

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018



City of East Palo Alto, California

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, 2018

Prepared by:
Finance Department

City of East Palo Alto
Comprehensive Annual Financial Report
For the year ended June 30, 2018

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CITY OF EAST PALO ALTO
DEPARTMENT OF FINANCE
2415 University Avenue, East Palo Alto, CA 94303

December 26, 2018

Honorable Mayor Lisa Gauthier
Honorable Vice Mayor Regina Wallace Jones
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, 2018. 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, 2018 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 30,917¹.

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.

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 conducted during June 2018. The budget serves as the foundation for the City of East Palo Alto's financial planning and control. The budget is prepared by fund and division. Transfers between departments require City Manager, or designee, approval. Unless mandated by regulation, transfers between funds require approval from the City Council.

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.

¹ Source: MuniServices LLC from data provided by California Department of Finance, June 2018

The City also has an extensive base of community volunteers, religious organizations, philanthropists, and social activists. These organizations provide a broad network of services and enrichment activities 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

During fiscal year 2017-18, the City experienced above-average tax revenue growth. This growth was the result of external factors, such as property turn-over and new commercial development, as well as, internal growth drivers such as full implementation of local tax increases approved by voters in November 2016. While the near-term economic outlook remains stable, local general tax growth trends are expected to slow to levels significantly below those experienced in recent years.

Historically, the City's unemployment rate has been approximately 2.4 times the unemployment rate in San Mateo County (County). The City's current unemployment rate of 2.7%² is approximately 1.2 times the County rate of 2.2% indicating marked improvement in local employment participation. This trend is not surprising given the high relative growth of low-wage jobs in California; however, considering local housing and transportation costs, the improvement in unemployment figures is not directly indicative of improved living standards for those citizens working in low-wage jobs.

Assessed property values in fiscal year 2017-18 total \$2.97 billion, establishing a record high valuation for the City. This valuation represents an increase of approximately 19.6% over the prior year, primarily due to the completion of 208,000 square feet of Class A office space and the purchase of the Woodland Park multi-family housing portfolio from Equity Residential in February 2016. Long-term growth prospects generally remain positive due to: (1) current development planning activity; (2) developers with assembled industrial properties within the Ravenswood Business District; and, (3) the acquisition of permanent, additional water rights enabling the City to lift an imposed moratorium for new or expanded water service connections.

Despite positive economic trends, uncertainty exists regarding the value and timing of proposed development projects. Overall, during fiscal year 2018-19, the City is entering a predicted "gap" as current, major development is complete and the next wave of major development projects in process are, as yet, not approved for construction.

Sales tax revenues increased primarily due to fully enacting Measure P - a local one-half cent transactions and use tax approved by voters in November 2016. Underlying sales tax data have

² Source: MuniServices LLC from data provided by EDD Bureau of Labor Statistics, June 2018

stabilized from recent declines due to new retail opening in the Gateway Shopping Center and in the fuel sector. Sales tax revenues generally remain vulnerable due to the rapid growth of online sales transactions, types of items exempt from sales tax, and changing consumption and spending habits. East Palo Alto is particularly vulnerable to industry concentration risk in both property and sales tax revenue base due to the low amount of commercial property generating various tax revenues.

Transient occupancy and utility users' tax reflect stable growth. Business license taxes increased, as expected, due to implementation of Measure O - a local gross receipts rental tax approved by voters in November 2016. Projected development-related permits and plan review fees are highly volatile and currently elevated due to a number of large projects in the planning process. The City also receives significant contribution revenues for capital grants, settlements, community benefits, and other purposes which also are volatile year over year based upon underlying, related activity.

Despite positive, robust changes in local resources, East Palo Alto's participation in the Silicon Valley economy also brings difficult regional challenges to the local level. East Palo Alto historically has served as a haven of affordable living on the San Francisco Peninsula. However, median home prices have tripled in the past five years to \$1.04 million³ - a pace far surpassing average wage growth over the same period. City leaders are attending to a number of affordable and supportive housing and job opportunity initiatives culminating in a proposed special parcel tax, Measure HH "Affordable Housing and Life Opportunities Measure", passed by voters in November 2018 and aimed at addressing such issues.

Along with serious, critical housing affordability and living issues, the City continues to face long-standing infrastructure challenges. 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.

The most recent fiscal outlook prepared by the State Legislative Analyst's Office reports that the economic prospect forecast consensus is generally continued economic growth, albeit with some slowing of the pace in coming years. As the United States economy continues to experience a long, moderate economic expansion; commonly cited economic headwinds- such as government debt levels, nationalist global politics, trade tensions, slowing global growth, and central bank monetary policy - are indicative of uncertainty surrounding the extent of the current expansion.

³ Source: Zillow.com

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. During the 2018-19 budget process, a number of long-term financial planning initiatives were delayed in order to propose a local tax (Measure HH) aimed at addressing affordable and supportive housing, and jobs training. Maintaining a sustainable budget and prudent fiscal planning is a strategic priority of the Council supported by citizen survey. The City recently adopted a debt management policy and is conducting improvement of existing fiscal policies including studying and recommending comprehensive reserve levels, addressing payment of post-retirement liabilities, and implementing capital planning policies.

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

FINANCIAL POLICIES AND INFORMATION

Budgetary Controls

The City 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 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 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 conducting 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, preserve and expand affordable housing in East Palo Alto, and initiate a local tax measure to address affordable and supportive housing, and jobs opportunities and training.

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

- *Purchased One Million Gallon Per Day (MGD) additional water supply*
- *Completed additional 0.5 MGD transfer of additional water supply from City of Palo Alto*
- *Proposed an “Affordable Housing and Life Opportunities Tax Measure” – Measure HH*
- *Implemented a Comprehensive Clean City Plan*
- *Initiated a Safe Parking Pilot Program to Address RV Homelessness*
- *Approved a Cannabis Urgency Ordinance*
- *Initiated a number of critical infrastructure projects, including:*
 - *Storm Drain Trash Capture*
 - *Gloria Way Well Rehabilitation*
 - *Highway 101/Pedestrian Overcrossing*
 - *Cooley Landing Park Phases IV and V*

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, 2017. This was the ninth 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 those staff - each of whom demonstrated exemplary personal dedication and professionalism during this process.

The Finance Department wishes to express our sincere appreciation to the 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,

A handwritten signature in blue ink that reads "Brenda Olwin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brenda Olwin
Finance Director



CITY OF EAST PALO ALTO

DIRECTORY OF OFFICIALS

City Council

Lisa Gauthier.....	Mayor
Regina Wallace Jones.....	Vice Mayor
Ruben Abrica.....	Council Member
Larry Moody	Council Member
Carlos Romero.....	Council Member

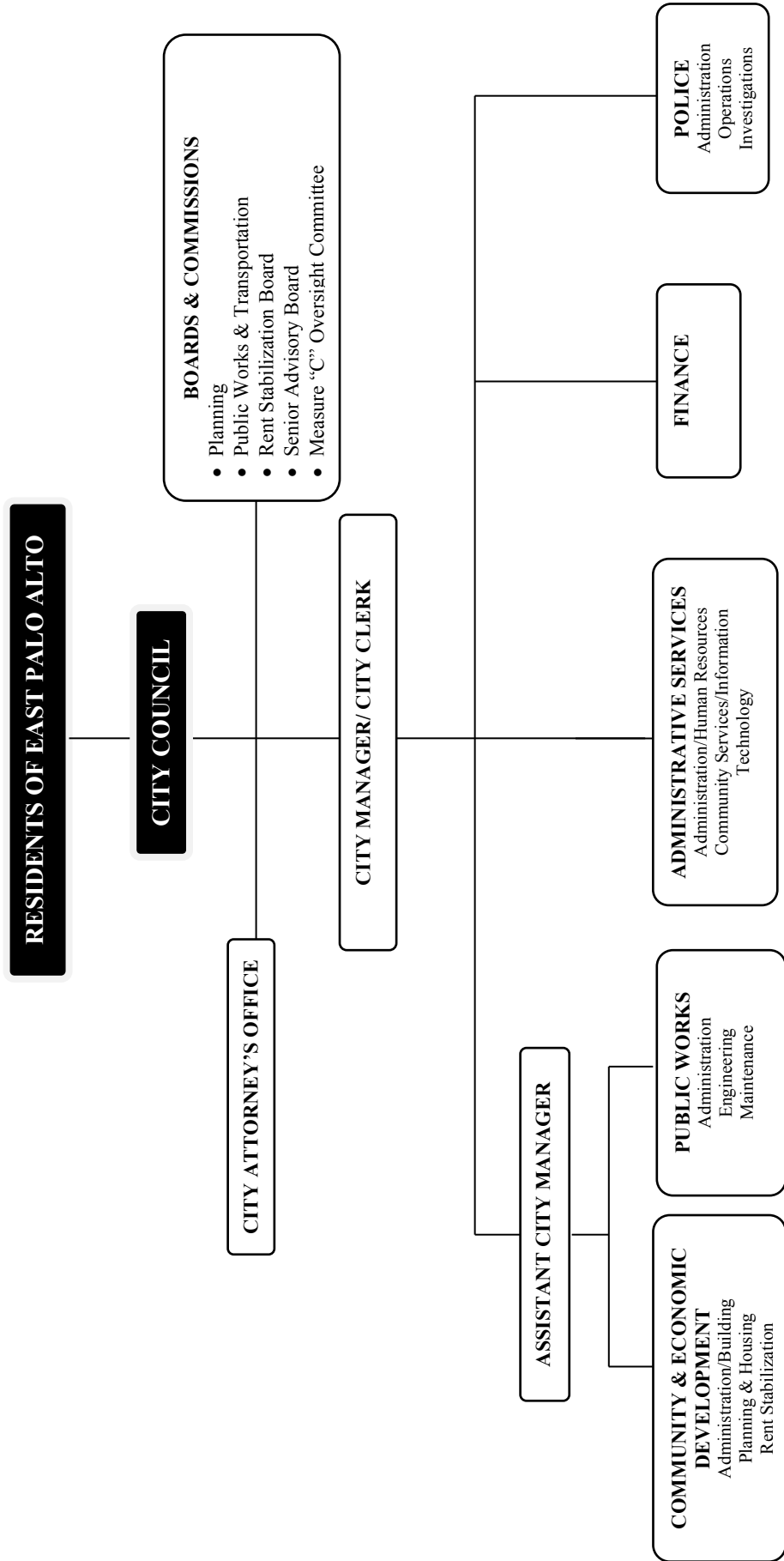
Administration

Sean Charpentier	Interim 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, 2017

Christopher P. Morill

Executive Director/CEO

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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, 2018, 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
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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, 2018, 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 90-95 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.

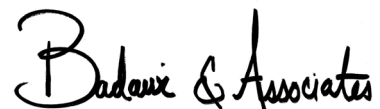
The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 98-123 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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
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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 26, 2018, 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 26, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2018. We advise readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2017-18 FINANCIAL HIGHLIGHTS

- The City's total net position equals \$138.3 million, an increase of \$17.3 million over the prior year net position of \$121 million. Of the total increase, \$14.1 million is attributable to governmental activities primarily due to capital grant revenues, increased general revenues, vacancies and other expenditure savings. The remaining increase of \$3.2 million is due to business-type activities primarily related to water-system capital grant revenues (\$2.0M) and capital surcharge revenues (\$0.8M) invested in capital assets.
- Total revenues, excluding transfers and special items, equal \$44.9 million compared to prior year revenues of \$39.5 million; an increase of \$5.4 million primarily due to increased general taxes (\$4.1M), grants and contributions (\$0.5M), and investment earnings (\$0.5M). Total expenses, excluding transfers and special items, equal \$27.7 million compared to prior year expenses of \$24.7 million; an increase of \$3.0 million primarily due to increased wages and pension expense.
- Governmental program revenues equal \$10.4 million compared to \$12.0 million in the prior year; a decrease of \$1.6 million primarily due to decreased operating grants and contributions (\$2.6M) offset by increased capital grants and contributions (\$1.0M). Business-type program revenues equal \$5.5 million compared to \$3.7 million in the prior year; an increase of \$1.8 million primarily due to capital grant revenues (\$2.0M) offset by reduced charges for services (\$0.2M).
- Governmental general revenues, excluding transfers and special items, equal \$28.9 million compared to prior year revenues of \$23.8 million; an increase of \$5.1 million primarily due to property taxes (\$2.4M), sales tax (\$1.8M), and other net taxes (\$0.6M). Business-type general revenues increased approximately \$46,000 due to increased investment earnings.
- General Fund balance totals \$37.8 million, an increase of \$7.3 million over the prior year General Fund balance of \$30.5 million. This increase is primarily due to actual expenditures lower than expected (\$4.1M) as a result of vacancies, and delays in implementation of planned service programs, as well as, new and increased revenues.

- General Fund revenues, excluding transfers and special items, equal \$29.0 million compared to \$23.7 million in the prior year; an increase of \$5.3 million primarily due to new local sales and business license tax measures voted in November 2016 (\$2.2M), increased property tax (\$1.9M), and tax compliance activity (\$0.5M).

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 in the period the event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods (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 infrastructure 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 residential 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 funds for particular purposes (such as the Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as grants received from the Federal government). The City reports the following major funds: General Fund, 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, where the focus is on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near 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 a statement of cash flows.
- *Fiduciary funds* - the City maintains a Private Purpose Trust Fund to account for the activity of the former Redevelopment Agency of the City of East Palo Alto. The City's fiduciary activities such as the Successor Agency are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The accounting basis used for fiduciary funds is 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 and deferred outflows exceed liabilities and deferred inflows by \$124.5 million at June 30, 2018. 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	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 88,219	\$ 78,927	\$ 6,145	\$ 7,815	\$ 94,364	\$ 86,742
Capital Assets	48,800	42,326	11,862	4,051	60,662	46,377
Total assets	<u>\$ 137,019</u>	<u>\$ 121,253</u>	<u>\$ 18,007</u>	<u>\$ 11,866</u>	<u>\$ 155,026</u>	<u>\$ 133,119</u>
Deferred outflows of resources						
Deferred pension outflows	\$ 5,391	\$ 5,753	\$ -	\$ -	\$ 5,391	\$ 5,753
Total deferred outflows	5,391	5,753	-	-	5,391	5,753
Liabilities:						
Current and other liabilities	5,052	4,580	712	888	5,764	5,468
Noncurrent liabilities	12,476	10,922	3,501	406	15,977	11,328
Total liabilities	<u>17,528</u>	<u>15,502</u>	<u>4,213</u>	<u>1,294</u>	<u>21,741</u>	<u>16,796</u>
Deferred inflows of resources						
Deferred inflows - pension	420	1,099	-	-	420	1,099
Total deferred inflows	420	1,099	-	-	420	1,099
Net Position:						
Net Investment in capital assets	48,784	42,278	6,105	4,051	54,889	46,329
Restricted	34,904	34,208	4,253	4,417	39,157	38,625
Unrestricted	40,774	33,919	3,437	2,104	44,211	36,023
Total Net Position	<u>\$ 124,462</u>	<u>\$ 110,405</u>	<u>\$ 13,795</u>	<u>\$ 10,572</u>	<u>\$ 138,257</u>	<u>\$ 120,977</u>

Net Position - Governmental Activities

Total governmental activities assets of \$137.0 million consist of current and other assets of \$88.2 million and capital assets of \$48.8 million. Total governmental activities assets increased \$15.7 million due to positive change in net position and net investment in capital assets.

Deferred outflows of \$5.4 million consists of \$1.6 million deferred employer pension contributions paid after the pension liability measurement date, \$2.0 million of plan-related assumption changes and projected to actual differences, and \$1.8 million of City-specific factors

such as change in proportional share of multi-employer plan and differences between the actual and proportional share of contributions.

Total liabilities of \$17.5 million consist of \$5.0 million current liabilities and \$12.5 non-current liabilities. Of the non-current liabilities, the most significant portion (\$10.9 M) relates to net pension liability. Total governmental activities liabilities increased \$2.0 million primarily due to increase in total pension liability (\$1.4M) over the prior year, and increased accounts payable and accrued wages.

Deferred inflows of \$0.4 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 (39%) 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 the City's robust pace of revenue growth decelerates, the City will consider fee and tax methodologies for funding future infrastructure improvements.

A lesser portion of net position (28%) 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 has 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. Notably, the City does not have post-employment benefit obligations other than pensions.

Net Position - Business-type Activity

The City's business-type assets of \$18.0 million include \$11.9 million in capital assets, consisting primarily of municipal water-service assets and infrastructure. Net position of \$13.8 million includes \$6.1 million of capital assets net of related obligations and \$4.3 million represents assets restricted for capital projects to improve water system infrastructure. The City invested approximately \$8 million in water system assets, of which, \$5 million relates to the purchase of water rights fully funded through various developer advance-reimbursement agreements, gifts, and inter-fund advances. The investment in water assets also includes promissory operating obligations. These agreements and obligations are more fully described in the notes to the financial statements.

