

Annual Comprehensive Financial Report

For the Fiscal Year ended June 30, 2022



City of East Palo Alto, California

City on the Move

City of East Palo Alto

East Palo Alto, California

Annual Comprehensive Financial Report

For the year ended June 30, 2022

Prepared by:
Finance Department

City of East Palo Alto
Annual Comprehensive Financial Report
For the year ended June 30, 2022
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CITY OF EAST PALO ALTO
DEPARTMENT OF FINANCE
Letter of Transmittal

December 21, 2022

Honorable Mayor Lisa Gauthier
Honorable Members of the City Council
Residents of the City of East Palo Alto, California

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of East Palo Alto for the fiscal year ended June 30, 2022. 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 ACFR report is published to fulfill that requirement.

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

The City's financial statements have been audited by an independent firm of Certified Public Accountants, Badawi & Associates, licensed to practice in the State of California. The auditors expressed an opinion that the City's financial statements for the year ended June 30, 2022 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" opinion. The auditor's report is in the Financial Section of this report.

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

REPORTING ENTITY

The City of East Palo Alto was incorporated in 1983 and is in San Mateo County in the Greater San Francisco Bay Area. It is in a desirable setting and is situated among three major metropolitan cities: San Jose, Oakland, and San Francisco. East Palo Alto currently occupies 2.5 square miles and has a population of 28,963.

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

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

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

ECONOMIC CONDITION AND FISCAL OUTLOOK

The City has been impacted by the pandemic since March 2020 in every aspect of operations. However, the City has been committed to maintain the service level to the community during the pandemic while maintaining the financial stability of the organization aided by federal stimulus. As the City enters the third year of the pandemic, the financial impact has become clearer but new economic challenges have emerged; supply chain disruption, a war and high inflation. Current

economic concerns revolve around the Federal Reserve's approach to the implementation of monetary policy to lower high inflation and how impacting higher interest rates might have on the national and local economy over the next two years. In addition to the impacts by the pandemic and the macroeconomic environment, the City's economic and fiscal outlook reflect unique challenges including flattening general revenue resources; uncertainty related to certain property tax payments; and extended time-gaps between development project proposal and completion.

The City's resident population has remained stable over the past five years, with an average of approximately 30,305 over the period. The City's unemployment rate drastically fell from 8.97% to 2.3% as of June 30, 2021 and June 30, 2022, respectively. It has continued to decline from the peak of the onset of the pandemic but remains slightly higher than the pre-pandemic rate of 1.8% in the fiscal year 2018-19. Bay Area home markets through Spring 2022 generally continued to see home-price gains to new peaks. However, interest rates have more than double in the first nine months of the year, and stock markets have experienced high volatility with very significant declines. The effects of these changes began filtering through to the market toward the end of the fiscal year 2021-22, and median sales prices in the Bay Area were slightly lower than one year ago.

Assessed property values in fiscal year 2021-22 total \$3.8 billion. The year over year increase is 3.4% compared to a 6.3% increase in the prior year. Property tax revenues were \$16.9 million – an increase of 11.8% compared to the prior fiscal year due primarily to a significant increase in property tax in lieu VLF for \$1.3 million. Proposition 13, which governs property taxation in California, ties the annual inflation factor to the California Consumer Price Index (CCPI) issued by the California Industrial Relations Board and limits annual inflation increases of assessed value to no more than 2%. This year an annual inflation factor of 1.01036% was applied to the 2021-22 assessed value of all real property that did not have a change in ownership or any new construction during 2020. Long-term growth potential remains highly positive due to undeveloped land in the Ravenswood Business District, unprecedented development planning activity, consolidation of industrial properties in the Ravenswood Business District, strategies to develop affordable housing, and incentives to intensify housing densities. The City is engaged in addressing the infrastructure, transit, environmental, and community impact challenges and opportunities attendant with the sustained interest in development. Solving these challenges increases the potential gap of time between project proposal and completion.

Sales tax revenues partially recovered in the fiscal year 2021-22 with an increase of 5.8% compared to the prior year but is still \$0.2 million less than the highest point of the pre-pandemic figure in the fiscal year 2018-19.

Compared to the pre-pandemic level of \$3.0 million from the fiscal year 2018-19, Transient Occupancy Tax (TOT) revenues were \$1.4 million in the fiscal year 2021-22; approximately 48% recovery from the pre-pandemic figure. Although we expect some recovery in the TOT revenues in the future years, the trend in the business meeting culture appears to be suppressing the recovery.

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

LONG TERM FINANCIAL PLANNING

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

The financial plan also calls for the City to exercise financial “best practices,” including achieving a targeted General Fund contingency reserve of 30% of the adopted General Fund expenditure budget. 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.

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

FINANCIAL POLICIES AND INFORMATION

Budgetary Controls

The City Council is required to adopt a budget on an annual basis which is passed by June 30th of each year. In compliance with the City's municipal ordinance, the Council adopted the Fiscal Year 2021-22 budget through a public hearing process conducted during June 2022. The budget serves as the foundation for the City of East Palo Alto's financial planning and control. The budget is prepared by fund and division. Transfers between departments require City Manager, or designee, approval. Unless mandated by regulation, transfers between funds are approved by City Council.

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

Financial Policies

The City has financial policies related to revenue and expenditure administration, minimum fund balance requirements, grants and debt management, cash and investments, and other financial policies. During the fiscal year 2021-22, the City Council adopted a resolution to establish a reserve management policy which sets forth the principles and objectives that guide the City's decisions to keep some portion of funds available to the City for future use across a defined spectrum of City operations, including the General Fund, certain asset and capital replacement, risk management and other limited operations. In addition, as discussed in the note to the financial statements, the City adopted new accounting guidance, GASB Statement No. 87, Leases. The adoption resulted in recording right-to-use lease assets and lease liabilities in the government-wide financial statements as well as in the water enterprise fund.

Major Initiatives

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

Promote Housing, Economic & Workforce Development: includes goals to implement Measure HH employment and First Source Hiring Programs and affordable housing strategy, to provide assistance to small local businesses, and to investigate potential ballot measure to support affordable housing.

Implement the Comprehensive Transportation and Mobility Plan: includes goals to develop a Comprehensive Transportation and Mobility Plan, to expand pedestrian/bicycle facilities and interconnectivity, to begin construction of the University Overpass Project, to investigate University Avenue Improvements/Changes, and to analyze funding strategies for public infrastructure including streets, parks and utilities.

Promote Health & Public Safety: includes goals to effectively respond to the COVID-19 pandemic, to enhance flood protection for residents, businesses, and property owners, and to resolve Sanitation District incorporation matter.

Ensure Our Financial & Organizational Health: includes goals to address structural deficit through fiscal resiliency measures, to develop 10-year financial projections, to plan and implement an Enterprising Resource Planning (ERP) System, to focus on staff morale, retention, recruitment and succession planning, and to analyze funding strategies for and community perspectives on public infrastructure improvements.

Improve the City's Water Infrastructure: includes goals to improve operations and infrastructure of water system, to advance key water infrastructure projects, and to finalize Veolia lease negotiations.

Develop and Implement a Comprehensive Facilities Master Plan: includes goals to complete the City's Comprehensive Facilities Master Plan, to investigate potential options for developing County vacant property located on Beech Street, to coordinate with the County Library District regarding the potential new library in East Palo Alto, to develop a detailed strategy for the location of the future police department, and to complete the City Hall tenant improvement project.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This is the twelfth consecutive year the City has achieved this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized ACFR, in conformance with program standards. The report also must satisfy generally accepted accounting principles as well as all applicable legal requirements.

The Certificate of Achievement is valid for one year only. The City believes the ACFR 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 ACFR was made possible by the dedicated staff of the Finance Department. Sincere appreciation is extended to those staff - each of whom demonstrated exemplary personal dedication and professionalism during this process.

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

Sincerely,



Tomohito Oku
Finance Director



CITY OF EAST PALO ALTO

DIRECTORY OF OFFICIALS

City Council

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

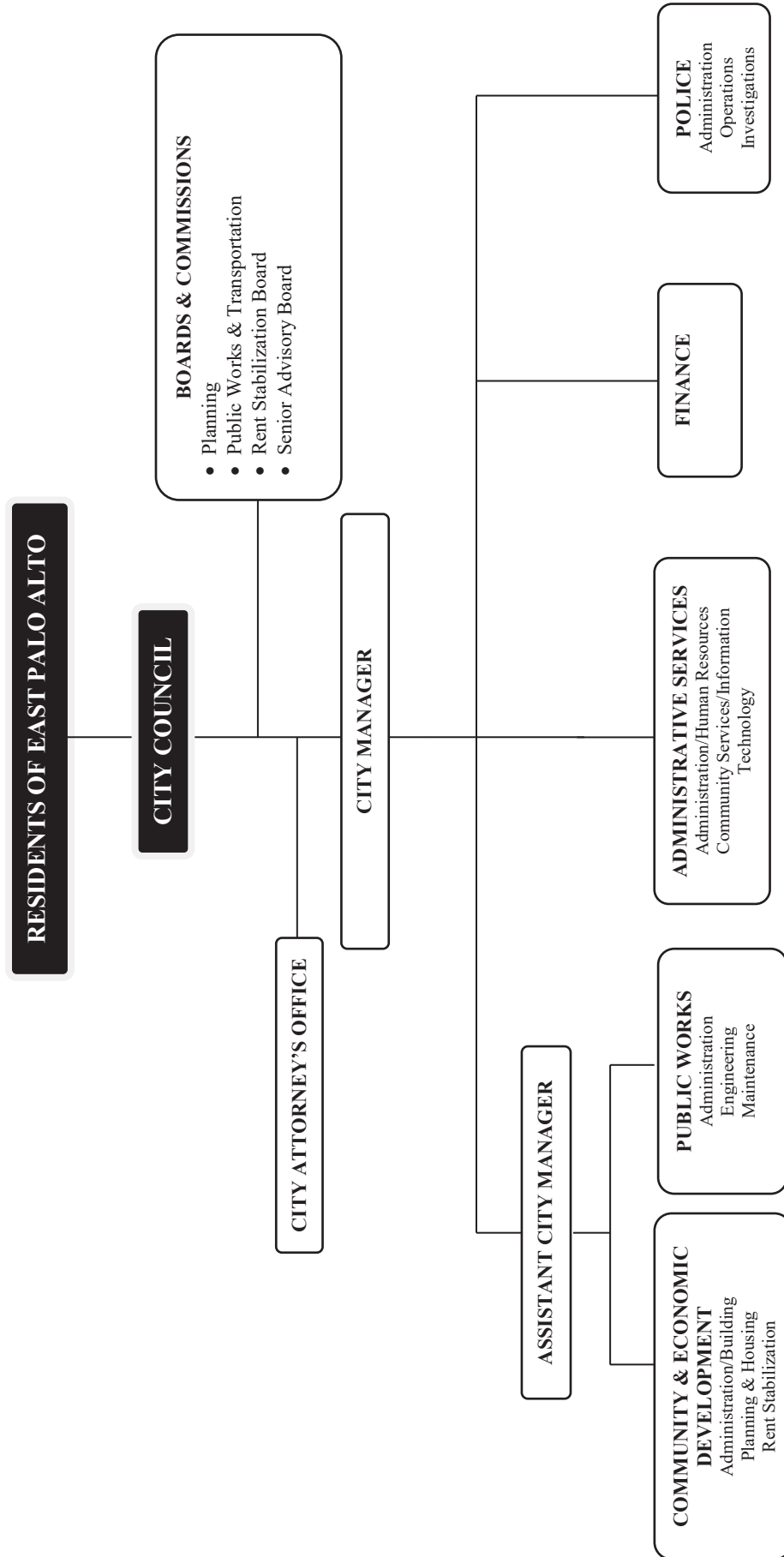
Administration

Patrick Heisinger Interim City Manager
Vacant Assistant City Manager
Valerie J. Armento Interim City Attorney
Marie McKenzie Administrative Services Director
Tomohito Oku Finance Director
Jeff Liu Interim Police Chief
Humza Javed 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information on pages 5-17 and 88-93 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 combining and individual nonmajor fund financial statements, and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

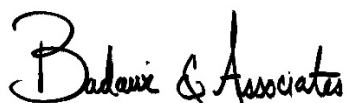
The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 98-126 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, 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 solely 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 the effectiveness of 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.



Badawi & Associates, CPAs
Berkeley, California
December 21, 2022

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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, 2022. We advise readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2021-22 FINANCIAL HIGHLIGHTS

Government-wide Statements

- Total net position equals \$193.1 million, an increase of \$15.6 million over the prior year balance of \$177.5 million. The increase is comprised of \$15.2 million in governmental activities and \$0.4 million in business-type activities.
- Total revenues equal \$48.5 million compared to \$45.9 million in the prior year; an increase of \$2.6 million. Of the total \$48.5 million revenues reported, \$44.3 million was generated by governmental activities, and \$4.2 million was generated by business-type activities. The net increase of \$2.6 million is primarily due to increased capital grant and contributions (\$3.0M), property tax revenues (\$1.8M) and TOT revenues (\$1.2M) offset by decreases in investment earnings (\$2.3M) and capital grants and contributions (\$1.2M).
- Total expenses equal \$32.9 million compared to \$34.6 million in the prior year; a decrease of \$1.7 million. Of the total \$32.9 million expenses reported, \$29.1 million is reported in governmental activities and \$3.8 million is reported in business-type activities. The most significant decreases, of was \$1.0 million in the community development, \$0.8 million in the public safety, and \$0.6 million in the general government, are primarily due to salary savings from vacancies and decreased professional services.

Governmental Fund Statements

- Total governmental fund balances equal \$108.4 million, an increase of \$4.1 million over the prior year balance of \$104.3 million. Of the total \$108.4 million balance, \$82.1 million is comprised of non-spendable, restricted, committed, and assigned balances; and \$26.3 million is unassigned balances.
- General Fund total fund balance equals \$48.5 million, an increase of \$5.7 million over the prior year fund balance of \$42.8 million. The net change is comprised of \$29.5 million revenues offset by \$21.5 million expenditures and \$2.4 million net other financing uses. Net other financing uses are primarily due to major capital transfers and subsidies provided to special revenue funds.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Analysis of Net Position

Government-wide assets (\$215.3M) and deferred outflows (\$4.0M) exceed liabilities (\$21.6M) and deferred inflows (\$4.5M) by \$193.1 million on June 30, 2022. A significant portion of assets (\$81.9M) are comprised of capital assets and are not available to pay current and future liabilities of the City. The following table is a summary of the government-wide net position for both governmental and business-type activities:

STATEMENT OF NET POSITION
(Dollars in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	123,955	114,502	9,353	9,794	133,308	124,296
Capital Assets	69,862	63,227	12,081	11,859	81,943	75,086
Total assets	<u>193,818</u>	<u>177,729</u>	<u>21,434</u>	<u>21,653</u>	<u>215,251</u>	<u>199,382</u>
Deferred outflows of resources						
Deferred pension outflows	3,963	3,999	-	-	3,963	3,999
Total deferred outflows	<u>3,963</u>	<u>3,999</u>	<u>-</u>	<u>-</u>	<u>3,963</u>	<u>3,999</u>
Liabilities:						
Current and other liabilities	7,568	6,772	840	1,230	8,408	8,002
Noncurrent liabilities	9,959	14,372	3,222	3,409	13,181	17,782
Total liabilities	<u>17,527</u>	<u>21,144</u>	<u>4,063</u>	<u>4,640</u>	<u>21,590</u>	<u>25,784</u>
Deferred inflows of resources						
Deferred inflows - pension	4,485	70	-	-	4,485	70
Total deferred inflows	<u>4,485</u>	<u>70</u>	<u>-</u>	<u>-</u>	<u>4,485</u>	<u>70</u>
Net Position:						
Net Investment in capital assets	64,006	63,227	11,307	11,206	75,313	74,433
Restricted	52,681	47,804	1,944	592	54,625	48,396
Unrestricted	59,082	49,482	4,120	5,216	63,202	54,699
Total Net Position	<u>175,769</u>	<u>160,514</u>	<u>17,371</u>	<u>17,014</u>	<u>193,140</u>	<u>177,528</u>

Net Position - Governmental Activities

Total governmental activities assets of \$193.8 million consist of current and other assets of \$124.0 million and capital assets of \$69.9 million. Total governmental activities assets increased \$15.9 million and is comprised of increases in current and other assets (\$9.0M) and capital assets (\$6.9M).

Deferred outflows of \$4.0 million consists of \$2.4 million deferred employer pension contributions paid after the pension liability measurement date, \$1.0 million of differences between expected and actual experience and \$0.6 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 \$7.6 million current liabilities and \$10.0 million non-current liabilities. Of the non-current liabilities, the most significant portion (\$6.5M) relates to net pension liability. Total governmental activities liabilities decreased \$4.2 million primarily

due to a decrease in net pension liability (\$6.0M) offset by new lease liabilities due to GASB 87 implementation (\$1.9M).

Deferred inflows of \$4.5 million also relate to GASB #68 due primarily to net differences between projected and actual earnings on plan investments.

Of the \$175.8 million governmental activities net position, \$64.0 million (36.4%) represents capital assets net of related debt. The City uses capital assets, such as roadways, storm drains, lighting, parks, and other infrastructure to provide services to residents; therefore, the assets do not provide cash liquidity to pay liabilities. Historically, the City has not issued a significant amount of debt to finance capital assets primarily due to a former focus on redevelopment contracts, grant-funded projects, and a lack of significant capital assets available for leveraged leaseback activity.

Total restricted net position equals \$52.7 million (30.0%). Such amounts relate to resources subject to external restrictions on how they may be spent by the City. The restricted balance relates to local and county special taxes, tax districts, capital and grant agreements, housing funds, and other restricted uses. Total unrestricted net position equals \$59.1 million (33.6%); however, a significant portion of the unrestricted balances are not liquid or are committed for capital projects and other intended uses.

Net Position - Business-type Activities

Business-type activities assets of \$21.4 million consist of current and other assets of \$9.4 million and capital assets of \$12.1 million. Of the \$9.4 million in current and other assets, approximately \$2.0 million relates to garbage collection, and \$7.4 million relates to water services, a significant portion of which is committed for capital infrastructure replacement. All capital assets are comprised of water-services infrastructure.

Business-type liabilities of \$4.1 million primarily consist of garbage collection accounts payable and amounts advanced from developers in connection with certain water service implementation agreements.

Net position of \$17.4 million includes \$11.3 million of capital assets net of related debt, \$1.9 million in restricted for capital projects, and \$4.1 million in unrestricted net position. Unrestricted net position decreased \$1.1 million over the prior year due primarily to water services (\$1.2M) offset by an insignificant increase from garbage collection activities.

Analysis of Statement of Activities

The statement of activities reports the change in government-wide net position during the fiscal year. The following table indicates the changes in net position for governmental and business-type activities compared to the previous year. The City's government-wide net position increased \$4.3 million as further described on the following pages.

