317	2,767,803	4,289,620	8,348,064	4,229,323
Total governmental activities program revenues	8,166,764	6,883,507	5,799,401	6,465,696	6,350,566	7,832,135	7,630,246	9,837,568	13,898,354	11,998,484
Business-type activities										
Charges for Service:										
Water Service	885,986	199,816	174,743	243,750	223,037	259,353	258,045	275,339	980,296	1,227,649
Garbage collection	1,895,698	1,679,492	1,642,054	2,163,837	2,462,700	2,465,513	2,523,718	2,498,723	2,482,434	2,461,388
Total business-type activities program revenues	2,781,684	1,879,308	1,816,797	2,407,587	2,685,737	2,724,866	2,781,763	2,774,062	3,462,730	3,689,037
Total primary government revenues	10,948,448	8,762,815	7,616,198	8,873,283	9,036,303	10,557,001	10,412,009	12,611,630	17,361,084	15,687,521
Net Revenue (Expenses):										
Governmental Activities	(14,687,976)	(20,808,900)	(25,703,156)	(21,221,865)	(17,848,634)	(13,618,064)	(14,528,688)	(11,958,974)	(8,494,320)	(9,845,663)
Business-type Activities	361,644	(290,472)	(419,447)	(634,322)	(223,863)	209,876	25,259	(4,021)	629,605	808,609
Total Net Revenue (Expenses)	(14,326,332)	(21,099,372)	(26,122,603)	(21,856,187)	(18,072,497)	(13,408,188)	(14,503,429)	(11,962,995)	(7,864,715)	(9,037,054)

General Revenues and Other Changes in Net Position

Governmental activities										
Taxes										
Property Taxes	16,230,210	17,193,291	15,934,214	15,291,232	12,338,184	10,752,244	9,411,575	10,260,689	11,428,331	12,288,670
Utility Users Tax	1,582,042	1,647,057	1,591,204	1,502,939	1,418,457	1,434,208	1,464,049	1,513,088	1,516,104	1,520,017
Parcel Tax	702,840	710,500	717,549	704,164	717,528	702,084	719,704	711,619	713,931	721,870
Sales Tax	2,524,797	2,424,013	2,301,318	2,870,854	3,003,836	3,022,310	3,113,705	3,798,237	4,364,562	4,078,803
Transient occupancy tax	1,959,798	1,610,286	1,720,233	2,269,128	1,886,852	2,145,044	2,452,951	2,803,542	2,809,127	2,906,241
Franchise and business Tax	139,173	94,542	97,979	177,344	1,264,674	1,407,440	1,470,410	1,698,507	1,510,308	1,719,382
Investment earnings	2,131,569	1,138,926	1,442,654	1,388,987	1,260,104	240,412	194,682	232,001	312,707	394,890
Miscellaneous	-	715,478	420,557	692,898	395,396	303,188	430,498	493,864	719,437	194,024
Transfers	-	-	-	(7,403)	-	-	-	-	-	(531,049)
Extraordinary Items	-	-	-	-	25,057,083	-	-	-	3,246,461	-
Total Governmental activities	25,270,429	25,534,093	24,225,708	24,890,143	47,342,114	20,006,930	19,257,574	21,511,547	26,620,968	23,292,848
Business-type activities:										
Investment earnings	78,292	(41,928)	13,171	15,144	19,951	13,652	9,557	12,984	34,159	32,939
Transfers	-	-	-	7,403	-	-	-	-	-	531,049
Total Business-type activities	78,292	(41,928)	13,171	22,547	19,951	13,652	9,557	12,984	34,159	563,988
Total primary government	25,348,721	25,492,165	24,238,879	24,912,690	47,362,065	20,020,582	19,267,131	21,524,531	26,655,127	23,856,836
Changes in net Assets										
Governmental Activities	10,582,453	4,725,193	(1,477,448)	3,668,278	29,493,480	6,388,866	4,728,886	9,552,573	18,126,648	13,447,185
Business-type Activities	439,936	(332,400)	(406,276)	(611,775)	(203,912)	223,528	34,816	8,963	663,764	1,372,597
Changes in Net Assets	11,022,389	4,392,793	(1,883,724)	3,056,503	29,289,568	6,612,394	4,763,702	9,561,536	18,790,412	14,819,782