Analysis of Statement of Activities

The statement of activities shows the change in net position during the fiscal year. The following table indicates the changes in net position for governmental and business-type activities compared to the previous year. The City's overall net position increased \$17.3 million. This is attributable to a number of factors including, approximately \$7.3 million in capital grant

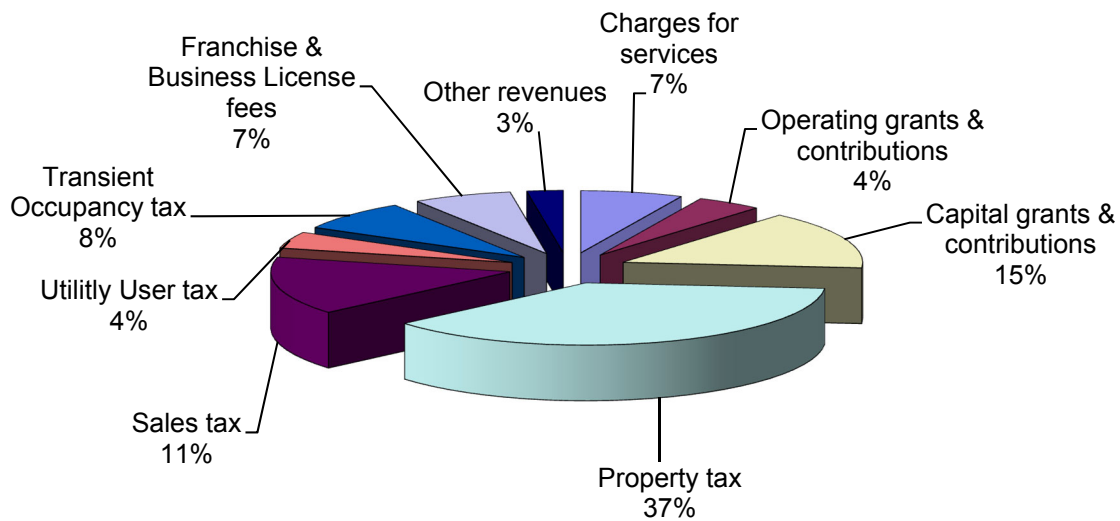
revenues invested in capital assets, significant increases in assessed property valuations due to both office development and property sales activity, and implementation of new local tax measures.

STATEMENT OF ACTIVITIES						
(Dollars in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 2,719	\$ 2,799	\$ 3,583	\$ 3,689	\$ 6,302	\$ 6,488
Operating grants & contributions	1,741	4,309	-	-	1,741	4,970
Capital grants & contributions	5,930	4,890	1,963	-	7,893	4,229
General revenues:						
Property taxes	14,642	12,289	-	-	14,642	12,289
Sales taxes	5,923	4,079	-	-	5,923	4,079
Utility user tax	1,680	1,520	-	-	1,680	1,520
Transient Occupancy taxes	3,090	2,906	-	-	3,090	2,906
Franchise & Business taxes	2,621	1,719	-	-	2,621	1,719
Other taxes	63	722	-	-	63	722
Investment Earnings	850	395	79	33	929	428
Miscellaneous	49	194	-	-	49	194
Total revenues	<u>39,308</u>	<u>35,822</u>	<u>5,625</u>	<u>3,722</u>	<u>44,933</u>	<u>39,544</u>
Expenses						
Program expenses:						
General government	4,551	4,184	-	-	4,551	4,184
Public safety	10,695	9,313	-	-	10,695	9,313
Public works	4,925	4,735	-	-	4,925	4,735
Culture and recreation	1,712	1,183	-	-	1,712	1,183
Community development	3,129	2,427	-	-	3,129	2,427
Water services	-	-	320	379	320	379
Garbage collection	-	-	2,321	2,501	2,321	2,501
Interest on long-term debt	1	2	-	-	1	2
Total expenses	<u>25,013</u>	<u>21,844</u>	<u>2,641</u>	<u>2,880</u>	<u>27,654</u>	<u>24,724</u>
Excess before transfers or special items	<u>14,295</u>	<u>13,978</u>	<u>2,984</u>	<u>842</u>	<u>17,279</u>	<u>14,820</u>
Transfers	(238)	(531)	238	531	-	-
Special items	-	-	-	-	-	-
Change in Net Position	14,057	13,447	3,222	1,373	17,279	14,820
Net Position-Beginning	110,405	96,958	10,572	9,199	120,977	106,157
Restatement of Net Position	-	-	-	-	-	-
Net Position-Ending	<u>\$ 124,462</u>	<u>\$ 110,405</u>	<u>\$ 13,794</u>	<u>\$ 10,572</u>	<u>\$ 138,256</u>	<u>\$ 120,977</u>

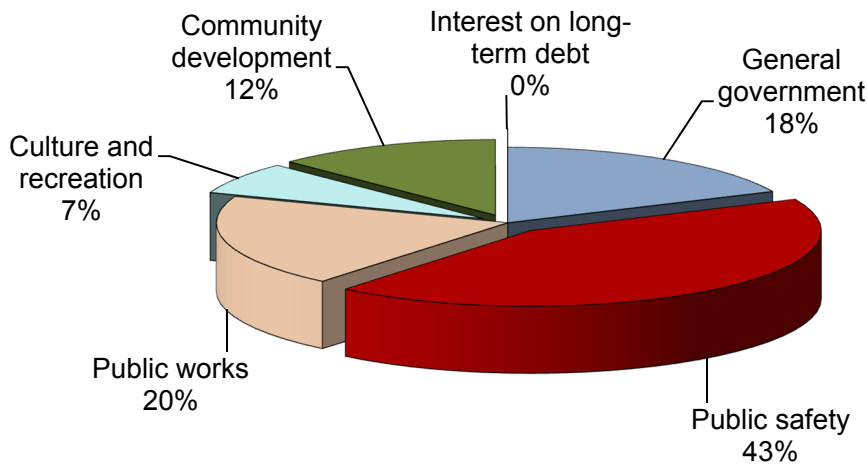
Statement of Activities - Governmental

Government-wide Net position for governmental activities increased by approximately \$14.1 million compared to previous fiscal year of \$13.4 million. 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 \$39.3 million; an increase of \$3.5 million (9.7%) over the prior year. Capital grants and contributions increased \$1.0 million offset by decreased operating grants and contributions of \$2.6 million primarily due to a prior year gift (\$2.5M) restricted to affordable housing-related activities. Property tax revenues increased \$2.4 million, sales taxes increased \$1.8 million primarily due to a full year of local tax Measure P (\$1.7M) and slightly improved retail sales data, franchise and business taxes increased \$0.9 million primarily due to implementation of local tax Measure O (\$0.5M) and increased tax compliance activity. Other taxes decreased \$0.7 million due to the sunset of local Measure C tax. There was also notable improvement in investment earnings due to fairly limited portfolio duration combined with improved short-term yields and higher cash balances.
- Net transfers of \$0.2 million consist of grant-funded capital contributions to the water fund related to the rehabilitation of Gloria Way Water Well.
- Total expenses equal \$25.0 million, an increase of approximately \$3.2 million (14.5%) over the prior year. Generally, expenses are increasing across most spending categories and certain categories, such as professional services fluctuate based on changes in activity. The current year over year increase is primarily the result of increased salaries and wages, and reported pension expense.

Statement of Activities - Business-type

- Total net position increased by \$3.2 million primarily due to capital grant and capital surcharge revenues and capital contributions for investment in water capital infrastructure (\$31.M).
- Garbage operating revenues remained level year over year. Operating expenses declined approximately \$0.18M due to lower charges for administrative reimbursement.
- 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 decreased by \$59,000 to \$0.32 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, 2018, the City's governmental funds combined ending fund balances total \$79.5 million, an increase of \$7.6 million over the prior year. The most significant component of the increase is in the General Fund (\$7.3M). Typically, the City determines significant transfers to the Capital Improvement Fund during the fiscal year based upon projected increases. Recently, the City committed \$5.5 million of the above increase to provide local funding match for a State Hazard Mitigation Program Grant related to mitigating flood risk within East Palo Alto.

Governmental revenues total \$38.3 million compared to \$36.7 million in the prior year; an increase of \$1.6 million or 4.2%. The net increase is primarily composed of increased property taxes (\$2.0M) due to both development and sales activity, and increased sales taxes (\$2.0M) due to full year of Measure P local transaction tax and a slight increase in retail sales; offset by a decrease in grants and intergovernmental (\$3.5M) due to \$2.5 million prior year affordable housing-restricted gift to the City. Of the remaining net increase of \$1.1 million, increases occurred in license, fees, and permits revenues, fines and forfeitures, and use of money and property.

Governmental expenditures total \$30.7 million compared to \$24.7 million in the prior year; an increase of \$6.0 million or 24.3%. The difference is primarily composed of increased capital outlay (\$4.4M) due to capital outlay for the Highway 101 Pedestrian Overcrossing, Safe Routes to School, and Cooley Landing Park improvements. Year over year non-capital expenditures increased \$1.6 million. Major cost category increases include personnel costs (\$0.6M), equipment purchases (\$0.03M), and general increases in services, utilities, and other operating 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 \$29.1 million compared to \$23.7 million in the prior year; an increase of \$5.3 million or 22.5%. Of the total increase, \$1.9 million is due to property taxes as a result of 2100 University Square and other development activity, the sale of the Woodland Park properties portfolio in February 2016, and other residential property sales; \$1.9 million is due to sales tax increase which is primarily local Measure P tax and slightly improved retail sales; increase in business license tax due to Measure O (\$0.5M) and compliance fines and forfeitures (\$0.4M); and, other general increases in utility users and transient occupancy tax and investment income.

Expenditures (before transfers) total \$19.7 million compared to \$18.1 million in the prior year; an increase of \$1.6 million or 8.6%. The major increases in expenditures are due to personnel costs (\$0.8M), purchase of Maintenance rolling stock (\$0.03M), and professional services (\$0.4M) primarily related to for four large development projects.

Net Other Financing Uses total \$2.1 million comprising transfers to the Capital Improvement fund (\$1.6M) to provide funding for major capital projects such as the trash capture project and Senior Center HVAC improvements; and transfers to Low and Moderate Housing Successor Fund (\$0.2M), NPDES and Drainage District Funds (\$0.2M).

Fund Balance totals \$37.8 million compared to \$30.5 million in the prior year; an increase of \$7.3 million. Of the total fund balance, \$11.7 million is non-spendable and relates to Successor Agency loans, and \$1.9 million is assigned for encumbrances. Of the \$24.2 million remaining balance, the following amounts are set-aside: Minimum Fund Reserve (\$3.5M), Technology, Equipment & Vehicles, and Self-Insurance (\$4.5M); Community Benefits (\$0.1M); leaving a remaining unassigned balance of \$16.1 million, of which \$5.5 million was committed subsequent to year-end for flood hazard mitigation.

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 increased by approximately \$129,600 over the prior year to approximately \$358,600 as a result of revenues offset by expenditures of approximately \$84,300 incurred related to storm drain and Bay Road Phase II capital projects.

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 \$9.1 million primarily due to net TOT activity 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 decreased by \$1.4 million from \$10.8 million in the prior year to \$9.4 million at June 30, 2018. Capital and capital-related expenditures of \$7.5 million were funded by a combination of capital grants and local sources, and the net decrease is due to planned used of internal reserves to fund the Highway 101 Pedestrian Overcrossing and the Creek Flood Protection 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 \$1.0 million and \$12.8 million, respectively. The Garbage Fund net position balance is unrestricted. The Water Fund net position includes \$6.1 million net investment in capital and \$4.3 million in cash restricted for capital projects leaving an unrestricted net position of \$2.4 million. The net change in position of both funds equals \$3.2 million; primarily comprising an increase in the 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 \$21.8 million increased \$4.8 million to final amended revenues of \$26.6 million. The fiscal year budget was adopted in June 2016. At the time, it was not known when the City would have a viable source of additional water supply, nor was it known

whether the voters would approve two significant local tax increases – Measure P Transaction and Use Tax and Measure O Gross Rental Receipts Business License Tax – in November 2016. Major revenue amendments occurred across the categories of property and sales tax, as well as, licenses and permits and charges for services. These amendments are indicative of both new tax revenue sources (\$2.4M), volatile development fee revenues, and property development and sales transactions since adoption of the budget in June 2016. Total Adopted Expenditures (before transfers) of \$21.6 million increased \$2.2 million to final Amended Expenditures of \$23.8 million based upon negotiated wage increases and contract agreements for development applications.

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

- Actual revenues total \$29.1 million, approximately \$2.4 million greater than the amended budget of \$26.7 million. Major budget to actual differences relate to property taxes, sales taxes, fines and forfeitures, and licenses, fees and permits revenue. Property tax differences primarily relate to an unplanned supplemental assessment on new property and better than expected transfer and supplemental tax. Sales tax differences primarily relate to conservative estimates for the new local tax, and due to a one-time increase in “available” revenues as a result of State changes in the tax remittance schedule. Fines and forfeitures and license, permits and fees revenue differences relate to business tax compliance efforts.
- Actual expenditures total \$19.7 million, approximately \$4.1 million less than the amended budget of \$23.8 million. Of this amount, approximately \$1.4 million is due to staff vacancies concentrated in Police and Community Development; \$1.5 million is due to unexpended professional service contracts for appropriated development services and staff augmentation concentrated in Community Development and Public Works; \$0.5 million is due to unexpended grants, services, and supplies concentrated in Community Services and Police; and, approximately \$0.3 million relates to planned but unexpended technology purchases. The planned, but unexpended, service strategies are reflected in higher than average contractual encumbrances at year-end (\$1.9M) and are indicative of the low staffing to service expectations, as well as, the insidious organizational effects of staff turnover and vacancy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets for governmental and business-type activities balance as of June 30, 2018 amount to \$60.7 million (net of accumulated depreciation), a net increase of \$14.3 million or 30.8% over the prior year. The increase is attributable to \$7 million governmental construction in progress – primarily, the 101 Pedestrian Overcrossing. The remaining increase is attributable to business-type activities, including an increase in land-related assets of \$5 million for the purchase of water rights and \$3 million in construction in progress for rehabilitation of Gloria Way Well. Total capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

Capital Assets						
(Dollars in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,059	\$ 4,059	\$ 5,264	\$ 264	\$ 9,323	\$ 4,323
Buildings and Improvements	8,289	8,216	-	-	8,289	8,216
Improvements Other than Bldgs.	9,558	9,507	7,058	7,058	16,616	16,565
Construction in Progress	11,395	4,144	3,842	836	15,237	4,980
Furnishings & Equipment	2,060	2,015	-	-	2,060	2,015
Vehicles	2,795	2,111	-	-	2,795	2,111
Street and Roadways	46,022	46,022	-	-	46,022	46,022
Storm Drain System	6,231	6,175	-	-	6,231	6,175
Less Accumulated Depreciation	(41,609)	(39,923)	(4,302)	(4,107)	(45,911)	(44,030)
Total	\$ 48,800	\$ 42,326	\$ 11,862	\$ 4,051	\$ 60,662	\$ 46,377

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

Governmental Activities

Capital assets increased \$6.5 million, net of depreciation. New assets acquired and in progress total \$8.2 million, including Highway 101 Pedestrian Overcrossing, Safe Routes to School, and replacement of police and maintenance vehicles.

Business-Type Activities

Capital assets increased \$7.8 million, net of depreciation and consist of water infrastructure costs incurred to acquire water rights (\$5.0M) and Gloria Well Rehabilitation construction in progress.

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 has a minor remaining balance of governmental-activity public safety vehicle lease obligations. 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, and also, has not engaged ad valorem or assessment district funding since Redevelopment dissolution.

Business-type debt consists of a \$0.7M CDBG note payable related to funding for the Gloria Way Well Project. Additionally, with the dissolution of the former RDA, the Successor Agency fiduciary fund assumed the long-term term debt of the former RDA. Total Successor Agency fiduciary debt balance outstanding at June 30, 2018 is \$18.4 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

East Palo Alto continues to experience above-average growth trends in certain revenue categories. A significant amount of the growth in overall tax revenues relates to new local and State taxes, new development, and sales turnover of portfolio properties (Woodland Park). These changes reflect both the community decisively voting in resources to increase service capacity, but also are an indication of external changes that also are creating new and critical service urgency as the City grapples with social issues amplified by State trends in affordable housing, income inequality, and migration. The following economic factors were considered in the preparation of the City's budget for fiscal year 2018-19:

- Near-term general revenue growth rates will decline significantly as the known, major drivers – such as new taxes, large development, and significant property portfolio turnover – will occur by 2018-19.
- Overall, property taxes will increase based on approximately 11% increase in assessed valuation.
- Sales tax and other major general tax revenues are stable, but are projected below 2018 real Gross Domestic Product (GDP). State Gas tax funding will increase due to new SB1 funding.
- Development-related fees remain elevated and variable due to major pre-entitlement development activity, planned implementation of comprehensive impact fees, and because the purchase of water rights in July 2017 enabled the City to lift the building moratorium in 2018-19. These fees are also offset by increased professional service demands in Community Development as the City assesses the real long-term staffing needs of these divisions.
- Year over year base wages will increase as the City adds new service positions, and also, addresses below-market wages and retention issues.
- New cost pressures are developing related to displacement, solid and hazardous waste issues, operational costs of new facilities, and inflationary increases in utilities, supplies, and fuel.
- After some years of below-average cost increases, existing and well-publicized cost pressures related to CalPERS pension funding and healthcare benefits are gaining meaningful traction in fiscal year 2018-19.