STATEMENT OF ACTIVITIES

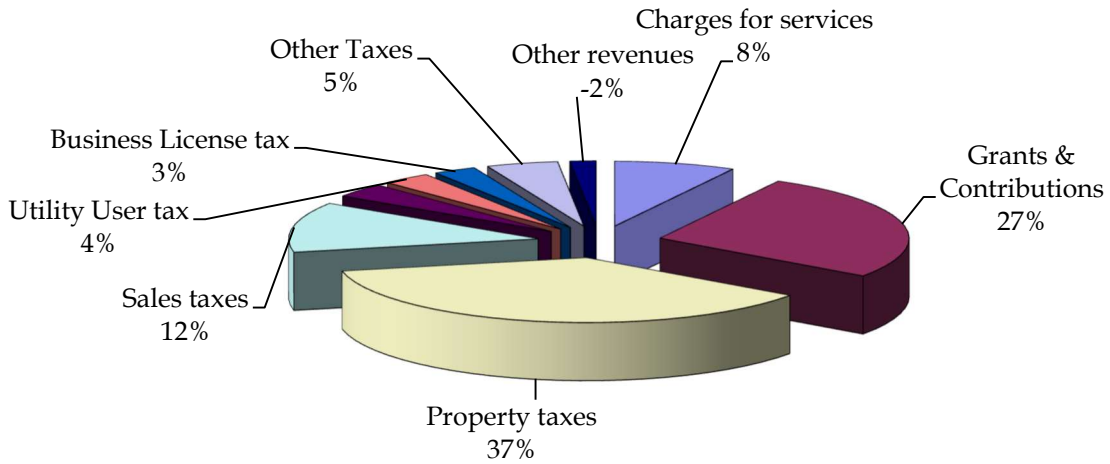
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 3,609	\$ 4,028	\$ 4,162	\$ 3,877	\$ 7,771	\$ 7,905
Operating grants & contributions	5,611	2,608	187	151	5,798	2,759
Capital grants & contribution	6,783	7,798	291	472	7,074	8,270
General revenues:						
Property taxes	16,882	15,098	-	-	16,882	15,098
Sales taxes	5,738	5,423	-	-	5,738	5,423
Utility user tax	1,631	1,631	-	-	1,631	1,631
Transient Occupancy tax	1,448	201	-	-	1,448	201
Business taxes	1,270	1,224	-	-	1,270	1,224
Other taxes	2,125	1,834	-	-	2,125	1,834
Investment Earnings	(2,010)	(10)	(298)	(14)	(2,309)	(24)
Miscellaneous	1,238	1,595	(140)	-	1,098	1,595
Total revenues	44,325	41,429	4,201	4,485	48,527	45,915
Expenses						
Program expenses:						
General government	5,780	6,356	-	-	5,780	6,356
Public safety	11,243	12,077	-	-	11,243	12,077
Public works	5,275	5,599	-	-	5,275	5,599
Culture and recreation	1,823	1,349	-	-	1,823	1,349
Community development	4,943	5,940	-	-	4,943	5,940
Water services	-	-	1,055	687	1,055	687
Garbage collection	-	-	2,789	2,619	2,789	2,619
Interest on long-term debt	7	-	-	-	7	-
Total expenses	29,070	31,320	3,844	3,306	32,914	34,626
Excess before transfers or special items	15,255	10,109	357	1,179	15,612	11,289
Transfers	-	-	-	-	-	-
Change in Net Position	15,255	10,109	357	1,179	15,612	11,289
Net Position - Beginning	160,514	150,405	17,014	15,835	177,528	166,240
Net Position - Ending	\$ 175,769	\$ 160,514	\$ 17,371	\$ 17,014	\$ 193,141	\$ 177,529

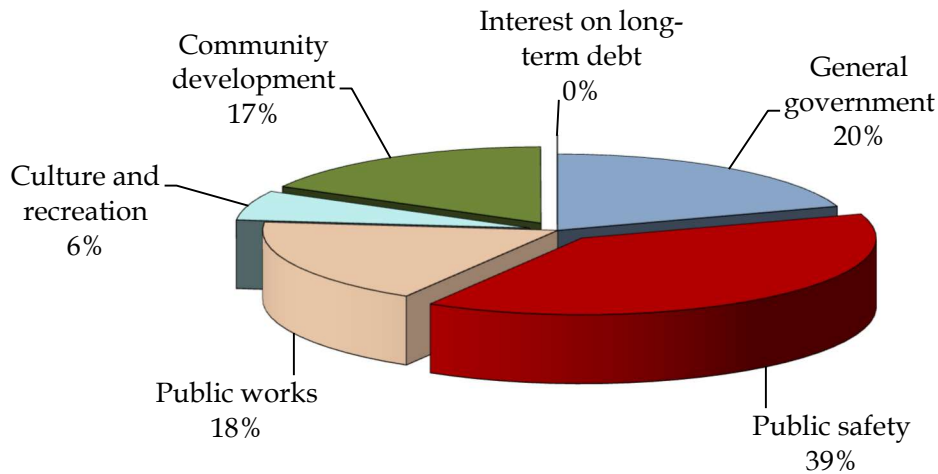
Statement of Activities - Governmental

Governmental activities change in net position equals \$15.3 million compared to prior year net change of \$10.1 million; an increase of \$5.1 million. A depiction of sources and types of governmental activities revenues and expenses are illustrated in the following charts:

Governmental Activities Revenues by Source



Governmental Activities Expenses by Type



Statement of Activities - Governmental, continued

- Total revenues before transfers equal \$44.3 million; an increase of \$2.9 million (7.0%) over the prior year revenues of \$41.4 million. The increase in revenues is primarily comprised

of increases in operating grants and contributions (\$3.0M), property tax revenues (\$1.8M) and TOT revenues (\$1.2M) offset by decreases in investment earnings (\$2.0M) and capital grants and contributions (\$1.0M). The increase in operating grants and contributions are primarily attributable to an award of the first tranche payment from American Rescue Plan Act (ARPA) fund (\$3.5M). The increase in property tax revenues is due mainly from an increase in property tax in lieu of VLF (\$1.3M). The increase in TOT revenues is as a result of recovery from the pandemic due to the lift of travel restrictions which makes up only about 50% of pre-Covid figure. The decrease in investment earnings is primarily due to unrealized losses reported under GASB 31 as a result of the fixed income market trend. The decrease in capital grants and contributions are directly attributable to a decrease in reimbursement requests submitted to the granting agencies related to major capital project.

- Total expenses equal \$29.1 million, a decrease of \$2.2 million (7.2%) over the prior year expenses of \$31.3 million. Generally, expenses are increasing across most spending categories, and certain categories, such as professional services, fluctuate based on changes in activity. The current year over year decrease is primarily attributable to professional services related to property and capital projects.

Statement of Activities - Business-type

- Business-type activities change in net position totaled \$0.4 million compared to previous fiscal year of \$1.2 million. The difference in change in net position is primarily comprised of water services (\$0.3M).
- Total revenues before transfers equal \$4.2 million, a decrease of \$0.3 million from prior year revenues of \$4.5 million. The change mainly consists of decreases of investment earnings (\$0.3M), capital grants and contributions (\$0.2M) and miscellaneous revenues (\$0.1M) offset by an increase in charges for services (\$0.3M).
- Total expenses before transfers equal \$3.8 million which has increased for \$0.5M from the prior year. The increase is attributable to property and capital related professional services as a result of increased activities in water infrastructure projects.

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, 2022, the City's governmental funds reported combined fund balances of \$108.4 million, an increase of \$4.1 million in comparison with the prior year. Of this amount, \$26.3

million, or 24.3%, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form or not spendable because it is legally required to be maintained intact, \$5.3 million; (2), restricted for particular purposes, \$45.4 million; (3) committed for particular purposes, \$19.1 million; or (4) assigned for particular purposes, \$12.3 million.

Analysis of Individual Funds

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$26.4 million, while total fund balance increased to \$48.5 million. The remaining fund balance consists of nonspendable (\$5.3M), restricted (\$0.02M), committed (\$10.1M), or assigned (\$6.7M). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 123% of total general fund expenditures, while total fund balance represents 226% of that same amount.

The fund balance of the City's general fund increased by \$5.7 million during the current fiscal year. The increase was due primarily to a combination of the increases in property tax revenues (\$1.6M) and TOT revenues (\$1.0M) and the decrease in personnel costs because of allocation of PD personnel costs to ARPA fund (\$3.4M). The current year revenues over the expenditures before transfers was reported at \$8.0 million, an increase of \$4.7 million, from the prior year figure of \$3.3 million.

The capital projects fund, a major fund, had a \$4.5 million decrease in fund balance during the current fiscal year which put the overall fund balance to \$15.9 million. The fund reports an assigned fund balance, \$5.6 million comprised of encumbrances, restricted by funding sources for \$1.3 million, and committed, \$9 million for flood preventative projects. The decrease in fund balance was caused mainly by the spending of resources obtained from the reserve attributable from general fund transfers which will be partially made up through grant reimbursements in subsequent years.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail. Unrestricted net position of the water service fund at the end of the year was \$2.7 million and for the garbage collection was \$1.4 million. The total growth in net position for each of the funds was \$0.3 million and \$0.01 million, respectively. As noted earlier in the discussion of business-type activities, The difference in change in net position is primarily comprised of water services (\$0.3M) and the change in net position in garbage fund remained relatively static from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total adopted revenues (before transfers) of \$28.9 million increased \$1.5 million to final amended revenues of \$30.4 million. Major revenue amendments include increases in property tax revenues (\$1.6M), TOT revenue (\$0.5M) and sales tax revenues (\$0.1M) offset by a decrease in

miscellaneous revenues (\$1.3M). The change in property tax revenue was mainly reflected on a new positive finding related to a projected shortfall of property tax in lieu of VLF revenues which was reduced by the amount from the adopted budget. The changes of TOT and sales tax revenues were due to positive trends in the revenue collection during the year. The amendments also include a decrease in miscellaneous revenues related to developer reimbursement revenues (\$1.3M).

Total adopted expenditures (before transfers) of \$29.4 million decreased \$5.3 million to final amended expenditures of \$24.1 million. The amendment is due mainly to a combination of salary saving from vacant positions and allocation of public safety personnel costs to ARPA fund approximately for \$3.5M.

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

- Actual revenues total \$29.5 million, approximately \$0.9 million less than the amended budget of \$30.4 million. The net budget to actual difference relates to an excess budget of unrealized investment gains (losses) (\$1.3M) and charges for service revenues (\$0.3M) offset by a short projection of tax revenues (\$0.4M). Unrealized investment gains and losses are not factored in development of the budget as it does significantly impact the available deposits. The excess of actual tax revenues is primarily due to conservative approach in projection due to the global pandemic.
- Actual expenditures total \$21.5 million, approximately \$2.6 million less than the amended budget of \$24.1 million. Of this amount, approximately \$2.3 million is due to staff vacancies and health benefit savings; \$0.8 million is due to planned but incomplete professional and technical services across departments as well as property and capital services in public works department. The planned, but unexpended, service strategies are reflected in higher-than-average contractual encumbrances at year-end (\$6.7M) and are indicative of the low staffing to service expectations due to so-called great resignation phenomenon.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets for governmental and business-type activities balance as of June 30, 2022 total \$81.9 million (net of accumulated depreciation), a net increase of \$6.9 million (9.1%) over the prior year. The increase is attributable to \$6.6 million and \$0.2 million from governmental activities and business-type activities, respectively. Total capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

June 30, 2022
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,059	\$ 4,059	- \$ 5,264	\$ 5,264	\$ 9,323	\$ 9,323
Buildings and Improvements	10,652	10,609	-	-	10,652	10,609
Right-to-use Buildings	2,307	-	127	-	-	-
Improvements Other than Bldgs	9,600	9,538	11,212	10,864	20,812	20,402
Construction in Progress	2,035	10,973	842	823	2,877	11,796
Furnishings & Equipment	2,183	2,162	-	-	2,183	2,162
Vehicles	2,984	3,156	-	-	2,984	3,156
Street and Roadways	78,985	63,170	-	-	78,985	63,170
Storm Drain System	6,738	6,738	-	-	6,738	6,738
Less: Accumulated Depreciation	<u>(49,680)</u>	<u>(47,178)</u>	<u>(5,364)</u>	<u>(5,091)</u>	<u>(55,044)</u>	<u>(52,269)</u>
Total	<u>\$ 69,862</u>	<u>\$ 63,227</u>	<u>\$ 12,081</u>	<u>\$ 11,859</u>	<u>\$ 79,510</u>	<u>\$ 75,087</u>

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

Governmental Activities

Capital assets increased \$6.6 million and is primarily comprised of \$15.8 million additions to newly completed infrastructure and \$2.3 million recognition of right-to-use buildings per GASB 87 implementation related to office leases offset by a reduction/transfer from construction in progress to infrastructure (street and roadways) for \$8.9 million and \$2.5 million depreciations in total. Capital assets completed are mainly from Bay Road Phase II and III project.

Business-Type Activities

Capital assets increased \$0.2 million and is comprised of water meter replacement project (\$0.5M) offset by depreciation (\$0.3M).

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

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

Debt Administration

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

the former RDA, the Successor Agency fiduciary fund assumed the long-term term debt of the former RDA.

Business-type debt consists of a \$0.63M note payable related to funding the Gloria Way Well project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economic recovery from the pandemic has been accompanied by higher inflation at the global, national, and local levels fueled by war and climate change which appears to be slowing down rate of growth in City's overall revenue except for either new voter-approved taxes, fee increases, or development-related services activity. Future revenues remain highly uncertain primarily due to volatility in certain components of property tax revenues caused by changes in the distribution methodology and lingering and unknown negative impacts by the COVID-19 pandemic. The following economic factors were considered in the preparation of the City's budget for fiscal year 2022-23:

- Near-term general revenue growth trajectory is stagnant as the known, major drivers – such as new taxes, taxable development, and significant property portfolio turnover – are not expected, and as revenue resources are at higher comparative risk of low-growth or decline due to market environment.
- Property tax projection is unusually uncertain primarily due to evolving property tax in lieu issues caused by the County's negative ERAF condition and unknown recovery by the State's backfill, and due to recent court decision in RPTTF distribution.
- Transient occupancy tax has recognized significant recovery in FY2021-22 yet has barely reached 50% of the pre-pandemic figures. Due to the changes in business meeting culture and office working environment, uncertainty exists in the projection and recovery is expected to continue in slower pace.
- Year over year base wages will increase due to negotiated agreements to address below-market wages and retention issues. City will experience long-term cost pressures across various activity due to historical under-investment in aged infrastructure; staff resource challenges, such as need for increased technology and maintenance staffing, and rising personnel costs; operational costs of new infrastructure and facilities; and increases in professional and outside services due to high inflation.
- The City has reserves available to maintain stable service delivery during FY 2022-23 and enable implementation of a strategic, prioritized budget plan. Additionally, temporary suspension of certain capital and operating transfers; limited hiring freeze; delay of non-essential project initiation, and strategic utilization of general fund unassigned reserves will provide near-term stability required to plan for more durable service delivery decisions in order to address resource constraints and uncertainty over an extended period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of East Palo Alto
Statement of Net Position
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 99,094,822	\$ 11,335,857	\$ 110,430,679
Restricted cash and investments with fiscal agents	297,280	187,161	484,441
Receivables:			
Accounts receivable	880,024	121,726	1,001,750
Interest receivable	593,968	28,996	622,964
Taxes receivable	1,411,612	-	1,411,612
Intergovernmental receivables	7,493,397	89,289	7,582,686
Deposits and prepayments	161,257	-	161,257
Internal balances	2,410,393	(2,410,393)	-
Total current assets	112,342,753	9,352,636	121,695,389
Noncurrent assets:			
Loans to Successor Agency	4,662,428	-	4,662,428
Loans and notes receivable	6,950,227	-	6,950,227
Capital assets:			
Non-depreciable	6,094,079	6,105,796	12,199,875
Depreciable, net	63,768,103	5,975,088	69,743,191
Total capital assets	69,862,182	12,080,884	81,943,066
Total noncurrent assets	81,474,837	12,080,884	93,555,721
Total assets	193,817,590	21,433,520	215,251,110
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	2,366,071	-	2,366,071
Deferred outflows of resources - pension	1,597,246	-	1,597,246
Total deferred outflows of resources	3,963,317	-	3,963,317
LIABILITIES			
Current liabilities:			
Accounts payable	4,802,433	749,995	5,552,428
Accrued liabilities	992,132	339	992,471
Retention payable	691,731	41,144	732,875
Unearned revenue	297,280	-	297,280
Compensated absences	235,149	-	235,149
Claims payable	96,656	-	96,656
Note payable - due in less than one year	-	23,333	23,333
Lease payable - due in less than one year	452,677	25,547	478,224
Total current liabilities	7,568,058	840,358	8,408,416
Noncurrent liabilities:			
Deposits payable	1,142,944	26,360	1,169,304
Advances from developers	100,891	2,511,822	2,612,713
Compensated absences	677,893	-	677,893
Claims payable	83,344	-	83,344
Note payable	-	606,668	606,668
Lease payable - due in more than one year	1,427,847	77,372	1,505,219
Net pension liability	6,526,289	-	6,526,289
Total noncurrent liabilities	9,959,208	3,222,222	13,181,430
Total liabilities	17,527,266	4,062,580	21,589,846
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	4,484,568	-	4,484,568
Total deferred inflows of resources	4,484,568	-	4,484,568
NET POSITION			
Net investment in capital assets	64,005,813	11,306,820	75,312,633
Restricted for:			
Streets and Infrastructure	14,736,889	-	14,736,889
Parks and Recreation	334,082	-	334,082
Measure C Program	217,659	-	217,659
Housing Programs	26,780,234	-	26,780,234
Special Programs	2,010,100	-	2,010,100
Capital Projects	8,602,288	1,943,955	10,546,243
Total restricted	52,681,252	1,943,955	54,625,207
Unrestricted	59,082,008	4,120,165	63,202,173
Total net position	\$ 175,769,073	\$ 17,370,940	\$ 193,140,013

See accompanying Notes to Basic Financial Statements.

City of East Palo
Statement of Activities
For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 5,779,679	\$ 7,851	\$ 40,850	\$ -	\$ 48,701
Public safety	11,242,720	248,561	3,851,678	-	4,100,239
Public works	5,275,133	129,159	1,255,729	6,783,094	8,167,982
Culture and recreation	1,822,711	11,080	279,606	-	290,686
Community Development	4,943,100	3,211,876	182,782	-	3,394,658
Interest on long-term debt	6,561	-	-	-	-
Total governmental activities	29,069,904	3,608,527	5,610,645	6,783,094	16,002,266
Business-type activities:					
Garbage Collections	2,789,343	2,905,566	-	-	2,905,566
Water Services	1,054,839	1,256,458	186,919	291,112	1,734,489
Total business-type activities	3,844,182	4,162,024	186,919	291,112	4,640,055
Total primary government	\$ 32,914,086	\$ 7,770,551	\$ 5,797,564	\$ 7,074,206	\$ 20,642,321

General Revenues:

Taxes:

- Property taxes
- Sales taxes
- Utility users tax
- Transient occupancy tax
- Business license tax
- Parcel taxes

Total taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,730,978)	\$ -	\$ (5,730,978)
(7,142,481)	-	(7,142,481)
2,892,849	-	2,892,849
(1,532,025)	-	(1,532,025)
(1,548,442)	-	(1,548,442)
(6,561)	-	(6,561)
(13,067,638)	-	(13,067,638)
-	116,223	116,223
-	679,650	679,650
-	795,873	795,873
(13,067,638)	795,873	(12,271,765)
17,295,600	-	17,295,600
5,738,443	-	5,738,443
1,631,049	-	1,631,049
1,447,892	-	1,447,892
1,269,802	-	1,269,802
1,677,265	-	1,677,265
29,060,051	-	29,060,051
(2,010,393)	(298,202)	(2,308,595)
1,273,166	(140,423)	1,132,743
28,322,824	(438,625)	27,884,199
15,255,186	357,248	15,612,434
160,513,887	17,013,692	177,527,579
\$ 175,769,073	\$ 17,370,940	\$ 193,140,013

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

City of East Palo Alto
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds			
	General	Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 44,347,918	\$ 19,833,826	\$ 34,913,078	\$ 99,094,822
Restricted cash and investments	-	297,280	-	297,280
Receivables:				
Accrued interest	115,010	47,810	431,148	593,968
Taxes	1,291,987	-	119,625	1,411,612
Intergovernmental	157,845	6,724,850	610,702	7,493,397
Accounts receivable	708,106	-	171,918	880,024
Deposits and prepayments	161,257	-	-	161,257
Due from other funds	303,294	-	-	303,294
Advances to other funds	458,480	-	1,951,913	2,410,393
Loans to Successor Agency	4,662,428	-	-	4,662,428
Loans and notes receivable	-	-	6,950,227	6,950,227
Total assets	\$ 52,206,325	\$ 26,903,766	\$ 45,148,611	\$ 124,258,702
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,381,440	\$ 3,284,114	\$ 136,879	\$ 4,802,433
Retentions payable	-	616,895	74,836	691,731
Deposits payable	1,137,944	5,000	-	1,142,944
Other accrued liabilities	938,509	-	53,623	992,132
Unearned revenue	-	297,280	-	297,280
Due to other funds	-	-	303,294	303,294
Advances from developers	-	100,891	-	100,891
Total liabilities	3,457,893	4,304,180	568,632	8,330,705
Deferred inflows of resources:				
Unavailable revenues	276,272	6,724,851	575,720	7,576,843
Fund Balances: (Note 8)				
Nonspendable	5,282,165	-	-	5,282,165
Restricted	27,297	1,273,906	44,115,630	45,416,833
Committed	10,097,589	9,000,000	-	19,097,589
Assigned	6,658,000	5,600,829	-	12,258,829
Unassigned	26,407,109	-	(111,371)	26,295,738
Total fund balances	48,472,160	15,874,735	44,004,259	108,351,154
Total liabilities, deferred inflows of resources, and fund balances	\$ 52,206,325	\$ 26,903,766	\$ 45,148,611	\$ 124,258,702