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

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	12,676,253	13,597,260	13,710,502							
Unreserved	5,406,886	6,976,500	6,575,765							
Nonspendable				12,760,896	11,662,202	11,760,041	11,776,028	11,769,991	11,932,475	12,066,847
Restricted				-	-	-	-	-	-	-
Assigned				248,259	2,117,679	2,187,004	77,915	187,141	383,658	1,188,899
Unassigned				6,612,069	6,822,196	9,114,594	12,305,114	13,221,866	16,293,653	17,235,337
Total General Fund	18,083,139	20,573,760	20,286,267	19,621,224	20,602,077	23,061,639	24,159,057	25,178,998	28,609,786	30,491,083
All Other Governmental Funds										
Reserved	29,665,723	30,755,524	17,220,741							
Unreserved, reported in:										
Special revenue funds	10,947,512	10,728,072	8,390,162							
Capital projects funds	(8,279,431)	(8,556,368)	(12,293,874)							
Permanent funds	-	-	-							
Restricted				40,241,982	18,085,109	19,093,787	21,304,289	22,684,977	26,537,401	26,987,393
Nonspendable				-	-	57,051	-	-	-	-
Assigned				4,213,590	1,309,475	1,449,121	703,226	1,913,459	4,803,773	14,424,337
Unassigned				(12,935,810)	(205,168)	(242,822)	(340,922)	(233,356)	(197,068)	-
Total all other governmental funds	32,333,804	32,927,228	13,317,029	31,519,762	19,189,416	20,357,137	21,666,593	24,365,080	31,144,106	41,411,730
Total all governmental funds	50,416,943	53,500,988	33,603,296	51,140,986	39,791,493	43,418,776	45,825,650	49,544,078	59,753,892	71,902,813

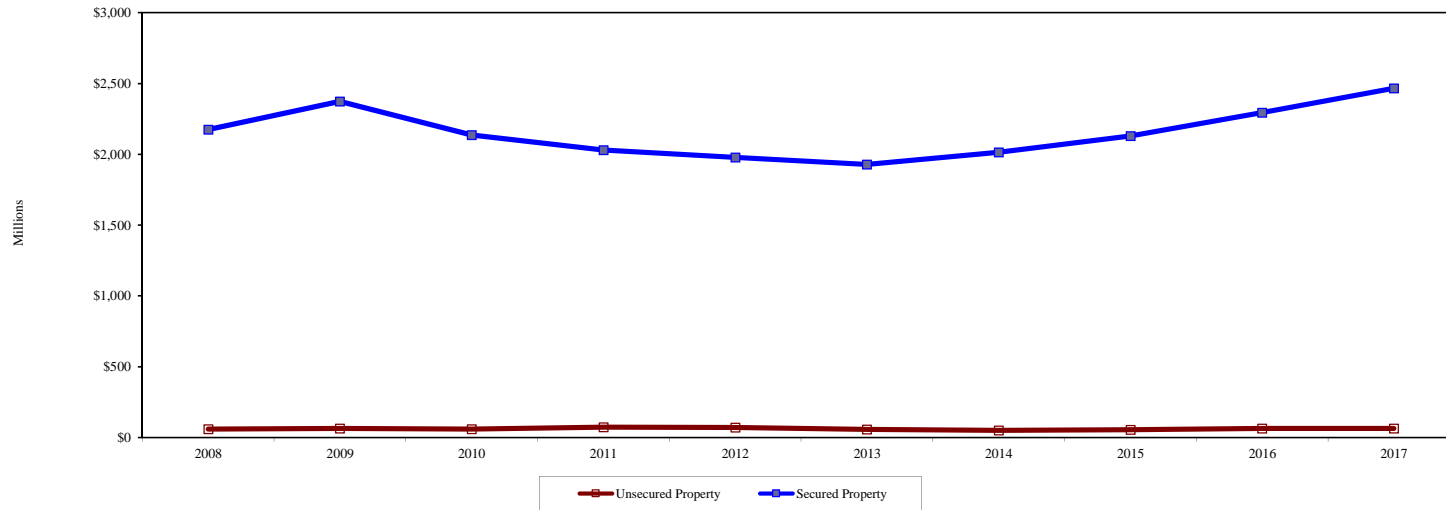
Note:
In Fiscal Year 2010-11, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions". The fund balance classifications changed in accordance with implementation of GASB 54.