These factors were considered in preparing the City's budget for Fiscal Year 2018-19

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of East Palo Alto
Statement of Net Position
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 59,809,522	\$ 7,545,753	\$ 67,355,275
Restricted cash and investments with fiscal agents	1,053,530	682,991	1,736,521
Receivables:			
Accounts receivable	223,106	130,747	353,853
Interest receivable	519,575	31,446	551,021
Taxes receivable	1,805,571	-	1,805,571
Intergovernmental receivables	3,005,192	224,289	3,229,481
Deposits and prepayments	79,702	-	79,702
Internal balances	2,470,000	(2,470,000)	-
Total current assets	<u>68,966,198</u>	<u>6,145,226</u>	<u>75,111,424</u>
Noncurrent assets:			
Loans to Successor Agency	11,195,964	-	11,195,964
Loans and notes receivable	8,057,139	-	8,057,139
Capital assets:			
Non-depreciable	15,454,021	9,106,157	24,560,178
Depreciable, net	<u>33,346,345</u>	<u>2,755,680</u>	<u>36,102,025</u>
Total capital assets	<u>48,800,366</u>	<u>11,861,837</u>	<u>60,662,203</u>
Total noncurrent assets	<u>68,053,469</u>	<u>11,861,837</u>	<u>79,915,306</u>
Total assets	<u>137,019,667</u>	<u>18,007,063</u>	<u>155,026,730</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	1,642,560	-	1,642,560
Deferred outflows of resources - pension	<u>3,748,495</u>	<u>-</u>	<u>3,748,495</u>
Total deferred outflows of resources	<u>5,391,055</u>	<u>-</u>	<u>5,391,055</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,375,504	595,652	2,971,156
Accrued liabilities	793,162	-	793,162
Retention payable	409,325	116,285	525,610
Unearned revenue	1,053,530	-	1,053,530
Compensated absences - due within one year	375,016	-	375,016
Claims payable - due within one year	29,250	-	29,250
Capital lease payable - due within one year	16,085	-	16,085
Total current liabilities	<u>5,051,872</u>	<u>711,937</u>	<u>5,763,809</u>
Noncurrent liabilities:			
Deposits payable	963,671	26,360	990,031
Advance from developers	100,891	2,774,400	2,875,291
Compensated absences - due in more than one year	392,223	-	392,223
Claims payable - due in more than one year	165,750	-	165,750
Note payable	-	700,000	700,000
Net pension liability	10,853,587	-	10,853,587
Total noncurrent liabilities	<u>12,476,122</u>	<u>3,500,760</u>	<u>15,976,882</u>
Total liabilities	<u>17,527,994</u>	<u>4,212,697</u>	<u>21,740,691</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	420,075	-	420,075
Total deferred inflows of resources	<u>420,075</u>	<u>-</u>	<u>420,075</u>
NET POSITION			
Net investment in capital assets	<u>48,784,281</u>	<u>6,104,912</u>	<u>54,889,193</u>
Restricted for:			
Highway and Street Projects	7,700,051	-	7,700,051
Parks and Recreation	1,089,920	-	1,089,920
Measure C Program	1,015,232	-	1,015,232
Housing Programs	20,824,081	-	20,824,081
Special Programs	1,262,039	-	1,262,039
Capital Projects	<u>3,012,787</u>	<u>4,252,735</u>	<u>7,265,522</u>
Total restricted	<u>34,904,110</u>	<u>4,252,735</u>	<u>39,156,845</u>
Unrestricted	<u>40,774,262</u>	<u>3,436,719</u>	<u>44,210,981</u>
Total net position	<u>\$ 124,462,653</u>	<u>\$ 13,794,366</u>	<u>\$ 138,257,019</u>

See accompanying Notes to Basic Financial Statements.

See accompanying Notes to Basic Financial Statements.

City of East Palo
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 4,550,835	\$ 51,117	\$ 20,375	\$ -	\$ 71,492
Public safety	10,694,568	595,725	151,472	50,000	797,197
Public works	4,925,199	258,277	1,257,856	5,716,301	7,232,434
Culture and recreation	1,712,237	5,956	44,231	164,077	214,264
Community Development	3,129,327	1,808,234	266,723	-	2,074,957
Interest on long-term debt	1,214	-	-	-	-
Total governmental activities	25,013,380	2,719,309	1,740,657	5,930,378	10,390,344
Business-type activities:					
Garbage Collections	2,320,786	2,433,093	-	-	2,433,093
Water Services	320,163	1,149,827	-	1,963,050	3,112,877
Total business-type activities	2,640,949	3,582,920	-	1,963,050	5,545,970
Total primary government	\$ 27,654,329	\$ 6,302,229	\$ 1,740,657	\$ 7,893,428	\$ 15,936,314

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 and transfers

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
\$ (4,479,343)	\$ -	\$ (4,479,343)
(9,897,371)	-	(9,897,371)
2,307,235	-	2,307,235
(1,497,973)	-	(1,497,973)
(1,054,370)	-	(1,054,370)
(1,214)	-	(1,214)
<u>(14,623,036)</u>	<u>-</u>	<u>(14,623,036)</u>
-	112,307	112,307
-	2,792,714	2,792,714
<u>-</u>	<u>2,905,021</u>	<u>2,905,021</u>
<u>(14,623,036)</u>	<u>2,905,021</u>	<u>(11,718,015)</u>
14,642,402	-	14,642,402
5,923,229	-	5,923,229
1,680,279	-	1,680,279
3,089,942	-	3,089,942
62,481	-	62,481
2,621,224	-	2,621,224
<u>28,019,557</u>	<u>-</u>	<u>28,019,557</u>
849,716	79,415	929,131
49,306	-	49,306
(238,312)	238,312	-
<u>28,680,267</u>	<u>317,727</u>	<u>28,997,994</u>
14,057,231	3,222,748	17,279,979
<u>110,405,422</u>	<u>10,571,618</u>	<u>120,977,040</u>
<u>\$ 124,462,653</u>	<u>\$ 13,794,366</u>	<u>\$ 138,257,019</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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, 2018

	Major Funds		Major Funds	
	General	Public Improvements in Lieu Special Revenue Fund	Housing in Lieu Special Revenue Fund	Capital Improvements Capital Projects Fund
ASSETS				
Cash and investments	\$ 26,777,732	\$ 367,388	\$ 8,333,690	\$ 10,728,940
Restricted cash and investments	-	1,051,656	-	-
Receivables:				
Accrued interest	153,238	1,552	35,569	-
Taxes	1,749,001	-	28,285	-
Intergovernmental	12,686	-	-	2,824,439
Accounts receivable	132,529	-	23,852	-
Deposits and prepayments	77,037	-	-	-
Advance to other funds	470,000	-	-	-
Loans to Successor Agency	11,195,964	-	-	-
Loans and notes receivable	-	-	693,293	-
Total assets	\$ 40,568,187	\$ 1,420,596	\$ 9,114,689	\$ 13,553,379
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 577,969	\$ 10,358	\$ 28,041	\$ 1,489,454
Retentions payable	-	-	-	342,090
Deposits payable	958,671	-	-	5,000
Other accrued liabilities	664,682	-	-	47,480
Unearned revenue	-	1,051,656	-	-
Advances from developers	-	-	-	100,891
Total liabilities	2,201,322	1,062,014	28,041	1,984,915
Deferred inflows of resources:				
Unavailable revenues	545,530	-	-	2,142,109
Fund Balances: (Note 9)				
Nonspendable	11,743,001	-	-	-
Restricted	-	358,582	9,086,648	2,654,205
Assigned	1,886,415	-	-	6,772,150
Unassigned	24,191,919	-	-	-
Total fund balances	37,821,335	358,582	9,086,648	9,426,355
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,568,187	\$ 1,420,596	\$ 9,114,689	\$ 13,553,379

See accompanying Notes to Basic Financial Statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 13,601,772	\$ 59,809,522
1,874	1,053,530
329,217	519,576
28,285	1,805,571
168,068	3,005,193
66,725	223,106
2,665	79,702
2,000,000	2,470,000
-	11,195,964
7,363,846	8,057,139
<u>\$ 23,562,452</u>	<u>\$ 88,219,303</u>

\$ 269,682	\$ 2,375,504
67,235	409,325
-	963,671
81,000	793,162
1,874	1,053,530
-	100,891
<u>419,791</u>	<u>5,696,083</u>
<u>337,986</u>	<u>3,025,625</u>
-	11,743,001
22,804,675	34,904,110
-	8,658,565
-	24,191,919
<u>22,804,675</u>	<u>79,497,595</u>
<u>\$ 23,562,452</u>	<u>\$ 88,219,303</u>

City of East Palo Alto

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2018

Total Fund Balances - Total Governmental Funds	\$ 79,497,595
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Amounts reported for governmental activities in the Statement of Net Position were different

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	15,454,021
Depreciable, net	33,346,345
	<hr/>
Total capital assets	48,800,366

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.	1,642,560
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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.	3,748,495
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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.	(420,075)
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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.	3,025,625
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Long-term liabilities not due and payable in the current period; therefore, not reported in the Governmental Funds Balance Sheet.

Compensated absences	(767,241)
Claims payable	(195,000)
Capital lease payable	(16,085)
Net pension liability	(10,853,587)
	<hr/>
Total long-term liabilities	(11,831,913)

Net Position of Governmental Activities	\$ 124,462,653
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City of East Palo Alto

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2018

	Major Funds		Major Funds	
	General Fund	Public Improvements in Lieu Special Revenue Fund	Housing in Lieu Special Revenue Fund	Capital Improvements Capital Projects Fund
REVENUES:				
Property taxes	\$ 13,603,159	\$ -	\$ -	\$ -
Sales taxes	5,876,741	-	-	-
Transient occupancy tax	2,471,954	-	308,994	-
Utility users tax	1,680,279	-	-	-
Other taxes	15,971	-	-	-
Licenses, fees and permits	2,776,837	168,581	-	-
Charges for services	1,198,585	41,837	-	-
Fines and forfeitures	745,766	-	-	-
Use of money and property	549,953	3,479	106,344	-
Grants and intergovernmental	35,083	-	-	4,506,640
Miscellaneous	114,362	-	-	-
Total revenues	29,068,690	213,897	415,338	4,506,640
EXPENDITURES:				
Current:				
General government	3,705,158	-	35,950	400
Public safety	10,047,131	-	-	-
Public works	3,066,296	-	-	501,750
Culture and recreation	513,986	-	-	-
Community development	2,307,454	135	108,539	9,676
Capital outlay	-	84,147	-	7,012,365
Debt service:				
Principal	31,399	-	-	-
Interest, and fiscal charges	1,214	-	-	-
Total expenditures	19,672,638	84,282	144,489	7,524,191
REVENUES OVER (UNDER) EXPENDITURES	9,396,052	129,615	270,849	(3,017,551)
OTHER FINANCING SOURCES (USES):				
Transfers in	28,055	-	-	1,587,000
Transfers out	(2,093,855)	-	-	-
Total other financing sources (uses)	(2,065,800)	-	-	1,587,000
Net change in fund balances	7,330,252	129,615	270,849	(1,430,551)
FUND BALANCES:				
Beginning of year	30,491,083	228,967	8,815,799	10,856,906
End of year	\$ 37,821,335	\$ 358,582	\$ 9,086,648	\$ 9,426,355

See accompanying Notes to Basic Financial Statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 676,203	\$ 14,279,362
632,617	6,509,358
308,994	3,089,942
-	1,680,279
890,090	906,061
-	2,945,418
702,095	1,942,517
-	745,766
219,116	878,892
636,067	5,177,790
5,500	119,862
<u>4,070,682</u>	<u>38,275,247</u>
545,017	4,286,525
118,043	10,165,174
683,255	4,251,301
729,995	1,243,981
558,802	2,984,606
619,753	7,716,265
-	31,399
-	1,214
<u>3,254,865</u>	<u>30,680,465</u>
<u>815,817</u>	<u>7,594,782</u>
506,855	2,121,910
<u>(28,055)</u>	<u>(2,121,910)</u>
<u>478,800</u>	-
1,294,617	7,594,782
<u>21,510,058</u>	<u>71,902,813</u>
<u>\$ 22,804,675</u>	<u>\$ 79,497,595</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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 7,594,782
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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.	8,397,979
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.	(238,312)
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.	(1,685,189)
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.	(30,913)
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.	32,000
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.	31,399
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.	1,642,560
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(2,720,757)
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.	1,033,682
Change in Net Position of Governmental Activities	\$ 14,057,231

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, 2018

	Enterprise Funds		
	Garbage Collection	Water Service	Total
ASSETS			
Current assets:			
Cash and investments	\$ 1,533,305	\$ 6,012,448	\$ 7,545,753
Cash with fiscal agents	-	682,991	682,991
Accrued interest	7,304	24,142	31,446
Intergovernmental receivable	-	224,289	224,289
Accounts receivable, net	22,000	108,747	130,747
Total current assets	<u>1,562,609</u>	<u>7,052,617</u>	<u>8,615,226</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	9,106,157	9,106,157
Depreciable, net	-	2,755,680	2,755,680
Total capital assets	-	<u>11,861,837</u>	<u>11,861,837</u>
Total noncurrent assets	-	<u>11,861,837</u>	<u>11,861,837</u>
Total assets	<u>1,562,609</u>	<u>18,914,454</u>	<u>20,477,063</u>
LIABILITIES			
Current liabilities:			
Accounts payable	571,159	24,493	595,652
Retentions payable	-	116,285	116,285
Total current liabilities	<u>571,159</u>	<u>140,778</u>	<u>711,937</u>
Noncurrent liabilities:			
Deposits payable	-	26,360	26,360
Advances from developers	-	2,774,400	2,774,400
Advance from other funds	-	2,470,000	2,470,000
Note payable	-	700,000	700,000
Total noncurrent liabilities	-	<u>5,970,760</u>	<u>5,970,760</u>
Total liabilities	<u>571,159</u>	<u>6,111,538</u>	<u>6,682,697</u>
NET POSITION			
Net investment in capital assets	-	6,104,912	6,104,912
Restricted for:			
Capital projects	-	4,252,735	4,252,735
Unrestricted	991,450	2,445,269	3,436,719
Total net position	<u>\$ 991,450</u>	<u>\$ 12,802,916</u>	<u>\$ 13,794,366</u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2018

	Enterprise Funds		
	Garbage Collection	Water Service	Total
OPERATING REVENUES:			
Charges for services and other fees	\$ 2,215,022	\$ 837,796	\$ 3,052,818
Other	218,071	312,031	530,102
Total operating revenues	2,433,093	1,149,827	3,582,920
OPERATING EXPENSES:			
Outside services	2,208,304	81,372	2,289,676
Administration	112,482	43,500	155,982
Depreciation	-	195,291	195,291
Total operating expenses	2,320,786	320,163	2,640,949
OPERATING INCOME	112,307	829,664	941,971
NONOPERATING REVENUES (EXPENSES):			
Federal and State Grant	-	1,963,050	1,963,050
Interest income	16,075	63,340	79,415
Total nonoperating revenues (expenses)	16,075	2,026,390	2,042,465
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	128,382	2,856,054	2,984,436
Capital contributions	-	238,312	238,312
Total transfers	-	238,312	238,312
Change in net position	128,382	3,094,366	3,222,748
NET POSITION			
Beginning of year	863,068	9,708,550	10,571,618
End of year	\$ 991,450	\$ 12,802,916	\$ 13,794,366

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2018

	Enterprise Funds		
	Garbage Collection	Water Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from others	\$ 218,071	\$ 290,634	\$ 508,705
Cash received from customers	2,208,439	820,306	3,028,745
Cash payments to suppliers for goods and services	(2,297,846)	(168,173)	(2,466,019)
Cash paid to employees and city administration	(112,482)	(43,500)	(155,982)
Net cash provided by operating activities	<u>16,182</u>	<u>899,267</u>	<u>915,449</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Federal and State Grant	-	1,738,761	1,738,761
Acquisition of capital assets	-	(7,768,250)	(7,768,250)
Advances from other funds	-	2,470,000	2,470,000
Advances from developers	-	2,527,414	2,527,414
Cash from notes payable	-	700,000	700,000
Net cash (used in) capital and related financing activities	<u>-</u>	<u>(332,075)</u>	<u>(332,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	12,294	52,500	64,794
Net cash provided by investing activities	<u>12,294</u>	<u>52,500</u>	<u>64,794</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,476	619,692	648,168
CASH AND CASH EQUIVALENTS - Beginning of year	1,504,829	6,075,747	7,580,576
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,533,305</u>	<u>\$ 6,695,439</u>	<u>\$ 8,228,744</u>
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 1,533,305	\$ 6,012,448	\$ 7,545,753
Cash with fiscal agents	-	682,991	682,991
Total	<u>\$ 1,533,305</u>	<u>\$ 6,695,439</u>	<u>\$ 8,228,744</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 112,307	\$ 829,664	\$ 941,971
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	195,291	195,291
Changes in assets and liabilities:			
Accounts receivable	(6,583)	(17,490)	(24,073)
Accounts payable	(89,542)	(86,801)	(176,343)
Deposits	-	(21,397)	(21,397)
Total adjustments	<u>(96,125)</u>	<u>69,603</u>	<u>(26,522)</u>
Net cash provided by operating activities	<u>\$ 16,182</u>	<u>\$ 899,267</u>	<u>\$ 915,449</u>
NON-CASH INVESTMENT AND FINANCING ACTIVITY:			
Contribution of Capital Assets	-	238,312	238,312

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 Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Successor Agency Trust Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 2,289,339
Receivables:	
Interest receivable	8,017
Total current assets	<u>2,297,356</u>
Noncurrent assets	
Prepaid expense	101,595
Total noncurrent assets	<u>101,595</u>
Total assets	<u>2,398,951</u>
LIABILITIES	
Liabilities:	
Current liabilities	
Other accrued liabilities	178,238
Loans payable to City - Due in one year	947,100
Bonds payable - due in one year	885,000
Total current liabilities	<u>2,011,094</u>
Noncurrent liabilities	
Loans payable to City of East Palo Alto	10,248,864
Bonds payable - due in more than one year	17,454,290
Total noncurrent liabilities	<u>27,703,154</u>
Total liabilities	<u>29,714,248</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	<u>330,012</u>
NET POSITION	
Held in trust for dissolution of RDA	<u>(27,645,309)</u>
Total net position	<u>\$ (27,645,309)</u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Changes in Fiduciary Net Position
All Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2018

	Successor Agency Trust Fund
ADDITIONS:	
RDA property tax trust fund distribution	\$ 2,514,877
Use of money and property	13,405
Total additions	<u>2,528,282</u>
DEDUCTIONS:	
General government	5,751
Community development	44,248
Interest expense and fiscal charges	708,272
Total Deductions	<u>758,271</u>
Change in net position	1,770,011
NET POSITION:	
Beginning of year	<u>(29,415,320)</u>
End of year	<u><u>\$ (27,645,309)</u></u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

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 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.