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds	<u>\$ 108,351,154</u>
<p>Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Total Fund Balances - Governmental Funds above due to the following:</p>	
<p>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:</p>	
Non-depreciable	6,094,079
Depreciable, net	<u>63,768,103</u>
Total capital assets	<u>69,862,182</u>
<p>Employer pension contributions are recorded as expenditures in the Governmental funds when paid based upon recommended actuarial contributions. In the Government-wide financial statements, these employer pension contributions are reported as deferred outflows of resources, to be applied against the net pension liability in the following fiscal year.</p>	
	2,366,071
<p>In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension, changes in assumptions, differences between actual and projected investment earnings, and differences resulting from changes in allocation percentages are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.</p>	
Deferred outflows of resources - pension	1,597,246
Deferred inflows of resources - pension	(4,484,568)
<p>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.</p>	
	7,576,843
<p>Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the Governmental Funds Balance Sheet.</p>	
Compensated absences	(913,042)
Claims payable	(180,000)
Lease payable	(1,880,524)
Net pension liability	<u>(6,526,289)</u>
Total long-term liabilities	<u>(9,499,855)</u>
Net Position of Governmental Activities	<u><u>\$ 175,769,073</u></u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022

	Major Funds			
	General Fund	Capital Improvements Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 15,843,008	\$ -	\$ 1,039,433	\$ 16,882,441
Sales taxes	5,738,443	-	1,084,770	6,823,213
Transient occupancy tax	1,158,314	-	289,578	1,447,892
Utility users tax	1,631,049	-	-	1,631,049
Other taxes	1,692,627	-	3,011,226	4,703,853
Licenses, fees and permits	1,583,769	719,770	41,411	2,344,950
Charges for services	683,819	-	656,947	1,340,766
Fines and forfeitures	263,437	-	-	263,437
Use of money and property	(1,001,012)	(494,242)	(828,033)	(2,323,287)
Grants and intergovernmental	220,361	571,000	4,106,038	4,897,399
Miscellaneous	1,697,367	-	2,919	1,700,286
Total revenues	29,511,182	796,528	9,404,289	39,711,999
EXPENDITURES:				
Current:				
General government	5,444,582	54,963	833,445	6,332,990
Public safety	8,109,725	-	3,657,585	11,767,310
Public works	3,310,437	61,814	724,902	4,097,153
Culture and recreation	727,276	350,576	141,913	1,219,765
Community development	3,760,833	3,470	1,381,942	5,146,245
Capital outlay	101,966	6,577,818	387,388	7,067,172
Debt service:				
Interest, and fiscal charges	6,561	-	-	6,561
Total expenditures	21,461,380	7,048,641	7,127,175	35,637,196
REVENUES OVER (UNDER) EXPENDITURES	8,049,802	(6,252,113)	2,277,114	4,074,803
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,778,660	602,340	2,381,000
Transfers out	(2,381,000)	-	-	(2,381,000)
Total other financing sources (uses)	(2,381,000)	1,778,660	602,340	-
Net change in fund balances	5,668,802	(4,473,453)	2,879,454	4,074,803
FUND BALANCES:				
Beginning of year	42,803,358	20,348,188	41,124,805	104,276,351
End of year	\$ 48,472,160	\$ 15,874,735	\$ 44,004,259	\$ 108,351,154

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 4,074,803
Amounts reported as Change in Net Position of governmental activities in the Statement of Activities are different from those reported as Net Change in Fund Balances - Total Governmental Funds above due to the following:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	7,169,314
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.	(2,820,987)
In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from the sales increases financial resources. The differences between the proceeds and the loss on disposal of capital assets.	(19,897)
Accrued compensated absences is reported as an expenditure in the Governmental funds when paid, but the accrued payable decreased compensated leave liabilities in the Government-Wide Statement of Net Position.	261,819
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.	(47,000)
Principal payments on lease liabilities are current expenditures in the fund financials, but reduce the lease liability in the Government-Wide Statement of Net Position	425,999
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.	2,366,071
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(768,031)
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.	4,613,095
Change in Net Position of Governmental Activities	<u>\$ 15,255,186</u>

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PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

City of East Palo Alto
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Garbage Collection	Water Service	Total
ASSETS			
Current assets:			
Cash and investments	\$ 2,004,532	\$ 9,331,325	\$ 11,335,857
Cash with fiscal agents	-	187,161	187,161
Accrued interest	4,925	24,071	28,996
Intergovernmental receivable	-	89,289	89,289
Accounts receivable, net	23,333	98,393	121,726
Total current assets	<u>2,032,790</u>	<u>9,730,239</u>	<u>11,763,029</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	6,105,796	6,105,796
Depreciable, net	-	5,975,088	5,975,088
Total capital assets	<u>-</u>	<u>12,080,884</u>	<u>12,080,884</u>
Total noncurrent assets	<u>-</u>	<u>12,080,884</u>	<u>12,080,884</u>
Total assets	<u>2,032,790</u>	<u>21,811,123</u>	<u>23,843,913</u>
LIABILITIES			
Current liabilities:			
Accounts payable	670,317	79,678	749,995
Retentions payable	-	41,144	41,144
Other accrued liabilities	-	339	339
Note payable	-	23,333	23,333
Lease payable	-	25,547	25,547
Total current liabilities	<u>670,317</u>	<u>170,041</u>	<u>840,358</u>
Noncurrent liabilities:			
Deposits payable	-	26,360	26,360
Advances from developers	-	2,511,822	2,511,822
Advances from other funds	-	2,410,393	2,410,393
Note payable	-	606,668	606,668
Lease payable	-	77,372	77,372
Total noncurrent liabilities	<u>-</u>	<u>5,632,615</u>	<u>5,632,615</u>
Total liabilities	<u>670,317</u>	<u>5,802,656</u>	<u>6,472,973</u>
NET POSITION			
Net investment in capital assets	-	11,306,820	11,306,820
Restricted for:			
Capital projects	-	1,943,955	1,943,955
Unrestricted	1,362,473	2,757,692	4,120,165
Total net position	<u>\$ 1,362,473</u>	<u>\$ 16,008,467</u>	<u>\$ 17,370,940</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, 2022

	Enterprise Funds		
	Garbage Collection	Water Service	Total
OPERATING REVENUES:			
Charges for services and other fees	\$ 2,617,483	\$ 853,986	\$ 3,471,469
Other	288,083	402,472	690,555
Total operating revenues	<u>2,905,566</u>	<u>1,256,458</u>	<u>4,162,024</u>
OPERATING EXPENSES:			
Outside services	2,689,091	641,992	3,331,083
Administration	100,252	111,584	211,836
Depreciation	-	301,263	301,263
Total operating expenses	<u>2,789,343</u>	<u>1,054,839</u>	<u>3,844,182</u>
OPERATING INCOME	<u>116,223</u>	<u>201,619</u>	<u>317,842</u>
NONOPERATING REVENUES (EXPENSES):			
Federal and State grants	-	186,919	186,919
Gain (loss) on disposal of assets	-	(140,423)	(140,423)
Interest income	(53,746)	(244,456)	(298,202)
Total nonoperating revenues (expenses)	<u>(53,746)</u>	<u>(197,960)</u>	<u>(251,706)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	62,477	3,659	66,136
Capital contributions	-	291,112	291,112
Total contributions	<u>-</u>	<u>291,112</u>	<u>291,112</u>
Change in net position	62,477	294,771	357,248
NET POSITION			
Beginning of year	1,299,996	15,713,696	17,013,692
End of year	<u>\$ 1,362,473</u>	<u>\$ 16,008,467</u>	<u>\$ 17,370,940</u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2022

	Enterprise Funds		
	Garbage Collection	Water Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from others	\$ 288,083	\$ 402,472	\$ 690,555
Cash received from customers	2,684,787	947,783	3,632,570
Cash payments to suppliers for goods and services	(2,635,675)	(696,266)	(3,331,941)
Cash paid to employees and city administration	(100,252)	(111,584)	(211,836)
Net cash provided by operating activities	<u>236,943</u>	<u>542,405</u>	<u>779,348</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Federal grants	-	186,919	186,919
Net cash provided by noncapital financing activities	<u>-</u>	<u>186,919</u>	<u>186,919</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	-	267,779	267,779
Acquisition of capital assets	-	(915,141)	(915,141)
Payments on leases	-	(60,344)	(60,344)
Repayments on advances from developers	-	(240,928)	(240,928)
Net cash used by capital and related financing activities	<u>-</u>	<u>(948,634)</u>	<u>(948,634)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	12,207	78,973	91,180
Unrealized loss on investments	(66,987)	(326,801)	(393,788)
Net cash provided (used) by investing activities	<u>(54,780)</u>	<u>(247,828)</u>	<u>(302,608)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	182,163	(467,138)	(284,975)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,822,369</u>	<u>9,985,624</u>	<u>11,807,993</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,004,532</u>	<u>\$ 9,518,486</u>	<u>\$ 11,523,018</u>
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 2,004,532	\$ 9,331,325	\$ 11,335,857
Cash with fiscal agents	-	187,161	187,161
Total	<u>\$ 2,004,532</u>	<u>\$ 9,518,486</u>	<u>\$ 11,523,018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 116,223	\$ 201,619	\$ 317,842
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	301,263	301,263
Changes in assets and liabilities:			
Accounts receivable	67,304	93,797	161,101
Accounts payable	53,416	(54,274)	(858)
Total adjustments	<u>120,720</u>	<u>340,786</u>	<u>461,506</u>
Net cash provided by operating activities	<u>\$ 236,943</u>	<u>\$ 542,405</u>	<u>\$ 779,348</u>
NON-CASH INVESTMENT AND FINANCING ACTIVITY:			
Forgiveness of long term debt	\$ -	\$ 23,333	\$ 23,333

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds

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

City of East Palo Alto
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	<u>Successor Agency Trust Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 2,273,776
Receivables:	
Interest receivable	7,922
Total current assets	<u>2,281,698</u>
Noncurrent assets	
Prepaid items	49,385
Total noncurrent assets	<u>49,385</u>
Total assets	<u>2,331,083</u>
LIABILITIES	
Liabilities:	
Current liabilities	
Other accrued liabilities	136,513
Loans payable to City	2,313,621
Bonds payable	1,030,000
Total current liabilities	<u>3,480,134</u>
Noncurrent liabilities	
Loans payable to City	2,348,807
Bonds payable	13,110,318
Total noncurrent liabilities	<u>15,459,125</u>
Total liabilities	<u>18,939,259</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	<u>153,892</u>
NET POSITION	
Held in trust for dissolution of RDA	<u>(16,762,068)</u>
Total net position	<u>\$ (16,762,068)</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, 2022

	<u>Successor Agency Trust Fund</u>
ADDITIONS:	
RDA property tax trust fund distribution	\$ 2,913,703
Use of money and property	<u>(43,413)</u>
Total additions	<u>2,870,290</u>
DEDUCTIONS:	
General government	23,421
Interest and fiscal charges	<u>487,142</u>
Total Deductions	<u>510,563</u>
Change in net position	2,359,727
NET POSITION:	
Beginning of year	<u>(19,121,795)</u>
End of year	<u>\$ (16,762,068)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

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

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

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

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

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

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

Governmental Fund Financial Statements

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

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 generally recorded when a liability is incurred, as under accrual accounting.

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

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

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

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

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

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

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

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

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

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

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

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

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

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

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

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

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

ARPA Fund accounts for the federal payments to the City from the American Rescue Plan Act passed in March 2021.

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, 2022

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

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

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

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents, and Investments, Continued

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 under the provisions of bond indentures or trust arrangements. The City’s Investment Policy does not apply to trust accounts held by the fiscal agents, which are invested as directed by separate trust arrangements.

E. Prepayments

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

F. Capital Assets

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

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

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 fees and 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.

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.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Taxes, Continued

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

K. Net Position

Government-Wide Financial Statements

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

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

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

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

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

L. Fund Balances

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

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.

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 Reserve Management Policy requires that the City maintain a contingency reserve balance targeting 30% of adopted general fund expenditures including recurring transfers in the unassigned general fund balance.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

On June 30, 2022, the General Fund reported \$26,407,109 in reserve which meets the City's minimum 30% requirement level of \$8,572,482. The General Fund reserve fund balance is \$17,834,627 above this requirement.

M. Compensated Leave Payable

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

N. Pensions

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

O. Use of Estimates

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

P. New Pronouncements

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

- GASB Statement No. 87, *Leases* - The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The City added several building leases to the Proprietary Fund and Government-Wide Financial Statements, changing the beginning balances of lease liabilities and capital assets, as well as updating the note disclosures as a result of implementing this statement.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Pronouncements, Continued

- GASB Statement No. 89, *Construction-period interest* – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 92, *Omnibus 2020* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 93, *Interbank offered rates (LIBOR removal and lease modifications)* – The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 99, *Omnibus 2022* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.. 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, 2022:

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 99,094,822	\$ 11,335,857	\$ 2,273,776	\$ 112,704,455
Restricted cash and investments	297,280	187,161	-	484,441
Total cash and investments	\$ 99,392,102	\$ 11,523,018	\$ 2,273,776	\$ 113,188,896

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments, Continued

Cash and investments as of June 30, 2022 consist of the following:

Deposits:	
Cash on hand	\$ 10,800
Deposits with financial institution	2,437,750
Total deposits	<u>2,448,550</u>
Investments:	
Local Agency Investment funds	9,884,349
San Mateo Investment Pool	100,371,556
Total investments	<u>110,255,905</u>
Total City Treasury	<u>112,704,455</u>
Restricted cash and investments:	
Cash with fiscal agent	484,441
Total restricted cash and investments	<u>484,441</u>
Total cash and investments	<u><u>\$ 113,188,896</u></u>

B. Deposits

The carrying amount of the City's cash deposits was \$2,437,750 at June 30, 2022. Bank balances before reconciling items were a positive amount of \$3,300,410 at June 30, 2022. The City has waived the collateral requirements for cash deposits up to the 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 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 or trust arrangements. 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, 2022

C. Authorized Investments by the City

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

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

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

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

D. Investments

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

Interest income	\$ 931,159
Unrealized gain/(loss) in changes in fair value of investments	<u>(3,708,252)</u>
Total investment income (loss)	<u><u>\$ (2,777,093)</u></u>

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

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2022, 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, 2022, the City had \$9,884,349 invested in LAIF, which had invested 1.88% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.31% in the previous year. The LAIF fair value factor of 0.987125414 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 0.9688 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, 2022

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, 2022, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)			
		1 year or Less	1-2 years	2-3 years	3+ years
City Local Agency Investment Fund	\$ 9,884,349	\$ 9,884,349	\$ -	\$ -	\$ -
San Mateo County Pool	100,371,556	100,371,556	-	-	-
Total	\$ 110,255,905	\$ 110,255,905	\$ -	\$ -	\$ -

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, 2022 for each investment type:

Credit Quality Ratings		Fair Value
Moody's	S&P	
Not Rated	Not Rated	\$ 9,884,349
Not Rated	Not Rated	\$ 100,371,556

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. The City's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City, be conducted on a delivery-versus-payment basis.

F. Investment Valuation

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

3. INTERFUND TRANSACTIONS

A. Transfers

At June 30, 2022, the City had the following transfers in/out which arose in the normal course of operations:

Transfers Out	Transfers In		Total
	Capital Improvements	Non-Major Governmental Funds	
Major Funds:			
General Fund	\$ 1,778,660	\$ 602,340	\$ 2,381,000
Total	\$ 1,778,660	\$ 602,340	\$ 2,381,000

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

B. Due to/from Other Funds

At June 30, 2022, the City had the following due to/from other funds:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 303,294	\$ -
Non-Major Governmental Funds	-	303,294
Total	\$ 303,294	\$ 303,294

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

C. Advances to/from Other Funds

Advances from the General Fund and Non-Major Governmental Funds (the SVCF Fund) were made to the Water Services Enterprise Fund to provide liquidity for the purchase of water assurance rights. The advances are repaid upon collection of development impact fees related to the cost of the water assurance rights acquired to increase development capacity within the City. No advances were repaid during the year.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

3. INTERFUND TRANSACTIONS, CONTINUED

C. Advances to/from Other Funds, Continued

At June 30, 2022, the City had the following advances to/from other funds:

Advances From	Advances To Water Services Fund
Major Funds:	
General Fund	\$ 458,480
Non-Major Governmental Funds	1,951,913
Total	<u>\$ 2,410,393</u>

4. LOANS AND NOTES RECEIVABLE

Loans receivable as of June 30, 2022, composed of the following, were held by the City:

	Balance as of June 30, 2022
Nairobi Housing Associates Loan	\$ 4,608,871
Nugent Square Partners Loan	1,050,000
Bay Road Housing Loan	462,500
First Time Home Buyer Assistance Loans	165,320
University Senior Apts	663,536
Subtotal	<u>6,950,227</u>
Loans to Successor Agency	4,662,428
Total:	<u>\$ 11,612,655</u>

A. Nairobi Housing Associates Loan

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

4. LOANS AND NOTES RECEIVABLE, Continued

B. Nugent Square Partners Loan

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

C. Bay Road Housing Loan

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

D. First Time Home Buyer Assistance Loans

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

E. University Senior Apartments Loan

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

F. Loans to Successor Agency

At June 30, 2022, the outstanding balance of \$4,662,428 is comprised of two advances to the former Agency which were assumed by the Successor Agency on February 1, 2012. Repayment of the loans were subject to approval as enforceable obligations of the Successor Agency under California Dissolution Law. In April 2016, the Department of Finance approved the loans as enforceable obligations. The repayment amounts are subject to annual limits in available property tax increment:

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

4. LOANS AND NOTES RECEIVABLE, Continued

F. Loans to Successor Agency, Continued

- a. *Ravenswood Repayment Agreement (\$970,936)* 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 (\$3,691,492)* - 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, 2022

5. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2022, are comprised of the following:

	Balance at July 1, 2021	Additions	Deletions/ Reclassification	Balance at June 30, 2022
Government activities				
Capital assets not being depreciated				
Land	\$ 4,058,724	\$ -	\$ -	\$ 4,058,724
Construction in progress	10,973,046	455,398	(9,393,089)	2,035,355
Total capital assets not being dep.	15,031,770	455,398	(9,393,089)	6,094,079
Capital assets being depreciated:				
Infrastructure:				
Streets and roadways	63,169,793	6,421,773	9,393,089	78,984,655
Storm drain system	6,738,214	-	-	6,738,214
Building and Improvements	10,609,486	42,758	-	10,652,244
Right-to-use Buildings	2,306,523	-	-	2,306,523
Improvements other than bldg	9,538,432	73,396	(11,738)	9,600,090
Furniture, Fixtures and Equipment	2,161,797	43,331	(22,116)	2,183,012
Vehicles	3,155,586	132,658	(304,441)	2,983,803
Total capital assets being depreciated, as restated	97,679,831	6,713,916	9,054,794	113,448,541
Less accumulated depreciation for:				
Infrastructure:				
Streets and roadways	(33,340,778)	(1,180,248)	-	(34,521,026)
Storm drain system	(2,661,665)	(162,701)	-	(2,824,366)
Building and Improvements	(4,036,193)	(345,819)	-	(4,382,012)
Right-to-use Buildings	-	(482,285)	-	(482,285)
Improvements other than buildings	(3,354,407)	(385,612)	391	(3,739,628)
Furniture, Fixtures and Equipment	(2,042,578)	(39,329)	18,679	(2,063,228)
Vehicles	(1,742,228)	(224,993)	299,328	(1,667,893)
Total accumulated depreciation	(47,177,849)	(2,820,987)	318,398	(49,680,438)
Total capital assets being depreciated, as restated, net	50,501,982	3,892,929	9,373,192	63,768,103
Governmental activities capital assets, as restated, net	\$ 65,533,752	\$ 4,348,327	\$ (19,897)	\$ 69,862,182

