EAST PALO ALTO CITY COUNCIL
REGULAR SESSION AGENDA

Tuesday, January 6, 2026, 6:00 PM
EPA Government Center
2415 University Avenue, First Floor
East Palo Alto, CA 94303

NOTICE

This meeting will be held virtually and in-person at the Council Chambers located on 2415 University Ave, First Floor East Palo Alto, CA 94303. The virtual portion of this City Council meeting will be conducted in accordance with City of East Palo Alto Resolution adopted pursuant to Assembly Bill 361.

The public may participate in the City Council Meeting via Zoom Meeting or by attending in-person in the Council Chambers at 2415 University Ave, First Floor East Palo Alto, CA 94303. Community members may provide comments by emailing cityclerk@cityofepa.org, submitting a speaker card at the meeting, or using the **RAISE HAND** feature when the Mayor or City Clerk call for public comment. Emailed comments should include the specific agenda item on which you are commenting.

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Webinar ID: 859 8575 2836

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1. CALL TO ORDER AND ROLL CALL

2. APPROVAL OF THE AGENDA

3. APPROVAL OF CONSENT CALENDAR

3.1

Proclamation of the City of East Palo Alto Commemorating the Contributions of the Reverend Dr. Martin Luther King, Jr., in the Fight for Equality.

Recommendation: Accept the proclamation.

3.2 Palo Alto Park Mutual Water Company Proclamation

Recommendation: Present the proclamation.

3.3 Speed Hump Criteria Update

Recommendation: Amend the adopted *Speed Hump Installation Criteria and Review Process* guidelines to revise Criterion No. 1 pertaining to functional classification requirements.

3.4 Minutes of the December 16, 2025 Meeting

Recommendation: Adopt the minutes of the December 16, 2025, Meeting.

4. CLOSED SESSION

5. PUBLIC COMMENT

6. ADJOURN CITY COUNCIL REGULAR MEETING TO THE EAST PALO ALTO SANITARY DISTRICT BOARD MEETING

7. EPASD BOARD MEETING POLICY AND ACTION

7.1 Accept EPASD Annual Financial Report for Fiscal Year 2024-25

Recommendation:

Adopt a resolution:

1. Accepting and directing staff to file with the State Controller's Office the Annual Audited Financial Reports for Fiscal Year 2024-25; and
2. Finding that the proposed action does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is related to government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

8. ADJOURN EAST PALO ALTO SANITARY DISTRICT BOARD MEETING AND RECONVENE CITY COUNCIL REGULAR MEETING

9. INFORMATIONAL REPORTS

10. SPECIAL PRESENTATIONS

11. PUBLIC HEARINGS

12. POLICY AND ACTION

12.1 Accept Annual Financial Reports for Fiscal Year 2024-25

Recommendation:

Adopt a resolution accepting and directing staff to file with the State Controller's Office the Annual Financial Reports for Fiscal Year 2024-25, including:

1. Annual Comprehensive Financial Report (ACFR),
2. Measure A Fund Report,
3. Measure HH Fund Report,
4. Measure W Fund Report, and
5. Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule (Fiscal Year 2025-26).

12.2 Youth Engagement Program Development

Recommendation:

1. Adopt a resolution authorizing the City Manager to pursue implementation of a formal non-Brown Act Youth Commission and an informal Youth Task Force for a minimum period of at least three years and to budget funds for $50,000 annually from CYFS Transient Occupancy Tax funds in a form approved by the City Attorney, for $150,000, in an amount not-to-exceed $180,000.
2. The action being considered does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to CEQA Guideline section 15378 (b)(5), in that it is a government administrative activity that will not result in direct or indirect changes in the environment.

12.3 Adoption of the Economic Development Strategic Plan (EDSP)

Recommendation:

Staff recommends that the City Council:

1. Adopt the Final Draft Economic Development Strategic Plan (EDSP) prepared by HR&A Advisors, Inc. and Kearns & West; and
2. Provide feedback to staff on the EDSP.

13. COUNCIL REPORTS

14. ADJOURNMENT

Upcoming meetings:

Regular Meeting	January 20, 2026	6:00 pm
Regular Meeting	February 3, 2026	6:00 pm

This AGENDA is posted in accordance with Government Code Section 54954.2(a)

This Notice of Availability of Public Records: All public records relating to an open session item which are not exempt from disclosure pursuant to the Public Records Act, that are distributed to the majority of the City Council will be available for public inspection at the City Clerk's Office, 2415 University Avenue, East Palo Alto, CA at the same time that the public records are distributed or made available to the City Council. Such documents may also be available on the East Palo Alto website www.cityofepa.org subject to staff's ability to post the documents prior to the meeting. Information may be obtained by calling (650) 853-3100.

The City Council meeting packet may be reviewed by the public in the Library or the City Clerk's Office. Any writings or documents pertaining to an open session item provided to a majority of the City Council less than 72 hours prior to the meeting, shall be made available for public inspection at the front counter at the City Clerk's Office, 2ND Floor, City Hall, 2415 University Avenue, East Palo Alto, California 94303 during normal business hours. Information distributed to the Council at the Council meeting becomes part of the public record. A copy of written material, pictures, etc. should be provided for this purpose.

East Palo Alto City Council Chambers is ADA compliant. Requests for disability related modifications or accommodations, aids or services may be made by a person with a disability to the City Clerk's office at (650) 853-3127 no less than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof.

DECLARATION OF POSTING

This Notice is posted in accordance with Government Code §54954.2(a) or §54956. Members of the public can view electronic agendas and staff reports by accessing the City website. Under penalty of perjury, this Agenda was posted to the public at least 72 hours prior to the meeting.

POSTED: December 30, 2025

ATTEST:

James Colin
City Clerk

CONSENT ITEM 3.1

EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 6, 2025

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: James Colin, City Clerk

SUBJECT: Proclamation of the City of East Palo Alto Commemorating the Contributions of the Reverend Dr. Martin Luther King, Jr., in the Fight for Equality.

Recommendation

Attachments

1. Proclamation

PROCLAMATION OF THE CITY OF EAST PALO ALTO COMMEMORATING THE CONTRIBUTIONS OF THE REVEREND DR. MARTIN LUTHER KING, JR.,IN THE FIGHT FOR EQUALITY

WHEREAS *Dr. Martin L. King, Jr was born into a Christian Family residing in the State of Georgia and his heritage was from a line of Gospel Preachers and Educators. Early in his life Dr. King was exposed to the inequalities of public domains that he did not understand. He knew that this was not what the Preamble to the Constitution meant when it states, "All men are created equal"; and*

WHEREAS *amid his educational pursuits, Dr. King, studied at Cozer Theological Seminary in Pennsylvania. he also studied at Morehouse College where he was inspired by Henry David Thoreau's essays on Civil disobedience. In 1955, Dr. King received his Bachelor of Arts Degree from Boston University. He was further inspired by the writings of Mahatma Ghandi on Civil disobedience; and*

WHEREAS *at the age of seventeen, Dr. King made his first public speech on equality at Ebenezer Baptist Church in Atlanta, where his father, Rev. Martin Luther King, Sr., was pastor. Dr. King was catapulted to national prominence in December 1955, after becoming pastor of Dexter Street Baptist Church in Montgomery, Alabama. He was pressed into service during the infamous "Bus Boycott" that began on December 1, 1955, when Mrs. Rosa Parks refused to give up her seat to a White male on a City bus in Montgomery and was arrested; and*

WHEREAS *These events set the stage for the organizing of the Southern Christian Leadership Conference. Dr. King and his Lieutenants trained young men and women carry out civil resistance during marches, arrests and even after the murder of several civil rights activists; and*

WHEREAS *on August 20, 1965, the world was mesmerized when Dr. King delivered his, "I Have A Dream" speech at the Washington Memorial Pavilion. Dr. King was awarded both the Nobel Peace Prize and the Presidential Medal of Freedom; and*

WHEREAS *Dr. King was dedicated to eradicating racial inequality in America. So, while in Memphis, Tennessee, in support of the Garbage Workers strike for higher wages and better working conditions, Dr. King was gunned down as he stood on the balcony of the Lorraine Hotel, his life was ended in a hail of bullets. The date, April 4, 1968; and*

NOW THEREFORE BE IT RESOLVED THAT *on January 6, 2026, the City Council of East Palo Alto designates this day as "Dr. Martin Luther King, Jr." Day.*

Dated: January 6, 2026

Webster Lincoln, Mayor

EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 6, 2025

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: James Colin, City Clerk

SUBJECT: Palo Alto Park Mutual Water Company Proclamation

Recommendation

Present the proclamation.

Attachments

1. Proclamation

CITY OF EAST PALO ALTO PROCLAMATION
HONORING THE PALO ALTO PARK MUTUAL WATER COMPANY
ON THE OCCASION OF ITS 101st ANNIVERSARY OF SERVICE

WHEREAS, the Palo Alto Park Mutual Water Company was founded in 1924 and has provided continuous and essential water service to the East Palo Alto community for more than a century; and

WHEREAS, for 101 years, the Palo Alto Park Mutual Water Company has played a vital role in safeguarding public health and supporting the daily lives of residents through the delivery of safe, reliable, and high-quality drinking water; and

WHEREAS, the Company's long-standing service reflects a strong tradition of local governance, operational stewardship, and responsible infrastructure management that has endured through changing regulatory, operational, and community needs; and

WHEREAS, throughout its history, the Palo Alto Park Mutual Water Company has served generations of residents while adapting to evolving standards and challenges, demonstrating resilience, accountability, and dedication to public service; and

WHEREAS, this milestone represents the collective efforts and commitment of the Company's members, Board of Directors, management, operators, and staff—past and present—whose leadership and professionalism have ensured continuity, integrity, and reliability in water service; and

WHEREAS, the City of East Palo Alto recognizes the importance of community-based institutions that contribute to public health, infrastructure stability, and long-term sustainability for current and future generations.

NOW, THEREFORE, BE IT PROCLAIMED, that the City Council of the City of East Palo Alto hereby recognizes and congratulates the **Palo Alto Park Mutual Water Company** on the occasion of its **101st Anniversary of Service**, and commends the organization for its perseverance, dedication, and continued commitment to responsibly managing and maintaining critical water infrastructure for the community.

Dated: January 6, 2026

Webster Lincoln, Mayor

CONSENT ITEM 3.3

EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 6, 2026

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: Michael Cortez, Associate Civil Engineer
Batool Zaro, Senior Civil Engineer

SUBJECT: Speed Hump Installation Criteria and Review Process Guidelines Update

Recommendation

Adopt a resolution amending the adopted *Speed Hump Installation Criteria and Review Process* guidelines to revise Criterion No. 1 pertaining to functional classification requirements.

Alignment with City Council Strategic Plan

Public Health, Safety, and Quality of Life
Public Infrastructure and Utilities

Background

The City of East Palo Alto originally adopted the *Speed Hump Installation Criteria and Review Process* in 1998. These guidelines were established in an effort to mitigate motorists travelling at excessively high speeds as well as address instances of commuter traffic using residential streets as cut-through streets. The City Council updated these guidelines pn February 17, 2015 through Resolution No. 4592; and further updated the guidelines via Resolution No. 53-2024 in May 2024. The current criteria for the installation of speed humps are listed below.

1. Be classified as a local/residential street
2. Have a street width of 40 feet or less
3. Have no more than two lanes (one in each direction)
4. Speed humps petition requires at least 67% of residents of the addresses
5. Have a speed limit of 25 mph or less
6. Being able to have a warning sign posted before the hump at a distance equal to at least the minimum safe stopping distance as defined by the City Engineer

7. Be visible to oncoming traffic for at least the minimum safe stopping distance as defined by the City Engineer
8. Be able to accommodate an installation without extending over a manhole, catch basin, or other utility access point
9. Have curbs and gutters

In order for a speed hump to be installed on a street, the street must meet each of the criteria stated above. If the street fails to meet one or more of the above criteria, the petition for the placement of a speed hump cannot be approved.

Recently, at a regularly scheduled meeting on September 17, 2025, the Public Works and Transportation Commission (PWTC) received a presentation from Public Works staff regarding the analysis for amending the existing *Speed Hump Installation Criteria and Review Process* guidelines. The Commission agreed unanimously to recommend to City Council to amend the guidelines such that Criterion No. 1 be revised to include street types classified as Collector Streets as defined by the Federal Highway Administration (FHWA) Functional Classification system.

Analysis

Current guidelines for the installation of speed humps contain a requirement pertaining to the functional classification of the street, as can be seen in Criterion No. 1 from the current *Speed Hump Installation Criteria and Review Process* as listed in the Background section in this report.

There are two main classification systems utilized in characterizing streets within East Palo Alto: the National Association of City Transportation Officials (NACTO) *Urban Street Design Guide* and the FHWA Functional Classification system. These classifications are used in conjunction with one another to guide future roadway improvements and performance measurements to carry out mobility priorities more effectively and to balance the needs of all travel modes.

The City's network of streets is classified by street type as defined by NACTO *Urban Street Design Guide*. Street types within East Palo Alto include the following:

- Major Thoroughfare
- Connector
- Residential Boulevard
- Neighborhood Main Street
- Neighborhood Connector
- Neighborhood Street
- Yield Street

The street types in the list above have been converted to FHWA classification terminology for federal transportation funding eligibility purposes in the City of East Palo Alto 2035 General Plan. This conversion has been tabulated on the next page.

RELATIONSHIP BETWEEN STREET TYPES AND EXISTING FHWA CLASSIFICATIONS			
	ARTERIAL	***COLLECTOR***	***LOCAL/RESIDENTIAL***
Major Thoroughfare	**X**		
Connector		**X**	
Residential Boulevard		**X**	
Neighborhood Main Street		**X**	
Neighborhood Connector		**X**	
Neighborhood Street			**X**
Yield Street			**X**

Criterion No. 1 of the City's current speed hump guidelines requires the street under consideration for the installation of a speed hump to be classified as a Local/Residential street as defined by FHWA guidelines. As it is currently written, Criterion 1 alone disqualifies many streets throughout the City from being considered for the installation of a speed hump. Numerous petitions submitted by concerned residents in the past to request the installation of speed humps on streets of similar traffic volumes, speed limits, and geometric configuration (i.e. two lanes of travel, curb and gutter, etc.) have been denied solely on the premise of its functional classification, despite meeting all other criteria.

In order for these streets to be properly considered for the installation of a new speed hump, Criterion No. 1 of the existing *Speed Hump Installation Criteria and Review Process* should be revised to include street types classified as Collector streets as defined by the FWHA Functional Classification system. This change would make an additional 16 streets in East Palo Alto eligible streets.

Fiscal Impact

There is no fiscal impact for this item.

Public Notice

The public was provided notice by making the agenda and report available on the City's website and on a bulletin board located at City Hall: 2415 University Avenue, East Palo Alto, CA 94303.

Environmental

The proposed action does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that it is a governmental fiscal, organizational or administrative activity that will not result in direct or indirect changes in the environment.

Government Code § 84308

Analysis of Levine Act Compliance: Not applicable.

Attachments

1. Resolution
2. *Speed Hump Installation Criteria and Review Process* – Proposed Revisions
3. *City of East Palo Alto 2035 General Plan*, Chapter 6: Transportation, "Street Network"

RESOLUTION NO. XX– 2026

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EAST PALO ALTO

AMENDING THE ADOPTED *SPEED HUMP INSTALLATION CRITERIA AND REVIEW PROCESS* GUIDELINES TO REVISE CRITERION NO. 1 PERTAINING TO FUNCTIONAL CLASSIFICATION REQUIREMENTS

WHEREAS, the City of East Palo Alto originally adopted the *Speed Hump Installation Criteria and Review Process* in 1998 with the goal of enhancing public safety and emergency preparedness, improving public facilities and infrastructure, and creating a healthy and safe community; and

WHEREAS, on February 17, 2015, the City of East Palo Alto adopted an updated version of these guidelines as per Resolution No. 4592; and

WHEREAS, on May 21, 2024, the City Council amended these guidelines to remove Criterion No. 6 pertaining to bus route requirements via Resolution No. 53-2024; and

WHEREAS, at a regularly scheduled meeting on September 17, 2025, the Public Works and Transportation Commission received a presentation for a recommendation to amend the *Speed Hump Installation Criteria and Review Process* to revise Criterion No. 1 to include street types classified as Collector Streets as defined by the Federal Highway Administration Functional Classification System; and

WHEREAS, staff recommends the City Council amend the *Speed Hump Installation Criteria and Review Process* to revise Criterion No. 1 to include street types classified as Collector Streets as defined by the Federal Highway Administration (FHWA) Functional Classification System.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF EAST PALO ALTO HEREBY:

1. Finds the foregoing recitals are true and correct, and are incorporated by this reference into this action; and

2. Amends the existing *Speed Hump Installation Criteria and Review Process* guidelines to revise Criterion No. 1 to include street types classified as Collector Streets as defined by the FHWA Functional Classification System; and

3. Finds that the proposed action does not constitute a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that it is not a governmental fiscal, organizational, or administrative activity that will not result in direct or indirect changes in the environment.

PASSED AND ADOPTED this 6th day of January 2026**,** by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Webster Lincoln, Mayor

ATTEST:

James Colin, City Clerk

APPROVED AS TO FORM:

John D. Lê, City Attorney

6. Transportation

Overview

A safe and well-maintained multi-modal transportation system is essential for the vitality, connectedness, and economic success of East Palo Alto. The City oversees most street, pedestrian, and bicycle facilities while also coordinating with partners like CalTrans and SamTrans for highways and transit service. This chapter defines the transportation system envisioned for East Palo Alto and contains goals and policies for different modes of transportation throughout the City. It serves to reinforce the City's long-term strategy to improve access for all means of travel and design streets that accommodate all users. This chapter includes goals and policies for transportation; specific transportation improvements are listed in Chapter 12: Implementation, while the traffic analysis of the future year growth may be found in the EIR.

Statutory Requirements

The East Palo Alto Transportation Element meets state requirements for the "Circulation Element" as defined in Section 65302(b) of the California Government Code. As per State law, the Element must contain "the general location and extent of existing and proposed major thoroughfares, transportation routes, terminals, any military airports and ports, and other local public utilities and facilities, all correlated with the land use element of the plan." Additionally, as of 2011, Circulation Elements must "plan for a balanced, multimodal transportation network that meets the needs of all users of streets, roads, and highways for safe and convenient travel in a manner that is suitable to the rural, suburban, or urban context of the general plan."

Issues and Opportunities

East Palo Alto has a diverse transportation system that is used for both local and regional travel. It consists of a network of roads, transit routes, and paths for bicyclists and pedestrians in various states of repair.

The transportation goals and policies of this chapter directly respond to current conditions, including issues and opportunities, to direct change and advance community priorities. This Issues and Opportunities section represents an overview of current conditions, and is organized according to the following topics:

- Transportation Patterns
- Connectivity and Accessibility
- Vehicle Traffic and Roadways
- Transit
- Bicycling
- Walking
- Parking

Transportation Patterns

The ways in which people get around are important indicators of the success of a transportation system, shedding light on which modes are most popular, convenient, and safe.

According to the U.S. Census' American Community Survey, East Palo Alto residents currently own cars at a much lower rate than the county average (9% of households have no vehicle, as compared to 6%

Countywide), but are almost as likely to use a car to get to work and are less likely to take transit given the lack of convenient alternatives to the car. Comparing vehicle ownership rates to journey to work mode split data, shown in Table 6-1, it is clear that East Palo Alto exhibits a larger than average transit dependent population, but poor east-

Table 6-1: Journey to Work Mode Splits

Mode	East Palo Alto	San Mateo County
Drive Alone	69%	71%
Carpool	14%	11%
Transit	6%	8%
Bicycle	4%	1%
Walk	4%	3%
Telecommute	2%	5%

Source: American Community Survey, 2007-2011 5-year estimates

west transit connectivity and little bicycle and pedestrian infrastructure. This dynamic serves to discourage travel via non-car modes, and commuting patterns are thus dominated by automobile travel, be it persons driving alone or as part of a carpool. As such, there likely exists a sizeable latent demand for improved transit service and bicycle and pedestrian facilities. Improving transit, bicycle, and pedestrian connectivity will help decrease traffic, increase mobility and access to jobs, reduce greenhouse gas emissions, and improve East Palo Alto's overall health, wellness, and quality of life.

Connectivity and Accessibility

There exists a lack of connections within East Palo Alto (be it bicycle, pedestrian, or transit) to regional transit corridors such as Caltrain and El Camino Real, and job and activity centers in neighboring municipalities. In particular, the barriers created by U.S. Highway 101, and the lack of adequate bicycle and pedestrian crossing accommodations on the University Avenue (State Highway 109) and Willow Road (State Highway 114) overpasses, further limit connectivity. Moreover, people with disabilities often face additional obstacles to mobility, encountering parked cars blocking sidewalks by driving over rolled curbs.

By improving the multimodal connectivity of the transportation network, residents would enjoy improved access to employment, services, recreational opportunities, and activity centers. Palo Alto, followed by Menlo Park, is the primary location of employment for many East Palo Alto residents; therefore, non-motorized alternatives in these areas need to be prioritized.



The University Avenue overpass includes no bicycle lanes and an uninviting pedestrian sidewalk. (Image Source: Bryan Goebel)

Vehicle Traffic and Roadways

Private and commercial vehicles (including trucks) are a large part of the transportation system in East Palo Alto. Generally, traffic volumes within East Palo Alto are relatively low on most streets, with the exception of two key arterials: University Avenue, which runs through the heart of the City, and Willow Road, which delineates the northernmost border between Menlo Park and the City.

There is a significant amount of regional traffic between the Dumbarton Bridge and Highway 101 cutting through the City via these two streets, increasing delay and localized air pollution. As of 2015, University Avenue carries an estimated 25,000 vehicles on most segments, including the US 101 overpass, with higher volumes – just over 30,000 – on the segment just north of East Bayshore Road. Approximately 84% of this traffic is "cut-through" traffic that neither originates nor ends in East Palo Alto. Willow Road carries similar amounts, representing, along with University Avenue, the City's highest volume streets.

Other streets, such as Pulgas Avenue, Clarke Avenue, Bay Road, Cooley Avenue and East Bayshore Road see significant cut-through traffic as well, though not to the degree of University and Willow.

Figure 6-1: Truck Routes



Truck routes on existing streets within East Palo Alto include portions of University Avenue, East Bayshore Road, West Bayshore Road, Donohoe Street, Willow Road, and Bay Road. The new street to be constructed as part of the Ravenswood/4 Corners TOD Specific Plan is a proposed future truck route.

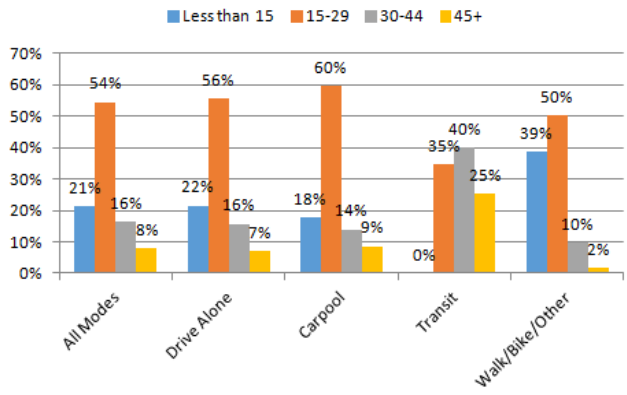
It should also be noted that while University Avenue is currently predominantly used by regional traffic, it is also the main local transportation spine of East Palo Alto. As such, it represents a prime candidate for potential redesign to improve its local function as a community focal point and gathering place. Potential redesigns for the roadway could include buffered and painted bicycle lanes, streetscape improvements such as benches and pedestrian scale lighting, and mid-block crossings.

Finally, as regional through traffic contributes to localized congestion within East Palo Alto, a plan for truck traffic is an important tool to protect neighborhood streets from noise and traffic impacts. Figure 6-1 maps existing and proposed truck routes within city limits.

Transit

There are currently frequent, convenient transit options throughout much of East Palo Alto. Most commute hour bus lines serving East Palo Alto operate on 15 minute headways, thus requiring short waits between buses. However, on average, transit riders in East Palo Alto spend 25 more minutes commuting per day than the citywide average across all modes, as shown in Figure 6-2. This equates to 500 more minutes per month, and 6,000 minutes (100 hours) per year.

Figure 6-2: Means of Transportation to Work by Travel Time



More specifically, five SamTrans routes have stops within the City limits, including:

- **Route 280** with service to the Stanford Shopping Center, Palo Alto Caltrain Station, and the Ravenswood Shopping Center (1 hour headways)
- **Route 281** with service to the Stanford Shopping Center, Palo Alto Caltrain Station, East Palo Alto, and the Onetta Harris Community Center (15 minute peak headways)
- **Route 296** with service to Redwood City, Atherton, and Menlo Park (15 minute peak headways)
- **Route 297** with service to Redwood City and Palo Alto (4 times daily on weekdays, 10 times on weekends)
- **Route 397** with late night service to San Francisco, South San Francisco, San Francisco International Airport, Burlingame, San Mateo, Belmont, San Carlos, Redwood City, and Palo Alto (hourly)

SamTrans is also currently studying ways of restructuring bus service in East Palo Alto, particularly as new development projects are completed.

AC Transit operates two Dumbarton Express routes which stop only at Newbridge and Willow, offering connections between the city of Menlo Park and the East Bay (including the Union City BART station), as well as Palo Alto and Stanford University. Both routes only operate during peak commute hours (6AM to 8PM with hour long headways).

The proximity of high capacity transit service, however, such as Caltrain, bus service along El Camino Real, and proposed rail service along the Dumbarton Corridor, presents an opportunity to improve connectivity between East Palo Alto and regional employment and activity centers. Figure 6-3 shows existing and planned transit service. Currently, the San Mateo County Transportation Authority is considering restoring train service or establishing bus rapid transit service on a 4.5-mile segment of the Dumbarton Rail Corridor between the Redwood City Caltrain Station and Willow Road in Menlo Park, near Facebook's campus.

Encouraging the increased use of public transportation can help reduce vehicular emissions and pollution, increase access to employment and activity centers for those without a car, and also help individuals meet daily requirements for physical activity.

Figure 6-3: Existing and Planned Transit Service



Existing transit service is predominantly provided by SamTrans, though new rail service is proposed along the Dumbarton rail corridor, with potential station locations in Menlo Park and East Palo Alto.

Bikeability

East Palo Alto's existing bicycle network is relatively modest, even though the bicycle mode share in the City is four times the countywide average (4% versus 1%). Existing facilities do afford both north-south and east-west bicycle connectivity, but key facility gaps exist, particularly across Highway 101. The University Avenue corridor – particularly at Bay and University – is the most common site of vehicle collisions with bicycles. Figure 6-4 shows the number of bicycle collisions from 2007 to 2011, and helps illustrate the need for improved bicycle accommodations.

The new bicycle and pedestrian overpass for Highway 101 at Clarke Avenue, however, represents an investment to improve connectivity across the freeway, and a focal point around which to plan additional connecting infrastructure. Figure 6-5 shows the existing and planned bicycle network. Connecting the planned bicycle network to neighboring jurisdictions will improve accessibility to existing bikeways. The East Palo Alto Bicycle Transportation Plan, adopted in 2011, describes many potential improvements (as well as some improvements which are currently being implemented, such as the Highway 101 overcrossing). The 2011 Bicycle Transportation Plan was adopted as an interim plan, to acknowledge that this General Plan Transportation Element may incorporate and/or supersede its contents.

The benefits of walking and bicycling to school or work, for daily errands, and for recreation include increased physical activity, stress reduction, and better cardiovascular fitness and cardiovascular risk factors among working-age adults. Additionally, when more people bicycle for transportation, car emissions decrease. This can improve air quality (and respiratory health) and reduce carbon emissions that contribute to climate change. Finally, walking and cycling are no- or low-cost transportation options, saving money that individuals would otherwise spend on fuel and car expenses.

Walkability

Similar to bicycling, walking represents a no-cost transportation mode that improves health outcomes, reduces congestion, and improves air quality.

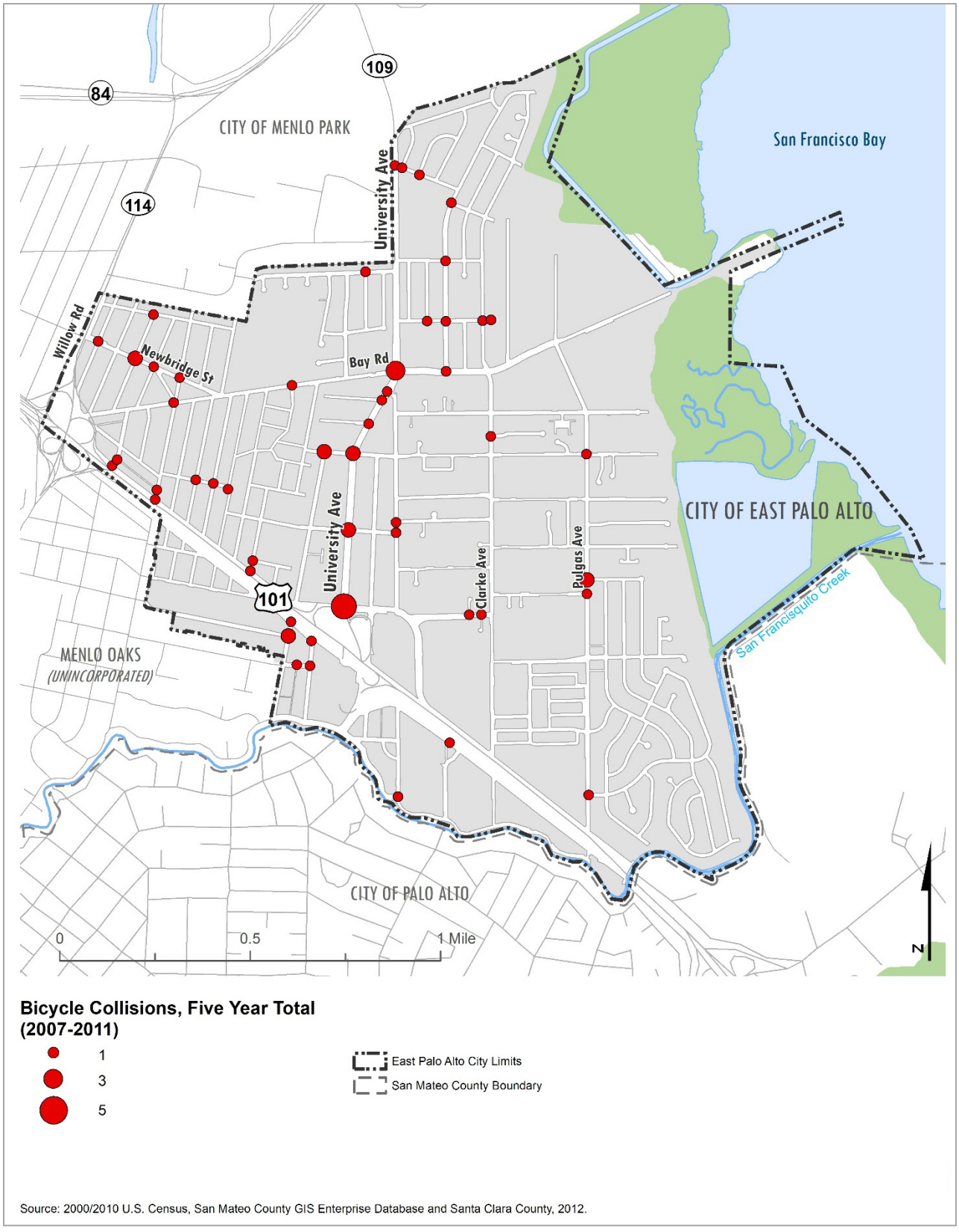
Numerous streets in East Palo Alto lack sidewalks on either one or in many cases both sides, as shown in Figure 6-6. Additional sidewalk gaps exist across key barriers, such as Highway 101 and the San Francisquito creek. Additionally, some East Palo Alto streets, such as those in the Gardens Neighborhood, are slender and have rolled curbs, which frequently results in drivers parking on sidewalks. Wheelchair users and other pedestrians are then forced to walk in the street. Various traffic calming improvements can help reduce vehicle speeds and improve bicyclists and pedestrian safety. These improvements could be utilized along key corridors shown in Figure 6-7, and could include speed humps, roundabouts, bulbouts, high visibility crossings, pedestrian refuges, raised crosswalks, motion-activated beacons, conversion of rolled curbs to vertical curbs, and mid-block crossings.

Parking

There is currently a significant parking problem in certain areas of the City, particularly in the area west of Highway 101 (the Westside), and the Gardens neighborhood. This is as a result of limited on-street parking and relatively few off-street parking spaces given the number of dwelling units or the number of residents (on average) per unit. In the Gardens neighborhood, the parking shortage is likely attributed to the conversion of garages into living space, curb cuts that reduce on-street parking and narrow street widths which limit the possibility of parking parallel on both sides of the street. Furthermore, parking is also influenced in the Westside's Willows Neighborhood bordering Menlo Park whose city ordinance prohibits overnight parking.

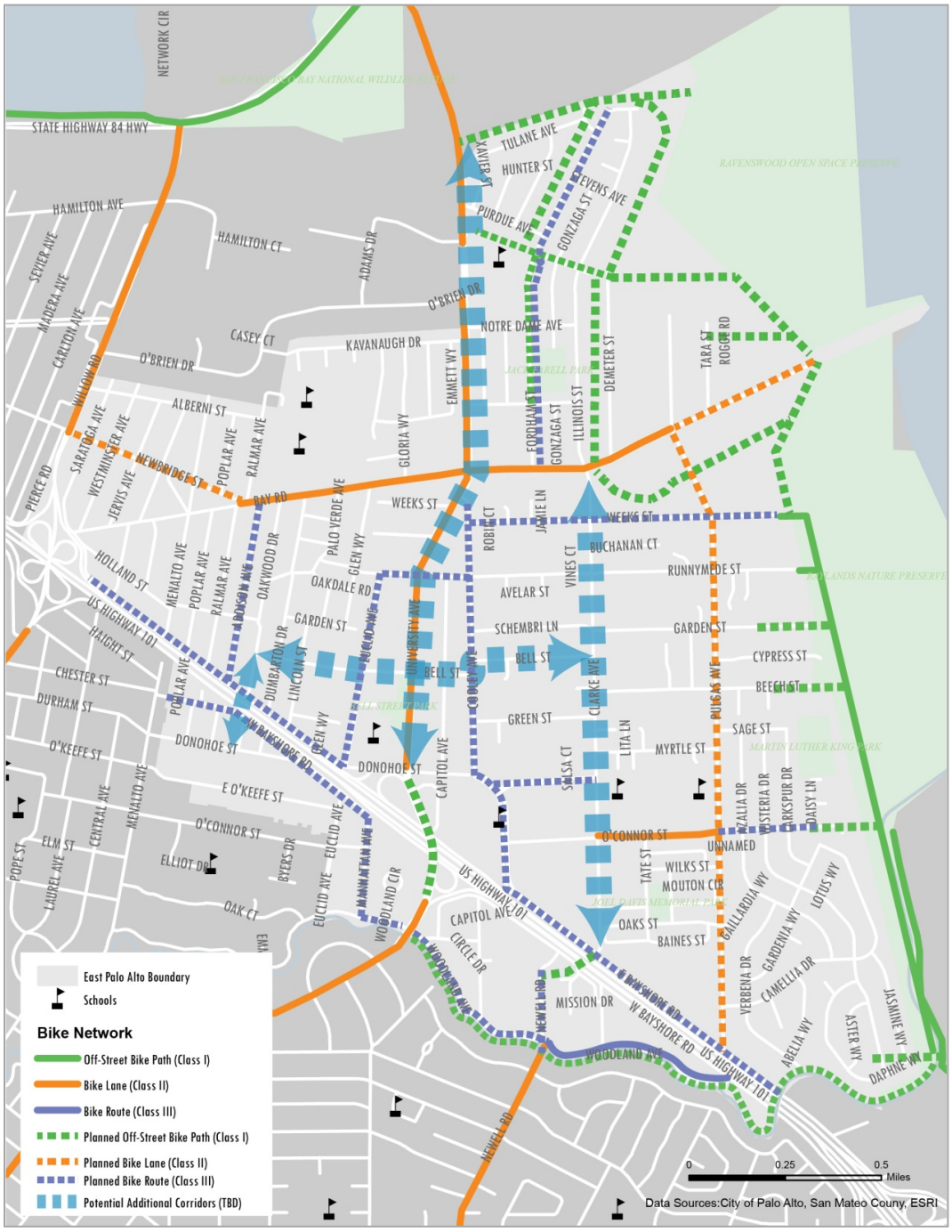
The efficient provision and management of parking can help provide sufficient space for vehicles while also encouraging more efficient use of existing facilities, reducing the impact of parking facilities, and reducing automobile use.

Figure 6-4: Bicycle Collisions, 2007-2011



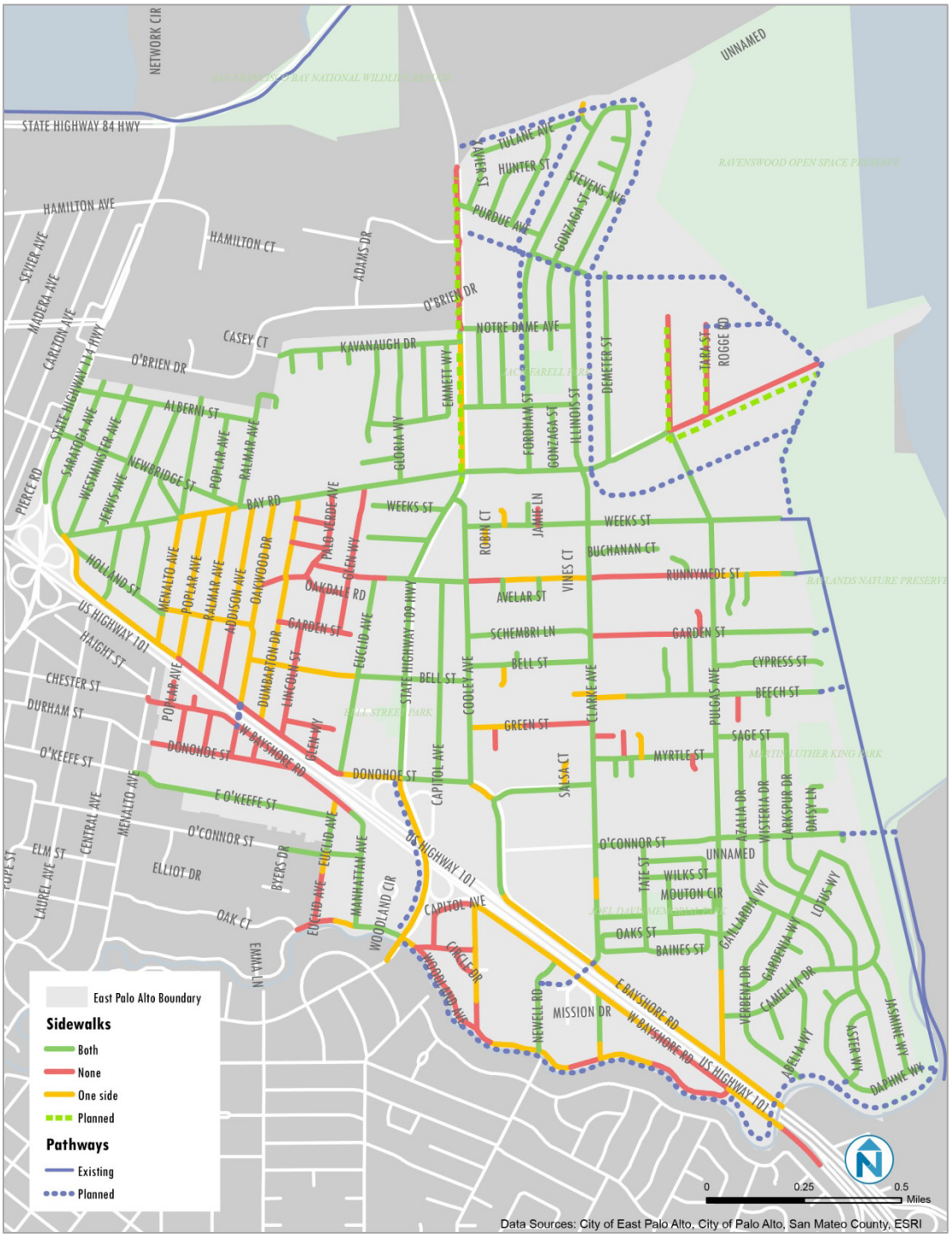
Source: 2000/2010 U.S. Census, San Mateo County GIS Enterprise Database and Santa Clara County, 2012.

Figure 6-5: Existing and Proposed Bicycle Network



The existing bicycle network in East Palo Alto exhibits various gaps, particularly across Highway 101. Planned facilities, such as the bicycle and pedestrian bridge across Highway 101 and bicycle lanes along Pulgas Avenue will improve connectivity, though additional potential new bicycle corridors should be studied, and cou d include: University Avenue (buffered lanes), Bell Street, Clarke Avenue, Newell Road, an additional crossing over Highway 101 north of University, and various connections to the Bay Trail.

Figure 6-6: Existing and Proposed Pedestrian Network



Many streets in East Palo Alto lack sidewalk facilities on one or both sides. The policies spelled out in this Circulation Element call for eliminating these gaps in the pedestrian network whenever feasible to improve safety, increase pedestrian comfort, and benefit public health.

Figure 6-7: Traffic Calming Priority Corridors



Traffic calming priority corridors include roadways with high levels of bicycle and pedestrian collisions, existing or planned bicycle infrastructure, and those leading to schools, parks, and other community facilities. These represent priorities for implementation of traffic calming policies, as stated in Goal T-1 and Policy T-1.2.

Street Network

Street Types

The General Plan's system of street types will inform future roadway improvements and performance measurement for new and reconfigured streets to carry out mobility priorities more effectively and to balance the needs of all travel modes. Definitions of street types consider surrounding land uses and designate priority levels for different travel modes within each street type. Combined, the types represent a hierarchical network linked to typical design standards and anticipated traffic levels.

Table 6-3 and Figure 6-8 delineate the planned roadway circulation system at full build-out of the General Plan, while Figures 6-9-14 serve as illustrative examples of each street type. Each street type is based upon a corresponding street type defined in the National Association of City Transportation Officials (NACTO) *Urban Street Design Guide*. Additional definition of and information about each street type is provided in the NACTO *Urban Street Design Guide*. As noted in the Implementation section of this document, the City will develop updated City standards for each street type.

Street types include the following:

- Major Thoroughfare
- Connector
- Residential Boulevard
- Neighborhood Main Street
- Neighborhood Connector
- Neighborhood Street
- Yield Street

Federal Guidance on Functional Classification

Functional classification is required by the Federal Highway Administration for projects receiving federal funds. This system is primarily auto-centric and does not take into consideration local context, land use, or built form. The street types presented in this document are an alternative to conventional functional classification. To ensure that East Palo Alto remains eligible for federal transportation funds, Table 6-2 converts street types into FHWA functional classification terminology.

Table 6-2: Relationship between Street Types & Existing FHWA Classifications

	Arterial	Collector	Local
Major Thoroughfare	●		
Connector		●	
Residential Boulevard		●	
Neighborhood Main Street		●	
Neighborhood Connector		●	
Neighborhood Street			●
Yield Street			●

Table 6-3: Street Types

Type	Mode Priority	Description and Guidelines
Highway	Vehicle: ● Other modes: N/A	*Limited access, major regional freeways that are part of the state and regional network of highways and subject to state design standards*.
Major Thoroughfare (Arterial)	Bicycle: ◑ Pedestrian: ● Transit: ● Vehicle: ●	*Major arterial with higher frequency of transit service and mixed commercial and retail frontages*. Provides access and safe crossings for all travel modes along a regional transportation corridor. Emphasizes walking and transit and accommodates regional vehicle trips in order to discourage such trips on nearby local roadways, through collaborations with other cities and agencies. In areas of significant travel mode conflict, bicycle improvements may have lower priority, particularly where parallel corridors exist.
Connector (Collector)	Bicycle: ● Pedestrian: ● Transit: ● Vehicle: ◑	*Streets with mixed residential and commercial frontages that serve as a main route for multiple modes.* Distributes trips to residential and commercial areas. Provides a balanced level of service for vehicles, transit, bicycles and pedestrians wherever possible. Bicycle priority is greater along identified bicycle corridors. Pedestrian improvements are comfortable to walk along, and provide safe crossings at designated locations.
Residential Boulevard (Collector)	Bicycle: ● Pedestrian: ● Transit: ◑ Vehicle: ◑	*Primarily residential street that serves a significant destination.* Prioritizes walking and bicycling. Accommodates intra-city trips while also distributing local traffic to other streets and areas. Accommodating vehicle traffic while ensuring a high quality of life for residents is a key design challenge.
Neighborhood Main Street (Collector)	Bicycle: ● Pedestrian: ● Transit: ◑ Vehicle: ◑	*Mixed-use street that serves a significant destination.* Serves as a nexus of neighborhood life, with high pedestrian volumes, frequent parking turnover, key transit routes, and bicyclists all vying for limited space.
Neighborhood Connector (Collector)	Bicycle: ● Pedestrian: ● Transit: ○ Vehicle: ◑	*Low-medium volume residential through street*. Primarily serves residential neighborhoods. Provides high quality conditions for walking and bicycling and distributes vehicle, pedestrian and bicycle trips to and from other streets.
Neighborhood Street (Local)	Bicycle: ● Pedestrian: ● Transit: ○ Vehicle: ○	*Low volume residential street, serving mostly local traffic*. Provides access primarily to abutting uses. These streets should offer safe and inviting places to walk and bike.
Yield Street (Local)	Bicycle: ● Pedestrian: ● Transit: ○ Vehicle: ○	*Narrow, low volume residential street serving mostly local traffic.* Residential environments where drivers are expected to travel at low speeds and pedestrian and bicycle comfort is prioritized.

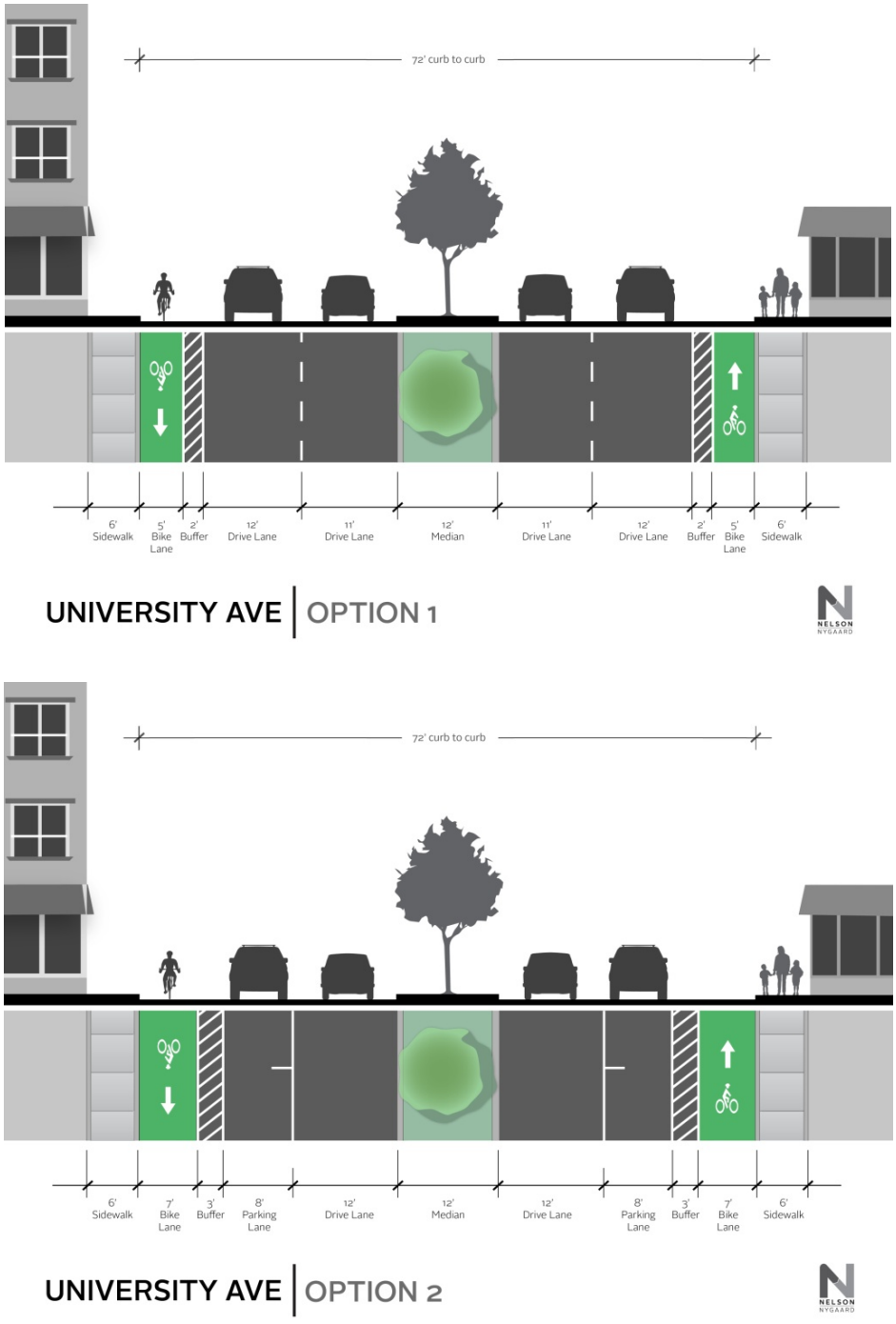
● = *High Priority*
◑ = *Medium Priority*
○ = *Low Priority*

Figure 6-8: Street Network



As described above on page 6-12, the City's street network contains a variety of types intended to support a wide spectrum of users and adjacent land uses. Combined, the types represent a hierarchical network linked to typical design standards and anticipated traffic levels.

Figure 6-9: Major Thoroughfare



University Avenue, Willow Road, and portions of Donohoe and East Bayshore are designated as Major Thoroughfares. This street type is referred to in the NACTO Urban Street Design Guide as a "Downtown Thoroughfare". Additional information on this street type is provided on pages 12-13 of the Urban Street Design Guide. (Image source: NACTO Urban Street Design Guide.)

Figure 6-10: Connector



Manhattan Avenue, Woodland Avenue and portions of Donohoe, West Bayshore Road and East Bayshore Road are designated as Connectors. This street type is referred to in the NACTO Urban Street Design Guide as a "Downtown 2-Way Street". Additional information on this street type is provided on pages 10-11 of the Urban Street Design Guide. (Image source: NACTO Urban Street Design Guide.)