Government-Wide Financial Statements

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

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

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.

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

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

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

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

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

Rent Stabilization 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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.

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements, Continued

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. 31)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

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.

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

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 are reported net of the applicable bond premium or discount.

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

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

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

K. Net Position

Government-Wide Financial Statements

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

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

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

Assigned Fund Balances

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

Unassigned Fund Balance

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

Hierarchy of Expenditures to Classify Fund Balance Amounts

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

Minimum Fund Balance Policies

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

On June 30, 2018, the General Fund reported \$3,500,000 in reserve which meets the City's minimum 15% requirement level of \$2,950,898. The General Fund reserve fund balance is \$549,102 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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Pensions

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

O. Use of Estimates

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

P. New Pronouncements

In 2018, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement were not applicable to the City.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Pronouncements, Continued

- GASB Statement No. 86, *Certain Debt Extinguishment Issues* – The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the City for the current fiscal year.

2. CASH AND INVESTMENTS

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

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2018:

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 59,809,522	\$ 7,545,753	\$ 2,289,339	\$ 69,644,614
Restricted cash and investments	1,053,530	682,991	-	1,736,521
Total cash and investments	\$ 60,863,052	\$ 8,228,744	\$ 2,289,339	\$ 71,381,135

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, Continued

Cash and investments as of June 30, 2018 consist of the following:

Deposits:	
Cash on hand	\$ 10,800
Deposits with financial institution	1,390,011
Total deposits	<u>1,400,811</u>
Investments:	
Local Agency Investment funds	16,157,800
San Mateo Investment Pool	52,086,003
Total investments	<u>68,243,803</u>
Total City Treasury	<u>69,644,614</u>
Restricted cash and investments	
Cash with fiscal agent	1,736,521
Total restricted cash and investments	<u>1,736,521</u>
Total cash and investments	<u><u>\$ 71,381,135</u></u>

B. Deposits

The carrying amount of the City's cash deposit was \$1,390,011 at June 30, 2018. Bank balances before reconciling items were a positive amount of \$1,932,058 at June 30, 2018. 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 fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

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	\$ 828,002
Unrealized gain/(loss) in changes in fair value of investments	10,247
Total investment income	\$ 838,249

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

D. Investments, Continued

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

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2018, 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, 2018, the City had \$16,157,800 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.89% in the previous year. The LAIF fair value factor of 0.998126 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 0.99548 was used to calculate the fair value of the investments in the County Pool.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

E. Risk Disclosures

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

Investments held in the City Treasury grouped by maturity date at June 30, 2018, 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	\$ 16,157,800	\$ 16,157,800	\$ -	\$ -	\$ -	\$ -
San Mateo County Pool	52,086,003	52,086,003	-	-	-	-
Total	\$ 68,243,803	\$ 68,243,803	\$ -	\$ -	\$ -	\$ -

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, 2018 for each investment type:

Investments:	Credit Quality Ratings		Fair Value
	Moody's	S&P	
Local Agency Investment Funds	Not Rated	Not Rated	16,157,800
San Mateo County Pool	Not Rated	Not Rated	52,086,003

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, 2018

3. INTERFUND TRANSACTIONS

A. Transfers

At June 30, 2018, the City had the following transfers in/out which arise in the normal course of operations.

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Non-Major Governmental Funds</u>	
Major Funds				
General Fund	\$ -	\$ 1,587,000	\$ 506,855	\$ 2,093,855
Non-Major Governmental fund	28,055	-	-	28,055
Total	<u>\$ 28,055</u>	<u>\$ 1,587,000</u>	<u>\$ 506,855</u>	<u>\$ 2,121,910</u>

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. A transfer to the General Fund from Water Services Fund was made to reimburse inspection costs paid from General Fund.

B. Long Term Inter-fund Advances

Inter-fund Advances from the General Fund and the SVCF Fund were made to the Water Service Enterprise Fund to provide liquidity for the purchase of water rights. The advances will be repaid upon collection of development impact fees related to the cost of the water rights acquired to increase development capacity within the City. At June 30, 2018, the City had the following inter-fund advances to/from:

<u>Advances From</u>	<u>Advance To Water Services Fund</u>
Major Funds	
General Fund	\$ 470,000
Non-Major Fund	2,000,000
	<u>\$ 2,470,000</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

4. LOANS AND NOTES RECEIVABLE

Loans receivable as of June 30, 2018, composed of the following, were held by the City:

	Balance as of June 30, 2018
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	301,346
University Senior Apts	693,293
Subtotal	8,057,139
Loans to Successor Agency	11,195,964
Total:	\$ 19,253,103

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 loan matures on June 18, 2036. The entire loan is secured by a note and deed of trust with Nairobi.

B. Nugent Square Partners Loan

On August 1, 2003, the former Agency entered into a loan agreement in the amount of \$1,100,000 with Nugent Square Partners, L.P. (Nugent), a California Limited Partnership to develop 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 loan matures 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, 2018

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 in November 2017 and is payable in fifty-seven years.

F. Loans to Successor Agency

At June 30, 2018, the outstanding balance of \$11,195,964 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 (\$5,382,234)* provided for the ongoing assistance and services in connection with the implementation of the redevelopment plan for the Ravenswood Project Area. Repayment terms are subject to a formula outlined in the California Health and Safety Code, and approved on an annual recognized obligation schedule (ROPS) under Dissolution Law. Interest on the outstanding principal is calculated at 3% simple interest per quarter from the inception of the loan.
- b. *Gateway/101Purchase and Sale Agreement (\$5,813,730)* - 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. Repayment terms are subject to a formula outlined in the California Health and Safety Code, and approved on an annual recognized obligation schedule (ROPS) under Dissolution Law. There is no interest provision.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

5. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2018, are comprised of the following:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Government activities				
Capital assets not being depreciated:				
Land	\$ 4,058,724	\$ -	\$ -	\$ 4,058,724
Construction in progress	4,144,382	7,489,227	(238,312)	11,395,297
Total capital assets not being depreciated	8,203,106	7,489,227	(238,312)	15,454,021
Capital assets being depreciated:				
Infrastructure				
Streets and roadways	46,021,659	-	-	46,021,659
Storm drain system	6,175,399	55,218	-	6,230,617
Buildings and Improvements	8,217,097	72,288	-	8,289,385
Improvements other than buildings	9,506,667	51,637	-	9,558,304
Furniture, Fixtures, and Equipment	2,014,874	45,264	-	2,060,138
Vehicles	2,110,574	684,345	-	2,794,919
Total capital assets being depreciated	74,046,270	908,752	-	74,955,022
Less accumulated depreciation for:				
Infrastructure				
Streets and roadways	(29,988,174)	(688,442)	-	(30,676,616)
Storm drain system	(2,379,742)	(74,570)	-	(2,454,312)
Buildings and Improvements	(2,748,678)	(290,431)	-	(3,039,109)
Improvements other than building	(1,850,756)	(362,419)	-	(2,213,175)
Furniture, Fixtures and Equipment	(1,712,582)	(111,447)	-	(1,824,029)
Vehicles	(1,243,556)	(157,880)	-	(1,401,436)
Total accumulated depreciation	(39,923,488)	(1,685,189)	-	(41,608,677)
Total capital assets, being depreciated, net	34,122,782	(776,437)	-	33,346,345
Government activities capital assets, net	\$ 42,325,888	\$ 6,712,790	\$ (238,312)	\$ 48,800,366

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

5. CAPITAL ASSETS, Continued

	Balance as of June 30, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 263,674	\$ 5,000,000	\$ -	\$ -	\$ 5,263,674
Construction in Progress	835,921	3,006,562	-	-	3,842,483
Total capital assets not being depreciated	<u>1,099,595</u>	<u>8,006,562</u>	<u>-</u>	<u>-</u>	<u>9,106,157</u>
Capital assets being depreciated:					
Improments other than buildings	7,057,659	-	-	-	7,057,659
Total capital assets being depreciated	<u>7,057,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,057,659</u>
Less accumulated depreciation for:					
Improvements other than building	(4,106,688)	(195,291)	-	-	(4,301,979)
Total accumulated depreciation	<u>(4,106,688)</u>	<u>(195,291)</u>	<u>-</u>	<u>-</u>	<u>(4,301,979)</u>
Total capital assets, being depreciated, net	<u>2,950,971</u>	<u>(195,291)</u>	<u>-</u>	<u>-</u>	<u>2,755,680</u>
Business-type activities capital assets, net	<u>\$ 4,050,566</u>	<u>\$ 7,811,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,861,837</u>

A. Capital Asset Contributions

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

B. Depreciation Allocation

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

Governmental Activities:

General Government	\$ 22,238
Public Safety	197,242
Culture and Recreation	528,942
Public Works	886,920
Community Development	49,847
Total Governmental Activities	<u>\$ 1,685,189</u>

Business-Type Activities:

Water Service	\$ 195,291
Total Business-Type Activities	<u>\$ 195,291</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

5. CAPITAL ASSETS, Continued

C. Capital Project Commitments

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

Project	Project Authorization	Expended through June 30, 2018	Committed
Bay Road Roadway + Downstream	\$ 2,813,370	\$ 2,559,415	\$ 253,955
Storm Drain Trash Capture	188,300	68,125	120,175
Highway 101 Pedestrian-Bicycle Overcrossing	13,105,795	7,163,685	5,942,110
University Avenue Interchange	1,009,120	936,300	72,820
Cooley Landing Park	7,128,320	5,280,525	1,847,795
Gloria Way Well Retrofit	4,085,000	3,962,265	122,735
San Fransisquito Creek Flood Control Project	1,260,000	840,000	420,000
Second Ground Water Well	942,570	752,290	190,280
	\$ 30,532,475	\$ 21,562,605	\$ 8,969,870

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, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Governmental Activities:					
2015 Capital Lease - 2 Police Vehicles 3.25% due 12/23/18	47,484	-	31,399	16,085	16,085
Total	\$ 47,484	\$ -	\$ 31,399	\$ 16,085	\$ 16,085

2015 Capital Lease - 2 Police Vehicles

On December 23, 2014, the City of East Palo Alto acquired two 2016 police vehicles with installed emergency equipment 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, 2018

6. LONG-TERM DEBT, Continued

A. Governmental Activities, continued

2015 Capital Lease – 2 Police Vehicles, Continued

Future capital lease payments at June 30, 2018 are as follows:

For the Year Ending Balance June 30	Police Interceptor Utility AWD Capital Lease		
	Principal	Interest	Total
2019	\$ 16,085	\$ 153	\$ 16,238
Total Payments Due	\$ 16,085	\$ 153	\$ 16,238

B. Business-Type Activities

Note payable

On March 30, 2018, the City entered into an agreement with the County of San Mateo Department of Housing (the County) whereby the County awarded a Community Development Block Grant (CDBG) Program assistance loan in the amount of \$700,000 for the Gloria Way Well Rehabilitation project (the Project).

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, 2018, the City had requested Note proceeds from the County in the amount of \$700,000.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. OPERATING LEASE

The City leases four major building facility sites under non-cancellable operating leases. The sites leased include two police facilities, the maintenance corporation yard, and City Hall offices. Total costs for such leases were \$545,655 for governmental activities and \$38,074 for business-type activities for the fiscal year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2019	\$ 635,887
2020	650,551
2021	528,831
2022	479,543
	<u>\$ 2,294,812</u>

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 July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Governmental Activities						
Compensated Leave Payable	\$ 736,326	\$ 764,493	\$ (733,580)	\$ 767,239	\$ 375,016	\$ 392,223

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

9. FUND BALANCES

Detailed classifications of the City's Fund Balances, as of June 30, 2018, are below:

	Major Governmental Funds					Total
	General Fund	Public Improvements in Lieu Special Revenue Fund	Housing in-lieu Special Revenue Fund	Capital Improvements Capital Projects Fund	Other Government Funds	
Fund Balances						
Nonspendable fund balance:						
Loans to Successor Agency	\$ 11,195,964	\$ -	\$ -	\$ -	\$ -	\$ 11,195,964
Advance to other funds	470,000	-	-	-	-	470,000
Deposits and prepayments	77,037	-	-	-	-	77,037
	<u>11,743,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,743,001</u>
Restricted fund balance for:						
Low and Moderate						
Income Housing	-	-	-	-	8,067,045	8,067,045
Gas Tax	-	-	-	-	2,702,901	2,702,901
NPDES Fees	-	-	-	-	9,059	9,059
Federal and State						
Law Enforcement	-	-	-	-	149,395	149,395
Park in Lieu	-	-	-	-	1,089,920	1,089,920
Rent Stabilization	-	-	-	-	737,465	737,465
Housing in Lieu	-	-	9,086,648	-	-	9,086,648
Housing Assistance	-	-	-	-	447,675	447,675
Public Improvement in Lieu Measure A	-	-	-	-	2,601,206	2,601,206
CYSFF Children/Youth/ Seniors/Family	-	-	-	-	782,070	782,070
Lighting District	-	-	-	-	2,192,875	2,192,875
Drainage District	-	-	-	-	194,010	194,010
Measure C	-	-	-	-	1,015,232	1,015,232
Capital projects	-	358,582	-	2,654,205	-	3,012,787
Silicon Calley	-	-	-	-	2,485,248	2,485,248
Other Purposes	-	-	-	-	330,574	330,574
	<u>-</u>	<u>358,582</u>	<u>9,086,648</u>	<u>2,654,205</u>	<u>22,804,675</u>	<u>34,904,110</u>
Assigned fund balance for:						
Capital projects	-	-	-	6,772,150	-	6,772,150
Other Purposes	1,886,415	-	-	-	-	1,886,415
	<u>1,886,415</u>	<u>-</u>	<u>-</u>	<u>6,772,150</u>	<u>-</u>	<u>8,658,565</u>
Unassigned fund balance						
Minimum fund balance reserve	3,500,000	-	-	-	-	3,500,000
Community benefits reserve	99,770	-	-	-	-	99,770
Information Technology Reserve	1,696,751	-	-	-	-	1,696,751
Vehicles and Equipment Reserve	760,663	-	-	-	-	760,663
Self Insurance Reserve	2,038,425	-	-	-	-	2,038,425
Other	16,096,310	-	-	-	-	16,096,310
	<u>24,191,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,191,919</u>
Total Fund Balances	<u>\$ 37,821,335</u>	<u>\$ 358,582</u>	<u>\$ 9,086,648</u>	<u>\$ 9,426,355</u>	<u>\$ 22,804,675</u>	<u>\$ 79,497,595</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

9. FUND BALANCES, Continued

Encumbrance balances by major funds and non-major funds as of June 30, 2018 are:

	Major Funds				Non-Major Funds	TOTAL
	General Fund	Capital Improvement Fund	Housing in Lieu Fund	Public Improvements In Lieu		
Construction	\$ -	\$ 1,452,037	\$ -	\$ -	\$ 1,157,790	\$ 2,609,827
Materials and Equipment	76,027	-	-	-	-	76,027
Services	1,710,618	-	37,763	4,580	448,724	2,201,685
	<u>\$ 1,786,645</u>	<u>\$ 1,452,037</u>	<u>\$ 37,763</u>	<u>\$ 4,580</u>	<u>\$ 1,606,514</u>	<u>\$ 4,887,539</u>

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:	
NPDES Fee fund	\$ 14,544
US EPA fund	12,812
Local Grants fund	4,705

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).