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

5. CAPITAL ASSETS, Continued

	Balance as of July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 5,263,674	\$ -	\$ -	\$ 5,263,674
Construction in Progress	822,506	487,881	(468,265)	842,122
Total capital assets not being depreciated	<u>6,086,180</u>	<u>487,881</u>	<u>(468,265)</u>	<u>6,105,796</u>
Capital assets being depreciated:				
Improvements other than buildings	10,863,521	516,979	(168,439)	11,212,061
Right-to-use buildings	127,066	-	-	127,066
Total capital assets being depreciated, as restated	<u>10,990,587</u>	<u>516,979</u>	<u>(168,439)</u>	<u>11,339,127</u>
Less accumulated depreciation for:				
Improvements other than building	(5,090,792)	(274,034)	28,016	(5,336,810)
Right-to-use buildings	-	(27,229)	-	(27,229)
Total accumulated depreciation	<u>(5,090,792)</u>	<u>(301,263)</u>	<u>28,016</u>	<u>(5,364,039)</u>
Total capital assets, being depreciated, net, as restated	<u>5,899,795</u>	<u>215,716</u>	<u>(140,423)</u>	<u>5,975,088</u>
Business-type activities capital assets, net, as restated	<u>\$ 11,985,975</u>	<u>\$ 703,597</u>	<u>\$ (608,688)</u>	<u>\$ 12,080,884</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	\$ 11,875
Public Safety	402,276
Culture and Recreation	624,089
Public Works	1,747,347
Community Development	35,400
Total Governmental Activities	<u>\$ 2,820,987</u>
Business-Type Activities:	
Water Service	\$ 301,263
Total Business-Type Activities	<u>\$ 301,263</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

5. CAPITAL ASSETS, Continued

C. Capital Project Commitments

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

Project	Project Authorization	Expended through June 30, 2022	Commitments
Pavement Management Program/Plan (PMP)	\$3,191,568	\$ -	\$ 3,191,568
Street Light Upgrade Project	208,991	111,720	97,271
University Avenue Interchange	1,324,949	1,227,039	97,910
Addison Ave.	2,227,090	-	2,227,090
PA Emergency Intertie and Woodland Gap Closure Project	50,000	43,013	6,987
Water Master Plan	191,400	122,995	68,405
University Ave/Cooley 12' Water - Design	134,590	58,353	76,237
Safer Bay - Flood Control	8,500,000	-	8,500,000
Total	<u>\$ 15,828,588</u>	<u>\$ 1,563,120</u>	<u>\$ 14,265,468</u>

6. LONG-TERM DEBT

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

	Balance June 30, 2021 as restated	Additions	Retirements	Balance June 30, 2022	Current Portion
Government Activities					
Leases	\$ 2,306,523	\$ -	\$ (425,999)	\$ 1,880,524	\$ 452,677
Total	<u>\$ 2,306,523</u>	<u>\$ -</u>	<u>\$ (425,999)</u>	<u>\$ 1,880,524</u>	<u>\$ 452,677</u>
Business-type Activities:					
San Mateo County Housing					
Promissory Note	\$ 653,334	\$ -	\$ (23,333)	\$ 630,000	\$ 23,333
Leases	127,067	-	(24,148)	102,919	25,547
Total	<u>\$ 780,401</u>	<u>\$ -</u>	<u>\$ (47,481)</u>	<u>\$ 732,919</u>	<u>\$ 48,880</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. LONG-TERM DEBT, Continued

A. San Mateo County Housing Promissory Note

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

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

B. Leases

The City leases three major building facility sites under non-cancellable leases. The sites leased include two police facilities, and the maintenance corporation yard. Below is a summary of the these leases and the corresponding principal and interest schedules.

Asset	Interest Rate	Lease End	Special Terms	Current Year Additional outflows	Balance June 30, 2022
Police Department	4.05%	10/31/2025	n/a	\$ -	\$ 582,713
Police Substation	4.05%	10/31/2027	n/a	-	371,543
Corp Yard	4.05%	2/28/2026	Rent increases every February by the prior year change in CPI for the San Francisco Bay Area	948	1,029,187

Fiscal year ending
June 30:

	Police Department		Police Substation	
	Government Activities		Government Activities	
	Principal	Interest	Principal	Interest
2023	\$ 161,528	\$ 17,645	\$ 61,230	\$ 12,038
2024	172,803	11,727	65,931	9,803
2025	184,709	5,338	69,242	7,363
2026	63,673	294	72,549	4,847
2027	-	-	76,386	2,198
2028 and after	-	-	26,205	121
Total	\$ 582,713	\$ 35,004	\$ 371,543	\$ 36,370

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. LONG-TERM DEBT, Continued

B. Leases, Continued

Fiscal year ending
 June 30:

	Corp Yard			
	Government Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 229,919	\$ 28,556	\$ 25,547	\$ 3,173
2024	246,618	20,130	27,402	2,237
2025	264,298	10,989	29,367	1,221
2026	185,433	1,965	20,603	219
Total	<u>\$ 926,268</u>	<u>\$ 61,640</u>	<u>\$ 102,919</u>	<u>\$ 6,850</u>

C. Legal Debt Margin

The City is subject to a statutory legal debt limit whereby the City may not incur indebtedness for public improvements which exceeds in the aggregate 3.75 percent of the taxable assessed value of all real and personal property of the City. This limit applies only to bonded indebtedness payable from the proceeds of taxes levied on taxable property. For the year ended June 30, 2022, the City's maximum legal debt margin was \$143,966,409 and the City had no outstanding debt subject to the margin.

7. COMPENSATED ABSENCES

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

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
Governmental Activities						
Compensated Leave Payable	<u>\$ 1,174,861</u>	<u>\$ 1,018,799</u>	<u>\$(1,280,618)</u>	<u>\$ 913,042</u>	<u>\$ 235,149</u>	<u>\$ 677,893</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

8. FUND BALANCES

Detailed classifications of the City's Fund Balances, as of June 30, 2022, are below:

	Major Governmental Funds			Total
	General Fund	Capital Improvements Capital Projects Fund	Other Government Funds	
Nonspendable fund balance:				
Loans to Successor Agency	\$ 4,662,428	\$ -	\$ -	\$ 4,662,428
Advance to other funds	458,480	-	-	458,480
Deposits and prepayments	161,257	-	-	161,257
	<u>5,282,165</u>	<u>-</u>	<u>-</u>	<u>5,282,165</u>
Restricted fund balance for:				
NPDES Fees	-	-	375,035	375,035
Gas Tax	-	-	3,724,789	3,724,789
Park in Lieu	-	-	334,082	334,082
Rent Stabilization	-	-	692,922	692,922
Housing Assistance	-	-	464,217	464,217
Measure A/W	-	-	5,595,378	5,595,378
CYSFF TOT Fund	-	-	1,001,532	1,001,532
Lighting District	-	-	4,314,525	4,314,525
Drainage District	-	-	727,162	727,162
Measure C	-	-	217,659	217,659
Silicon Valley Community Fd	-	-	2,014,585	2,014,585
Low and Moderate Income Housing	-	-	8,553,257	8,553,257
Housing in Lieu	-	-	6,643,975	6,643,975
Housing TOT	-	-	3,331,172	3,331,172
Measure HH	-	-	4,742,718	4,742,718
Capital projects	-	1,273,906	603,531	1,877,437
Other Purposes	27,297	-	779,091	806,388
	<u>27,297</u>	<u>1,273,906</u>	<u>44,115,630</u>	<u>45,416,833</u>
Committed fund balance for:				
CalPERS prefunding	3,000,000	-	-	3,000,000
Community benefits reserve	299,770	-	-	299,770
Information Technology Reserve	3,497,284	-	-	3,497,284
Vehicles and Equipment Reserve	1,251,731	-	-	1,251,731
Self Insurance Reserve	2,048,804	-	-	2,048,804
Capital projects	-	9,000,000	-	9,000,000
	<u>10,097,589</u>	<u>9,000,000</u>	<u>-</u>	<u>19,097,589</u>
Assigned fund balance for:				
Capital projects	-	5,600,829	-	5,600,829
Other Purposes	6,658,000	-	-	6,658,000
	<u>6,658,000</u>	<u>5,600,829</u>	<u>-</u>	<u>12,258,829</u>
Unassigned fund balance				
Contingency reserve	8,572,482	-	-	8,572,482
Other	17,834,627	-	(111,371)	17,723,256
	<u>26,407,109</u>	<u>-</u>	<u>(111,371)</u>	<u>26,295,738</u>
Total Fund Balances	<u>\$ 48,472,160</u>	<u>\$ 15,874,735</u>	<u>\$ 44,004,259</u>	<u>\$ 108,351,154</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. RETIREMENT BENEFITS

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

Plan Description

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

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

Benefits Provided

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. RETIREMENT BENEFITS, Continued

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

The rate plan provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Safety	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit Formula	3.0% @ 55	2.5% @ 55
Benefit payment	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4 - 3%	2 - 2.5%
Required employee contribution rates	9.00%	8.000%
Required employer contribution rates	20.640%	11.590%
Required unfunded accrued liability payment (UAL)	\$680,457	\$419,096

	Safety	Miscellaneous
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.70%	2.00%
Required employee contribution rates	13.000%	6.750%
Required employer contribution rates	13.130%	7.590%
Required unfunded accrued liability payment (UAL)	\$23,344	\$26,925

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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2021, the contribution to the plan was \$2,261,018, consisting of \$1,258,175 for Safety and \$1,002,843 for Miscellaneous.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. 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, 2022, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$6,526,289.

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, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of measurement date June 30, 2020 and 2021 were as follows:

Proportion - June 30, 2020	0.11557%
Proportion - June 30, 2021	0.12067%
Change - Increase (Decrease)	<u>0.00510%</u>

For the year ended June 30, 2022, the City recognized pension expense of \$768,031. At June 30, 2022, 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	\$ 2,366,071	\$ -
Changes of assumptions	-	-
Differences between expected and actual experience	992,266	-
Changes in employer's proportion	501,392	-
Differences between the employer's contribution and the employer's proportionate share of contributions	103,588	(19,466)
Net differences between projected and actual earnings on plan investments	-	(4,465,102)
Total	<u>\$ 3,963,317</u>	<u>\$ (4,484,568)</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. RETIREMENT BENEFITS, Continued

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

Pension contributions subsequent to the measurement date in the amount of \$2,366,071 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, 2023. 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
2023	\$ (285,335)
2024	(518,492)
2025	(852,641)
2026	(1,230,854)

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%
Mortality ⁽²⁾	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

⁽²⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. 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 for the Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A detailed report testing these projections 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 and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

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

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. 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	\$	13,919,805
Current Discount Rate		7.15%
Net Pension Liability	\$	6,526,289
1% Increase		8.15%
Net Pension Liability	\$	435,862

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, 2022 the City reported a payable of \$81,884 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. All amounts were paid in July 2022 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 Section 457. Under the plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, death, or in an emergency defined by governing documents of the plan. The City does not make contributions to the plan 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 an outside third-party administrator to manage and invest the assets of the plan.

In the year 2021, the City evaluated the requirements of GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensations Plans and determined that the plan didn't meet the criteria to be reported as a fiduciary activity as required by the above mentioned GASB Statements since the assets held under this plan are not the City's property and are not subject to City control. Moreover, the plan is classified as other employee benefits for financial reporting purposes.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

10. 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 Pooled 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 self-insures and purchases general and auto liability coverage for claims in an amount up to \$30 million (subject to policy exclusions and sub-limits), and first-party property liability claims up to \$1 billion (subject to policy exclusions and sub-limits). 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.

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

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

B. Liability for Uninsured Claims

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

The City's liability for uninsured claims including a provision for claims incurred but not reported was computed as follows based on claims experience for the years ended June 30, 2020, 2021, and 2022:

	2020	2021	2022
Beginning balance of claims payable	\$ 263,000	\$ 222,000	\$ 133,000
Increase in estimated claims liability	121,960	(40,524)	123,526
Claims paid	(162,960)	(48,476)	(76,526)
Ending balance of claims payable	<u>\$ 222,000</u>	<u>\$ 133,000</u>	<u>\$ 180,000</u>
Current Portion	<u>\$ 103,300</u>	<u>\$ 61,000</u>	<u>\$ 96,656</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, 2022

11. JOINT VENTURES

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

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

The City/County Association of Governments of San Mateo County is a joint powers agency formed in 1990 between the various cities and transportation agencies in San Mateo County to prepare, adopt, monitor and enforce state mandated plans related to transportation, airport land use, storm water pollution prevention, and climate protection. For the year ended June 30, 2022, the City contributed \$84,122 for annual operations. An annual report may be obtained at 555 County Center 5th Floor, Redwood City, CA 94063.

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

The Housing Endowment and Regional Trust of San Mateo County (HEART) is a joint powers agency formed in 2003 as a public/private partnership comprised of the County of San Mateo, all twenty cities/towns within San Mateo County, and private sector members from business, nonprofit, and labor organizations. HEART is governed by a Board of Directors consisting of eleven elected officials from government member agencies and ten private sector members. HEART was established for the purpose of creating more affordable housing opportunities in the County. For the year ended June 30, 2022, the City contributed \$9,261 for annual administrative operations. An annual report may be obtained at 2905 S. El Camino Real, San Mateo, CA 94403.

C. *Peninsula Clean Energy*

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. JOINT VENTURES, Continued

D. Peninsula Traffic Congestion Relief Alliance

The Peninsula Traffic Congestion Relief Alliance (Alliance) is a joint powers authority formed in 2000 and is comprised of the County of San Mateo and seventeen cities/towns in San Mateo County. Alliance is governed by an eighteen-member Board of Directors consisting of an elected representative from each member jurisdiction. Alliance was established to perform transit systems management efforts to mitigate traffic congestion in member communities. The operations are funded by countywide Measure A transportation funds, grants, and contributions from members of a shuttle consortium. For the year ended June 30, 2022, the City did not make any member contribution to Alliance. An annual report may be obtained at 400 Oyster Point Blvd. Suite 409, South San Francisco, CA 94080.

E. San Francisquito Creek Joint Powers Authority

The City is one of five members of the San Francisquito Creek Joint Powers Authority (SFCJPA) formed in 1999 to manage and provide policy direction related to flood control measures, emergency response, stabilization and maintenance, and other environmental issues regarding the San Francisquito Creek. The City has no equity interest in the SFCJPA. For the year ended June 30, 2022, the City contributed \$337,240 for annual SFCJPA administrative operations. Financial statements may be obtained by mailing a request to 2100 Geng Road Suite 210, Palo Alto, CA 94303.

F. South Bayside Waste Management Authority

The City is one of twelve members of the South Bayside Waste Management Authority (SBWMA), which is a joint powers authority that the City commenced on March 1, 2000. The SBWMA was formed in 1982 to provide cost-effective waste reduction, recycling, and solid waste programs to member agencies to meet and sustain a minimum 50% diversion of waste from landfill as mandated by California State Law, AB939. SBWMA owns the Shoreway Environmental Center which serves as a regional solid waste and recycling facility and is operated by South Bay Recycling (SBR) on behalf of the SBWMA. The City has no equity interest in SBWMA. Through the operation of franchise agreements with each member, RECOLOGY collects fees charged for the use of the facilities and remits them to the SBWMA. Pursuant to an Operations Agreement with the SBWMA, RECOLOGY is compensated based on costs, a provision for profit and incentives for cost savings and performance. For the year ended June 30, 2022, the City made payments to Recology in the amount of \$2,624,384. Financial statements may be obtained by mailing a request to 610 Elm Street, Suite 202, San Carlos, CA 94070.

12. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES

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

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

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

12. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES, Continued

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

In November 2018, at American Water's request, the City authorized the assignment of all terms and conditions of the lease agreement from American Water to Veolia Water North America Operating Services LLC (Veolia) subject to certain conditions of approval, including State of California approval and issuance of a water permit to Veolia to operate the City's water system. On June 1, 2020, the City entered into a consent to assignment of the lease agreement with American Water whereby Veolia assumed all the terms and conditions of lease agreement from American Water.

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

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

The lessee may request water rate relief from the City to recover necessary and reasonable costs related to performing the water system services, including earning an operational rate of return of eight percent (8%) after-tax on defined, contractual gross revenues. The City agrees to enact water rates based upon such requirements and in accordance with applicable State Law regarding water rate increases. No water rate relief request was submitted to the City during the year ended June 30, 2022. 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, 2022 total approximately \$6.0 million.

The City has retained title of the Water System and related capital assets under the terms of the lease. Title for system improvements performed immediately vests with the City. The lessee may not retire, sell, transfer; convey, or encumber any real property or personal property of the Water System without the prior written consent of City. The City is not obligated to pay any costs or expense in connection with or related to the management, operation, improvement, repair, or maintenance of the water system during the lease term, except for costs related to environmental liabilities. The City currently has undertaken certain system improvements which are funded from grants, system impact fees, and water capital surcharges; of the system improvements authorized, approximately \$205,615 is authorized to be performed by the lessee for distribution system improvements, and \$500,000 is authorized to be performed for meter replacement labor costs. For the fiscal year ended June 30, 2022, water system assets total \$12,098,983 net of depreciation.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

12. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES, Continued

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

In consideration for the lease of the water system assets, the lessee agrees to pay the City a monthly lease payment equal to 6% and a monthly franchise fee equal to 5% of the annual gross revenues generated by the water system. For the year ended June 30, 2022, Veolia paid lease payments and franchise fees to the City in amount of \$402,472 and \$309,023, respectively. Further, for the year ended June 30, 2022, the City reported passed-through utility taxes and capital-related surcharges of \$295,459 and \$518,160, respectively.

13. CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

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

B. *Federal and State Grants*

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

C. *California State Water Resources Control Board Corrective Action Plan*

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

On August 15, 2015 the SWRCB acknowledged the City's Corrective Action Plan (CAP) whereby the City will take steps to ensure the water supply and/or storage of water is safe and sustainable in the event SFPUC water becomes unavailable. The critical elements of the CAP are the new groundwater wells, the construction of water system interties, and the construction of storage tanks over an estimated period of seven (7) years. However, the CAP recognizes that the timing for the construction of the storage tanks is less certain due to the prioritization of the groundwater wells, staffing limitations and complexities securing site control. The highest priority water system improvements have estimated costs of roughly \$15.5 million. The City enacted a capital improvement surcharge, contributed general and community benefit funds to the water system, secured grant funding and completed refurbishment of the Gloria Way Water Well, and has funding for the water system interties. As of June 30, 2022, the City has capital water reserves of approximately \$4.7 million.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

13. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Water Rights Acquisition and Related Agreements

Water Rights Acquisition Agreements

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

Silicon Valley Community Foundation (SVCF) Gift Agreement/Advance \$2.0 Million - In June 2017, the City entered into a gift agreement with the SVCF for \$2.5 million whereby the gift is restricted for the purpose of incentivizing the development of affordable housing within the City. Up to \$2,000,000 was authorized and utilized for an inter-fund advance from SVCF special revenue fund to acquire permanent water rights. The advance is repaid upon the receipt of related water capacity charge or related impact or charge imposed by the City. The remaining funds are restricted to fund not less than \$500,000 for an affordable housing manager over a minimum period of five years. As of June 30, 2022, the inter-fund advance amount totaled \$1,951,913.

General Fund Advance \$0.47 Million - The City approved a long-term inter-fund advance to the Water Service Enterprise Fund for purpose of facilitating the permanent water rights transfer. Reimbursement of the funds advanced will be made solely from capacity charges established by the City, as allowed, to cover the entire cost the water rights transfer and charged for new or expanded water connections to its water system. As of June 30, 2022, the inter-fund advance amount totaled \$458,480.

Amendment to Water Supply Implementation Agreement \$1.53 Million - In June 2017, the City approved an amendment to the Water Supply Implementation Agreement (Amended WSIA) in order establish terms for payment of the attributed share of the costs of the permanent water rights transfer. Under the terms of the amendment; 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively “developers”) agreed to advance a collective total of \$1.53 million as the developers’ attributed share of the cost of the water rights transfer. For a period of eight (8) years after the effective date of the water rights transfer, if entitlement for a developer site is approved in accordance with the City’s laws and policies, any payments made under the Amended WSIA will be credited against a water capacity charge or related impact or buy-in charge imposed by the City typically upon issuance of building permits. As of June 30, 2022, the Primary School and Sobrato development projects were entitled; however, no building permits have been issued.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

13. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Water Rights Acquisition and Related Agreements, Continued

Water Rights Acquisition Agreements, Continued

Sobrato Organization LLC Reimbursement Agreement \$1.0 Million - The City approved a reimbursement agreement (Agreement) with the Sobrato Organization LLC (Sobrato) to provide funds in the amount of \$1,000,000 for the purpose of facilitating the permanent water rights transfer. Reimbursement of the funds advanced will be made solely from capacity charges established by the City, as allowed, to cover the entire cost the water rights transfer and charged for new or expanded water connections to its water system. The Agreement expires upon the earlier of the date of full reimbursement of the advance or August 4, 2037 (twenty years from Agreement effective date). Upon expiration, the City's commitments under the agreement terminate. In December 2019, in accordance with approved project entitlements and conditions of approval, Sobrato agreed to forego all outstanding amounts advanced under the Agreement upon the issuance of a building certificate of occupancy, which did not occur as of year-end. As of June 30, 2022, the balance of the advance totaled \$975,957.