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

	Fiscal Year Ending June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	22,093,509	23,285,450	21,854,984	22,046,785	19,849,192	18,545,522	18,700,903	20,271,896	22,015,184	22,570,573
Licenses, fees, and permits	695,105	684,903	758,510	1,451,605	1,474,305	1,637,444	927,194	932,302	8,225,539	2,276,892
Charges for services	1,960,341	1,565,339	1,188,851	1,094,850	1,398,072	1,345,024	2,110,075	2,638,045	2,778,293	2,090,795
Fines and forfeitures				239,233	239,475	225,680	261,440	368,621	532,143	442,911
Use of money and property	2,793,335	535,836	644,080	4,308,643	1,299,287	189,795	207,461	245,602	474,624	410,003
Contributions and donations (a)	1,218,408	-	-	-	-	-	-	-	-	-
Grants and intergovernmental	2,230,043	5,169,616	4,319,092	4,286,769	3,882,039	4,091,814	3,181,804	4,941,401	3,589,152	8,724,241
Miscellaneous	376,924	253,140	222,793	1,173,265	407,755	372,686	607,906	609,570	1,212,731	205,096
Total revenues	31,367,665	31,494,284	28,988,310	34,601,150	28,550,125	26,407,965	25,996,783	30,007,437	38,827,666	36,720,511
Expenditures										
Current										
General Government	4,168,820	3,842,178	5,009,536	4,817,557	4,601,057	4,361,346	4,050,248	3,804,928	4,037,015	4,270,123
Public Safety	8,862,537	10,278,800	11,301,946	10,767,107	10,205,449	10,089,238	10,673,461	10,237,181	10,200,118	10,159,814
Public Works	2,583,643	3,206,456	3,989,167	3,359,333	2,853,818	3,338,504	2,421,820	2,698,224	3,106,375	3,560,158
Culture and recreation	693,526	830,598	1,351,058	714,746	709,236	509,561	774,662	789,369	1,036,572	959,888
Community Development	3,361,924	4,963,224	6,999,593	5,080,138	3,069,120	2,486,567	3,969,143	2,263,113	2,257,570	2,397,396
Outside Services										
Capital Outlay	1,430,536	1,564,730	872,973	3,568,500	3,300,116	2,124,427	1,668,320	6,877,626	2,524,109	3,290,362
Debt Service (b)										
Principal repayment	420,000	445,000	16,120,000	1,075,000	1,120,000	9,718	29,914	45,254	61,347	52,302
Interest & fiscal charges	3,054,581	3,269,253	3,241,729	3,323,676	1,611,102	1,306	3,281	4,180	4,325	2,347
Total expenditures	24,575,567	28,400,239	48,886,002	32,706,057	27,469,898	22,920,667	23,590,849	26,719,875	23,227,431	24,692,390
Excess of revenues over (under) expenditures	6,792,098	3,094,045	(19,897,692)	1,895,093	1,080,227	3,487,298	2,405,934	3,287,562	15,600,235	12,028,121
Other financing sources (uses)										
Transfers in	2,866,768	3,794,238	3,739,006	10,827,081	9,710,054	795,353	1,225,985	4,024,730	1,236,787	3,876,948
Transfers (out)	(2,866,768)	(3,794,238)	(3,739,006)	(10,834,484)	(9,710,054)	(795,353)	(1,225,985)	(4,024,730)	(3,498,787)	(3,811,148)
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	6,792,098	3,094,045	(19,897,692)	17,537,690	(11,349,493)	3,611,651	2,405,934	3,409,228	13,338,235	12,093,921
Total Debt Service	3,474,581	3,714,253	19,361,729	4,398,676	2,731,102	11,024	33,195	49,434	65,672	54,649
Total Expenditures	24,575,567	28,400,239	48,886,002	32,706,057	27,469,898	22,920,667	23,590,849	26,719,875	23,227,431	24,692,390
Less: Debt Service	(3,474,581)	(3,714,253)	(19,361,729)	(4,398,676)	(2,731,102)	(11,024)	(33,195)	(49,434)	(65,672)	(54,649)
Less: Capital Outlay	(1,430,536)	(1,564,730)	(872,973)	(3,568,500)	(3,300,116)	(2,124,427)	(1,668,320)	(6,877,626)	(2,524,109)	(3,290,362)
Noncapital expenditures	19,670,450	23,121,256	28,651,300	24,738,881	21,438,680	20,785,216	21,889,334	19,792,815	20,637,650	21,347,379
Debt service as a percentage of noncapital expenditures	17.7%	16.1%	67.6%	17.8%	12.7%	0.1%	0.2%	0.2%	0.3%	0.3%

(a) Contributions and donations beginning fiscal year 2008-09 were included in Intergovernmental or Miscellaneous revenues, as appropriate
(b) Prior to the dissolution of the Former Redevelopment Agency in FY 2012; related capital debt financing had been reported.
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.