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

11. RETIREMENT BENEFITS, Continued

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

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, 2018 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	16.842%	9.539%
Required unfunded accrued liability payment (UAL)	\$406,356	\$223,461
	<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	11.990%	6.533%
Required unfunded accrued liability payment (UAL)	\$2,075	\$3,024

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, 2018, the contribution to the plan was \$1,642,560.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

11. RETIREMENT BENEFITS, Continued

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

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$10,853,587.

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, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 were as follows:

Proportion - June 30, 2016	0.109309%
Proportion - June 30, 2017	<u>0.109441%</u>
Change - Increase (Decrease)	<u><u>0.000132%</u></u>

For the year ended June 30, 2018, the City recognized pension expense of \$2,720,757. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,642,560	\$ -
Changes of assumptions	1,599,284	122,376
Differences between expected and actual experience	-	27,780
Changes in employer's proportion	990,973	269,919
Differences between the employer's contribution and the employer's proportionate share of contributions	803,928	-
Net differences between projected and actual earnings on plan investments	<u>354,310</u>	<u>-</u>
Total	<u><u>\$ 5,391,055</u></u>	<u><u>\$ 420,075</u></u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

11. RETIREMENT BENEFITS, Continued

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

Pension contributions subsequent to the measurement date in the amount of \$1,642,560 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, 2019.

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

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,332,228
2020	1,326,492
2021	878,359
2022	(208,659)

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
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, 2016 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, 2018

11. RETIREMENT BENEFITS, Continued

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

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

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

In determining the long-term expected rate of return, CalPERS 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	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
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, 2018

11. RETIREMENT BENEFITS, Continued

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

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

1% Decrease	6.15%
Net Pension Liability	\$ 16,131,921
Current Discount Rate	7.15%
Net Pension Liability	\$ 10,853,587
1% Increase	8.15%
Net Pension Liability	\$ 6,514,319

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, 2018 the City reported a payable of \$61,260 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2018. All amounts were paid in July 2018 in a timely manner.

B. Deferred Compensation Plan

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

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 Plan Liability Assurance Network (PLAN), a joint powers authority established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. PLAN covers general and auto liability claims in an amount up to \$5 million, and property liability claims up to \$100,000 per occurrence. The City has a deductible or uninsured liability of up to \$100,000 per liability claim and \$5,000 per property claim. Once the City's deductible is met, PLAN becomes responsible for payment of all claims up to the limit. PLAN also purchases special excess and excess insurance policies over PLAN limits up to \$25,000,000 in general liability coverage and provides for replacement cost of property claims, 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, 2017 and 2018:

	2017	2018
Beginning balance of claims payable	\$ 45,000	\$ 227,000
Increase/Decrease in estimated claims liability	209,345	(15,022)
Claims paid	(27,345)	(16,978)
Ending balance of claims payable	<u>\$ 227,000</u>	<u>\$ 195,000</u>
Current Portion	<u>\$ 34,050</u>	<u>\$ 29,250</u>

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

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 one of five members of the San Francisquito Creek Joint Powers Authority (SFCJPA) formed in 1999 to manage and provide policy direction related to flood control measures, emergency response, stabilization and maintenance, and other environmental issues regarding the San Francisquito Creek. The City has no equity interest in the SFCJPA. The City's contribution to the SFCJPA was \$152,000 for the year ended June 30, 2018. Financial statements may be obtained by mailing a request to 615B Menlo Avenue, 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 \$84,200 for the year ended June 30, 2018. 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, 2018

14. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES

Lease Agreement with American Water Service, Inc.

In April 2001, the City entered into a twenty-five (25) year lease agreement with American Water Services, Inc. (American Water) whereby the City agreed to lease the water system to American Water for the purpose of furnishing potable water service and water service fire protection to all customers within the City's water service area. American Water is responsible for operating, maintaining and managing the water system, as well as fulfilling customer services, emergency services, water quality testing, and other service operations related to the water system. If total annual system maintenance and repair costs exceed \$110,000, the excess costs are considered system improvements and paid through additional capital charges. American Water bills and collects water services charges, capital surcharges, and utility tax from the City's water customers. Utility users' tax and capital-related surcharges billed and collected by American Water are passed-through to the City.

American Water may request water rate relief from the City in order to recover necessary and reasonable costs related to performing the water system services, including earning an operational rate of return of eight-percent (8%) after-tax on defined, contractual gross revenues. The City agrees to enact water rates based upon such requirements and in accordance with applicable State Law regarding water rate increases. Any fees or taxes billed and passed-through to the City are not considered contractual gross revenues of the water system operation. Contractual gross revenues, as defined, for the year ended June 30, 2018 total approximately \$4.7 million.

The City has retained title of the Water System and related capital assets under the terms of the lease. Title for system improvements performed by American Water immediately vests with the City. American Water may not retire, sell, transfer; convey, or encumber any real property or personal property of the Water System without the prior written consent of City. The City is not obligated to pay any costs or expense in connection with or related to the management, operation, improvement, repair or maintenance of the water system during the lease term, except for costs related to environmental liabilities. The City currently has undertaken certain system improvements, such as acquiring permanent water rights and constructing the Gloria Way Well Rehabilitation project which are funded from grants, system impact fees, and water capital surcharges. For the fiscal year ended June 30, 2018, water system assets total \$11,861,837 net of depreciation.

In consideration for the lease of the water system assets, American Water agrees to pay the City a monthly lease payment equal to 6% and a monthly franchise fee equal to 5% of the annual gross revenues generated by the water system. For the year ended June 30, 2018, American Water paid lease payments and franchise fees to the City in the amount of \$290,634 and \$242,195, respectively. Further, for the year ended June 30, 2018, the City reported passed-through utility taxes and capital-related surcharges of \$319,123 and \$837,795, respectively.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

15. CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

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

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.

B. 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.

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 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, 2018, the City had nearly completed the renovation of Gloria Way Well, and has capital water reserves of approximately \$4.25 million and Federal and State grant commitments of approximately \$0.5 million remaining for a number of water-related capital projects.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

15. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

C. California Regional Water Quality Control Board

On June 13, 2018, the California Regional Water Quality Control Board (Water Board) issued a Cease and Desist Order (Order) due to cited failure to meet certain deadlines under the Water Board's adopted Municipal Regional National Pollution Discharge Elimination System (NPDES) Stormwater Permit (Permit). The City is subject to the Permit's requirements and is in violation of such as a result of failing to meet required and projected trash load reduction requirements. Under the terms of the Order, the City must achieve 70% and 80% trash load reduction relative to the 2009 baseline condition by July 1, 2019 and must also meet proscribed tracking and reporting activities relative to trash control actions. Failure to meet the terms of the Order may result in authorized enforcement actions by the Water Board. As of June 30, 2018, the City initiated a trash load reduction capital improvement project for approximately \$550,000 in order to meet the requirements of the Order. City management estimates the requirements of the Order will be met in a timely manner.

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, 2018, the State is retaining approximately \$887,805 in approved project costs pending the City's completion of project deliverables.

In June 2018, the City approved a project budget of approximately \$2 million to complete the remaining phases required under the grant agreement. Of this amount, approximately \$1.25 million is funded through additional grant funding. City management estimates the City will complete the project deliverables in a timely manner.

E. Water Rights Acquisition and Related Agreements

Water Supply Implementation Agreement (WSIA)

On August 9, 2016, the City entered into a water supply implementation agreement with 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively "developers") in order to accelerate the City's efforts to provide adequate water supply for potential future development sites. In the event a developer site is connected to the City's water system, any payments made by the developer under the WSIA will be credited against adopted water capacity charges related to the costs of expanding or acquiring additional water capacity. As of June 30, 2018, developers had advanced funds of approximately \$241,120.

Water Rights Acquisition Agreements

Effective August 4, 2018, the City entered into an agreement with the City of Mountain View to transfer all right, title, and interest to 1,000,000 gallon per day (1 MGD) of its guaranteed water supply (ISG) under the City and County of San Francisco Water Supply Agreement. The acquisition price of \$5,000,000 was funded from the following sources:

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

15. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

E. Water Rights Acquisition and Related Agreements, Continued

Silicon Valley Community Foundation (SVCF) Gift Agreement/Inter-Fund Advance \$2.0 Million - In June 2017, the City entered into a gift agreement with the SVCF for the amount of \$2.5 million whereby the gift is restricted for the purpose of incentivizing the development of affordable housing within the City. Up to \$2,000,000 was authorized and utilized for an inter-fund advance to acquire permanent water rights. The advance is to be repaid upon the receipt of related water capacity charge or related impact or charge imposed by the City. The remaining funds are restricted to fund not less than \$500,000 for an affordable housing manager over a minimum period of five years. As of June 30, 2018, the full amount of the inter-fund advance of \$2.0 million remained outstanding.

Amendment to Water Supply Implementation Agreement \$1.53 Million - The City approved an amendment to the Water Supply Implementation Agreement (Amended WSIA) in order establish terms for payment of the attributed share of the costs of the permanent water rights transfer. Under the terms of the amendment; 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively "developers") agreed to advance a collective total of \$1.53 million as the developers' attributed share of the cost of the water rights transfer. For a period of eight (8) years after the effective date of the water rights transfer, if entitlement for a developer site is approved in accordance with the City's laws and policies, any payments made under the Amended WSIA will be credited against a water capacity charge or related impact or buy-in charge imposed by the City. As of June 30, 2018, no entitlements have occurred on the related developer sites.

Sobrato Organization LLC Reimbursement Agreement \$1.0 Million - The City approved a reimbursement agreement (Agreement) with the Sobrato Organization LLC (Sobrato) to provide funds in the amount of \$1,000,000 for the purpose of facilitating the permanent water rights transfer. Reimbursement of the funds advanced will be made solely from capacity charges established by the City, as allowed, to cover the entire cost the water rights transfer and charged for new or expanded water connections to its water system. The Agreement expires upon the earlier of the date of full reimbursement of the advance or August 4, 2037 (twenty years from Agreement effective date). Upon expiration, the City's commitments under the agreement terminate.

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

16. 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.

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, 2018 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2018.

B. Long-Term Debt

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

	Issue Amount	Balance June 30, 2017	Additions	Retirements	Discount/ Premium Amortization	Balance at June 30, 2018	Due within one year
Successor Agency							
2015 Tax Allocation Refunding Bonds							
Series A							
3.625%-4% due 10/1/2032	\$ 16,950,000	\$ 17,659,850	\$ -	\$ -	\$ (160,142)	\$ 17,499,708	\$ 45,000
2015 Tax Allocation Refunding Bonds							
Series B							
1.25%-2% due 10/1/2018	2,500,000	1,702,534	-	865,000	2,049	839,583	840,000
Total Successor Agency	<u>\$ 19,450,000</u>	<u>\$ 19,362,384</u>	<u>\$ -</u>	<u>\$ 865,000</u>	<u>\$ (158,093)</u>	<u>\$ 18,339,291</u>	<u>\$ 885,000</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

16. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

B. Long-Term Debt, Continued

2015 Tax Allocation Refunding Bonds

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

Series 2015A Refunding Bonds

The 2015A Refunding Bonds mature annually starting October 1, 2018 through 2032, with 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
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	1,030,000	520,300	1,550,300
2024-2028	5,965,000	1,804,075	7,769,075
2029-2033	7,100,000	648,582	7,748,582
Subtotal	16,950,000	<u>\$ 5,499,557</u>	<u>\$ 22,449,557</u>
Bond Premium	549,708		
Total	<u>\$ 17,499,708</u>		

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, 2018

16. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

B. Long-Term Debt, Continued

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 840,000	\$ 8,400	\$ 848,400
Subtotal	840,000	\$ 8,400	\$ 848,400
Bond Discount	(417)		
Total	\$ 839,583		

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, 2018.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
2015 Tax Allocation Refunding Bonds - gain on refunding	\$ 392,070	\$ -	\$ (62,058)	\$ 330,012
Total	\$ 392,070	\$ -	\$ (62,058)	\$ 330,012

17. RELATED PARTY TRANSACTIONS

In 2004, the City authorized a First Time Homebuyer Program whereby the City offers first time homebuyers financial assistance in the purchase of a home within East Palo Alto. The loans bear an interest rate of 3% and are secured by deeds of trust on the property. As of June 30, 2018, one Council Member had a loan due to the City in the amount of \$19,906.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2018

18. SUBSEQUENT EVENTS

A. Authorization and Commitment to Apply for Grant Funds

On September 18, 2018, the City authorized the San Francisquito Creek Joint Powers Authority (SFCJPA) to submit an application on behalf of the City to the California Office of Emergency Services Hazard Mitigation Grant Program for \$22 million for the East Palo Alto Safer Bay Project, Phase I, protecting East Palo Alto with a levee from San Francisquito Creek. The application requires that the City certify that \$5.5 million in local match is available, and that the City will commit to maintaining the improvements, if approved and constructed. The City transferred \$5.5 million of committed funds of General Fund Unassigned Reserves to the Capital Improvement Fund in September 2018.

B. Consent to Assign Water System Lease

On November 8, 2018, the City authorized American Water Enterprises to assign the "Agreement for Lease of Real Property (Water System)" from American Water Enterprises to Veolia Environmental S.A. (Veolia), subject to Veolia developing and implementing an acceptable City-specific transition plan. The transition is expected to occur during fiscal year 2018-19. Veolia is a French transnational company providing services for water, waste, and energy management systems.

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REQUIRED SUPPLEMENTARY INFORMATION

City of East Palo Alto
Notes to Required Supplementary Information
For the year ended June 30, 2018

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, 2018

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	\$ 11,416,000	\$ 12,820,000	\$ 13,603,159	\$ 783,159
Sales taxes	3,900,000	5,250,000	5,876,741	626,741
Transient occupancy tax	2,325,000	2,425,000	2,471,954	46,954
Utility users tax	1,595,000	1,540,000	1,680,279	140,279
Other taxes	11,800	11,800	15,971	4,171
Licenses, fees and permits	1,684,500	2,375,000	2,776,837	401,837
Charges for services	306,700	1,422,610	1,198,585	(224,025)
Fines and forfeitures	430,500	430,500	745,766	315,266
Use of money and property	68,400	325,000	549,953	224,953
Grants and intergovernmental	30,500	30,500	35,083	4,583
Miscellaneous	17,000	17,300	114,362	97,062
Total revenues	21,785,400	26,647,710	29,068,690	2,420,980
EXPENDITURES:				
Current:				
General government	5,225,425	4,665,610	3,705,158	960,452
Public safety	11,121,800	11,207,070	10,047,131	1,159,939
Public works	2,778,510	3,517,270	3,066,296	450,974
Culture and recreation	433,780	811,665	513,986	297,679
Community development	1,987,695	3,554,240	2,307,454	1,246,786
Capital outlay	75,000	-	-	-
Debt service:				
Principal	-	-	31,399	(31,399)
Interest, and fiscal charges	-	-	1,214	(1,214)
Total expenditures	21,622,210	23,755,855	19,672,638	4,115,830
REVENUES OVER (UNDER) EXPENDITURES	163,190	2,891,855	9,396,052	6,536,810
OTHER FINANCING SOURCES (USES):				
Transfer in	-	28,055	28,055	-
Transfer out	(1,813,190)	(2,093,855)	(2,093,855)	-
Total other financing sources (uses)	(1,813,190)	(2,065,800)	(2,065,800)	-
Net change in fund balance	\$ (1,650,000)	\$ 826,055	7,330,252	\$ 6,536,810
FUND BALANCE:				
Beginning of year			30,491,083	
End of year			<u>\$ 37,821,335</u>	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules, Continued

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	\$ -	\$ 192,000	\$ 168,581	\$ (23,419)
Charges for services	15,000	15,000	41,837	26,837
Use of money and property	-	-	3,479	3,479
Total revenues	15,000	207,000	213,897	6,897
EXPENDITURES:				
Current:				
Community development	15,000	100,000	135	99,865
Capital outlay	278,000	192,000	84,147	107,853
Total expenditures	293,000	292,000	84,282	207,718
Net change in fund balance	\$ (278,000)	\$ (85,000)	129,615	\$ 214,615
FUND BALANCE:				
Beginning of year			228,967	
End of year			\$ 358,582	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules, Continued

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	\$ 290,620	\$ 290,620	\$ 308,994	\$ 18,374
Use of money and property	15,000	47,500	106,344	58,844
Total revenues	305,620	338,120	415,338	77,218
EXPENDITURES:				
Current:				
General government	28,570	38,570	35,950	2,620
Community development	-	137,600	108,539	29,061
Total expenditures	28,570	176,170	144,489	31,681
Net change in fund balance	\$ 277,050	\$ 161,950	270,849	\$ 108,899
FUND BALANCE:				
Beginning of year			8,815,799	
End of year			\$ 9,086,648	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2018

2. DEFINED BENEFIT PENSION PLAN

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

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.109441%	0.109310%	0.118190%	0.126260%
Proportionate share of the net pension liability	\$ 10,853,587	\$ 9,458,584	\$ 8,112,375	\$ 7,856,469
Covered payroll	\$ 8,464,356	\$ 8,407,528	\$ 7,926,057	\$ 8,008,699
Proportionate share of the net pension liability as percentage of covered payroll	128.23%	112.50%	102.35%	98.10%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	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, 2018

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Contributions - Last 10 Years*

Fiscal year	2018	2017	2016	2015
Contractually required contribution(actuarially determined)	\$ 1,642,560	\$ 1,493,218	\$ 1,371,578	\$ 1,477,383
Contribution in relation to the actuarially determined contributions	(1,642,560)	(1,493,218)	(1,371,578)	(1,477,383)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,257,855	\$ 8,464,356	\$ 8,407,528	\$ 7,926,057
Contributions as a percentage of covered payroll	17.74%	17.64%	16.31%	18.64%

Notes to Schedule:

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

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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.