As of June 30, 2022, the advance from the Developers was outstanding for a collective total of \$2,505,957.

E. Affordable Housing and Sustainable Communities Grant Commitments

In June 2019, the City received a jointly submitted grant award of \$20 million in partnership with Eden Housing, EPA CAN DO, and the San Mateo County Transit District (SamTrans). The grant funding consists of \$13.5 million in loans for affordable housing development, and \$6.5 million for transit and infrastructure improvements. Under the terms of the grant award, applicants are held jointly and severally liable to provide accountability and ensure the full scope of the project application is implemented. The City entered into cooperation and indemnification agreements with the grant co-applicants to mitigate risks among the parties. Of the \$20 million, the City is responsible for completing \$3.75 million in sustainable transportation infrastructure, and transit-related amenities in a timely manner. As of June 30, 2022, no projects have been completed.

F. CalOES Grant Commitment for SAFER Bay Project

In September 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 (CalOES), 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 through Bay Road and constructing related and necessary environmental mitigations. The grant required the City to reserve the required local funding match (25%) which was equal to \$5.5 million, and the City of East Palo Alto has committed \$5.5M in capital funding to construct the portion of the project in East Palo Alto. The engineering and design phase of the project was approved and awarded for \$3.5 million by FEMA in September 2022.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

13. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

G. Flood and Sea Level Rise Resiliency Agency

In March 2019, in conjunction with the County of San Mateo, C/CAG and other cities and towns in San Mateo County, the City agreed to fund the startup costs to modify the existing San Mateo County Flood Control District including expanding the scope and modifying the governance structure. The estimated startup costs approved total \$1.1 million, of which the City agreed to fund \$40,000 per year for a three-year period. For the year ended June 30, 2022, the City paid its final \$40,000 commitment.

14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Dissolution

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

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

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

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

Cash and investments of the Successor Agency as of June 30, 2022 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2022.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

B. Long-Term Debt

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

	Issue Amount	Balance at June 30, 2021	Retirements	Discount/ Premium	Balance at June 30, 2022	Due within One Year
Successor Agency						
2015 Tax Allocation						
Refunding Bonds Series A						
3.625%-4% due 10/1/2032	\$ 16,950,000	\$ 15,202,648	\$ 975,000	\$ (87,330)	\$ 14,140,318	\$ 1,030,000
Total Successor Agency	<u>\$ 16,950,000</u>	<u>\$ 15,202,648</u>	<u>\$ 975,000</u>	<u>\$ (87,330)</u>	<u>\$ 14,140,318</u>	<u>\$ 1,030,000</u>

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. The Series 2015B Refunding Bonds had been paid off in the fiscal year ending June 30, 2019.

Series 2015A Refunding Bonds

The 2015A Refunding Bonds mature annually starting October 1, 2018 through 2032, with semi-annual installments ranging from \$45,000 to \$1,515,000. The interest on the 2015A Refunding Bonds is payable semi-annually on each April 1 and October 1, with coupon rates ranging from 3.00% to 5.00%. The Series 2015A Bonds maturing on or after October 1, 2026, are subject to redemption, at the option of the Successor Agency on any date on or after October 1, 2025, in whole or in part, by such maturities as are determined by the Successor Agency and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2022

14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

B. Long-Term Debt, Continued

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,030,000	\$ 520,300	\$ 1,545,425
2024	1,085,000	467,425	1,550,300
2025	1,140,000	411,800	1,551,800
2026	1,195,000	353,425	1,548,425
2027	1,250,000	304,800	1,554,800
2028-2032	6,880,000	887,747	7,767,747
2033	1,515,000	27,459	1,542,459
Subtotal	14,095,000	<u>\$ 2,972,956</u>	<u>\$ 17,060,956</u>
Bond Premium	45,318		
Total	<u>\$ 14,140,318</u>		

Pledged Revenues

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

C. Deferred Inflows of Resources

The Successor Agency recorded the following item as deferred inflows of resources as of June 30, 2022.

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
2015 Tax Allocation Refunding Bonds - gain on refunding	\$ 189,416	\$ -	\$ (35,524)	\$ 153,892
Total	<u>\$ 189,416</u>	<u>\$ -</u>	<u>\$ (35,524)</u>	<u>\$ 153,892</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of East Palo Alto
Notes to Required Supplementary Information
For the year ended June 30, 2022

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 the Housing Assistance Fund and the 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, 2022

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	\$ 13,935,000	\$ 15,735,000	\$ 15,843,008	\$ 108,008
Sales taxes	5,575,000	5,675,000	5,738,443	63,443
Transient occupancy tax	550,000	1,010,000	1,158,314	148,314
Utility users tax	1,535,000	1,665,000	1,631,049	(33,951)
Other taxes	1,380,000	1,580,000	1,692,627	112,627
Licenses, fees and permits	1,450,000	1,450,000	1,583,769	133,769
Charges for services	940,000	940,000	683,819	(256,181)
Fines and forfeitures	307,500	307,500	263,437	(44,063)
Use of money and property	332,500	332,500	(1,001,012)	(1,333,512)
Grants and intergovernmental	65,000	230,000	220,361	(9,639)
Miscellaneous	2,850,000	1,509,040	1,697,367	188,327
Total revenues	28,920,000	30,434,040	29,511,182	(922,858)
EXPENDITURES:				
Current:				
General government	5,739,400	5,875,120	5,444,582	430,538
Public safety	13,011,410	8,500,378	8,109,725	390,653
Public works	4,051,150	3,819,245	3,310,437	508,808
Culture and recreation	707,600	829,871	727,276	102,595
Community development	5,309,550	4,623,998	3,760,833	863,165
Capital outlay	579,085	458,375	101,966	356,409
Debt service:				
Principal	-	-	-	-
Interest, and fiscal charges	-	-	6,561	(6,561)
Total expenditures	29,398,195	24,106,987	21,461,380	2,645,607
REVENUES OVER (UNDER) EXPENDITURES	(478,195)	6,327,053	8,049,802	1,722,749
OTHER FINANCING SOURCES (USES):				
Transfer in	1,301,450	-	-	-
Transfer out	(823,255)	(2,381,000)	(2,381,000)	-
Total other financing sources (uses)	478,195	(2,381,000)	(2,381,000)	-
Net change in fund balance	\$ -	\$ 3,946,053	5,668,802	\$ 1,722,749
FUND BALANCE:				
Beginning of year			42,803,358	
End of year			<u>\$ 48,472,160</u>	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2022

2. DEFINED BENEFIT PENSION PLAN

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

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Proportion of the net pension liability	0.120670%	0.115570%	0.112300%	0.110450%
Proportionate share of the net pension liability	\$ 6,526,289	\$ 12,574,721	\$ 11,507,754	\$ 10,642,902
Covered payroll	\$ 10,344,561	\$ 9,673,702	\$ 9,577,025	\$ 9,257,855
Proportionate share of the net pension liability as a percentage of covered payroll	63.09%	129.99%	120.16%	114.96%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016,
and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions were adjusted in fiscal year 2019.

<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
6/30/2017	6/30/2016	6/30/2015	6/30/2014
0.109441%	0.109310%	0.118190%	0.126260%
\$ 10,853,587	\$ 9,458,584	\$ 8,112,375	\$ 7,856,469
\$ 8,464,356	\$ 8,078,420	\$ 7,962,595	\$ 7,773,690
128.23%	117.08%	101.88%	101.06%
73.31%	74.06%	78.40%	79.82%

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2022

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Contributions - Last 10 Years*

Fiscal year	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	\$ 2,366,071	\$ 2,261,018	\$ 1,976,048	\$ 1,812,899
Contribution in relation to the actuarially determined contributions	(2,366,071)	(2,261,018)	(1,976,048)	(1,812,899)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,120,545	\$ 10,344,561	\$ 9,673,702	\$ 9,577,025
Contributions as a percentage of covered payroll	23.38%	21.86%	20.43%	18.93%

Notes to Schedule:

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

Valuation date (for contractually required contribution):	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value

Inflation:	2.50%	2.50%	2.63%	2.75%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%	7.375%
Retirement age:	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)

- (1) Level percentage · Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
50 for all plans, with the exception of 52 for Miscellaneous PEPRA
- (3) 2%@62
- (4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

2018	2017	2016	2015
\$ 1,642,560	\$ 1,493,218	\$ 1,371,578	\$ 1,477,383
(1,642,560)	(1,493,218)	(1,371,578)	(1,477,383)
\$ -	\$ -	\$ -	\$ -
\$ 9,257,855	\$ 8,464,356	\$ 8,078,420	\$ 7,962,595
17.74%	17.64%	16.98%	18.55%

6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)
7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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

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

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

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

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

American Rescue Plan Act Fund accounts for the funds received from the Department of the Treasury relating to the American Rescue Plan Act passed in March 2021.

CAPITAL PROJECT FUND

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

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
ASSETS					
Cash and investments	\$ 387,644	\$ 3,629,849	\$ 256,714	\$ 333,211	\$ 694,546
Receivables:					
Accrued interest	1,081	9,238	703	871	1,901
Taxes	-	-	-	-	-
Intergovernmental	-	161,116	32,226	-	-
Accounts receivable	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Loans and notes receivable	-	-	-	-	-
Total assets	\$ 388,725	\$ 3,800,203	\$ 289,643	\$ 334,082	\$ 696,447
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,690	\$ 16,964	\$ 1,005	\$ -	\$ 3,525
Retentions payable	-	55,141	-	-	-
Other accrued liabilities	-	3,309	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	13,690	75,414	1,005	-	3,525
Deferred inflows of resources:					
Unavailable revenue	-	-	32,226	-	-
Fund Balances:					
Restricted	375,035	3,724,789	256,412	334,082	692,922
Unassigned	-	-	-	-	-
Total fund balances	375,035	3,724,789	256,412	334,082	692,922
Total liabilities, deferred inflows of resources, and fund balances	\$ 388,725	\$ 3,800,203	\$ 289,643	\$ 334,082	\$ 696,447

Special Revenue

Federal and State Grants	Housing Assistance	Measure A	CYSFF TOT	Lighting District	Drainage District	Measure C	Local Grants
\$ -	\$ 326,113	\$ 4,672,354	\$ 973,952	\$ 4,223,289	\$ 730,124	\$ 217,093	\$ 584,746
-	861	11,977	2,489	11,019	2,042	566	1,558
-	-	-	-	112,649	6,976	-	-
417,360	-	-	-	-	-	-	-
-	837	55,701	25,091	-	-	-	-
-	-	-	-	-	-	-	-
-	137,175	-	-	-	-	-	-
<u>\$ 417,360</u>	<u>\$ 464,986</u>	<u>\$ 4,740,032</u>	<u>\$ 1,001,532</u>	<u>\$ 4,346,957</u>	<u>\$ 739,142</u>	<u>\$ 217,659</u>	<u>\$ 586,304</u>
\$ 17,999	\$ 769	\$ -	\$ -	\$ 26,199	\$ 11,980	\$ -	\$ 17,320
-	-	13,462	-	6,233	-	-	-
4,009	-	-	-	-	-	-	46,305
256,373	-	-	-	-	-	-	-
<u>278,381</u>	<u>769</u>	<u>13,462</u>	<u>-</u>	<u>32,432</u>	<u>11,980</u>	<u>-</u>	<u>63,625</u>
205,693	-	-	-	-	-	-	-
-	464,217	4,726,570	1,001,532	4,314,525	727,162	217,659	522,679
(66,714)	-	-	-	-	-	-	-
(66,714)	464,217	4,726,570	1,001,532	4,314,525	727,162	217,659	522,679
<u>\$ 417,360</u>	<u>\$ 464,986</u>	<u>\$ 4,740,032</u>	<u>\$ 1,001,532</u>	<u>\$ 4,346,957</u>	<u>\$ 739,142</u>	<u>\$ 217,659</u>	<u>\$ 586,304</u>

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue				
	SVCF	Low and Moderate Income Housing Successor	Housing in Lieu	Housing TOT	Measure HH
ASSETS					
Cash and investments	\$ 62,513	\$ 2,423,914	\$ 6,626,695	\$ 2,635,752	\$ 4,730,557
Receivables:					
Accrued interest	159	340,252	17,280	10,130	12,161
Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Accounts receivable	-	-	-	25,091	-
Advances to other funds	1,951,913	-	-	-	-
Loans and notes receivable	-	6,149,516	-	663,536	-
Total assets	\$ 2,014,585	\$ 8,913,682	\$ 6,643,975	\$ 3,334,509	\$ 4,742,718
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 26,374	\$ -	\$ -	\$ -
Retentions payable	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	26,374	-	-	-
Deferred inflows of resources:					
Unavailable revenue	-	334,051	-	3,337	-
Fund Balances:					
Restricted	2,014,585	8,553,257	6,643,975	3,331,172	4,742,718
Unassigned	-	-	-	-	-
Total fund balances	2,014,585	8,553,257	6,643,975	3,331,172	4,742,718
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,014,585	\$ 8,913,682	\$ 6,643,975	\$ 3,334,509	\$ 4,742,718

Special Revenue		Capital Project		
Measure W	ARPA	CIP Impact Fees	Total Non-Major Governmental Funds	
\$ 802,049	\$ -	\$ 601,963	\$ 34,913,078	
1,974	3,318	1,568	431,148	
-	-	-	119,625	
-	-	-	610,702	
64,785	413	-	171,918	
-	-	-	1,951,913	
-	-	-	6,950,227	
<u>\$ 868,808</u>	<u>\$ 3,731</u>	<u>\$ 603,531</u>	<u>\$ 45,148,611</u>	
\$ -	\$ 1,054	\$ -	\$ 136,879	
-	-	-	74,836	
-	-	-	53,623	
-	46,921	-	303,294	
-	47,975	-	568,632	
-	413	-	575,720	
868,808	-	603,531	44,115,630	
-	(44,657)	-	(111,371)	
<u>868,808</u>	<u>(44,657)</u>	<u>603,531</u>	<u>44,004,259</u>	
<u>\$ 868,808</u>	<u>\$ 3,731</u>	<u>\$ 603,531</u>	<u>\$ 45,148,611</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, 2022

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Transient occupancy tax	-	-	-	-	-
Other taxes	-	1,333,961	-	-	-
Licenses, fees and permits	-	-	-	-	-
Charges for services	129,971	-	-	-	526,825
Use of money and property	(14,030)	(86,484)	(6,144)	(8,881)	(16,634)
Grants and intergovernmental	-	-	161,285	-	-
Miscellaneous	-	-	-	-	-
Total revenues	115,941	1,247,477	155,141	(8,881)	510,191
EXPENDITURES:					
Current:					
General government	80,496	196,309	-	-	244,095
Public safety	-	-	105,783	-	-
Public works	113,681	338,113	-	-	-
Culture and recreation	-	-	-	-	-
Community development	160,797	-	-	-	304,596
Capital outlay	98,202	46,547	-	1,131	-
Total expenditures	453,176	580,969	105,783	1,131	548,691
REVENUES OVER (UNDER) EXPENDITURES	(337,235)	666,508	49,358	(10,012)	(38,500)
OTHER FINANCING SOURCES (USES):					
Transfers in	156,570	64,500	-	-	-
Total other financing sources (uses)	156,570	64,500	-	-	-
Net change in fund balances	(180,665)	731,008	49,358	(10,012)	(38,500)
FUND BALANCES:					
Beginning of the year	555,700	2,993,781	207,054	344,094	731,422
End of year	<u>\$ 375,035</u>	<u>\$ 3,724,789</u>	<u>\$ 256,412</u>	<u>\$ 334,082</u>	<u>\$ 692,922</u>

Special Revenue

Federal and State Grants	Housing Assistance	Measure A	CYSFF TOT	Lighting District	Drainage District	Measure C	Local Grants
\$ -	\$ -	\$ -	\$ -	\$ 771,242	\$ 268,191	\$ -	\$ -
-	-	746,951	-	-	-	-	-
-	-	-	144,789	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	151	-	-	-	-	-	-
(149)	(5,115)	(114,954)	(24,800)	(106,685)	(17,970)	(5,501)	(17,107)
288,487	-	-	-	-	-	-	150,000
-	1	-	-	-	-	-	-
<u>288,338</u>	<u>(4,963)</u>	<u>631,997</u>	<u>119,989</u>	<u>664,557</u>	<u>250,221</u>	<u>(5,501)</u>	<u>132,893</u>
-	1,520	1,583	43,040	45,849	87,533	-	7,851
-	5,654	-	-	-	-	-	137,519
828	-	-	-	113,771	67,004	-	-
44,472	-	-	-	-	-	-	97,441
247,829	1,485	-	-	-	-	-	65,361
-	-	20,681	-	147,431	73,396	-	-
<u>293,129</u>	<u>8,659</u>	<u>22,264</u>	<u>43,040</u>	<u>307,051</u>	<u>227,933</u>	<u>-</u>	<u>308,172</u>
<u>(4,791)</u>	<u>(13,622)</u>	<u>609,733</u>	<u>76,949</u>	<u>357,506</u>	<u>22,288</u>	<u>(5,501)</u>	<u>(175,279)</u>
-	-	-	-	-	100,140	-	-
-	-	-	-	-	100,140	-	-
(4,791)	(13,622)	609,733	76,949	357,506	122,428	(5,501)	(175,279)
<u>(61,923)</u>	<u>477,839</u>	<u>4,116,837</u>	<u>924,583</u>	<u>3,957,019</u>	<u>604,734</u>	<u>223,160</u>	<u>697,958</u>
<u>\$ (66,714)</u>	<u>\$ 464,217</u>	<u>\$ 4,726,570</u>	<u>\$ 1,001,532</u>	<u>\$ 4,314,525</u>	<u>\$ 727,162</u>	<u>\$ 217,659</u>	<u>\$ 522,679</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, 2022

	Special Revenue				
	SVCF	Low and Moderate Income Housing Successor	Housing in Lieu	Housing TOT	Measure HH
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Transient occupancy tax	-	-	-	144,789	-
Other taxes	-	-	-	-	1,677,265
Licenses, fees and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Use of money and property	(3,796)	(63,002)	(176,475)	(12,340)	(101,281)
Grants and intergovernmental	-	-	-	-	-
Miscellaneous	-	2,918	-	-	-
Total revenues	(3,796)	(60,084)	(176,475)	132,449	1,575,984
EXPENDITURES:					
Current:					
General government	-	33,369	28,665	28,666	6
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	149,792	330,103	360	-	121,619
Capital outlay	-	-	-	-	-
Total expenditures	149,792	363,472	29,025	28,666	121,625
REVENUES OVER (UNDER) EXPENDITURES	(153,588)	(423,556)	(205,500)	103,783	1,454,359
OTHER FINANCING SOURCES (USES):					
Transfers in	-	281,130	-	-	-
Total other financing sources (uses)	-	281,130	-	-	-
Net change in fund balances	(153,588)	(142,426)	(205,500)	103,783	1,454,359
FUND BALANCES:					
Beginning of the year	2,168,173	8,695,683	6,849,475	3,227,389	3,288,359
End of year	<u>\$ 2,014,585</u>	<u>\$ 8,553,257</u>	<u>\$ 6,643,975</u>	<u>\$ 3,331,172</u>	<u>\$ 4,742,718</u>