**CITY AND FORMER REDEVELOPMENT AGENCY OF EAST PALO ALTO
 ASSESSED VALUE AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**



Fiscal Year	Secured				Total Secured Property	Unsecured				Unsecured Property	Total Assessed (1)	Estimated Actual Value (2)	Total Direct Tax Rate (3)
	City	Gateway 101 Corridor	University Circle	Ravenswood		City	Gateway 101 Corridor	University Circle	Ravenswood				
2008	1,348,476,067	306,561,634	372,177,677	88,893,136	\$2,116,108,514	5,414,795	10,104,010	40,495,044	3,378,665	\$59,392,514	2,175,501,028	2,175,501,028	1%
2009	1,510,291,931	327,844,925	379,621,229	92,952,830	\$2,310,710,915	5,604,572	13,006,019	42,195,488	3,241,611	\$64,047,690	2,374,758,605	2,374,758,605	1%
2010	1,283,832,450	315,872,778	379,888,089	96,422,143	\$2,076,015,460	4,686,491	8,807,463	43,695,337	2,870,813	\$60,060,104	2,136,075,564	2,136,075,564	1%
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	2,030,719,472	1%
2012	1,135,889,305	308,388,843	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	1,978,176,923	1%
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	1,928,669,749	1%
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	2,013,487,648	1%
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	2,130,647,020	1%
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	2,294,583,572	1%
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	2,465,680,381	1%

Source: San Mateo County Assessors, MuniServices, LLC
 Source: 2013-14 and Prior, Prior published CAFR

- (1) Total Assessed 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

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
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	0.0316	0.0299	0.0364	0.0364	0.0397	0.0417	0.0415	0.0360	0.0304	0.0376
Sequoia Union High School District	0.0205	0.0282	0.0277	0.0311	0.0358	0.0356	0.0313	0.0433	0.0434	0.0391
San Mateo Community College District	0.0171	0.0165	0.0182	0.0193	0.0199	0.0194	0.0194	0.0190	0.0250	0.0247
Midpeninsula	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0008	0.0006
TOTAL	0.0692	0.0746	0.0823	0.0868	0.0954	0.0967	0.0922	0.0983	0.0996	0.1020
TOTAL TAX RATE	1.0692	1.0746	1.0823	1.0868	1.0954	1.0967	1.0922	1.0983	1.0996	1.1020

Source: San Mateo County Controller, MuniServices, LLC
Source: 2013-14 and prior, previously published CAFR Report
Tax Rate as represented by TRA 021-000

City of East Palo Alto

Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

Taxpayer	2016-17		2007-08	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Wells Reit II University Circle	338,242,217	13.72%	298,860,000	13.83%
Woodland Park Property Owner L	163,618,713	6.64%		
Ikea Property Inc.	86,852,005	3.52%	77,394,868	3.58%
Shr Palo Alto LLC	52,863,063	2.14%		
Gateway 101 LLC	26,869,308	1.09%		
Hd Devel Of Maryland Inc.	20,349,269	0.83%	35,556,118	1.65%
RFHC Bay Pulgas Landowner Inc.	19,134,069	0.78%		
PS Northern California One Inc	16,447,048	0.67%		
Nairobi Housing Inc. Housing A	14,118,832	0.57%	11,825,641	0.55%
University Plaza Epa LLC	13,661,948	0.55%		
Storage Portfolio I LLC			7,664,033	0.35%
D C Lee Second LP			6,762,600	0.31%
LD Riviera LLC			71,729,184	3.32%
Romic Environmental Tech Corp			18,803,683	0.87%
Four Seasons Hotel			12,523,028	0.58%
1751 East Bayshore Investors L			9,734,223	0.45%
Total Top 10 Taxpayers	752,156,472	30.51%	550,853,378	25.50%
Total Taxable Value	2,465,680,381	100.00%	2,160,484,668	100.00%

Source: County Assessor data, MuniServices, LLC

**City of East Palo Alto
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		Total Collections To Date	
		Current Tax Collections (2)	Percentage of Levy	Delinquent Tax Collections (3)	Total Tax Collections Percentage of Levy
2008	13,778,302	12,927,420	93.8%		12,927,420 93.8%
2009	14,628,038	13,892,862	95.0%		13,892,862 95.0%
2010	13,439,564	13,051,893	97.1%		13,051,893 97.1%
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	5,195,167	97.5%		5,195,167 97.5%
2016	5,751,125	5,512,547	95.9%		5,512,547 95.9%
2017	6,158,288	5,864,761	95.2%		5,864,761 95.2%

Source: San Mateo County Controller, City General Ledger

Notes:

- (1) Beginning in 1993, Current Tax Collections are reduced by a mandatory tax allocation imposed by the State of California (Educational Revenue Augmentation Fund (ERAF)). Prior to the dissolution of the former Redevelopment Agency, the table data included secured and unsecured tax levies for the City, certain districts, and the former Redevelopment Agency. Beginning in FY 2012-13, the amounts levied are related to the City and certain districts only.
- (2) City of East Palo Alto General Ledger. Prior to dissolution of the former Redevelopment Agency, amounts collected include secured, unsecured, HOPTR, unitary, excess ERAF received, and tax increments related to the City and the former Redevelopment Agency. During FY 2011-12, as a result of the dissolution of the former Agency, the City collected one-half of the total amount levied for the former Agency accounting for the low percentage of amount collected in that year. Beginning in FY 2012-13, the amounts presented include only the City's general secured and unsecured property tax collections.
- (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
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year End	Capitalized Lease Debt	1	Redevelopment Tax Allocation Bonds	2	Revenue Bonds	2	Less: Restricted Bonds Held	3	Total Primary Government Debt	Percentage of Personal Income	5	Outstanding Debt Per Capita	6	Outstanding Debt to Taxable Assessed Value
2008	-		24,800,000		17,995,000		(16,040,000)		26,755,000	4.18%		\$816		1.23%
2009	-		24,355,000		17,995,000		(16,040,000)		26,310,000	4.32%		\$793		1.11%
2010	-		23,700,500		17,995,000		(15,650,000)		26,045,500	4.33%		\$777		1.22%
2011	-		23,390,000		17,415,000		(15,240,000) (4)		25,565,000	4.92%		\$903		1.26%
2012	-		-		-		-		-	0.00%		\$0		0.00%
2013	114,635		-		-		-		114,635	0.02%		\$4		0.01%
2014	84,721		-		-		-		84,721	0.01%		\$3		0.00%
2015	161,133		-		-		-		161,133	0.03%		\$6		0.01%
2016	99,786		-		-		-		99,786	0.02%		\$3		0.00%
2017	47,484		-		-		-		47,484	0.01%		\$2		0.00%

Source: City of East Palo Alto

Notes:

- 1 Capitalized Lease Debt due to Police Vehicle purchased 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 MuniServcies LLC
- 6 State of California Department of Finance, population.

**CITY OF EAST PALO ALTO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2017**

2016-17 ASSESSED VALUATION	\$2,480,055,397		
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	Total Debt 6/30/2017	(1) Percentage Applicable	City's Share of Debt 6/30/2017
2015A Refunding Tax Allocation Bonds	\$16,950,000	100%	\$16,950,000
2015B Refunding Tax Allocation Bonds (Taxable)	1,705,000	100%	1,705,000
TOTAL OVERLAPPING TAX INCREMENT DEBT			\$18,655,000
Ratios to Redevelopment Successor Agency Incremental Valuation (\$903,820,217):			
Overlapping Tax Increment Debt.....		2.06%	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2017	Percentage Applicable	City's Share of Debt 6/30/2017
San Mateo Community College District	\$611,812,998	1.293%	\$7,910,742
Sequoia Union High School District	523,920,000	3.046%	15,958,603
Ravenswood School District	22,605,000	48.608%	10,987,838
Midpeninsula Regional Open Space District	44,225,000	1.013%	447,999
California Statewide Communities Development Authority 1915 Act Bonds	2,897,709	100.000%	2,897,709
SUBTOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$38,202,892
SUBTOTAL DIRECT DEBT			\$0
TOTAL DIRECT AND OVERLAPPING TAX, ASSESSMENT AND TAX INCREMENT DEBT			\$56,857,892
OVERLAPPING GENERAL FUND DEBT:			
San Mateo County General Fund Obligations	\$399,389,816	1.293%	\$5,164,110
San Mateo County Board of Education Certificates of Participation	9,330,000	1.293%	120,637
Menlo Park Fire Protection District Certificates of Participation	10,755,000	7.894%	849,000
Midpeninsula Regional Open Space District General Fund Obligations	112,143,611	1.013%	1,136,015
TOTAL OVERLAPPING GENERAL FUND DEBT			\$7,269,762
TOTAL DIRECT DEBT			\$0
COMBINED TOTAL DEBT			<u><u>\$64,127,654</u></u> (2)

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, and qualified lease obligations.

Ratios to 2016-17 Assessed Valuation:

Total Direct Debt	0.00%
Combined Total Debt	2.59%

Source: MuniServices, LLC

**CITY OF EAST PALO ALTO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012
Gross Assessed Valuation	1,353,890,862	1,515,896,503	1,288,518,941	1,195,776,212	1,143,398,348
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	338,472,716	378,974,126	322,129,735	298,944,053	285,849,587
Debt service limit percentage	15%	15%	15%	15%	15%
Debt service limit percentage	50,770,907	56,846,119	48,319,460	44,841,608	42,877,438
Debt Applicable to Limit:					
Less: Outstanding General Obligations	0	0	0	0	0
Legal debt service margin	50,770,907	56,846,119	48,319,460	44,841,608	42,877,438