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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.

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.

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
ASSETS					
Cash and investments	\$ 25,570	\$ 2,683,981	\$ 148,604	\$ 997,464	\$ 736,946
Restricted cash and investments	-	-	-	1,874	-
Receivables:					
Accrued interest	257	11,061	353	4,446	3,476
Taxes	-	-	-	-	-
Intergovernmental	46,510	26,383	3,134	88,010	-
Accounts receivable	-	-	-	-	20,407
Deposits and prepayments	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Loans and notes receivable	-	-	-	-	-
Total assets	\$ 72,337	\$ 2,721,425	\$ 152,091	\$ 1,091,794	\$ 760,829
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 16,768	\$ 18,524	\$ 2,696	\$ -	\$ 2,957
Retentions payable	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Unearned revenue	-	-	-	1,874	-
Total liabilities	16,768	18,524	2,696	1,874	2,957
Deferred inflows of resources:					
Unavailable revenue	46,510	-	-	-	20,407
Fund Balances:					
Restricted	9,059	2,702,901	149,395	1,089,920	737,465
Total fund balances	9,059	2,702,901	149,395	1,089,920	737,465
Total liabilities, deferred inflows of resources, and fund balances	\$ 72,337	\$ 2,721,425	\$ 152,091	\$ 1,091,794	\$ 760,829

Special Revenue

Federal and State Grants	US EPA	Housing Assistance	Measure A	CYSFF Child/Family	Lighting District	Drainage District	Measure C
\$ 89,998	\$ 12,981	\$ 233,109	\$ 2,610,100	\$ 834,909	\$ 2,183,987	\$ 204,117	\$ 1,208,436
-	-	-	-	-	-	-	-
356	-	1,022	11,526	3,572	9,156	812	5,296
-	-	-	-	28,285	-	-	-
4,031	-	-	-	-	-	-	-
-	-	1,735	44,583	-	-	-	-
-	-	-	2,665	-	-	-	-
-	-	-	-	-	-	-	-
-	-	211,809	-	-	-	-	-
<u>\$ 94,385</u>	<u>\$ 12,981</u>	<u>\$ 447,675</u>	<u>\$ 2,668,874</u>	<u>\$ 866,766</u>	<u>\$ 2,193,143</u>	<u>\$ 204,929</u>	<u>\$ 1,213,732</u>
\$ 1,940	\$ 12,981	\$ -	\$ 433	\$ 84,696	\$ 268	\$ 10,919	\$ 117,500
-	-	-	67,235	-	-	-	-
-	-	-	-	-	-	-	81,000
-	-	-	-	-	-	-	-
<u>1,940</u>	<u>12,981</u>	<u>-</u>	<u>67,668</u>	<u>84,696</u>	<u>268</u>	<u>10,919</u>	<u>198,500</u>
-	-	-	-	-	-	-	-
92,445	-	447,675	2,601,206	782,070	2,192,875	194,010	1,015,232
<u>92,445</u>	<u>-</u>	<u>447,675</u>	<u>2,601,206</u>	<u>782,070</u>	<u>2,192,875</u>	<u>194,010</u>	<u>1,015,232</u>
<u>\$ 94,385</u>	<u>\$ 12,981</u>	<u>\$ 447,675</u>	<u>\$ 2,668,874</u>	<u>\$ 866,766</u>	<u>\$ 2,193,143</u>	<u>\$ 204,929</u>	<u>\$ 1,213,732</u>

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue			Total
	Local Grants	SVCF	Low and Moderate Income Housing Successor Special Revenue Fund	Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 237,083	\$ 483,145	\$ 911,342	\$ 13,601,772
Restricted cash and investments	-	-	-	1,874
Receivables:				
Accrued interest	1,046	2,103	274,735	329,217
Taxes	-	-	-	28,285
Intergovernmental	-	-	-	168,068
Accounts receivable	-	-	-	66,725
Deposits and prepayments	-	-	-	2,665
Advance to other funds	-	2,000,000	-	2,000,000
Loans and notes receivable	-	-	7,152,037	7,363,846
Total assets	\$ 238,129	\$ 2,485,248	\$ 8,338,114	\$ 23,562,452
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 269,682
Retentions payable	-	-	-	67,235
Other accrued liabilities	-	-	-	81,000
Unearned revenue	-	-	-	1,874
Total liabilities	-	-	-	419,791
Deferred inflows of resources:				
Unavailable revenue	-	-	271,069	337,986
Fund Balances:				
Restricted	238,129	2,485,248	8,067,045	22,804,675
Total fund balances	238,129	2,485,248	8,067,045	22,804,675
Total liabilities, deferred inflows of resources, and fund balances	\$ 238,129	\$ 2,485,248	\$ 8,338,114	\$ 23,562,452

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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, 2018

	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	90,502	799,588	-	-	-
Charges for services	134,574	-	-	-	567,094
Use of money and property	384	26,638	579	11,523	7,826
Grants and intergovernmental	-	-	139,447	164,077	-
Miscellaneous	-	-	-	-	-
Total revenues	225,460	826,226	140,026	175,600	574,920
EXPENDITURES:					
Current:					
General government	14,893	194,940	-	-	226,249
Public safety	-	-	86,338	-	-
Public works	132,014	396,574	-	-	-
Culture and recreation	-	-	-	-	-
Community development	216,377	-	-	149	315,578
Capital outlay	-	-	-	202,679	-
Total expenditures	363,284	591,514	86,338	202,828	541,827
REVENUES OVER (UNDER) EXPENDITURES	(137,824)	234,712	53,688	(27,228)	33,093
OTHER FINANCING SOURCES (USES):					
Transfers in	125,570	64,015	-	-	-
Transfers out	-	-	-	-	(28,055)
Total other financing sources (uses)	125,570	64,015	-	-	(28,055)
Net change in fund balances	(12,254)	298,727	53,688	(27,228)	5,038
FUND BALANCES:					
Beginning of the year	21,313	2,404,174	95,707	1,117,148	732,427
End of year	<u>\$ 9,059</u>	<u>\$ 2,702,901</u>	<u>\$ 149,395</u>	<u>\$ 1,089,920</u>	<u>\$ 737,465</u>

Special Revenue

Federal and State Grants	US EPA	Housing Assistance	Measure A	CYSFF Child/Family	Lighting District	Drainage District	Measure C
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 561,956	\$ 114,247	\$ -
-	-	-	632,617	-	-	-	-
-	-	-	-	308,994	-	-	-
-	-	-	-	-	-	-	-
-	-	410	-	-	-	-	-
480	-	7,837	27,040	8,339	20,900	1,569	15,329
44,231	238,312	-	-	-	-	-	-
-	-	5,500	-	-	-	-	-
<u>44,711</u>	<u>238,312</u>	<u>13,747</u>	<u>659,657</u>	<u>317,333</u>	<u>582,856</u>	<u>115,816</u>	<u>15,329</u>
-	-	-	12,209	16,930	65,064	13,037	1,695
-	-	-	-	-	-	-	-
-	-	-	-	-	77,779	76,888	-
44,231	-	-	-	176,516	-	-	509,248
7,886	-	2,200	-	-	-	-	-
-	238,312	-	174,223	-	4,539	-	-
<u>52,117</u>	<u>238,312</u>	<u>2,200</u>	<u>186,432</u>	<u>193,446</u>	<u>147,382</u>	<u>89,925</u>	<u>510,943</u>
<u>(7,406)</u>	<u>-</u>	<u>11,547</u>	<u>473,225</u>	<u>123,887</u>	<u>435,474</u>	<u>25,891</u>	<u>(495,614)</u>
-	-	-	-	-	-	67,270	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	67,270	-
<u>(7,406)</u>	<u>-</u>	<u>11,547</u>	<u>473,225</u>	<u>123,887</u>	<u>435,474</u>	<u>93,161</u>	<u>(495,614)</u>
99,851	-	436,128	2,127,981	658,183	1,757,401	100,849	1,510,846
<u>\$ 92,445</u>	<u>\$ -</u>	<u>\$ 447,675</u>	<u>\$ 2,601,206</u>	<u>\$ 782,070</u>	<u>\$ 2,192,875</u>	<u>\$ 194,010</u>	<u>\$ 1,015,232</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, 2018

	Special Revenue			Total Non-Major Governmental Funds
	Local Grants	SVCF	Low and Moderate Income Housing Successor Special Revenue Fund	
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ 676,203
Sales taxes	-	-	-	632,617
Transient occupancy tax	-	-	-	308,994
Other taxes	-	-	-	890,090
Charges for services	-	-	17	702,095
Use of money and property	1,678	1,004	87,990	219,116
Grants and intergovernmental	50,000	-	-	636,067
Miscellaneous	-	-	-	5,500
Total revenues	51,678	1,004	88,007	4,070,682
EXPENDITURES:				
Current:				
General government	-	-	-	545,017
Public safety	31,705	-	-	118,043
Public works	-	-	-	683,255
Culture and recreation	-	-	-	729,995
Community development	-	15,756	856	558,802
Capital outlay	-	-	-	619,753
Total expenditures	31,705	15,756	856	3,254,865
REVENUES OVER (UNDER) EXPENDITURES	19,973	(14,752)	87,151	815,817
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	-	200,000	506,855
Transfers out	-	-	-	(28,055)
Total other financing sources (uses)	50,000	-	200,000	478,800
Net change in fund balances	69,973	(14,752)	287,151	1,294,617
FUND BALANCES:				
Beginning of the year	168,156	2,500,000	7,779,894	21,510,058
End of year	<u>\$ 238,129</u>	<u>\$ 2,485,248</u>	<u>\$ 8,067,045</u>	<u>\$ 22,804,675</u>

City of East Palo Alto

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

NPDES Fees Special Revenue Fund

For the year ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ -	\$ 75,000	\$ 90,502	\$ 15,502
Charges for services	134,000	130,000	134,574	4,574
Use of money and property	-	-	384	384
Total revenues	134,000	205,000	225,460	20,460
EXPENDITURES:				
Current:				
General government	15,470	30,470	14,893	15,577
Public works	81,590	82,410	132,014	(49,604)
Community development	34,900	235,860	216,377	19,483
Total expenditures	131,960	348,740	363,284	(14,544)
REVENUES OVER (UNDER) EXPENDITURES	2,040	(143,740)	(137,824)	5,916
OTHER FINANCING SOURCES (USES):				
Transfer in	-	125,570	125,570	-
Total other financing sources (uses)	-	125,570	125,570	-
Net change in fund balance	\$ 2,040	\$ (18,170)	(12,254)	\$ 5,916
FUND BALANCE:				
Beginning of year			21,313	
End of year			\$ 9,059	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 543,100	\$ 615,825	\$ 799,588	\$ 183,763
Use of money and property	8,020	15,000	26,638	11,638
Total revenues	<u>551,120</u>	<u>630,825</u>	<u>826,226</u>	<u>195,401</u>
EXPENDITURES:				
Current:				
General government	199,230	199,230	194,940	4,290
Public works	500,030	550,105	396,574	153,531
Total expenditures	<u>699,260</u>	<u>749,335</u>	<u>591,514</u>	<u>157,821</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(148,140)</u>	<u>(118,510)</u>	<u>234,712</u>	<u>353,222</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	64,015	64,015	-
Total other financing sources (uses)	<u>-</u>	<u>64,015</u>	<u>64,015</u>	<u>-</u>
Net change in fund balance	<u>\$ (148,140)</u>	<u>\$ (54,495)</u>	<u>298,727</u>	<u>\$ 353,222</u>
FUND BALANCE:				
Beginning of year			<u>2,404,174</u>	
End of year			<u>\$ 2,702,901</u>	

City of East Palo Alto

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

Federal and State Law Enforcement Special Revenue Fund

For the year ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 579	\$ 579
Grants and intergovernmental	100,000	130,175	139,447	9,272
Total revenues	100,000	130,175	140,026	9,851
EXPENDITURES:				
Current:				
Public safety	100,000	130,175	86,338	43,837
Total expenditures	100,000	130,175	86,338	43,837
Net change in fund balance	\$ -	\$ -	53,688	\$ 53,688
FUND BALANCE:				
Beginning of year			95,707	
End of year			\$ 149,395	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 7,000	\$ 11,523	\$ 4,523
Grants and intergovernmental	-	1,250,000	164,077	(1,085,923)
Total revenues	<u>1,000</u>	<u>1,257,000</u>	<u>175,600</u>	<u>(1,081,400)</u>
EXPENDITURES:				
Current:				
Community development	-	-	149	(149)
Capital outlay	-	2,013,324	202,679	1,810,645
Total expenditures	<u>-</u>	<u>2,013,324</u>	<u>202,828</u>	<u>1,810,496</u>
Net change in fund balance	<u>\$ 1,000</u>	<u>\$ (756,324)</u>	<u>(27,228)</u>	<u>\$ 729,096</u>
FUND BALANCE:				
Beginning of year			<u>1,117,148</u>	
End of year			<u>\$ 1,089,920</u>	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 571,800	\$ 527,190	\$ 567,094	\$ 39,904
Use of money and property	1,000	3,500	7,826	4,326
Total revenues	572,800	530,690	574,920	44,230
EXPENDITURES:				
Current:				
General government	218,060	228,060	226,249	1,811
Community development	427,415	389,360	315,578	73,782
Total expenditures	645,475	617,420	541,827	75,593
REVENUES OVER (UNDER) EXPENDITURES	(72,675)	(86,730)	33,093	119,823
OTHER FINANCING SOURCES (USES):				
Transfer out	-	(28,055)	(28,055)	-
Total other financing sources (uses)	-	(28,055)	(28,055)	-
Net change in fund balance	\$ (72,675)	\$ (114,785)	5,038	\$ 119,823
FUND BALANCE:				
Beginning of year			732,427	
End of year			<u>\$ 737,465</u>	

City of East Palo Alto

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

Federal and State Grants Special Revenue Fund

For the year ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 480	\$ 480
Grants and intergovernmental	43,000	43,000	44,231	1,231
Total revenues	43,000	43,000	44,711	1,711
EXPENDITURES:				
Current:				
Culture and recreation	43,000	43,000	44,231	(1,231)
Community development	-	-	7,886	(7,886)
Total expenditures	43,000	43,000	52,117	(9,117)
Net change in fund balance	\$ -	\$ -	(7,406)	\$ (7,406)
FUND BALANCE:				
Beginning of year			99,851	
End of year			\$ 92,445	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Grants and intergovernmental	\$ -	\$ 238,500	\$ 238,312	\$ (188)
Total revenues	-	238,500	238,312	(188)
EXPENDITURES:				
Capital outlay	-	225,500	238,312	(12,812)
Total expenditures	-	225,500	238,312	(12,812)
Net change in fund balance	\$ -	\$ 13,000	-	\$ (13,000)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 410	\$ 410
Use of money and property	6,000	12,000	7,837	(4,163)
Miscellaneous	-	-	5,500	5,500
Total revenues	6,000	12,000	13,747	1,747
EXPENDITURES:				
Current:				
Community development	5,000	5,000	2,200	2,800
Total expenditures	5,000	5,000	2,200	2,800
Net change in fund balance	\$ 1,000	\$ 7,000	11,547	\$ 4,547
FUND BALANCE:				
Beginning of year			436,128	
End of year			<u>\$ 447,675</u>	