Figure 6-11: Residential Boulevard



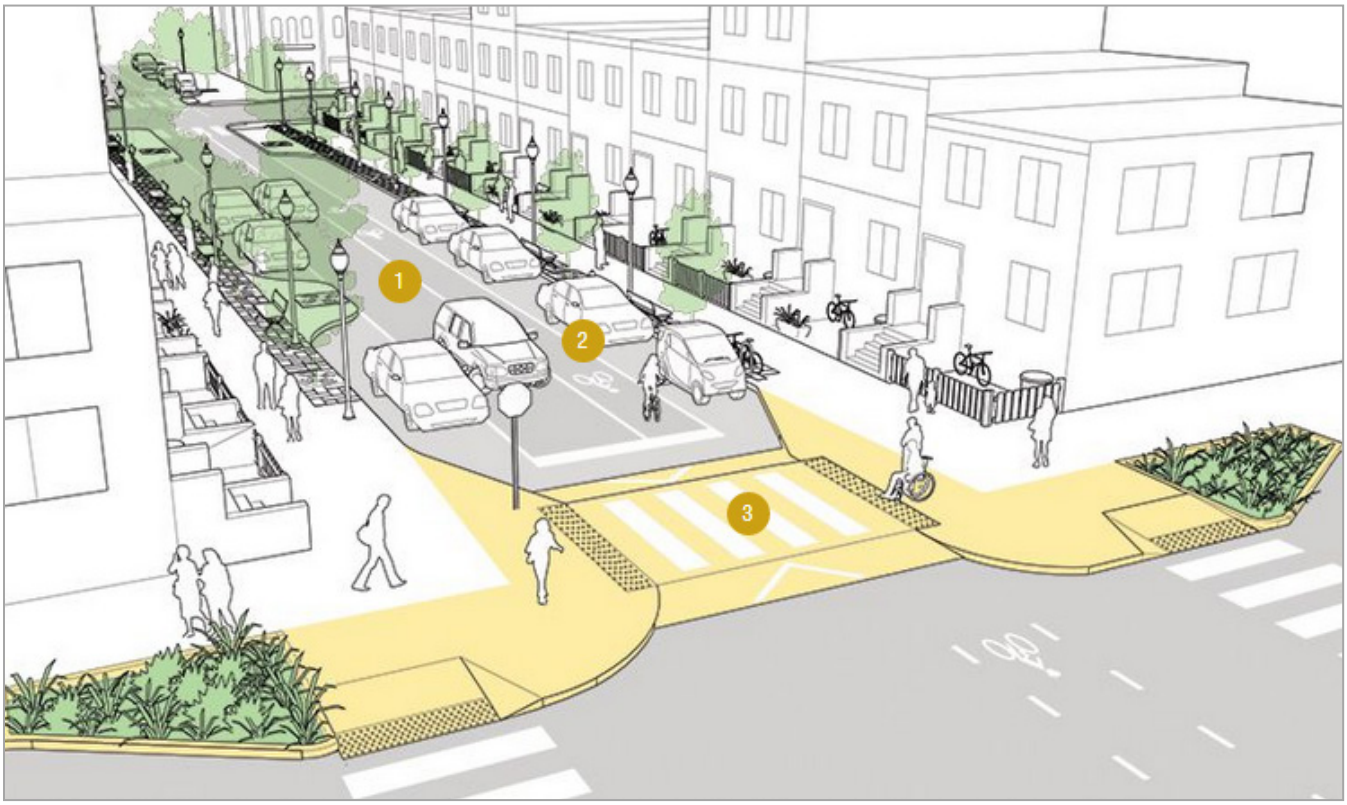
Newbridge Street and the portion of Bay Road west of University Avenue are designated as Residential Boulevards. Additional information on this street type is provided on pages 20-21 of the Urban Street Design Guide. (Image source: NACTO Urban Street Design Guide.)

Figure 6-12: Neighborhood Main Street



Bay Road east of University Avenue is designated as a Neighborhood Main Street. Additional information on this street type is provided on pages 14-15 of the Urban Street Design Guide. (Image source: NACTO Urban Street Design Guide.)

Figure 6-13: Neighborhood Street and Neighborhood Connector



Numerous local residential streets throughout the City are designated as Neighborhood Streets. Neighborhood Streets are wide enough to allow slow-flow operation, allowing vehicles moving in opposite directions to pass each other at slow speeds. Clarke, Euclid, Fordham, Pulgas and portions of Cooley, Glen Way, Runnymede and O'Connor are designated as Neighborhood Connectors. The typical physical dimensions and elements of these two street types are similar, and typical elements are illustrated in the figure above. The primary difference between the Neighborhood Connector and the Neighborhood Street type is that the Neighborhood Connector type is intended (a) to serve more destinations (such as local schools) than the Neighborhood Street, and (b) to distribute local traffic to neighborhood streets. Neighborhood Connectors are therefore designated to accommodate low-to-medium traffic volumes. By contrast, the Neighborhood Street serves primarily local traffic and is designated for low volumes. These street types are collectively referred to in the NACTO Urban Street Design Guide as "Neighborhood Streets". Additional information on this street type is provided on page 16 of the Urban Street Design Guide. (Image source: NACTO Urban Street Design Guide.)

Figure 6-14: Yield Street



The most slender local residential streets in the City are designated as Yield Streets. The Yield Street type is distinguished by a slender curb-to-curb width, and typically includes segments where two-way traffic is not possible when vehicles are parked at the curb: in such segments, some drivers must stop and yield the right-of-way to oncoming traffic. This is referred to as yield-flow operation. As noted in the Institute of Transportation Engineers' (ITE) Residential Streets, Third Edition, "Yield flow occurs when two-way traffic is impossible where parked vehicles are present. Thus, some motorists must stop and yield the right-of-way to oncoming vehicles. For decades prior to the 1960s, yield flow was the widely accepted norm for local streets. Thus, the vast majority of local streets throughout the United States operate at yield flow." Recent research has confirmed the traffic calming and safety benefits of this street type. Additional information on this street type is provided on page 17 of the Urban Street Design Guide and pages 12-50 of the ITE's Residential Streets, Third Edition. (Image source: NACTO Urban Street Design Guide.)

Goals and Policies

Goal T-1. **Improve safety through the design and maintenance of sidewalks, streets, intersections, and other roadway improvements.**

Intent: To ensure that human life and health is paramount and takes priority over mobility and other road traffic system objectives.

Policies:

1.1 **Vision Zero.** Eliminate traffic fatalities and reduce the number of non-fatal injury collisions by 50% by 2030.

1.2 **Traffic calming.** Implement traffic-calming and traffic-slowing measures on roads and at intersections with a high level of existing or planned pedestrian and non-motorized vehicle activity and/or collisions.

1.3 **Safe Routes to Schools.** Actively promote safety around schools, pursue funding to implement physical improvements around schools and student education programs around traffic safety (such as "walking school buses", walking audits, bike rodeos, classroom instruction and promotional events).

1.4 **ADA-compliant Sidewalks.** Ensure sidewalks are ADA compliant and free of blockage resulting from parked vehicles or other obstructions.

1.5 **Coordination with public safety.** Ensure that the Menlo Park Fire Protection District (MPFPD) and the City's Police Department review construction plans for roadway modifications, internal circulation, and establish, if needed, temporary alternative emergency routes to be used the duration of any construction project. During design review, ensure that roads and driveways are established that meet applicable code requirements for emergency access, including potentially including signal preemption mechanisms. Ensure that the MPFPD reviews related building plans for compliance with the Fire Code and establishes a future inspection schedule for continued compliance. Continue the existing practice of informing the MPFPD and the Police Department of projects and proactively engaging with the MPFPD and the Police Department through the Development Review Committee (DRC) and the plan check process.

Goal T-2. **Foster the creation of complete, multimodal streets.**

Intent: To encourage multimodal and attractive streets that provide for the needs of diverse members of the community, balance the different modes of transportation, promote physical activity, and support environmental sustainability.

Policies:

2.1 **Accommodating all modes.** Plan, design and construct transportation projects to safely accommodate the needs of pedestrians, bicyclists, transit riders, motorists, people with disabilities, and persons of all ages and abilities.

2.2 **University Avenue.** As the main transportation spine of East Palo Alto, ensure that any future redesign of University Avenue include improvements for all modes of travel, focusing on its local function as a community centerpiece for local activity and travel. Design options could include buffered and painted bicycle lanes, streetscape improvements such as benches and pedestrian scale lighting, and mid-block crossings, reversible lanes, and the reintroduction of on-street parking. The City shall maintain control of University Avenue (not Caltrans).

2.3 **Fix It First**. Maximize the value of past investments by prioritizing infrastructure spending to support the maintenance and upgrading of existing transportation infrastructure before incurring the cost of constructing new infrastructure.

2.4 **Funding.** Pursue adequate and sustainable funding sources for maintaining all existing city transportation infrastructure.

2.5 **NACTO Design Guides.** Adopt the NACTO (National Association of City Transportation Officials) Urban Street Design Guide and Urban Bikeway Design Guide as supplements to the street types in this Plan and the California Manual for Uniform Traffic Control Devices.

2.6 **Pedestrian and bicycle crossings.** Encourage pedestrian and bicycle crossings at key locations and across existing barriers such as Highway 101 and to local employment and schools, such as Bay Road.

2.7 **Truck routes.** Update Municipal Code demarcating truck routes through East Palo Alto to conform to the new Truck Route map shown in this Circulation Element.

Goal T-3. **Create a complete, safe, and comfortable pedestrian network for people of all ages and abilities.**

Intent: To encourage a livable, healthy, and connected city with a safe and comfortable pedestrian network among its various neighborhoods, parks, trails, employment centers, community facilities, and commercial areas.

3.1 **Active transportation.** Increase the levels of active transportation.

3.2 **Loop road.** Pursue the new multimodal Loop Road, including the Bay Trail connection, as described in the Ravenswood/4 Corners TOD Specific Plan to alleviate congestion and neighborhood traffic

3.3 **Pedestrian network.** Create a safe, comfortable, and convenient pedestrian network that focuses on a) safe travel; b) improving connections between neighborhoods and commercial areas, and across existing barriers; c) providing places to sit or gather, pedestrian-scaled street lighting, and buffers from moving vehicle traffic; and d) includes amenities that attract people of all ages and abilities.

3.4 **Pedestrian and bicycling education, encouragement, and awareness.** Actively engage the community in promoting walking and bicycling through education, encouragement (such as Bike to Work Day, Walk to Work Day, and Bike/Walk to School days and programs), and outreach on improvement projects and programs.

3.5 **Coordination with neighboring jurisdictions.** Coordinate pedestrian and bicycle improvements with the plans of neighboring jurisdictions and the region.

Goal T-4. **Build a comprehensive and well-used bicycle network that comfortably accommodates bicyclists of all ages and skill-levels.**

Intent: To encourage a livable, healthy, and connected city with a safe and comfortable bicycle network and adequate bicycle parking to enhance bicycling as a convenient form of transportation for both commute and leisure trips.

4.1 **Bicycle network.** Improve facilities and eliminate gaps along the bicycle network to connect destinations across the city and create a network of bicycle facilities of multiple types that connect to neighboring cities, including a path along Newell Road between Highway 101 and San Francisquito Creek. The network should facilitate bicycling for commuting, school, shopping, and recreational trips by riders of all ages and levels of experience.

4.2 **Bicycle Transportation Plan.** Utilize the City's Bicycle Transportation Plan to help guide the location and timing for bicycle improvements

4.3 **Wayfinding.** Increase the convenience of walking and bicycling by supporting the phased implementation of a comprehensive citywide, consistent bicycle and pedestrian wayfinding system connecting major destinations.

4.4 **Bicycle safety.** Support bicycle education, encouragement, and enforcement activities that promote bicycle safety.

4.5 **Public bicycle parking**. Increase the amount of safe and convenient short- and long-term bicycle parking and storage available to the public throughout the city.

4.6 **Bicycle parking standards.** Require large public and private development projects to provide sufficient bicycle parking, shower and locker facilities.

4.7 **Bikeshare.** Support the expansion of the regional bike share pilot program, helping to identify appropriate locations for system expansion within East Palo Alto.

4.8 **San Francisco Bay Trail.** Support the completion of the San Francisco Bay Trail, including relevant portions within East Palo Alto.

Goal T-5. **Support local and regional transit that is efficient, frequent, convenient, and safe.**

Intent: To support planning and coordination of transit services to accommodate diverse community needs for safe, comfortable, and efficient local and regional transit.

5.1 **Dumbarton rail service.** Support ongoing regional efforts to reintroduce passenger rail service along the Dumbarton corridor and support multimodal access improvements to future rail station(s).

5.2 **Coordination with transit agencies.** Coordinate with transportation service providers to improve transit service and access in the City, focusing particularly on areas with high concentrations of zero vehicle households, areas that currently lack public transit options, and on the improvement of transfers and connections between systems.

5.3 **Transit priority.** Ensure transit vehicles retain priority over other vehicles along transit network streets (as shown in Figure 6-3), prioritizing transit speed and schedule reliability.

5.4 **Access to transit.** Provide connecting bicycle and pedestrian infrastructure and amenities to improve access to transit stations and stops, and encourage new development projects near transit to improve transit stop amenities.

5.5 **Transit stops.** Support the installation of transit stop amenities, including shelters, benches, real-time information panels, lighting, bike parking, bike sharing stations, etc.

5.6 **Local transportation services.** Create or partner with transit providers, employers, educational institutions, major commercial entities and event organizers to improve local transportation services, including developing discount transit pass programs for groups such as students.

5.7 **Connection to Dumbarton corridor.** Should Facebook be successful in lobbying for a fixed railway or Bus Rapid Transit (BRT) connection to their campus, request a pedestrian connection to a Willow Road station that transects the office park behind the Kavanaugh neighborhood.

5.8 **Senior transit.** Support the expansion of affordable and reliable transportation options such as discounted transit passes for older adults and persons with disabilities, focusing on neighborhoods with high concentrations of elderly residents.

5.9 **Cut-through traffic**. Encourage and support efforts to improve regional transportation given that the majority of traffic congestion in the City is generated by regional circulation..

Goal T-6. **Develop strategies to provide efficient and adequate vehicle parking.**

Intent: To encourage the development of an efficient and adequate parking supply, reduce the negative effects of parking on the pedestrian environment and surrounding neighborhoods, and support community goals for complete streets, walkability, bikeability, and effective transit.

6.1 **Public parking management.** Improve the efficiency of the on- and off-street public parking system via parking management strategies that ensure adequate parking is available for nearby uses, including Residential Permit Parking (RPP) in residential areas that see significant parking spillover.

6.2 **Parking requirements.** Maintain efficient parking standards that consider the effect on demand due to various contextual conditions such as parking prices, transportation demand management strategies, transit accessibility, walkability, and bikeability. Study establishing a density bonus program for developments that utilize mechanized parking lifts.

6.3 **Off-street parking.** Ensure new off-street parking is properly designed and used efficiently.

6.4 **"Park Once."** Support the establishment of shared public parking, particularly in mixed-use and retail areas, and of Park-Once strategies that allow motorists to park just once and complete multiple daily tasks on foot before returning to their vehicle, helping to reduce vehicle trips and parking demand. Potential shared parking facilities include private and public facilities such as church and school parking lots.

Goal T-7. **Adopt transportation performance measures.**

Intent: To enable effective, informed transportation planning by using indicators, data and monitoring to evaluate the city's multi-modal transportation system.

7.1 **Automobile Level of Service Standards.** Improve the East Palo Alto circulation system roadways in concert with land development to maintain adequate levels of service for automobile travel. Automobile Level of Service (LOS) performance can be measured using a volume-to-capacity (V/C) ratio. V/C ratios are calculated based on existing or future average daily traffic (ADT) volumes and daily capacity values for various types of roadways. A level of service scale is used to evaluate roadway performance based on V/C ratios. These levels range from "A" to "F", with LOS A representing free flow conditions and LOS F representing severe traffic congestion. Descriptions of traffic flow for the different levels of service are provided in Table 6-4 Standards for Roadway Levels of Service. The performance criteria for evaluating volumes and capacities of the East Palo Alto roadway system is LOS D. At a signalized intersection, an impact is considered significant if it causes operations to degrade from LOS D or better to LOS E or F; or exacerbates LOS E or F conditions by increasing critical delay by >4 seconds and increasing volume to capacity ratio (V/C ratio) by 0.01; or increases the V/C ratio by > 0.01 at an intersection that exhibits unacceptable operations, even if the calculated LOS is acceptable. At an unsignalized intersection, an impact is considered significant if it: causes operations to degrade from LOS D or better to LOS E or F; or exacerbates LOS E or F conditions by increasing control delay; or causes volumes under project conditions to exceed the Caltrans Peak Hour Volume Warrant Criteria. Where the City determines that proposed development projects will cause LOS standards to be exceeded, appropriate mitigation will be required to improve roadways to meet LOS standards.

7.2 **Updating Transportation Performance Measures.** Update the transportation performance measures in this Transportation Element, including Automobile Level of Service standards, once the State of California has amended the California Environmental Quality Act Guidelines to implement Senate Bill 743's requirement to provide an alternative to automobile Level of Service for evaluating transportation impacts (See California Public Resources Code Section 21099(b)(1).) Additionally, designate appropriate infill opportunity zones within East Palo Alto, within which the automobile Level of Service standards prescribed by California Government Code Section 65089 shall not apply. (See Government Code Sections 65088.1 and 65088.4.)

7.3 **Multimodal transportation impact fee.** Adopt a transportation impact fee for new development that raises funds for improving all modes of transportation.

Goal T-8. **Adopt transportation demand management and roadway system efficiency strategies.**

Intent: To increase transportation choices, improve public health, reduce pollution, make effective use of roadway capacity and decrease automobile traffic by improving management of existing roadways and implementing complementary policies promoting transit, walking, bicycling and complete streets.

8.1 **Transportation Demand Management (TDM).** Promote effective TDM programs to reduce travel demand from existing and new development, shifting trips to alternative modes. Regularly update the TDM ordinance to establish effective requirements that reduce travel demand from existing and new development. Require projects to implement TDM programs, as defined in the TDM ordinance.

8.2 **Avoidance of street widening.** When feasible, avoid widening streets to increase automobile capacity,

focusing instead on operational improvements such as signal timing optimization, modern roundabouts and other Transportation Systems Management (TSM) strategies that aim to improve traffic conditions and reduce cut-through traffic by maximizing the efficiency of existing vehicle infrastructure.

Table 6-4: Standards for Roadway Levels of Service

Level of Service	Traffic Conditions	V/C Value
A	Primarily free flow operations at average travel speeds usually about 90% of free-flow speed. Vehicles can maneuver unimpeded within the traffic stream. Delay at signalized intersections is minimal.	0.00 - 0.60
B	Reasonably unimpeded operations at average travel speeds usually about 70% of free flow speed. Ability to maneuver is only slightly restricted and stopped delays are not bothersome. Drivers are not subjected to appreciable tension.	0.61 - 0.70
C	Represents stable operations, however, ability to maneuver and change lanes in midblock locations may be more restricted. Longer queues and/or adverse signal coordination may contribute to lower average travel speeds of about 50% of free-flow speed. Drivers will experience some appreciable tension.	0.71 - 0.80
D	Borders on a range in which small increases in flow may cause substantial increases in approach delay, and hence, decreases in arterial speed. Causes range from adverse signal progression, inappropriate signal timing, high volumes, or any combination. For planning purposes, this Level of Service is the lowest that is considered acceptable. Average travel speeds are about 40% of free-flow speed.	0.81 - 0.90
E	Characterized by significant approach delays and average travel speeds of one-third of free-flow speed or lower, caused by adverse progression, high signal density, extensive queuing at critical intersections, inappropriate signal timing, or some combination.	0.91 - 1.00
F	Characterized by arterial flow at extremely low speeds below one-third to one-quarter of free flow speed. Congestion is likely at critical signalized intersections, resulting in high approach delays. Adverse progression is frequently a contributor to this situation.	Above 1.00

Source: Highway Capacity Manual (HCM), 2000.

SPEED HUMP INSTALLATION CRITERIA AND REVIEW PROCESS

CITY OF EAST PALO ALTO

Dear Resident/Neighborhood Association:

Our correspondence indicates that you have contacted the City to request the installation of speed humps on your street. When placed on an appropriate street, speed humps can be effective in reducing vehicle speeds. Speed humps cannot, however, be installed on every street in East Palo Alto due to safety considerations. In order for us to identify streets that do qualify for speed humps, the City has established a set of criteria that must be met before speed humps can be eligible for installation on any streets. The criteria are as follows:

In order for a street to qualify as eligible for speed humps the street must:

1. Be classified as a collector or local street. ~~local/residential street~~
2. Have a street width of 40 feet or less
3. Have no more than two lanes (one in each direction)
4. Speed humps petition requires at least 67% of residents of the addresses
5. Have a speed limit of 25 mph or less
6. Be able to have a warning sign posted before the hump at a distance equal to at least the minimum safe stopping distance as defined by the City Engineer
7. Be visible to oncoming traffic for at least the minimum safe stopping distance as defined by the City Engineer
8. Be able to accommodate an installation without extending over a manhole, catch basin, or other utility access point
9. Have curbs and gutters

If your street meets each of the criteria stated above, you may submit a petition to the City Engineer requesting the installation of speed humps. If your street fails to meet one or more of the criteria, your petition cannot be approved for placement of speed humps.

Priority for speed humps will be given to streets that have an average daily traffic (ADT) between 500 and 3,000 vehicles. Priority for installation will also be given for streets that have at least three (3) reported speed-related traffic accidents that occurred in the past five years.

Attached is a blank petition form that must be completed before consideration can be given to installing speed humps on a street. If you are interested in having speed humps installed on your street, you must obtain signatures representing at least 67% of the addresses within the block

where the speed humps are requested. Each rental unit within an apartment building requires a separate signature. If you wish to have speed humps installed on more than one block, you must circulate a separate petition for each block. Signatures obtained from citizens that do not reside on the block where speed humps are requested will not be considered when evaluating the petition. If you need additional petition forms, please photocopy the attached form.

For the purpose of this speed hump petition, an "address" is defined as any residence or business with frontage on the street where the speed hump is requested. Petition should include all individual apartment units as well as corner properties with frontage on the street where speed hump(s) is requested, even if the property's address is on the cross street. You must enter the total number of addresses on the block(s) that will be directly affected by the speed hump on the accompanying petition.

Upon receipt of your petition, the Public Works & Transportation Commission will review and confirm that you have obtained signatures representing at least 67% of the addresses with the requesting block(s). If the petition does not contain sufficient signatures, your request will be denied. If the petition does contain sufficient signatures, we will post a public hearing notice for residents of your surrounding neighborhood to meet with the Commission to discuss the petition. A written report will be submitted after the hearing to the City Council if speed hump installation is recommended.

If there is a favorable hearing, and the City Council approves our recommendation, speed humps may be installed on your street if funding is available. If funding is not available, the City may request that the affected residents pay for the installation.

Road humps may be considered for removal under a similar procedure, with consideration only three (3) years after installation. Costs for removal may also be requested from the affected residents.

Please forward your completed petition(s) to the City Engineer, City of East Palo Alto, 1960 Tate Street, East Palo Alto, CA 94303.

We appreciate your concern. Unfortunately, due to the growing number of requests we are receiving on speed humps, we cannot guarantee that your street(s) will be selected for speed humps even if a qualifying petition is submitted.

If you are not sure if your street(s) meet the criteria outlined above, or if you have any questions regarding the petition process, please call the City Engineer's Office at 650-853-3189.

Yours very truly,

City Engineer

CITY PETITION FOR THE INSTALLATION OF SPEED HUMPS

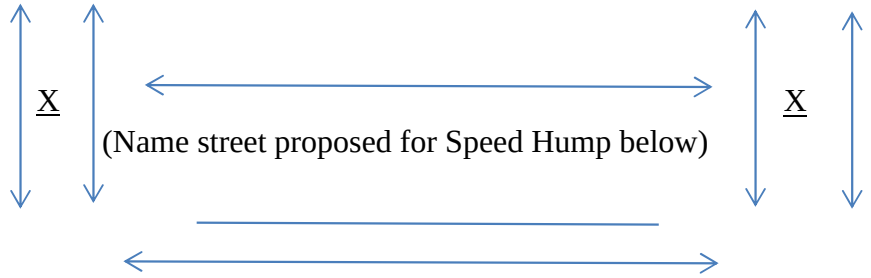
To: City of East Palo Alto
Community & Economic Development Department
Engineering Division
1960 Tate Street
East Palo Alto, CA 94303

Date:_____

Phone: 650-853-3189
Fax: 650-853-3179

The undersigned residents request the installation of a Speed Hump(s) on_____ Street, between _____ Street and _____ Street.

Please diagram by name those streets in the space provided below.

Name the intersection by the X  Name the intersection by the X	Additional comments or diagrams

Please give reason(s) for this request: _____

_____

_____

How many traffic accidents have occurred in the past 5 years in this street? _____

During which hours is speeding at its worse?_____ a.m. and/or _____ p.m.

How many addresses are within the area specified in your diagram? _____

Note: **Signatures are required of residents representing at least 67% of the addresses within the described area you have listed. These signatures are limited to on per home address. However, each apartment unit within an apartment building requires a separate signature. <u>All questions on this petition must be completed to be considered for action.</u>**

<u>Petition Submitted By:</u>
Name: _____
Address: _____
Email: _____
Phone: _____

NAME (with Signature)	ADDRESS (Please include Apt.#)	DAYTIME PHONE NO.
1. (signature) _____ (print name here)		
2. (signature) _____ (print name here)		
3. (signature) _____ (print name here)		
4. (signature) _____ (print name here)		
5. (signature) _____ (print name here)		

NAME (with Signature)	ADDRESS (Please include Apt.#)	DAYTIME PHONE NO.
6. (signature) _____ (print name here)		
7. (signature) _____ (print name here)		
8. (signature) _____ (print name here)		
9. (signature) _____ (print name here)		
10. (signature) _____ (print name here)		
11. (signature) _____ (print name here)		
12. (signature) _____ (print name here)		
13. (signature) _____ (print name here)		

NAME (with Signature)	ADDRESS (Please include Apt.#)	DAYTIME PHONE NO.
14. (signature) _____ (print name here)		
15. (signature) _____ (print name here)		
16. (signature) _____ (print name here)		
17. (signature) _____ (print name here)		
18. (signature) _____ (print name here)		
19. (signature) _____ (print name here)		
20. (signature) _____ (print name here)		
21. (signature) _____ (print name here)		

NAME (with Signature)	ADDRESS (Please include Apt.#)	DAYTIME PHONE NO.
22. (signature) _____ (print name here)		
23. (signature) _____ (print name here)		
24. (signature) _____ (print name here)		
25. (signature) _____ (print name here)		

Please add more lines if additional signatures are required.

EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 6, 2026

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: James Colin, City Clerk

SUBJECT: City Council Meeting Minutes

Recommendation

Adopt December 16, 2025, minutes.

Attachments

1. December 16, 2025, Minutes

EAST PALO ALTO CITY COUNCIL
REGULAR SESSION MINUTES

Tuesday, December 16, 2025, 6:30 PM
EPA Government Center
2415 University Avenue, First Floor
East Palo Alto, CA 94303

1. CALL TO ORDER AND ROLL CALL

The City Council meeting was called to order by Mayor Lincoln at 6:31 PM.

Attendee Name	Title	Status	Arrived
Webster Lincoln	Mayor	Present	
Ruben Abrica	Vice Mayor	Present	
Carlos Romero	Councilmember	Present	
Mark Dinan	Councilmember	Present	
Martha Barragan	Councilmember	Present	

2. APPROVAL OF THE AGENDA

A motion to approve the agenda was made by Councilmember Romero, seconded by Councilmember Barragan, and passed unanimously.

3. APPROVAL OF CONSENT CALENDAR

A motion to approve the consent calendar was made by Vice Mayor Abrica, seconded by Councilmember Barragan, and passed.

3.1 Monthly Cash Treasury Report for October 2025
3.2 Annual Development Impact Fee Report (AB 1600 Report)
3.3 Agreement with Street Level Advisors and the Community Planning Collaborative in Updating the Inclusionary Housing Ordinance (IHO) and Guidelines
3.4 City Council Meeting Minutes

4. CLOSED SESSION

5. PUBLIC COMMENT

Speakers:
- Gail Dixon
- Adrienne Bryant

6. INFORMATIONAL REPORTS

7. SPECIAL PRESENTATIONS

7.1 Northern California Carpenters Union Special Presentation

Northern California Carpenters Union Presentation

Presenter: Harvey McKeen, Northern California Carpenters Union

Mr. McKeen presented on proposed labor standards related to public works contractor prequalification, focusing on:

- Apprenticeship participation standards
- Local hire best-effort requirements
- Healthcare contribution requirements

8. PUBLIC HEARINGS

9. POLICY AND ACTION

9.1 Resolution Modifying Regular City Council Meeting Start Times to 5:30 pm

City Clerk James Colin presented a resolution proposing to change regular City Council meeting start times to 5:30 PM, following discussion during adoption of the 2026 Council calendar.

The following speakers provided public comments:

- Gail Dixon
- Luis Rosas
- Adrienne Bryant
- Maureen L.

Motion by Councilmember Romero, seconded by Councilmember Dinan, to adopt a resolution establishing regular City Council meetings on the first and third Tuesdays of each month with a 6:00 PM start time.

Motion passed unanimously.

9.2 Internal Control Policy

Finance Director Tomo Oku presented the proposed Internal Control Policy developed in response to the 2023–24 San Mateo County Civil Grand Jury report. The policy aligns with the U.S. Government Accountability Office “Green Book” framework and includes annual assessments and reporting to the City Council.

Public Comment:

- Gail Dixon

Motion by Councilmember Dinan, seconded by Councilmember Barragan, to:

- Adopt the Internal Control Policy;
- Accept the implementation framework responding to the 2023–24 Civil Grand Jury report; and

- Receive the Internal Control Procedures Manual and example Risk Register.

Motion passed unanimously.

9.3 Authorization to Award Agreement to LAZ Parking to Provide Parking Enforcement and Staffing Services

Assistant to the City Manager Orly Amey presented the item, describing the procurement process and the need to expand parking enforcement capacity beyond current Community Service Officer staffing.

Police Chief Liu explained three service options:

- Baseline
- Expanded
- Comprehensive 24-hour coverage

Representatives from LAZ Parking (Mohammad Monsoor, Anthony Hamilton, and Steve Mooney) described their experience, education-first enforcement approach, and statewide municipal partnerships.

- Marianna Sumina
- Christopher Kao
- Gail Dixon
- Isabel Lopez Ysmael
- Adrienne Bryant
- Laura Rubio (via interpreter)
- Luis Rosas

Motion by Vice Mayor Abrica, seconded by Councilmember Dinan, to select Option 3 (Comprehensive 24-Hour Coverage) and adopt a resolution authorizing the City Manager to negotiate and execute a five-year agreement with LAZ Parking, with a one-year review to determine whether to continue or scale back service levels.

Motion passed unanimously.

10. COUNCIL REPORTS

- Councilmember Romero raised concerns regarding the SFO Airport Expansion Final EIR and noted that East Palo Alto did not submit comments despite being in the flight path.
- Councilmember Barragan stated there may have been confusion regarding the City's participation status.
- Mayor Lincoln highlighted the success of the University Circle holiday event.

11. ADJOURNMENT

The meeting was adjourned at **9:09 PM**.

POLICY AND ACTION 9.1

EAST PALO ALTO SANITARY DISTRIC STAFF REPORT

DATE: January 6, 2026

TO: Honorable Members of the City of East Palo Alto City Council, Governing Board to the East Palo Alto Sanitary District, a Subsidiary of the City of East Palo Alto

VIA: Melvin E. Gaines, General Manager

BY: Tomohito Oku, Finance Director/District Treasurer

SUBJECT: Accept EPASD Annual Financial Report for Fiscal Year 2024-25

Recommendation

Adopt a resolution:

1. Accepting and directing staff to file with the State Controller's Office the Annual Audited Financial Reports for Fiscal Year 2024-25; and

2. Finding that the proposed action does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is related to government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

Priority: Governance, Organizational Strength, and Fiscal Sustainability

Background

State law requires special districts to issue annual financial reports prepared in accordance with generally accepted accounting principles (GAAP) to ensure that the financial position and results of operations of each governmental entity are publicly available to residents, legislators, financial institutions, and other interested parties.

POLICY AND ACTION 9.1

Effective October 1, 2024, the East Palo Alto Sanitary District (EPASD or District) was reorganized as a subsidiary district of the City of East Palo Alto (City), with the City Council serving as the governing board. As a result of this reorganization, EPASD's financial activities are now closely integrated with the City's financial reporting, budgeting, and internal control framework, while the District continues to operate as a legally distinct enterprise fund.

Prior to the reorganization, EPASD retained a separate independent auditor to perform its annual financial audit. Following incorporation of EPASD as a subsidiary district, staff evaluated whether to continue with a separate audit firm or to expand the scope of the City's existing audit services contract. Ultimately, the City Council decided the same firm should audit the City and EPASD, and approved a First Amendment to the audit services agreement with Eide Bailly LLP exercising the optional contract extension years and expanding the scope of services to include the EPASD audit.

The decision to expand the scope of the City's existing audit contract, rather than retain a separate auditor for EPASD, was based on several considerations. These include improving operational efficiency by consolidating audit planning, fieldwork, and reporting under a single audit firm; enhancing the overall quality and consistency of audit services by applying a uniform audit approach across the City and EPASD; and reducing complexity and coordination risks associated with a "group audit" involving multiple audit firms. Utilizing a single auditor also supports clearer accountability, streamlined communication with management and the governing board, and a more cohesive evaluation of internal controls across the combined reporting entity.

This approach is intended to support a smoother transition following EPASD's incorporation, strengthen financial oversight, and ensure timely, high-quality audit reporting for both the City and the District.

Analysis

Eide Bailly LLP, Certified Public Accountants, has completed the independent audit of the East Palo Alto Sanitary District's financial statements for the fiscal year ended June 30, 2025. An auditor representative will present an overview of the audit results and be available to respond to questions from the Governing Board.

Below is a summary description of the annual financial report:

1) ***Independent Auditor's Report***

   Provides the auditor's professional opinion on whether the financial statements fairly present the District's financial position and results of operations, identifies the auditing standards applied, and affirms the auditor's independence.

2) ***Management's Discussion and Analysis (MD&A)***

A narrative overview prepared by management that highlights key financial trends, significant changes in revenues and expenses, and factors affecting the District's financial position, including comparisons to the prior fiscal year.

3) Basic Financial Statements

Includes the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the accompanying Notes to the Financial Statements, which provide detailed disclosures of accounting policies and significant financial activities.

4) Required Supplementary Information

Includes pension and other post-employment benefit schedules required under applicable accounting standards.

Audit Highlights

The District received an unmodified ("clean") audit opinion, indicating that the financial statements present fairly, in all material respects, the financial position and results of operations of the District in conformity with generally accepted accounting principles (GAAP).

As part of the audit, the auditor considered the District's internal control environment over financial reporting for the purpose of designing appropriate audit procedures. The audit was not designed to express an opinion on internal controls; however, no deficiencies, significant deficiencies, or material weaknesses in internal control were identified or reported as a result of the audit. Accordingly, no internal control findings are being reported to the Governing Board for Fiscal Year 2024-25.

Financial Statements Highlights

Fiscal Impact

There is no fiscal impact by this item.

Public Notice

The public was provided notice by making the agenda and report available on the City's website and on a bulletin, board located at City Hall: 2415 University Avenue, East Palo Alto.

POLICY AND ACTION 9.1

Environmental

The proposed action does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is related to government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Government Code § 84308

Applicability of Levine Act: No, as the proposed action does not involve an entitlement.

Analysis of Levine Act Compliance: Not applicable.

Attachment:

1. Resolution
2. Annual Financial Report
3. Communication letter to the Board of Directors

RESOLUTION NO. XX– 2026

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST PALO ALTO SANITARY DISTRICT

ACCEPTING AND DIRECTING STAFF TO FILE THE ANNUAL FINANCIAL4REPORT WITH THE STATE CONTROLLER'S OFFICE FOR FISCAL YEAR 2024-25

WHEREAS, local government agencies are required by law to undertake an independent audit of the annual financial statements, and California Government Code Section 53891 requires each local agency to provide an annual report of financial transactions to the State Controller's Office containing data from audited financial statements prepared in accordance with generally accepted accounting principles; and

WHEREAS, the East Palo Alto Sanitary District ("District") engaged David Farnsworth, Certified Public Accountant, as the District's independent auditor for the fiscal year 2023-24; and

WHEREAS, following the reorganization of the East Palo Alto Sanitary District as a subsidiary district of the City of East Palo Alto, the City Council approved an amendment to the City's audit services agreement with Eide Bailly LLP exercising the optional extension years and expanding the scope of services to include the annual audit of the District, thereby consolidating audit services under a single auditor to promote efficiency, consistency, and coordinated financial reporting; and

WHEREAS, the annual financial audit for fiscal year ended June 30, 2025, was conducted in accordance with auditing standards generally accepted in the United States of America; and

WHEREAS, the District received an auditor opinion that the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2025, 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.

NOW, THEREFORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS OF THE EAST PALO ALTO SANITARY DISTRICT hereby:

1. Finds the foregoing recitals are true and correct, and are incorporated by this reference into this action;

2. Accepts the annual financial report for Fiscal Year Ending June 30, 2025;

3. Directs staff to file the annual financial report with the State Controller's Office, as required by law; and

4. Finds that the proposed action does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is related to government fiscal activities, which do not involve any

commitment to any specific project which may result in a potentially significant physical impact on the environment

PASSED AND ADOPTED 6th day of January 2026**,** by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Ruben Abrica, Board President

ATTEST:

James Colin, Secretary

APPROVED AS TO FORM:

John D. Lê, District Counsel

East Palo Alto Sanitary District

Annual Financial Report
June 30, 2025

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East Palo Alto Sanitary District
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June 30, 2025

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- Schedule of the District's Contributions for OPEB 29
- Schedule of the District's Proportionate Share of the Net Pension Liability 30
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- Notes to the Required Supplementary Information 32

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Independent Auditor's Report

To the To the Board of Directors
East Palo Alto Sanitary District
East Palo Alto, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements the business-type activities of the East Palo Alto Sanitary District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 District 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

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 District'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.

eidebailly.com

4040 Campbell Ave., Ste. 200 • Menlo Park, CA. 94025-1053 • **T** 650.522.3400 • **F** 650.645.7393 • EOE

Auditor's 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 a 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 District'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 the District'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 Discussion and Analysis, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Schedule of the District's Contributions for OPEB, Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Pension Contributions 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 GAAS, 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.

Eide Bailly LLP

Menlo Park, California
December 26, 2025

This section of the East Palo Alto Sanitary District financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Since this management's discussion analysis is designed to focus on current activities, resulting in change and current known facts, please read it in conjunction with the District's basic financial statements and notes to the financial statements.

Financial Highlights

For the fiscal year ended June 30, 2025, the District's net position increased by $3.4 million from $37.4 million to $40.9 million. Operating revenue, which consists of sewer service charges, increased by $410K or 8%, compared to the previous year. Non-operating revenue, which consists of property tax and investment earnings increased by $624K or 22%. Capital contributions decreased by $2.2 million. Operating expenses increased by $2.0 million, or 56%. The overall increase in the District's net position is due in large part to the increase in cash and investment of $3.7 million. Current assets increased by $2.2 million. The unrestricted portion of the District's net position (the portion available for capital projects and other expenditures) was $25.7 million as of June 30, 2025, an increase of $2.6 million compared to the previous year. The increase in the unrestricted portion is due to unspent property tax revenues which are reserved for deferred capital projects.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the District's overall financial status.

The Basic Financial Statements have three individual statements:

- *Statement of Net Position:* This statement presents information on the District's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or worsening.

- *Statement of Revenues, Expenses, and Changes in Net Position*: This statement presents the results of the District's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the District successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement from items that will result in future cash flows.

- *Statement of Cash Flows:* This statement presents the changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

Financial Analysis of the District

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $40.9 million at the close of the most recent fiscal year. The largest portion of the District's net position (62.9%) reflect its unrestricted net position. Net investment in capital assets consists of 31.1% of total net position (e.g., sewers, buildings, machinery and equipment) as of June 30, 2025. Restricted net position consists of 6.0% of total net position.

The following schedule is prepared from District's Statement of Net Position, which is presented on the full accrual basis of accounting in which capital assets are systematically depreciated.

	2025	2024
Assets:		
Current and other assets	$ 29,879	$ 26,578
Noncurrent assets	13,035	12,321
Total assets	42,913	38,899
Total deferred outflows	638	1,462
Liabilities:		
Current and other liabilities	1,168	856
Noncurrent liabilities	781	790
Total liabilities	1,949	1,646
Total deferred inflows	751	1,283
Net Position:		
Net Investment in capital assets	12,716	12,161
Restricted	2,434	2,162
Unrestricted	25,703	23,109
Total Net Position	$ 40,852	$ 37,432

Current assets increased by $3.3 million compared to the prior year and the change is primarily due to increases in cash and investments for $3.9 million.

Noncurrent assets increased by $0.7 million due mainly to increases in capital assets.

Change in Net Position

The change in net position was reported for $3.4 million in the fiscal year 2025 which is a decrease of $2.7 million compared to the previous fiscal year.

	2025	2024
Operating revenues	$ 5,453	$ 5,043
Operating expenses	5,527	3,552
Operating income	(74)	1,491
Nonoperating revenue	3,429	2,805
Capital contributions	65	2,228
Special items	-	(361)
Change in Net Position	3,420	6,164
Net Position - Beginning	37,432	31,268
Net Position - Ending	**$ 40,852**	**$ 37,432**

The change in net position shows the Summary of Revenues, Expenses, and Changes in Net Position and provides details as to the nature and source of these changes. During the fiscal year 2025, the total operating revenues increased by $0.4 million. Total operating expenses increased by $2.0 million. Non-operating revenue and capital contributions decreased by $1.5 million. The major factors which contributed to these results include:

- The operating revenues increased by $0.4 million, driven mainly by a 10% increase in sewer service charges implemented in the current fiscal year.
- Operating expenses increased by $2.0 million, primarily due to a $1.6 million increase in pension-related adjustments under GASB 68 and a $0.3 million increase in engineering services.
- The increase in nonoperating revenues (expenses) of $0.6 million was due primarily to an increase of investment incomes for $0.4 million.
- The decrease in capital contributions of $2.2 million is due to decrease in development impact fees.

BUDGETARY HIGHLIGHTS

The District has an annual operating budget that is approved by its Board of Directors. Capital projects are approved on a project-by-project basis within the annually approved capital budget. The total budgeted expenditure was approved by the Board in the amount of $15.7 million including capital expenditures. The District has spent a total of $6.0 million on a budgetary basis of accounting in the current fiscal year which was within the authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2025, the District's investment in capital assets, net of accumulated depreciation reported $12.7 million and $12.2 million as of June 30, 2025, and 2024, respectively.

	2025	2024
Land	$ 185	$ 185
Construction in Progress	-	6,677
Buildings	2,588	2,588
Furnishings & Equipment	2,176	2,176
Sewer system	17,333	9,691
Less: Accumulated Depreciation	(9,565)	(9,154)
Total	$ 12,716	$ 12,162

Debt Administration

There is no long-term debt reported.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

The service area of the District is best described as mature. The District is not in a growth situation but one in which the system is continually televised, upgraded, and repaired given budgetary constraints.

Requests for Information

The financial report is designed to provide a general overview of the District's finances and operations for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the General Manager
East Palo Alto Sanitary District
901 Weeks Street
East Palo Alto, CA 94303

FINANCIAL STATEMENTS

EAST PALO ALTO SANITARY DISTRICT
Statement of Net Position
June 30, 2025

ASSETS	
Current assets:	
Cash and investments	$ 27,097,208
Cash with fiscal agents	2,369,061
Accrued interest	199,302
Tax receivable	213,105
Accounts receivable, net	-
Total current assets	29,878,676
Noncurrent assets:	
Loans and notes receivable	18,770
Net OPEB assets	300,413
Capital assets:	
Non-depreciable	184,601
Depreciable, net	12,530,953
Total capital assets	12,715,554
Total noncurrent assets	13,034,737
Total assets	42,913,413
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	490,637
Deferred outflows of resources - OPEB	147,635
Total deferred outflows of resources	638,272
LIABILITIES	
Current liabilities:	
Accounts payable	1,167,809
Total current liabilities	1,167,809
Noncurrent liabilities:	
Net pension liability	781,238
Total noncurrent liabilities	781,238
Total liabilities	1,949,047
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	602,578
Deferred inflows of resources - OPEB	148,246
Total deferred inflows of resources	750,824
NET POSITION	
Net investment in capital assets	12,715,554
Restricted for:	
Pension	2,369,061
Capital projects	64,698
Unrestricted	25,702,501
Total net position	$ 40,851,814

See accompanying Notes to Basic Financial Statements.

EAST PALO ALTO SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

OPERATING REVENUES:	
Charges for services and other fees	$ 5,424,854
Other	28,179
Total operating revenues	5,453,033
OPERATING EXPENSES:	
Sewer treatment charges	2,109,731
Operation and maintenance services	764,377
Engineering and other services	504,088
General and administrative services	1,737,422
Depreciation	410,932
Total operating expenses	5,526,550
OPERATING INCOME	(73,517)
NONOPERATING REVENUES (EXPENSES):	
Property taxes	1,624,691
Operating grants and assistance	361,486
Interest income	1,442,427
Total nonoperating revenues (expenses)	3,428,604
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,355,087
Capital contributions	64,698
Change in net position	3,419,785
NET POSITION	
Beginning of year	37,432,029
End of year	$ 40,851,814

See accompanying Notes to Basic Financial Statements.

EAST PALO ALTO SANITARY DISTRICT
Statement of Cash Flows
Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from others	$ 28,179
Cash received from customers	6,038,263
Cash payments to suppliers for goods and services	(3,660,437)
Cash paid to employees and city administration	(1,017,917)
Net cash provided by operating activities	1,388,088
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Taxes and Operating grants	1,986,177
Net cash provided by noncapital financing activities	1,986,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital contributions	50,399
Acquisition of capital assets	(965,288)
Net cash (used in) capital and related financing activities	(914,889)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income received	1,487,940
Net cash provided by investing activities	1,487,940
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,947,316
CASH AND CASH EQUIVALENTS - Beginning of year	25,518,953
CASH AND CASH EQUIVALENTS - End of year	$ 29,466,269
FINANCIAL STATEMENT PRESENTATION:	
Cash and investments	$ 27,097,208
Cash with fiscal agents	2,369,061
Total	$ 29,466,269
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (73,517)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	410,932
Changes in assets, liabilities and related deferrals:	
Accounts receivable	613,409
Pension and OPEB related deferred outflows of resources	824,171
Accounts payable	311,480
Net pension liabilities	(8,327)
Net OPEB assets	(157,579)
Pension and OPEB related deferred inflows of resources	(532,481)
Total adjustments	1,461,605
Net cash provided by operating activities	$ 1,388,088

See accompanying Notes to Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The East Palo Alto Sanitary District (EPASD or the District) was originally formed in 1939 as an independent special district under the provisions of the California Health and Safety Code to provide wastewater collection services to the East Palo Alto community. Effective October 1, 2024, the District was incorporated into the City of East Palo Alto (City) as a subsidiary district, as approved by the San Mateo County Local Agency Formation Commission (LAFCo) and documented in its Certificate of Completion for LAFCo File 22-09, which formally established EPASD as a subsidiary district of the City.

As a subsidiary district, EPASD's governing board became the City Council. Consistent with GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61, the District meets the criteria for inclusion in the City's reporting entity. Because the City Council serves as the governing body of EPASD and the District provides services exclusively to the City's residents, EPASD is reported as a blended component unit in the City's Annual Comprehensive Financial Report (ACFR). The District's financial data are therefore combined with and reported within the appropriate enterprise fund columns of the City's basic financial statements.

Although EPASD is presented as a blended component unit of the City, the District continues to issue separate stand-alone financial statements to meet statutory and operational requirements.

B. *Basis of Presentation and Accounting*

The fund financial statements provide information about the District's enterprise funds. Statements for proprietary funds are presented. The emphasis of fund financial statements is on major enterprise funds, each displayed in a separate column. Major individual enterprise funds are reported as separate columns in the funds financial statements.

The District reports the following major enterprise fund:

> The sewer fund accounts for the activities of the District. The activities are financed in whole or in part by fees charged to external parties and are accounted for in an enterprise fund. Enterprise funds maintain their records using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position displays information about the primary government (the District). Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those which each party receives and gives up essentially equal values. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Budgets and Budgetary Accounting

Annual budgets are adopted on a modified accrual basis of accounting.

The appropriated budget is prepared by fund, function, and department. The District General Manager is authorized to transfer any unencumbered amounts from one department to another within the same fund and to transfer any unencumbered appropriation from one line- item account to another within the same fund. Any additional appropriations require approval by the Board of Directors. Appropriations in all budgeted funds lapse at the end of the fiscal year.

D. *Cash and Cash Equivalents*

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the District's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted cash - Restricted assets are financial resources generated for a specific purpose, such as pension benefits. These assets are for the benefit of a specific purpose and, as such, are legally or contractually restricted by an external third-party agreement. The District's restricted assets consist of a Section 115 trust with California Public Employees' Retirement System (CalPERS) called California Employers' Pension Prefunding Trust (CEPPT) that is dedicated to pre-funding employer contributions to the defined benefit pension plan.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in fund financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

F. Capital Assets

The cost of additions to utility plant and major replacements of property is capitalized. Costs include material, direct labor, transportation and indirect items such as interest, engineering, supervision and employee fringe benefits. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated acquisition value at the date of donation. Depreciation is computed on a straight- line basis over the estimated useful lives of the property as follows:

Sewer Collection	50 years
Facilities Building	30 years
Furniture, Vehicle and Equipment	5 - 10 years

G. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension and OPEB

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the fund financial statements, the District reports deferred amounts related to pension and OPEB.

H. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan have been determined on the same basis as they are reported by CalPERS. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. 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 and additions to/deductions from the Plan 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.

J. Net Position

For reporting proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- *Restricted net position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation. Amounts reported in restricted net position represent funds held in a Section 115 trust with CalPERS, called CEPPT, that are restricted for future contributions to the pension plan; amounts related to the net pension liability

- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories. Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

K. Revenues and Expenses

1. *Sewer Service Charges-Sewer* service charges are billed and collected, on behalf of the District, by San Mateo County (the County) as a separate component of semi-annual property tax billings. The County assesses properties, bills for and collects property taxes on the following schedule:

	Secured	Unsecured
Lien/valuation	January 1	January 1
Date Levy dates	July 1	July 1
Due dates	50% on November 1	
Delinquent as of	50% on February 1	July 1
	December 10	
	April 10	August 31

2. *Sewer Connection* Fees-Connection fees represent a one-time contribution of resources to the District imposed on developers for the purpose of financing growth-related construction and improvements. Connection fees are recognized as 'Capital Contributions' revenues in the Statement of Revenues, Expenses and Changes in Net Position.

3. *Use of Estimates-The* preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Cash Deposits with Financial Institutions

Custodial credit risk- deposits. In the case of deposits, this is the risk that, in the event of a bank's failure, the East Palo Alto Sanitary District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2025, the District's cash deposit balance was $27,097,208 and $0 of that amount was exposed to custodial credit risk. The carrying amount of the deposits as of June 30, 2025, was $27,097,208.

Policies and Classification

The District's cash and investments consist of the following at June 30, 2025:

Cash and investments with San Mateo County Treasurer	$	27,097,208
Pension trust - CEPPT		2,369,061
	$	29,466,269

The District has authorized staff to invest cash with the San Mateo County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. State statutes govern the County's investment policies.

In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2025, was provided by the County Treasurer.

The District is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The District reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. The pool is not registered with the SEC and is unrated.