	2013	2014	2015	2016	2017
Gross Assessed Valuation	1,111,399,506	1,180,118,124	1,278,249,753	1,393,199,540	1,502,177,908
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	277,849,877	295,029,531	319,562,438	348,299,885	375,544,477
Debt service limit percentage	15%	15%	15%	15%	15%
Debt service limit percentage	41,677,481	44,254,430	47,934,366	52,244,983	56,331,672
Debt Applicable to Limit:					
Less: Outstanding General Obligations	0	0	0	0	0
Legal debt service margin	41,677,481	44,254,430	47,934,366	52,244,983	56,331,672

Source: MuniServices, LLC and San Mateo County Assessors Office

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.

City of East Palo Alto
Bonded Debt Pledged-Revenue Coverage
Successor Agency (Including Former Redevelopment and Authority Bonds)

Last Ten Fiscal Years

RDA Tax Allocation (Refunding) Bonds						Public Financing Authority Revenue Bonds					
Fiscal Year	Increment (Gross RPTTF)	Debt Service (1)			Coverage	Payments from 1999 TABS**	Capitalized Interest Acct	Debt Service (2)			Coverage
		Principal	Interest	Total				Principal	Interest	Total	
2008	7,857,564	420,000	1,752,425	2,172,425	3.6	-	846,644	-	846,644	846,644	100%
2009	7,996,776	445,000	1,730,325	2,175,325	3.7	-	846,644	-	846,644	846,644	100%
2010	7,891,237	470,000	1,706,055	2,176,055	3.6	-	846,644	-	846,644	846,644	100%
2011	7,625,928	495,000	1,455,833	1,950,833	3.9	1,416,784	-	580,000	836,784	1,416,784	100%
2012 *	7,376,396	520,000	1,425,525	1,945,525	3.8	1,418,570	-	600,000	818,570	1,418,570	100%
2013	7,376,779	550,000	1,394,064	1,944,064	3.8	1,416,938	-	620,000	796,938	1,416,938	100%
2014	7,601,754	585,000	1,360,764	1,945,764	3.9	1,415,438	-	645,000	770,438	1,415,438	100%
2015	7,635,260	620,000	1,325,004	1,945,004	3.9	1,415,138	-	670,000	745,138	1,415,138	100%
2016	7,937,084	655,000	1,037,717	1,692,717	4.7	15,242,245	-	14,880,000	362,245	15,242,245	100%
2017	8,855,528	795,000	732,249	1,527,249	5.8	-	-	-	-	-	-

NOTE: The tables above reflects the 1999, 2003A, and 2003B Tax Allocation Bonds (TABs). Note that the bond proceeds from the 2005 East Palo Alto Public Financing Authority revenue bonds were used to purchase the outstanding 1999 Tax Allocation bonds 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 of the City. Effective September 1, 2015 the 2015 Refunding Bonds were issued and the proceeds were utilized to defease the 1999, 2003A, and 2003B TABSs resulting in the subsequent call and defeasance of the 2005 PFA Revenue Bonds on October 1, 2015.

* Tax Increment Revenues are no longer allocated to (former) Redevelopment Agencies. Amounts reflected subsequent to FY 2010-11 reflect Gross Redevelopment Property Tax Trust Funds related to the former Redevelopment project areas and are useful for assessing debt service coverage; but are only available to the Successor Agency to the extent of the underlying debt.

Any Gross RPTTF available after payment of debt and other obligations is distributed to taxing agencies.