City of East Palo Alto

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

Measure A Special Revenue Fund

For the year ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 620,000	\$ 585,000	\$ 632,617	\$ 47,617
Use of money and property	9,000	12,500	27,040	14,540
Total revenues	629,000	597,500	659,657	62,157
EXPENDITURES:				
Current:				
General government	13,140	13,140	12,209	931
Public works	10,000	10,000	-	10,000
Capital outlay	-	514,975	174,223	340,752
Total expenditures	23,140	538,115	186,432	351,683
Net change in fund balance	\$ 605,860	\$ 59,385	473,225	\$ 413,840
FUND BALANCE:				
Beginning of year			<u>2,127,981</u>	
End of year			<u>\$ 2,601,206</u>	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 290,620	\$ 290,620	\$ 308,994	\$ 18,374
Use of money and property	1,700	4,500	8,339	3,839
Total revenues	292,320	295,120	317,333	22,213
EXPENDITURES:				
Current:				
General government	16,930	16,930	16,930	-
Culture and recreation	275,000	209,200	176,516	32,684
Total expenditures	291,930	226,130	193,446	32,684
Net change in fund balance	\$ 390	\$ 68,990	123,887	\$ 54,897
FUND BALANCE:				
Beginning of year			658,183	
End of year			\$ 782,070	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	324,200	442,500	561,956	119,456
Use of money and property	5,000	10,000	20,900	10,900
Total revenues	329,200	452,500	582,856	130,356
EXPENDITURES:				
Current:				
General government	64,960	64,960	65,064	(104)
Public works	199,370	170,735	77,779	92,956
Community development	1,200	1,200	-	1,200
Capital outlay	-	4,500	4,539	(39)
Total expenditures	265,530	241,395	147,382	94,013
Net change in fund balance	63,670	211,105	435,474	224,369
FUND BALANCE:				
Beginning of year			1,757,401	
End of year			2,192,875	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	76,390	85,000	114,247	29,247
Use of money and property	750	750	1,569	819
Total revenues	77,140	85,750	115,816	30,066
EXPENDITURES:				
Current:				
General government	13,050	15,550	13,037	2,513
Public works	127,280	141,755	76,888	64,867
Capital outlay	-	16,929	-	16,929
Total expenditures	140,330	174,234	89,925	84,309
REVENUES OVER (UNDER) EXPENDITURES	(63,190)	(88,484)	25,891	114,375
OTHER FINANCING SOURCES (USES):				
Transfer in	63,190	67,270	67,270	-
Total other financing sources (uses)	63,190	67,270	67,270	-
Net change in fund balance	-	(21,214)	93,161	114,375
FUND BALANCE:				
Beginning of year			100,849	
End of year			194,010	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 15,329	\$ 15,329
Total revenues	-	-	15,329	15,329
EXPENDITURES:				
Current:				
General government	1,800	1,800	1,695	105
Culture and recreation	375,000	690,000	509,248	180,752
Total expenditures	376,800	691,800	510,943	180,857
Net change in fund balance	\$ (376,800)	\$ (691,800)	(495,614)	\$ 196,186
FUND BALANCE:				
Beginning of year			1,510,846	
End of year			\$ 1,015,232	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,678	\$ 1,678
Grants and intergovernmental	-	50,000	50,000	-
Total revenues	-	50,000	51,678	1,678
EXPENDITURES:				
Current:				
Public safety	-	27,000	31,705	(4,705)
Total expenditures	-	27,000	31,705	(4,705)
REVENUES OVER (UNDER) EXPENDITURES	-	23,000	19,973	(3,027)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	50,000	50,000	-
Total other financing sources (uses)	-	50,000	50,000	-
Net change in fund balance	\$ -	\$ 73,000	69,973	\$ (3,027)
FUND BALANCE:				
Beginning of year			168,156	
End of year			<u>\$ 238,129</u>	

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, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,004	\$ 1,004
Total revenues	-	-	1,004	1,004
EXPENDITURES:				
Current:				
Community development	-	149,815	15,756	134,059
Total expenditures	-	149,815	15,756	134,059
Net change in fund balance	\$ -	\$ (149,815)	(14,752)	\$ 135,063
FUND BALANCE:				
Beginning of year			2,500,000	
End of year			\$ 2,485,248	

City of East Palo Alto

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

Low Moderate income Housing Fund

For the year ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 17	\$ 17
Use of money and property	79,500	79,500	87,990	8,490
Miscellaneous	60,000	60,000	-	(60,000)
Total revenues	139,500	139,500	88,007	(51,493)
EXPENDITURES:				
Current:				
Community development	61,000	61,000	856	60,144
Total expenditures	61,000	61,000	856	60,144
REVENUES OVER (UNDER) EXPENDITURES	78,500	78,500	87,151	8,651
OTHER FINANCING SOURCES (USES):				
Transfer in	-	200,000	200,000	-
Total other financing sources (uses)	-	200,000	200,000	-
Net change in fund balance	\$ 78,500	\$ 278,500	287,151	\$ 8,651
FUND BALANCE:				
Beginning of year			7,779,894	
End of year			<u>\$ 8,067,045</u>	

City of East Palo Alto
Schedule of Revenues and Expenditures - Budget and Actual
Local Retail Transactions and Use Tax
For the year ended June 30, 2018

	<u>Adopted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Committed and Encumbered</u>	<u>Net Available for Other General Uses</u>
Tax Revenues	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	<u>\$ 2,038,830</u>	<u>\$ 438,830</u>	<u>\$ -</u>	<u>438,830</u>
Expenditures:						
CD Director	225,000	-	-	-	-	-
CD Consultant	-	208,000	83,700	(124,300)	124,300	-
FIT/Clean Zones	50,000	50,000	7,800	(42,200)	6,090	(36,110)
Capital Transters:						
Trash Recapture Project	480,000	550,000	68,125	(481,875)	481,875	-
Local Streets Improvements	600,000	600,000		(600,000)	600,000	-
	<u>1,355,000</u>	<u>1,408,000</u>	<u>159,625</u>	<u>(1,248,375)</u>	<u>1,212,265</u>	<u>(36,110)</u>
Net Available - Other						
General Purposes	<u>\$ 245,000</u>	<u>\$ 192,000</u>	<u>\$ 1,879,205</u>	<u>\$ 1,687,205</u>	<u>\$ (1,212,265)</u>	<u>\$ 474,940</u>

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

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government activities										
Net investment in capital assets	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	\$ 48,784,281
Restricted For:										
Debt Service	20,744,394	4,421,602	2,034,560	-	-	-	-	-	-	-
Low and moderate income housing	11,546,134	12,383,908	10,997,923	-	-	-	-	-	-	-
Highway and Street Projects	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	7,700,051
Parks and Recreation	1,147,341	940,572	703,171	713,964	358,473	496,583	550,014	1,120,082	1,117,148	1,089,920
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	1,015,232
Housing Programs	-	-	1,342,896	1,517,432	2,088,380	13,108,951	14,012,643	17,325,494	20,518,013	20,824,081
Special Programs	-	-	-	-	-	726,772	954,220	1,168,856	853,741	1,262,039
Capital projects	-	-	-	-	-	209,247	188,644	279,184	3,796,398	3,012,787
Total restricted	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	34,904,110
Unrestricted	(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	40,774,262
Total governmental activities net assets	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	124,462,653
Business-type activities										
Net investment in capital assets	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	6,104,912
Restricted For:										
Capital Projects	-	834,095	834,086	834,470	836,720	834,882	835,114	3,899,058	4,416,627	4,252,735
Total restricted	-	834,095	834,086	834,470	836,720	834,882	835,114	3,899,058	4,416,627	4,252,735
Unrestricted	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	3,436,719
Total business-type activities net assets	7,227,913	6,821,637	6,209,662	6,005,950	6,229,478	6,264,294	6,273,257	9,199,021	10,571,618	13,794,366
Primary Government										
Net investment in capital assets	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	54,889,193
Restricted	38,924,340	24,034,138	19,922,600	7,187,526	7,806,400	21,831,596	23,543,435	31,014,261	38,624,491	39,156,845
Unrestricted	(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	44,210,981
Total primary government net assets	43,387,724	41,504,000	44,560,303	73,850,071	80,462,464	85,226,166	87,666,846	106,157,258	120,977,040	138,257,019

Note Prior to the dissolution of the Former Redevelopment Agency on 2/1/2012; the capital debt financing and Low/Moderate Income Housing balances were 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, California
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	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	4,550,835
Public safety	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	10,694,568
Public works	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	4,925,199
Culture and recreation	4,076,009	1,228,036	1,333,904	1,525,961	513,923	775,115	786,238	1,181,861	1,183,150	1,712,237
Community Development	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	3,129,327
Interest on long-term debt	3,067,294	2,882,117	2,291,283	1,295,832	1,306	3,281	4,180	4,325	2,347	1,214
Total governmental activities	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	25,013,380
Business-type activities										
Water Service	460,887	619,277	439,826	326,502	340,916	402,914	357,769	342,263	378,893	320,163
Garbage collection	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	2,320,786
Total business-type activities	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	2,640,949
Total primary government expenses	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	27,654,329
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	19,249	2,536	18,101	4,744	5,153	6,549	11,512	22,278	26,441	51,117
Public safety	173,177	207,305	249,676	248,855	242,704	283,271	392,781	574,595	480,048	595,725
Public works	104,772	47,852	169,034	79,138	114,107	337,426	129,437	221,994	298,451	258,277
Culture and recreation	43,638	11,411	91,961	311,158	11,429	-	-	-	4,731	5,956
Community Development	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	1,808,234
Operating Grants and Contributions	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	1,740,657
Capital Grants and Contributions	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	5,930,378
Total governmental activities program revenues	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	10,390,344
Business-type activities										
Charges for Service:										
Water Service	199,816	174,743	243,750	223,037	259,353	258,045	275,339	980,296	1,227,649	1,149,827
Garbage collection	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	2,433,093
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	1,963,050
Total business-type activities program revenues	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	5,545,970
Total primary government revenues	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	15,936,314
Net Revenue (Expenses):										
Governmental Activities	(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)	(14,623,036)
Business-type Activities	(290,472)	(419,447)	(634,322)	(223,863)	209,876	25,259	(4,021)	629,605	808,609	2,905,021
Total Net Revenue (Expenses)	(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)	(11,718,015)

General Revenues and Other Changes in Net Position

Governmental activities										
Taxes										
Property Taxes	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	14,642,402
Utility Users Tax	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	1,680,279
Parcel Tax	710,500	717,549	704,164	717,528	702,084	719,704	711,619	713,931	721,870	62,481
Sales Tax	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	5,923,229
Transient occupancy tax	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	3,089,942
Franchise and business Tax	94,542	97,979	177,344	1,264,674	1,407,440	1,470,410	1,698,507	1,510,308	1,719,382	2,621,224
Investment earnings	1,138,926	1,442,654	1,388,987	1,260,104	240,412	194,682	232,001	312,707	394,890	849,716
Miscellaneous	715,478	420,557	692,898	395,396	303,188	430,498	493,864	719,437	194,024	49,306
Transfers	-	-	(7,403)	-	-	-	-	-	(531,049)	(238,312)
Extraordinary Items	-	-	-	25,057,083	-	-	-	3,246,461	-	-
Total Governmentaal activities	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	28,680,267
Business-type activities:										
Investment earnings	(41,928)	13,171	15,144	19,951	13,652	9,557	12,984	34,159	32,939	79,415
Transfers	-	-	7,403	-	-	-	-	-	531,049	238,312
Total Business-type activities	(41,928)	13,171	22,547	19,951	13,652	9,557	12,984	34,159	563,988	317,727
Total primary government	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	28,997,994
Changes in Net Assets										
Governmental Activities	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	14,057,231
Business-type Activities	(332,400)	(406,276)	(611,775)	(203,912)	223,528	34,816	8,963	663,764	1,372,597	3,222,748
Changes in Net Assets	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	17,279,979

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

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	13,597,260	13,710,502								
Unreserved	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	11,743,001
Restricted			-	-	-	-	-	-	-	-
Assigned			248,259	2,117,679	2,187,004	77,915	187,141	383,658	1,188,899	1,886,415
Unassigned			6,612,069	6,822,196	9,114,594	12,305,114	13,221,866	16,293,653	17,235,337	24,191,919
Total General Fund	<u>20,573,760</u>	<u>20,286,267</u>	<u>19,621,224</u>	<u>20,602,077</u>	<u>23,061,639</u>	<u>24,159,057</u>	<u>25,178,998</u>	<u>28,609,786</u>	<u>30,491,083</u>	<u>37,821,335</u>
All Other Governmental Funds										
Reserved	30,755,524	17,220,741								
Unreserved, reported in:										
Special revenue funds	10,728,072	8,390,162								
Capital projects funds	(8,556,368)	(12,293,874)								
Restricted			40,241,982	18,085,109	19,093,787	21,304,289	22,684,977	26,537,401	34,122,255	34,904,110
Nonspendable			-	-	57,051	-	-	-	-	-
Assigned			4,213,590	1,309,475	1,449,121	703,226	1,913,459	4,803,773	7,289,475	6,772,150
Unassigned			(12,935,810)	(205,168)	(242,822)	(340,922)	(233,356)	(197,068)	-	-
Total all other governmental funds	<u>32,927,228</u>	<u>13,317,029</u>	<u>31,519,762</u>	<u>19,189,416</u>	<u>20,357,137</u>	<u>21,666,593</u>	<u>24,365,080</u>	<u>31,144,106</u>	<u>41,411,730</u>	<u>41,676,260</u>
Total all governmental funds	<u><u>53,500,988</u></u>	<u><u>33,603,296</u></u>	<u><u>51,140,986</u></u>	<u><u>39,791,493</u></u>	<u><u>43,418,776</u></u>	<u><u>45,825,650</u></u>	<u><u>49,544,078</u></u>	<u><u>59,753,892</u></u>	<u><u>71,902,813</u></u>	<u><u>79,497,595</u></u>

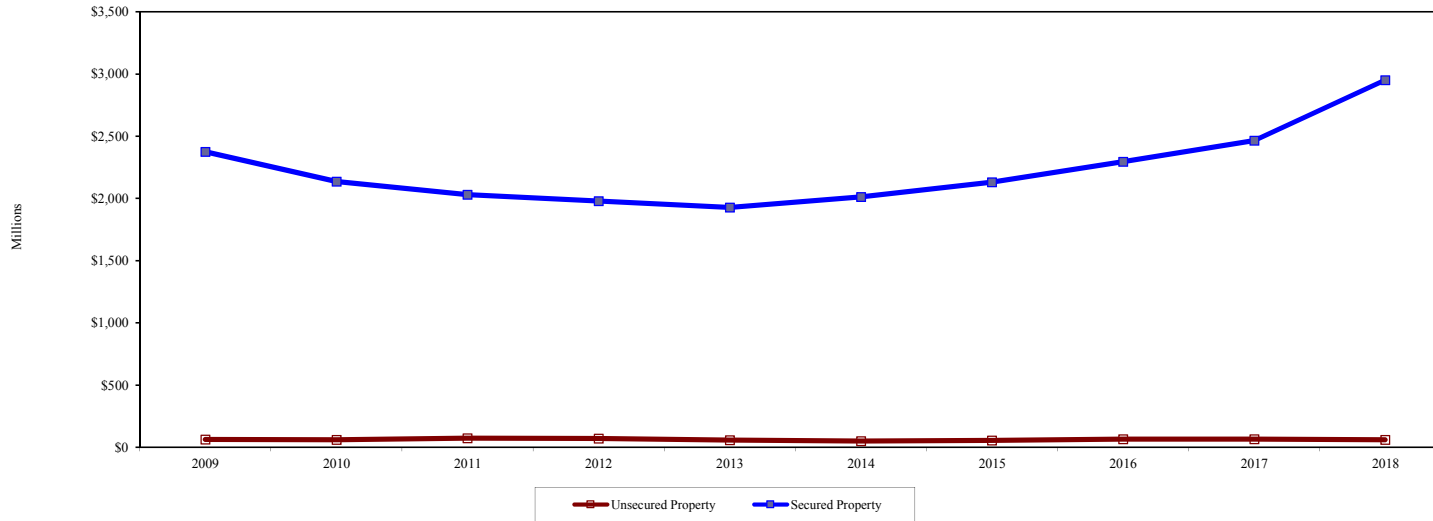
Note:
In Fiscal Year 2010-11, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions". The fund balance classifications changed in accordance with implementation of GASB 54.