Restricted Investments - Pension Trust - The District established a Section 115 trust account with CalPERS entitled CEPPT to hold assets that are legally restricted for use in administering the District's pension plan. Trust account holders can select from two strategy options for investments. The District elected to select 50% of restricted funds to Strategy 1 portfolio and 50% of restricted funds to Strategy 2 portfolio of restricted funds. The CEPPT Strategy 1 and 2 portfolios are invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assumes more risk) compared with strategies invested in a higher percentage of bonds. Compared to CEPPT Strategy 2, this portfolio has a higher allocation to equities than bonds. The CEPPT Strategy 1 portfolio and CEPPT Strategy 2 portfolio consist of the following asset classes and corresponding benchmarks:

	CEPPT Strategy 1	CEPPT Strategy 1	
Asset Class	**Target Allocation**	**Target Range**	**Benchmark**
Global Equity	37%	+/- 5%	MSCI All Country WorldIndex IMI (Net)
Fixed Income	44%	+/- 5%	Bloomberg U.S. Aggregate Bond Index
Real Estate Investment Trusts (REITs)	14%	+/- 5%	Bloomberg U.S. Aggregate Bond Index
Treasury Inflation Protected Securities (TIPS)	5%	+/- 3%	Bloomberg US TIPS Index,Series L
Cash	0%	+/- 2%	91-Day Treasury Bill
Total	**100%**	**0%**	

	CEPPT Strategy 2	CEPPT Strategy 2	
Asset Class	**Target Allocation**	**Target Range**	**Benchmark**
Global Equity	21%	+/- 5%	MSCI All Country WorldIndex IMI (Net)
Fixed Income	61%	+/- 5%	Bloomberg U.S. Aggregate Bond Index
Real Estate Investment Trusts (REITs)	9%	+/- 5%	Bloomberg U.S. Aggregate Bond Index
Treasury Inflation Protected Securities (TIPS)	9%	+/- 3%	Bloomberg US TIPS Index,Series L
Cash	0%	+/- 2%	91-Day Treasury Bill
Total	**100%**	**0%**	

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the SMCIF. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 2.28 years and average duration of 2.05 years on June 30, 2025.

		Investment Maturities (in years)			
Investment Type	Fair Value	1 Year or Less	1-2 Years	2-3 Years	3+ Years
San Mateo County Pool	$ 27,097,208	$ 27,097,208	$ -	$ -	$ -
Pension trust - CEPPT	2,369,061	2,369,061	-	-	-
Total	$ 29,466,269	$ 29,466,269	$ -	$ -	$ -

Fair Value Measurements - The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels and is based on the valuation inputs used to measure an asset's fair value. Deposits and withdrawals in the SMCIP and CEPPT- mutual funds are made in the basis of $1 and not fair value. Accordingly, the District's proportionate share of investments in those funds at June 30, 2025, is an uncategorized input not defined as Level 1, Level 2 or Level 3 input.

Note 3 – Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

	Balance at July 1, 2024	Additions	Deletions/ Reclassification	Balance at June 30, 2025
Capital assets not being depreciated				
Land	$ 184,601	$ -	$ -	$ 184,601
Construction in progress	6,676,749	965,287	(7,642,036)	-
Total capital assets not being dep	6,861,350	965,287	(7,642,036)	184,601
Capital assets being depreciated/amortized				
Building	2,587,577	-	-	2,587,577
Sewer system	9,690,761	-	7,642,036	17,332,797
Furniture and equipment	2,175,995	-	-	2,175,995
Total capital assets being depreciated/amortized	14,454,333	-	7,642,036	22,096,369
Less accumulated depreciation/amortization for:				
Building	(2,479,809)	(81,542)	-	(2,561,351)
Sewer system	(4,628,346)	(289,894)		(4,918,240)
Furniture and equipment	(2,046,330)	(39,495)	-	(2,085,825)
Total accumulated depreciation	(9,154,485)	(410,931)	-	(9,565,416)
Total capital assets being depreciated/amortized	5,299,848	(410,931)	7,642,036	12,530,953
Total capital aseets, net	$ 12,161,198	$ 554,356	$ -	$ 12,715,554

Note 4 - Defined Benefit Pension Plan

A. Plan Descriptions

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District resolution. Calipers issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from CalPERS, 400 Q Street, Sacramento, CA 95811.

B. Benefits Provided

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

The Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous
Hire Date	Prior to January 1, 2013
Benefit vesting schedule	5 years service
Benefit Formula	2.5% @ 55
Benefit payment	Monthly for life
Retirement age	50
Monthly benefits, as a % of annual salary	2 - 2.5%
Required employee contribution rates	7.96%
Required employer contribution rates	13.41%
Required unfunded accrued liability payment (UAL)	$ 27,483

	Miscellaneous
Hire Date	On or after January 1, 2013
Benefit vesting schedule	5 years service
Benefit Formula	2.0% @ 62
Benefit payment	Monthly for life
Retirement age	62
Monthly benefits, as a % of annual salary	2.00%
Required employee contribution rates	7.75%
Required employer contribution rates	7.87%
Required unfunded accrued liability payment (UAL)	$ 644

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

For the year ended June 30, 2025, the contributions to the Plan were $69,226.

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

As of June 30, 2025, the District reported net pension liability for its proportionate share of collective net pension liability in the amount of $781,238.

The District's net pension liability for the Plan is measured as the proportionate share of the collective plans net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of the June 30, 2023, and 2024 measurement dates was as follows:

Proportion - June 30, 2023	0.00633%
Proportion - June 30, 2024	0.00644%
Change - Increase (Decrease)	0.00011%

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions subsequent to measurement date	$ 69,226	$ -
Changes of assumptions	20,079	-
Differences between expected and actual experience	67,545	2,636
Changes in employer's proportion	63,959	413,148
Differences between the employer's contribution	224,853	186,794
Net differences between projected and actual earnings on plan investments	44,975	-
Total	$ 490,637	$ 602,578

The $69,226 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 near fiscal year. 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
2026	$ (184,432)
2027	34,778
2028	(16,100)
2029	(15,413)

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions for both plans:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Retum	6.90%
Mortality rate table[(1)]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1)The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 6.90 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plans, CaIPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary.

The long term expected discount rate of 6.90 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10[1,2]
Global equity - cap-weighted	30.00%	4.54%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District'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		5.90%
Net Pension Liability	$	1,737,767
Current Discount Rate		6.90%
Net Pension Liability	$	781,238
1% Increase		7.90%
Net Pension Liability	$	(6,126)

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

Note 5 – Postemployment Benefits Other Than Pensions (OPEB) General Information about the OPEB Plan

Plan Description and Benefits Provided

The District provides post-retirement benefits to eligible employees in the form of reimbursement for post-retirement health insurance premiums. Retired employees have a choice of remaining on the district's group health insurance plan or purchasing a plan of their choice. Reimbursement is made quarterly upon receipt of proof of payment. The District's contribution is capped at the amount of the Kaiser premium. The obligation of district to provide these benefits is determined annually by the Board of Directors. In order to qualify for postemployment medical benefits, an employee must retire from the District with at least 5 years of service and be over 50 years of age. The District is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees. The District participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent- multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the California Public Employees' Retirement System. Employees covered by benefit terms.

As of the June 30, 2024, actuarial valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

Active employees	6
Retired employees and beneficiaries	7
Total	13

Contributions

The OPEB Plan and its contribution requirements are established by the District. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2025, the District's contribution was $92,504, of which $3,566 was in the form of a subsidy.

Net OPEB Liability and Assumptions

The District's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.55%
Inflation	2.50%
Health cost trend rates	6.5% in 2025 grading down to 3.9% by 2075
Projected Salary Increase	3.00%
Investment Rate of Retum	6.55%
Retirement age	50 to 75
Mortality	CalPERS 2024 experience study

Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation (CERBT Strategy 1)	Compound Return 6-20 Years
Global equity	49.00%	7.10%
Fixed income	23.00%	5.00%
Global real estate (REITs)	20.00%	6.40%
Treasury inflation protected securities	5.00%	3.80%
Commodities	3.00%	4.40%
	100.00%	

The discount rate used to measure the total OPEB liability was 6.55 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (c) = (a) - (b)
Balance at June 30, 2024	$ 1,281,928	$ 1,424,762	$ (142,834)
Changes recognized during the period:			
Service cost	57,107	-	57,107
Interest cost	79,941	-	79,941
Expected investment income	-	87,609	(87,609)
Contributions	-	78,371	(78,371)
Administrative expenses	-	(464)	464
benefit payments	(78,371)	(78,371)	-
Change due to investment experience	-	68,783	(68,783)
Change due to change in dicount rate	(60,328)	-	(60,328)
Net changes during the period	(1,651)	155,928	(157,579)
Balance at June 30, 2025	$ 1,280,277	$ 1,580,690	$ (300,413)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Change in discount rate		
1% Decrease		5.55%
Net OPEB Assets	$	139,779
Current Discount Rate		6.55%
Net OPEB Assets	$	300,413
1% Increase		7.55%
Net OPEB Assets	$	431,399

The following presents the net OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

1% Decrease		5.50%
Net OPEB Assets	$	339,975
Current Health Care Cost Trend Rate		6.50%
Net OPEB Assets	$	300,413
1% Increase		7.50%
Net OPEB Assets	$	177,216

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future as OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on 5 Years straight-line recognition OPEB plan investments.

All other amounts Straight-line recognition over the expected average remaining service lifetime (EARSL)of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having O remaining service years.

For the fiscal year ended June 30, 2025, the District recognized OPEB expense of $52,977. As of fiscal year end June 30, 2025, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions subsequent to measurement date	$ 92,504	$ -
Changes of assumptions	29,439	58,074
Differences between expected and actual experience	9,092	90,172
Net differences between projected and actual earnings on plan investments	16,600	-
Total	$ 147,635	$ 148,246

The $92,504 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the next fiscal year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2026	$ (12,853)
2027	17,852
2028	(51,042)
2029	(40,419)
2030	(6,653)

Note 6 - Commitments and Contingencies

Litigation-At June 30, 2025, in the opinion of the District's management, there are no outstanding matters, which could have a significant effect on the financial position of the District.

REQUIRED SUPPLEMENTARY INFORMATION

EAST PALO ALTO SANITARY DISTRICT
Required Supplementary Information

Schedule of Changes in the District's OPEB Liability and Related Ratios
June 30, 2025

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB liability								
Service cost	$ 57,107	$ 39,876	$ 34,524	$ 33,345	$ 32,374	$ 29,357	$ 28,433	$ 65,151
Interest	79,941	84,170	83,575	78,160	76,380	86,688	83,812	75,555
Difference between expected and actual experience	-	(139,990)	-	134,472	-	(158,786)	-	56,218
Change of assumptions	(60,328)	(4,374)	97,899	(83,791)	-	11,722	-	58,445
Benefit payments	(78,371)	(75,430)	(83,907)	(82,353)	(84,375)	(73,289)	(70,888)	(47,473)
Net change in total OPEB liability	(1,651)	(95,748)	132,091	79,833	24,379	(104,308)	41,357	207,896
Total OPEB liability - beginning	1,281,928	1,377,676	1,245,585	1,165,752	1,141,373	1,245,681	1,204,324	996,428
Total OPEB liability - ending (a)	$ 1,280,277	$ 1,281,928	$ 1,377,676	$ 1,245,585	$ 1,165,752	$ 1,141,373	$ 1,245,681	$ 1,204,324
Plan Fiduciary Net Position								
Contributions - employer	$ 78,371	$ 75,430	$ 83,907	$ 82,353	$ 84,375	$ 118,018	$ 167,884	$ 123,991
Net investment income	87,609	81,677	(207,000)	333,568	41,428	66,813	61,815	84,512
Benefit payments	(78,371)	(75,430)	(83,907)	(82,353)	(84,375)	(73,289)	(70,888)	(47,473)
Administrative expenses	(464)	(389)	(392)	(459)	(573)	(228)	(522)	(421)
Other expenses	-	-	-	-	-	-	(1,196)	-
Change due to investment experience	68,783	4,315	-	-	-	-	-	-
Net change in plan fiduciary net position	155,928	85,603	(207,392)	333,109	40,855	111,314	157,093	160,609
Plan Fiduciary Net Position - beginning	1,424,762	1,339,159	1,546,551	1,213,442	1,172,587	1,061,273	904,180	743,571
Plan Fiduciary Net Position - ending (b)	$ 1,580,690	$ 1,424,762	$ 1,339,159	$ 1,546,551	$ 1,213,442	$ 1,172,587	$ 1,061,273	$ 904,180
Net OPEB liability (asset) - ending (a) - (b)	$ (300,413)	$ (142,834)	$ 38,517	$ (300,966)	$ (47,690)	$ (31,214)	$ 184,408	$ 300,144
Plan fiduciary net position as a percentage of the the total OPEB liability (asset)	123.46%	111.14%	97.20%	124.16%	104.09%	102.73%	85.20%	75.08%
Covered-employee payroll	603,962	727,950	423,561	450,416	315,700	276,918	325,500	309,225
Net OPEB liability (asset) as a percentage of covered-employee payroll	-49.74%	-19.62%	9.09%	-66.82%	-15.11%	-11.27%	56.65%	97.06%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

EAST PALO ALTO SANITARY DISTRICT
Required Supplementary Information

Schedule of the District's Contributions for
OPEB June 30, 2025

Fiscal Year	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 49,382	$ 6,714	11,163	$ 34,870	$ 33,760	$ 45,599	$ 44,729.0	$ 84,368.0
Contribution in relation to the actuarially determined contributions	$ (92,504)	$ (78,371)	$ (75,430)	$ (83,907)	$ (82,353)	$ (84,375)	$ (118,018.0)	$ (171,601.0)
Contribution deficiency (excess)	$ (43,122)	$ (71,657)	$ (64,267)	$ (49,037)	$ (48,593)	$ (38,776)	$ (73,289)	$ (87,233)
Covered payroll	$ 622,000	$ 603,962	$ 727,950	$ 423,561	$ 450,416	$ 315,700	$ 276,918	$ 325,500
Contributions as a percentage of covered payroll	7.94%	1.11%	1.53%	8.23%	7.50%	14.44%	16.15%	25.92%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

EAST PALO ALTO SANITARY DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
June 30, 2025

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Measurement date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Proportion of the net pension liability	0.006440%	0.006330%	0.017670%	0.064810%	0.044070%	0.044010%	0.043660%	0.042520%	0.042320%
Proportionate share of the net pension liability	$ 781,238	$ 789,565	$ 827,039	$ 1,230,697	$ 1,858,898	$ 1,762,354	$ 1,645,444	$ 1,676,026	$ 1,470,158
Covered payroll	$ 603,962	$ 471,085	$ 423,561	$ 435,859	$ 359,533	$ 262,098	$ 185,975	$ 367,923	$ 701,673
Proportionate share of the net liability as a percentage of covered payroll	129.35%	167.61%	195.26%	282.36%	517.03%	672.40%	884.77%	455.54%	209.52%
Plan fiduciary net position as a percentage of the total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%

EAST PALO ALTO SANITARY DISTRICT
Required Supplementary Information
Schedule of the District's Contributions for Pensions
June 30,2025

Fiscal Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	$ 69,226	$ 72,684	$ 122,760	$ 84,229	$ 54,342	$ 38,195	$ 33,957.0	$ 27,317.0	$ 42,955.0	$ 76,889.0
Contribution in relation to the actuarially determined contributions	$ (69,226)	$ (72,684)	$ (122,760)	$ (84,229)	$ (54,342)	$ (38,195)	$ (33,957.0)	$ (27,317.0)	$ (42,955.0)	$ (76,889.0)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 327,110	$ 603,962	$ 471,085	$ 423,561	$ 435,859	$ 359,533	$ 262,098	$ 185,975	$ 367,923	$ 701,673
Contributions as a percentage of covered payroll	21.16%	12.03%	26.06%	19.89%	12.47%	10.62%	12.96%	14.69%	11.67%	10.96%

Notes to schedule:

Variation Date (for contractually required contribution)	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Assets valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.30%	2.30%	2.50%	2.50%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.80%	6.80%	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%
Retirement age	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Mortality	(4)	(4)	(4)	(4)	(4)	(4)	(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.

Schedule of Changes in the Net OPEB Liability and Related Ratios

The District's OPEB liability is administered as an agent multiple employer plan, which is administered by CalPERS. The schedule of changes in Net OPEB liability and the schedule of contributions show a ten-year trend information, where available, about these amounts and they are changing from year to another.

Schedule of OPEB Contributions

The District makes contributions towards the OPEB liability at an actuarially determined rate. The District does not request reimbursement for its' out-of-pocket expenditures for this subsidy from the OPEB trust and allows the subsidy amount to remain in the CERBT to prefund OPEB and offset the total OPEB liability.

Schedule of District's Proportionate Share of the Net Pension Liability (NPL)

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

Schedule of District's Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

December 26, 2025

To the governing board
East Palo Alto Sanitary District
East Palo Alto, California

We have audited the financial statements of the East Palo Alto Sanitary District (District) as of and for the year ended June 30, 2025, and have issued our report thereon dated December 26, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks." We have identified the following as significant risks:

- Our audit standards require that we perform audit procedures relating to management override of internal controls and therefore we performed certain audit procedures in response to that risk
- Revenue recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.
The most sensitive accounting estimates affecting the financial statements are related to the District's pension and other postemployment liabilities.

Management's estimate of the pension and other postemployment liabilities is based on actuarial valuations. We evaluated the key factors and assumptions used to develop the pension and other postemployment liabilities and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to the sensitivity of the pension and other postemployment liabilities described n the notes ot the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.There were no uncorrected or corrected missstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to [Entity's Name] financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 26, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the governing board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Menlo Park, California

POLICY AND ACTION 12.1

EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 6, 2026

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: Tomohito Oku, Finance Director

SUBJECT: Accept Annual Financial Reports for Fiscal Year 2024-25

Recommendation

Adopt a resolution accepting and directing staff to file with the State Controller's Office the Annual Financial Reports for Fiscal Year 2024-25, including:

1. Annual Comprehensive Financial Report (ACFR),
2. Measure A Fund Report,
3. Measure HH Fund Report,
4. Measure W Fund Report, and
5. Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule (Fiscal Year 2025-26).

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

Priority: Governance, Organizational Strength, and Fiscal Sustainability

Background

State law requires that every general law municipality issue annual financial reports prepared in accordance with generally accepted accounting principles (GAAP), so that the financial position and results of operations of each government entity is publicly available to residents, legislators, financial institutions, and other interested parties.

On February 22, 2023, the City initiated a competitive request for proposal (RFP) to solicit bids/proposals for a new contract for audit services with a contract term of three years and an

option to extend for two additional years. Based on the evaluation of proposals received, the City entered into an agreement with Eide Bailly LLP to provide annual auditing services through the fiscal year ending 2025, with an option to extend for an additional two years.

Subsequently, the City Council approved an amendment to the agreement exercising the optional contract extension and expanding the scope of services. The expanded scope includes audit services for the East Palo Alto Sanitary District (EPASD) following its incorporation into the City as a subsidiary district. As a result, Eide Bailly LLP now provides audit services covering both the City and EPASD under the extended contract term, ensuring continuity, consistency, and efficiency in the City's financial reporting and audit process.

Analysis

Eide Bailly LLP, Certified Public Accountants, have completed the annual audit and issued the City's annual financial statements and other required special reports. An auditor representative will be presenting an overview of the audit results and will be available to answer any additional questions regarding the reports. The City received an "unmodified" audit opinion which means the independent auditor reviewed the financial records and found that they were presented fairly and accurately, according to the Generally Accepted Accounting Principles (GAAP) on the Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025. In addition, the special financial reports issued by the City (e.g., Measure A, Measure HH, Measure W, EPASD and Appropriations Limit) met applicable standards and no material exceptions were identified by the auditors.

Fiscal year 2024-25 marks the seventeenth year the City has produced an Annual Comprehensive Financial Report (ACFR). The City has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) in each of the preceding years and submitted the Fiscal Year 2024-25 ACFR to the award program. To receive the award, the ACFR must be presented in accordance with Generally Accepted Accounting Principles (GAAP) and meet a higher set of reporting and disclosure standards determined by the GFOA.

Below is a summary description and highlights of each report published:

1. **Annual Comprehensive Financial Report (ACFR):**
   The ACFR includes three basic sections, as follows:

   Introductory Section
   Introduces the City's organization structure and formally transmits and presents the ACFR to the City Council and citizens. The transmittal letter provides information and insights related to the City reporting entity, economic condition and fiscal outlook, and the long-term financial planning process.

   Financial Section

POLICY AND ACTION 12.1

The financial section contains the auditors "unmodified" (clean) audit opinion for Fiscal Year 2024-25, Management's Discussion and Analysis (MD&A), and a complete set of the basic financial statements. In addition, the financial section also includes:

- Notes to the financial statements;
- Required Supplementary Information; and
- Supplementary Information.

Management's Discussion and Analysis (MD&A) provides a high level, summary discussion of major operating activity for both the Government-Wide Financial Statements (prepared on an accrual basis of accounting), the Governmental Fund Financial Statements (prepared on a modified accrual basis which is typically the basis for Council's adoption of the annual budget), and the Proprietary and Fiduciary Fund Financial Statements (prepared on the accrual basis of accounting).

Information regarding the City's CalPERS pension plans and funding status is disclosed in Note 9 to the financial statements as well as in the required supplementary information.

Statistical Section

This section includes 17 additional informational reports, many of which present ten years of historical data. This information helps the reader understand the financial statements in a broader context with the use of historical statistical information.

Highlights from the ACFR

City's Overall Financial Position

- The City's total net position increased to $310.6 million, reflecting a $70.8 million year-over-year increase, driven primarily by the incorporation of the East Palo Alto Sanitary District (EPASD) as a subsidiary district and significant capital grant activity.
- Governmental activities net position increased by $26.0 million, while business-type activities increased by $44.8 million, largely attributable to EPASD's inclusion as a blended component unit.

City's Overall Revenues and Expenses

- Total City revenues increased to $81.5 million, up $18.6 million (29.6%) from the prior year.
  - ✓ Governmental activities generated $64.2 million.
  - ✓ Business-type activities generated $17.3 million, including approximately $8.9 million from EPASD operations.

- Total expenses totaled $48.0 million, an increase of $5.6 million, primarily reflecting EPASD operating costs and expanded capital maintenance activities.

Governmental Funds

- Total governmental fund balances increased to $142.3 million, a $3.2 million increase over the prior year.

- Of this amount, $30.9 million (21.7%) is unassigned which includes $10.7 million designated by Council as a contingency reserve. The unassigned fund balance reflects a $12.6 million decrease from the prior fiscal year, due primarily to the Council commitment of $20 million to Civic Common project in June 2025, partially offset by the General Fund surplus of $6.3 million. Overall, the unassigned fund balance continues to provide substantial fiscal flexibility to address unforeseen needs and strategic priorities.
- The General Fund ended the year with a fund balance of $65.7 million, an increase of $6.3 million, driven by expenditure savings, including salary savings and delayed professional services.

A summary of the net change in fund balance and position reported in the FY 2024-25 ACFR is as follows:

	General Fund	Measure A Fund	CIP Fund	Restricted Funds
Net change in fund balance	$ 6,316,269	$ (1,795,840)	$ (4,697,305)	$ 3,346,215
Beginning fund balance	59,417,598	6,385,678	20,043,685	53,309,107
Ending fund balance	$ 65,733,867	$ 4,589,838	$ 15,346,380	$ 56,655,322

	Government-wide			
	Business-type			Governmental
	Water	Garbage	Sewer	Total
Net change in net position	$ 3,755,431	$ 142,822	$ 3,419,785	$ 26,166,576
Beginning net position	26,401,084	1,611,583	37,432,029	211,643,120
Ending net position	$30,156,515	$1,754,405	$40,851,814	$ 237,809,696

Budgetary Performance

- Actual General Fund revenues exceeded the final amended budget by approximately $2.3 million, largely due to higher-than-anticipated property tax revenues (a backfill of in-lieu of VLF) and investment earnings.
- Actual expenditures were approximately $8.1 million below budget including carried-over encumbrances, reflecting staffing vacancies and timing delays in planned service contracts.

Capital Assets and Infrastructure

- Total capital assets (net of depreciation) increased to $126.6 million, a $32.0 million increase year-over-year.
- Key contributors included:
  - ✓ University Avenue / U.S.-101 pedestrian overcrossing project
  - ✓ Street resurfacing and transportation improvements
  - ✓ Water infrastructure investments
  - ✓ Addition of EPASD sewer system assets
- The City continues to rely primarily on grants and pay-as-you-go financing, with limited long-term debt

Economic Conditions and Outlook

- Property tax revenues remain the City's largest General Fund revenue source, accounting for approximately 48% of General Fund revenues, with assessed valuation growth of 2.4% in FY 2024-25, compared to a 4.0% increase in the prior fiscal year.
- Sales tax revenues declined for the second consecutive year, reflecting broader economic conditions and the loss of a major retailer.
- The City maintains strong reserve levels above adopted policy targets, positioning it to manage near-term revenue volatility and long-term infrastructure and service cost pressures.

As mentioned above, high level discussion and analyses of the basic financial statements are available in the MD&A section (page 5) of the ACFR (attachment 2).

2. Measure A Fund Report

This financial statement reports the auditor's examination of management's assertion of compliance with the terms of use of the City's share of Measure A Funds administered by San Mateo County Transportation Authority. Measure A is a half-cent sales tax dedicated towards transportation facilities, services, and programs.

Highlights of Measure A Report

For FY 2024-25, the City's Measure A Transportation Fund received an unmodified attestation (examination) opinion, concluding that the City complied in all material respects with the Measure A Agreement and that the Schedule of Receipts and Disbursements is fairly presented. Total Measure A receipts were approximately $1.09 million, while disbursements totaled $2.89 million, reflecting planned use of prior-year fund balance. Expenditures were consistent with eligible transportation purposes and included $2.81 million for the Annual Street Resurfacing Program and $73,700 for the Pulgas Avenue Mini-Roundabout.

3. Measure HH Fund Report

This financial statement reports the audit results on the City's Measure HH Special Revenue Fund, as required by the November 2018 local voter-approved Measure HH parcel tax. An unmodified auditor's report was issued for the Measure HH report.

Highlights of Measure HH report

For FY 2024-25, the City's Measure HH Special Revenue Fund received an unmodified audit opinion, with the independent auditors concluding that the financial statements present fairly, in all material respects, the Fund's financial position and results in accordance with GAAP. Measure HH revenues totaled approximately $2.00 million, consisting of $1.68 million in parcel tax revenues and $0.32 million in investment earnings, while expenditures totaled $565,047, including $452,373 for Job Train and First Source Hiring program activities and $112,674 for administration. As a result, the Measure HH Fund ended the fiscal year with a restricted fund balance of $7.55 million, available for future affordable housing and workforce development purposes consistent with voter authorization.

4. **Measure W Fund Report**
   This financial statement reports the auditor's examination of management's assertion of compliance with the terms of use of the City's share of Measure W revenues administered by San Mateo County Transportation Authority. Measure W is a half-cent sales tax to support countywide transportation projects and programs.

   Highlights of Measure W Report

   For FY 2024-25, the City's Measure W Transportation Fund received an unmodified attestation (examination) opinion, concluding that the City complied, in all material respects, with the Measure W Agreement and that the Schedule of Receipts and Disbursements is fairly presented. Total Measure W receipts were approximately $402,077, consisting of transaction and use tax revenues and investment earnings, while disbursements totaled $92,630. Measure W expenditures were used exclusively for eligible transportation purposes, consisting entirely of $92,630 for the Annual Street Resurfacing Program, resulting in a net increase to fund balance for future transportation projects.
   .

5. **Report on Agreed-upon Procedures Applied to Appropriations Limit Schedule**
   This report presents findings of the agreed upon procedures to assist the City in meeting requirements of Section 1.5 of Article XIIIB of the California Constitution, also known as the Gann Appropriations Limit for FY 2025-26. No exceptions were noted as a result of the auditor's procedures including examination of City's calculation necessary to establish the City's appropriations limit and compared the 2025-26 limit and annual adjustment factors. The City's prior-year (FY 2024-25) appropriations limit was $40,575,070, and the FY 2025-26 limit was calculated by applying a 1.0644 adjustment factor (0% population change × 6.44% inflation per DOF), resulting in an annual increase of $2,613,035 and a new appropriations limit of $43,188,407 The detail procedures are described in the report.

East Palo Alto Sanitary District (EPASD) Report

The East Palo Alto Sanitary District (EPASD) is incorporated into the City of East Palo Alto as a subsidiary district. In accordance with Generally Accepted Accounting Principles (GAAP), EPASD's financial activities are included in the City's Annual Comprehensive Financial Report (ACFR) as an enterprise fund reported as a blended component unit.

Although EPASD's financial information is included in the City's ACFR for consolidated reporting purposes, a separate audit report is issued for EPASD. That separate EPASD audit report is not included in this agenda item and presented independently to the EPASD Board at the meeting. This approach reflects EPASD's distinct legal status and governance structure while ensuring comprehensive financial reporting within the City's ACFR.

Fiscal Impact

There is no fiscal impact for this item.

Public Notice

The public was provided notice by making the agenda and report available on the City's website and on a bulletin, board located at City Hall: 2415 University Avenue, East Palo Alto.

Environmental

The proposed action does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is related to government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Government Code § 84308

Applicability of Levine Act: No, as the proposed action does not involve an entitlement.

Analysis of Levine Act Compliance: Not applicable.

Attachment:

1. Resolution.
2. Annual Comprehensive Financial Report (ACFR)
3. Measure A Report
4. Measure HH Financial Report
5. Measure W Report
6. Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule (FY 2025-26)
7. Communication letter to Council

RESOLUTION NO. XX– 2026

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EAST PALO ALTO

ACCEPTING AND DIRECTING STAFF TO FILE THE ANNUAL FINANCIAL REPORTS WITH THE STATE CONTROLLER'S OFFICE: ANNUAL COMPREHENSIVE FINANCIAL REPORT ("ACFR"); AND MEASURE A, MEASURE HH, AND MEASURE W FUND REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025; AND THE REPORT ON AGREED-UPON PROCEDURES APPLIED TO THE APPROPRIATIONS LIMIT SCHEDULE FOR FISCAL YEAR ENDING JUNE 30, 2026

WHEREAS, local government agencies are required by law to undertake an independent audit of the annual financial statements, and California Government Code Section 53891 requires each local agency to provide an annual report of financial transactions to the State Controller's Office containing data from audited financial statements prepared in accordance with generally accepted accounting principles; and

WHEREAS, the City of East Palo Alto ("City") engaged the firm of Eide Bailly LLP as the City's independent auditor through the fiscal year ending 2025 with an option to extend for additional two years; and

WHEREAS, the City Council subsequently approved an amendment to the agreement with Eide Bailly LLP exercising the optional contract extension and expanding the scope of audit services to include the East Palo Alto Sanitary District (EPASD) following its incorporation into the City as a subsidiary district, thereby providing for continuity and consistency in the City's and EPASD's financial reporting and audit services; and

WHEREAS, the annual financial audit for fiscal year ended June 30, 2025, was conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller of the United States and/or other procedures were conducted in accordance with applicable attestation standards established by the American Institute of Certified Public Accountants and/or agreed-upon procedures, as applicable; and

WHEREAS, the City received auditor opinions as applicable on related auditor financial reports indicating such reports are fairly stated, in material respects, in conformance with the applicable standards for the ACFR, Measure A, Measure HH, and Measure W reports; and that no opinion is required or issued for the Report on Agreed-upon Procedures Applied to the Appropriations Limit Schedule as such report is solely for Council and management information and use.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF EAST PALO ALTO hereby:

1. Finds the foregoing recitals are true and correct, and are incorporated by this reference into this action;

2. Accepts the Annual Financial Reports, including the Annual Comprehensive Financial Report ("ACFR"), Measure A, Measure HH, and Measure W Fund Reports for the Fiscal Year ended June 30, 2025, and the Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule for Fiscal Year Ending June 30, 2026; and

3. Directs staff to file the annual financial reports with the State's Financial Controller, as required by law.

PASSED AND ADOPTED 6th day of January 2026**,** by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Webster Lincoln, Mayor

ATTEST:

James Colin, City Clerk

APPROVED AS TO FORM:

John D. Lê, City Attorney

2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT





CITY OF EAST PALO ALTO
INCORPORATED 1983

FISCAL YEAR ENDED JUNE 30, 2025

East Palo Alto, California

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City of East Palo Alto

East Palo Alto, California

Annual Comprehensive Financial Report

For the year ended June 30, 2025

Prepared by:
Finance Department

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City of East Palo Alto
Annual Comprehensive Financial Report
For the year ended June 30, 2025
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CITY OF EAST PALO ALTO

DEPARTMENT OF FINANCE

Letter of Transmittal

December 26, 2025

Honorable Mayor
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, 2025. 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, Eide Bailly LLP, 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, 2025 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 29,133.

The East Palo Alto Sanitary District (EPASD or the District) was originally formed in 1939 as an independent special district under the provisions of the California Health and Safety Code to provide wastewater collection services to the East Palo Alto community. Effective October 1, 2024, pursuant to approval by the San Mateo County Local Agency Formation Commission (LAFCo), EPASD was incorporated into the City of East Palo Alto as a subsidiary district in accordance with Government Code Section 56886 and related statutory provisions governing special district reorganizations.

As a result of the reorganization, the City Council serves as the governing board of EPASD, and the City is fiscally accountable for the District. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61, EPASD meets the criteria for inclusion in the City's reporting entity. Because the City Council serves as EPASD's governing body and the District provides services solely within the City's geographic boundaries, EPASD is reported as a blended component unit in the City's financial statements.

Accordingly, the financial activities of EPASD are combined with those of the City and are included in the City's business-type activities, as applicable, within this Annual Comprehensive Financial Report.

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.

The City Council also appoints members to advisory boards and commissions, which provide recommendations on specific policy areas. These include the Rent Stabilization Board, Planning Commission, Public Works and Transportation Commission, Senior Advisory Board, and EPASD Advisory Committee.

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, water, wastewater, 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 U.S. economy continued to expand through calendar year 2025, supported by steady consumer spending, a resilient labor market, and moderating inflationary pressures. While economic growth has slowed from post-pandemic highs, overall conditions remain stable, with economic activity reflecting a gradual normalization following several years of volatility.

In response to easing inflation and evolving economic conditions, the Federal Reserve has shifted away from a highly restrictive monetary policy stance. Interest rates have begun to decline from recent peaks, improving financing conditions and supporting continued economic expansion, although rates remain elevated relative to pre-pandemic levels. The Federal Reserve has emphasized that future policy actions will remain data-dependent, reflecting ongoing uncertainty surrounding inflation, labor markets, and global economic conditions.

The national economic outlook continues to be influenced by a range of policy and geopolitical factors. In particular, uncertainty related to trade policy, including the continuation or potential expansion of tariffs, has been cited by economists and business surveys as a factor contributing to cautious business investment and pricing decisions. While the direct economic impacts remain uncertain, such policy considerations may affect inflation trends, supply chains, and overall business confidence.

Overall, the U.S. economy enters the latter part of 2025 with moderate growth, improving inflation dynamics, and reduced volatility compared to prior years. However, ongoing policy developments, global economic conditions, and financial market responses will continue to shape the economic environment in which state and local governments operate.

The City's resident population has been a downward trend over the past five years but has slightly ticked up this fiscal year. National labor market indicators in late 2025 point to a gradual cooling, with slower payroll growth and a modest increase in unemployment, though recent data remain subject to higher-than-normal revisions. Locally, employment conditions in the City of East Palo Alto remained stable, with the unemployment rate unchanged at approximately 3.3% from fiscal year 2023-24 to fiscal year 2024-25. Overall, the City's labor market continues to demonstrate resilience despite signs of moderation at the national level.

According to data from the California Association of Realtors, the San Francisco Bay Area housing market has continued to reflect elevated prices and constrained supply, with sales activity moderating due to affordability pressures and higher mortgage rates. While price growth has flattened or declined modestly in some submarkets, overall home values remain high by historical standards, particularly in San Mateo County, which continues to rank among the most expensive housing markets in the region.

Property taxes, which are based on assessed property values, remain one of the City's largest revenue sources, accounting for approximately 48% of General Fund revenues. Total assessed valuation for fiscal year 2024-25 was approximately $4.5 billion, representing a 2.4% year-over-year increase, compared to a 4.0% increase in the prior fiscal year. General Fund property tax revenues totaled approximately $19.0 million, reflecting a 1.0% increase over the previous fiscal year.

Under Proposition 13, growth in assessed value for properties without changes in ownership or new construction is limited by an inflation factor tied to the California Consumer Price Index (CCPI), capped at 2.0% annually. For fiscal year 2024-25, the maximum inflation factor of 2.0% was applied to eligible properties.

Over the long term, the City's property tax base continues to present growth potential due to undeveloped land within the Ravenswood Business District, ongoing development planning activity, consolidation of industrial properties, strategies to expand affordable housing, and incentives to increase residential density. At the same time, the City continues to address infrastructure, transit, environmental, and community impact considerations associated with sustained development interest. These opportunities are tempered by broader regional challenges in the office real estate market, as many office properties throughout the Bay Area continue to experience elevated vacancy and low occupancy rates, which may affect the timing, feasibility, and assessed value growth of certain commercial development projects.

Sales tax revenues declined by approximately $482,000 (8.0%) compared to the prior fiscal year, marking the second consecutive year of decline following a decrease of approximately $375,000 (5.9%) in the previous year. In addition to broader economic conditions—including elevated interest rates and inflation that moderated consumer spending—the decline was also attributable in part to the loss of a major retail taxpayer, which reduced taxable sales activity during the fiscal year.

Compared to the pre-pandemic level of $3.0 million from the fiscal year 2018-19, Transient Occupancy Tax (TOT) revenues were $2.8 million in the fiscal year 2024-25; approximately 93% recovery from the pre-pandemic figure and a 10.5% increase from the previous year. 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 2024-25 budget through a public hearing process conducted during June 2024. 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. 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, reserve management, grants and debt management, cash and investments, and other financial policies.

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:

- Implement Measure HH Employment Program
- Continue to implement the City's Affordable Housing Strategy
- Create an Economic Development Strategy focusing on small/micro businesses for City Council consideration
- Convert the City's Cummings Loft property into office space that could be used as a small business incubator
- Implement a program to distribute Community Resource Funds grants
- Revisit the West Side Area Plan development approval process
- Evaluate the Measure HH pilot workforce development program
- Complete the Ravenswood Business District/Four Corners Specific Plan update
- Streamline the accessory dwelling unit (ADU) permitting process
- Work with partners to complete construction of 965 Weeks / Colibri Commons
- Update the Zoning Code to address permanent supportive housing, housekeeping units, residential care facilities, and objective design standards
- Develop a policy and program addressing pop-up and unlicensed businesses

Implement the Comprehensive Transportation and Mobility Plan:

- Implement the Comprehensive Transportation and Mobility Plan
- Construct the University Bicycle and Pedestrian Overcrossing
- Explore a potential public infrastructure revenue measure
- Replace temporary traffic circles on Pulgas Avenue with mini roundabouts
- Construct bus stop shelter improvements using AHSC grant funds
- Finalize the Addison Avenue Safe Routes to School and green infrastructure project
- Construct University Avenue at Runnymede traffic signal improvements
- Design East Bayshore sidewalk improvements with grant funds and secure funding to design the University Avenue Grand Corridor
- Complete the street lighting upgrade project, including 70 streetlights and the Clarke Avenue overcrossing
- Construct University Avenue safety improvements
- Design and construct road improvements on Woodland Avenue from University Avenue to Newell Road
- Develop strategies to improve parking and traffic enforcement and identify next steps

Promote Health & Public Safety:

- Enhance flood protection for residents, businesses, and property owners
- Resolve the Sanitation District incorporation matter
- Develop a Community Emergency Preparedness and Education Initiative
- Develop the Police Department's data analytics capacity
- Rehabilitate the O'Connor Pump Station
- Construct improvements to the San Francisquito Creek bank
- Upgrade the stormwater system to meet State trash capture requirements
- Complete the update of the Environmental Justice (Health & Equity) Element of the General Plan
- Complete the update of the Safety Element of the General Plan
- Evaluate emergency shelter sites
- Develop and implement a strategy to address illegal dumping

Ensure Our Financial & Organizational Health:

- Address the structural deficit through fiscal resiliency measures
- Develop 10-year financial projections
- Plan and implement an Enterprise Resource Planning (ERP) system
- Focus on staff morale, retention, recruitment, and succession planning
- Develop an Information Systems Master Plan
- Conduct a process to develop a five- to ten-year strategic plan

Improve the City's Water Infrastructure:

- Focus on customer service and education
- Advance key water infrastructure projects
- Develop a water infrastructure financing plan
- Develop a water asset management database

Develop and Implement a Comprehensive Facilities Master Plan:

- Coordinate with the Library District to advance a new library for East Palo Alto
- Investigate options for developing County vacant property located on Beech Street
- Develop a detailed strategy for the location of the future Police Department
- Complete the City Hall improvements planning process

Enhance Community Services and Parks for Residents:

- Foster community cultural events and activities
- Complete and implement the Parks Master Plan
- Focus on youth engagement
- Engage with community and partner agencies to improve educational resources and outcomes
- Construct the Joel Davis Park restroom
- Secure Bay Trail access at Rutgers Street
- Implement a program that activates parks and promotes public health and public safety, similar to the FIT Zone program

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, 2024. This is the sixteenth 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

Martha Barragan
Mayor

Mark Dinan
Vice Mayor

Carlos Romero
Councilmember

Ruben Abrica
Councilmember

Webster Lincoln
Councilmember

Executive Staff

Melvin Gaines
City Manager

John Le
City Attorney

Shiri Klima
Assistant City Manager

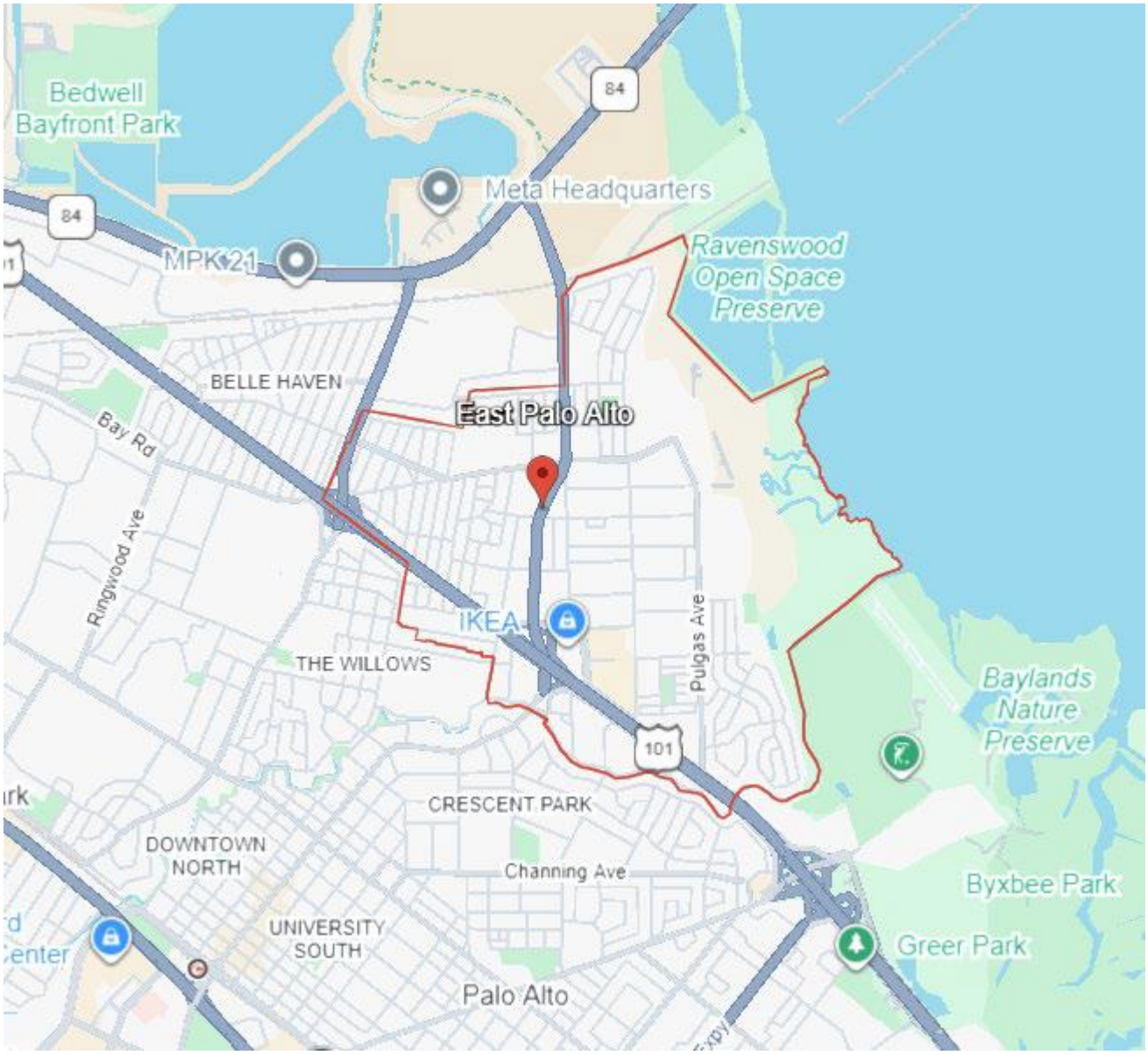
Tomohito Oku
Finance Director

Jeff Liu
Police Chief

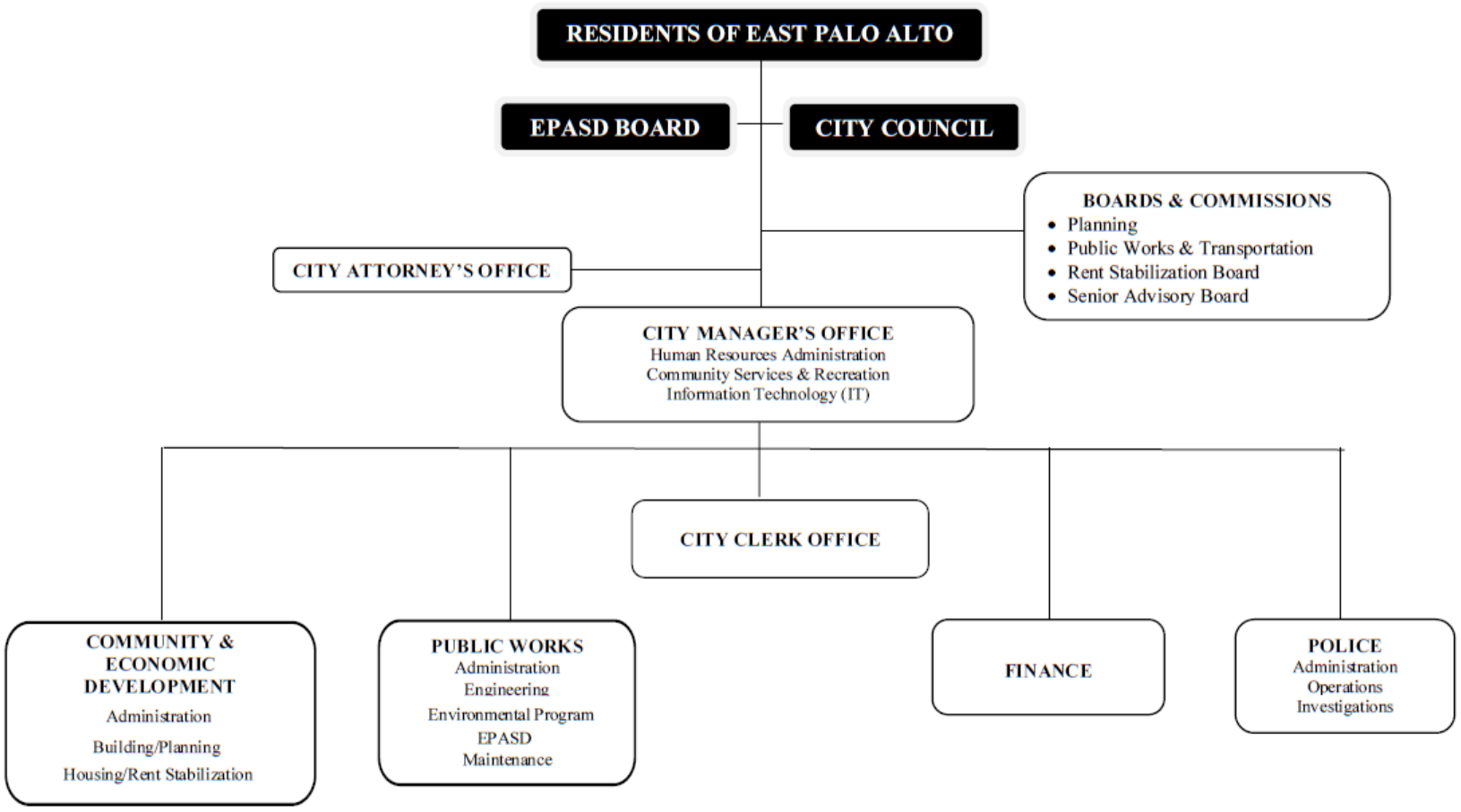
Humza Javed
Public Works Director

Amy Chen
Community & Economic Development Director

REGIONAL MAP



CITY OF EAST PALO ALTO
CITY ORGANIZATIONAL CHART
FY 2025-2026 Budget



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, 2024

Christopher P. Morrill

Executive Director/CEO

Independent Auditor's Report

To the honorable members of the City Council
of the City of 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 (City) as of and for the year ended June 30, 2025, 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 accompanying 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, 2025, 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 (*Government Auditing Standards*). 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.

Emphasis of Matter - Change in the Financial Reporting Entity

As discussed in Note 15, during the fiscal year 2025, there was a change to the reporting entity, resulting in the East Palo Alto Sewer District (District) being reported as a blended component unit. Accordingly, the net position as of July 1, 2024, has been restated to include the District as a major enterprise fund and as part of the business-type activities. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the 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 Discussion and Analysis, the Budgetary Comparison Schedules for the General Fund and Measure A Special Revenue Fund, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule Pension of Contributions, Schedule of Changes in City's Net OPEB Liability/Asset and Related Ratios and the Schedule of OPEB Contributions 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 GAAS, 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 Non-Major Governmental Funds Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances and the nonmajor funds' Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the Non-Major Governmental Funds Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances and the nonmajor funds' Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 26, 2025, 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 the City's 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.

Eide Bailly LLP

Menlo Park, California
December 26, 2025

This section of the City's Annual Comprehensive Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2025. We advise readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2024-25 FINANCIAL HIGHLIGHTS

Government-wide Statements

- Total net position equals **$310.57** million, an increase of **$70.8 million** over the prior year balance of **$239.8 million**. The increase is comprised of **$26.0 million** in governmental activities and **$44.8 million** in business-type activities.

- Total revenues for the City increased to **$81.5 million** in the current fiscal year, compared to **$62.9 million** in the prior year, representing an increase of **$18.6 million**. Of the total revenues reported, **$64.2 million** were generated by governmental activities and **$17.3 million** by business-type activities. The year-over-year increase was driven primarily by the incorporation of the East Palo Alto Sanitary District (EPASD), which contributed approximately **$8.9 million** in additional revenue to business-type activities. The increase was further supported by an additional **$6.7 million** in capital grant revenues recognized during the fiscal year.

- Total expenses increased to **$48.0 million** in the current fiscal year, compared to **$42.4 million** in the prior year, representing an increase of **$5.6 million**. Of the total expenses reported, **$38.0 million** were attributable to governmental activities and **$10.0 million** to business-type activities. The increase in total expenses was driven primarily by the incorporation of the EPASD, which resulted in the recognition of additional operating and maintenance costs within business-type activities.