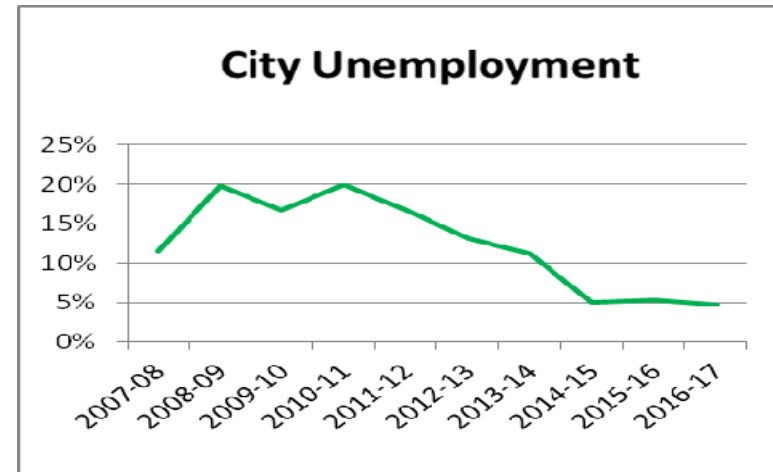
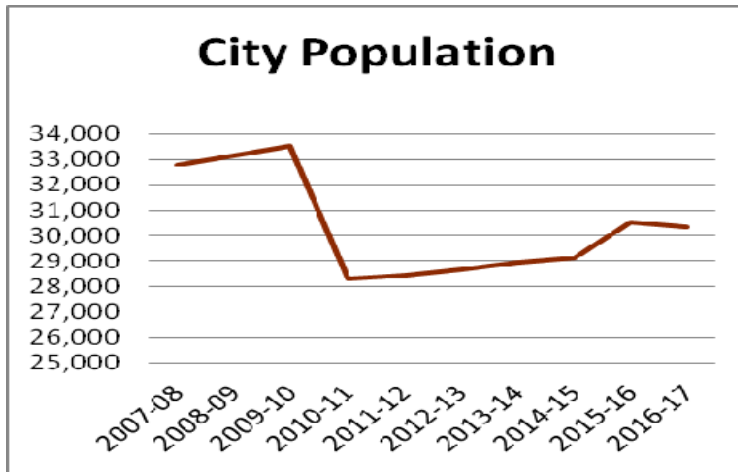
** In FY 2015-16, payments from 1999 TABS includes proceeds from 2015 Refunding Bonds paid to PFA.

SOURCES: 1) Tax Allocation bonds 1999, 2003A, 2003B, 2015A, 2015B
2) PFA Revenue bonds 2005A. Defeased effective 10/1/2015.

City of East Palo Alto

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	City					
	Population (1)	Unemployment Rate (2)	Per Capita Personal Income (3)	County Unemployment Rate (2)	County Per Capita Personal Income	Public School Enrollment (4)
2007-08	32,800	11.60%	19,493	4.70%	73,839	4,936
2008-09	33,164	19.80%	18,364	8.60%	69,562	4,554
2009-10	33,524	16.80%	17,942	7.10%	67,964	4,385
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



Source: MuniServices, LLC

Source: 2013-14 and prior, previously published CAFR Report

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

1) Population Projections are provided by the California Department of Finance Projections.

2) Unemployment Data are provided by the EDD's Bureau of Labor Statistics Department.

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 Unified School District.

Tax Rate as represented by TRA 021-000

City of East Palo Alto

Principal Employers Last Fiscal Year and Four Years ago

Business Name	2016-17		2013-14	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Ravenswood City School Dist	492	3.26%	538	3.90%
Ikea*	332	2.20%	343	2.49%
Four Seasons Hotel - Silicon Valley	297	1.97%	285	2.07%
Ravenswood Family Health Ctr*	216	1.43%	163	1.18%
DLA Piper LLP	175	1.16%	175	1.27%
Home Depot	174	1.15%	150	1.09%
City of East Palo Alto*	113	0.75%	102	0.74%
NTT Group	85	0.56%	120	0.87%
Ropes and Gray Law Firm	62	0.41%	63	0.46%
Nordstrom Rack	57	0.38%	77	0.56%
Total Top Employers	2,003	13.26%	2,016	14.61%
Total City Employment (1)	15,100		13,800	

Source: MuniServices, LLC

Results based on direct correspondence with city's local businesses.

*Includes full and part time.

(1) Total City Labor Force provided by EDD Labor Force Data.

Data prior to 2013-14 is not available

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

Function	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government	21.0	22.0	22.5	22.0	24.6	24.6	27.6	25.1	21.0	23.0
Public Safety										
Police										
Officers	43.0	43.0	44.0	41.0	40.0	38.0	38.0	36.0	36.0	36.0
Civilians	9.8	7.0	7.0	7.0	7.5	9.5	9.5	8.0	9.5	9.5
Community Development										
Administration	-	2.0	2.0	2.0	5.5	5.5	7.0	8.0	4.0	4.0
Economic Development/Redevelopment Agency	6.0	6.0	6.0	6.0	5.0	5.0	2.0	-	-	-
Planning and Housing Division	5.0	5.0	5.0	5.0	3.0	3.0	4.0	3.0	3.0	4.0
Building Services Division	5.0	5.0	5.0	5.0	3.0	3.0	4.0	5.0	6.0	7.0
Rent Stabilization Division (From Gen Government FY15-16)	-	-	-	-	-	-	-	2.0	2.0	2.0
Engineering Services (To Public Works FY2015-16)	-	-	-	-	5.0	5.0	6.0	6.0	-	-
Maintenance Division (To Public Works FY2015-16)	-	-	-	-	11.0	11.0	11.0	12.0	-	-
Public Works (Restored in 2015-16)										
Administration Division	2.0	2.0	2.0	2.0	-	-	-	-	2.0	2.0
Engineering Services Division	6.0	6.0	6.0	6.0	-	-	-	-	5.0	5.0
Maintenance Division	12.0	12.0	12.0	12.0	-	-	-	-	12.0	12.0
Culture & Recreation (Restored in 2015)										
Administration(From Gen Government FY15-16)	2.0	2.0	2.0	2.0	-	-	-	-	1.8	1.0
Recreation(From Gen Government FY15-16)	1.0	1.0	2.0	2.0	-	-	-	-	1.0	1.0
Senior Services (From Gen Government FY15-16)	1.4	1.4	1.6	1.4	-	-	-	-	1.6	2.4
Housing Services (Eliminated 2012) & Rent Stabilization*	4.0	4.0	5.0	5.0	-	-	-	-	-	-
Total	118.1	118.4	122.1	118.4	104.6	104.6	109.1	105.1	104.9	108.9