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

	Fiscal Year Ending June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	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	26,465,002
Licenses, fees, and permits	684,903	758,510	1,451,605	1,474,305	1,637,444	927,194	932,302	8,225,539	2,276,892	2,945,418
Charges for services	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	1,942,517
Fines and forfeitures	-	-	239,233	239,475	225,680	261,440	368,621	532,143	442,911	745,766
Use of money and property	535,836	644,080	4,308,643	1,299,287	189,795	207,461	245,602	474,624	410,003	878,892
Grants and intergovernmental	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	5,177,790
Miscellaneous	253,140	222,793	1,173,265	407,755	372,686	607,906	609,570	1,212,731	205,096	119,862
Total revenues	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	38,275,247
Expenditures										
Current										
General Government	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	4,286,525
Public Safety	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	10,165,174
Public Works	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	4,251,301
Culture and recreation	830,598	1,351,058	714,746	709,236	509,561	774,662	789,369	1,036,572	959,888	1,243,981
Community Development	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	2,984,606
Outside Services	-	-	-	-	-	-	-	-	-	-
Capital Outlay	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	7,716,265
Debt Service (a)										
Principal repayment	445,000	16,120,000	1,075,000	1,120,000	9,718	29,914	45,254	61,347	52,302	31,399
Interest & fiscal charges	3,269,253	3,241,729	3,323,676	1,611,102	1,306	3,281	4,180	4,325	2,347	1,214
Total expenditures	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	30,680,465
Excess of revenues over (under) expenditures	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	7,594,782
Other financing sources (uses)										
Transfers in	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	2,121,910
Transfers (out)	(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)	(2,121,910)
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	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	7,594,782
Total Debt Service	3,714,253	19,361,729	4,398,676	2,731,102	11,024	33,195	49,434	65,672	54,649	32,613
Total Expenditures	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	30,680,465
Less: Debt Service (b)	(3,714,253)	(19,361,729)	(4,398,676)	(2,731,102)	(11,024)	(33,195)	(49,434)	(65,672)	(54,649)	(32,613)
Less: Capital Outlay	(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)	(7,716,265)
Noncapital expenditures	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	22,931,587
Debt service as a percentage of noncapital expenditures	16.1%	67.6%	17.8%	12.7%	0.1%	0.2%	0.2%	0.3%	0.3%	0.1%

(a) 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 All 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				
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	1.00%
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	1.00%
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	1.00%
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	1.00%
2013	1,104,501,164	317,394,502	369,327,260	79,254,165	\$1,870,477,091	6,898,342	19,933,559	28,078,757	3,282,000	\$58,192,658	1,928,669,749	1,928,669,749	1.00%
2014	1,173,993,111	330,429,999	376,804,050	81,596,056	\$1,962,823,216	6,125,013	18,274,858	22,893,647	3,370,914	\$50,664,432	2,013,487,648	2,013,487,648	1.00%
2015	1,272,051,647	341,894,816	378,514,734	83,231,935	\$2,075,693,132	6,198,106	18,472,810	25,681,636	4,601,336	\$54,953,888	2,130,647,020	2,130,647,020	1.00%
2016	1,387,303,962	366,869,951	386,077,451	89,606,753	\$2,229,858,117	5,895,578	21,087,072	32,434,814	5,307,991	\$64,725,455	2,294,583,572	2,294,583,572	1.00%
2017	1,496,819,954	383,867,913	391,965,125	128,424,119	\$2,401,077,111	5,357,954	21,336,520	31,608,639	6,300,157	\$64,603,270	2,465,680,381	2,465,680,381	1.00%
2018	1,860,043,257	493,901,959	399,943,872	139,127,273	\$2,893,016,361	5,568,741	21,568,793	28,727,193	3,838,839	\$59,703,566	2,952,719,927	2,952,719,927	1.00%

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, California
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
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	0.0299	0.0364	0.0364	0.0397	0.0417	0.0415	0.0360	0.0304	0.0376	0.0352
Sequoia Union High School District	0.0282	0.0277	0.0311	0.0358	0.0356	0.0313	0.0433	0.0434	0.0391	0.0383
San Mateo Community College District	0.0165	0.0182	0.0193	0.0199	0.0194	0.0194	0.0190	0.0250	0.0247	0.0235
Midpeninsula Open Space District	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0008	0.0006	0.0009
TOTAL	0.0746	0.0823	0.0868	0.0954	0.0967	0.0922	0.0983	0.0996	0.1020	0.0979
Total Tax Rate	1.0746	1.0823	1.0868	1.0954	1.0967	1.0922	1.0983	1.0996	1.1020	1.0979

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, California
Principal Property Tax Payers
Last Fiscal Year and Ten Years Ago

Taxpayer	2017-18		2007-08	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Woodland Park Property Owner L	402,910,774	13.65%	-	
Wells Reit II University Circle	345,007,058	11.68%	298,860,000	13.83%
University Plaza Epa LLC	111,076,572	3.76%	-	
Ikea Property Inc.	92,368,160	3.13%	77,394,868	3.58%
Shr Palo Alto LLC	53,920,323	1.83%	-	
Gateway 101 LLC	27,406,692	0.93%	-	
Hd Devel Of Maryland Inc.	20,756,254	0.70%	35,556,118	1.65%
Sycamore Real Estate Investment	19,811,868	0.67%	-	
PS Northern California One Inc	16,775,986	0.57%	-	
Nairobi Housing Inc. Housing A	14,401,207	0.49%	11,825,641	0.55%
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	-		9,734,223	0.45%
Storage Portfolio I LLC	-		7,664,033	0.35%
DC Lee Second LP	-		6,762,600	0.31%
Total Top 10 Taxpayers	1,104,434,894	37.40%	550,853,378	25.50%
Total Taxable Value	2,952,719,927	100.00%	2,160,484,668	100.00%

Source: County Assessor data, MuniServices, LLC

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

Fiscal Year Ended June 30	Total Tax Levied for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Total Collections To Date	
		Current Tax Collections (2)	Percentage of Levy	Delinquent Tax Collections (3)	Total Tax Collections Percentage of Levy
2009	14,628,038	13,892,862	95.0%		
2010	13,439,564	13,051,893	97.1%		
2011	12,975,746	12,551,184	96.7%		
2012	12,537,014	8,512,395	67.9%		
2013	4,661,146	4,403,745	94.5%		
2014	4,915,330	4,668,248	95.0%		
2015	5,326,772	5,195,167	97.5%		
2016	5,751,125	5,512,547	95.9%		
2017	6,158,288	5,864,761	95.2%		
2018	7,498,588	7,137,824	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, HOPT, 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, California
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year End	Governmental Activities				Business-Type Activities	Total Primary Government Debt	Percentage of Personal Income	Outstanding Debt Per Capita	Outstanding Debt to Taxable Assessed Value
	Capitalized Lease Debt	1 Redevelopment Tax Allocation Bonds	2 Revenue Bonds	2 Less: Restricted Bonds Held	3 Notes				
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%
2018	16,085	-	-	-	700,000	716,085	0.10%	\$23	0.02%

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, California
Computation of Direct and Overlapping Debt
June 30, 2018

2017-18 ASSESSED VALUATION \$ 2,966,666,467

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	Total Debt 6/30/2018	(1) Percentage Applicable	City's Share of Debt 6/30/2018
2015A Refunding Tax Allocation Bonds	\$ 16,950,000	100%	\$ 16,950,000
2015B Refunding Tax Allocation Bonds (Taxable)	840,000	100%	840,000
TOTAL OVERLAPPING TAX INCREMENT DEBT			\$ 17,790,000

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,027,480,273):
 Overlapping Tax Increment Debt..... 1.73%

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2018	Percentage Applicable	City's Share of Debt 6/30/2018
San Mateo Community College District	\$ 576,424,069	1.434%	\$ 8,265,921
Sequoia Union High School District	504,560,000	3.345%	16,877,532
Ravenswood School District	30,595,000	46.813%	14,322,437
Midpeninsula Regional Open Space District	93,350,000	1.117%	1,042,720
California Statewide Communities Development Authority 1915 Act Bonds	2,814,508	100.000%	2,814,508
SUBTOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			43,323,118

SUBTOTAL DIRECT DEBT -

TOTAL DIRECT AND OVERLAPPING TAX, ASSESSMENT AND TAX INCREMENT DEBT \$ **61,113,118**

Ratios to 2017-18 Assessed Valuation:

Direct Debt.....0.00%
 Direct and Overlapping Tax and Assessment Debt..... 1.46%
 Direct and Overlapping Tax and Assessment and Tax Increment Debt..... 2.06%

<u>OVERLAPPING GENERAL FUND DEBT:</u>	Total Debt	Percentage	City's Share of
	6/30/2018	Applicable	Debt
San Mateo County General Fund Obligations	\$ 366,157,077	1.434%	\$ 5,250,692
San Mateo County Board of Education Certificates of Participation	8,745,000	1.434%	125,403
Midpeninsula Regional Open Space District General Fund Obligations	123,040,600	1.117%	1,374,364
TOTAL OVERLAPPING GENERAL FUND DEBT			7,643,467

TOTAL DIRECT DEBT -

COMBINED TOTAL DEBT \$ **68,756,584** (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, lease obligations, and qualified promissary notes.

Ratios to 2017-18 Assessed Valuation:

Total Direct Debt..... 0.00%
 Combined Total Debt..... 2.32%

Source: MuniServices, LLC

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

	2009	2010	2011	2012	2013
Gross Assessed Valuation	1,515,896,503	1,288,518,941	1,195,776,212	1,143,398,348	1,111,399,506
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	378,974,126	322,129,735	298,944,053	285,849,587	277,849,877
Debt service limit percentage	15%	15%	15%	15%	15%
Debt service limit percentage	56,846,119	48,319,460	44,841,608	42,877,438	41,677,481
<i>Debt Applicable to Limit:</i>					
Less: Outstanding General Obligations	-	-	-	-	-
Legal debt service margin	56,846,119	48,319,460	44,841,608	42,877,438	41,677,481
	2014	2015	2016	2017	2018
Gross Assessed Valuation	1,180,118,124	1,278,249,753	1,393,199,540	1,502,177,908	1,865,611,998
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	295,029,531	319,562,438	348,299,885	375,544,477	466,403,000
Debt service limit percentage	15%	15%	15%	15%	15%
Debt service limit percentage	44,254,430	47,934,366	52,244,983	56,331,672	69,960,450
<i>Debt Applicable to Limit:</i>					
Less: Outstanding General Obligations	-	-	-	-	-
Legal debt service margin	44,254,430	47,934,366	52,244,983	56,331,672	69,960,450

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, California
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	
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	8,369,650	655,000	1,037,717	1,692,717	4.9	15,242,245	-	14,880,000	362,245	15,242,245	100%
2017	9,214,713	795,000	732,249	1,527,249	6.0	-	-	-	-	-	-
2018	10,573,336	865,000	703,178	1,568,178	6.7	-	-	-	-	-	-

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.

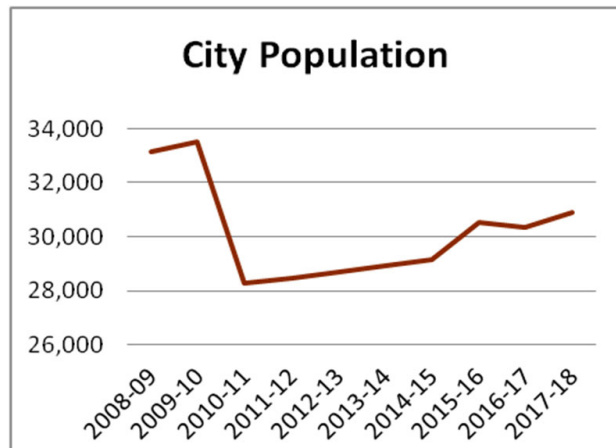
Any Gross RPTTF available after payment of debt and other obligations is distributed to taxing agencies.

** 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, California
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	City Unemployment Rate (2)	Per Capita Personal Income (3)	County Unemployment Rate (2)	County Per Capita Personal Income	Public School Enrollment (4)
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
2017-18	30,917	2.70%	23,171	2.20%	87,767	3,632



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 City Elementary.

Tax Rate as represented by TRA 021-000

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

Business Name	2017-18		2013-14	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Amazon	1418	9.39%		
Ikea*	343	2.27%	343	2.49%
Ravenswood City School Dist	324	2.15%	538	3.90%
Four Seasons Hotel - Silicon Valley	286	1.89%	285	2.07%
Ravenswood Family Health Ctr*	253	1.68%	163	1.18%
DLA Piper LLP	175	1.16%		
Home Depot	170	1.13%	175	1.27%
City of East Palo Alto*	112	0.74%	102	0.74%
Target	90	0.60%		
NTT i3	68	0.45%	120	0.87%
Ropes and Gray Law Firm			63	0.46%
Nordstrom Rack			77	0.56%
Total Top Employers	3,239	21.45%	1,866	13.52%
Total City Employment (1)	15,100		13,800	

Source: MuniServices, LLC and City Correspondence
Results based on direct correspondence with city's local businesses.

*Includes full and part time.

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

Data prior to 2013-14 is not available

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

Function	<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>	<u>2018</u>
General Government	22.0	22.0	22.0	24.6	24.6	27.6	25.1	21.0	23.0	23.0
Public Safety										
Police										
Officers	43.0	44.0	41.0	40.0	38.0	38.0	36.0	36.0	36.0	36.5
Civilians	7.0	7.0	7.0	7.5	9.5	9.5	8.0	9.5	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	5.9
Economic Development/Redevelopment Agency	6.0	6.0	6.0	5.0	5.0	2.0	-	-	-	-
Planning Division	5.0	5.0	5.0	3.0	3.0	4.0	3.0	3.0	4.0	4.0
Building Services Division	5.0	5.0	5.0	3.0	3.0	4.0	5.0	6.0	7.0	7.0
Housing Division (Rent Stabilization)	-	-	-	-	-	-	2.0	2.0	2.0	3.0
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	-	-	-	-	5.0	5.0	5.0
Maintenance Division	12.0	12.0	12.0	-	-	-	-	12.0	12.0	12.0
Culture & Recreation (Restored in 2015-16)										
Administration(From Gen Government FY15-16)	2.0	2.0	2.0	-	-	-	-	1.8	1.0	1.0
Recreation(From Gen Government FY15-16)	1.0	2.0	2.0	-	-	-	-	1.0	1.0	1.0
Senior Services (From Gen Government FY15-16)	1.4	1.6	1.4	-	-	-	-	1.6	2.4	2.4
Housing Services (Eliminated 2012) & Rent Stabilization*	4.0	5.0	5.0	-	-	-	-	-	-	-
Total	118.4	121.6	118.4	104.6	104.6	109.1	105.1	104.9	108.9	112.3

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

Source: City of East Palo Alto Government Budget.

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

FUNCTION	<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>	<u>2018</u>
General Government										
Public Works & Community Development	1	1	1	1	1	1	1	1	1	1
Housing	1	1	1	1	1	1	1	1	1	1
Highways & Streets										
Streets (miles)	38	38	38	38	38	38	38	38	38	38
Streetlights	827	827	827	827	827	827	846	846	846	846
Traffic Signals	14	14	14	14	14	14	14	14	14	14
Culture & recreation										
Parks (number of parks)	6	6	6	6	6	6	6	6	6	6
Parks acreage (acres)	16	16	16	16	25.38	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	1
Water *										
Water pipelines (miles)	39.2	39.2	39.2	38.6	38.6	38.6	38.6	38.6	38.6	38.6
Fire hydrants	230	230	230	283	283	283	283	290	330	330
Maximum daily capacity (millions of gallons per day)	1.9	1.9	1.9	1.9	2.07	2.02	1.96	1.96	1.96	2.96

Source: Various city departments

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

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Calls for Service	37,385	35,736	35,337	31,277	28,443	29,123	28,253	31,312	30,745	28,087
Number of serious crimes *	630	551	440	475	572	510	387	174	116	319
Number of burglaries	347	424	399	425	285	213	180	93	97	78
Number of assaults	482	385	316	350	460	436	306	284	239	238
Number of auto thefts reported	256	213	194	123	134	174	132	393	86	101
Number of homicides	8	9	2	10	8	4	6	4	1	1
Number of robberies	121	137	104	102	87	60	65	77	48	69
Number of physical arrests	713	1,172	1,385	612	635	640	965	1,462	1,433	984
Community Development										
<u>Transportation</u>										
<u>Shuttle Passengers</u>										
**** 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	-	-	-	-
<u>Streets</u>										
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	159
<u>Engineering</u>										
Encroachment permits	76	44	42	55	41	49	57	109	67	-
Culture & recreation										
Facility Rentals	25	27	21	25	35	74	24	41	67	58
Lunches Served to Seniors	8,188	9,225	8,437	7,331	6,842	5,784	3,471	6,662	9,112	6,509
Transportation trips provided to Seniors	3,457	3,375	3,234	3,580	2,743	2,183	3,012	3,020	2,996	2,606
Community Event participants	1,899	2,600	1,800	2,450	5,200	4,900	3,300	2,600	3,762	3,600
Fit Zone/Clean Zone Participants	115	206	150	122	10,074	5,436	6,300	1,116	2,655	194
<u>Building Permits Issued:</u>										
Residential - Count	650	425	373	577	408	324	297	391	590	506
Commercial Count	27	22	22	52	36	126	49	43	60	29
Water **										
Hydrant Breaks	13	7	7	8	9	9	8	12	3	4
Water main breaks	18	6	12	16	21	5	18	19	7	3
Average daily consumption per family (in gallons)	227	332	224	229	385	239	201	200	217	223

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