Governmental Fund Statements

- Total governmental fund balances increased to **$142.3 million**, up **$3.2 million** from the prior year balance of **$139.2 million**. Of the total fund balance, **$111.4 million** is classified as nonspendable, restricted, committed, or assigned, while the remaining **$30.9 million** represents unassigned fund balance.

- The General Fund reported a total fund balance of **$65.7 million** at year-end, an increase of **$6.3 million** from the prior year balance of **$59.4 million**. This increase was driven by **$39.5 million** in revenues, partially offset by **$31.4 million** in expenditures and **$1.8 million** in net other financing uses. The net other financing uses primarily reflect operating subsidies provided to special revenue funds.

OVERVIEW OF THE ANNUAL COMPREHENSIVE 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, sewer 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, Capital Improvements Fund and Measure A Fund. Measure A Fund became a major fund in the current fiscal year pursuant to GASB reporting requirements. 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, sewer systems 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

At June 30, 2025, government-wide assets of **$338.25 million** and deferred outflows of resources of **$7.0 million** exceeded liabilities of **$33.7 million** and deferred inflows of resources of **$0.9 million**, resulting in a total net position of **$310.6 million**. A significant portion of the City's net position, **$124.0 million**, is invested in capital assets and is not available to finance current operations or pay future liabilities. The following table summarizes the City's government-wide net position for both governmental and business-type activities.:

STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
(Dollars in thousands)	**2025**	**2024***	**2025**	**2024***	**2025**	**2024***
Assets:						
Current and other assets	$ 165,116	$ 147,700	$ 46,220	$ 20,787	$ 211,336	$ 168,487
Noncurrent assets	94,055	82,433	32,854	12,195	126,908	94,628
Total assets	$ 259,171	$ 230,134	$ 79,074	$ 32,982	$ 338,245	$ 263,115
Deferred outflows of resources						
Deferred pension and OPEB outflows	6,259	7,845	692	70	6,951	7,914
Liabilities:						
Current and other liabilities	10,134	7,033	2,301	1,817	12,435	8,850
Noncurrent liabilities	17,349	18,823	3,951	3,218	21,300	22,041
Total liabilities	27,483	25,856	6,252	5,036	33,735	30,891
Deferred inflows of resources						
Deferred inflows - pension and OPEB	136	336	752	3	888	339
Net Position:						
Net Investment in capital assets	92,335	80,872	31,622	11,338	123,957	92,211
Restricted	76,029	62,510	12,436	13,778	88,466	76,288
Unrestricted	69,445	68,405	28,704	2,896	98,150	71,301
Total Net Position	$ 237,810	$ 211,787	$ 72,763	$ 28,013	$ 310,572	$ 239,799

** The prior year amounts were not restated for the change in compensated absences or the change in reporting entity.*

Net Position – Governmental Activities

Total governmental activities assets of **$259.2 million** consist of current and other assets of **$165.1 million** and capital assets of **$94.1 million**. Total assets increased by **$29.0 million** from the prior year, reflecting growth in current and other assets of **$17.4 million** and an increase in capital assets of **$11.6 million**.

Deferred outflows of resources totaled **$6.3 million**, consisting primarily of **$2.9 million** in deferred employer pension contributions made subsequent to the pension liability measurement date and **$3.4 million** related to other pension valuation factors.

Net Position – Governmental Activities, Continued
Total liabilities for governmental activities were **$27.5 million**, comprised of **$10.1 million** in current liabilities and **$17.3 million** in noncurrent liabilities. Of the noncurrent liabilities, the most significant component is the net pension liability of **$15.6 million**. Total liabilities increased by **$1.6 million**, driven primarily by an increase in accounts payable of **$3.0 million**, partially offset by a decrease in noncurrent liabilities of **$1.5 million**.

Deferred inflows of resources totaled **$0.1 million** and relate to pension accounting under GASB Statement No. 68, primarily due to differences between projected and actual investment earnings and actuarial experience.

Governmental activities reported total net position of **$237.8 million**. Of this amount, **$92.3 million** (**38.8%**) represents capital assets net of related debt. Capital assets—including roadways, storm drains, lighting, parks, and other infrastructure—are used to provide services to residents and therefore do not provide liquidity for the payment of liabilities. Historically, the City has not relied heavily on debt financing for capital assets, due in part to its prior emphasis on redevelopment agreements, grant-funded projects, and the limited availability of capital assets suitable for leveraged leaseback financing.

Restricted net position totaled **$76.0 million** (**32.0%**) and represents resources subject to externally imposed legal or contractual restrictions on their use. These balances are primarily associated with local and county special taxes, tax districts, capital and grant agreements, housing funds, and other restricted purposes. Unrestricted net position totaled **$69.4 million** (**29.2%**); however, a significant portion of these balances is either non-liquid or committed for capital projects and other intended uses.

Net Position - Business-type Activities
Business-type activities reported total assets of **$79.1 million**, consisting of current and other assets of **$46.2 million** and noncurrent assets of **$32.9 million**. Of the **$46.2 million** in current and other assets, approximately **$1.8 million** relates to garbage collection services, **$29.9 million** relates to sewer services, and **$14.5 million** relates to water services, a significant portion of which is committed for capital infrastructure replacement. All capital assets reported within business-type activities consist of water and sewer service infrastructure.

Total liabilities for business-type activities were **$6.3 million** and consist primarily of accounts payable of **$1.9 million**, net pension liability of **$0.9 million**, and **$2.5 million** in amounts advanced from developers in connection with certain water service implementation agreements.

Business-type activities reported total net position of **$72.8 million**, of which **$31.6 million** represents capital assets net of related debt, **$10.5 million** is restricted for capital projects, and **$30.6 million** is reported as unrestricted net position.

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 **$33.5 million** as further described below.

STATEMENT OF ACTIVITIES

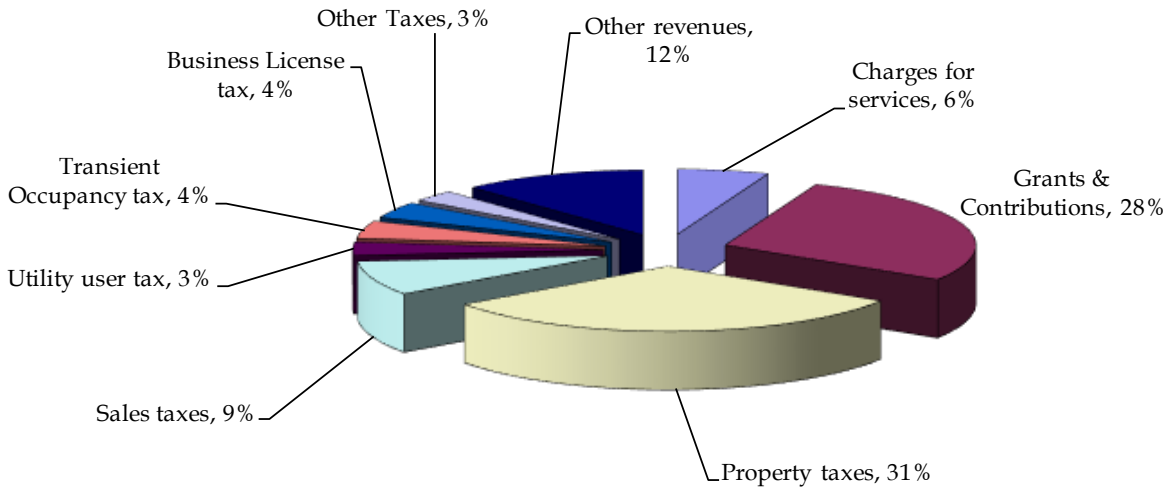
(Dollars in thousands)	Governmental Activities 2025	Governmental Activities 2024*	Business-Type Activities 2025	Business-Type Activities 2024*	Total 2025	Total 2024*
Revenues						
Program revenues:						
Charges for services	$ 3,815	$ 2,422	$ 10,718	$ 4,769	$ 14,533	$ 7,190
Operating grants & contributions	3,440	3,165	-	-	3,440	3,165
Capital grants & contribution	14,198	7,454	2,135	1,309	16,333	8,762
General revenues:						
Property taxes	20,109	19,859	1,625	-	21,734	19,859
Sales taxes	5,538	6,020	-	-	5,538	6,020
Utility user tax	2,139	2,052	-	-	2,139	2,052
Transient Occupancy tax	2,792	2,526	-	-	2,792	2,526
Business taxes	2,601	2,415	-	-	2,601	2,415
Other taxes	1,817	1,780	-	-	1,817	1,780
Investment Earnings	6,142	6,690	2,485	1,095	8,627	7,785
Miscellaneous	1,580	1,338	361	-	1,941	1,339
Total revenues	64,171	55,722	17,324	7,171	81,496	62,893
Expenses						
Program expenses:						
General government	9,182	8,165	-	-	9,182	8,165
Public safety	14,024	13,641	-	-	14,024	13,641
Public works	7,385	7,292	-	-	7,385	7,292
Culture and recreation	2,313	1,950	-	-	2,313	1,950
Community development	5,063	7,245	-	-	5,063	7,245
Water services	-	-	1,029	894	1,029	894
Garbage collection	-	-	3,450	3,171	3,450	3,170
Sewer services	-	-	5,527	-	5,527	(1)
Interest on long-term debt	37	58	-	-	37	58
Total expenses	38,004	38,352	10,006	4,066	48,010	42,416
Excess before transfers or special items	26,167	17,370	7,318	3,105	33,484	20,477
Transfers	-	(433)	-	433	-	-
Change in Net Position	26,167	16,937	7,319	3,539	33,484	20,476
Net Position - Beginning, as restated	211,643	194,850	65,445	24,475	277,088	219,324
Net Position - Ending	**$ 237,810**	**$ 211,787**	**$ 72,763**	**$ 28,013**	**$ 310,571**	**$ 239,800**

** The prior year amounts were not restated for the change in compensated absences or the change in reporting entity.*

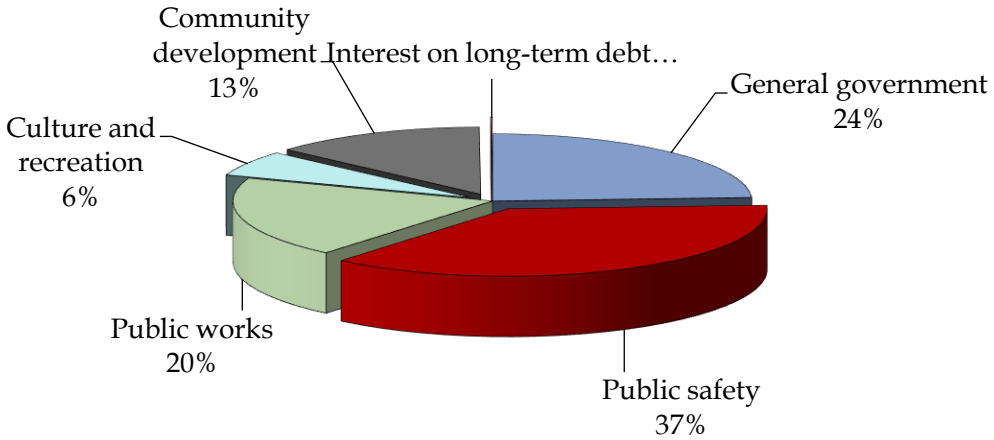
Statement of Activities – Governmental

Governmental activities reported a change in net position of **$26.2 million** for the current fiscal year, compared to a prior year increase of **$16.9 million**, representing an improvement of **$9.3 million**. The following charts illustrate the major sources of governmental activities revenues and the related categories of expenses:

Governmental Activities
Revenues by Source



Governmental Activities
Expenses by Type



Statement of Activities - Governmental, continued

- Total revenues before transfers were **$64.2 million**, an increase of **$8.4 million** (**15.2%**) over the prior year's revenues of **$55.7 million**. This increase was driven primarily by higher capital grants and contributions of **$6.7 million** and increased charges for services of **$1.4 million**, partially offset by decreases in investment earnings of **$0.5 million** and sales tax revenues of **$0.5 million**. The growth in capital grants and contributions is primarily attributable to grants related to the University-101 pedestrian overcrossing project totaling approximately **$11.0 million**, while the increase in charges for services reflects higher levels of developer activity. The decline in investment earnings resulted from lower interest income following federal interest rate cuts. The decrease in sales tax revenues reflects both broader economic conditions and the loss of a major retail taxpayer, which reduced taxable sales during the fiscal year.

- Total expenses for governmental activities were **$38.0 million**, a decrease of **$0.3 million** (**0.9%**) from the prior year total of **$38.4 million**. The decrease was driven primarily by lower community development expenditures of **$2.0 million**, attributable largely to reduced Affordable Housing Sustainable Communities (AHSC) grant-related activity during the fiscal year.

Statement of Activities - Business-type

- Business-type activities change in net position totaled $7.3 million compared to previous fiscal year of $3.5 million. The difference in change in net position is primarily related to the incorporation of EPASD ($3.4 million).

- Total revenues before transfers equal $17.3 million, an increase of $10.1 million from prior year revenues of $7.2 million. The change mainly consists of increases attributable from the EPASD incorporation ($8.9 million) and in capital grants and contributions ($0.8 million).

- Total expenses before transfers equal $10.0 million – an increase of $5.9 million from the prior year due primarily to the EPASD incorporation ($5.5 million).

- The beginning balance of the business-type activities was restated for $37.4 million due to the EPASD incorporation as a subsidiary district for the City. More information is provided in Note 15.

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, 2025, the City's governmental funds reported combined fund balances of $142.3 million, an increase of $3.2 million in comparison with the prior year. Of this amount, $30.9 million, or 21.7%, constitutes unassigned fund balance, which is available for spending at the City'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, $0.5 million; (2), restricted for particular purposes, $62.4 million; (3) committed for particular purposes, $38.2 million; or (4) assigned for particular purposes, $10.3 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 $30.9 million, while total fund balance increased to $65.7 million. The remaining fund balance consists of nonspendable ($0.5 million), restricted ($0.05 million), committed ($31.4 million), or assigned ($2.9 million). 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 99% of total general fund expenditures, while total fund balance represents 210% of that same amount.

The City's general fund balance increased by $6.3 million during the current fiscal year. This growth was primarily driven by underspending of the budget expenditures—including salary savings of $2.1 million and planned but incomplete professional and technical services across various departments, totaling $5.2 million.

The capital projects fund, a major fund, had a $4.7 million decrease in fund balance during the current fiscal year which put the overall fund balance to $15.3 million. The fund reports an assigned fund balance, $7.4 million comprised of encumbrances, restricted by funding sources for $1.1 million, and committed, $6.8 million for flood preventative projects and other capital projects. The decrease in fund balance was caused mainly by a timing difference between the revenues and expenditures related to reimbursement basis capital grants; the City has spent approximately $11.7 million from various grants in accumulate subject to reimbursements. Such amount has not been reflected on the fund balance analysis above.

Analysis of Individual Funds, Continued

Measure A fund became a major fund in the current fiscal year pursuant to GASB reporting requirements. At the end of the current fiscal year, Measure A fund reported $4.6 million in fund balance which is restricted to the street and transportation purposes pursuant to the agreement with San Mateo Transportation Authority (SMCTA). Measure A fund had a $1.8 million decrease in fund balance during the current fiscal year due to the planned capital spending for approximately $2.9 million related to Annual Street Resurfacing project, offset by the fund's revenues generated during the current fiscal year.

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. The water service fund reported $30.2 million in total net position. Of which $18.9 million is reported as net investment in capital assets, $10.5 million as restricted for capital projects, and $0.8 million as unrestricted. The garbage collection fund reported $1.8 million in total net position all of which is unrestricted. Due to the incorporation of EPASD as a subsidiary district of the City, the sewer service fund was added as a separate enterprise fund which reported $40 million in the total net position. Of which $12.7 million is reported as net investment in capital assets, $2.4 million as restricted for pension, and $25.7 million as unrestricted.

The net position in the water service fund increased by $3.8 million due primarily from the state grant received supporting the water pipe replacement project ($2 million) and the water capital surcharge fees collected during the current fiscal year ($1.3 million). The net position in the garbage collection fund increased by $0.1 million which remained comparable to the prior year increase. The sewer service fund reported $3.4 million in change in net position which is due to nonoperating revenues for the same amount. The nonoperating revenues of the sewer service fund consists of property taxes ($1.6 million), investment income ($1.4 million) and miscellaneous revenues ($0.4 million) and are used to support the operation or future capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total adopted revenue budget (before transfers) was $37.5 million. During the year, there was no need for any significant amendments to increase the adopted budget appropriations.

Total adopted expenditure budget (before transfers) of $35.7 million increased $3.7 million to final amended expenditure budget of $39.5 million. The amendment is due primarily to the encumbrances carried forward from the previous year ($3.7 million).

GENERAL FUND BUDGETARY HIGHLIGHTS, Continued

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

- Actual revenues total $39.5 million, approximately $2.3 million more than the final budget of $37.2 million which primarily came from the differences in property tax revenues and investment earnings. The excess actual property tax revenues are due to an unexpected backfill revenue related to the shortfall in property tax in-lieu of VLF revenue experienced in the FY22-23 ($1.6M). The actual investment earnings were higher than the estimated earnings because of the lingering higher interest rates resulted from the stubborn inflation.

- Actual expenditures total $31.4 million, approximately $8 million less than the amended budget of $38.4 million. Of this amount, approximately $2.1 million is due to salary savings; $5.2 million is due to planned but incomplete professional and technical services across departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets for governmental and business-type activities balance as of June 30, 2025 total $126.6 million (net of accumulated depreciation/amortization), a net increase of $32.0 million (33.8%) over the prior year. The increase in the governmental activities is reported for $11.6 million and primarily from University-101 Overcrossing project ($6.8 million) and Annual Street Resurfacing project ($5.1 million) offset by depreciation. The increase in the business-type activities is reported for $20.3 million due primarily to the incorporation of EPASD ($12.7 million) and the water pipe replacement project ($6.7 million). Total capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

June 30, 2025
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2025	**2024**	**2025**	**2024***	**2025**	**2024***
Land	$ 7,319	$ 7,319	$ 5,448	$ 5,264	$ 12,767	$ 12,582
Buildings and Improvements	20,651	20,267	34,170	11,302	54,821	31,569
Right-to-use Buildings	2,307	2,307	127	127	2,434	2,434
Construction in Progress	22,329	11,653	8,681	1,498	31,010	13,152
Furnishings & Equipment	2,672	2,457	-	-	2,672	2,457
Vehicles	3,800	3,345	-	-	3,800	3,345
Street and Roadways	87,800	84,588	-	-	87,800	84,588
Storm Drain System	6,819	6,819	-	-	6,819	6,819
Less: Accumulated Depreciation	(59,642)	(56,321)	(15,891)	(5,996)	(75,533)	(62,317)
Total	$ 94,055	$ 82,433	$ 32,535	$ 12,195	$ 126,589	$ 94,627

** The prior year amounts were not restated for the change in reporting entity.*

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 $0.6 million note payable related to funding the Gloria Way Well project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Current economic concerns center on the Federal Reserve's continued management of monetary policy amid moderating inflation, elevated interest rates, and uncertainty regarding the pace of economic growth at both the national and local levels. The following economic factors were considered in the preparation of the City's budget for fiscal year 2025-26:

- Near-term general revenue growth remains constrained, as major drivers such as large-scale taxable development and significant property ownership turnover are not anticipated in the immediate future for property tax revenues. In addition, economically sensitive revenues, including sales tax and transient occupancy tax, are expected to experience modest growth or volatility due to continued economic uncertainty, elevated costs, and slower consumer spending.

- 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.

- Transient occupancy tax has recognized continued recovery in FY2024-25 yet has only reached 93% 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.

- City will experience long-term cost pressures across various activities due to historical under-investment in aged infrastructure; staff resource challenges, rising personnel costs; operational costs of new infrastructure and facilities; and increases in professional and outside services due to inflation.

- The City has reserves available to maintain stable service delivery during FY 2025-26 and enable implementation of a strategic and prioritized budget plan. Additionally, temporary suspension of certain capital and operating transfers; 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.

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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	$ 131,363,844	$ 45,327,175	$ 176,691,019
Restricted cash and investments with fiscal agents	338,253	2,581,938	2,920,191
Receivables:			
Accounts receivable	748,796	150,724	899,520
Interest receivable	825,377	249,879	1,075,256
Taxes receivable	1,447,523	213,105	1,660,628
Intergovermental receivables	13,787,061	-	13,787,061
Deposits and prepayments	68,988	-	68,988
Internal balances	2,302,886	(2,302,886)	-
Total current assets	150,882,728	46,219,935	197,102,663
Noncurrent assets:			
Net OPEB assets	-	300,413	300,413
Loans and notes receivable	14,233,042	18,770	14,251,812
Capital assets:			
Capital assets not being depreciated	29,647,545	14,129,227	43,776,772
Capital assets, net of accumulated depreciation/amortization	64,407,314	18,405,577	82,812,891
Total capital assets	94,054,859	32,534,804	126,589,663
Total noncurrent assets	108,287,901	32,853,987	141,141,888
Total assets	259,170,629	79,073,922	338,244,551
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	6,258,602	544,594	6,803,196
Deferred outflows of resources - OPEB	-	147,635	147,635
Total deferred outflows of resources	6,258,602	692,229	6,950,831
LIABILITIES			
Current liabilities:			
Accounts payable	7,303,700	1,924,006	9,227,706
Accrued liabilities	466,384	683	467,067
Retentions payable	794,751	332,291	1,127,042
Unearned revenue	913,700	-	913,700
Compensated absences	368,192	-	368,192
Claims payable	33,093	-	33,093
Notes payable	-	23,333	23,333
Leases payable	253,951	20,603	274,554
Total current liabilities	10,133,771	2,300,916	12,434,687
Noncurrent liabilities:			
Deposits payable	847,905	26,360	874,265
Advances from developers	100,891	2,468,298	2,569,189
Compensated absences	552,289	-	552,289
Claims payable	52,877	-	52,877
Notes payable	-	536,669	536,669
Leases payable	170,295	-	170,295
Net pension liablity	15,625,080	919,339	16,544,419
Total noncurrent liabilities	17,349,337	3,950,666	21,300,003
Total liabilities	27,483,108	6,251,582	33,734,690
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	136,427	603,589	740,016
Deferred inflows of resources - OPEB	-	148,246	148,246
Total deferred inflows of resources	136,427	751,835	888,262
NET POSITION			
Net investment in capital assets	92,334,942	31,621,908	123,956,850
Restricted for:			
Streets and Infrastructure	14,574,306	-	14,574,306
Parks and Recreation	383,310	-	383,310
Penson and OPEB amounts	-	1,888,236	1,888,236
Housing Programs	40,727,575	-	40,727,575
Special Programs	3,393,875	-	3,393,875
Capital Projects	16,950,310	10,548,127	27,498,437
Total restricted	76,029,376	12,436,363	88,465,739
Unrestricted	69,445,378	28,704,463	98,149,841
Total net position	$ 237,809,696	$ 72,762,734	$ 310,572,430

See accaompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:								
Governmental activities:								
General government	$ 9,182,069	$ 7,089	$ 325,489	$ -	$ 332,578	$ (8,849,491)	$ -	$ (8,849,491)
Public safety	14,023,956	485,577	617,333	-	1,102,910	(12,921,046)	-	(12,921,046)
Public works	7,384,886	294,826	-	14,197,560	14,492,386	7,107,500	-	7,107,500
Culture and recreation	2,312,962	2,327	1,730,145	-	1,732,472	(580,490)	-	(580,490)
Community Development	5,063,007	3,024,702	766,883	-	3,791,585	(1,271,422)	-	(1,271,422)
Interest on long-term debt	37,139	-	-	-	-	(37,139)	-	(37,139)
Total governmental activities	38,004,019	3,814,521	3,439,850	14,197,560	21,451,931	(16,552,088)	-	(16,552,088)
Business-type activities:								
Garbage Collections	3,451,140	3,495,110	-	-	3,495,110	-	43,970	43,970
Water Services	1,028,660	1,769,274	-	2,070,611	3,839,885	-	2,811,225	2,811,225
Sewer Services	5,526,550	5,453,033	-	64,698	5,517,731		(8,819)	(8,819)
Total business-type activities	10,006,350	10,717,417	-	2,135,309	12,852,726	-	2,846,376	2,846,376
Total primary government	$ 48,010,369	$ 14,531,938	$ 3,439,850	$ 16,332,869	$ 34,304,658	$ (16,552,088)	$ 2,846,376	$ (13,705,711)
		General Revenues:						
		Taxes:						
		Property taxes				20,109,241	1,624,691	21,733,932
		Sales taxes				5,537,998	-	5,537,998
		Utility users tax				2,138,926	-	2,138,926
		Transient occupancy tax				2,792,204	-	2,792,204
		Business license tax				2,600,501	-	2,600,501
		Other taxes				1,817,428	-	1,817,428
		Total taxes				34,996,298	1,624,691	36,620,989
		Investment earnings				6,141,685	2,485,485	8,627,170
		Miscellaneous				1,580,681	361,486	1,942,167
		Total general revenues and transfers				42,718,664	4,471,662	47,190,326
		Change in net position				26,166,576	7,318,038	33,484,614
		Net position - beginning of year, as previously reported				211,786,620	28,012,667	239,799,287
		Restatement				(143,500)	37,432,029	37,288,529
		Net position - beginning of year, as restated				211,643,120	65,444,696	277,087,816
		Net position - end of year				$ 237,809,696	$ 72,762,734	$ 310,572,430

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.

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.

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 are the aggregate of all the non-major governmental funds.

City of East Palo Alto
Balance Sheet
June 30, 2025

	General	Measure A Fund	Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 64,610,200	$ 7,315,766	$ 18,170,965	$ 41,266,913	$ 131,363,844
Restricted cash and investments	-	-	338,153	100	338,253
Receivables:					
Accrued interest	168,319	18,795	43,834	594,429	825,377
Taxes	1,304,356	-	-	143,167	1,447,523
Intergovernmental	1,732,248	-	11,816,666	238,147	13,787,061
Accounts receivable	549,438	62,783	-	136,575	748,796
Deposits and prepayments	68,988	-	-	-	68,988
Advances to other funds	438,023	-	-	1,864,863	2,302,886
Loans and notes receivable	-	-	-	14,233,042	14,233,042
Total assets	$ 68,871,572	$ 7,397,344	$ 30,369,618	$ 58,477,236	$ 165,115,770
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 1,634,557	$ 2,649,802	$ 1,882,818	$ 1,136,523	$ 7,303,700
Retentions payable	-	157,704	542,933	94,114	794,751
Deposits payable	842,905	-	5,000	-	847,905
Other accrued liabilities	463,408	-	178	2,798	466,384
Unearned revenue	-	-	823,522	90,178	913,700
Advances from developers	-	-	100,891	-	100,891
Total liabilities	2,940,870	2,807,506	3,355,342	1,323,613	10,427,331
Deferred inflows of resources:					
Unavailable revenues	196,835	-	11,667,896	498,301	12,363,032
Fund Balances: (Note 8)					
Nonspendable	507,011	-	-	-	507,011
Restricted	52,008	4,589,838	1,080,768	56,655,322	62,377,936
Committed	31,394,222	-	6,837,690	-	38,231,912
Assigned	2,876,189	-	7,427,922	-	10,304,111
Unassigned	30,904,437	-	-	-	30,904,437
Total fund balances	65,733,867	4,589,838	15,346,380	56,655,322	142,325,407
Total liabilities, deferred inflows of resources, and fund balances	$ 68,871,572	$ 7,397,344	$ 30,369,618	$ 58,477,236	$ 165,115,770

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Reconciliation of the Governmental Funds Balance Sheet
To the Governmental-Wide Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds	$ 142,325,407
Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Total Fund Balances - Governmental Funds above due to the following:	
Governmental funds report capital outlays as expenditures. In the Government-wide financial statements, the cost of assets are capitalized and depreciated over the estimated useful lives of the assets and reported as depreciation expense. The capital assets, net of depreciation, are adjusted as follows:	
Capital assets not being depreciated	29,647,545
Capital assets, net of accumulated depreciation/amortization	64,407,314
Total capital assets	94,054,859
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.	2,928,524
In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension, changes in assumptions, differences between actual and projected investment earnings, and differences resulting from changes in allocation percentages are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.	
Deferred outflows of resources - pension	3,330,078
Deferred inflows of resources - pension	(136,427)
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.	12,363,032
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the Governmental Funds Balance Sheet.	
Compensated absences	(920,481)
Claims payable	(85,970)
Lease payable	(424,246)
Net pension liability	(15,625,080)
Total long-term liabilities	(17,055,777)
Net Position of Governmental Activities	$ 237,809,696

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, 2025

	Major Funds				
	General Fund	Measure A Fund	Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	$ 18,988,778	$ -	$ -	$ 1,120,463	$ 20,109,241
Sales taxes	5,537,998	767,302	-	339,655	6,644,955
Transient occupancy tax	2,233,764	-	-	558,440	2,792,204
Utility users tax	2,138,926	-	-	-	2,138,926
Other taxes	2,669,114	-	-	3,348,249	6,017,363
Licenses, fees and permits	2,809,442	-	-	162,282	2,971,724
Charges for services	722,561	-	-	701,397	1,423,958
Fines and forfeitures	556,245	-	-	-	556,245
Use of money and property	2,815,526	322,864	942,027	2,063,595	6,144,012
Grants and intergovernmental	378,654	-	2,117,940	714,972	3,211,566
Miscellaneous	674,780	-	-	-	674,780
Total revenues	39,525,788	1,090,166	3,059,967	9,009,053	52,684,974
EXPENDITURES:					
Current:					
General government	7,666,231	1,799	51,048	862,617	8,581,695
Public safety	13,331,875	-	-	119,531	13,451,406
Public works	4,489,362	3,000	31,170	1,305,360	5,828,892
Culture and recreation	1,109,911	-	1,981	574,590	1,686,482
Community development	3,634,096	-	-	1,253,213	4,887,309
Capital outlay	593,245	2,881,207	8,723,073	2,326,938	14,524,463
Debt service:					
Principal	503,210	-	-	15,039	518,249
Interest	36,177	-	-	962	37,139
Total expenditures	31,364,107	2,886,006	8,807,272	6,458,250	49,515,635
REVENUES OVER (UNDER) EXPENDITURES	8,161,681	(1,795,840)	(5,747,305)	2,550,803	3,169,339
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	1,050,000	795,412	1,845,412
Transfers out	(1,845,412)	-	-	-	(1,845,412)
Total other financing sources (uses)	(1,845,412)	-	1,050,000	795,412	-
Net change in fund balances	6,316,269	(1,795,840)	(4,697,305)	3,346,215	3,169,339
FUND BALANCES:					
Beginning of the year, as previously reported	59,417,598	-	20,043,685	59,694,785	139,156,068
Restatement (Note 14)	-	6,385,678	-	(6,385,678)	-
Beginning of the year, as restated	59,417,598	6,385,678	20,043,685	53,309,107	139,156,068
End of year	$ 65,733,867	$ 4,589,838	$ 15,346,380	$ 56,655,322	$ 142,325,407

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 Statement of Activities
For the Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	$	3,169,339
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.		14,942,705
Depreciation and amortization 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 and amortization expense is not reported as expenditures in the governmental funds.		(3,320,931)
Accrued compensated absences is reported as an expenditure in the Governmental funds when paid, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.		155,177
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.		164,465
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		518,249
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.		288,424
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		(1,236,473)
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.		11,485,621
Change in Net Position of Governmental Activities	$	26,166,576

See accompanying Notes to Basic Financial Statements.

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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.

Sewer Service Fund accounts for activities related to the provision of wastewater collection and conveyance services within the City. The fund records sewer service charges, connection fees, and other related revenues, which are utilized to operate, maintain, and improve the City's wastewater system.

City of East Palo Alto
Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-type Activities			
	Water Service	Garbage Collection	Sewer Service	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and investments	$ 16,454,627	$ 1,775,340	$ 27,097,208	$ 45,327,175
Cash with fiscal agents	212,877	-	2,369,061	2,581,938
Accrued interest	43,510	7,067	199,302	249,879
Tax receivable	-	-	213,105	213,105
Accounts receivable, net	127,391	23,333	-	150,724
Total current assets	16,838,405	1,805,740	29,878,676	48,522,821
Noncurrent assets:				
Loans and notes receivable	-	-	18,770	18,770
Net OPEB assets	-	-	300,413	300,413
Capital assets:				
Non-depreciable	13,944,626	-	184,601	14,129,227
Depreciable, net	5,874,624	-	12,530,953	18,405,577
Total capital assets	19,819,250	-	12,715,554	32,534,804
Total noncurrent assets	19,819,250	-	13,034,737	32,853,987
Total assets	36,657,655	1,805,740	42,913,413	81,376,808
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	29,582	24,375	490,637	544,594
Deferred outflows of resources - OPEB	-	-	147,635	147,635
Total deferred outflows of resources	29,582	24,375	638,272	692,229
LIABILITIES				
Current liabilities:				
Accounts payable	756,197	-	1,167,809	1,924,006
Retentions payable	332,291	-	-	332,291
Other accrued liabilities	255	428	-	683
Note payable	23,333	-	-	23,333
Lease payable	20,603	-	-	20,603
Total current liabilities	1,132,679	428	1,167,809	2,300,916
Noncurrent liabilities:				
Deposits payable	26,360	-	-	26,360
Advances from developers	2,468,298	-	-	2,468,298
Advances from other funds	2,302,886	-	-	2,302,886
Note payable	536,669	-	-	536,669
Net pension liability	63,288	74,813	781,238	919,339
Total noncurrent liabilities	5,397,501	74,813	781,238	6,253,552
Total liabilities	6,530,180	75,241	1,949,047	8,554,468
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	542	469	602,578	603,589
Deferred inflows of resources - OPEB	-	-	148,246	148,246
Total deferred inflows of resources	542	469	750,824	751,835
NET POSITION				
Net investment in capital assets	18,906,354	-	12,715,554	31,621,908
Restricted for:				
Penson and OPEB amounts	-	-	1,888,236	1,888,236
Capital projects	10,483,429	-	64,698	10,548,127
Unrestricted	766,732	1,754,405	26,183,326	28,704,463
Total net position	$ 30,156,515	$ 1,754,405	$ 40,851,814	$ 72,762,734

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, 2025

	Business-type Activities			
	Water Service	Garbage Collection	Sewer Service	Total Enterprise Funds
OPERATING REVENUES:				
Charges for services and other fees	$ 1,318,501	$ 3,207,789	$ 5,424,854	$ 9,951,144
Other	450,773	287,321	28,179	766,273
Total operating revenues	1,769,274	3,495,110	5,453,033	10,717,417
OPERATING EXPENSES:				
Outside services	558,678	3,225,098	4,025,992	7,809,768
Administration	140,570	226,042	1,089,626	1,456,238
Depreciation	329,412	-	410,932	740,344
Total operating expenses	1,028,660	3,451,140	5,526,550	10,006,350
OPERATING INCOME	740,614	43,970	(73,517)	711,067
NONOPERATING REVENUES (EXPENSES):				
Property taxes	-	-	1,624,691	1,624,691
Operating grants and assistance	-	-	361,486	361,486
Interest income	944,206	98,852	1,442,427	2,485,485
Total nonoperating revenues (expenses)	944,206	98,852	3,428,604	4,471,662
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,684,820	142,822	3,355,087	5,182,729
Capital contributions	2,070,611	-	64,698	2,135,309
Change in net position	3,755,431	142,822	3,419,785	7,318,038
NET POSITION				
Beginning of year, as previously reported	26,401,084	1,611,583	-	28,012,667
Restatement	-	-	37,432,029	37,432,029
Beginning of year, as restated	26,401,084	1,611,583	37,432,029	65,444,696
End of year	$ 30,156,515	$ 1,754,405	$ 40,851,814	$ 72,762,734

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities			
	Water Service	Garbage Collection	Sewer Service	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from others	$ 450,773	$ 287,321	$ 28,179	$ 766,273
Cash received from customers	1,312,735	3,214,892	6,038,263	10,565,890
Cash payments to suppliers for goods and services	(38,070)	(4,704,370)	(3,660,437)	(8,402,877)
Cash paid to employees and city administration	(164,741)	(241,463)	(1,017,917)	(1,424,121)
Net cash provided by operating activities	1,560,697	(1,443,620)	1,388,088	1,505,165
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Taxes and operating grants	-	-	1,986,177	1,986,177
Net cash provided by noncapital financing activities	-	-	1,986,177	1,986,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	2,047,278	-	50,399	2,097,677
Acquisition of capital assets	(7,621,702)	-	(965,288)	(8,586,990)
Payment of leases	(29,367)	-	-	(29,367)
Repayments on advances from other funds	(1,750)	-	-	(1,750)
Repayments on advances from developers	(708)	-	-	(708)
Net cash (used in) capital and related financing activities	(5,606,249)	-	(914,889)	(6,521,138)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	973,043	103,228	1,487,940	2,564,211
Net cash provided by investing activities	973,043	103,228	1,487,940	2,564,211
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,072,509)	(1,340,392)	3,947,316	(465,585)
CASH AND CASH EQUIVALENTS - Beginning of year	19,740,013	3,115,732	25,518,953	48,374,698
CASH AND CASH EQUIVALENTS - End of year	$ 16,667,504	$ 1,775,340	$ 29,466,269	$ 47,909,113
FINANCIAL STATEMENT PRESENTATION:				
Cash and investments	$ 16,454,627	$ 1,775,340	$ 27,097,208	$ 18,229,967
Cash with fiscal agents	212,877	-	2,369,061	212,877
Total	$ 16,667,504	$ 1,775,340	$ 29,466,269	$ 18,442,844
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 740,614	$ 43,970	$ (73,517)	$ 711,067
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	329,412	-	410,932	740,344
Changes in assets, liabilities and related deferrals:				
Accounts receivable	(5,766)	7,103	613,409	614,746
Pension and OPEB related deferred outflows of resources	2,813	12,748	824,171	839,732
Accounts payable	495,667	(1,479,272)	311,480	(672,125)
Other accured liabilities	-	(23,953)	-	(23,953)
Net pension liabilities	(777)	(3,527)	(8,327)	(12,631)
Net OPEB assets	-	-	(157,579)	(157,579)
Pension and OPEB related deferred inflows of resources	(1,266)	(689)	(532,481)	(534,436)
Total adjustments	820,083	(1,487,590)	1,461,605	794,098
Net cash provided by operating activities	$ 1,560,697	$ (1,443,620)	$ 1,388,088	$ 1,505,165
NON-CASH INVESTMENT AND FINANCING ACTIVITY:				
Capital-related accounts and retention payable	$ 332,291	$ -	$ -	$ 332,291
Forgiveness of long term debt	23,333	-	-	23,333
Total non-cash investment and financing acitvity	$ 355,624	$ -	$ -	$ 355,624

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 Net Position
Fiduciary Funds
June 30, 2025

	Successor Agency Trust Fund
ASSETS	
Current assets	
Cash and investments	$ 1,849,021
Receivables:	
Interest receivable	5,666
Total current assets	1,854,687
Total assets	1,854,687
LIABILITIES	
Liabilities:	
Current liabilities	
Accounts payable	500
Other accrued liabilities	95,849
Bonds payable	1,195,000
Total current liabilities	1,291,349
Noncurrent liabilities	
Bonds payable	9,645,000
Total noncurrent liabilities	9,645,000
Total liabilities	10,936,349
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	73,828
NET POSITION	
Held in trust for dissolution of RDA	
Total net position	$ (9,155,490)

See accompanying Notes to Basic Financial Statements

City of East Palo Alto
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended on June 30, 2025

	Successor Agency Trust Fund
ADDITIONS:	
RDA property tax trust fund distribution	$ 1,948,554
Use of money and property	73,463
Total additions	2,022,017
DEDUCTIONS:	
General government	40,000
Interest and fiscal charges	490,012
Total Deductions	530,012
Change in net position	1,492,005
NET POSITION:	
Beginning of year	(10,647,495)
End of year	$ (9,155,490)

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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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.

The East Palo Alto Sanitary District (EPASD) – Effective October 1, 2024, the East Palo Alto Sanitary District was incorporated as a subsidiary district of the City pursuant to the approval of the San Mateo County Local Agency Formation Commission (LAFCo). Under this reorganization, the City Council serves as the governing board of EPASD, and the City exercises financial accountability over its operations and resources. In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 61, EPASD meets the criteria for inclusion as a blended component unit. Beginning in fiscal year 2024-25, EPASD's financial activities are incorporated within the City's basic financial statements as a separate enterprise fund, as EPASD's operations are now considered an integral part of the City's business-type activities. The effect of the incorporation on beginning net position of the City's business-type activities is disclosed in Note 15. Separate financial statements of EPASD are prepared and issued annually, in accordance with generally accepted accounting principles and applicable statutory requirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Government-Wide Financial Statements

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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.

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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

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.

Governmental Fund Financial Statements

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

Proprietary Fund Financial Statements

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

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

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

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

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.

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

Sewer Service Fund accounts for activities related to the provision of wastewater collection and conveyance services within the City.

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 fund:

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents, and Investments

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

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

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

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

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

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

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

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.

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

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, if any, 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.

Premiums and discounts related to debt issuance are recognized during the current period as other financing sources or uses. Proceeds from debt issuance are reported as other financing sources.

Lease Liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

I. Property Taxes

State Constitution Article XIIIA 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 XIIIA; 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Property Taxes, Continued

The State Legislature has determined the method of distribution of receipts from a $1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities, school districts and other special districts, may levy such additional tax rate as is necessary to provide for voter-approved debt.

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

	Secured	Unsecured
Valuation/Lien dates	January 1	January 1
Levy Dates	On or before November 1	July 1
Due Dates (deliquent after)	50% on November 1 (December 10)	July 1 (August 31)
	50% on February 1 (April 10)	

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balance

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

On June 30, 2025, the General Fund reported $30,904,437 in reserve which meets the City's minimum 30% requirement level of $10,746,347. After the minimum fund balance requirement, the General Fund reserve fund balance is $20,158,090.

M. Compensated Leave Payable

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. 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.

Sick leave is accumulated without limit for each employee at the rate of 3.7 hours for each pay period worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the City's financial statements. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the City's liability for compensated absences.

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. Other Postemployment Benefits Liability (Asset) (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the City's OPEB plan have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. The liability (asset) for OPEB-related debt is primarily liquidated by Sewer enterprise fund as it is only reported in the fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. 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 and the disclosure. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

Q. Implementation of GASB Statement No. 101

As of June 30, 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absences and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

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, 2025:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash Investments	$ 131,363,844	$ 45,327,175	$ 1,849,021	$ 178,540,040
Reistricted cash and investment	338,253	2,581,938	-	2,920,191
Total cash and investments	$ 131,702,097	$ 47,909,113	$ 1,849,021	$ 181,460,231

Cash and investments as of June 30, 2025 consist of the following:

Deposits:	
Cash on hand	$ 10,800
Deposits with Financial Institution	992,270
Total Deposits	1,003,070
Investments:	
Local Agency Investment funds	10,464,126
San Mateo Investment Pool	58,663,480
California Asset Management Program	108,409,364
Total investments	177,536,970
Total City Treasury	178,540,040
Restricted cash and investments:	
Cash with fiscal agent	2,920,191
Total restricted Cash and Investments	2,920,191
Total cash and investments	$ 181,460,231

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of the City's cash deposits was $992,270 at June 30, 2025. Bank balances before reconciling items were a positive amount of $3,781,214 at June 30, 2025. 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.

2. CASH AND INVESTMENTS, Continued

C. Authorized Investments by the City

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

Authorized Investment Type ****	Maximum Maturity	Maximum % Holdings*	Maximum % per Issuer	Maximum Rating**
Municipal Bonds	5 years	100%	5%	N/A
U.S. Treasures 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%	NA
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
Country 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 Treasuerer	Max permitted by State Treasuerer	N/A

*Percentages are in compliance if within limits at time of purchase. Recomennded 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 simgle issuer.

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

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	$	7,687,328
Unrealized gain/ (Loss) in changes in fair value of investments		1,013,305
Total Investment Income (Loss)	$	8,700,633

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, 2025, 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.

The LAIF fair value factor of 1.001198 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor of 1.01103 was used to calculate the fair value of the investments in the County Pool.

The City also participates in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Government Code Section 53601(p), which is directed by a Board of Trustees. CAMP have adopted Governmental Accounting Standards Board (GASB) Statement No.79 which provides the safety and liquidity of public funds invested in the pool. GASB 79 incorporates robust guidance and accounting standards for local government investment pools to qualify for electing to measure its investments at amortized cost from a financial reporting perspective.

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, 2025, are shown below:

		Investment Maturities (in years)			
Investment Type	Fair Value	1 Year or Less	1-2 Years	2-3 Years	3+ Years
City Local Agency Investment Fund	$ 10,464,126	$ 10,464,126	$ -	$ -	$ -
San Mateo County Pool	58,663,480	58,663,480	-	-	-
California Asset Management Program	108,409,364	108,409,364	-	-	-
Total	$ 177,536,970.00	$ 177,536,970.00	$ -	$ -	$ -

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, 2025 for each investment type:

	Credit Quality Ratings		
	Moody's	S&P	Fair Value
City Local Agency Investment Fund	Not Rated	Not Rated	$ 10,464,126
San Mateo County Pool	Not Rated	Not Rated	58,663,480
California Asset Management Program	Not Rated	Not Rated	108,409,364

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

3. INTERFUND TRANSACTIONS

A. Transfers

At June 30, 2025, the City had the following transfers in/out which arose in the normal course of operations:

	Transfers In		
Transfers Out	Capital Improvements	Non-Major Governmental Funds	Total
General Fund	$ 1,050,000	$ 795,412	$ 1,845,412

Transfers from the General Fund were made to 1) the Capital Improvements Fund to fund various capital projects mainly for streets and road improvement projects, 2) to non-major funds for gas tax, storm drain and street sweeping operations, and for housing successor share of loan reimbursements, and 3) to the Water Fund to support Woodland Palo Alto Intertie project.

B. Due to/from Other Funds

At June 30, 2025, the City had no balances in due to/from other funds:

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. At June 30, 2025, the City had the following advances to/from other funds:

	Advances To
Advances From	Water Services Fund
Major Funds:	
General Fund	$ 438,023
Non-Major Governmental Funds	1,864,863
Total	$ 2,302,886

4. LOANS AND NOTES RECEIVABLE

Loans receivable as of June 30, 2025, composed of the following, were held by the City:

	Balances as of June 30, 2025
Nairobi Housing Associates Loan	$ 4,405,460
Nugent Square Partners Loan	1,100,000
Bay Road Housing Loan	522,500
First Time Home Buyers Assistance Loans	127,546
University Senior Apts Loan	663,536
CalHome Loans	200,000
Colibri Commons Loans	7,214,000
Total	$ 14,233,042

A. Nairobi Housing Associates Loan

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

B. Nugent Square Partners Loan

On August 1, 2003, the former Agency entered into a loan agreement in the amount of $1,100,000 with Nugent Square Partners, L.P. (Nugent), a California Limited Partnership to develop 32 affordable multi-family rental housing units, ancillary landscaping, and other improvements known as Nugent Square Apartments. In March 2020, the City agreed to a $50,000 loan prepayment and approved certain regulatory and loan subordination amendments in connection with developer-refinancing of the Project. On December 1, 2022, the City entered into an amended and restated loan agreement with Nugent. As of the date of the Amended Agreement, the Loan had accrued interest at the rate of 1% simple interest with a total accrued interest of $121,466, which is capitalized into the outstanding balance of the Loan for a total loan balance of $1,221,466. In accordance with the terms and conditions set forth in the Amended Agreement, the City is agreeing to restructure the Loan with interest accrues on the outstanding principal balance of the Loan at a rate of 3.43% compounding annually commencing on the effective date of the Amended Agreement. The loan matures in February 2045 and is secured by a deed of trust on the property.

4. LOANS AND NOTES RECEIVABLE, Continued

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 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. Colibri Commons Loans

On October 21, 2023, the City entered into loan agreement in the amount of $7,214,000 with MP 965 Weeks Street Associates, L.P., a California limited partnership to develop 135 units ranging from 30% to 60% Area Median Income (AMI) and one manager unit known as Colibri Commons Apartments. The loans consist of a loan in the amount of $714,000 (Housing Fund Loan) and a loan in the amount of $6,500,000 (State Grant Fund Loan). The Housing Fund Loan bear simple interest at the rate of 3% per annum commencing on October 21, 2023. The State Grant Fund Loan shall not bear interest. The loans are due, in full, on October 21, 2080 and are secured by a deed of trust on the property.

5. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2025, are comprised of the following:

	Balance at July 1, 2024	Additions	Deletions/ Reclassification	Balance at June 30, 2025
Government activities				
Capital assets not being depreciated				
Land	$ 7,318,724	$ -	$ -	$ 7,318,724
Construction in progress	11,653,239	14,272,276	(3,596,694)	22,328,821
Total capital assets not being depreciated	18,971,963	14,272,276	(3,596,694)	29,647,545
Capital assets being depreciated/amortized				
Infrastructure:				
Streets and roadways	84,588,153	-	3,212,171	87,800,324
Storm drain system	6,818,771	-	-	6,818,771
Building and improvements	20,266,962	-	384,523	20,651,485
Right-to-use leased buildings	2,306,523	-	-	2,306,523
Furniture, fixtures, and equpment	2,456,576	215,305	-	2,671,881
Vehicles	3,344,976	490,262	(35,138)	3,800,100
Total capital assets being depreciated/amortized	119,781,961	705,567	3,561,556	124,049,084
Less accumulated depreciation/amortization for:				
Infrastructure:				
Streets and roadways	(37,977,381)	(1,641,666)	-	(39,619,047)
Storm drain system	(3,017,608)	(96,940)	-	(3,114,548)
Building and improvements	(9,597,740)	(750,989)	-	(10,348,729)
Right-to-use leased buildings	(1,446,855)	(482,285)	-	(1,929,140)
Furniture, fixtures, and equpment	(2,160,402)	(81,185)	-	(2,241,587)
Vehicles	(2,120,853)	(267,866)	-	(2,388,719)
Total accumulated depreciation/amortization	(56,320,839)	(3,320,931)	-	(59,641,770)
Total capital assets being depreciated or amortized, net	63,461,122	(2,615,364)	3,561,556	64,407,314
Governmental activities capital assets	$ 82,433,085	$ 11,656,912	$ (35,138)	$ 94,054,859

5. CAPITAL ASSETS, Continued

	Balance at July 1, 2024, as restated	Additions	Deletions/ Reclassification	Balance at June 30, 2025
Business - Type activities				
Capital assets not being depreciated				
Land	$ 5,448,275	-	-	$ 5,448,275
Construction in progress	8,175,192	8,919,281	(8,413,521)	8,680,952
Total capital assets not being dep	13,623,467	8,919,281	(8,413,521)	14,129,227
Capital assets being depreciated/amortized				
Building and improvements	25,756,094	-	8,413,521	34,169,615
Right-to-use leased buildings	127,066	-	-	127,066
Total capital assets being depreciated/amortized	25,883,160	-	8,413,521	34,296,681
Less accumulated depreciation/amortization for:				
Building and improvements	(15,069,073)	(713,115)	-	(15,782,188)
Right-to-use leased buildings	(81,687)	(27,229)	-	(108,916)
Total accumulated depreciation	(15,150,760)	(740,344)	-	(15,891,104)
Total capital assets being depreciated/amortized	10,732,400	(740,344)	8,413,521	18,405,577
Business-type activities capital assets	$ 24,355,867	$ 8,178,937	$ -	$ 32,534,804

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.