Special Revenue		Capital Project	
Measure W	ARPA	CIP Impact Fees	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,039,433
337,819	-	-	1,084,770
-	-	-	289,578
-	-	-	3,011,226
-	-	41,411	41,411
-	-	-	656,947
(15,621)	(16,326)	(14,738)	(828,033)
-	3,506,266	-	4,106,038
-	-	-	2,919
<u>322,198</u>	<u>3,489,940</u>	<u>26,673</u>	<u>9,404,289</u>
-	34,463	-	833,445
-	3,408,629	-	3,657,585
-	91,505	-	724,902
-	-	-	141,913
-	-	-	1,381,942
-	-	-	387,388
-	<u>3,534,597</u>	-	<u>7,127,175</u>
<u>322,198</u>	<u>(44,657)</u>	<u>26,673</u>	<u>2,277,114</u>
-	-	-	602,340
-	-	-	602,340
322,198	(44,657)	26,673	2,879,454
546,610	-	576,858	41,124,805
<u>\$ 868,808</u>	<u>\$ (44,657)</u>	<u>\$ 603,531</u>	<u>\$ 44,004,259</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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 144,000	\$ 144,000	\$ 129,971	\$ (14,029)
Use of money and property	4,000	4,000	(14,030)	(18,030)
Grants and intergovernmental revenue	173,500	297,405	-	(297,405)
Total revenues	321,500	445,405	115,941	(329,464)
EXPENDITURES:				
Current:				
General government	80,680	80,680	80,496	184
Public works	133,335	205,051	113,681	91,370
Community development	264,055	264,055	160,797	103,258
Capital outlay	-	123,905	98,202	25,703
Total expenditures	478,070	673,691	453,176	220,515
REVENUES OVER (UNDER) EXPENDITURES	(156,570)	(228,286)	(337,235)	(108,949)
OTHER FINANCING SOURCES (USES):				
Transfer in	156,570	156,570	156,570	-
Total other financing sources (uses)	156,570	156,570	156,570	-
Net change in fund balance	\$ -	\$ (71,716)	(180,665)	\$ (108,949)
FUND BALANCE:				
Beginning of year			555,700	
End of year			<u>\$ 375,035</u>	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 1,385,460	\$ 1,385,460	\$ 1,333,961	\$ (51,499)
Use of money and property	11,000	11,000	(86,484)	(97,484)
Total revenues	<u>1,396,460</u>	<u>1,396,460</u>	<u>1,247,477</u>	<u>(148,983)</u>
EXPENDITURES:				
Current:				
General government	196,315	196,315	196,309	6
Public works	516,450	616,450	338,113	278,337
Capital outlay	550,000	550,000	46,547	503,453
Total expenditures	<u>1,262,765</u>	<u>1,362,765</u>	<u>580,969</u>	<u>781,796</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>133,695</u>	<u>33,695</u>	<u>666,508</u>	<u>632,813</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	64,500	64,500	64,500	-
Total other financing sources (uses)	<u>64,500</u>	<u>64,500</u>	<u>64,500</u>	<u>-</u>
Net change in fund balance	<u>\$ 198,195</u>	<u>\$ 98,195</u>	731,008	<u>\$ 632,813</u>
FUND BALANCE:				
Beginning of year			<u>2,993,781</u>	
End of year			<u>\$ 3,724,789</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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ (6,144)	\$ (8,144)
Grants and intergovernmental	155,000	155,000	161,285	6,285
Total revenues	<u>157,000</u>	<u>157,000</u>	<u>155,141</u>	<u>(1,859)</u>
EXPENDITURES:				
Current:				
Public safety	153,575	153,575	105,783	47,792
Total expenditures	<u>153,575</u>	<u>153,575</u>	<u>105,783</u>	<u>47,792</u>
Net change in fund balance	<u>\$ 3,425</u>	<u>\$ 3,425</u>	49,358	<u>\$ 45,933</u>
FUND BALANCE:				
Beginning of year			<u>207,054</u>	
End of year			<u>\$ 256,412</u>	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (8,881)	\$ (8,881)
Total revenues	<u>-</u>	<u>-</u>	<u>(8,881)</u>	<u>(8,881)</u>
EXPENDITURES:				
Current:				
Capital outlay	-	1,131	1,131	-
Total expenditures	<u>-</u>	<u>1,131</u>	<u>1,131</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,131)</u>	(10,012)	<u>\$ (8,881)</u>
FUND BALANCE:				
Beginning of year			<u>344,094</u>	
End of year			<u>\$ 334,082</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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 530,000	\$ 530,000	\$ 526,825	\$ (3,175)
Fines and forfeitures	2,500	2,500	-	(2,500)
Use of money and property	6,000	6,000	(16,634)	(22,634)
Total revenues	538,500	538,500	510,191	(28,309)
EXPENDITURES:				
Current:				
General government	244,095	244,095	244,095	-
Community development	490,930	490,930	304,596	186,334
Total expenditures	735,025	735,025	548,691	186,334
Net change in fund balance	\$ (196,525)	\$ (196,525)	(38,500)	\$ 158,025
FUND BALANCE:				
Beginning of year			731,422	
End of year			\$ 692,922	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (149)	\$ (149)
Grants and intergovernmental	155,500	170,500	288,486	117,986
Total revenues	<u>155,500</u>	<u>170,500</u>	<u>288,337</u>	<u>117,837</u>
EXPENDITURES:				
Current:				
General government	-	15,000	-	15,000
Public works	-	-	827	(827)
Culture and recreation	40,000	40,000	44,472	(4,472)
Community development	115,500	322,859	247,829	75,030
Total expenditures	<u>155,500</u>	<u>377,859</u>	<u>293,128</u>	<u>84,731</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (207,359)</u>	(4,791)	<u>\$ 202,568</u>
FUND BALANCE:				
Beginning of year			<u>(61,923)</u>	
End of year			<u>\$ (66,714)</u>	

City of East Palo Alto

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

Housing Assistance Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 2,500	\$ 2,500	\$ 151	\$ (2,349)
Use of money and property	2,000	2,000	(5,115)	(7,115)
Miscellaneous	-	-	1	1
Total revenues	4,500	4,500	(4,963)	(9,463)
EXPENDITURES:				
Current:				
General government	1,520	1,520	1,520	-
Public safety	-	-	5,654	(5,654)
Community development	14,500	14,500	1,485	13,015
Total expenditures	16,020	16,020	8,659	7,361
Net change in fund balance	\$ (11,520)	\$ (11,520)	(13,622)	\$ (2,102)
FUND BALANCE:				
Beginning of year			477,839	
End of year			\$ 464,217	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 575,000	\$ 575,000	\$ 746,951	\$ 171,951
Use of money and property	36,000	36,000	(114,954)	(150,954)
Total revenues	611,000	611,000	631,997	20,997
EXPENDITURES:				
Current:				
General government	3,125	3,125	1,583	1,542
Capital outlay	500,000	500,000	20,681	479,319
Total expenditures	503,125	503,125	22,264	480,861
Net change in fund balance	\$ 107,875	\$ 107,875	609,733	\$ 501,858
FUND BALANCE:				
Beginning of year			4,116,837	
End of year			\$ 4,726,570	

City of East Palo Alto

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

CYSFF TOT Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 68,750	\$ 93,750	\$ 144,789	\$ 51,039
Use of money and property	6,000	6,000	(24,800)	(30,800)
Total revenues	<u>74,750</u>	<u>99,750</u>	<u>119,989</u>	<u>20,239</u>
EXPENDITURES:				
Current:				
General government	43,040	43,040	43,040	-
Culture and recreation	245,000	245,000	-	245,000
Total expenditures	<u>288,040</u>	<u>288,040</u>	<u>43,040</u>	<u>245,000</u>
Net change in fund balance	<u>\$ (213,290)</u>	<u>\$ (188,290)</u>	76,949	<u>\$ 265,239</u>
FUND BALANCE:				
Beginning of year			<u>924,583</u>	
End of year			<u>\$ 1,001,532</u>	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 667,700	\$ 667,700	\$ 771,242	\$ 103,542
Use of money and property	31,000	31,000	(106,685)	(137,685)
Total revenues	698,700	698,700	664,557	(34,143)
EXPENDITURES:				
Current:				
General government	48,030	48,030	45,849	2,181
Public works	172,995	172,995	113,771	59,224
Capital outlay	-	264,098	147,431	116,667
Total expenditures	221,025	485,123	307,051	178,072
Net change in fund balance	\$ 477,675	\$ 213,577	357,506	\$ 143,929
FUND BALANCE:				
Beginning of year			3,957,019	
End of year			<u>\$ 4,314,525</u>	

City of East Palo Alto

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

Drainage District Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 137,900	\$ 137,900	\$ 268,191	\$ 130,291
Use of money and property	4,000	4,000	(17,970)	(21,970)
Total revenues	141,900	141,900	250,221	108,321
EXPENDITURES:				
Current:				
General government	87,545	87,545	87,533	12
Public works	239,495	239,495	67,004	172,491
Capital outlay	-	73,395	73,396	(1)
Total expenditures	327,040	400,435	227,933	172,502
REVENUES OVER (UNDER) EXPENDITURES	(185,140)	(258,535)	22,288	280,823
OTHER FINANCING SOURCES (USES):				
Transfer in	100,140	100,140	100,140	-
Total other financing sources (uses)	100,140	100,140	100,140	-
Net change in fund balance	\$ (85,000)	\$ (158,395)	122,428	\$ 280,823
FUND BALANCE:				
Beginning of year			604,734	
End of year			<u>\$ 727,162</u>	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ (5,501)	\$ (6,501)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>(5,501)</u>	<u>(6,501)</u>
EXPENDITURES:				
Current:				
General government	800	800	-	800
Culture and recreation	206,500	206,500	-	206,500
Total expenditures	<u>207,300</u>	<u>207,300</u>	<u>-</u>	<u>207,300</u>
Net change in fund balance	<u>\$ (206,300)</u>	<u>\$ (206,300)</u>	(5,501)	<u>\$ 200,799</u>
FUND BALANCE:				
Beginning of year			<u>223,160</u>	
End of year			<u>\$ 217,659</u>	

City of East Palo Alto

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

Local Grants Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,000	\$ 3,000	\$ (17,107)	\$ (20,107)
Grants and intergovernmental	-	150,000	150,000	-
Total revenues	<u>3,000</u>	<u>153,000</u>	<u>132,893</u>	<u>(20,107)</u>
EXPENDITURES:				
Current:				
General government	-	-	7,851	(7,851)
Public safety	-	205,270	137,519	67,751
Culture and recreation	-	100,000	97,441	2,559
Community development	-	74,246	65,361	8,885
Total expenditures	<u>-</u>	<u>379,516</u>	<u>308,172</u>	<u>71,344</u>
Net change in fund balance	<u>\$ 3,000</u>	<u>\$ (226,516)</u>	<u>(175,279)</u>	<u>\$ 51,237</u>
FUND BALANCE:				
Beginning of year			<u>697,958</u>	
End of year			<u>\$ 522,679</u>	

City of East Palo Alto

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

Silicon Valley Community Foundation (SVCF) Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ (3,796)	\$ (4,796)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>(3,796)</u>	<u>(4,796)</u>
EXPENDITURES:				
Current:				
Community development	149,420	149,420	149,792	(372)
Total expenditures	<u>149,420</u>	<u>149,420</u>	<u>149,792</u>	<u>(372)</u>
Net change in fund balance	<u>\$ (148,420)</u>	<u>\$ (148,420)</u>	(153,588)	<u>\$ (5,168)</u>
FUND BALANCE:				
Beginning of year			<u>2,168,173</u>	
End of year			<u>\$ 2,014,585</u>	

City of East Palo Alto

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

Low and Moderate Income Housing Fund Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 20,000	\$ 20,000	\$ (63,002)	\$ (83,002)
Miscellaneous	-	-	2,918	2,918
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>(60,084)</u>	<u>(80,084)</u>
EXPENDITURES:				
Current:				
General government	60,935	60,935	33,369	27,566
Community development	485,115	510,115	330,103	180,012
Total expenditures	<u>546,050</u>	<u>571,050</u>	<u>363,472</u>	<u>207,578</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(526,050)</u>	<u>(551,050)</u>	<u>(423,556)</u>	<u>127,494</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from loans	60,000	60,000	-	(60,000)
Transfer in	281,130	281,130	281,130	-
Total other financing sources (uses)	<u>341,130</u>	<u>341,130</u>	<u>281,130</u>	<u>(60,000)</u>
Net change in fund balance	<u>\$ (184,920)</u>	<u>\$ (209,920)</u>	<u>(142,426)</u>	<u>\$ 67,494</u>
FUND BALANCE:				
Beginning of year			<u>8,695,683</u>	
End of year			<u>\$ 8,553,257</u>	

City of East Palo Alto

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

Housing in Lieu Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 41,000	\$ 41,000	\$ (176,475)	\$ (217,475)
Grants and intergovernmental	-	240,000	-	(240,000)
Total revenues	<u>41,000</u>	<u>281,000</u>	<u>(176,475)</u>	<u>(457,475)</u>
EXPENDITURES:				
Current:				
General government	28,665	28,665	28,665	-
Community development	1,200,000	290,000	360	289,640
Capital outlay	-	-	-	-
Total expenditures	<u>1,228,665</u>	<u>318,665</u>	<u>29,025</u>	<u>289,640</u>
Net change in fund balance	<u>\$ (1,187,665)</u>	<u>\$ (37,665)</u>	(205,500)	<u>\$ (167,835)</u>
FUND BALANCE:				
Beginning of year			6,849,475	
End of year			<u>\$ 6,643,975</u>	

City of East Palo Alto

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

Housing TOT Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 68,750	\$ 93,750	\$ 144,789	\$ 51,039
Use of money and property	20,000	20,000	(12,340)	(32,340)
Total revenues	88,750	113,750	132,449	18,699
EXPENDITURES:				
Current:				
General government	28,665	28,665	28,666	(1)
Total expenditures	28,665	28,665	28,666	(1)
Net change in fund balance	\$ 60,085	\$ 85,085	103,783	\$ 18,698
FUND BALANCE:				
Beginning of year			3,227,389	
End of year			\$ 3,331,172	

City of East Palo Alto

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

Measure HH Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 1,677,280	\$ 1,677,280	\$ 1,677,265	\$ (15)
Use of money and property	25,000	25,000	(101,281)	(126,281)
Total revenues	<u>1,702,280</u>	<u>1,702,280</u>	<u>1,575,984</u>	<u>(126,296)</u>
EXPENDITURES:				
Current:				
General government	3,010	3,010	6	3,004
Community development	628,335	218,712	121,619	97,093
Total expenditures	<u>631,345</u>	<u>221,722</u>	<u>121,625</u>	<u>100,097</u>
Net change in fund balance	<u>\$ 1,070,935</u>	<u>\$ 1,480,558</u>	1,454,359	<u>\$ (26,199)</u>
FUND BALANCE:				
Beginning of year			<u>3,288,359</u>	
End of year			<u>\$ 4,742,718</u>	

City of East Palo Alto

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

Measure W Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 250,000	\$ 421,815	\$ 337,819	\$ (83,996)
Use of money and property	4,000	4,000	(15,621)	(19,621)
Total revenues	<u>254,000</u>	<u>425,815</u>	<u>322,198</u>	<u>(103,617)</u>
EXPENDITURES:				
Current:				
General government	1,500	1,500	-	1,500
Public works	30,000	30,000	-	30,000
Capital outlay	200,000	371,815	-	371,815
Total expenditures	<u>231,500</u>	<u>403,315</u>	<u>-</u>	<u>403,315</u>
Net change in fund balance	<u>\$ 22,500</u>	<u>\$ 22,500</u>	322,198	<u>\$ 299,698</u>
FUND BALANCE:				
Beginning of year			<u>546,610</u>	
End of year			<u>\$ 868,808</u>	

City of East Palo Alto

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

ARPA Special Revenue Fund

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 25,000	\$ 12,500	\$ (16,326)	\$ (28,826)
Grants and intergovernmental	3,506,250	3,506,250	3,506,266	16
Total revenues	3,531,250	3,518,750	3,489,940	(28,810)
EXPENDITURES:				
Current:				
General government	187,635	38,135	34,463	3,672
Public safety	11,280	3,400,512	3,408,629	(8,117)
Public works	115,640	91,505	91,505	-
Community development	350,000	-	-	-
Total expenditures	664,555	3,530,152	3,534,597	(4,445)
Net change in fund balance	\$ 1,565,245	\$ (11,402)	(44,657)	\$ (33,255)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ (44,657)	

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, 2022

	<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>2,025,000</u>	<u>2,155,000</u>	<u>2,159,381</u>	<u>\$ 4,381</u>	<u>\$ -</u>	<u>\$ 4,381</u>
Expenditures:						
CD Director	189,170	189,170	187,165	(2,005)	-	(2,005)
FIT-Clean Zones:						
Community Service Aides	44,560	44,560	-	(44,560)	-	(44,560)
Capital Transfers:						
Unallocated	579,085	458,375	101,878	(356,497)	-	(356,497)
	<u>812,815</u>	<u>692,105</u>	<u>289,043</u>	<u>(403,062)</u>		<u>(403,062)</u>
Net Available - Other General Purposes	<u>\$ 1,212,185</u>	<u>\$ 1,462,895</u>	<u>\$ 1,870,338</u>	<u>\$ 407,443</u>	<u>\$ -</u>	<u>\$ 407,443</u>

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

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

Operating Information

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Government activities										
Net investment in capital assets	\$ 29,816,204	\$ 31,132,522	\$ 35,561,630	\$ 41,044,530	\$ 42,278,404	\$ 48,784,281	\$ 55,197,664	\$ 56,070,993	\$ 63,227,229	\$ 64,005,813
Restricted For:										
Debt Service	-	-	-	-	-	-	-	-	-	-
Low and moderate income housing	-	-	-	-	-	-	-	-	-	-
Streets and Infrastructure	3,017,783	4,971,963	5,538,340	5,816,534	6,411,718	7,700,051	9,885,470	11,554,052	12,774,681	14,736,889
Parks and Recreation	358,473	496,583	550,014	1,120,082	1,117,148	1,089,920	340,827	348,880	344,094	334,082
Measure C programs	1,505,044	1,483,198	1,464,460	1,405,053	1,510,846	1,015,232	592,734	253,401	223,160	217,659
Housing Programs	12,421,954	13,108,951	14,012,643	17,325,494	20,518,013	20,824,081	21,669,184	24,277,027	25,891,744	26,780,234
Special Programs	-	726,772	954,220	1,168,856	853,741	1,262,039	1,522,452	1,755,499	2,012,599	2,010,100
Capital projects	-	209,247	188,644	279,184	3,796,398	3,012,787	9,816,132	10,159,391	6,707,412	8,602,288
Total restricted	17,303,254	20,996,714	22,708,321	27,115,203	34,207,864	34,904,110	43,826,799	48,148,250	47,953,690	52,681,252
Unrestricted	27,113,528	26,832,636	23,123,638	28,798,504	33,919,154	40,774,262	40,040,582	46,185,712	49,482,293	59,082,008
Total governmental activities net position	\$ 74,232,986	\$ 78,961,872	\$ 81,393,589	\$ 96,958,257	\$ 110,405,422	\$ 124,462,653	\$ 139,065,045	\$ 150,404,955	\$ 160,663,212	\$ 175,769,073
Business-type activities										
Net investment in capital assets	3,938,884	3,743,594	3,548,303	3,353,012	4,050,566	11,161,837	10,964,954	10,880,048	11,205,575	11,306,820
Restricted For:										
Capital Projects ¹	836,720	834,882	835,114	926,770	928,562	682,991	585,636	591,828	591,909	1,943,955
Total restricted	836,720	834,882	835,114	926,770	928,562	682,991	585,636	591,828	591,909	1,943,955
Unrestricted ¹	1,453,874	1,685,818	1,889,840	4,919,239	5,592,490	1,949,538	3,292,824	4,362,698	5,216,208	4,120,165
Total business-type activities net position	\$ 6,229,478	\$ 6,264,294	\$ 6,273,257	\$ 9,199,021	\$ 10,571,618	\$ 13,794,366	\$ 14,843,414	\$ 15,834,574	\$ 17,013,692	\$ 17,370,940
Primary Government										
Net investment in capital assets	33,755,088	34,876,116	39,109,933	44,397,542	46,328,970	59,946,118	66,162,618	66,951,041	74,432,804	75,312,633
Restricted	18,139,974	21,831,596	23,543,435	28,041,973	38,624,491	34,904,110	43,826,799	48,740,078	48,545,599	54,625,207
Unrestricted	28,567,402	28,518,454	25,013,478	33,717,743	36,023,579	43,406,791	43,919,042	50,548,410	54,698,501	63,202,173
Total primary government net position	\$ 80,462,464	\$ 85,226,166	\$ 87,666,846	\$ 106,157,258	\$ 120,977,040	\$ 138,257,019	\$ 153,908,459	\$ 166,239,529	\$ 177,676,904	\$ 193,140,013