* Rent Stabilization positions (2) transferred to General Government in 2012.

Source: City of East Palo Alto Government Budget.

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

FUNCTION	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government owned buildings										
Public Works & Comm Development Building	1	1	1	1	1	1	1	1	1	1
Housing (Water Enterprise Fund)	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	827	827	827	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	16	16	16	25.38	25.38	25.38	25.38	25.38
Senior Center	1	1	1	1	1	1	1	1	1	1
Cooley Landing Learning Center	-	-	-	-	-	-	-	-	-	1
Water *										
Water pipelines (miles)	39.2	39.2	39.2	39.2	38.6	38.6	38.6	38.6	38.6	38.6
Fire hydrants	230	230	230	230	283	283	283	283	290	330
Maximum daily capacity (millions of gallons per day)	1.9	1.9	1.9	1.9	1.9	2.07	2.02	1.96	1.96	1.96

Source: Various city departments

* Data obtained from American Water Company , which services services approximately 90% residents in East Palo Alto.

**Operating Indicators by Function
Last Nine Fiscal Years**

Function	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Fiscal Year 2016-2017
Police									
Calls for Service	37,385	35,736	35,337	31,277	28,443	29,123	28,253	31,312	30,745
Number of serious crimes *	630	551	440	475	572	510	387	174	116
Number of burglaries	347	424	399	425	285	213	180	93	97
Number of assaults	482	385	316	350	460	436	306	284	239
Number of auto thefts reported	256	213	194	123	134	174	132	393	86
Number of homicides	8	9	2	10	8	4	6	4	1
Number of robberies	121	137	104	102	87	60	65	77	48
Number of physical arrests	713	1,172	1,385	612	635	640	965	1,462	1,433
Community Development									
Transportation									
Shuttle Passengers									
**** Caltrain/Commuter Shuttle	21,433	32,872	46,894	65,770	72,878	76,879	85,259	28,901	7,978
*** Shopper Shuttle (now Redwood City #4)	7,055	5,186	7,666	8,734	4,197	4,076	-	-	-
*** Youth Shuttle (now MidTown #3)	12,835	18,471	13,233	14,557	7,185	4,539	-	-	-
*** Weekend Shuttle	14,321	17,783	13,509	15,382	12,865	23,582	-	-	-
Streets									
Street Resurfacing (lane miles)	1.30	1.30	4.40	1.6	-	2.5	0.8	-	-
Potholes repaired	12	67	20	42	29	16	61	94	98
Engineering									
Encroachment permits	76	44	42	55	41	49	57	109	67
Culture & recreation									
Facility Rentals	25	27	21	25	35	74	24	41	67
Lunches Served to Seniors	8,188	9,225	8,437	7,331	6,842	5,784	3,471	6,662	9,112
Transportation trips provided to Seniors	3,457	3,375	3,234	3,580	2,743	2,183	3,012	3,020	2,996
Community Event participants	1,899	2,600	1,800	2,450	5,200	4,900	3,300	2,600	3,762
Program Registration participants(Fit Zone)	115	206	150	122	10,074	5,436	6,300	1,116	2,655
Building Permits Issued:									
Residential - Count	650	425	373	577	408	324	297	391	590
Commercial Count	27	22	22	52	36	126	49	43	60
Water **									
Hydrant Breaks	13	7	7	8	9	9	8	12	3
Water main breaks	18	6	12	16	21	5	18	19	7
Average daily consumption per family (in gallons)	227	332	224	229	385	239	201	200	217

Source: City Departments

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

** The water related data was obtained from American Water Company which services approximately 90% residents in East Palo Alto

*** Shuttle services were eliminated in fiscal year 2014-15

**** Shuttle service was eliminated as of September 2016

Data prior to 2008-09 is not available