5. CAPITAL ASSETS, Continued

B. Depreciation and amortization Allocation

Depreciation and amortization 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	$	58,876
Public Safety		480,729
Culture Recreation		607,424
Public Works		2,117,658
Community Development		56,244
Total Government Activities	$	3,320,931
Business-Type Activirties		
Water Service	$	329,412
Sewer Servce		410,932
Total Business-Type Activities	$	740,344

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, 2025	Commitments
Annual Street Resurfacing	$ 5,774,056	$ 4,986,685	$ 787,371
City of East Palo Alto Library (Design Phase)	3,075,218	648,074	2,427,144
Cummings Loft Improvements	109,135	69,631	39,504
East Bayshore Pedestrian and Cyclist Improvements	3,369,832	439,171	2,930,661
Lighting Improvements at Clarke Ave Overcrossing	150,000	69,847	80,153
O'Connor Pump Station Improvements Phase 1	357,267	7,314	349,953
Safer Bay - Flood Control (SFCJPA Saferbay Phase I)	3,076,619	-	3,076,619
Tate St. Office Improvement	851,920	-	851,920
Traffic Calming - Pulgas Roundabouts	855,579	86,700	768,879
University Avenue Grand Corridor	1,680,905	-	1,680,905
University Avenue/101 Pedestrian Overcrossing	14,502,132	7,930,509	6,571,623
University Avenue Safety Enhancements (HSIP)	957,283	156,487	800,796
Water Meter Replacement	416,483	-	416,483
Water Storage Tank Siting Study	153,549	-	153,549
Total	$ 35,329,978	$ 14,394,418	$ 20,935,561

6. LONG-TERM DEBT

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

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Current Portion
Government Activities					
Leases	$ 942,495	$ -	$ (518,249)	$ 424,246	$ 253,951
Total	$ 942,495	$ -	$ (518,249)	$ 424,246	$ 253,951
Business-Type Activities					
San Mateo County Housing					
Promissory Note	$ 583,335	$ -	$ (23,333)	$ 560,002	$ 23,333
Leases	49,970	-	(29,367)	20,603	20,603
Total	$ 633,305	$ -	$ (52,700)	$ 580,605	$ 43,936

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 these leases and the corresponding principal and interest schedules.

Assets	Interest Rate	Lease End	Special Terms	Balance June 30, 2025
Police Department	4.05%	10/31/2025	n/a	$ 63,673
Police Substation	4.05%	10/31/2027	n/a	175,140
Corp Yard	4.05%	2/28/2026	Rent increases evrery February by the prior changes in CPI for the San Francisco Bay Area.	206,036

Fiscal Year Ending June 30	Police Department Government Activities		Police Substation Government Activities	
	Principal	Interest	Principal	Interest
2026	$ 63,673	$ 294	$ 72,549	$ 4,847
2027	-	-	76,386	2,198
2028	-	-	26,205	121
Total	$ 63,673	$ 294	$ 175,140	$ 7,166

6. LONG-TERM DEBT, Continued

B. Leases, Continued

Fiscal Year Ending June 30	Corp Yard			
	Government Activities		**Business-Type Activities**	
	Principal	Interest	Principal	Interest
2026	$ 185,433	$ 1,965	$ 20,603	$ 219

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, 2025, the City's maximum legal debt margin was $167,559,273 and the City had no outstanding debt subject to the margin.

7. COMPENSATED ABSENCES

As of June 30, 2025 the City adopted GASB Statement No. 101, Compensated Absence. The provisions of the standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Compensated absences are primarily comprised of unpaid vacation and sick leaves which are accrued as earned. The City's liability for compensated absences is determined annually and is liquidated primarily by the General Fund. The change in compensated absences is presented as a net change below.

	Balance July 1, 2024, as restated	Additions	Deletions	Balance June 30, 2025	Due Within One Year	Due in More Than One Year
Government Activities						
Compensated Leave Payable	$ 1,075,658	$ 197,258	$ (352,435)	$ 920,481	$ 368,192	$ 552,289

8. FUND BALANCE

Detailed classifications of the City's Fund Balances, as of June 30, 2025, are below:

	General Fund	Measure A Fund	Capital Improvements Capital Projects Fund	Other Government Funds	Total
Nonspendable Fund Balance					
Advance to other funds	$ 438,023	$ -	$ -	$ -	$ 438,023
Deposits and prepayments	68,988	-	-	-	68,988
	507,011	-	-	-	507,011
Restricted Fund Balance for:					
NPDES Fees	-	-	-	424,169	424,169
Gas Tax	-	-	-	4,300,324	4,300,324
Park in Lieu	-	-	-	383,310	383,310
Rent Stabilization	-	-	-	317,483	317,483
Housing Assistance	-	-	-	515,992	515,992
Measure W	-	-	-	1,506,525	1,506,525
CYSFF TOT Fund	-	-	-	1,122,040	1,122,040
Lighting District	-	-	-	7,088,381	7,088,381
Drainage District	-	-	-	1,254,907	1,254,907
Silicon Valley Community Fd	-	-	-	2,000,000	2,000,000
Low and Moderate Income Housing	-	-	-	8,109,481	8,109,481
Measure A	-	4,589,838	-	14,048,565	18,638,403
Housing TOT	-	-	-	3,126,840	3,126,840
Measure HH	-	-	-	7,548,234	7,548,234
Capital projects	-	-	-	2,905,975	2,905,975
Other Purposes	52,008	-	1,080,768	2,003,096	3,135,872
	52,008	4,589,838	1,080,768	56,655,322	62,377,936
Committed fund balance for:					
CalPERS prefunding	3,000,000	-	-	-	3,000,000
Community benefits reserve	299,770	-	-	-	299,770
Information Technology Reserve	4,303,997	-	-	-	4,303,997
Vehicles Equipment Reserve	887,428	-	-	-	887,428
Self Insurance Reserve	2,273,027	-	-	-	2,273,027
Capital projects	20,000,000	-	6,837,690	-	26,837,690
Other	630,000	-	-	-	630,000
	31,394,222	-	6,837,690	-	38,231,912
Assigned fund balance for:					
Capital projects	-	-	7,427,922	-	7,427,922
Subsequent year's budget: appropriation of fund balance	2,876,189	-	-	-	2,876,189
	2,876,189	-	7,427,922	-	10,304,111
Unassigned fund balance					
Contigency reserve	10,746,347	-	-		10,746,347
Other Purposes	20,158,090	-	-	-	20,158,090
	30,904,437	-	-	-	30,904,437
Total Fund Balances	$ 65,733,867	$ 4,589,838	$ 15,346,380	$ 56,655,322	$ 142,325,407

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.

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, 2025 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	8.99%	7.96%
Required employer contribution rates	23.00%	13.41%
Required unfunded accrued liability payment (UAL)	$ 859,026	$ 544,436

	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 Formula	2.7% @ 57	2.0% @ 62
Benefit payment	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	13.75%	7.75%
Required employer contribution rates	13.76%	7.87%
Required unfunded accrued liability payment (UAL)	$ 16,777	$ 11,918

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 fiscal year ended on June 30, 2025, the contribution to the plan was $3,023,982, consisting of $1,563,770 for Safety and $1,460,212 for Miscellaneous.

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, 2025, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of $16,544,419. 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, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2023 rolled forward to June 30, 2024 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, 2023 and 2024 were as follows:

Proportion - June 30, 2023	0.13624%
Proportion - June 30, 2024	0.13642%
Change - Increase (Decrease)	0.00018%

For the year ended June 30, 2025, the City recognized pension expense of $4,146,642. On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions subsequent to measurement date	$ 3,023,982	$ -
Changes of assumptions	415,262	-
Differences between expected and actual experience	1,385,000	49,073
Changes in employer's proportion	330,581	413,148
Differences between the employer's contribution	782,386	277,795
Net differences between projected and actual earnings on plan investments	865,985	-
Total	$ 6,803,196	$ 740,016

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 $3,023,982 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 next fiscal year. 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
2026	$ 1,083,390
2027	2,155,785
2028	96,545
2029	(296,522)

Actuarial Assumptions – The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Retum	6.90%
Mortality rate table[(1)]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1)The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

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 6.90%. 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 considered 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	Assumed Asset Allocation	Real Return Years $1 - 10^{1,2}$
Global equity - cap-weighted	30.00%	4.54%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management study.

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	5.90%
Net Pension Liability	$ 27,479,568
Current Discount Rate	6.90%
Net Pension Liability	$ 16,544,419
1% Increase	7.90%
Net Pension Liability	$ 7,572,037

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, 2025 the City reported a payable of $72,885 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2025. All amounts were paid in July 2025 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.

9. RETIREMENT BENEFITS, Continued

C. Other Postemployment Benefit (OPEB) Plan for EPASD

Plan description and benefits provided:

The EPASD provides post-retirement benefits to eligible employees in the form of reimbursement for post- retirement health insurance premiums. Retired employees have a choice of remaining on the EPASD's group health insurance plan or purchasing a plan of their choice. Reimbursement is made quarterly upon receipt of proof of payment. EPASD's contribution is capped at the amount of the Kaiser premium. The obligation of EPASD to provide these benefits is determined annually by the Board of Directors. In order to qualify for postemployment medical benefits, an employee must retire from the EPASD with at least 5 years of service and be over 50 years of age. The EPASD is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees. The EPASD participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the California Public Employees' Retirement System.

Employees covered by benefit terms :

As of the June 30, 2024 actuarial valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

Active employees	6
Retired employees and beneficiaries	7
Total	13

Contributions:

The OPEB Plan and its contribution requirements are established by EPASD. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2025, EPASD's contribution was $92,504, of which $3,566 was in the form of a subsidy.

9. RETIREMENT BENEFITS, Continued

C. Other Postemployment Benefit (OPEB) Plan for EPASD, continued

Net OPEB Liability (Asset) and Assumptions:

The EPASD's net OPEB asset was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2023, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.55%
Inflation	2.50%
Health cost trend rates	6.5% in 2025 grading down to 3.9% by 2075
Projected Salary Increase	3.00%
Investment Rate of Retum	6.55%
Retirement age	50 to 75
Mortality	CalPERS 2024 experience study

Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation (CERBT Strategy 1)	Compound Return 6-20 Years
Global equity	49.00%	7.10%
Fixed income	23.00%	5.00%
Global real estate (REITs)	20.00%	6.40%
Treasury inflation protected securities	5.00%	3.80%
Commodities	3.00%	4.40%
	100.00%	

9. RETIREMENT BENEFITS, Continued

C. Other Postemployment Benefit (OPEB) Plan for EPASD, continued

The discount rate used to measure the total OPEB liability was 6.55 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in the Net OPEB Asset:

The EPASD's changes in the net OPEB asset are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (c) = (a) - (b)
Balance at June 30, 2024	$ 1,281,928	$ 1,424,762	$ (142,834)
Changes recognized during the period:			
Service cost	57,107		57,107
Interest cost	79,941		79,941
Expected investment income	-	87,609	(87,609)
Contributions	-	78,371	(78,371)
Administrative expenses	-	(464)	464
benefit payments	(78,371)	(78,371)	-
Change due to investment experience	-	68,783	(68,783)
Change due to change in dicount rate	(60,328)	-	(60,328)
Net changes during the period	(1,651)	155,928	(157,579)
Balance at June 30, 2025	$ 1,280,277	$ 1,580,690	$ (300,413)

9. RETIREMENT BENEFITS, Continued

C. ***Other Postemployment Benefit (OPEB) Plan for EPASD, continued***

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and to Changes in the Health Care Cost Trend Rates:

The following presents the net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease		5.55%
Net OPEB Assets	$	139,779
Current Discount Rate		6.55%
Net OPEB Assets	$	300,413
1% Increase		7.55%
Net OPEB Assets	$	431,399

The following presents the net OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

1% Decrease		5.50%
Net OPEB Assets	$	339,975
Current Health Care Cost Trend Rate		6.50%
Net OPEB Assets	$	300,413
1% Increase		7.50%
Net OPEB Assets	$	177,216

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future as OPEB expense. The recognition period differs depending on the source of the gain or loss. Net difference between projected and actual earning on OPEB plan investments are amortized over 5 years by straight-line methodology while all other deferrals are amortized by straight-line methodology over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having zero remaining service years.

9. RETIREMENT BENEFITS, Continued

C. ***Other Postemployment Benefit (OPEB) Plan for EPASD, continued***

For the fiscal year ended June 30, 2025, EPASD recognized OPEB expense of $52,977. As of fiscal year end June 30, 2025, EPASD reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions subsequent to measurement date	$ 92,504	$ -
Changes of assumptions	29,439	58,074
Differences between expected and actual experience	9,092	90,172
Net differences between projected and actual earnings on plan investments	16,600	-
Total	$ 147,635	$ 148,246

The $92,504 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2026	$ (12,853)
2027	17,852
2028	(51,042)
2029	(40,419)
2030	(6,653)

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, 2023, 2024, and 2025:

	2023	2024	2025
Beginning balance of claims payable	$ 180,000	$ 266,149	$ 250,435
Increase in estimated claims liability	152,152	105,823	56,506
Claims period	(66,003)	(121,537)	(220,971)
Ending balance of claims payable	266,149	250,435	85,970
Current portion	$ 113,979	$ 114,127	$ 33,093

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.

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, 2025, the City contributed $93,520 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, 2025, the City contributed $9,190 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.

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, 2025, 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, 2025, the City contributed $350,936 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, 2025, the City made payments to Recology in the amount of $3,198,663. 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

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.

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, 2025. Any fees or taxes billed and passed through to the City are not considered contractual gross revenues of the water system operation.

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.

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, 2025, Veolia paid lease payments and franchise fees to the City in amount of $450,773 and $375,644, respectively. Further, for the year ended June 30, 2025, the City reported passed-through utility taxes and capital-related surcharges of $363,905 and $1,304,305, 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 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, 2025, the City has capital water reserves of approximately $10.5 million.

13. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Water Rights Acquisition and Related Agreement

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, 2025, the inter-fund advance amount totaled $1,864,863.

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, 2025, the inter-fund advance amount totaled $438,023.

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 to 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, 2025, the Primary School and Sobrato development projects were entitled; however, no building permits have been issued.

13. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Water Rights Acquisition and Related Agreement, 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, 2025, the balance of the advance totaled $932,433.

As of June 30, 2025, the advance from the Developers was outstanding for a collective total of $2,462,433.

E. 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.

F. Flood and Sea Level 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.

G. Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$	2,876,189
Measure A		957,999
Capital Projects Fund		8,101,722
Non-major Governmental Funds		907,896
Total	$	12,843,806

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.

B. Long-Term Debt

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

Successor Agency	Issue Amount	Balance at June 30, 2024	Retirements	Balance at June 30, 2025	Due within One Year
2015 Tax Allocation Refunding Bonds Series A 3.625%-4% due 10/1/2032	$ 16,950,000	$ 11,980,000	$ (1,140,000)	$ 10,840,000	$ 1,195,000

14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, Continued

B. Long-Term Debt

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 Octobers 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.

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

Year Ending June 30,	Principal	Interest	Total
2026	$ 1,195,000	$ 353,425	$ 1,548,425
2027	1,250,000	304,800	1,554,800
2028	1,295,000	266,625	1,561,625
2029-2033	7,100,000	648,581	7,748,581
Total	$ 10,840,000	$ 1,573,431	$ 12,413,431

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.

14. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, Continued

B. Deferred Inflows of Resources

The Successor Agency recorded the following item as deferred inflows of resources as of June 30, 2025.

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025
2015 Tax Allocation Refunding Bonds - Gain on refunding	$ 96,414	$ -	$ (22,586)	$ 73,828
Total	$ 96,414	$ -	$ (22,586)	$ 73,828

15. RESTATEMENT

A. Change in Accounting Principle

As of June 30, 2025 the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. As a result of the implementation, the governmental activities compensated absences liability were increased by $143,500 in the as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

B. Change in Reporting Entity

Effective October 1, 2024, the East Palo Alto Sanitary District (EPASD) became a subsidiary district of the City of East Palo Alto pursuant to approval by the San Mateo County Local Agency Formation Commission (LAFCo). As a result of this reorganization, the City Council now serves as the governing board of EPASD, and the City exercises financial accountability over its operations, revenues, and obligations. Accordingly, in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 61, EPASD is reported as a blended component unit at the beginning of the fiscal year 2024-25. This inclusion constitutes a change in the City's reporting entity. Consistent with the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, the City has restated its beginning net position of the enterprise fund and the business-type activities as of July 1, 2024 to include the balances of EPASD as of that date. The restatement had no effect on the City's governmental activities.

15. RESTATEMENT, Continued

B. Change Within Reporting Entity, Continued

In addition, during fiscal year 2024-2025, there was a change within the financial reporting entity which resulted in the Measure A Fund being reported as a major governmental fund instead of a non-major governmental fund. The impact of this restatement on the City's beginning fund balance is summarized below.

	Governmental Activities	Business-Type Activities	Sewer Services Enterprise Fund
Beginning net position, as previously reported on June 30, 2024	$ 211,786,620	$ 28,012,667	$ -
Change in accounting principle - Compensated Absences	(143,500)	-	-
Change in reporting entiry - EPASD	-	37,432,029	37,432,029
Beginning net position, as restated on July 1, 2024	$ 211,643,120	$ 65,444,696	$ 37,432,029

	Measure A Fund	Non-Major Govenmental Funds
Beginning fund balance, as previously reported on June 30, 2024	-	$ 59,694,785
Change in reporting unit -Measure A Fund	6,385,678	(6,385,678)
Beginning balance, as restated on July 1, 2024	$ 6,385,678	$ 53,309,107

REQUIRED SUPPLEMENTARY INFORMATION

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 Capital Improvements Capital Projects Fund and CIP Impact Fees 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.

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Comparison Schedules

Budgetary Comparison Schedule, General Fund

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Property taxes	$ 17,384,764	$ 17,384,764	$ 18,988,778	$ 1,604,014
Sales taxes	6,219,000	5,479,000	5,537,998	58,998
Transient occupancy tax	2,200,000	2,200,000	2,233,764	33,764
Utility users tax	1,788,874	1,788,874	2,138,926	350,052
Other taxes	2,400,000	2,400,000	2,669,114	269,114
Licenses, fees and permits	3,070,051	3,070,051	2,809,442	(260,609)
Charges for services	1,269,119	1,269,119	722,561	(546,558)
Fines and forfeitures	290,000	290,000	556,245	266,245
Use of money and property	1,520,000	2,220,000	2,815,526	595,526
Grants and intergovernmental	245,000	495,000	378,654	(116,346)
Miscellaneous	1,100,000	600,000	674,780	74,780
Total revenues	37,486,808	37,196,808	39,525,788	2,328,980
EXPENDITURES:				
Current:				
General government	8,592,968	9,834,252	7,666,231	2,168,021
Public safety	14,636,146	14,932,184	13,331,875	1,600,309
Public works	4,761,564	6,275,363	4,489,362	1,786,001
Culture and recreation	1,141,130	1,218,035	1,109,911	108,124
Community development	6,094,343	6,660,626	3,634,096	3,026,530
Capital outlay	-	8,500	593,245	(584,745)
Debt service:				
Principal	545,300	545,300	503,210	42,090
Interest	-	-	36,177	(36,177)
Total expenditures	35,771,451	39,474,260	31,364,107	8,110,153
REVENUES OVER (UNDER) EXPENDITURES	1,715,357	(2,277,452)	8,161,681	10,439,133
OTHER FINANCING SOURCES (USES):				
Transfer out	(1,845,412)	(1,845,412)	(1,845,412)	-
Total other financing sources (uses)	(1,845,412)	(1,845,412)	(1,845,412)	-
Net change in fund balance	$ (130,055)	$ (4,122,865)	$ 6,316,269	$ 10,439,133
FUND BALANCE:				
Beginning of year			59,417,598	
End of year			$ 65,733,867	

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

A. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule, Measure A Fund

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Sales taxes	$ 750,000	$ 750,000	$ 767,302	$ 17,302
Use of money and property	200,000	200,000	322,864	122,864
Total revenues	950,000	950,000	1,090,166	140,166
EXPENDITURES:				
Current:				
General government	3,539	3,539	1,799	1,740
Public works	-	-	3,000	
Capital outlay	1,885,000	3,680,982	2,881,207	799,775
Total expenditures	1,888,539	3,684,521	2,886,006	801,515
Net change in fund balance	$ (938,539)	$ (2,734,521)	(1,795,840)	$ 941,681
FUND BALANCE:				
Beginning of the year, as previously reported			-	
Restatement (Note 14)			6,385,678	
Beginning of the year, as restated			6,385,678	
End of year			$ 4,589,838	

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the City's Proportionate share of the Net Pension Liability – Last 10 years

	6/30/2025	6/30/2024	6/30/2023	6/30/2022
Measurement date	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Proportion of the net pension liability	0.136420%	0.136240%	0.145200%	0.185480%
Proportionate share of the net pension liability	$ 16,544,419	$ 16,995,749	$ 15,557,214	$ 7,756,986
Covered payroll	$ 11,878,525	$ 10,794,559	$ 10,544,106	$ 10,780,420
Proportionate share of the net liability as a percentage of covered payroll	139.28%	157.45%	147.54%	71.95%
Plan fiduciary net position as a percentage of the total pension liability	78.08%	76.21%	76.68%	88.29%

Notes to Schedule:

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, decreased from 7.65% to 7.15% in fiscal year 2018, and then decreased from 7.15% to 6.90% in fiscal year 2023. The CalPERS mortality assumptions were adjusted in fiscal year 2019.

6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
0.159640%	0.156310%	0.154110%	0.151961%	0.151630%	0.161220%
$ 14,433,619	$ 13,270,108	$ 12,288,346	$ 12,529,613	$ 10,928,742	$ 9,292,880
$ 10,033,235	$ 9,839,123	$ 9,443,830	$ 8,832,279	$ 8,780,093	$ 8,641,569
143.86%	134.87%	130.12%	141.86%	124.47%	107.54%
75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Pension Contributions – Last 10 years

	2025	2024	2023	2022
Fiscal Year				
Contractually required contribution (actuarially determined)	$ 3,023,982	$ 2,736,186	$ 2,588,849	$ 2,450,300
Contribution in relation to the actuarially determined contributions	$ (3,023,982)	$ (2,736,186)	$ (2,588,849)	$ (2,450,300)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	$ 13,155,383	$ 11,878,525	$ 10,794,559	$ 10,544,106
Contributions as a percentage of covered payroll	22.99%	23.03%	23.98%	23.24%

Notes to schedule:

Variation Date (for contractually required contribution)	6/30/2022	6/30/2021	6/30/2020	6/30/2019
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	2.30%	2.30%	2.50%	2.50%
Salary increases	(2)	(2)	(2)	(2)
Investment rate of return	6.80%	6.80%	7.00%	7.00%
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 ar ebased on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS board.

2021	2020	2019	2018	2017	2016
$ 2,315,360	$ 2,014,243	$ 1,846,856.0	$ 1,669,877.0	$ 1,536,173.0	$ 1,448,467.0
$ (2,315,360)	$ (2,014,243)	$ (1,846,856.0)	$ (1,669,877.0)	$ (1,536,173.0)	$ (1,448,467.0)
-	-	-	-	-	-
$ 10,780,420	$ 10,033,235	$ 9,839,123	$ 9,443,830	$ 8,832,279	$ 8,780,093
21.48%	20.08%	18.77%	17.68%	17.39%	16.50%

6/30/2018 Entry Age (1) Market Value	6/30/2017 Entry Age (1) Market Value	6/30/2016 Entry Age (1) Market Value	6/30/2015 Entry Age (1) Market Value	6/30/2014 Entry Age (1) Market Value	6/30/2013 Entry Age (1) Market Value
2.50% (2)	2.63% (2)	2.75% (2)	2.75% (2)	2.75% (2)	2.75% (2)
7.00% (3) (4)	7.25% (3) (4)	7.375% (3) (4)	7.50% (3) (4)	7.50% (3) (4)	7.50% (3) (4)

3. DEFINED BENEFIT OPEB PLAN

A. Schedule of Changes in City's Net OPEB Liability/Asset and Related Ratios – Last 10 years

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Measurement date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Total OPEB liability					
Service cost	57,107	39,876	34,524	33,345	32,374
Interest	79,941	84,170	83,575	78,160	76,380
Difference between expected and actual experience	-	(139,990)	-	134,472	-
Change of assumptions	(60,328)	(4,374)	97,899	(83,791)	-
Benefit payments	(78,371)	(75,430)	(83,907)	(82,353)	(84,375)
Net change in total OPEB liability	(1,651)	(95,748)	132,091	79,833	24,379
Total OPEB liability - beginning	1,281,928	1,377,676	1,245,585	1,165,752	1,141,373
Total OPEB liability - ending (a)	1,280,277	1,281,928	1,377,676	1,245,585	1,165,752
Plan Fiduciary Net Position					
Contributions - employer	78,371	75,430	83,907	82,353	84,375
Net investment income	87,609	81,677	(207,000)	333,568	41,428
Benefit payments	(78,371)	(75,430)	(83,907)	(82,353)	(84,375)
Administrative expenses	(464)	(389)	(392)	(459)	(573)
Other expenses	-	-	-	-	-
Change due to investment experience	68,783	4,315	-	-	-
Net change in plan fiduciary net position	155,928	85,603	(207,392)	333,109	40,855
Plan Fiduciary Net Position - beginning	1,424,762	1,339,159	1,546,551	1,213,442	1,172,587
Plan Fiduciary Net Position - ending (b)	1,580,690	1,424,762	1,339,159	1,546,551	1,213,442
Net OPEB liability (asset) - ending (a) - (b)	(300,413)	(142,834)	38,517	(300,966)	(47,690)
Plan fiduciary net position as a percentage of the the total OPEB liability (asset)	123.46%	111.14%	97.20%	124.16%	104.09%
Covered-employee payroll	603,962	727,950	423,561	450,416	315,700
Net OPEB liability (asset) as a percentage of covered-employee payroll	-49.74%	-19.62%	9.09%	-66.82%	-15.11%

**Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.*

6/30/2020	6/30/2019	6/30/2018
6/30/2019	6/30/2018	6/30/2017
29,357	28,433	65,151
86,688	83,812	75,555
(158,786)	-	56,218
11,722	-	58,445
(73,289)	(70,888)	(47,473)
(104,308)	41,357	207,896
1,245,681	1,204,324	996,428
1,141,373	1,245,681	1,204,324
118,018	167,884	123,991
66,813	61,815	84,512
(73,289)	(70,888)	(47,473)
(228)	(522)	(421)
-	(1,196)	-
-	-	-
111,314	157,093	160,609
1,061,273	904,180	743,571
1,172,587	1,061,273	904,180
(31,214)	184,408	300,144
102.73%	85.20%	75.08%
276,918	325,500	309,225
-11.27%	56.65%	97.06%

2. DEFINED BENEFIT OPEB PLAN, Continued

B. Schedule of City's OEPB Contributions - Last 10 years, Continued

Fiscal Year	2025	2024	2023	2022
Actuarially determined contribution	$ 49,382	$ 6,714	11,163	$ 34,870
Contribution in relation to the actuarially determined contributions	$ (92,504)	$ (78,371)	$ (75,430)	$ (83,907)
Contribution deficiency (excess)	(43,122.00)	(71,657.00)	(64,267.00)	(49,037.00)
Covered payroll	$ 622,000	$ 603,962	$ 727,950	$ 423,561
Contributions as a percentage of covered payroll	7.94%	1.11%	1.53%	8.23%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

2021	2020	2019	2018
$ 33,760	$ 45,599	$ 44,729.0	$ 84,368.0
$ (82,353)	$ (84,375)	$ (118,018.0)	$ (171,601.0)
(48,593.00)	(38,776.00)	(73,289.00)	(87,233.00)
$ 450,416	$ 315,700	$ 276,918	$ 325,500
7.50%	14.44%	16.15%	25.92%

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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.

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.

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.

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 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 an annual parcel tax and the funds are to be used for affordable and supportive housing programs, programs that facilitate access to job opportunities in the S.T.E.M. sectors, building trades, and strengthen First Source Hiring.

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

CAPITAL PROJECT FUND

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

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
ASSETS					
Cash and investments	$ 483,329	$ 4,572,934	$ 593,926	$ 382,319	$ 358,551
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accrued interest	1,282	13,060	1,550	991	1,042
Taxes	-	-	-	-	-
Intergovernmental	-	216,750	-	-	-
Accounts receivable	-	-	-	-	936
Advances to other funds	-	-	-	-	-
Loans and notes receivable	-	-	-	-	-
Total assets	$ 484,611	$ 4,802,744	$ 595,476	$ 383,310	$ 360,529
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 60,397	$ 413,378	$ 164	$ -	$ 41,324
Retentions payable	-	89,027	-	-	-
Other accrued liabilities	45	15	-	-	1,242
Unearned revenue	-	-	-	-	-
Total liabilities	60,442	502,420	164	-	42,566
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	480
Fund Balances:					
Restricted	424,169	4,300,324	595,312	383,310	317,483
Total fund balances	424,169	4,300,324	595,312	383,310	317,483
Total liabilities, deferred inflows of resources, and fund balances	$ 484,611	$ 4,802,744	$ 595,476	$ 383,310	$ 360,529

Special Revenue					
Federal and State Grants	Housing Assistance	CYSFF TOT	Lighting District	Drainage District	Local Grants
$ 532,712	$ 412,913	$ 1,253,528	$ 6,976,696	$ 1,252,954	$ 840,772
-	-	-	-	-	-
10,667	7,855	3,254	17,941	3,262	2,177
-	-	-	134,148	9,019	-
21,397	-	-	-	-	-
-	-	26,964	-	-	-
-	-	-	-	-	-
200,000	102,436	-	-	-	-
$ 764,776	$ 523,204	$ 1,283,746	$ 7,128,785	$ 1,265,235	$ 842,949
$ 83,482	$ 429	$ 161,706	$ 40,404	$ 10,328	$ 6,385
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	90,178
83,482	429	161,706	40,404	10,328	96,563
19,896	6,783	-	-	-	-
661,398	515,992	1,122,040	7,088,381	1,254,907	746,386
661,398	515,992	1,122,040	7,088,381	1,254,907	746,386
$ 764,776	$ 523,204	$ 1,283,746	$ 7,128,785	$ 1,265,235	$ 842,949

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	Special Revenue				
	SVCF	Low and Moderate Income Housing Successor	Housing in Lieu	Housing TOT	Measure HH
ASSETS					
Cash and investments	$ 135,137	$ 1,355,620	$ 7,528,937	$ 2,406,306	$ 7,743,836
Restricted cash and investments	-	-	100	-	-
Receivables:					
Accrued interest	-	436,891	19,528	43,534	19,974
Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Accounts receivable	-	-	-	50,816	-
Advances to other funds	1,864,863	-	-	-	-
Loans and notes receivable	-	6,767,070	6,500,000	663,536	-
Total assets	$ 2,000,000	$ 8,559,581	$ 14,048,565	$ 3,164,192	$ 7,763,810
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ 15,448	$ -	$ -	$ 214,942
Retentions payable	-	-	-	-	-
Other accrued liabilities	-	862	-	-	634
Unearned revenue	-	-	-	-	-
Total liabilities	-	16,310	-	-	215,576
Deferred inflows of resources:					
Unavailable revenue	-	433,790	-	37,352	-
Fund Balances:					
Restricted	2,000,000	8,109,481	14,048,565	3,126,840	7,548,234
Total fund balances	2,000,000	8,109,481	14,048,565	3,126,840	7,548,234
Total liabilities, deferred inflows of resources, and fund balances	$ 2,000,000	$ 8,559,581	$ 14,048,565	$ 3,164,192	$ 7,763,810

Special Revenue	Capital Project	
Measure W	CIP Impact Fees	Total Non-Major Governmental Funds
$ 1,537,385	$ 2,899,058	$ 41,266,913
-	-	100
3,910	7,511	594,429
-	-	143,167
-	-	238,147
57,859	-	136,575
-	-	1,864,863
-	-	14,233,042
$ 1,599,154	$ 2,906,569	$ 58,477,236
$ 87,542	$ 594	$ 1,136,523
5,087	-	94,114
-	-	2,798
-	-	90,178
92,629	594	1,323,613
-	-	498,301
1,506,525	2,905,975	56,655,322
1,506,525	2,905,975	56,655,322
$ 1,599,154	$ 2,906,569	$ 58,477,236

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, 2025

	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	-	1,670,984	-	-	-
Licenses, fees and permits	-	-	-	-	-
Charges for services	132,241	-	-	-	568,922
Use of money and property	22,587	255,610	24,220	17,924	22,264
Grants and intergovernmental	-	-	194,663	-	-
Total revenues	154,828	1,926,594	218,883	17,924	591,186
EXPENDITURES:					
Current:					
General government	90,547	221,336	-	-	276,887
Public safety	-	-	39,841	-	-
Public works	578,460	378,144	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	480,748
Capital outlay	-	2,217,358	-	-	-
Debt service:					
Principal	15,039	-	-	-	-
Interest	962	-	-	-	-
Total expenditures	685,008	2,816,838	39,841	-	757,635
REVENUES OVER (UNDER) EXPENDITURES	(530,180)	(890,244)	179,042	17,924	(166,449)
OTHER FINANCING SOURCES (USES):					
Transfers in	595,290	64,500	-	-	-
Total other financing sources (uses)	595,290	64,500	-	-	-
Net change in fund balances	65,110	(825,744)	179,042	17,924	(166,449)
FUND BALANCES:					
Beginning of the year, as previously reported	359,059	5,126,068	416,270	365,386	483,932
Restatement (Note 14)	-	-	-	-	-
Beginning of the year, as restated	359,059	5,126,068	416,270	365,386	483,932
End of year	$ 424,169	$ 4,300,324	$ 595,312	$ 383,310	$ 317,483

Special Revenue						
Federal and State Grants	Housing Assistance	Measure A	CYSFF TOT	Lighting District	Drainage District	Local Grants
$ -	$ -		$ -	$ 931,241	$ 189,222	$ -
-	-		-	-	-	-
-	-		279,220	-	-	-
-	-		-	-	-	-
-	-		-	-	-	-
-	234		-	-	-	-
19,994	22,149		64,792	305,366	58,405	37,470
325,581	-		-	-	-	194,728
345,575	22,383		344,012	1,236,607	247,627	232,198
-	1,722		48,822	50,530	99,073	4,574
-	-		-	-	-	79,690
24,830	-		-	142,734	140,044	21,700
2,324	-		572,266	-	-	-
1,235	1,435		-	-	-	22,960
-	-		-	16,950	-	-
-	-		-	-	-	-
-	-		-	-	-	-
28,389	3,157		621,088	210,214	239,117	128,924
317,186	19,226		(277,076)	1,026,393	8,510	103,274
-	-		-	-	62,078	-
-	-		-	-	62,078	-
317,186	19,226		(277,076)	1,026,393	70,588	103,274
344,212	496,766	6,385,678	1,399,116	6,061,988	1,184,319	643,112
-	-	(6,385,678)	-	-	-	-
344,212	496,766	-	1,399,116	6,061,988	1,184,319	643,112
$ 661,398	$ 515,992	$ -	$ 1,122,040	$ 7,088,381	$ 1,254,907	$ 746,386

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, 2025

	Special Revenue				
	SVCF	Low and Moderate Income Housing Successor	Housing in Lieu	Housing TOT	Measure HH
REVENUES:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Sales taxes	-	-	-	-	-
Transient occupancy tax	-	-	-	279,220	-
Other taxes	-	-	-	-	1,677,265
Licenses, fees and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Use of money and property	-	210,435	360,220	129,539	319,482
Grants and intergovernmental	-	-	-	-	-
Total revenues	-	210,435	360,220	408,759	1,996,747
EXPENDITURES:					
Current:					
General government	-	7,184	32,518	29,418	6
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	166,744	15,050	-	565,041
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	173,928	47,568	29,418	565,047
REVENUES OVER (UNDER) EXPENDITURES	-	36,507	312,652	379,341	1,431,700
OTHER FINANCING SOURCES (USES):					
Transfers in	-	73,544	-	-	-
Total other financing sources (uses)	-	73,544	-	-	-
Net change in fund balances	-	110,051	312,652	379,341	1,431,700
FUND BALANCES:					
Beginning of the year, as previously reported	2,000,000	7,999,430	13,735,913	2,747,499	6,116,534
Restatement (Note 14)	-	-	-	-	-
Beginning of the year, as restated	2,000,000	7,999,430	13,735,913	2,747,499	6,116,534
End of year	$ 2,000,000	$ 8,109,481	$ 14,048,565	$ 3,126,840	$ 7,548,234

Special Revenue	Capital Project	
Measure W	CIP Impact Fees	Total Non-Major Governmental Funds
$ -	$ -	$ 1,120,463
339,655	-	339,655
-	-	558,440
-	-	3,348,249
-	162,282	162,282
-	-	701,397
62,422	130,716	2,063,595
-	-	714,972
402,077	292,998	9,009,053
-	-	862,617
-	-	119,531
-	19,448	1,305,360
-	-	574,590
-	-	1,253,213
92,630	-	2,326,938
-	-	15,039
-	-	962
92,630	19,448	6,458,250
309,447	273,550	2,550,803
-	-	795,412
-	-	795,412
309,447	273,550	3,346,215
1,197,078	2,632,425	59,694,785
-	-	(6,385,678)
1,197,078	2,632,425	53,309,107
$ 1,506,525	$ 2,905,975	$ 56,655,322

City of East Palo Alto
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
NPDES Special Revenue Fund
For the Year Ended June 30, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Charges for services	127,500	$ 127,500	$ 132,241	$ 4,741
Use of money and property	10,860	10,860	22,587	11,727
Total revenues	138,360	138,360	154,828	16,468
EXPENDITURES:				
Current:				
General government	92,838	92,838	90,547	2,291
Public works	640,812	1,020,656	578,460	442,196
Debt service:				
Principal	-	-	15,039	(15,039)
Interest	-	-	962	(962)
Total expenditures	733,650	1,113,494	685,008	428,486
REVENUES OVER (UNDER) EXPENDITURES	(595,290)	(975,134)	(530,180)	444,954
OTHER FINANCING SOURCES (USES):				
Transfer in	595,290	595,290	595,290	-
Total other financing sources (uses)	595,290	595,290	595,290	-
Net change in fund balance	$ -	$ (379,844)	$ 65,110	$ 444,954
FUND BALANCE:				
Beginning of year			359,059	
End of year			$ 424,169	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other taxes	$ 1,478,280	$ 1,478,280	$ 1,670,984	$ 192,704
Use of money and property	160,000	160,000	255,610	95,610
Total revenues	1,638,280	1,638,280	1,926,594	288,314
EXPENDITURES:				
Current:				
General government	225,796	225,796	221,336	4,460
Public works	794,062	906,233	378,144	528,089
Capital outlay	1,010,000	2,020,638	2,217,358	(196,720)
Total expenditures	2,029,858	3,152,667	2,816,838	335,829
REVENUES OVER (UNDER) EXPENDITURES	(391,578)	(1,514,387)	(890,244)	624,143
OTHER FINANCING SOURCES (USES):				
Transfer in	64,500	64,500	64,500	-
Total other financing sources (uses)	64,500	64,500	64,500	-
Net change in fund balance	$ (327,078)	$ (1,449,887)	$ (825,744)	$ 624,143
FUND BALANCE:				
Beginning of year			5,126,068	
End of year			$ 4,300,324	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 13,000	$ 13,000	$ 24,220	$ 11,220
Grants and intergovernmental	170,000	170,000	194,663	24,663
Total revenues	183,000	183,000	218,883	35,883
EXPENDITURES:				
Current:				
Public safety	170,000	170,000	39,841	130,159
Total expenditures	170,000	170,000	39,841	130,159
Net change in fund balance	$ 13,000	$ 13,000	$ 179,042	$ 166,042
FUND BALANCE:				
Beginning of year			416,270	
End of year			$ 595,312	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 10,000	$ 10,000	$ 17,924	$ 7,924
Total revenues	10,000	10,000	17,924	7,924
Net change in fund balance	$ 10,000	$ 10,000	$ 17,924	$ 7,924
FUND BALANCE:				
Beginning of year			365,386	
End of year			$ 383,310	

City of East Palo Alto
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Rent Stabilization Special Revenue Fund
For the Year Ended June 30, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Charges for services	$ 570,000	$ 570,000	$ 568,922	$ (1,078)
Fines and forfeitures	2,500	2,500	-	(2,500)
Use of money and property	20,000	20,000	22,264	2,264
Total revenues	592,500	592,500	591,186	(1,314)
EXPENDITURES:				
Current:				
General government	289,050	289,050	276,887	12,163
Community development	456,069	572,069	480,748	91,321
Total expenditures	745,119	861,119	757,635	103,484
Net change in fund balance	$ (152,619)	$ (268,619)	(166,449)	$ 102,170
FUND BALANCE:				
Beginning of year			483,932	
End of year			$ 317,483	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 4,000	$ 4,000	$ 19,994	$ 15,994
Grants and intergovernmental	389,627	416,381	325,581	(90,800)
Total revenues	393,627	420,381	345,575	(74,806)
EXPENDITURES:				
Current:				
Public works	-	28,907	24,830	4,077
Culture and recreation	-	7,406	2,324	5,082
Community development	300,060	350,060	1,235	348,825
Total expenditures	300,060	386,373	28,389	357,984
Net change in fund balance	$ 93,567	$ 34,008	317,186	$ 283,178
FUND BALANCE:				
Beginning of year			344,212	
End of year			$ 661,398	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Charges for services	$ -	$ -	$ 234	$ 234
Use of money and property	14,000	14,000	22,149	8,149
Total revenues	14,000	14,000	22,383	8,383
EXPENDITURES:				
Current:				
General government	1,722	1,722	1,722	-
Community development	1,452	1,452	1,435	17
Total expenditures	3,174	3,174	3,157	17
Net change in fund balance	$ 10,826	$ 10,826	19,226	$ 8,400
FUND BALANCE:				
Beginning of year			496,766	
End of year			$ 515,992	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Transient occupancy tax	$ 275,000	$ 275,000	$ 279,220	$ 4,220
Use of money and property	40,000	40,000	64,792	24,792
Total revenues	315,000	315,000	344,012	29,012
EXPENDITURES:				
Current:				
General government	48,822	48,822	48,822	-
Culture and recreation	525,000	770,500	572,266	198,234
Total expenditures	573,822	819,322	621,088	198,234
Net change in fund balance	$ (258,822)	$ (504,322)	(277,076)	$ 227,246
FUND BALANCE:				
Beginning of year			1,399,116	
End of year			$ 1,122,040	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Property taxes	$ 866,300	$ 866,300	$ 931,241	$ 64,941
Use of money and property	200,000	200,000	305,366	105,366
Total revenues	1,066,300	1,066,300	1,236,607	170,307
EXPENDITURES:				
Current:				
General government	54,545	54,545	50,530	4,015
Public works	275,450	285,262	142,734	142,528
Capital outlay	300,000	300,000	16,950	283,050
Total expenditures	629,995	639,807	210,214	429,593
Net change in fund balance	$ 436,305	$ 426,493	1,026,393	$ 599,900
FUND BALANCE:				
Beginning of year			6,061,988	
End of year			$ 7,088,381	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Property taxes	$ 162,295	$ 162,295	$ 189,222	$ 26,927
Use of money and property	89,081	89,081	58,405	(30,676)
Total revenues	251,376	251,376	247,627	(3,749)
EXPENDITURES:				
Current:				
General government	99,373	99,373	99,073	300
Public works	214,081	244,763	140,044	104,719
Capital outlay	200,000	200,000	-	200,000
Total expenditures	513,454	544,136	239,117	305,019
REVENUES OVER (UNDER) EXPENDITURES	(262,078)	(292,760)	8,510	301,270
OTHER FINANCING SOURCES (USES):				
Transfer in	62,078	62,078	62,078	-
Total other financing sources (uses)	62,078	62,078	62,078	-
Net change in fund balance	$ (200,000)	$ (230,682)	70,588	$ 301,270
FUND BALANCE:				
Beginning of year			1,184,319	
End of year			$ 1,254,907	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 120,000	$ 120,000	$ 37,470	$ (82,530)
Grants and intergovernmental	963,563	720,000	194,728	(525,272)
Total revenues	1,083,563	840,000	232,198	(607,802)
EXPENDITURES:				
Current:				
General government	15,000	15,000	4,574	10,426
Public safety	150,000	150,000	79,690	70,310
Public works	243,563	243,563	21,700	221,863
Culture and recreation	570,000	570,000	-	570,000
Community development	85,000	85,000	22,960	62,040
Total expenditures	1,063,563	1,063,563	128,924	934,639
Net change in fund balance	$ 20,000	$ (223,563)	103,274	$ 326,837
FUND BALANCE:				
Beginning of year			643,112	
End of year			$ 746,386	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
OTHER FINANCING SOURCES (USES):				
Transfer in	$ -	$ -	-	$ -
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
FUND BALANCE:				
Beginning of year			2,000,000	
End of year			$ 2,000,000	

City of East Palo Alto
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Low and Moderate Income Housing Special Revenue Fund
For the Year Ended June 30, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 35,000	$ 35,000	$ 210,435	$ 175,435
Total revenues	35,000	35,000	210,435	175,435
EXPENDITURES:				
Current:				
General government	43,253	43,253	7,184	36,069
Community development	380,206	411,038	166,744	244,294
Total expenditures	423,459	454,291	173,928	280,363
REVENUES OVER (UNDER) EXPENDITURES	(388,459)	(419,291)	36,507	455,798
OTHER FINANCING SOURCES (USES):				
Transfer in	73,544	73,544	73,544	-
Total other financing sources (uses)	73,544	73,544	73,544	-
Net change in fund balance	$ (314,915)	$ (345,747)	110,051	$ 455,798
FUND BALANCE:				
Beginning of year			7,999,430	
End of year			$ 8,109,481	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Licenses, fees and permits	$ 54,680	$ 54,680	$ -	$ (54,680)
Use of money and property	250,000	250,000	360,220	110,220
Grants and intergovernmental	-	-	-	-
Total revenues	304,680	304,680	360,220	110,220
EXPENDITURES:				
Current:				
General government	32,518	32,518	32,518	-
Community development	72,250	2,096,977	15,050	2,081,927
Total expenditures	104,768	2,129,495	47,568	2,081,927
REVENUES OVER (UNDER) EXPENDITURES	199,912	(1,824,815)	312,652	2,192,147
Net change in fund balance	$ 199,912	$ (1,824,815)	312,652	$ 2,192,147
FUND BALANCE:				
Beginning of year			13,735,913	
End of year			$ 14,048,565	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Transient occupancy tax	$ 275,000	$ 275,000	$ 279,220	$ 4,220
Use of money and property	60,000	60,000	129,539	69,539
Total revenues	335,000	335,000	408,759	73,759
EXPENDITURES:				
Current:				
General government	29,418	29,418	29,418	-
Total expenditures	29,418	29,418	29,418	-
Net change in fund balance	$ 305,582	$ 305,582	379,341	$ 73,759
FUND BALANCE:				
Beginning of year			2,747,499	
End of year			$ 3,126,840	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other taxes	$ 1,677,000	$ 1,677,000	$ 1,677,265	$ 265
Use of money and property	180,000	180,000	319,482	139,482
Total revenues	1,857,000	1,857,000	1,996,747	139,747
EXPENDITURES:				
Current:				
General government	1,752	1,752	6	1,746
Community development	290,094	752,259	565,041	187,218
Total expenditures	291,846	754,011	565,047	188,964
REVENUES OVER (UNDER) EXPENDITURES	1,565,154	1,102,989	1,431,700	328,711
Net change in fund balance	$ 1,565,154	$ 1,102,989	1,431,700	$ 328,711
FUND BALANCE:				
Beginning of year			6,116,534	
End of year			$ 7,548,234	

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, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Sales taxes	$ 350,000	$ 350,000	$ 339,655	$ (10,345)
Use of money and property	15,000	15,000	62,422	47,422
Total revenues	365,000	365,000	402,077	37,077
EXPENDITURES:				
Current:				
General government	1,740	1,740	-	1,740
Capital outlay	500,000	187,542	92,630	94,912
Total expenditures	501,740	189,282	92,630	96,652
Net change in fund balance	$ (136,740)	$ 175,718	309,447	$ (59,575)
FUND BALANCE:				
Beginning of year			1,197,078	
End of year			$ 1,506,525	

STATISTICAL SECTION

This part of the City's Annual Comprehensive 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 Annual Comprehensive 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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Government activities										
Net investment in capital assets	$ 41,044,530	$ 42,278,404	$ 48,784,281	$ 55,197,664	$ 56,070,993	$ 63,227,229	$ 64,005,813	$ 74,583,002	$ 80,872,067	$ 92,334,942
Restricted For:										
Streets and Infrastructure	5,816,534	6,411,718	7,700,051	9,885,470	11,354,052	12,774,681	14,736,889	16,118,821	20,314,190	14,574,306
Parks and Recreation	1,120,082	1,117,148	1,089,920	340,827	348,880	344,094	334,082	343,811	365,386	383,310
Measure C programs	1,405,053	1,510,846	1,015,232	592,734	253,401	223,160	217,659	138,450	-	-
Housing Programs	17,325,494	20,518,013	20,824,081	21,669,184	24,277,027	25,891,744	26,780,234	31,735,201	33,955,113	40,727,575
Special Programs	1,168,856	853,741	1,262,039	1,522,452	1,755,499	2,012,599	2,010,100	2,529,780	2,870,088	3,393,875
Capital projects	279,184	3,796,398	3,012,787	9,816,132	10,159,391	6,707,412	8,602,288	7,172,849	5,004,887	16,950,310
Total restricted	27,115,203	34,207,864	34,904,110	43,826,799	48,148,250	47,953,690	52,681,252	58,038,912	62,509,664	76,029,376
Unrestricted	28,798,504	33,919,154	40,774,262	40,040,582	46,185,712	49,482,293	59,082,008	62,177,856	68,404,889	69,445,378
Total governmental activities net position	**$ 96,958,237**	**$ 110,405,422**	**$ 124,462,653**	**$ 139,065,045**	**$ 150,404,955**	**$ 160,663,212**	**$ 175,769,073**	**$ 194,799,770**	**$ 211,786,620**	**$ 237,809,696**
Business-type activities										
Net investment in capital assets	3,353,012	4,050,566	11,161,837	10,964,954	10,880,048	11,205,575	11,306,820	11,212,431	11,338,141	31,621,908
Restricted For:										
Capital Projects[1]	926,770	928,562	682,991	585,636	591,828	591,909	1,943,955	5,589,148	13,778,345	10,548,127
Total restricted	926,770	928,562	682,991	585,636	591,828	591,909	1,943,955	5,589,148	13,778,345	10,548,127
Unrestricted[1]	4,919,239	5,592,490	1,949,538	3,292,824	4,362,698	5,216,208	4,120,165	7,672,675	2,896,181	30,592,699
Total business-type activities net position	**$ 9,199,021**	**$ 10,571,618**	**$ 13,794,366**	**$ 14,843,414**	**$ 15,834,574**	**$ 17,013,692**	**$ 17,370,940**	**$ 24,474,254**	**$ 28,012,667**	**$ 72,762,734**
Primary Government										
Net investment in capital assets	44,397,542	46,328,970	59,946,118	66,162,618	66,951,041	74,432,804	75,312,633	85,795,433	92,210,208	123,956,850
Restricted	28,041,973	35,136,426	34,904,110	43,826,799	48,740,078	48,545,599	54,625,207	63,628,060	76,288,009	86,577,503
Unrestricted	33,717,743	39,511,644	43,406,791	43,919,042	50,548,410	54,698,501	63,202,173	69,850,531	71,301,070	100,038,077
Total primary government net position	**$ 106,157,258**	**$ 120,977,040**	**$ 138,257,019**	**$ 153,908,459**	**$ 166,239,529**	**$ 177,676,904**	**$ 193,140,013**	**$ 219,274,024**	**$ 239,799,287**	**$ 310,572,430**