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

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

Fiscal Year Ending June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental Activities:										
General government	\$ 4,396,506	\$ 4,055,087	\$ 3,660,815	\$ 3,857,915	\$ 4,183,768	\$ 4,550,835	\$ 4,811,440	\$ 5,309,119	\$ 6,356,058	\$ 5,779,679
Public safety	10,408,814	10,806,440	10,303,086	9,653,248	9,313,300	10,694,568	11,860,715	11,681,076	12,076,770	11,242,720
Public works	3,521,107	3,371,899	4,622,878	4,947,019	4,734,883	4,925,199	5,103,756	4,913,077	5,598,607	5,275,133
Culture and recreation	513,923	775,115	786,238	1,181,861	1,183,150	1,712,237	1,805,560	1,654,667	1,349,016	1,822,711
Community development	2,608,543	3,147,112	2,419,345	2,748,306	2,426,699	3,129,327	3,720,981	4,984,488	5,939,827	4,943,100
Interest on long-term debt	1,306	3,281	4,180	4,325	2,347	1,214	154	-	-	6,561
Total governmental activities	21,450,199	22,158,934	21,796,542	22,392,674	21,844,147	25,013,380	27,302,606	28,572,427	31,320,278	29,069,904
Business-type activities										
Water Service	340,916	402,914	357,769	342,263	378,893	320,163	423,315	637,581	687,250	2,789,343
Garbage collection	2,174,074	2,353,590	2,420,314	2,490,862	2,501,535	2,320,786	2,583,092	2,702,159	2,618,989	1,054,839
Total business-type activities	2,514,990	2,756,504	2,778,083	2,833,125	2,880,428	2,640,949	3,006,407	3,339,740	3,306,239	3,844,182
Total primary government expenses	23,965,189	24,915,438	24,574,625	25,225,799	24,724,575	27,654,329	30,309,013	31,912,167	34,626,517	32,914,086
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	5,153	6,549	11,512	22,278	26,441	51,117	82,963	45,297	5,666	7,851
Public safety	242,704	283,271	392,781	574,595	480,048	595,725	430,611	353,229	246,218	248,561
Public works	114,107	337,426	129,437	221,994	298,451	258,277	521,338	251,126	232,121	129,159
Culture and recreation	11,429	-	-	-	4,731	5,956	4,762	14,361	3,049	11,080
Community Development	1,427,453	1,440,886	1,660,988	2,088,395	1,989,755	1,808,234	1,697,655	3,078,503	3,540,707	3,211,876
Operating Grants and Contributions	4,616,972	2,794,311	3,353,230	2,643,028	4,969,735	1,740,657	1,948,262	2,542,025	2,757,114	5,610,645
Capital Grants and Contributions	1,414,317	2,767,803	4,289,620	8,348,064	4,229,323	5,930,378	5,770,566	2,037,536	7,797,945	6,783,094
Total governmental activities program revenues	7,832,135	7,630,246	9,837,568	13,998,354	11,998,484	10,390,344	10,456,157	8,332,077	14,582,820	16,002,266
Business-type activities										
Charges for Service:										
Water Service	239,353	258,045	275,339	980,296	1,227,649	1,149,827	1,184,789	1,222,502	1,142,586	2,905,566
Garbage collection	2,465,513	2,523,718	2,498,723	2,482,434	2,461,388	2,443,093	2,636,619	2,762,229	2,733,951	1,256,458
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	186,919
Capital Grants and Contributions	-	-	-	-	-	1,963,050	-	31,480	622,565	291,112
Total business-type activities program revenues	2,724,866	2,781,763	2,774,062	3,462,730	3,689,037	5,545,970	3,821,408	4,016,211	4,499,102	4,640,055
Total primary government revenues	10,557,001	10,412,009	12,611,630	17,361,084	15,687,521	15,936,314	14,277,565	12,338,288	19,081,922	20,642,321
Net Revenue (Expenses):										
Governmental Activities	(13,618,064)	(14,528,688)	(11,958,974)	(8,494,320)	(9,845,663)	(14,623,036)	(16,846,449)	(20,250,350)	(16,737,438)	(13,067,638)
Business-type Activities	209,876	25,259	(4,021)	629,605	808,609	2,905,021	815,001	676,471	1,192,863	795,873
Total Net Revenue (Expenses)	\$ (13,408,188)	\$ (14,503,429)	\$ (11,962,995)	\$ (7,864,715)	\$ (9,037,054)	\$ (11,718,015)	\$ (16,031,448)	\$ (19,573,879)	\$ (15,544,595)	\$ (12,271,765)

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

Fiscal Year Ending June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property Taxes	\$ 10,752,244	\$ 9,411,575	\$ 10,260,689	\$ 11,428,331	\$ 12,288,670	\$ 14,642,402	\$ 16,411,143	\$ 16,099,035	\$ 15,097,898	\$ 15,097,898
Sales Taxes	3,022,310	3,113,705	3,798,237	4,364,562	4,078,803	5,923,229	5,793,668	5,171,001	5,422,953	5,422,953
Utility Users Tax	1,434,208	1,464,049	1,513,088	1,516,104	1,520,017	1,680,279	1,537,991	1,584,592	1,630,879	1,630,879
Transient Occupancy Tax	2,127,859	2,452,951	2,803,542	2,809,127	2,906,241	3,089,942	2,990,217	1,962,256	2,008,886	2,008,886
Business License Tax ¹	531,325	576,084	668,138	602,245	616,653	1,428,860	1,452,963	1,585,841	1,223,696	1,223,696
Other Taxes ¹	1,595,384	1,614,030	1,741,988	1,621,994	1,824,599	1,254,845	86,410	1,796,955	1,833,719	1,833,719
Investment earnings	240,412	194,682	232,001	312,707	394,890	849,716	2,029,009	2,113,187	(9,692)	(9,692)
Miscellaneous	303,188	430,498	493,864	719,437	194,024	49,306	1,147,440	1,277,393	1,595,376	1,595,376
Transfers	-	-	-	-	(531,049)	(238,312)	-	-	-	-
Extraordinary Items	-	-	-	3,246,461	-	-	-	-	-	-
Total Governmental activities	20,006,930	19,257,574	21,511,547	26,620,968	23,292,848	28,680,267	31,448,841	31,590,260	26,995,715	26,995,715
Business-type activities:										
Investment earnings	13,652	9,557	12,984	34,159	32,939	79,415	234,047	314,689	(13,745)	(13,745)
Transfers	-	-	-	-	531,049	238,312	-	-	-	-
Total Business-type activities	13,652	9,557	12,984	34,159	32,939	79,415	234,047	314,689	(13,745)	(13,745)
Total Primary Government	20,020,582	19,267,131	21,524,531	26,655,127	23,856,836	28,997,994	31,682,888	31,904,949	26,981,970	26,981,970
Change in Net Position										
Governmental Activities	6,388,866	4,728,886	9,552,573	18,126,648	13,447,185	14,057,231	14,602,392	11,339,910	10,258,257	13,928,077
Business-type Activities	223,528	34,816	8,963	663,764	1,372,597	3,222,748	1,049,048	991,160	1,179,118	782,128
Change in Net Position	\$ 6,612,394	\$ 4,763,702	\$ 9,561,536	\$ 18,790,412	\$ 14,819,782	\$ 17,279,979	\$ 15,651,440	\$ 12,331,070	\$ 11,437,375	\$ 14,710,205

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

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

Fiscal Year Ended June 30

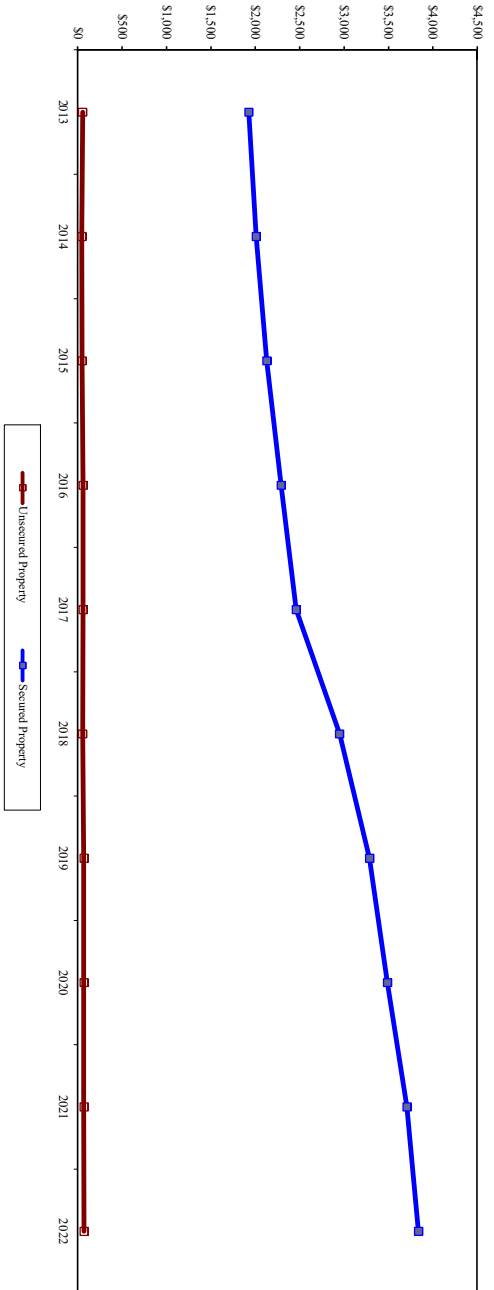
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 11,760,041	\$ 11,776,028	\$ 11,769,991	\$ 11,932,475	\$ 12,066,847	\$ 11,743,001	\$ 10,938,871	\$ 8,826,647	\$ 6,554,760	\$ 5,282,165
Restricted	-	-	-	-	-	-	-	20,065	23,784	27,297
Committed	-	-	-	-	-	-	-	980,355	980,355	10,097,589
Assigned	2,187,004	77,915	187,141	383,658	1,188,899	1,886,415	1,839,551	2,183,599	4,128,219	6,658,000
Unassigned	9,114,594	12,305,114	13,221,866	16,293,653	17,235,337	24,191,919	26,426,148	30,996,166	31,116,240	26,407,109
Total General Fund	23,061,639	24,159,057	25,178,998	28,609,786	30,491,083	37,821,335	39,204,570	43,006,832	42,803,358	48,472,160
All Other Governmental Funds										
Restricted	19,093,787	21,304,289	22,684,977	26,537,401	34,122,255	34,904,110	43,826,799	47,339,670	45,250,665	45,389,536
Committed	-	-	-	-	-	-	-	-	5,500,000	9,000,000
Nonspendable	57,051	-	-	-	-	-	-	-	-	-
Assigned	1,449,121	703,226	1,913,459	4,803,773	7,289,475	6,772,150	7,874,189	11,936,316	10,908,746	5,600,829
Unassigned	(242,822)	(340,922)	(233,356)	(197,068)	-	-	-	-	(61,923)	(111,371)
Total all other governmental funds	20,357,137	21,666,593	24,365,080	31,144,106	41,411,730	41,676,260	51,700,988	59,275,986	61,597,488	59,878,994
Total Governmental Funds	\$ 43,418,776	\$ 45,825,650	\$ 49,544,078	\$ 59,753,892	\$ 71,902,813	\$ 79,497,595	\$ 90,905,558	\$ 102,282,818	\$ 104,400,846	\$ 108,351,154

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$ 18,545,522	\$ 18,700,903	\$ 20,271,896	\$ 22,015,184	\$ 22,570,573	\$ 26,465,002	\$ 28,911,799	\$ 30,593,515	\$ 27,551,942	\$ 31,488,448
Licenses, fees, and permits	1,637,444	927,194	992,302	8,225,539	2,276,892	2,945,418	2,816,522	1,425,267	2,665,772	2,344,950
Charges for services	1,345,024	2,110,075	2,638,045	2,778,293	2,090,795	1,942,517	2,027,506	2,901,680	1,487,373	1,340,766
Fines and forfeitures	225,680	261,440	368,621	532,143	442,911	745,766	421,661	401,717	242,042	263,437
Use of money and property	189,795	207,461	245,602	474,624	410,003	878,892	2,082,517	2,730,055	207,416	(2,323,287)
Grants and intergovernmental	4,091,814	3,181,804	4,941,401	3,589,152	8,724,241	5,177,790	7,459,093	1,285,504	5,659,603	4,897,399
Miscellaneous	372,686	607,906	609,570	1,212,731	205,096	119,862	385,940	260,257	1,915,735	1,700,286
Total revenues	26,407,965	25,996,783	30,007,437	38,827,666	36,720,511	38,275,247	44,105,038	39,597,995	39,729,883	39,711,999
Expenditures										
Current										
General Government	4,361,346	4,050,248	3,804,928	4,037,015	4,270,123	4,286,525	4,696,638	5,126,419	6,144,761	6,332,990
Public Safety	10,089,238	10,673,461	10,237,181	10,200,118	10,159,814	10,165,174	11,240,702	10,920,002	11,629,425	11,767,310
Public Works	3,338,504	2,421,820	2,698,224	3,106,375	3,560,158	4,251,301	4,150,097	3,844,254	4,134,384	4,097,153
Culture and recreation	509,561	774,662	789,369	1,036,572	959,888	1,243,981	1,203,631	1,001,494	700,691	1,219,765
Community Development	2,486,567	3,969,143	2,263,113	2,257,570	2,397,396	2,984,606	3,589,412	4,823,525	5,758,006	5,146,245
Capital Outlay	2,124,427	1,668,320	6,877,626	2,524,109	3,290,362	7,716,265	7,800,356	2,505,041	9,244,588	7,067,172
Debt Service (a)	9,718	29,914	45,254	61,347	52,302	31,399	16,085	-	-	-
Principal repayment	1,306	3,281	4,180	4,325	2,347	1,214	154	-	-	6,561
Interest & fiscal charges	22,920,667	23,590,849	26,719,875	23,227,431	24,692,390	30,680,465	32,697,075	28,220,735	37,611,855	35,637,196
Total expenditures	22,920,667	23,590,849	26,719,875	23,227,431	24,692,390	30,680,465	32,697,075	28,220,735	37,611,855	35,637,196
Excess of revenues over (under) expenditures	3,487,298	2,405,934	3,287,562	15,600,235	12,028,121	7,594,782	11,407,963	11,377,260	2,118,028	4,074,803
Other financing sources (uses)										
Transfers in	795,353	1,225,985	4,024,730	1,236,787	3,876,948	2,121,910	8,637,770	8,266,603	3,506,089	2,381,000
Transfers (out)	(795,353)	(1,225,985)	(4,024,730)	(3,498,787)	(3,811,148)	(2,121,910)	(8,637,770)	(8,266,603)	(3,506,089)	(2,381,000)
Capital leases	124,353	-	121,666	-	-	-	-	-	-	-
Total other financing sources(uses)	124,353	-	121,666	(2,262,000)	65,800	-	-	-	-	-
Special item and extraordinary item	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	3,611,651	2,405,934	3,409,228	13,338,235	12,093,921	7,594,782	11,407,963	11,377,260	2,118,028	4,074,803
Debt service as a Percentage of noncapital expenditures	0.05%	0.15%	0.25%	0.32%	0.26%	0.14%	0.07%	0.00%	0.00%	0.02%
Debt service as a Percentage of total expenditures	0.05%	0.14%	0.19%	0.28%	0.22%	0.11%	0.05%	0.00%	0.00%	0.02%

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

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



Fiscal Year	City	Secured				Unsecured				Total Taxable Assessed (1)	Estimated Actual Value (2)	Factor of Taxable Assessed Value (3)	
		Gateway 101 Corridor	University Circle	Ravenswood	Property	Gateway 101 Corridor	University Circle	Ravenswood	Property				
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	1.000000
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	1.000000
2015	1,272,051,647	341,894,816	378,514,734	83,231,955	2,075,693,132	6,198,106	18,472,810	25,681,636	4,601,336	54,953,888	2,130,647,020	\$3,549,905,090	1.000000
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	64,725,485	2,294,583,572	\$4,990,019,421	1.000000
2017	1,486,819,954	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	\$4,932,990,577	1.000000
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	\$7,145,582,223	1.000000
2019	1,987,717,844	589,570,833	491,664,014	149,310,365	3,218,263,056	16,763,127	24,130,526	26,264,047	3,792,066	70,949,766	3,289,212,822	\$7,232,431,631	1.000000
2020	2,141,077,211	610,407,047	501,497,289	167,894,435	3,420,875,982	16,924,357	24,269,647	25,817,541	3,956,073	70,967,618	3,491,843,600	\$6,049,029,684	1.000000
2021	2,256,060,762	626,312,224	511,628,461	247,209,411	3,641,211,358	5,172,050	36,754,744	23,863,678	4,876,777	70,667,249	3,711,878,607	\$7,490,106,321	1.000000
2022	2,334,992,280	647,462,524	520,340,698	261,727,649	3,764,523,151	17,480,486	36,132,886	17,381,330	4,386,585	75,381,087	3,839,904,238	\$7,074,714,408	1.000000

3.449%

Source: San Mateo County Assessors, ManiServices, LLC / an Avenai Insights & Analytics Company
Source: 2013-14 and Prior, Prior published CAFR

Noise:

- (1) Total Assessed Taxable Value is net of all exemptions, including homeowners' exemption.
- (2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a factor was extrapolated and applied to current assessed 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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
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	0.0417	0.0415	0.0360	0.0304	0.0376	0.0352	0.0616	0.0522	0.0341	0.0369
Sequoia Union High School District	0.0356	0.0313	0.0433	0.0434	0.0391	0.0383	0.0365	0.0340	0.0315	0.0290
San Mateo Community College District	0.0194	0.0194	0.0190	0.0250	0.0247	0.0235	0.0175	0.0266	0.0213	0.0227
Midpeninsula Open Space District	0.0000	0.0000	0.0000	0.0008	0.0006	0.0009	0.0018	0.0016	0.0015	0.0015
TOTAL	0.0967	0.0922	0.0983	0.0996	0.1020	0.0979	0.1174	0.1144	0.0884	0.0901
Total Tax Rate	1.0967	1.0922	1.0983	1.0996	1.1020	1.0979	1.1174	1.1144	1.0884	1.0901

Source: County Auditor data, MunServices, LLC / Avenu Insights & Analytics
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 Taxpayers
Current Fiscal Year and Nine Years Ago

Taxpayer	2020-21		2011-12	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Woodland Park LLC	\$ 459,320,937	11.96%		
Wells REIT II-University Circle	261,467,128	6.81%	\$ 318,783,454	16.66%
University Plaza EPA LLC	204,977,263	5.34%		
SHR Palo Alto LLC	145,819,486	3.80%	49,821,900	2.60%
Columbia REIT University Circle	108,545,878	2.83%		
Ikea Home Furnishings	100,051,241	2.61%	81,969,777	4.28%
Four Corners EPA Property Owner	42,435,120	1.11%		
HPI ASVRF 1990 Bay LLC	36,610,690	0.95%		
East Palo Alto Youth Arts & Mu	35,827,758	0.93%		
Sycamore Real Estate Investment	33,261,544	0.87%		
EQR-Woodland Park L P	-		156,862,519	8.20%
Gateway 101 LLC	-		25,323,547	1.32%
HD Dewel Of Maryland Inc	-		19,178,597	1.00%
Nairobi Housing Inc & Housing	-		13,053,100	0.68%
Avery H Smith & Co	-		12,076,800	0.63%
Fast Palo Alto At 101 LLC	-		11,322,000	0.59%
DKB Homes LLC	-		9,472,983	0.50%
Principal Taxpayers	\$ 1,428,317,045	37.20%	\$ 697,864,627	36.47%
Total Taxable Value	\$ 3,839,904,238	100.00%	\$ 1,913,475,009	100.00%

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

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
2013	4,661,146	4,403,745	94.5%		4,403,745	94.5%
2014	4,915,330	4,668,248	95.0%		4,668,248	95.0%
2015	5,326,772	5,197,898	97.5%		5,197,898	97.5%
2016	5,751,125	5,515,510	95.9%		5,515,510	95.9%
2017	6,158,288	5,864,760	95.2%		5,864,760	95.2%
2018	7,498,588	7,137,824	95.2%		7,137,824	95.2%
2019	8,006,496	7,755,634	96.9%		7,755,634	96.9%
2020	8,571,769	8,357,638	97.5%		8,357,638	97.5%
2021	8,941,750	8,660,036	96.8%		8,660,036	96.8%
2022	9,304,588	9,847,946	105.8%		9,847,946	105.8%

Source: San Mateo County Controller, City General Ledger

Notes:

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

Property Tax Levies - Includes Unitary Revenue

Includes Unitary Revenue

	Drainage	Lighting	Gate101	UC	Ravenswood	CITY	LEVY LETTER TOTAL	GL TOTAL
Secured	50,231	261,603				4,005,949	4,317,783	
Unsecured	2,815	14,647				228,084	245,546	
HOPTR	384	2,858				41,679	44,921	
Est. Unitary Rev	260	2,495				50,141	52,896	
Shift to ERAF							-	
12-13	53,689	281,603	-	-	-	4,325,853	4,661,146	-
Secured	55,125	273,739			4,216,038		4,544,902	
Unsecured	3,092	16,464			254,040		273,595	
HOPTR	386	2,755			40,344		43,486	
Est. Unitary Rev	262	2,516			50,568		53,346	
Shift to ERAF							-	
13-14	58,865	295,474	-	-	-	4,560,990	4,915,330	-
Secured	61,830	295,192			4,599,664		4,956,686	4,382,762.5
Unsecured	3,281	15,803			249,687		268,771	227,600.0
HOPTR	399	2,715			40,116		43,229	40,377.3
Est. Unitary Rev	295	2,724			55,068		58,087	58,595.1
ERAF Received							-	488,562.9
Less PY Adjustment							-	-
14-15	65,804	316,433	-	-	-	4,944,535	5,326,772	5,197,898
Secured	70,227	318,305			5,000,171		5,388,703	4,749,322.7
Unsecured	3,521	14,584			237,071		255,176	203,464.9
HOPTR	411	2,672			39,640		42,723	39,853.8
Est. Unitary Rev	368	2,963			61,192		64,523	64,905.3
ERAF Received							-	457,963.4
Less PY Adjustment							-	-
15-16	74,527	338,524	-	-	-	5,338,074	5,751,125	5,515,510
Secured	76,939	339,259			5,359,720		5,775,918	5,080,507.8
Unsecured	3,802	15,609			254,046		273,457	212,858.3
HOPTR	412	2,621			39,015		42,048	38,965.3
Est. Unitary Rev	389	3,059			63,417		66,865	67,728.5
ERAF Received							-	464,700.3
Less PY Adjustment							-	-
16-17	81,542	360,548	-	-	-	5,716,198	6,158,288	5,864,760
Secured	100,322	402,583			6,475,852		6,978,757	6,111,573.2
Unsecured	5,443	23,415			374,849		403,707	365,206.9
HOPTR	489	2,824			42,590		45,903	46,369.8
Est. Unitary Rev	425	3,190			66,606		70,221	42,348.7
ERAF Received							-	572,325.8
Less PY Adjustment							-	-
17-18	106,679	432,012	-	-	-	6,959,897	7,498,588	7,137,824
Secured	108,050	426,735			6,901,505		7,436,290	6,481,451.2
Unsecured	5,832	26,320			417,454		449,606	360,604.6
HOPTR	490	2,883			43,389		46,762	43,336.7
Est. Unitary Rev	466	3,329			70,044		73,839	74,721.2
ERAF Received							-	795,519.9
Less PY Adjustment							-	-
18-19	114,837	459,267	-	-	-	7,432,392	8,006,496	7,755,634
Secured	119,295	456,941			7,417,192		7,993,427	7,300,546.9
Unsecured	6,141	26,646			426,297		459,084	384,569.3
HOPTR	496	2,809			42,549		45,853	42,256.5
Est. Unitary Rev	463	3,310			69,632		73,404	71,832.4
ERAF Received							-	838,740.0
Less PY Adjustment							-	(280,307.0)
19-20	126,394	489,705	-	-	-	7,955,670	8,571,769	8,357,638.1
Secured	127,562	485,311			7,848,223		8,461,095	7,333,360.6
Unsecured	5,538	21,602			352,886		380,025	324,397.3
HOPTR	485	2,768			41,767		45,020	42,055.3
Est. Unitary Rev	485	3,405			71,862		75,752	77,570.2
ERAF Received							-	877,756.8
Less PY Adjustment					(20,143)		-	4,896.0
20-21	134,069	513,086	-	-	-	8,294,594	8,941,750	8,660,036.2
Secured	134,393	505,409			8,192,070		8,831,872	7,678,008.1
Unsecured	5,030	19,586			320,064		344,680	377,393.1
HOPTR	482	2,724			41,186		44,393	41,406.4
Est. Unitary Rev	592	3,689			79,362		83,643	84,399.3
ERAF Received							-	1,666,738.9
Less PY Adjustment							-	-
21-22	140,497	531,409	-	-	-	8,632,682	9,304,588	9,847,945.6

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

Fiscal Year End	Governmental Activities				Business-Type Activities		Total Primary Government Debt	Percentage of Personal Income (5)	Outstanding Debt Per Capita (5)	Unstratung Debt to Taxable Assessed Value
	Capitalized Lease Debt (1)	Redevelopment Tax Allocation Bonds (2)	Revenue Bonds (2)	Less: Restricted Bonds Held (3)	Notes Payable					
2012	-	-	-	-	-	-	-	0.00%	-	#REF!
2013	\$ 114,635	-	-	-	-	114,635	3.96	0.02%	0.01%	
2014	84,721	-	-	-	-	84,721	2.91	0.01%	0.00%	
2015	161,133	-	-	-	-	161,133	5.28	0.03%	0.01%	
2016	99,786	-	-	-	-	99,786	3.29	0.02%	0.00%	
2017	47,484	-	-	-	-	47,484	1.54	0.01%	0.00%	
2018	16,085	-	-	-	\$ 700,000	716,085	23.48	0.10%	0.02%	
2019	-	-	-	-	700,000	700,000	22.73	0.09%	0.02%	
2020	-	-	-	-	676,667	676,667	22.30	0.08%	0.02%	
2021	-	-	-	-	653,334	653,334	21.53	0.08%	0.02%	
2022	-	-	-	-	630,001	630,001	21.75	0.07%	0.02%	

Notes:

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

City of East Palo Alto, California
Computation of Direct and Overlapping Debt
June 30, 2022

2021-22 Assessed Valuation \$ 3,853,202,838

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2022	Percentage Applicable (1)	City's Share of Debt 6/30/2022
City of East Palo Alto	\$ -	100.000%	\$ -
Total Direct Debt	<u>\$ -</u>		<u>\$ -</u>
San Mateo Community College District	\$ 733,897,184	1.447%	\$ 10,619,492
Sequoia Union High School District	475,140,000	3.325%	15,798,405
Ravenswood School District	86,230,000	39.631%	34,173,811
Midpeninsula Regional Open Space District	84,575,000	1.090%	921,868
California Statewide Communities Development Authority 1915 Act Bonds	2,447,685	100.000%	2,447,685
Total Overlapping Debt	<u>1,382,289,869</u>		<u>63,961,261</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u><u>\$ 1,382,289,869</u></u>		<u><u>\$ 63,961,261</u></u>
OVERLAPPING GENERAL FUND DEBT			
San Mateo County General Fund Obligations	\$ 612,605,687	1.447%	\$ 8,864,404
San Mateo County Board of Education Certificates of Participation	6,490,000	1.447%	\$ 93,910
Menlo Park Fire Protection District Certificates of Participation	9,275,000	8.128%	\$ 753,872
Midpeninsula Regional Open Space District General Fund Obligations	99,705,600	1.090%	\$ 1,086,791
San Mateo County Mosquito and Vector Control District General Fund Obligations	3,825,000	1.447%	\$ 55,348
TOTAL OVERLAPPING GENERAL FUND DEBT	<u><u>\$ 731,901,287</u></u>		<u><u>\$ 10,854,325</u></u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)			
2015A Refunding Tax Allocation Bonds	<u><u>\$ 14,095,000</u></u>	100.000%	<u><u>\$ 14,095,000</u></u>
COMBINED TOTAL DEBT			<u><u>\$ 88,910,586</u></u> ⁽²⁾

Ratios to 2021-22 Assessed Valuation:

Direct Debt	0.000%
Direct and Overlapping Tax and Assessment Debt	1.660%
Direct and Overlapping Tax, Assessment and Increment Debt	2.030%
Combined Total Debt	2.310%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,427,707,876):

Overlapping Tax Increment Debt	0.990%
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Source: Avenu Insights & Analytics, California Municipal Statistics, Inc.

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 and non-bonded capital lease obligations.

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

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Taxable Assessed Valuation	\$ 1,928,669,749	\$ 2,013,487,648	\$ 2,130,647,020	2,294,583,572	\$ 2,465,680,381
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	482,167,437	503,371,912	532,661,755	573,645,893	616,420,095
Debt service limit percentage	15%	15%	15%	15%	15%
Debt Limit	72,325,116	75,505,787	79,899,263	86,046,884	92,463,014
Debt Applicable to Limit:	-	-	-	-	-
Less: Outstanding General Obligations	-	-	-	-	-
Legal Debt Margin	\$ 72,325,116	\$ 75,505,787	\$ 79,899,263	\$ 86,046,884	\$ 92,463,014
	2017-2018	2018-2019	2019-2020	2020-21	2021-22
Taxable Assessed Valuation	\$ 2,952,719,927	\$ 3,289,212,822	\$ 3,491,843,600	\$ 3,711,878,607	\$ 3,839,904,238
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	738,179,982	822,303,206	872,960,900	927,969,652	959,976,060
Debt service limit percentage	15%	15%	15%	15%	15%
Debt Limit	110,726,997	123,345,481	130,944,135	139,195,448	143,996,409
Debt Applicable to Limit:	-	-	-	-	-
Less: Outstanding General Obligations	-	-	-	-	-
Legal Debt Margin	\$ 110,726,997	\$ 123,345,481	\$ 130,944,135	\$ 139,195,448	\$ 143,996,409

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

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

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

Fiscal Year	Increment (Gross RPTTF)	Debt Service			Coverage	Payments to			Coverage	
		Principal	Interest	Total		PFA	Principal	Debt Service		Total
2013	7,376,779	550,000	1,394,064	1,944,064	3.8	1,416,938	620,000	796,938	1,416,938	1.0
2014	7,601,754	585,000	1,360,764	1,945,764	3.9	1,415,438	645,000	770,438	1,415,438	1.0
2015	7,635,260	620,000	1,325,004	1,945,004	3.9	1,415,138	670,000	745,138	1,415,138	1.0
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	1.0
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	-	-	-	-	-
2019	14,617,765	885,000	686,850	1,571,850	9.3	-	-	-	-	-
2020	13,545,644	900,000	659,550	1,559,550	8.7	-	-	-	-	-
2021	14,396,863	935,000	618,175	1,553,175	9.3	-	-	-	-	-
2022	14,414,377	975,000	570,425	1,545,425	9.3	-	-	-	-	-

Notes:

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

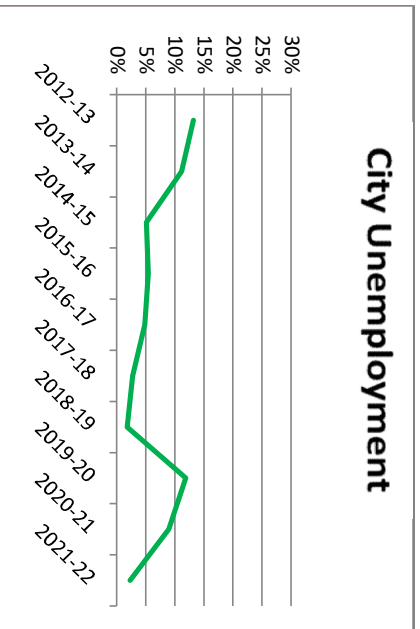
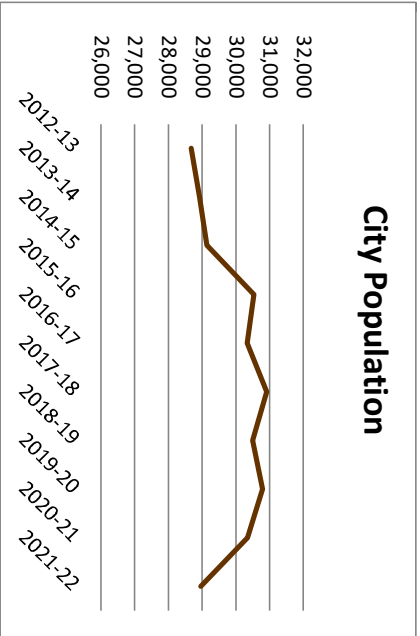
² Effective January 10, 2012, tax increments of the former Redevelopment Agency are deposited into a Redevelopment Property Tax Trust Fund (RPTTF) and are only available to pay approved, enforceable obligations of the former Redevelopment Agency.

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

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

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

Fiscal Year	City		County		Public School Enrollment (4)
	Population (1)	Unemployment Rate (2)	Unemployment Rate (2)	Personal Income (3)	
2012-13	28,675	13.20%	5.50%	75,674	4,077
2013-14	28,934	11.20%	4.60%	76,901	4,030
2014-15	29,137	5.10%	3.20%	77,414	4,216
2015-16	30,545	5.40%	3.40%	78,728	4,058
2016-17	30,340	4.80%	3.00%	82,517	3,853
2017-18	30,917	2.70%	2.20%	87,767	3,632
2018-19	30,499	1.80%	1.70%	92,576	3,436
2019-20	30,794	11.90%	11.10%	96,285	3,269
2020-21	30,350	8.97%	6.84%	103,929	2,993
2021-22	28,963	2.30%	1.70%	119,375	2,793



Source: San Mateo County Assessors, MunServices, LLC / an Avenu Insights & Analytics Company
Source: 2013-14 and prior, previously published CAFR Report

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

Notes:

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

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

Business Name	2021-22		2013-14	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Amazon Web Services	1,300	8.78%		
Ravenswood City School District	345	2.33%	538	3.90%
Ravenswood Family Health Center*	344	2.32%	163	1.18%
Ikea*	262	1.77%	343	2.49%
Four Seasons Hotel - Silicon Valley	188	1.27%	285	2.07%
Home Depot	184	1.24%	175	1.27%
DLA Piper LLP	165	1.11%		
Target	120	0.81%		
City of East Palo Alto*	118	0.80%	102	0.74%
Eastside College Preparatory School	64	0.43%		
US Post Office			150	1.09%
NTT i3			120	0.87%
Nordstrom Rack			77	0.56%
Ropes and Gray Law Firm			63	0.46%
Total Top Employers	3,090	20.88%	2,016	14.61%
Total City Employment (1)	14,800		13,800	

Source: MuniServices, LLC / Avenu Insights & Analytics

Source: 2013-14 count is from prior published ACFR

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

*Includes full and part time.

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

Note: Amazon Web Services has not responded with the employee headcount. Prior year number applied.

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

Function	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-20	2020-21	2021-22
General Government	24.6	27.6	25.1	21.0	23.0	23.0	23.0	24.0	24.0	21.0
Public Safety	47.5	47.5	44.0	45.5	45.5	46.0	46.3	47.2	48.2	48.2
Police										
Officers	38.0	38.0	36.0	36.0	36.0	36.5	37.3	36.5	37.5	37.5
Civilians	9.5	9.5	8.0	9.5	9.5	9.5	9.0	10.7	10.7	10.7
Public Works ¹	-	-	-	19.0	19.0	19.0	19.0	19.0	20.3	21.5
Culture & Recreation ²	-	-	-	4.4	4.4	4.4	4.2	4.2	3.7	8.2
Community Development	32.5	34.0	36.0	15.0	17.0	19.9	20.5	20.5	17.5	19.0
Administration	5.5	7.0	8.0	4.0	4.0	5.9	6.5	6.5	3.5	4.0
Economic Development/Redevelopment Agency	5.0	2.0	-	-	-	-	-	-	-	-
Planning Division	3.0	4.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Building Services Division	3.0	4.0	5.0	6.0	7.0	7.0	7.0	7.0	7.0	7.0
Housing Division (includes Rent Stabilization)	-	-	2.0	2.0	2.0	3.0	3.0	3.0	3.0	4.0
Engineering Services (To Public Works FY2015-16)	5.0	6.0	6.0	-	-	-	-	-	-	-
Maintenance Division (To Public Works FY2015-16)	11.0	11.0	12.0	-	-	-	-	-	-	-
Administration Division	-	-	-	2.0	2.0	2.0	2.0	2.0	4.5	4.5
Engineering Services Division	-	-	-	5.0	5.0	5.0	5.0	5.0	3.8	5.0
Maintenance Division	-	-	-	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Administration	-	-	-	1.8	1.0	1.0	1.0	1.0	1.0	3.0
Recreation	-	-	-	1.0	1.0	1.0	1.0	1.0	0.9	2.9
Senior Services	-	-	-	1.6	2.4	2.4	2.2	2.2	1.8	2.3
Total	104.6	109.1	105.1	104.9	108.9	112.3	112.9	114.8	113.6	117.8

Source: City of East Palo Alto Adopted Budget

¹ Public Works transferred to Community Development during Great Recession.
² Culture and Recreation transferred to General Government during Great Recession.

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

Function	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-20212
Public Safety										
Calls for Service	28,443	29,123	28,253	31,312	30,745	28,087	29,375	26,344	24,969	20,855
Number of serious crimes ¹	572	510	387	174	116	319	164	129	172	359
Number of burglaries	285	213	180	93	97	78	82	64	92	80
Number of assaults	460	436	306	284	239	238	276	323	292	284
Number of auto thefts reported	134	174	132	393	86	101	192	110	212	158
Number of homicides	8	4	6	4	1	1	3	2	7	6
Number of robberies	87	60	65	77	48	69	57	49	65	55
Number of physical arrests	635	640	965	1,462	1,433	984	904	602	481	465
Public Works										
Streets										
Street Resurfacing (lane miles)	-	2.5	0.8	-	-	-	-	2.2	2.5	6.3
Potholes repaired	29	16	61	94	98	159	152	159	89	75
Engineering										
Encroachment permits	41	49	57	109	67	-	44	101	150	87
Culture & recreation										
Facility Rentals	35	74	24	41	67	58	55	101	24	106
Senior Lunches	6,842	5,784	3,471	6,662	9,112	6,509	3,094	5,742	8,548	10,155
Community Event participants	2,743	2,183	3,012	3,020	2,996	2,606	2,349	2,041	-	7,854
Fit Zone/Clean Zone Participants	5,200	4,900	3,300	2,600	3,762	3,600	3,820	426	-	1,700
Community Development	10,074	5,436	6,300	1,116	2,655	194	500	130	-	-
Building Permits										
Residential - Count	408	324	297	391	590	506	442	397	397	352
Commercial Count	36	126	49	43	60	29	31	31	44	34
Transportation ²										
Shuttle Passengers										
Caltrain/Commuter Shuttle	72,878	76,879	85,259	28,901	7,978	-	-	-	-	-
Shopper Shuttle (now Redwood City #4)	4,197	4,076	-	-	-	-	-	-	-	-
Youth Shuttle (now MidTown #3)	7,185	4,539	-	-	-	-	-	-	-	-
Weekend Shuttle	12,865	23,582	-	-	-	-	-	-	-	-
Water Services³										
Hydrant Breaks	9	9	8	12	3	4	7	15	-	10
Water main breaks	21	5	18	19	7	3	13	16	10	14
Average daily consumption per family (in gallons)	385.1	238.7	201.0	200.0	217.0	222.7	258.0	226.0	229.0	258.0

Notes:

- ¹ Crimes against a person (homicide, rape, robbery, assault)
- ² Services reduced in FY2014-15 and all routes eliminated September 2016.
- ³ Data obtained from American Water/Veolia Companies serving City water customers comprising approximately 90% of all water customers in East Palo Alto.

Source: City Departments

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

FUNCTION	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-20	2020-21	2021-22
General Government										
Public Works/Community Development	1	1	1	1	1	1	1	1	1	1
Community Development - Housing	1	1	1	1	1	1	1	1	1	1
Highways & Streets										
Streets (miles)	38	38	38	38	38	38	38	38	38	38
Streelights	827	827	846	846	846	846	846	846	846	846
Traffic Signals	14	14	14	14	14	14	14	14	14	14
Culture & recreation										
Parks (number of parks)	6	6	6	6	6	6	6	6	6	6
Parks acreage (acres)	25	25	25	25	25	25	25	25	25	25
Senior Center	1	1	1	1	1	1	1	1	1	1
Cooley Landing Learning Center	-	-	-	-	-	1	1	1	1	1
Water Service¹										
Water pipelines (miles)	39	39	39	39	39	39	39	39	39	40
Fire hydrants	283	283	283	283	290	330	330	330	330	272
Maximum daily capacity (millions of gallons per day)	2.1	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	1.5

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