[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									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Expenses										
Governmental Activities:										
General government	$ 3,857,915	$ 4,183,768	$ 4,550,835	$ 4,811,440	$ 5,309,119	$ 6,356,058	$ 5,779,679	$ 7,264,421	$ 8,179,233	$ 9,182,069
Public safety	9,653,248	9,313,300	10,694,568	11,860,715	11,681,076	12,076,770	11,242,720	13,158,656	13,640,989	14,023,956
Public works	4,947,019	4,734,883	4,925,199	5,103,756	4,943,077	5,598,607	5,275,133	5,995,606	7,292,278	7,384,886
Culture and recreation	1,181,861	1,183,150	1,712,237	1,805,560	1,654,667	1,349,016	1,822,711	2,170,071	1,950,423	2,312,962
Community development	2,748,306	2,426,699	3,129,327	3,720,981	4,984,488	5,939,827	4,943,100	7,099,055	7,244,815	5,063,007
Interest on long-term debt	4,325	2,347	1,214	154	-	-	6,561	73,997	43,766	37,139
Total governmental activities	22,392,674	21,844,147	25,013,380	27,302,606	28,572,427	31,320,278	29,069,904	35,761,806	38,351,504	38,004,019
Business-type activities										
Water Service	342,263	378,893	320,163	423,315	637,581	687,250	2,789,343	813,827	894,227	1,028,660
Garbage collection	2,490,862	2,501,535	2,320,786	2,583,092	2,702,159	2,618,989	1,054,839	2,940,594	3,171,977	3,451,140
Sewer services										5,526,550
Total business-type activities	2,833,125	2,880,428	2,640,949	3,006,407	3,339,740	3,306,239	3,844,182	3,754,421	4,066,204	10,006,350
Total primary government expenses	25,225,799	24,724,575	27,654,329	30,309,013	30,309,013	34,626,517	32,914,086	39,516,227	42,417,708	48,010,369
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	22,278	26,441	51,117	82,963	45,297	5,666	7,851	12,786	8,981	7,089
Public safety	574,595	480,048	595,725	430,611	353,229	246,218	248,561	323,391	414,605	485,577
Public works	221,994	298,451	258,277	521,338	251,126	232,121	129,159	172,677	304,110	294,826
Culture and recreation	-	4,731	5,956	4,762	14,361	3,049	11,080	27,294	10,555	2,327
Community Development	2,088,395	1,989,755	1,808,234	1,697,655	3,078,503	3,540,707	3,211,876	2,367,939	1,683,411	3,024,702
Operating Grants and Contributions	2,643,028	4,969,735	1,740,657	1,948,262	2,542,025	2,757,114	5,610,645	15,916,942	3,165,138	3,439,850
Capital Grants and Contributions	8,348,064	4,229,323	5,930,378	5,770,566	2,037,536	7,797,945	6,783,094	3,414,258	7,453,564	14,197,560
Total governmental activities program revenues	13,898,354	11,998,484	10,390,344	10,456,157	8,322,077	14,582,820	16,002,266	22,235,287	13,040,364	21,451,931
Business-type activities										
Charges for Service:										
Water Service	980,296	1,227,649	1,149,827	1,184,789	1,222,502	1,142,586	1,256,458	1,189,481	1,606,313	1,769,274
Garbage collection	2,482,434	2,461,388	2,433,093	2,636,619	2,762,229	2,733,951	2,905,566	3,030,827	3,161,410	3,495,110
Sewer Services	-	-	-	-	-	-	-	-	-	5,453,033
Operating Grants and Contributions	-	-	-	-	-	-	186,919	-	-	-
Capital Grants and Contributions	-	-	1,963,050	-	31,480	622,565	291,112	44,963	1,308,516	2,135,309
Total business-type activities program revenues	3,462,730	3,689,037	5,545,970	3,821,408	4,016,211	4,499,102	4,640,055	4,265,271	6,076,239	12,852,726
Total primary government revenues	17,361,084	15,687,521	15,936,314	14,277,565	12,143,485	19,081,922	20,642,321	26,500,558	19,116,603	34,304,657
Net Revenue (Expenses):										
Governmental Activities	(8,494,320)	(9,845,663)	(14,623,036)	(16,846,449)	(20,250,350)	(16,737,458)	(13,067,638)	(13,526,519)	(25,311,140)	(16,552,088)
Business-type Activities	629,605	808,609	2,905,021	815,001	815,001	676,471	1,192,863	510,850	2,010,035	2,846,376
Total Net Revenue (Expenses)	$ (7,864,715)	$ (9,037,054)	$ (11,718,015)	$ (16,031,448)	$ (19,435,349)	$ (16,060,987)	$ (11,874,775)	$ (13,015,669)	$ (23,301,105)	$ (13,705,712)

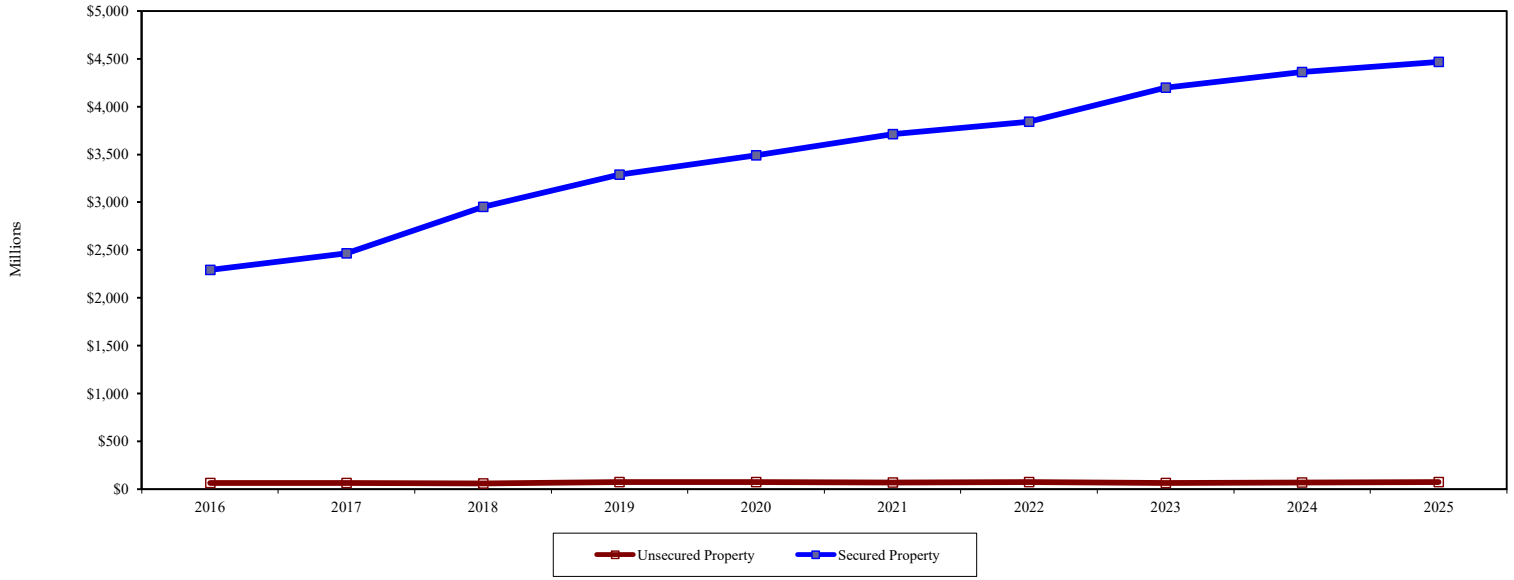
City of East Palo Alto, California
Fund Balances-Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
General Fund										
Nonspendable	$ 11,932,475	$ 12,066,847	$ 11,743,001	$ 10,938,871	$ 8,826,647	$ 6,554,760	$ 5,282,165	$ 2,875,868	$ 927,145	$ 507,011
Restricted	-	-	-	-	20,065	23,784	27,297	38,659	45,039	52,008
Committed	-	-	-	-	980,355	980,355	10,097,589	11,844,496	11,150,949	31,394,222
Assigned	383,658	1,188,899	1,886,415	1,839,551	2,183,599	4,128,219	6,658,000	6,000,000	3,824,125	2,876,189
Unassigned	16,293,653	17,235,337	24,191,919	26,426,148	30,996,166	31,116,240	26,407,109	33,027,657	43,470,340	30,904,437
Total General Fund	28,609,786	30,491,083	37,821,335	39,204,570	39,204,570	42,803,358	48,472,160	53,786,680	59,417,598	65,733,867
All Other Governmental Funds										
Restricted	26,537,401	34,122,255	34,904,110	43,826,799	47,339,670	45,250,665	45,389,536	51,986,249	60,968,691	62,325,928
Committed	-	-	-	-	-	5,500,000	9,000,000	10,414,734	9,350,000	6,837,690
Assigned	4,803,773	7,289,475	6,772,150	7,874,189	11,936,316	10,908,746	5,600,829	6,889,192	9,419,779	7,427,922
Unassigned	(197,068)	-	-	-	-	(61,923)	(111,371)	(206,396)	-	-
Total all other governmental funds	31,144,106	41,411,730	41,676,260	51,700,988	51,700,988	61,597,488	59,878,994	69,083,779	79,738,470	76,591,540
Total Governmental Funds	**$ 59,753,892**	**$ 71,902,813**	**$ 79,497,595**	**$ 90,905,558**	**$ 90,905,558**	**$ 104,400,846**	**$ 108,351,154**	**$ 122,870,459**	**$ 139,156,068**	**$ 142,325,407**

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	$ 22,015,184	$ 22,570,573	$ 26,465,002	$ 28,911,799	$ 30,593,515	$ 27,551,942	$ 31,488,448	$ 38,052,255	$ 37,239,225	$ 37,702,689
Licenses, fees, and permits	8,225,539	2,276,892	2,945,418	2,816,522	1,425,267	2,665,772	2,344,950	1,734,484	3,657,663	2,971,724
Charges for services	2,778,293	2,090,795	1,942,517	2,027,506	2,901,680	1,487,373	1,340,766	1,387,903	1,116,255	1,423,958
Fines and fortfeitures	532,143	442,911	745,766	421,661	401,717	242,042	263,437	379,861	540,438	556,245
Use of money and property	474,624	410,003	878,892	2,082,517	2,730,055	207,416	(2,323,287)	2,802,993	6,759,703	6,144,012
Grants and intergovernmental	3,589,152	8,724,241	5,177,790	7,459,093	1,285,504	5,659,603	4,897,399	17,631,163	10,680,936	3,211,566
Miscellaneous	1,212,731	205,096	119,862	385,940	260,257	1,915,735	1,700,286	975,524	546,286	674,780
Total revenues	38,827,666	36,720,511	38,275,247	44,105,038	39,597,995	39,729,883	39,711,999	62,964,183	60,540,506	52,684,974
Expenditures										
Current										
General Government	4,037,015	4,270,123	4,286,525	4,696,638	5,126,419	6,144,761	6,332,990	6,646,083	7,490,022	8,581,695
Public Safety	10,200,118	10,159,814	10,165,174	11,240,702	10,920,002	11,629,425	11,767,310	12,671,959	12,802,340	13,451,406
Public Works	3,106,375	3,560,158	4,251,301	4,150,097	3,844,254	4,134,384	4,097,153	4,189,669	4,969,777	5,828,892
Culture and recreation	1,036,572	959,888	1,243,981	1,203,631	1,001,494	700,691	1,219,765	1,553,917	1,329,817	1,686,482
Community Development	2,257,570	2,397,396	2,984,606	3,589,412	4,823,525	5,758,006	5,146,245	7,001,196	7,062,319	4,887,309
Capital Outlay	2,524,109	3,290,362	7,716,265	7,800,356	2,505,041	9,244,588	7,067,172	9,614,380	9,624,330	14,524,463
Debt Service (a)										
Principal repayment	61,347	52,302	31,399	16,085	-	-	-	452,677	499,126	518,249
Interest & fiscal charges	4,325	2,347	1,214	154	-	-	6,561	73,997	43,766	37,139
Total expenditures	23,227,431	24,692,390	30,680,465	32,697,075	28,220,735	37,611,855	35,637,196	42,203,878	43,821,497	49,515,635
Excess of revenues over (under) expenditures	15,600,235	12,028,121	7,594,782	11,407,963	11,407,963	2,118,028	4,074,803	20,760,305	16,719,009	3,169,339
Other financing sources (uses)										
Transfers in	1,236,787	3,876,948	2,121,910	8,637,770	8,266,603	3,506,089	2,381,000	5,133,238	3,686,297	1,845,412
Transfers (out)	(3,498,787)	(3,811,148)	(2,121,910)	(8,637,770)	(8,266,603)	(3,506,089)	(2,381,000)	(11,374,238)	(4,119,697)	(1,845,412)
Total other financing sources(uses)	(2,262,000)	65,800	-	-	-	-	-	(6,241,000)	(433,400)	-
Net change in fund balances	$ 13,338,235	$ 12,093,921	$ 7,594,782	$ 11,407,963	$ 11,407,963	$ 2,118,028	$ 4,074,803	$ 14,519,305	$ 16,285,609	$ 3,169,339
Debt service as a percentage of noncapital expenditures	0.32%	0.26%	0.14%	0.07%	0.08%	0.00%	0.02%	1.62%	1.59%	1.59%
Debt service as a percentage of total expenditures expenditures	0.28%	0.22%	0.11%	0.05%	0.06%	0.00%	0.02%	1.25%	1.24%	1.12%

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



Fiscal Year	Secured				Total Secured Property	Unsecured			Unsecured Property	Total Taxable Assessed (1)	Factor of Taxable Assessed Value (3)
	City	Gateway 101 Corridor	University Circle	Ravenswood		City	University Circle	Ravenswood			
2016	$ 1,387,303,962	$ 366,869,951	$ 386,077,451	$ 89,606,753	$ 2,229,858,117	$ 5,895,578	$ 32,434,814	$ 5,307,991	$ 64,725,455	$ 2,294,583,572	1.000000
2017	1,496,819,954	383,867,913	391,965,125	128,424,119	2,401,077,111	5,357,954	31,608,639	6,300,157	64,603,270	2,465,680,381	1.000000
2018	1,860,043,257	493,901,959	399,943,872	139,127,273	2,893,016,361	5,568,741	28,727,193	3,838,839	59,703,566	2,952,719,927	1.000000
2019	1,987,717,844	589,570,833	491,664,014	149,310,365	3,218,263,056	16,763,127	26,264,047	3,792,066	70,949,766	3,289,212,822	1.000000
2020	2,141,077,211	610,407,047	501,497,289	167,894,435	3,420,875,982	16,924,357	25,817,541	3,956,073	70,967,618	3,491,843,600	1.000000
2021	2,256,060,762	626,312,724	511,628,461	247,209,411	3,641,211,358	5,172,050	23,863,678	4,876,777	70,667,249	3,711,878,607	1.000000
2022	2,334,992,280	647,462,524	520,340,698	261,727,649	3,764,523,151	17,480,486	17,381,330	4,386,585	75,381,087	3,839,904,238	1.000000
2023	2,496,505,848	702,048,413	688,427,574	245,346,193	4,132,328,028	6,909,334	13,391,529	4,677,616	64,162,471	4,196,490,499	1.000000
2024	2,599,989,651	738,414,743	702,195,861	253,694,547	4,294,294,802	7,407,119	16,148,352	5,684,837	69,614,625	4,363,909,427	1.000000
2025	2,696,748,543	722,881,910	714,628,847	262,085,458	4,396,344,758	6,504,071	16,509,457	4,977,750	71,902,516	4,468,247,274	1.000000

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

Notes:
(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

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
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	0.0304	0.0376	0.0352	0.0616	0.0522	0.0341	0.0369	0.0415	0.0674	0.0615
Sequoia Union High School District	0.0434	0.0391	0.0383	0.0365	0.0340	0.0315	0.0290	0.0286	0.0391	0.0388
San Mateo Community College District	0.0250	0.0247	0.0235	0.0175	0.0266	0.0213	0.0227	0.0193	0.0190	0.0178
Midpeninsula Open Space District	0.0008	0.0006	0.0009	0.0018	0.0016	0.0015	0.0015	0.0013	0.0012	0.0013
TOTAL	0.0996	0.1020	0.0979	0.1174	0.1144	0.0884	0.0901	0.0907	0.1267	0.1194
Total Tax Rate	1.0996	1.1020	1.0979	1.1174	1.1144	1.0884	1.0901	1.0907	1.1267	1.1194

Source: County Auditor data, MuniServices, LLC / Neumo
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	2024-25		2015-16	
	Taxable Value ($)	Percent of Total City Taxable Value (%)	Taxable Value ($)	Percent of Total City Taxable Value (%)
Columbia REIT University Circle LP	$ 556,704,133	12.46%		
Woodland Park Property Owner LLC	474,141,163	10.61%		
University Plaza EPA LLC	217,523,500	4.87%		
SHR Palo Alto LLC	154,744,802	3.46%	52,069,011	2.27%
Ikea Property Inc.	107,922,716	2.42%	85,985,187	3.75%
Bayshore 1771 LLC	56,419,123	1.26%		
Four Corners EPA Property Owner LLC	45,032,487	1.01%		
Sycamore Real Estate Investment LLC	44,057,554	0.99%		
HPI ASVRF 1990 Bay LLC	38,851,548	0.87%		
HD Devel Of Maryland Inc.	23,617,071	0.53%	20,043,605	0.87%
Wells REIT II University Circle			333,161,508	14.52%
Gateway 101 LLC			26,465,708	1.15%
RFHC Bay Pulgas Landowner Inc.			12,747,728	0.56%
Woodlands Newell Assoc LP			7,956,352	0.35%
Working Dirt R2 LLC			7,800,460	0.34%
Green Valley Corporation			7,750,952	0.34%
Wayland LLC			6,629,870	0.29%
Total Top 10 Taxpayers	1,719,014,097	38.48%	780,554,851	34.03%
Total Taxable Value	4,468,247,274	100.00%	2,294,583,572	100.00%

Source: County Assessor data, MuniServices, LLC / Neumo

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

Fiscal Year Ended June 30	Total Tax Levied for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections (3)	Total Collections To Date	
		Current Tax Collections (2)	Percentage of Levy		Total Tax Collections	Percentage of Levy
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%
2023	9,866,504	9,928,335	100.6%		9,928,335	100.6%
2024	10,255,973	10,141,505	98.9%		10,141,505	98.9%
2025	10,619,190	11,533,494	108.6%		11,533,494	108.6%

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)).

(3) The County of San Mateo collects and allocates property taxes under the Teeter Plan whereby the City receives property tax revenues based on the total amount assessed, but not collected; therefore, the City has no direct delinquent tax collections.

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

Fiscal Year End	Governmental Activities		Business-Type Activities		Total Primary Government Debt	Percentage of Personal Income (2)	Outstanding Debt Per Capita (2)	Outstanding Debt to Taxable Assessed Value
	Leases Payable	Capitalized Lease Debt (1)	Leases Payable	Notes Payable				
2016	$ -	$ 99,786	$ -	$ -	$ 99,786	0.02%	$ 3.29	0.00%
2017	-	47,484	-	-	47,484	0.01%	1.54	0.00%
2018	-	16,085	-	700,000	716,085	0.10%	23.48	0.02%
2019	-	-	-	700,000	700,000	0.09%	22.73	0.02%
2020	-	-	-	676,667	676,667	0.09%	22.30	0.02%
2021	-	2,306,523	-	653,334	2,959,857	0.08%	21.53	0.08%
2022	-	1,880,524	-	2,936,524	4,817,048	0.07%	21.75	0.13%
2023	-	1,427,847	-	4,793,715	6,221,562	0.06%	21.22	0.15%
2024	942,495	942,495	49,970	583,335	2,518,295	0.21%	86.60	0.06%
2025	424,246	424,426	20,603	560,002	1,429,277	0.11%	49.06	0.03%

Notes:

(1) Capitalized Lease Debt due to Police Vehicles acquired in 2013 and 2015.

(2) Population Projections prepared by State of California Department of Finance, Personal Income Data by MuniServcies LLC

City of East Palo Alto, California
Computation of Direct and Overlapping Debt
June 30, 2025

2024-25 Assessed Valuation	**$ 4,468,247,274**

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2025	Percentage Applicable (1)	City's Share of Debt 6/30/2025
City of East Palo Alto	$ 1,429,277	100.000%	$ 1,429,277
Total Direct Debt	$ 1,429,277		$ 1,429,277
San Mateo Community College District	$ 655,171,697	1.376%	$ 9,015,163
Sequoia Union High School District	449,512,000	3.214%	14,447,316
Ravenswood School District	130,390,000	40.814%	53,217,375
Midpeninsula Regional Open Space District	114,920,000	1.048%	1,204,362
California Statewide Communities Development Authority 1915 Act Bonds	2,133,840	100.000%	2,133,840
Total Overlapping Debt	1,352,127,537		80,018,056
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	$ 1,353,556,814		$ 81,447,333
OVERLAPPING GENERAL FUND DEBT			
San Mateo County General Fund Obligations	$ 530,970,772	1.376%	$ 7,306,158
San Mateo County Board of Education Certificates of Participation	5,330,000	1.376%	73,341
Midpeninsula Regional Open Space District General Fund Obligations	74,065,600	1.048%	776,207
San Mateo County Mosquito and Vector Control District General Fund Obligations	3,185,295	1.376%	43,830
TOTAL OVERLAPPING GENERAL FUND DEBT	$ 613,551,667		$ 8,199,536
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)			
2015A Refunding Tax Allocation Bonds	$ 10,840,000	100.000%	$ 10,840,000
COMBINED TOTAL DEBT			**$ 100,486,869**

Ratios to 2024-25 Assessed Valuation:	
Direct Debt	0.032%
Direct and Overlapping Tax and Assessment Debt	1.790%
Direct and Overlapping Tax, Assessment and Increment Debt	2.030%
Combined Total Debt	2.249%

Ratios to Redevelopment Successor Agency Incremental Valuation ($1,427,707,876):	
Overlapping Tax Increment Debt	0.640%

Source:MuniServices, LLC / Neumo

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.

Source: MuniServices, LLC / Neumo
California Municipal Statistics, Inc.

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

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

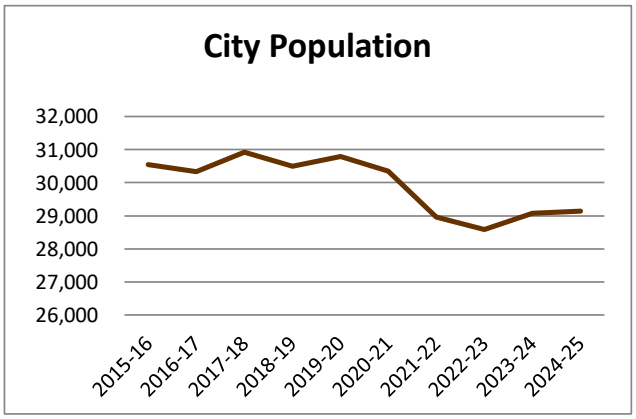
	2020-2021	2021-22	2022-23	2023-24	2024-25
Taxable Assessed Valuation	$ 3,711,878,607	$ 3,839,904,238	$ 4,196,490,499	$ 4,363,909,427	$ 4,468,247,274
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	927,969,652	959,976,060	1,049,122,625	1,090,977,357	1,117,061,819
Debt service limit percentage	15%	15%	15%	15%	15%
Debt Limit	**139,195,448**	**143,996,409**	**157,368,394**	**163,646,604**	**167,559,273**
Debt Applicable to Limit:					
Less: Outstanding General Obligations	-	-	-	-	-
Legal Debt Margin	**$ 139,195,448**	**$ 143,996,409**	**$ 157,368,394**	**$ 163,646,604**	**$ 167,559,273**

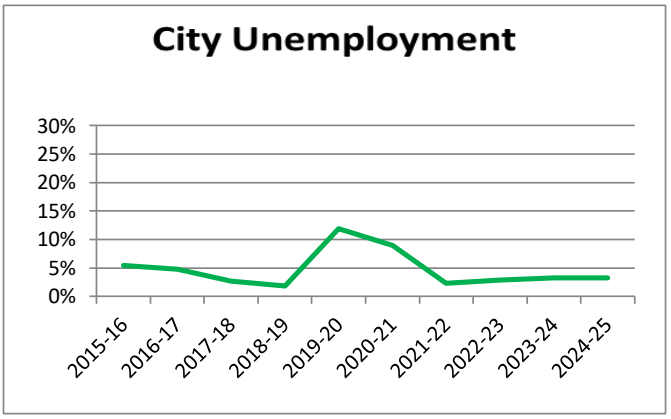
Source: San Mateo County Assessors, MuniServices, LLC / Neumo

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

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

Fiscal Year	Population (1)	City Unemployment Rate (2)	City Per Capita Personal Income (3)	County Unemployment Rate (2)	County Per Capita Personal Income (3)	Public School Enrollment (4)
2015-16	30,545	5.40%	$ 20,785	3.40%	$ 78,728	4,058
2016-17	30,340	4.80%	21,785	3.00%	82,517	3,853
2017-18	30,917	2.70%	23,171	2.20%	87,767	3,632
2018-19	30,499	1.80%	24,440	1.70%	92,576	3,436
2019-20	30,794	11.90%	25,419	11.10%	96,285	3,269
2020-21	30,350	8.97%	27,437	6.84%	103,929	2,993
2021-22	28,963	2.30%	31,515	1.70%	119,375	2,793
2022-23	28,586	2.90%	36,759	2.70%	139,239	2,640
2023-24	29,078	3.30%	41,158	2.90%	155,903	2,555
2024-25	29,133	3.30%	44,376	3.40%	168,093	2,532





Source: MuniServices, LLC / Neumo

1) Population Projections are provided by the California Department of Finance Projections.
2) Unemployment Data are provided by the EDD's Labor Market Information Division.
3) Income Data is provided by the U.S. Bureau of Labor Statistics.
4) Student Enrollment reflects the total number of students enrolled in the Ravenswood City Elementary.

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

	RDA Tax Allocation (Refunding) Bonds					Public Financing Authority (PFA) Revenue Bonds[1]			
Fiscal Year	Increment (Gross RPTTF)	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage	Payments to PFA	Debt Service Interest	Debt Service Total	Coverage
2016	$ 8,369,650	$ 655,000	$ 1,037,717	$ 1,692,717	4.9	$ 15,242,245	$ 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 [2]	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	-	-	-	-
2023	17,258,476	1,030,000	520,300	1,550,300	11.1	-	-	-	-
2024	17,167,429	1,085,000	407,425	1,492,425	11.5	-	-	-	-
2025	17,183,207	1,140,000	411,800	1,551,800	11.1	-	-	-	-

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

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

Business Name	2024-25		2015-16	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Amazon Web Services (a)	1,613	9.78%		
Ravenswood Family Health Center	361	2.19%	213	1.42%
Ikea	306	1.85%	328	2.19%
Ravenswood City School District	265	1.61%	586	3.91%
Four Seasons Hotel - Silicon Valley	225	1.36%	310	2.07%
The Home Depot	186	1.13%	159	1.06%
City of East Palo Alto (b)	122	0.74%	110	0.73%
Eastside College Preparatory School	75	0.45%		0.00%
Nordstrom Rack	59	0.36%	70	0.47%
The Primary School	51	0.31%		
DLA Piper LLP			176	1.17%
US Post Office			150	1.00%
NTT Group			80	0.53%
Ropes and Gray Law Firm			60	0.40%
Total 10 Top Employers	3,263	19.78%	2,242	14.95%
Total City Employment (1)	16,500		15,000	

Source: MuniServices, LLC / Neumo
Source: FY2015-16, City of East Palo Alto -- ACFR Publication Report
(1) Total City Labor Force provided by EDD Labor Force Data.

Notes:
Results based on direct correspondence with city's local businesses.
(a) Amazon Web Services - Due to company's security policy, Employer will not provide updated c
Previous year count 1,613 has been applied.
(b) City of East Palo Alto - Count obtained from the FY2024-25 Adopted Budget Publication Report.

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

Function	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
General Government	21.0	23.0	23.0	23.0	24.0	24.0	21.0	21.0	22.0	30.7
Public Safety	45.5	45.5	46.0	46.3	47.2	48.2	48.2	50.6	49.6	49.3
Police										
Officers	36.0	36.0	36.5	37.3	36.5	37.5	37.5	38.4	38.4	42.8
Civilians	9.5	9.5	9.5	9.0	10.7	10.7	10.7	12.3	11.3	6.5
Public Works[1]	19.0	19.0	19.0	19.0	19.0	20.3	21.5	21.5	21.5	22.5
Culture & Recreation[2]	4.4	4.4	4.4	4.2	4.2	3.7	8.2	8.2	7.2	-
Community Development	15.0	17.0	19.9	20.5	20.5	17.5	19.0	20.0	20.0	20.0
Administration	4.0	4.0	5.9	6.5	6.5	3.5	4.0	4.0	4.0	4.0
Planning Division	3.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
Building Services Division	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Housing Division (includes Rent Stabilization)	2.0	2.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
Administration Division	2.0	2.0	2.0	2.0	2.0	4.5	4.5	4.5	4.5	4.5
Engineering Services Division	5.0	5.0	5.0	5.0	5.0	3.8	5.0	5.0	5.0	6.0
Maintenance Division	12.0	12.0	12.0	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	3.0	2.0	-
Recreation	1.0	1.0	1.0	1.0	1.0	0.9	2.9	2.9	2.9	-
Senior Services	1.6	2.4	2.4	2.2	2.2	1.8	2.3	2.3	2.3	-
Total	**104.9**	**108.9**	**112.3**	**112.9**	**114.8**	**113.6**	**117.8**	**121.2**	**120.2**	**122.4**

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	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Public Safety										
Calls for Service	31,312	30,745	28,087	29,375	26,344	24,969	20,855	23,701	24,254	29,523
Number of serious crimes [1]	174	116	319	164	129	172	359	216	179	454
Number of burglaries	93	97	78	82	64	92	80	43	27	33
Number of assaults	284	239	238	276	323	292	284	315	369	383
Number of auto thefts reported	393	86	101	192	110	212	158	150	141	112
Number of homicides	4	1	1	3	2	7	6	3	2	-
Number of robberies	77	48	69	57	49	65	55	63	50	53
Number of physical arrests	1,462	1,433	984	904	602	481	465	395	396	533
Public Works										
Streets										
Street Resurfacing (lane miles)	-	-	-	-	2	2.5	6.3	6.2	-	32
Potholes repaired	94	98	159	152	159	89	75	81	133	131
Engineering										
Encroachment permits	109	67	-	44	101	150	87	92	119	151
Culture & recreation										
Facility Rentals	41	67	58	55	101	24	106	242	558	1,263
Senior Lunches	6,662	9,112	6,509	3,094	5,742	8,548	10,155	6,075	5,640	2,100
Senior Transportation	3,020	2,996	2,606	2,349	2,041	-	7,854	1,744	1,828	2,128
Community Event participants	2,600	3,762	3,600	3,820	426	-	1,700	2,540	6,000	5,500
Fit Zone/Clean Zone Participants	1,116	2,655	194	500	130	-	-	75	125	75
Community Development										
Building Permits										
Residential - Count	391	590	506	442	397	397	352	407	455	481
Commercial Count	43	60	29	31	31	44	34	37	43	42
Transportation [2]										
Shuttle Passengers										
Caltrain/Commuter Shuttle	28,901	7,978	-	-	-	-	-	-	-	
Water Service[3]										
Hydrant Breaks	12	3	4	7	15	-	10	12	9	3
Water main breaks	19	7	3	13	16	10	14	21	10	12
Average daily consumption per family (in gallons)	200.0	217.0	222.7	258.0	226.0	229.0	258.0	270.8	282.2	274.4

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	2015-2016	2016-2017	2017-2018	2018-2019	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Government										
Public Works/Community Development	1	1	1	1	1	1	1	1	1	1
Community Development - Housing	1	1	1	1	1	1	1	1	1	1
Highways & Streets										
Streets (miles)	38	38	38	38	38	38	38	38	38	38
Streetlights	846	846	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	1	1	1	1
Water Service[1]										
Water pipelines (miles)	39	39	39	39	39	39	40	40	40	40
Fire hydrants	290	330	330	330	330	330	272	325	325	326
Maximum daily capacity (millions of gallons per day)	2.0	2.0	3.0	3.0	3.0	3.0	1.5	3.0	3.0	3.0

Notes:

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

Source: Various city departments

City of East Palo Alto

Measure A Fund

East Palo Alto, California

Schedule of Receipts and Disbursements with Independent Accountants' Report

For the year ended June 30, 2025

City of East Palo Alto
Measure A Transportation Fund
For the Year Ended June 30, 2025
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Independent Accountants' Report

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

We have examined management of the City of East Palo Alto, California's (City) assertion that the City followed the requirements of *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes in Accordance with the 2004 Measure A,* (Agreement) between the City and the San Mateo County Transportation Authority dated March 5, 2009, for the year ended June 30, 2025. A summary of revenues and expenditures specific to the Measure A Fund is attached to this report. The City's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is consistent with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with the Agreement.

In our opinion, management's assertion that the City complied with *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes in Accordance with the 2004 Measure A* between the City and the San Mateo County Transportation Authority dated March 5, 2009 is fairly statded in all material respects.

Eide Bailly LLP

Menlo Park, California
December 26, 2025

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City of East Palo Alto
Measure A Transportation Fund
Schedule of Receipts and Disbursements
For the Year Ended June 30, 2025

RECEIPTS:	
Transaction and use tax - Measure A	$ 767,302
Investment income	322,864
Total receipts	1,090,166
DISBURSEMENTS:	
Annual Street Resurfacing	2,807,507
Pulgas Avenue Mini Roundabout	73,700
Inter-governmental - PTap 26	3,000
Fiscal services & management overhead	1,799
Total disbursements	2,886,006
Receipts over / (under) disbursements	$ (1,795,840)

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CITY OF EAST PALO ALTO

December 26, 2025

San Mateo County Transportation Authority
1250 San Carlos Avenue
San Carlos, California 94070

Management's Report on Compliance with the Agreement for Distribution of San Mateo County Measure A Funds For Local Transportation Purposes

The City of East Palo Alto is responsible for complying with the Agreement For Distribution Of San Mateo County Measure A Funds For Local Transportation Purposes (the Agreement) between the City and the San Mateo County Transportation Authority effective January 1, 2009. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transactions and use tax approved by Measure A - San Mateo County Transportation Expenditure Plan, the City, agrees that funds, "shall not be used to replace funds previously provided by property tax or other local revenues for public transportation purposes, and that City will limit the use of Funds Provided Pursuant to this Agreement to the improvement and maintenance of local transportation, including streets and road improvements."

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2025:

- Management is responsible for establishing and maintaining an effective internal control structure with respect to compliance with the Agreement;
- Management is responsible for complying with the Agreement;
- Management has evaluated the City's compliance with the requirements of the Agreement;
- All transactions, as summarized in the attached Schedule of Receipts and Disbursements for the fiscal year ended June 30, 2025, are in compliance with the Agreement.

DocuSigned by:
Melvin Gaines
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12/26/2025

Melvin E. Gaines
City Manager

DocuSigned by:
Tomohito Oku
81A2786FAEC34D6...
12/26/2025

Tomohito Oku
Finance Director

City of East Palo Alto

Measure HH Fund

East Palo Alto, California

Financial Statements and Independent Auditor's Reports

For the year ended June 30, 2025

City of East Palo Alto
Measure HH Fund
Financial Statements
For the Year Ended June 30, 2025
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Independent Auditor's Report

To the honorable members of the City Council
of the City of East Palo Alto, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Measure HH Special Revenue fund (Fund), a nonmajor special revenue fund of the City of East Palo Alto (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund of the City, as of June 30, 2025, and the changes in its 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 Opinion

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 *(Government Auditing Standards)*. 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 opinion.

Emphasis of Matter

The financial statements present only the Fund, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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.

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Auditor's 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 opinion. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2025 on our consideration of the Fund of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the City's 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.

Eide Bailly LLP

Menlo Park, California
December 26, 2025

City of East Palo Alto
Measure HH Fund
Balance Sheet
June 30, 2025

	Measure HH Special Revenue Fund
ASSETS:	
Cash and Investments	$ 7,743,836
Accounts Receivable	19,974
Total assets	$ 7,763,810
LIABILITIES AND FUND BALANCES:	
Accounts payable and accrued liabilities	215,576
Total liabilities	215,576
Fund Balances:	
Restricted	7,548,234
Total fund balances	7,548,234
Total liabilities and fund balances	$ 7,763,810

See accompanying notes to the financial Statements

City of East Palo Alto
Measure HH Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	Measure HH Special Revenue Fund
REVENUES:	
Parcel Tax - Measure HH	$ 1,677,265
Interest income	319,482
Total revenues	1,996,747
EXPENDITURES:	
Administration:	
Community development	112,674
Program expenditures:	
Job Train and First Source Hiring	452,373
Total expenditures	565,047
REVENUES OVER (UNDER) EXPENDITURES:	1,431,700
FUND BALANCES:	
Beginning of year	6,116,534
End of year	$ 7,548,234

See accompanying notes to the financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure HH Special Revenue Fund (Measure HH Fund) of the City of East Palo Alto, California (City), are included as a separate special revenue fund in the basic financial statements of the City. The Measure HH Fund accounts for the City's share of revenues earned and expenditures incurred under the City's Measure HH parcel tax. The accompanying financial statements are for the Measure HH Fund only and are not intended to fairly present the financial position or results of operations of the City.

B. Basis of Accounting and Measurement Focus

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. Fund Accounting

The operations of the Measure HH Fund are accounted for in a separate special revenue fund. The fund is a separate accounting entity with a set of self-balancing accounts which comprise the assets, liabilities, fund equity, revenues, and expenses.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Measure HH monies are pooled with the City's cash, cash equivalents, and investments. The City pools cash resources from all funds to facilitate the management of cash. Cash and cash equivalents are considered amounts on hand, 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". The City invests in two external investment pools, the State of California Local Agency Investment Fund (LAIF) and the San Mateo County Investment Fund (County Pool).

All pooled cash and investments held by the City are considered cash and cash equivalents because LAIF and the County Pool are used essentially as demand deposits from the standpoint of the City. Information about the City's Cash and Investments is disclosed in the City's Annual Comprehensive Financial Report.

As of June 30, 2025, the Measure HH Fund had the following cash and investment activity:

Cash and investments	$ 7,743,836

Investments are stated at fair value using the aggregate method, resulting in the following investment income allocated to the Measure HH Fund:

Interest income	$ 286,034
Unrealized gain on change in fair value of investments	33,448
	$ 319,482

3. MEASURE HH FUNDS

In November 2018, the voters approved Measure HH, a special parcel tax to combat community displacement through affordable housing programs and assets, and provide programs for facilitating community access to job opportunities. The proceeds of the parcel tax are to be used for affordable and supportive housing programs, programs that facilitate access to job opportunities in the S.T.E.M. sectors, and building trades and strengthen First Source Hiring.

Revenue generated from this special tax can be used only for the following purposes:

- to create and maintain affordable and supportive housing programs, with an emphasis on the creation of net new housing;
- to create and maintain programs that facilitate access to job opportunities for East Palo Alto residents in the science, technology, engineering, and mathematics (STEM) sectors, building trades, and to strengthen the City's First Source Hiring Program, and;
- to pay for City staff and overhead costs to administer the ordinance and provide an annual report.

Revenue generated from this special tax must be used in the following manner:

- a minimum of 35% of the revenue must be used exclusively for the construction of new, affordable housing stock.

3. MEASURE HH FUNDS, CONTINUED

- a maximum of 15% of the revenue may be used for City staff and overhead costs to administer the ordinance and to provide an annual report.
- the remaining proceeds may be used for any of the other purposes specified in the ordinance at the discretion of the City Council.

The tax revenue cannot be used for any other purpose.

The authority to levy the tax imposed by Chapter 3.70 shall not expire unless ended by the voters of East Palo Alto. Measure HH authorizes the City Council to amend the parcel tax without subsequent voter approval, provided such amendment does not increase the amount of tax paid by any taxpayer in excess of the rate set forth in the Measure or change the allowed uses for the tax revenues.

A. Measure HH Expenditures

During fiscal year 2025, the City incurred $112,674 and $452,373 in administrative activities and program activities, respectively.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the Measure HH Special Revenue Fund (Fund) of the City of East Palo Alto, California (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
December 26, 2025

City of East Palo Alto

Measure W Fund

East Palo Alto, California

Schedule of Receipts and Disbursements With Independent Accountants' Report

For the year ended June 30, 2025

City of East Palo Alto
Measure W Transportation Fund
For the Year Ended June 30, 2025
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Management's Report on Compliance with the Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes 3

Independent Accountants' Report

To the Honorable Members of City Council
of the City of East Palo Alto

We have examined management of the City of East Palo Alto, California's (City) assertion that the City followed the requirements of the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in Accordance with the San Mateo County Congestion Relief Plan,* (Agreement) between the City and the San Mateo County Transportation Authority dated January 16, 2020, for the year ended June 30, 2025. A summary of revenues and expenditures specific to the Measure W Fund is attached to this report. The City's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is consistent with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with the Agreement.

In our opinion, management's assertion that the City followed the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in Accordance with the San Mateo County Congestion Relief Plan* between the City and the San Mateo County Transportation Authority dated January 16, 2020, is fairly stated in all material respects.

Eide Bailly LLP

Menlo Park, California
December 26, 2025

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City of East Palo Alto
Measure W Transportation Fund
Schedule of Receipts and Disbursements
For the Year Ended June 30, 2025

RECEIPTS:		
Transaction and use tax - Measure W	$	339,655
Investment income		62,422
Total receipts		402,077
DISBURSEMENTS:		
Annual street resurfacing		92,630
Total disbursements		92,630
Receipts over / (under) disbursements	$	309,447

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CITY OF EAST PALO ALTO

December 26, 2025

San Mateo County Transportation Authority
1250 San Carlos Avenue
San Carlos, California 94070

Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes*

The City of East Palo Alto (City) is responsible for complying with the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes* (Agreement) between the City and the San Mateo County Transportation Authority entered into on October 17, 2019. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transaction and use tax approved by *Measure W – San Mateo County Transportation Expenditure Plan*, the City, in use of these funds, shall "refrain from substituting funds provided to it pursuant to this Agreement for property tax funds which are currently being used to fund existing local transportation programs and limit the use of said funds to the improvement of local transportation, including streets and road improvements."

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2025:

- Management is responsible for establishing and maintaining an effective internal control with respect to compliance with the Agreement.
- Management is responsible for complying with the Agreement.
- Management has evaluated the City's compliance with requirements of the Agreement; and
- All transactions, as summarized in the attached Schedule of Receipts and Disbursements for the fiscal year ended June 30, 2025, are in compliance with the Agreement.

DocuSigned by:
Melvin Gaines
4A361DD749224BE...
12/26/2025
Melvin E. Gaines
City Manager

DocuSigned by:
Tomohito Oku
81A2786FAEC34D6...
12/26/2025
Tomohito Oku
Finance Director

City of East Palo Alto

Independent Accountant's Report on Applying Agreed-Upon Procedures Related To The Article XIII-B Appropriations Limit Calculation For the Fiscal Year Ended June 30, 2026

City of East Palo Alto
Appropriations Limit Schedule
For the Year Ended June 30, 2026

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Independent Accountant's Report

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

We have performed the procedures enumerated below, on the Appropriations Limit Calculation of the City of East Palo Alto, California (City) (the specified party), prepared in accordance with Article XIII-B of the California Constitution for the fiscal year ended June 30, 2026. The City's management is responsible for the Appropriate Limit Calculation.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the City in evaluating its Appropriations Limit Calculation and we will report on findings based on the procedures performed. Additionally, the City agreed to and acknowledged that the procedures performed are appropriate to meet their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish the City's appropriations limit and compared the 2025-26 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City's City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City's City Council.

   Finding: No exceptions were found as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2025-26 appropriations limit.

   Finding: No exceptions were found as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

   Finding: No exceptions were found as a result of this procedure.

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4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by the City's City Council.

   Finding: No exceptions were found as a result of this procedure.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the City's Appropriation Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council, and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Menlo Park, California
December 26, 2025

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City of East Palo Alto
Appropriations Limit Schedule
For the Year Ended June 30, 2026

		Source
A. Appropriations limit for the FY 2024-25	$ 40,575,070	Prior year schedule
B. Calculation Factors:		
1. Population increase %	1.0000	State Department of Finance
2. Inflation increase %	1.0644	State Department of Finance
3. Total adjustment factor %	1.0644	B1 x B2
C. Annual adjustment Decrease	$ 2,613,035	[(B3-1)A)]
D. Other Adjustments:		
Loss responsibility (-)	$ -	N/A
Transfers to private (-)	$ -	N/A
Transfers to fees (-)	$ -	N/A
Assumed responsibility (+)	$ -	N/A
E. Total Adjustments	2,613,035	(C+D)
F. Appropriations limit for FY 2025-26	$ 43,188,407	(A+E)

1. PURPOSE OF LIMITED PROCEDURES REVIEW

Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIIIB, the annual calculation of the appropriations limit is subject to this agreed upon procedures engagement.

2. METHOD OF CALCULATION

Under Section 10.5 of Article XIIIB, for fiscal years beginning on or after July 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-1987, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

3. INFLATION FACTORS

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of East Palo Alto for the fiscal year 2025-2026 represents the percentage change per capita personal income.

4. POPULATION FACTORS

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City of East Palo Alto for fiscal year 2025-2026 represents the population change in San Mateo County.

5. OTHER ADJUSTMENTS

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. There were no adjustments made for the fiscal year ending June 30, 2026.

December 26, 2025

To the honorable members of the City Council
of the City of East Palo Alto, California

We have audited the financial statements of City of East Palo Alto, California (City) as of and for the year ended June 30, 2025, and have issued our report thereon dated December 26, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated October 15, 2025 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 26, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks."

- Estimates – Generally Accepted Auditing Standards require a presumed risk of management bias when assumptions are used to calculate significant account balances, which for the City applies to pension, OPEB, claims, and compensated absences.
- Our audit standards require that we perform audit procedures relating to management override of internal controls and therefore we performed certain audit procedures in response to that risk.
- We performed audit procedures relating to revenue recognition and therefore we selected grant revenues and sales tax revenue as the revenues streams that we will perform audit procedures in the current fiscal year.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year, except for the effects of GASB Statement No. 101, Compensated Absences. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are related to the City's pension liabilities, Other Post Employment Benefit (OPEB) liability, and compensated absences liability. We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to the discount rate used by the City to estimate its pension liabilities. A disclosure has been made about the sensitivity of those pension liabilities where an increase or decrease of 1% will have significant impact on this estimate.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected missstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 26, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Additionally, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Group Audits

The financial statements include the financial statements of City, the East Palo Alto Sanitary District (District) and the City of East Palo Alto Public Financing Authority (Authority). For the purposes of our audit, we consider the City to be a significant component of the consolidated financial statements; however we do not consider the Authority to be a significant component of the financial statements. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of the Authority and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the Authority and completion of further audit procedures.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Menlo Park, California

EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 6, 2026

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: Shiri Klima, Assistant City Manager
Maurice Baker, Community Services Manager

SUBJECT: Youth Commission and Youth Task Force Program Development

Recommendation

That the City Council:

1. Receive a report on the process and progress in creating a Youth Commission and Youth Task Force and provide feedback; and
2. Find that the action being considered does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to CEQA Guideline section 15378 (b)(5), in that it is a government administrative activity that will not result in direct or indirect changes in the environment.

Executive Summary

The City of East Palo Alto has a long-standing interest in establishing a youth engagement body, with efforts dating back to the early 2000s. This City Council has identified this as a strategic priority project in the FY 2025-2027 Work Plan.

To advance this goal, the City issued a request for proposals in November 2024 and subsequently contracted with three consultants in early 2025. Together with City staff, the consultant team developed and implemented a comprehensive engagement strategy aligned with youth availability, reaching young residents through summer programs, schools, community events, pop-ups, and surveys between July and November 2025.

The outreach and engagement process was robust and inclusive, resulting in participation from over 100 youth. This engagement confirmed strong interest in a formalized youth governing body and underscored the desire for meaningful influence on City decision-making. Youth

participants expressed a clear preference for a Youth Commission, citing direct access to City Council, formal leadership development, and exposure to civic and budgetary processes. There was also strong support for a complementary Youth Task Force to promote collaboration among youth-serving organizations and broaden participation across the community.

Based on best practices and local feedback, staff recommends pursuing a dual-entity model consisting of a Youth Commission and a Youth Task Force. Implementation is expected to occur at least through FY 2028-29 to ensure sustainability, capacity-building, and leadership development. Staff proposes partnering with a qualified nonprofit organization to implement and operate the program. The estimated program cost is approximately $175,000, excluding staff time.

Overall, this effort represents a significant step toward amplifying youth voice, increasing civic engagement, and fostering intergenerational leadership in East Palo Alto. The proposed model reflects extensive community input and positions the City to build a sustainable, impactful youth engagement framework that aligns with Council priorities and community needs.

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

Priority: Civic Engagement
Priority: Governance, Organizational Strength, and Fiscal Sustainability
Priority: Parks, Recreation, and Community Facilities

Background

There have been multiple attempts to establish a youth engagement body dating back to the early 2000's with the most recent effort being an EPA Youth Advisory Council formation in 2009-10. Following the changes made to the Community Services Department in 2011-12, this effort was placed on pause despite there still being significant interest from Council in development of a youth governing body. In 2022, Council reaffirmed its interest by budgeting funding to the Community Services Division of the City Manager's Office to investigate resident interest in taking the next steps to develop a youth governing body. Due to staff capacity, this project was put on hold. However, in the spring of 2024, the City Council listed Develop Recommendations for Establishing a Youth Commission or Alternative Civic Engagement Program as one of its Strategic Priority Projects on its FY2025-2027 Work Plan.

Analysis

Staff issued a request for proposals (RFP) in November 2024. In that RFP, the City requested services to support what it would take to build a youth engagement body. Staff reviewed all five proposals. In early 2025, the City Manager awarded contracts in this regard (each below his $75,000 signing authority) to Leadership Institute (YLI) related to governance and program

structure, to Creative Hustle to implement their co-design process in engaging all parties who will play a role in the youth body's structure, and to Swordhouse for its grassroots community engagement style with local youth-serving organizations.

Staff and consultants came together to develop a work plan and schedule for completing the process by December 2025. Each consultant had one City staff member liaison with whom to work on a consistent basis while the entire team met monthly. The team recommended multiple strategies for community engagement that aligned with the availability of the 12- to 18-year-old demographic. With most students being out of school in June through August, the following timeline was developed to ensure we were engaging as many youth as possible at one setting:

July

- Host Co-Design Session One (engaged Summer Park Activation providers and organizations who gather youth during summer months)
- Meet with organizations that are partnering with facilities like East Palo Alto Community Archive @ EPACENTER

August

- Conduct outreach at various community events that are taking place around the City where youth are expected to gather like Back-to-School Family Day

September

- Host Co-Design Session Two (connect with schools directly and organizations that offer year-round programming)
- Begin school tour program where we engage youth during their class breaks and specialized instruction
- Start the community survey distribution that was distributed through multiple channels, like: City website and newsletter, City social media, Community Services email database, schools, and local community-based organizations (CBOs)

October

- Ramp up survey promotion to include paid social promotion to specific demographic
- Engage previous responders and incentive referral
- Begin promotion of Co-Design Session Three gathering

November

- Host Co-Design Session Three
- Conduct pop-up events at CCRMS and to engage the younger half of the 12- to 18-year-old demographic
- Perform survey outreach at KIPP Esperanza and Eastside College Preparatory

<u>Governance/Structure</u>

Youth Leadership Institute (YLI) has been responsible for developing and executing several youth engagement bodies around Northern California. Wendy Pacheco was selected as the

Project Manager from YLI and began working with the Community Services Division to assess options for a youth engagement body.

The following goals were developed to help ground and guide the conversation:

- Amplify youth voice and share in decision making
- Increase civic engagement among youth in EPA
- Create and sustain intergenerational leadership

With the established goals in mind, YLI compiled examples of each youth body variation that has been established the area and educated staff on their various strengths and considerations:

Option 1: Youth Council

Structure	Key Responsibilities	Considerations
Advisory or advocacy group made up of young people who provide input on youth-related issues, often to a city council, nonprofit, or school district Local examples: • Palo Alto Youth Council • Oakland Police Youth Leadership Council	1. Town Halls & Listening Sessions 2. Gather youth input on, and lead campaigns around, current issues 3. Organize youth-led events in partnership with schools, local CBOs, and businesses 4. Run social media accounts or newsletters tailored to youth 5. Share youth perspectives with City departments during presentations or informal sessions. 6. Propose pilot programs or changes to recreation schedules or spaces.	**Pros:** • More flexible and creative structure. • Allows youth to voice opinions and influence decisions in a supportive, educational environment. • Can focus on peer-led projects and outreach. **Drawbacks:** • Lacks formal authority or decision-making power. • Often seen as symbolic rather than impactful. • Heavily dependent on adult facilitation and funding.

Option 2: Youth Advisory Board

Structure	Key Responsibilities	Considerations
Structured body of young people that provides strategic guidance, feedback, and recommendations to an organization, nonprofit, institution, or agency on	1. Reviewing and giving feedback on new programs or services. 2. Participating in strategic planning sessions.	**Pros:** • Members may have a say in real decisions, budgets, or programmatic shifts. • Offers youth experience in governance,

programs, services, or policies that affect youth. These boards are often established within public agencies and can have either advisory or co-decision-making roles. Local examples: • Youth Climate Advisory Board • Redwood City Youth & Team Advisory Board • Oakland Police Youth Leadership Council	3. Leading or advising on grantmaking (youth-led philanthropy models). 4. Presenting to the organization's board or leadership team. 5. Engaging in peer-to-peer outreach or storytelling.	leadership, and project management. • Organizations or departments gain authentic youth input to improve services or programs. • Boards can target specific outcomes (e.g., grant allocation, youth homelessness solutions). **Drawbacks**: • Without real decision-making power, boards can feel performative • Usually tied to one organization's mission; not citywide or policy-focused.

Option 3: Youth Task Force

Structure	Key Responsibilities	Considerations
Youth-led, adult-supported body that brings together young people from diverse backgrounds — including at-large members and representatives from local community-based. The collective will elevate youth voice, strengthen community partnerships, and provide recommendations to city departments or the City Council on recreation, education, wellness, and equity.	1. Advise the City Council on policies and programs impacting youth. 2. Identify and promote recreational opportunities for youth. 3. Serve as a liaison between youth and local government. 4. Encourage civic engagement and leadership development among youth. 5. Promote cross-collaboration among local CBOs across the city.	**Pros:** • Informal structure • Allows for membership from all youth serving organizations that have interest; no size cap **Drawbacks:** • No requirement for commitment

Option 4: Youth Commission

Structure	Key Responsibilities	Considerations
		Pros:

A formal, often government-appointed advisory body that provides policy recommendations to city councils or other government entities on issues affecting youth. **Local examples:** • San Mateo Youth Commission • Oakland Youth Commission • Hayward Youth Commission • San Jose Youth Commission • Sacramento Youth Commission	1. Conduct youth-led research and present findings to City Council or government departments. 2. Host regular, publicly noticed meetings. 3. Provide formal input on city budget allocations or department plans. 4. Track local or state legislation affecting youth. 5. Collaborate with other commissions or advisory bodies. 6. Write letters of support or opposition to bills or proposals. 7. Give input on parks and recreation programs, housing policies, or public safety issues. 8. Serve on city-led task forces or working groups. 9. Evaluate the effectiveness of city youth programs.	• Has the potential to influence public policy and legislation. • More structured and respected by decision-makers. • Offers civics education & government experience. **Drawbacks:** • Bureaucratic structure can limit flexibility and creativity. • May require formal appointments, limiting access. • Slower-paced due to government processes.

There is also a fifth option, which is reserving a youth seat for appointment to each current board and commission. To set up youth for success, integration into local government processes requires onboarding that commissions may or may not be equipped to lead. Also, there may be current commissions that do work the youth are not interested in, and likewise, there may be work the youth are interested in that does not correspond with a current commission. Thus, this option was rejected right away.

Community Engagement

Local community member and entrepreneur, Swordhouse owner Tonga Victoria, along with her staff partner, Recreation Coordinator Vincent Amelio, led the robust strategy for reaching our young residents. Tonga and Vincent set up physical outreach at places like the Boys & Girls Club of the Peninsula and EPAA. They also solicited consistent support and engagement from local organizations like East Palo Alto Boxing Club, Live in Peace, and Youth United for Community Action. For each piece to work, there had to be clear coordination between all teams so that everyone was communicating the same direction. Below are the results of each engagement method led by the team.

- Co-Design Session 1: 34 attendees
- Co-Design Session 2: 35 attendees
- Co-Design Session 3: 37 attendees

- Survey Responses: 262 responses
- Two pop-ups attended: Cesar Chavez-Ravenswood Middle School and Eastside College Preparatory
- Six survey outreach sites: Boys & Girls Club of Peninsula, East Palo Alto Academy, KIPP Esperanza, EPACENTER, YMCA, and College Track

Co-Design Session

Led by the authors of Creative Hustle, Olatunde Sobomehin and Sam Seidel, the Co-Design process taken out of the halls of Stanford University's Hasso Plattner Institute of Design was brought straight to East Palo Alto. Along with the staff partner, Orleashia Amey, the act of engaging the intended audience in the development from start to finish provided a clear message that there is significant interest in a youth engagement body of some kind that will give a more solidified voice to one of our most vulnerable but active populations. Each session provided youth with information to make decisions that had clear outcomes.

In the first session, youth were educated by YLI about the four types of youth engagement options listed above as well as the pros and cons of each. The youth articulated a preference for a **youth commission** because this option:

- Provides direct access to the final decision makers (the Councilmembers)
- Offers experience with formal leadership opportunities within their City
- Can provide learning opportunities, including those regarding the budget process and political decision making

The youth also articulated an interest in a **youth task force** because this option:

- Allows for informal but strong collaboration between youth-serving organizations
- Provides a more complete understanding of the work being done in the City and areas for growth
- As a collective, they feel they will have a stronger voice related to matters of youth

In Co-Design Session Two, the focus was on the opportunities for growth that could be cultivated through a Youth Commission and/or Task Force. Youth were asked to weigh in on what they needed at each stage in life to become a leader in East Palo Alto. To do so, they first heard from leaders like San Mateo County Supervisor Lisa Gauthier and City Manager Melvin Gaines. This led to some very thoughtful responses and actionable items for a youth governing body to prioritize and present to the City Council.

The third Co-Design session gave the youth a chance to hear from founders of the City's incorporation about how they actually established the City. Youth commented following the presentations from Dr, Omowale Satterwhite and Vice Mayor Ruben Abrica that they too want to build something substantial.

A Commitment at Least through FY 2028-29

Staff believes that for the youth commission and youth task force to be fully implemented and functioning, it will take us along with a non-profit three years. **Thus, although budget decisions**

are made annually, the Council should be prepared to fund this program at least through FY 2028-29. In addition to the $25,000 we will request with the midyear budget for the remainder of FY 25-26, staff anticipates that the three-year cost of this program will be approximately $150,000 (meaning $50,000 annually in FY 2026-28 through FY 2028-29), which staff proposes come out of TOT. This is not accounting for the cost of staff time.

Immediately after This Meeting (still in FY 2025-26)

Following this meeting, staff will seek to obtain a non-profit that will implement a three-year plan that allows us to have a fully functioning Youth Commission. (To be eligible for funding using CYFS Transient Occupancy Tax (TOT) revenues, the selected nonprofit service provider must either be headquartered in East Palo Alto or for which a majority of clients served are East Palo Alto residents.) Staff will return to the City Council with that contract, which should be approximately $150,000. We may also have some ordinances to bring forward to Council to formally adopt these entities.

Year 1 (Implementation and Start Up in FY 2026-27)

hereafter, staff and the non-profit will finalize the structure of both entities and develop outreach and recruitment materials. This spring and summer, the non-profit will begin outreach and recruitment, review applications and interview the youth (by a youth panel and City staff) and complete the selection process for eight to twelve youth.

In the fall, staff hopes to plan a youth retreat, engage the youth commission in a decision process regarding the 2027 Summer Parks Activation programs, and host a holiday gather of the Youth Commission and Youth Task Force.

Year 2 (Growth and Capacity Building in FY 2027-28)

In Year 2, the goal will be to expand the membership to 12 to 15 participants. Staff and the nonprofit will review and evaluate the pilot year with the initial group of youth and also consider community feedback. We will do extra outreach and recruitment to increase participation.

Year 2 will also be about goal- and objective-setting for the commission and task force. The youth will be building capacity, learning the different areas the City touches and meeting with various elected officials, City staff and other decision makers. That year will include a youth needs assessment, community engagement period, and two or three developing campaigns or events.

Year 3 (Full Implementation and Sustainability in FY 2028-29)

In Year 3, staff and the nonprofit will review and evaluate Year 2 with the youth, considering both their own and community feedback. That year, the goal will be to maintain 15 active youth members through the application process as well as to formalize a leadership pipeline and succession plan.

Also in Year 3, we will pursue leadership opportunities within other City commissions and boards. We will create a sustainable communications strategy and finalize reporting channels to City staff and the community.

Fiscal Impact

In FY24, staff received funding from what was previous funding from Community Resource Grant funding for Youth Program Development that went unspent due to staff capacity. In FY 2025-26 as part of the mid-year budget adjustment, staff will be requesting $25,000 to initiate the development of said programming if Council should desire to move forward. Starting in FY 2026-27, staff will be requesting an annual appropriation of $50,000 annually to be budgeted in the Community Services Division from CYFS TOT Fund for as long as Council desires the program to continue; this funding will be granted to a nonprofit to run the program. In the far future, this amount may need to increase along with inflation. Sample preliminary Youth Task Force Budget and preliminary Youth Commission Budget are attached; these are drafts.

As proposed, participating youth would receive stipends for their commitment to the youth commission and youth task force. Considering that many youth in our community have to work to help their families, not providing such stipends would limit the diversity desired in this program. Transportation is also a huge consideration given the strained resources that are shared between a majority of families in our community, so we would be considering transportation vouchers as well, During the community engagement process and research of previous programming, these were two factors that crippled the opportunity to continue.

Public Notice

The public was provided notice by making the agenda and report available on the City's website and on a bulletin board located at City Hall: 2415 University Avenue, East Palo Alto.

Environmental

The action being considered does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to CEQA Guideline section 15378 (b)(5), in that it is a government administrative activity that will not result in direct or indirect changes in the environment.

Levine Act

The Levine Act is not applicable here as none of the consultants are seeking a license, permit, or other entitlement for use.

Attachments

1. Draft FY2026-27 Youth Task Force Budget
2. Draft FY2026-27 Youth Commission Budget

REVENUE		
City of East Palo Alto- Youth Task Force Budget		
EXPENSES	**Total Project Cost**	**Notes**
Program Materials & Supplies	$500	Includes any program branding materials, meeting materials, etc.
Food	$1,250	Snacks for meetings and food for up to 4 meetings
Community Outreach / Event promotion	$1,000	Can include social media outreach (paid ads), subscription for Canva to design promotion materials, incentives (e.g. SWAG) for community events, etc.
Youth Travel	$2,500	At minimum $100 per youth 25 youth x $100
Youth Stipends	$5,000	At $50 per meeting (4 meetings annually) = $200/youth 25 youth x $200
TOTAL EXPENSES	**$10,250.00**	

Cost of Internal Department Implementation		
REVENUE		
City of East Palo Alto- Youth Commission Budget		
EXPENSES	**Total Project Cost**	**Notes**
Youth Capacity Building	$3,500	2-day retreat or equivalent; includes space reservation, food, and event materials
Program Materials & Supplies	$2,000	Includes any program branding materials, meeting materials, etc.
Food	$2,500	Snacks for meetings and food for up to 2 community events
Community Outreach / Event promotion	$1,000	Can include social media outreach (paid ads), subscription for Canva to design promotion materials, incentives (e.g. SWAG) for community events, etc.
Professional / Consultants Fees	$2,500	Bring in CBO's to support the youth development and leadership training aspects of the programming. Can include professional development for staff.
Youth Travel	$3,750	At minimum $250 per youth 10 youth = $2,000 15 youth = $3,750
Youth Stipends	$18,000	At $50 per meeting (2 meetings x month) = $1200/youth 10 youth = $12,000 15 youth = $18,000
TOTAL EXPENSES	**$33,250.00**	

EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: January 6, 2026

TO: Honorable Mayor and Members of the City Council

VIA: Melvin E. Gaines, City Manager

BY: Denise J. Garcia, Assistant to the City Manager

Shiri Klima, Assistant City Manager

SUBJECT: Adoption of the Economic Development Strategic Plan (EDSP)

Recommendation

Staff recommends that the City Council:

1. Adopt the Final Draft Economic Development Strategic Plan (EDSP) prepared by HR&A Advisors, Inc. and Kearns & West; and
2. Provide feedback to staff on the EDSP.

Executive Summary

The Economic Development Strategic Plan (EDSP) provides a 10-year roadmap to strengthen East Palo Alto's economic resilience, support local businesses and entrepreneurs, expand workforce opportunities, and position the City for long-term fiscal sustainability. The City contracted with HR&A Advisors, Inc. to develop the EDSP through extensive research and community engagement.

The EDSP analyzes existing economic conditions, identifies key opportunity sectors, and outlines strategies to boost homegrown businesses, attract private investment, and make East Palo Alto investment ready. The EDSP organizes these strategies into three major goals supported by phased initiatives, which include "quick wins" achievable in the first two years, and provides supplemental guidance on strategic site development, potential tax increment financing, and local workforce alignment. Adoption of the EDSP will enable staff to prepare a detailed Five-Year Implementation Plan, including budget and staffing needs, and begin prioritizing initiatives for FY 2026–27.

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

Priority: Land Use, Economic and Workforce Development

Background

During the City Council Priority Setting for Fiscal Year (FY) 2023 - 2025, the City Council established a Strategic Plan priority to "Promote Housing, Economic and Workforce Development," including creation of an Economic Development Strategic Plan (EDSP). This priority was reaffirmed during the FY 2025 – 2027 City Council Priority Setting and focuses on expanding opportunities for small and micro businesses, supporting residents through quality job pathways, and leveraging strategic sites for long-term fiscal sustainability.

To support the development of the EDSP, City staff engaged Regional Government Services (RGS) for assistance in preparing a Request for Proposals (RFP) to retain a consultant firm to develop the City's Economic Development Strategic Plan. Brian Moura, a lead consultant from RGS with extensive experience in economic development, collaborated with City staff to draft the RFP and identify and map eight business districts. Following a competitive request RFP process, the City Council awarded a contract to HR&A Advisors, Inc. with community engagement subconsultant Kearns & West (K&W) in December 2024 to lead development of the EDSP. Work began with a project kickoff meeting in February 2025, which included the following:

- City Council Subcommittee Members, who are Vice Mayor Abrica and Councilmember Dinan
- City leadership, which included City Manager, Assistant City Manager. Assistant to the City Manager, and Community and Economic Development Director
- HR&A and K&W
- Brian Moura from RGS - Economic Development Advisors.

On July 15, 2025, the City Council received a project update and Existing Conditions Report summarizing the City's economic baseline, business district conditions, workforce landscape, community input themes, and early opportunity areas. Since that time, HR&A and K&W have worked with the City staff and Advisor Moura to complete extensive research, community engagement, and strategy development, resulting in the Final Draft EDSP now presented for adoption.

Analysis

The Final Economic Development Strategic Plan (EDSP) provides a comprehensive, data-driven framework for strengthening East Palo Alto's economic resilience, expanding opportunity for residents, and guiding land use and investment decisions over the next ten years. The EDSP is organized into eight major components, each of which contributes to a cohesive strategy for inclusive economic development. The following sections summarize the key components of the EDSP.

1. Existing Conditions Report

On July 15, 2025, the Council reviewed the Existing Conditions Report, which included a comprehensive assessment of East Palo Alto's current demographic and socioeconomic context, real estate uses and trends, business and retail landscape, industry and employment base, and barriers and opportunities to economic growth. The report has since served as the shared fact base informing community engagement, opportunity identification, and strategy development.

2. Engagement Overview & Findings

HR&A and K&W engaged local stakeholders in a variety of formats – including interviews, focus groups, a pop-up event, and a community workshop – to validate data findings and inform the development of the EDSP. Key engagement themes included:

- Strong interest in a vibrant downtown and an activated waterfront that reflect East Palo Alto's cultural diversity and serve both residents and visitors;
- A desire for increased City support for small and micro businesses and entrepreneurs;
- The need for expanded education and workforce training opportunities for youth and adults; and
- The importance of streamlining business permitting and development review processes to support long-term economic success.

3. Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

Insights from the existing conditions analyses and stakeholder conversations supported a SWOT analysis, which finds:

STRENGTHS
East Palo Alto benefits from its proximity to major employment hubs in the Bay Area, a strong base of small and micro businesses, and the waterfront as a unique natural asset. These key strengths that will support future economic development.

WEAKNESSES
Aging infrastructure and cumbersome development processes have limited the City's ability to foster the street-level vibrancy that attracts visitors and residents and drives economic growth.

OPPORTUNITIES AND THREATS
While development of vacant land and leveraging of State investments present significant opportunities, limited transit access and lingering negative perceptions must be addressed for East Palo Alto to fully realize these benefits.

4. *Opportunity Sectors*

HR&A identified opportunity sectors for East Palo Alto based on the City's current economic foundation and assets, regional strengths, and statewide and regional policy and funding priorities. Primary sectors, where East Palo Alto's strengths align with regional funding opportunities, include educational services and childcare, healthcare, construction, and light manufacturing.

Supporting sectors are those that have strong foundations to grow in East Palo Alto. They include food and beverage / hospitality, retail, professional services (and other office-based sectors), and tech. Supplemental sectors are those that may offer regional funding opportunities that the City may pursue opportunistically and include arts and culture as well as sustainable environmental management.

The economic development strategies section details how East Palo Alto should prioritize these sectors in industry attraction, site development, and workforce training.

5. Economic Development Strategies

Based on data analysis, stakeholder feedback, and national best practices, HR&A outlined a ten-year phased economic development vision for East Palo Alto: to expand the City's economy, grow community wealth, create vibrant places, and celebrate and tell its story.

Together, the strategies reflect a balanced approach to strengthening the local economy by supporting existing businesses, attracting new investment, and preparing the City for development. The strategies are anchored in three key economic development goals:

- **Goal 1** - boost homegrown businesses and entrepreneurs in order to generate community wealth.
- **Goal 2** - attract businesses and private investments to expand jobs, community amenities, and fiscal stability.
- **Goal 3** - make East Palo Alto investment ready by unlocking key development sites, improving infrastructure, and enhancing the City's brand.

Under each goal, two interconnected strategies and multiple initiatives work together to advance implementation. As detailed in the EDSP, initiatives are phased over ten years and include one to three "quick wins" achievable within the first two years. In support of these strategies, HR&A also developed a phased staffing plan.

Table 1: Economic Development Strategies At-A-Glance

Goals	***Strategies***	***Initiatives***
1. Boost Home-grown	• Provide a one-stop resource for small	1. Create a small business guide (digital / print) in English and Spanish.

Businesses & Entrepreneurs	businesses to start, scale, and thrive in EPA	2. Program the forthcoming City-owned incubator/office space in Gateway Retail Center for businesses and entrepreneurs.
		3. Establish “EPA Business Commons”, a physical all-in-one small/micro business and entrepreneurship center.
	• Make it easier for small businesses to navigate processes and reach customers	4. Streamline business licensing / permitting processes and fee structure.
		5. Create simple permits or pre-approved zones for temporary uses and small activations.
		6. Appoint an EPA Business Ambassador as the champion and promoter, technical assistant, and ombudsman.
		7. Create a “Shop Local” campaign and program.
2. Attract Businesses & Private Investments	• Run proactive business development with a clear EPA business case, digital “front door,” sector targets, and account management	8. Create a dedicated business development landing page on the City’s website with external resources and contact info.
		9. Expand the landing page to launch a more comprehensive “Choose EPA” portal as the digital “front door” for prospective businesses and investors.
		10. Grow EPA Business Ambassador’s role to also provide concierge-style support for prospective businesses and investors. Expand the team to also include an Economic Development Manager to conduct proactive business development.
	• Invest in workforce development to connect EPA residents to new economic opportunities and expand EPA’s appeal for opportunity sectors	11. Work with workforce development partners to provide industry-aligned trainings, potentially targeting opportunity sectors.
		12. Connect regional talent pipeline with EPA job and entrepreneurship opportunities.
		13. Establish a physical job-training hub.
3. Make East Palo Alto Investment Ready	• Strengthen EPA’s brand, activate the public realm, and create dynamic destinations	14. Promote EPA as a place to live, work, and visit.
		15. Regularly activate key corridors and strategic corners, public spaces, and underutilized private spaces.
		16. Engage professional branding consultant to launch a comprehensive marketing and branding campaign for the City.

	• Advance shovel-readiness and leverage the entitlement process to unlock strategic sites and incentivize priority uses	17. Leverage development requirements and entitlements to incentivize priority uses – to make desired uses and development type easiest to build.
		18. Establish an EPA Construction Accelerator program to train up a local construction workforce and help EPA contractors to compete for larger local and regional projects.
		19. Fund public infrastructure improvements (water/sewer, fiber, roads, placemaking, community assets, environmental remediation) at/near key sites / business districts.
		20. Assess the impact of current development requirements and fees; as needed, fill funding / financing gaps for catalytic projects.

Strategy Deep Dive

In addition to the core economic development strategies, the EDSP includes three supplemental strategy sections that provide deeper analysis of key implementation tools and opportunities: site opportunities, a tax increment financing district, and local employment strategies. These sections are intended to support more detailed planning and implementation while providing additional context to inform future policy and investment decisions.

6. Site Opportunities

HR&A conducted an assessment of vacant and underutilized sites in East Palo Alto and identified four strategic clusters that are best positioned for investment in support of inclusive economic development, aligned with the opportunity sectors identified in the EDSP. The recommendations and development concepts introduced in this section are intended to inform and inspire future planning and development review processes and are not intended to predetermine or prescribe specific land uses. Unlocking these strategic sites will require implementation of EDSP strategies to address negative external perceptions, development feasibility challenges, misalignment between development proposals and community vision, and existing infrastructure deficits. The four strategic clusters are described below and included on page 54 of the EDSP (Attachment 1):

- The Waterfront Cluster is envisioned as a hub of community life that leverages waterfront access and is anchored by destinations such as Bloomhouse and the proposed Civic Commons and athletic field.
- The Bay Road Cluster is envisioned as an employment and innovation district, building on the area's existing industrial base and transportation access.
- The Gateway Cluster is envisioned as a well-connected gateway to the City and region, offering destination shopping experiences and community-serving retail, services, and local job opportunities.
- The Neighborhood Infill Cluster is envisioned as a series of active neighborhood sites that integrate housing, retail, and small businesses, supporting more vibrant local

activity.

7. *Tax Increment District High Level Analysis:*

The City expressed interest in understanding whether a tax increment financing district model would be a useful tool in East Palo Alto. In response, HR&A conducted a high-level analysis to identify the conditions necessary for a successful Tax Increment Financing (TIF) district and to evaluate alternative financing mechanisms the City could consider. Key findings from this analysis include the following:

- The Ravenswood District represents the strongest candidate for a potential TIF, given its adopted Specific Plan, clearly defined infrastructure needs, established vision, and sites with significant development potential.
- Prior to pursing a TIF, the City should consider alternative tools that can deliver community benefits, including a Community Facilities District (CFD), Special Assessment District, Incentive Agreements, or Incentive Zoning.
- Additional analysis is required to evaluate the viability of any tax increment district, including the County being willing to contribute, and discussing tradeoffs between district-specific goals and broader General Fund and citywide needs, including staffing and service demands.

8. Local Employment Strategies Deep-Dive

East Palo Alto has a robust ecosystem of nonprofits such as JobTrain, StreetCode Academy, Live in Peace, WeHope, EPACenter, One EPA, Renaissance Entrepreneurship Center, and Grassroots Ecology, that are engaged in local workforce development. These nonprofits could be better aligned with strong regional industries to maximize resident access to quality jobs. Training in tech and entry-level skills for youth and young adults are existing strengths, while workforce training for healthcare, hospitality, and green jobs are emerging opportunities. However, gaps remain in preparing residents for employment in advanced manufacturing and other opportunity sectors identified in the EDSP. The EDSP identifies Bay Area California Jobs First funding as a potential resource to strengthen training programs in priority sectors. The City's use of Measure HH funds for job training, placement, and support services to East Palo Alto residents in the STEM and building trades employment sectors is another resource.

8 Critical Initiatives

The EDSP identifies 20 initiatives across three goals; among these, **eight "must-do" initiatives** are considered critical to launching East Palo Alto on a path of inclusive and sustainable economic growth. Several of these initiatives are designed as early "quick wins" that can be implemented within the first one to two years to deliver immediate benefits for residents and businesses. These include:

1. Creating a small and micro-business guide
2. Streamlining business licensing and permitting processes
3. Establishing a dedicated business development landing page as a clear digital "front door" for prospective businesses and investors

4. Partnering with workforce development organizations to provide industry-aligned training
5. Promoting East Palo Alto as a place to live, work, and visit through public-realm activations and branding efforts.

Mid-term priorities identified in the EDSP include:

6. Updating development requirements and entitlement processes to incentivize priority uses
7. Appointing an EPA Business Ambassador to serve as a champion, concierge, and ombudsman for businesses, with the potential to expand this capacity over time.

The final critical initiative, which is a longer-term effort that will be essential to unlocking private investment and supporting sustained economic vitality, is:

8. Funding public infrastructure improvements near key sites and business districts.

Staff seeks Council's feedback on the EDSP in general, the 20 initiatives, and especially on the 8 must-do initiatives.

Next Steps

If the Council adopts the Final EDSP, staff will develop a detailed Five-Year Implementation Plan, which will include a staffing plan, timelines, budget needs, and metrics. Staff will also return to Council with funding and staffing recommendations in early 2026 in coordination with the FY 2026–27 budget cycle to fund the first year of this Implementation Plan.

Fiscal Impact

There is no fiscal impact for adopting the EDSP. Implementation of strategies will require future staffing, operational, and capital funding, which will return to Council for approval during the budget process or as part of project-specific actions.

Public Notice

The public was provided notice by making the agenda and report available on the City's website and on a bulletin board located at City Hall: 2415 University Avenue, East Palo Alto.

Environmental

The action being considered does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to CEQA Guideline section 15378 (b)(5), in that it is a government administrative activity that will not result in direct or indirect changes in the environment.

Government Code § 84308

Analysis of Levine Act Compliance: Not applicable.

Attachments

1. Final Draft of the Economic Development Strategic Plan



East Palo Alto Economic Development Strategic Plan

Final Report

January 6, 2026

HR&A

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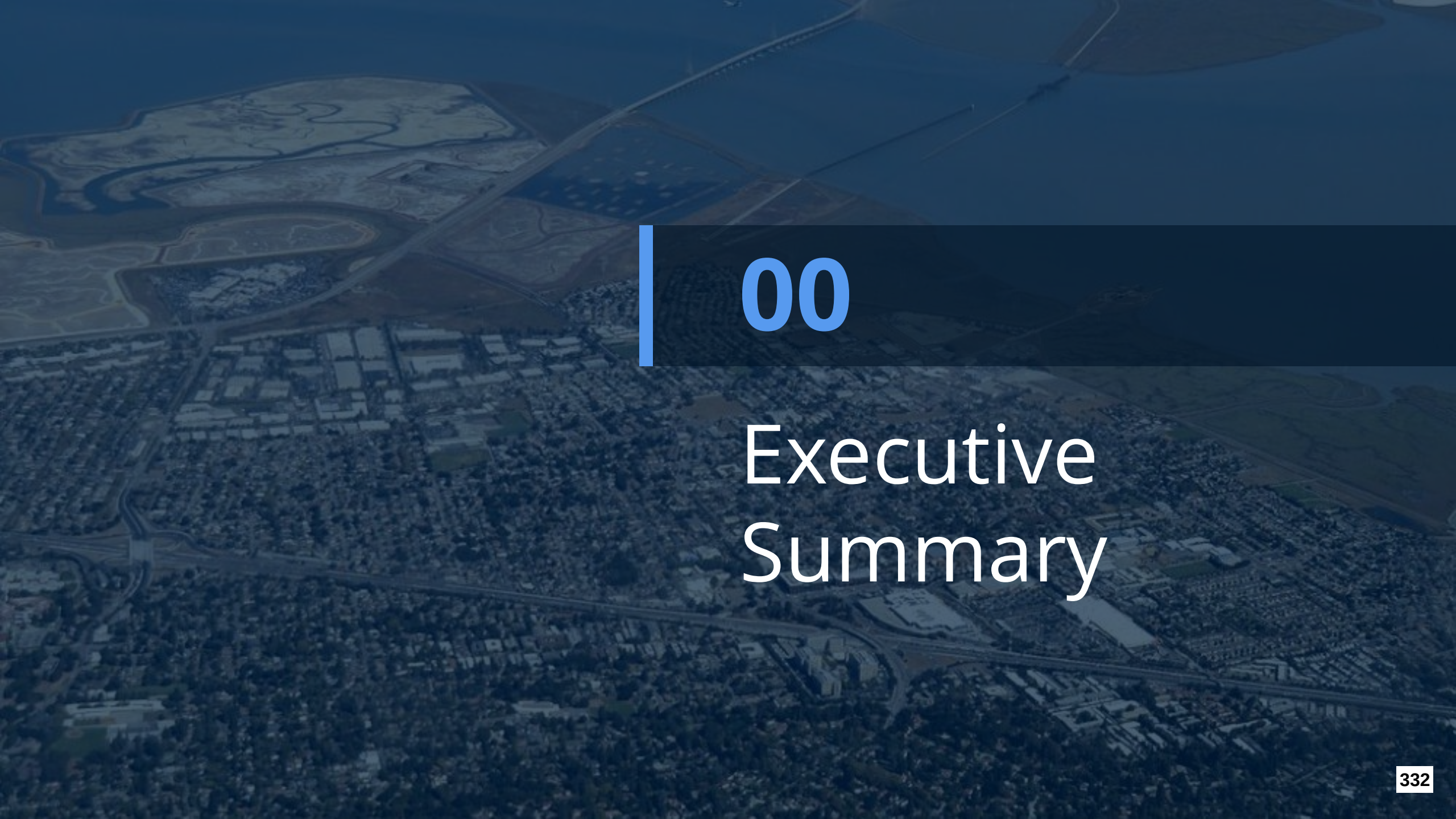
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Executive Summary

The Economic Development Strategic Plan (EDSP) will deliver an equity-focused, actionable economic development strategy* tailored to East Palo Alto's needs.



Support local entrepreneurship



Leverage strategic sites



Generate employment opportunities



Diversify tax base & Increase revenues

*An **economic development strategy** focuses on **strengthening the economy**, **supporting business activity,** and **creating jobs** in a city to expand **economic opportunities for its residents.**

The EDSP provides the City of East Palo Alto and its partners with clear next steps to realize the City's economic development vision.

Clear Vision
grounded in data and engagement

Actionable Frameworks
with measurable outcomes the community can understand and use

Priority Actions
to take in the near-, mid-, and long-term

The EDSP includes the following components, drawing on insights gathered through engagement and data analysis.

1 | Existing Conditions

- *History & Background*
- *Demographic & Socioeconomic Context*
- *Industry & Employment Base*
- *Business & Retail Landscape*
- *Real Estate Conditions*

2 | Engagement Overview & Findings

3 | Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis

4 | Opportunity Sectors

5 | Economic Development Strategies

- *Vision, Goals, Strategies, & Corresponding Initiatives*
- *Implementation Roadmap*
- *Strategy Deep-Dives: Site Opportunities, Tax Increment District, & Local Employment Strategies*

Stakeholders Engaged

- City leadership & staff
- Local developers
- Workforce development organizations
- Small / micro businesses & entrepreneurs
- Ravenswood Shores Business District (RSBD)
- Community members

Data Sources

- City of East Palo
- CoStar
- Lightcast
- EPA sales tax data
- ACS 5-year estimates, 2023
- Regrid
- Site visit
- Interviews, focus groups, pop-up event, workshop

1. **Community of color rooted in resilience and self-determination**. EPA has long served as an affordable haven for Black and Latinx residents in the Bay Area, shaped by a history of resistance against racialized policies, active community organizing, and ongoing tensions between growth and displacement.

2. **Younger residents and larger households**. EPA has a younger population and larger households compared to the region, underscoring the need for strong schools, workforce pathways, and family-sustaining jobs.

3. **Rising incomes and education - but persistent inequities.** Median household income and educational attainment are improving, yet remain well below regional levels; residents earn less even with a college degree.

4. **Stark racial disparities.** Roughly 70% of residents - primarily Latinx and Black households - earn about $25,000 less than the citywide median, highlighting ongoing inequities and the importance of expanding accessible economic opportunities.

Detailed analysis included in Appendix A (Existing Conditions Report).

1. **Small, growing employment base that still lacks high-wage jobs**. EPA has regained most jobs lost since 2013, but total employment remains relatively low and has grown more slowly than the region; low-wage jobs still dominate even as high-wage jobs expand.

2. **Emerging industry strengths, limited access to tech**. Professional, Scientific and Technical Services and Health Care are the largest industries and offer key sources of quality jobs in EPA, but the City captures little of the region's dominant tech sector and its legacy manufacturing base remains small.

3. **City of small and micro businesses with few major economic anchors**. Most businesses employ fewer than 10 workers, making small business growth central to local economic development, while a handful of larger employers have outsized influence on jobs and tax revenues.

4. **Fragmented commercial environment and limited retail**. There are few visible business clusters and concentrated active storefronts, limiting vibrant commercial corridors and sense of place; retail diversity is limited, leading to unmet demand and a leakage of resident and worker spending.

5. **Stagnant development but clear opportunities**. Growth across real estate types has been stagnant, yet tightening demand in existing multifamily housing and the potential for new retail and industrial uses - especially in the City's business districts - signal potential focus for investment.

Detailed analysis included in Appendix A (Existing Conditions Report).

HR&A and Kearns & West conducted ~20 interviews and focus group conversations, along with two community events, that together engaged approximately 100 people.



Center local people and small businesses
Provide tangible support to entrepreneurs and small/micro-businesses through grants, shared spaces (ghost kitchens, coworking, pop-ups), marketing help, and access to a broader customer base beyond EPA.



Create quality jobs and pathways
Invest in young residents and the local workforce through education, mentorship, and skills training that lead to living-wage careers in strong regional industries.



Make it easier to invest and develop
Streamline permitting and entitlement processes, clarify steps for new businesses and development, and align regulations with EPA's economic development goals.



Strengthen EPA's identity and tell the EPA story
Communicate a new "brand," highlighting opportunity and cultural richness, to attract and retain businesses and visitors.



Invest in places that catalyze activity
Activate the waterfront, establish a vibrant commercial corridor, expand public gathering spaces, and improve infrastructure and community-facing services.



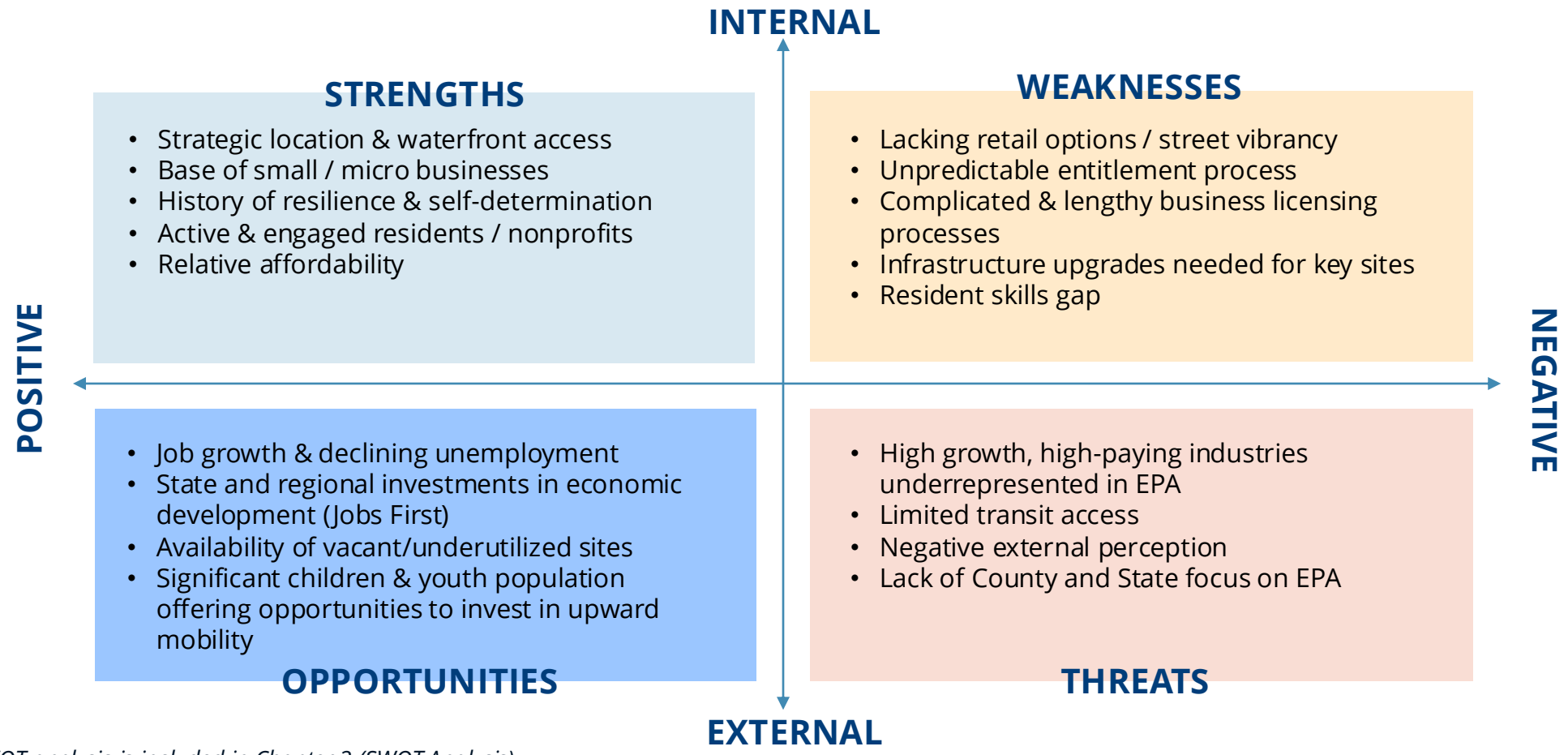
Support shared prosperity
Advance inclusive growth and mitigate negative impacts such as displacement to ensure that EPA's economic gains benefit all.

Detailed engagement summary is included in Chapter 1 (Engagement Overview and Findings).

DRAFT

Based on existing conditions analyses and stakeholder engagement, HR&A developed a SWOT analysis that summarizes EPA's assets, challenges, and regional opportunities.

Strengths, Weaknesses, Opportunities, Threats (SWOT)



Detailed SWOT analysis is included in Chapter 2 (SWOT Analysis).

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Based on EPA's current economy, regional industry strengths, and alignment with regional and state funding priorities through CA Job First / Bay Area Job First Collective, HR&A has identified the following Opportunity Sectors.

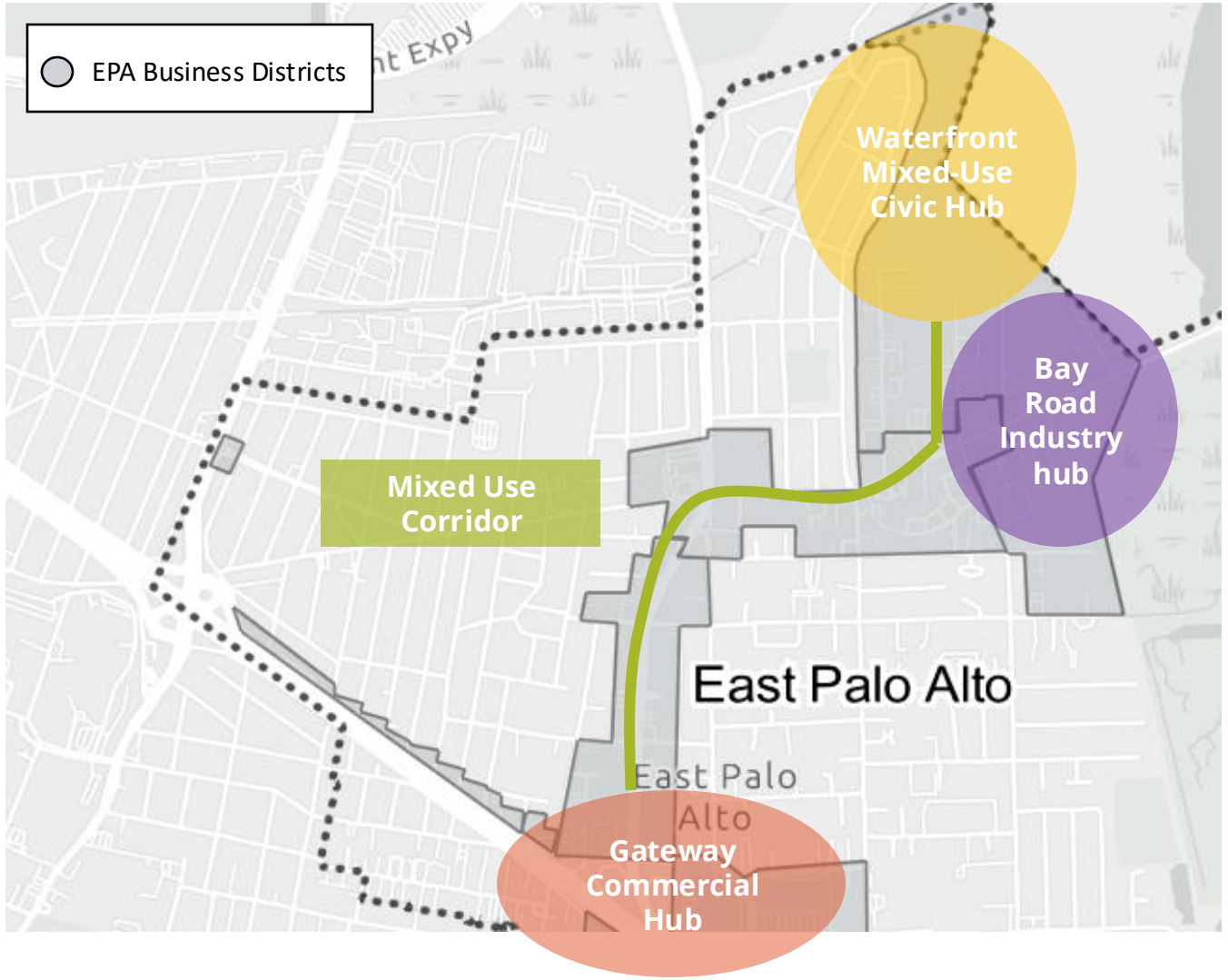
Opportunity Sector Type	Sectors	Goals
Primary Sectors *Sectors where EPA's strengths/growths & regional funding opportunities align*	• Education / Childcare • Healthcare • Construction • Manufacturing (incl. advanCEDD manufacturing)	• Grow existing businesses • Attract new businesses / industries • Workforce development & entrepreneurship
Supporting Sectors *Sectors with a foundation to grow in EPA given local and regional context*	• Food & Beverages / Hospitality • Retail (local & destination) • Office-Based Sectors (incl. Professional Services) • Technology	
Supplemental sectors *Other sectors that may offer regional funding opportunities*	• Arts & Culture • Sustainable Environmental Management	• Workforce development & entrepreneurship

Detailed opportunity sector identification and analysis are included in Chapter 3 (Opportunity Sectors).

DRAFT

In alignment with opportunity sectors, HR&A developed potential priority uses for strategic sites to advance EPA's community and economic development goals.

- **Waterfront Mixed-Use Civic Hub:** hub of community life, anchored by destinations like Bloomhouse, proposed civic commons and athletic fields, and leveraging waterfront access
- **Bay Road Industry Hub:** employment and innovation district, building on the area's existing industrial base and transportation access
- **Gateway Commercial Hub:** well-connected gateway to the city and region, offering destination shopping experience and community-serving retail, services, and local job opportunities
- **Mixed-Use Corridor:** a series of sites that integrate housing, retail, and small businesses, supporting mixed-use neighborhood



Detailed site opportunities are included in Chapter 5 (Site Opportunities).

HR&A recommends six economic development strategies across three goals to expand the economy, grow community wealth, create vibrant places, and celebrate and tell EPA's story.

Goals	Strategies	Desired Impact
1. Boost Home-Grown Businesses & Entrepreneurs	A. Provide a **one-stop resource** for small businesses to start, scale, and thrive in EPA B. Make it easier for small businesses to **navigate processes** and **reach customers**	• More businesses launched and sustained; higher revenues and survival rates for local firms. • Shorter, clearer permitting and licensing timelines; expanded market access.
2. Attract Businesses & Private Investments	A. Run **proactive business development** with a clear EPA business case, "front door," sector targets, and account management **B. Invest in workforce development** to connect EPA residents to new economic opportunities and expand EPA's appeal for opportunity sectors	• Stronger investment pipeline and site take-up; new, higher paying jobs, and a larger tax base. • ReduCEDD land / space vacancy and visible wins (anchor tenants, expansions).
3. Make East Palo Alto Investment Ready	**A. Strengthen EPA's brand**, **activate the public realm**, and **create dynamic destinations** B. Advance shovel-readiness and leverage the entitlement process to **unlock strategic sites** and **incentivize priority uses**	• Faster time-to-market and activation of underutilized sites with job-generating and community sustaining uses. • Upgraded public realm and increased foot traffic and visitation.

As detailed on the next slides and in Chapter 4 (Economic Development Strategies), HR&A recommends 3 – 4 initiatives to advance each of the six strategy.

DRAFT

EXECUTIVE SUMMARY | INITIATIVES & IMPLEMENTATION ROADMAP

LEGEND

- Quick-win
- Mid-term
- Long-term
- Sequence
- Continued Implementation / Updates

	Lead	Resource	Y1-2	Y3-5	Y6-10
1A.1 Create a small/micro business guide	CEDD / Small Biz Ambassador	$			
1B.1 Streamline business licensing / permitting processes	Finance/Permitting	$			
2A.1 Create a dedicated business development landing page	CEDD / BizDev Manager	$			
2B.1 Work with workforce development partners to provide industry-aligned trainings	CEDD / Nonprofit partner	$			
1B.2 Create simple permits or pre-approved zones for temporary uses	Finance/Permitting	$			
3A.1 Promote EPA as a place to live, work, and visit through activations	City Manager's Office	$			
1A.2 Program City-owned incubator space in Gateway Retail Center	CEDD / Nonprofit partner	$$			
1B.3 Appoint an EPA Business Ambassador	City Manager's Office	$$			
1B.4 Create a "Shop Local" campaign and program	CEDD / Small Biz Ambassador	$			
2A.2 Launch a more comprehensive "Choose EPA" portal	CEDD / BizDev Manager	$$			
2B.2 Connect regional talent pipeline with EPA job/entrepreneurship opportunities	CEDD / BizDev Manager	$			
3A.2 Regularly activate key public spaces and underutilized private spaces	CEDD	$$			
3B.1 Update development requirements and entitlements to incentivize priority uses	CEDD	$			
3B.2 Establish an EPA Construction Accelerator	City Manager's Office / CEDD	$$			
1A.3 Establish EPA Business Commons	City Manager's Office / CEDD	$$$			
2A.3 Expand CEDD team to include an Economic Development Manager	City Manager's Office	$$			
2B.3 Establish a physical job-training hub	City Manager's Office / CEDD	$$$			
3B.3 Fund public infrastructure improvements	City Manager's Office / CEDD	$$$			
3B.4 Fill funding / financing gaps for catalytic projects	City Manager's Office / CEDD	$$			
3A.3 Engage professional branding consultant	City Manager's Office / CEDD	$$			

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CRITICAL INITIATIVES

The full EDSP outlines 20 initiatives across three goals. Among them, **eight "must-do" moves** are especially critical to launching EPA on an inclusive growth path.

1.	Create a **small/micro business guide** (1A.1).	Quick Win
2.	**Streamline business licensing / permitting processes** (1B.1).	Quick Win
3.	Create a dedicated **business development landing page** (2A.1). *Over time, further expand this into a more comprehensive **"Choose EPA" portal** (2A.2).*	Quick Win
4.	Work with workforce development partners to provide **industry-aligned trainings** (2B.1).	Quick Win
5.	**Promote EPA** as a place to live, work, and visit through activations (3A.1).	Quick Win
6.	**Update development requirements and entitlement process** to incentivize priority uses (3B.1).	Mid-Term
7.	Appoint an **EPA Business Ambassador** (1B.3). *Over time, further grow the team to include an **Economic Development Manager** (2A.3).*	Mid-Term
8.	**Fund public infrastructure** improvements (3B.3).	Long-Term

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01

Engagement Overview & Findings

ENGAGEMENT OVERVIEW

HR&A and Kearns & West engaged local stakeholders in a variety of formats to inform the development of the Economic Development Strategic Plan.

Real Estate Community	Local Businesses / Entrepreneurs	Workforce & Entrepreneurship Nonprofits	Broader EPA Community
Format: *Interviews* ***Participants:*** *6 individuals/firms* ***Engagement Goal:*** *Fact-finding*	***Format:*** *Interviews* ***Participants:*** *10 entrepreneurs / businesses* ***Engagement Goal:*** *Fact-finding*	***Formats:*** *Interviews & focus groups* ***Participants:*** *7 organizations* ***Engagement Goal:*** *Fact-finding*	***Formats:*** *Pop-up event & community workshop* ***Participants:*** *~90 community members at community workshop and pop-up event.* ***Engagement Goal:*** *Fact-finding; vision & strategy development*
Areas of input: • Commercial, industrial, and residential market trends • Challenges and opportunities in development / attracting market interest • Development feasibility • City processes	***Areas of input:*** • Businesses' locational decisions • Opportunities / constraints for growth • Workforce challenges • Areas of needs & support	***Areas of input:*** • Workforce development ecosystem (players and focus) • Strategies and impact • Challenges & opportunities • Partnership with the City	***Areas of input:*** • Validate concerns, challenges, and opportunities for individuals, families, and small/micro-businesses & research findings • Gather feedback on proposed strategies

Activity

We asked ~70 residents:
"What is missing? What would you like to see more of in East Palo Alto?" For example: restaurants, offices, parks, shops, housing, etc.

TOP ANSWERS TO "WHAT IS MISSING?"

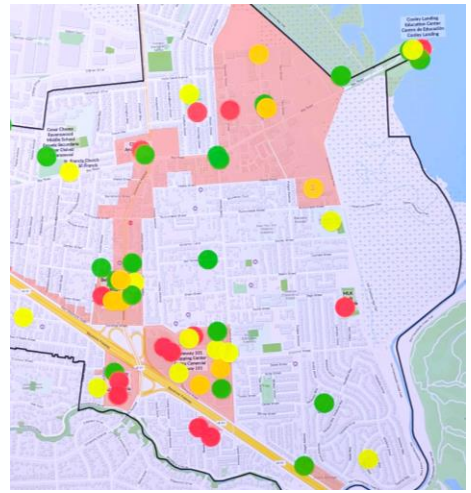
- **Housing & mixed-use development**
- **Dining & nightlife hub:** sit-down restaurants, cafés, affordable eateries, bars
- **Retail essentials:** big-box stores, full-service groceries/food courts, pharmacies, second-hand shops
- **Recreation & open space:** entertainment center, water park, bowling alley, gyms/yoga studios, nature trails
- **Youth & community hubs:** kid-safe spaces, study cafés, summer jobs, cultural/history venues & events
- **Entrepreneur launchpads:** cloud/ghost kitchens, flexible maker/retail spaces
- **Access & streets:** more parking, University Ave redesign



DOTS INDICATING BUSINESSES/AREAS THEY RELY ON OR FREQUENT OFTEN

TOP ANSWERS TO "WHAT WE LOVE"

- Favorite places/businesses are concentrated in business districts
- High levels of civic pride with deep sense of community and belonging



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Interviews

With 23 stakeholders representing local small/micro businesses, workforce non-profits, and the business / development community

TOP ANSWERS TO "WHAT CAN EPA DO TO HELP?"

1. **Easy-to-navigate permitting process.** Streamlining and demystifying steps for new EPA food & beverage businesses.
2. **Jobs with living wages.** Partnerships with non-profits and employers to support EPA residents in securing higher-paying jobs.
3. **Idea-stage startups.** Partner with tech incubators to support entrepreneurial EPA residents in developing their ideas.
4. **Sales and marketing beyond word of mouth.** Partnerships with online influencers and e-commerce platforms to increase visibility of EPA businesses.
5. **More opportunities to sell.** Frequent and predictable events or "shop-local fairs" for EPA businesses to rely on as a source of revenue.
6. **Customer base beyond EPA.** Attracting residents of neighboring cities to increase visibility of EPA businesses.
7. **Employees beyond friends & family.** Guidance for EPA businesses on the process of hiring and onboarding staff.
8. **Peer-to-peer networking.** Opportunities for EPA businesses and entrepreneurs to exchange knowledge and share resources.
9. **Amenities for workers and residents.** More places to eat, socialize, shop, and relax in EPA – crucial for office tenant attraction and community vibrancy.
10. **Streamlined development review.** Development approval process mismatched with economic development goals. Development requirements and entitlement process are negatively impacting development feasibility - "30% of zero is still zero."

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COMMUNITY WORKSHOP OVERVIEW

On September 4, HR&A and Kearns & West hosted a community meeting to validate existing condition findings, co-develop EPA's economic development vision, and gather feedback on potential strategies.

Validate **Opportunities & Challenges** Findings

Develop a Shared Economic Development **Vision**

Community Meeting Goals

Gather Input on **Strategic Approach**

Prioritize **Potential Initiatives**



20+

Local residents, small business owners, faith leaders, workforce development organization representatives, City staff, and more

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WORKSHOP ACTIVITIES

On September 4, HR&A and Kearns & West hosted a community meeting to validate existing condition findings, co-develop EPA's economic development vision, and gather feedback on potential strategies.



Open House Engagement

Upon arrival and after programmed activities, attendees were encouraged to review informational boards around the room and respond to prompts about EPA's economic strengths and challenges.



Findings Presentation

HR&A and Kearns & West welcomed attendees and provided an overview of the strategic planning process, as well as key findings from the initial existing conditions analysis.



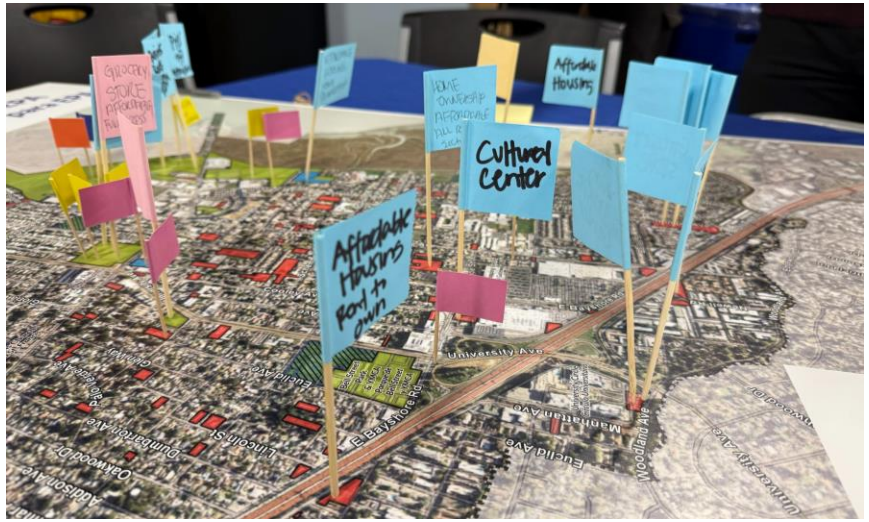
Facilitated Breakout Discussions

Attendees broke out into three discussion groups to collaboratively develop an economic vision for the city and explore actionable strategies to bring it to fruition.

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WORKSHOP ACTIVITIES

Attendees also shared ideas on how vacant parcels in the city may better serve the community.







COMMUNITY WORKSHOP TAKEAWAYS

Participants of the workshop identified the following **programming and investment priorities** to advance inclusive economic development.



Communicate a New EPA Identity
Residents want to market a new "brand" for EPA, one that emphasizes economic opportunity and the cultural richness of the community.



Provide Tangible Support to Business Owners
Targeted grant programs and a dedicated small/micro business resource hub will help foster growth.



Invest in Young Residents
Young people in EPA should be equipped with comprehensive education, mentorship, and workforce training to build pathways to meaningful careers.



Streamline Permitting & Entitlement Processes
Streamlining approvals and removing regulatory barriers can help spur entrepreneurship and private investment.



Empower the Local Workforce
Workforce development providers should continue to design and implement job and tech skills training programs that prepare EPA residents to thrive in both the local and regional economies.

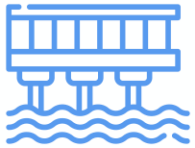


Support Shared Prosperity
Advancing inclusive growth and mitigating negative impacts such as displacement to ensure EPA's economic gains benefit all residents.

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COMMUNITY WORKSHOP TAKEAWAYS

Participants also identified the following **placemaking and development priorities** that could improve quality of life and help catalyze economic development.



Activate the Waterfront
Vacant land along the waterfront and Cooley Landing should be developed for more engaging uses, better connecting residents and visitors with a natural asset.



Establish a Vibrant Downtown
Bay Rd and University Ave are the city's key economic corridors and should offer vibrant cultural and recreational experiences for residents and visitors.



Create More Public Gathering Spaces
Community members desire places beyond traditional parks – such as food hall, plazas, amphitheaters - in which to foster connection with neighbors and celebrate culture.



Devote Space for Local Entrepreneurs
Training centers, ghost kitchens, and coworking spaces can support local business owners by offering environments to develop skills and grow their ventures.

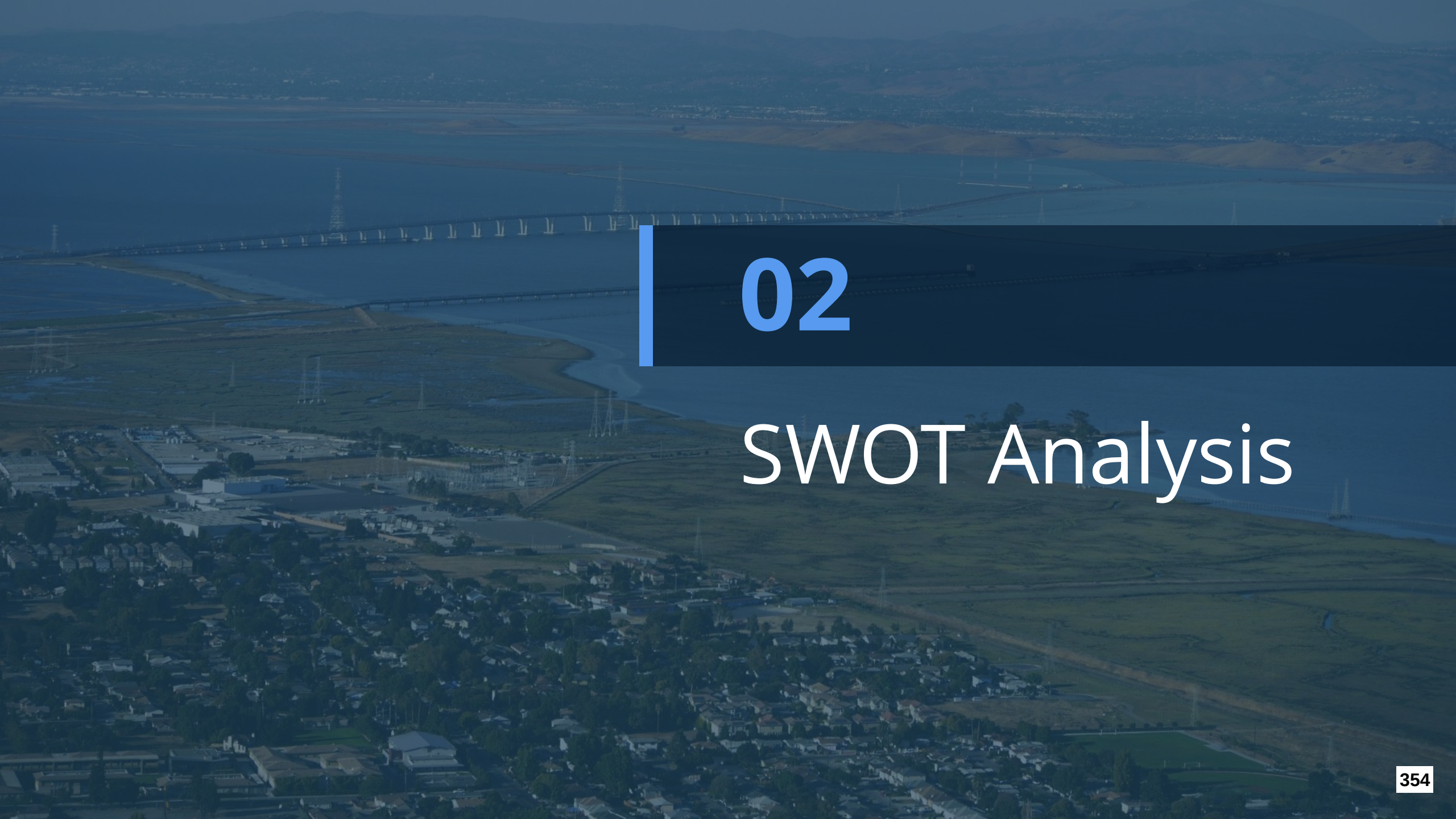


Provide Community-Facing Services
Community members seek access to essential everyday services – including additional full-service grocery stores with pharmacies and childcare - to meet their needs.



Improve Aging Infrastructure
Key infrastructure - water systems, electrical grids, roads, etc. – will need to be modernized to accommodate new development and ensure long-term sustainability.

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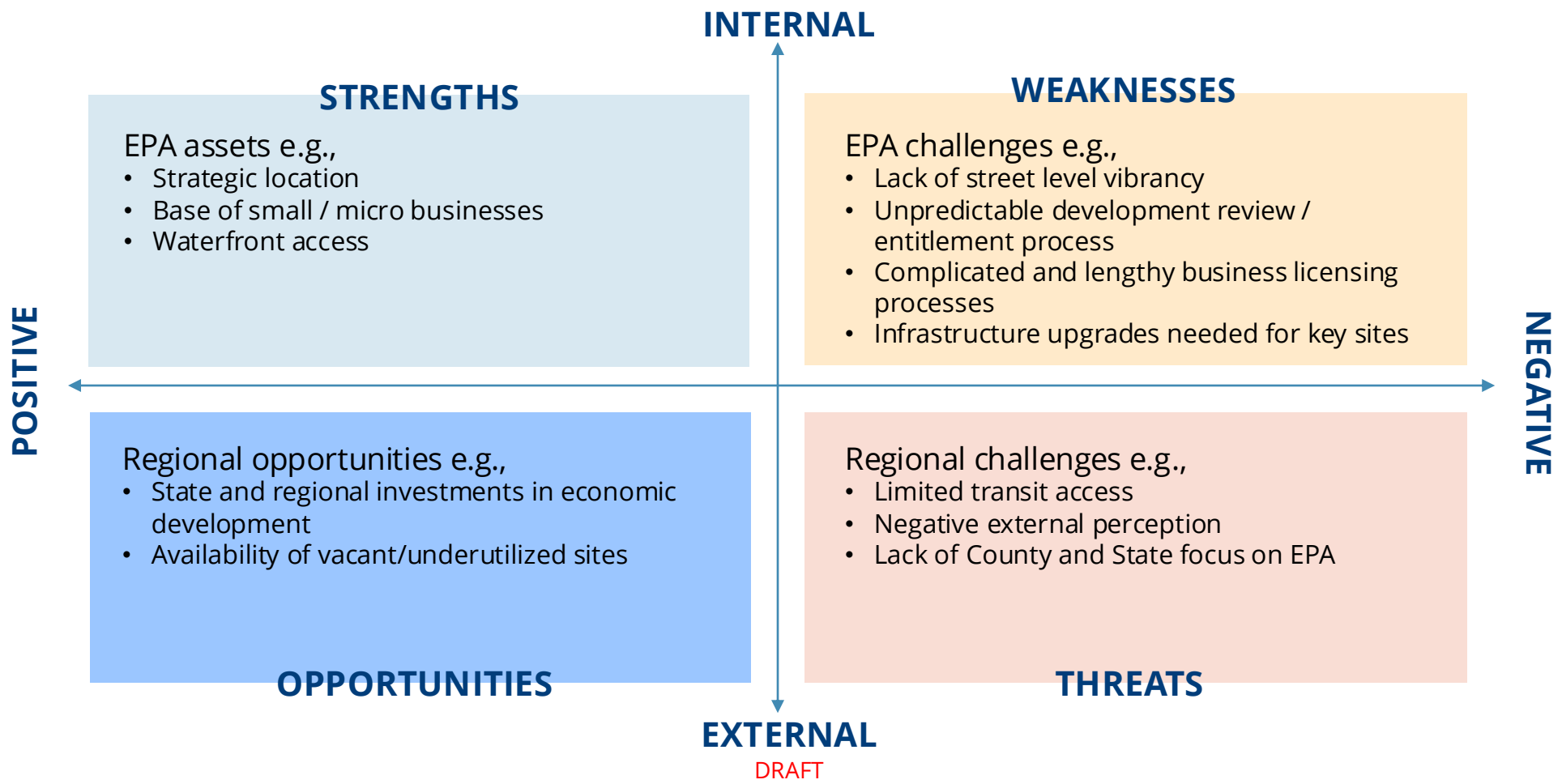


02

SWOT Analysis

Through existing conditions analyses and stakeholder engagement, HR&A developed a SWOT analysis that summarizes EPA's assets, challenges, and regional opportunities.

Strengths, Weaknesses, Opportunities, Threats (SWOT)



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	INDUSTRY & ECONOMY	REAL ESTATE & PHYSICAL ASSETS	POLICIES & GOVERNANCE	COMMUNITY
STRENGTHS	• Strategic location & **strong regional economy** • **Existing base of small/ micro businesses** & industries	• **Waterfront** • Established business districts • **Shared vision** for key areas • **Relative affordability**	• Consensus on need for **inclusive economic growth** • Attention to entrepreneurship & workforce development	• History of **resilience & self-determination** • **Active & engaged residents / nonprofits** • **Rich history, culture, & diversity**
OPPORTUNITIES	• **Job growth** & declining unemployment	• **Vacant parcels** with potential • Committed development partners	• **Opportunities to leverage California Job First** & Bay Area Job First Collaborative resources	• Significant children & youth population offering opportunities to invest in upward mobility









	INDUSTRY & ECONOMY	REAL ESTATE & PHYSICAL ASSETS	POLICIES & GOVERNANCE	COMMUNITY
WEAKNESSES	• **Limited high-paying local jobs** or jobs with career pathways • Small / micro businesses **lacking growth support**	• Significant **infrastructure & environmental remediation needs** • **Limited amenities & retail options** • No true "main street" or downtown	• **Fiscal deficit** constraining City's ability to directly invest in economic development • Limited City capacity for economic development • Complicated, lengthy, and hard-to-navigate business licensing processes • **Development review process perceived as unpredictable**/high-risk	• **Skills gap, systemic barriers**, & limited wraparound support constraining access to high-paying jobs
THREATS	• **High growth industries underrepresented** in EPA • **Negative external perception** & persistent impact from historic discrimination	• Limited transit access • High office vacancies regionally	• County/State not prioritizing EPA	• **Digital divide** limiting ability to take advantage of tech economy (jobs, start-up formations)



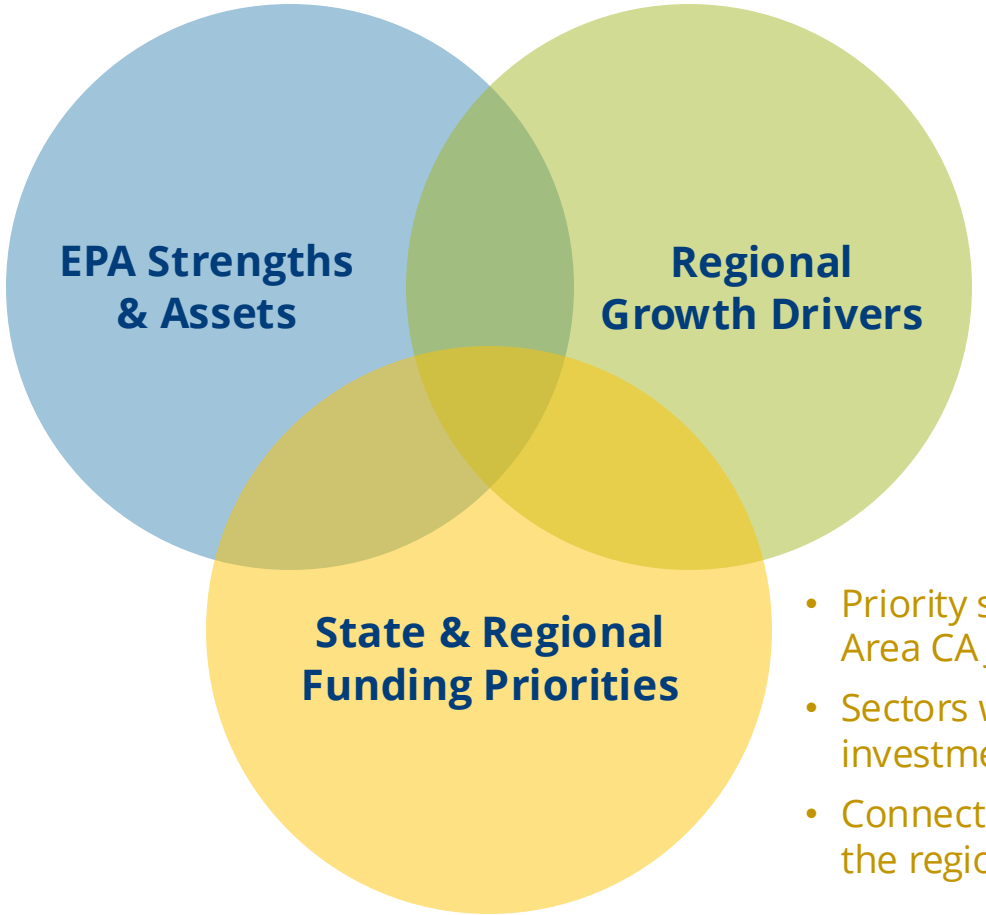
03

Opportunity Sectors

OPPORTUNITY SECTORS APPROACH

HR&A identified opportunity sectors for EPA based on the city's current economic foundation and assets, regional strengths, and statewide and regional policy and funding priorities.

- Existing employment base
- Top growing sectors
- EPA's strategic location
- Available land



- Existing employment base
- Top growing sectors

- Priority sectors identified in the Bay Area CA Jobs First Plan
- Sectors with State and County investment available
- Connection to research institutions in the region

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OPPORTUNITY SECTORS

Based on EPA's current economy, regional industry strengths, and alignment with regional and state funding sources through CA Jobs First / Bay Area Job First Collective, HR&A has identified the following Opportunity Sectors.

Opportunity Sector Type	Sectors	Goals
Primary Sectors *Sectors where EPA's strengths/growths & regional funding opportunities align*	• Education / Childcare • Healthcare • Construction • Manufacturing (incl. advanCEDD manufacturing)	• Grow existing businesses • Attract new businesses / industries • Workforce development & entrepreneurship
Supporting Sectors *Sectors with a foundation to grow in EPA given local and regional context*	• Food & Beverages / Hospitality • Retail (local & destination) • Office-Based Sectors (incl. Professional Services) • Tech	
Supplemental sectors *Other sectors that may offer regional funding opportunities*	• Arts & Culture • Sustainable Environmental Management	• Workforce development & entrepreneurship

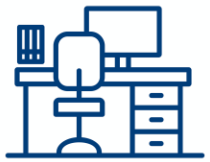
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PRIMARY OPPORTUNITY SECTORS SPACE NEEDS

Sector	Types of Spaces	Considerations
 **EDUCATION /CHILDCARE**	• Childcare spaces • Space for apprenticeship programs for childcare workers • Community facilities for educational services • Workforce development facilities	• Accessible location • Adjacency to other city services, community facilities, educational institutions, etc.
 **HEALTHCARE**	• Healthcare centers such as ambulatory services to support residential growth • Co-located care hubs that combine childcare, adult day care, and aide support in one facility • Upskilling and training programs for home health aides to support EPA health workers in becoming regionally competitive	• Accessible location • Adjacency to other city services, community facilities, educational institutions, etc.
 **MANUFACTURING/ CONSTRUCTION**	• Manufacturing spaces greater than 100,000 SF e.g., construction tech facilities, semiconductor manufacturers, modular construction manufacturers • Food manufacturing and industrial kitchens greater than 1,000 SF • Light industrial flex spaces that can be integrated with other mixed-use uses • Data centers (not priority given environmental impact)	• Prioritize facilities that can create quality jobs and increase revenue for the City • Manufacturing spaces need high energy and water supply • Access to highway and ease of access are critical • Ground floor is preferred by many industrial uses

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SUPPORTING OPPORTUNITY SECTORS SPACE NEEDS

Sector	Types of Spaces	Considerations
 **FOOD & BEVERAGE/HOSPITALITY**	• Small to large retail spaces for various types of restaurants in key commercial corridors • Subsidized space for mobile vendors and local F&B operators to expand operations • Incubator kitchens	• Accessible location • Ground floor • Affordable rents
 **RETAIL**	• Grocery store (full-service with pharmacy) • Regional shopping centers • General merchandise stores	• Ground floor • Cluster retail businesses on key corridors
 **OFFICE-BASED SECTORS/TECH**	• Offices in mixed-use developments • Flex space/coworking space for small businesses and entrepreneurship • Office space for tech companies and professional services companies such as law firms	• Accessible location • Adjacency to amenities

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04

Economic Development Strategies

ECONOMIC DEVELOPMENT VISION & GOALS

Building on analytical findings and insights from initial engagement, HR&A developed an economic development vision for EPA,and three strategic goals to advance that vision.

ECONOMIC DEVELOPMENT VISION

Expand East Palo Alto's economy, grow community wealth, create vibrant places, and celebrate and tell EPA's story.

Goal 1
Boost Home-Grown Businesses & Entrepreneurs
to generate community wealth

Goal 2
Attract Businesses & Private Investments
to expand jobs, community amenities, and fiscal stability

Goal 3
Make East Palo Alto Investment Ready
by unlocking key sites, making EPA a more dynamic place, improving infrastructure & enhancing EPA's brand

The vision and goals were discussed and validated at the Community Workshop on Sep 4, 2025.

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STRATEGIES & OUTCOMES AT-A-GLANCE

Each goal is anchored by two core strategies and tied to measurable outcomes for jobs, tax base, and community amenities.

Goals	Strategies	Desired Impact
1. Boost Home-Grown Businesses & Entrepreneurs	A. Provide a **one-stop resource** for small businesses to start, scale, and thrive in EPA B. Make it easier for small businesses to **navigate processes** and **reach customers**	• More businesses launched and sustained; higher revenues and survival rates for local firms. • Shorter, clearer permitting and licensing timelines; expanded market access.
2. Attract Businesses & Private Investments	A. Run **proactive business development** with a clear EPA business case, "front door," sector targets, and account management **B. Invest in workforce development** to connect EPA residents to new economic opportunities and expand EPA's appeal for opportunity sectors	• Stronger investment pipeline and site take-up; new, higher paying jobs, and a larger tax base. • ReduCEDD land / space vacancy and visible wins (anchor tenants, expansions).
3. Make East Palo Alto Investment Ready	**A. Strengthen EPA's brand**, **activate the public realm**, and **create dynamic destinations** B. Advance shovel-readiness and leverage the entitlement process to **unlock strategic sites** and **incentivize priority uses**	• Faster time-to-market and activation of underutilized sites with job-generating and community sustaining uses. • Upgraded public realm and increased foot traffic and visitation.

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INITIATIVES & PRIORITIZATION APPOACH

To guide prioritization and phasing, HR&A defined 20 initiatives aligned with the six strategies. These initiatives are organized as quick wins, mid-term, and long-term actions, each with order-of-magnitude resource estimates and potential partners.

Initiatives Phasing

Quick-Win — *1-2 year; may be able to implement with existing resources.*

Mid-Term — *2-5 years; likely need new partnerships, funding sources, and additional City staff.*

Long-Term — *5-10 years; require larger investments, expanded City team, and/or greater policy shifts.*

Resource Needs

(Incl. Staffing & Funding)

$: *up to $75K*

$$: *$75K – $200K*

$$$: *$200K+*

Some mid- and long-term initiatives will require near-term groundwork, even if their impact is realized over a longer horizon.

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GOAL 1: BOOST HOME-GROWN BUSINESSES & ENTREPRENEURS

Strategy 1A: Provide a one-stop resource for small/micro businesses to start, scale, and thrive in EPA

	Priority Initiatives	Resource Need	Key Partners
Quick-Win	**1A.1** Create a **small/micro business guide** (digital / print) in English and Spanish, potentially including: • ***How-to guides / FAQs*** *on starting a business or a workers co-op, licenses/permitting processes, rules and regulations, contacts in different agencies* • ***Market opportunities*** *(e.g. events / vending / marketing opportunities)* • ***Resource links*** *to technical assistance and resources for small businesses (e.g small business loans, grants, etc.)* • ***Vacant storefronts / leasing opportunities*** *(sourCEDD from broker network or as part of business-facing site navigator tool. See additional details in Goal 2 Strategy 2A)* • ***Flyers with QR code*** *leading to the digital webpage* • ***Listserv / monthly newsletter*** *for local businesses to stay updated on events, new processes, etc.*	$	• Community and Economic Development Department (CEDDD) • Broker network
Mid-Term	**1A.2** Through a nonprofit partner, program the forthcoming **City-owned incubator/office space** in Gateway Retail Center as a place to access free coworking space and receive referrals/warm-handoffs to City and external support services.	$$	• Nonprofit operator of coworking space
Long-Term	**1A.3** Establish "**EPA Business Commons,**" a physical all-in-one small/micro business and entrepreneurship center, through partnership with an organization like the REN Center: • *Permit/license navigation* • *Small business capital access / technical assistance / business planning advisory* • *Peer-to-peer networking* • *"Pitch contest" with integrated support and exposure to investors*	$$$ (high initial capital cost, likely low operational cost through partnership)	• Nonprofit operator of entrepreneurship center • Network of small businesses/entrepreneurs • City investment

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GOAL 1: BOOST HOME-GROWN BUSINESSES & ENTREPRENEURS

Strategy 1B: Make it easier for small/micro businesses to navigate processes and reach customers

	Priority Initiatives	Resource Need	Key Partners
Quick-Win	**1B.1 Streamline business licensing / permitting processes and fee structure**, with a focus on lowering barriers for smaller businesses with limited revenues	$	• City Finance Department
Quick-Win	**1B.2** Create **simple permits or pre-approved zones for temporary uses and small activations** (e.g., parklets on parking spaces that can be used by street vendors)	$	• City Finance Department • CEDDD
Mid-Term	**1B.3** Appoint an **EPA Business Ambassador** to serve as a champion, promoter, technical assistant, connector, and ombudsman for existing and prospective businesses, improving their experience operating and succeeding in EPA.	$$	• CEDDD
Mid-Term	**1B.4 Create a "Shop Local" campaign and program** that highlights home-grown businesses and supports resident, worker, and visitor spending in EPA-based businesses • ***City subsidy for Buy One/Get One promotions*** *– City Finance Department could fund $25,000 annually to incentivize local purchases with discounts*	$	• CEDDD • City Finance Department • Local businesses

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San Carlos Holiday Passport Program



DESCRIPTION

The San Carlos Holiday Passport Program is a seasonal initiative launched by the City of San Carlos to encourage residents to shop locally during the holiday season. The program gamifies the shopping experience by offering a "passport" that participants fill with stickers earned from purchases at participating businesses. Once completed, passports can be submitted for entry into raffles and to claim exclusive prizes like a limited-edition tote bag. The program is designed to boost foot traffic, increase local spending, and foster community spirit.

STRATEGIES

- By turning shopping into a fun, goal-oriented activity, San Carlos increases engagement and repeat visits to local businesses.
- The program is tied to the holiday season, leveraging natural consumer behavior and enhancing it with community-driven incentives.
- The City provides printed passports, stickers, and promotional posters at no cost to businesses, lowering barriers to entry.

KEY RESOURCES

- City Economic Development Department
- Local businesses
- Community engagement marketing tools

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Emma's Eco-Clean (Redwood City, CA) & Worker Coop Support





DESCRIPTION

Emma's Eco-Clean is a worker-owned, eco-friendly housecleaning cooperative in Redwood City. It grew out of a women's support group at Families in Transition/Catholic Charities in East Palo Alto, where low-income Latina immigrants sought safer, better-paid work in the cleaning industry. WAGES (Women's Action to Gain Economic Security), a nonprofit co-op developer, organized and incubated the business. Since opening in 1999 with five members, Emma's has grown to 27 co-owners; evaluations of WAGES co-ops show 40–80% income gains, new access to health insurance, and increased savings for worker-owners.

STRATEGIES

Emma's Eco-Clean and other worker co-ops succeed when a few key ingredients are in place:

- Partnerships with trusted CBOs, clinics, churches, and service providers (as Families in Transition did for Emma's) to recruit members from existing networks of women, immigrants, and low-income workers.
- Deep, multi-stage training plus early professional management and back-office support so new co-ops can stabilize and grow.
- Tailored capital tools and shared infrastructure – such as co-op loan funds, matched savings programs, and shared bookkeeping/marketing – to lower barriers to entry and help co-ops scale collectively.

KEY RESOURCES

- Co-op developers
- Local social service and community-based organizations
- Community lenders / CDFIs
- Pro bono legal partners
- Philanthropic and institutional funders

While not directly linked to any specific initiative identified above, support for worker co-ops could be integrated into small/micro business and entrepreneurship offerings. This aligns with California Jobs First's "bottom-up" approach and offers opportunities to leverage state funding to build regional hubs for co-op technical assistance and capital.

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GOAL 2: ATTRACT BUSINESSES & PRIVATE INVESTMENTS

Strategy 2A: Run proactive business development with a clear EPA business case, "front door," sector targets, relevant planning efforts, and account management

Priority Initiatives	Resource Need	Key Partners
Quick-Win **2A.1** Create a dedicated **business development landing page** with: • *Key **EPA stats, strengths, and sectors it is looking to attract** (drawing from EDSP)* • ***Links to existing resources** such as ZoomProspector tool that provides community information and zones eligible for major incentives* • ***Map of available sites** and entitlement status* • *Point of contact*	$	• CEDDD • Planning Division
Mid-Term **2A.2** As an expansion of the landing page, launch a more comprehensive **"Choose EPA" portal** as the digital "front door" for prospective businesses and investors, providing info on: • *EPA's **comparative advantages,** to make the business case for locating in EPA* • *Target **sector profiles** articulating key assets, workforce, and recent momentum* • *A **navigator tool** that allows businesses to quickly summarize Federal/State/County/local funding opportunities and incentives for relocating to EPA, and view available sites* • *Point of contact at the City of EPA (same person as the EPA Business Ambassador)*	$$	• CEDDD • Planning Division
Long-Term **2A.3** Grow EPA Business Ambassador's role to also **provide concierge-style support** for prospective businesses and investors. Expand the team to also include an **Economic Development Manager** to conduct **proactive marketing**. Activities may include: • *Attending industry-focused conferences / tradeshows* • *Hosting site and business district tours (e.g., bus tours)* • *Building relationships with regional employers/brokers/developers*	$$	• CEDDD

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GOAL 2: ATTRACT BUSINESSES & PRIVATE INVESTMENTS

Strategy 2B: Invest in workforce development to connect EPA residents to new economic opportunities and expand EPA's appeal for opportunity sectors

	Priority Initiatives	Resource Need	Key Partners
Quick-Win	**2B.1** Work with workforce development partners to provide **industry-aligned trainings** and support **worker cooperatives**, prioritizing EPA opportunity sectors and other regional growth industries. *(This may include city and partners hosting regular job fairs for local and regional jobs.)*	$	• Workforce development providers • Bay Area Jobs First Collaborative; • Local employers • Higher education • Labor unions
Mid-Term	**2B.2 Connect local and regional talent pipeline with EPA job and entrepreneurship opportunities.** *(potentially partner with schools, Stanford, community colleges, and local nonprofits on a single initiative that combines an EPA jobs and entrepreneurship portal with a program that matches students and graduates to small-business needs in tech, social media marketing, etc.).*	$	• Bay Area Jobs First Collaborative; • Local employers • Higher education • Labor unions
Long-Term	**2B.3** Establish a **physical job-training hub** near City facilities and service access points, potentially co-located with the planned Civic Commons or the EPA Business Commons recommended in this Plan.	$$$ (high initial capital cost, likely low operational cost through partnership)	• Workforce development providers • CEDDD • Labor unions

Note: *Relevant sectors for industry attraction and workforce development are defined in the* ***Sector Opportunities chapter****.*

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Choose Redwood City

DESCRIPTION

"Choose Redwood City" is an initiative led by the City of Redwood City, California, aimed at fostering a vibrant and inclusive business environment. The program is part of the city's broader economic development strategy and is designed to attract, retain, and support businesses of all sizes - from tech headquarters to small family-owned shops. It provides comprehensive resources for site selection, licensing, financing, and community integration, with a strong emphasis on equity, sustainability, and economic mobility.



STRATEGIES

- Redwood City consolidates all business-related services—permits, zoning, financing, and workshops—into one accessible portal.
- The program connects to State and Federal resources for technical assistance and other funding
- The city adopts a biennial Economic Development Work Plan that outlines priorities such as small business support, workforce development, and customer service enhancements.

KEY RESOURCES INVOLVED

- City Manager's Office
- City Economic Development Department
- State/Federal business licensing and technical assistance programs e.g., CalOSBA, SCORE

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GOAL 3: MAKE EPA INVESTMENT READY

Strategy 3A: Strengthen EPA's brand, activate the public realm, and create dynamic destinations

	Priority Initiatives	Resource Need	Key Partners
Quick-Win	**3A.1 Promote EPA** as a place to live, work, visit, and invest in, potentially through the following venues: • *Hosting events/festivals/waterfront recreation* • *Marketing online e.g., EPA events calendar, "a day in EPA" itinerary, and online directory telling the story of EPA's history and rich culture (Instagram stories, signage)* • *Creating signage / banners for key commercial corridors or business districts to make EPA's brand visible and enhance district identity* • *Conducting business- and developer-facing marketing about the City's recent and current planning efforts, infrastructure investments, desired uses, and customer / workforce base.*	$	• CEDDD • Planning Division • Community Service Division
Mid-Term	**3A.2** Regularly **activate key corridors and strategic corners, public spaces, and underutilized private spaces** to boost small business visibility, create a sense of place, and test new ideas for more permanent investments. • *Locations may include streets, vacant storefronts, open space, stalled development sites* • *Programming may include markets, free concerts, farmers markets, festivals, resource fairs, and cultural / educational programming*	$$	• CEDDD • Local nonprofit organizations • Property owners/managers • Local businesses
Long-Term	**3A.3** Engage professional branding consultant to launch a **comprehensive marketing and branding campaign** for the city.	$$	• CEDDD • Branding consultant

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GOAL 3: MAKE EPA INVESTMENT READY

Strategy 3B: Advance shovel-readiness and leverage entitlement process to unlock sites and incentivize priority uses

	Priority Initiatives	Resource Need	Key Partners
Mid-Term	**3B.1 Leverage development requirements and entitlements to incentivize priority uses** - e.g., offer zoning bonuses, accelerate approvals, and pre-entitle strategic sites. *(Eligible projects may include developments that create housing, jobs, or community amenities such as grocery stores, food hall, and spaces for entrepreneurship and job training. Identification of strategic sites and recommendations provided in the **Site Opportunity Chapter**.)*	$	• Planning Division • CEDDD • Labor unions
Mid-Term	**3B.2** Establish an **EPA Construction Accelerator** program to train up a local construction workforce and help EPA contractors compete for larger local and regional projects.	$$	• CEDDD • Construction companies • Bay Area Jobs First Collaborative
Long-Term	**3B.3 Fund public infrastructure improvements** (water/sewer, fiber, roads, placemaking, community assets, environmental remediation) at/near key sites/business districts. *(Assessment of funding streams provided in the **Community Benefits and Tax Increment District chapter**)*	$$$	• County investment • City investment
Long-Term	**3B.4** Assess the impact of current development requirements and fees; as needed, tap Federal/State programs, philanthropy, and public-private partnerships to **fill funding / financing gaps for catalytic projects**.	$$	• Planning Division • Finance Department

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Community-Supported Grocery Store Attraction

DESCRIPTION

South San Francisco—While other biotech developments are stalled in South San Francisco, SteelWave is moving forward with a life sciences project that includes a 24-hour Safeway scheduled to open in June 2026. The community and City remained steadfast in their desire for a grocery store to serve local residents. SteelWave is waiting for market conditions to improve before moving ahead with remaining life sciences and residential components.

STRATEGIES

- South San Francisco developer ensured the Safeway included a Starbucks, a pharmacy, and a Wells Fargo bank to offset the grocery store's thin margins.
- The developer viewed grocery stores as an integral part of the mixed-use development's vibrancy, making it attractive for office workers and residents.

KEY RESOURCES INVOLVED

- Community
- City Council
- Developer

DESCRIPTION

San Carlos—The local Parent-Teachers Association (PTA) collectively wrote postcards to Trader Joe's to advocate for a location to open in the city. Modeled after a successful campaign by Lucky Grocery Store, which wanted City Council approval to open a grocery store next to a proposed Home Depot, the PTA convinCEDD Trader Joe's to open a store in the city. Trader Joe's purchased property to build a new Trader Joe's building, the first case for the company.

STRATEGIES

- Collective and persistent communication from an organized community organization was effective in impacting corporate decisions.

KEY RESOURCES INVOLVED

- Community organization (PTA)

*It is important to note that typical grocery chains **base store location decisions on defined business criteria** such as household density, income and spending power, traffic counts, co-tenancy, and real estate costs, **rather than resident interest alone**. Community demand could be a useful tool to substantiate market-based case-making and would be more effective when paired with site selection support and incentives to overcome perceived challenges and make a new store financially viable.*

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STAFFING IMPLICATIONS

With the current staffing structure and the CEDD Department lacking dedicated full-time staff, there are limited strategies that can be implemented, primarily quick-wins.

Status Quo Staffing	Role	Related Initiatives *(Represent a subset of Quick Wins)*
Existing City staff as part-time economic development support	• Provide support in technical assistance to businesses and investors • Create resources for businesses and prospective investors	**1A.1, 2A.1, 3A.1**
Existing Economic development consultant (25% capacity)	• Support economic development initiatives and programs • Support creating resources for businesses and prospective investors	**1A.1, 2A.1**

As needed, shorter term staffing needs can be supplemented by interns embedded in city departments (e.g., a new economic development fellow position), who may later transition to part-time or full-time employee.

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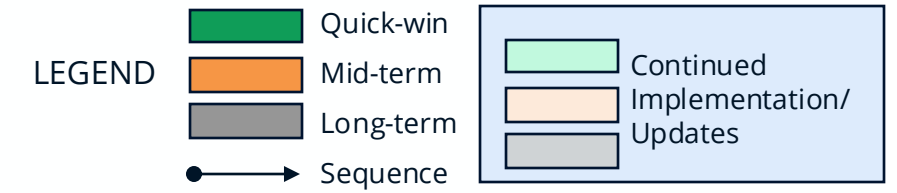
STAFFING IMPLICATIONS

Ideally, staffing would expand over the next 2-3 years to include two additional full-time positions.

Expanded Staffing	Role	Related Initiative
EPA Business Ambassador *(Initial Team Expansion, 1B.3)*	• Champion and promote existing and prospective businesses • Provide personalized, technical assistance to businesses and investors navigating City processes as point of contact • Serve as an ombudsman, helping resolve issues with permitting, zoning, or other city services • Coordinate across city departments to streamline business-related services and communication	**1A.1, 1B.2, 1B.4, 2A.1, 2A.2, 3A.2**
Economic Development Manager *(Additional Team Expansion, 2A.3)*	• Lead proactive business attraction e.g., marketing, attending industry-focused conferences and tradeshows • Host site and business district tours for prospective investors, developers, and employers • Build relationships with regional employers, brokers, and developers to attract new projects and partnerships	**2B.2, 2B.3. 3A.1, 3B.1, 3B.2**

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IMPLEMENTATION ROADMAP



	Lead	Resource	Y1-2	Y3-5	Y6-10
1A.1 Create a small/micro business guide	CEDD / Small Biz Ambassador	$			
1B.1 Streamline business licensing / permitting processes	Finance/Permitting	$			
2A.1 Create a dedicated business development landing page	CEDD / BizDev Manager	$			
2B.1 Work with workforce development partners to provide industry-aligned trainings	CEDD / Nonprofit partner	$			
1B.2 Create simple permits or pre-approved zones for temporary uses	Finance/Permitting	$			
3A.1 Promote EPA as a place to live, work, and visit through activations	City Manager's Office	$			
1A.2 Program City-owned incubator space in Gateway Retail Center	CEDD / Nonprofit partner	$$			
1B.3 Appoint an EPA Business Ambassador	City Manager's Office	$$			
1B.4 Create a "Shop Local" campaign and program	CEDD / Small Biz Ambassador	$			
2A.2 Launch a more comprehensive "Choose EPA" portal	CEDD / BizDev Manager	$$			
2B.2 Connect regional talent pipeline with EPA job/entrepreneurship opportunities	CEDD / BizDev Manager	$			
3A.2 Regularly activate key public spaces and underutilized private spaces	CEDD	$$			
3B.1 Update development requirements and entitlements to incentivize priority uses	CEDD	$			
3B.2 Establish an EPA Construction Accelerator	City Manager's Office / CEDD	$$			
1A.3 Establish EPA Business Commons	City Manager's Office / CEDD	$$$			
2A.3 Expand CEDD team to include an Economic Development Manager	City Manager's Office	$$			
2B.3 Establish a physical job-training hub	City Manager's Office / CEDD	$$$			
3B.3 Fund public infrastructure improvements	City Manager's Office / CEDD	$$$			
3B.4 Fill funding / financing gaps for catalytic projects	City Manager's Office / CEDD	$$			
3A.3 Engage professional branding consultant	City Manager's Office / CEDD	$$			

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CRITICAL INITIATIVES

The full EDSP outlines 20 initiatives across three goals. Among them, **eight "must-do" moves** are especially critical to launching EPA on an inclusive growth path.

1.	Create a **small/micro business guide** (1A.1).	Quick Win
2.	**Streamline business licensing / permitting processes** (1B.1).	Quick Win
3.	Create a dedicated **business development landing page** (2A.1). *Over time, further expand this into a more comprehensive **"Choose EPA" portal** (2A.2).*	Quick Win
4.	Work with workforce development partners to provide **industry-aligned trainings** (2B.1).	Quick Win
5.	**Promote EPA** as a place to live, work, and visit through activations (3A.1).	Quick Win
6.	**Update development requirements and entitlement process** to incentivize priority uses (3B.1).	Mid-Term
7.	Appoint an **EPA Business Ambassador** (1B.3). *Over time, further grow the team to include an **Economic Development Manager** (2A.3).*	Mid-Term
8.	**Fund public infrastructure** improvements (3B.3).	Long-Term

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05

Site Opportunities Deep-Dive

GUIDING PRINCIPLES FOR SITE OPPORTUNITIES

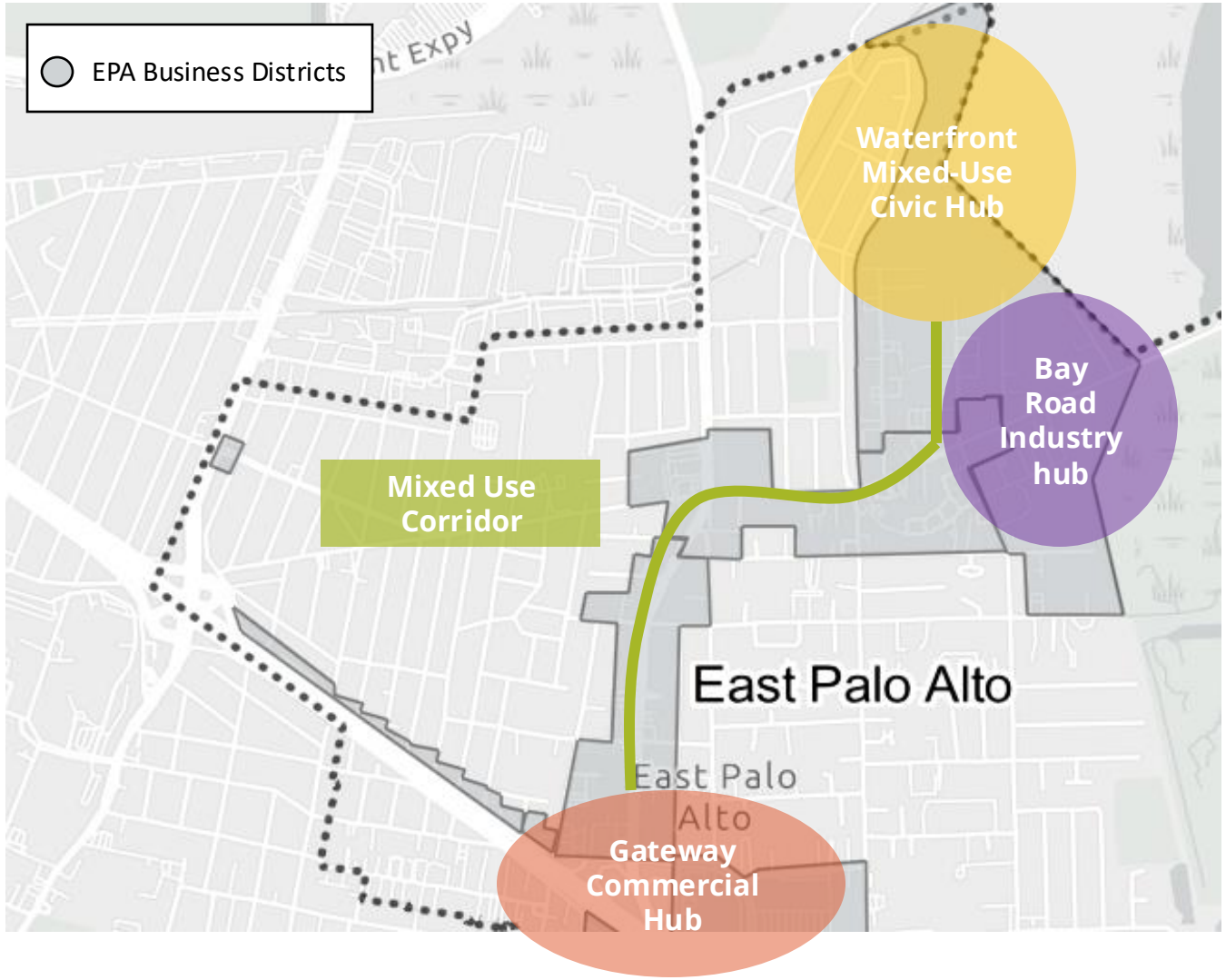
HR&A's site opportunity recommendations are grounded in the following principles.

- **Opportunity-sector alignment.** Match potential site to opportunity sector needs.
- **Site condition-driven.** Consider location, adjacencies, market potential, and zoning.
- **Defined anchors.** Differentiate positioning of major clusters and identify potential anchors.
- **Clustering community uses.** Concentrate workforce, healthcare, childcare, civic, and neighborhood retail to reinforce destinations and leverage adjacencies.
- **Activation.** Find mixed-use infill opportunities to strengthen corridors and the urban fabric.
- **Community input.** Incorporate insights from stakeholder and community engagement.
- **BalanCEDD outcomes.** Identify opportunities to grow the economy and tax base, create jobs, and support small/micro businesses while also advancing housing, services, and civic needs.

VISION FOR STRATEGIC SITES

Guided by these principles, HR&A developed a vision framework for strategic clusters to advance EPA's community and economic development goals.

- **Waterfront Mixed-Use Civic Hub:** hub of community life, anchored by destinations like Bloomhouse, proposed civic commons and athletic fields, and leveraging waterfront access
- **Bay Road Industry Hub:** employment and innovation district, building on the area's existing industrial base and transportation access
- **Gateway Commercial Hub:** well-connected gateway to the city and region, offering destination shopping experience and community-serving retail, services, and local job opportunities
- **Mixed-Use Corridor:** a series of sites that integrate housing, retail, and small businesses, supporting mixed-use neighborhood



STRATEGIC SITES

HR&A assessed vacant sites in East Palo Alto and identified strategic clusters best positioned for investment to support inclusive economic development.

Major Vacant Site Clusters

Waterfront Cluster
East Palo Alto Waterfront Project – single ownership

Bay Road Cluster
1990 Bay Rd (The Landing) + 2020 Bay Rd – two owners

Gateway Cluster
Ravenswood Elementary School District + 2115 University Ave – two owners

Neighborhood Infill Clusters
1103 Weeks St + 1201 Runnymede, 1675 Bay Rd + 1620 Bay Rd, 1804 Bay Rd + Clarum University Corner – various owners

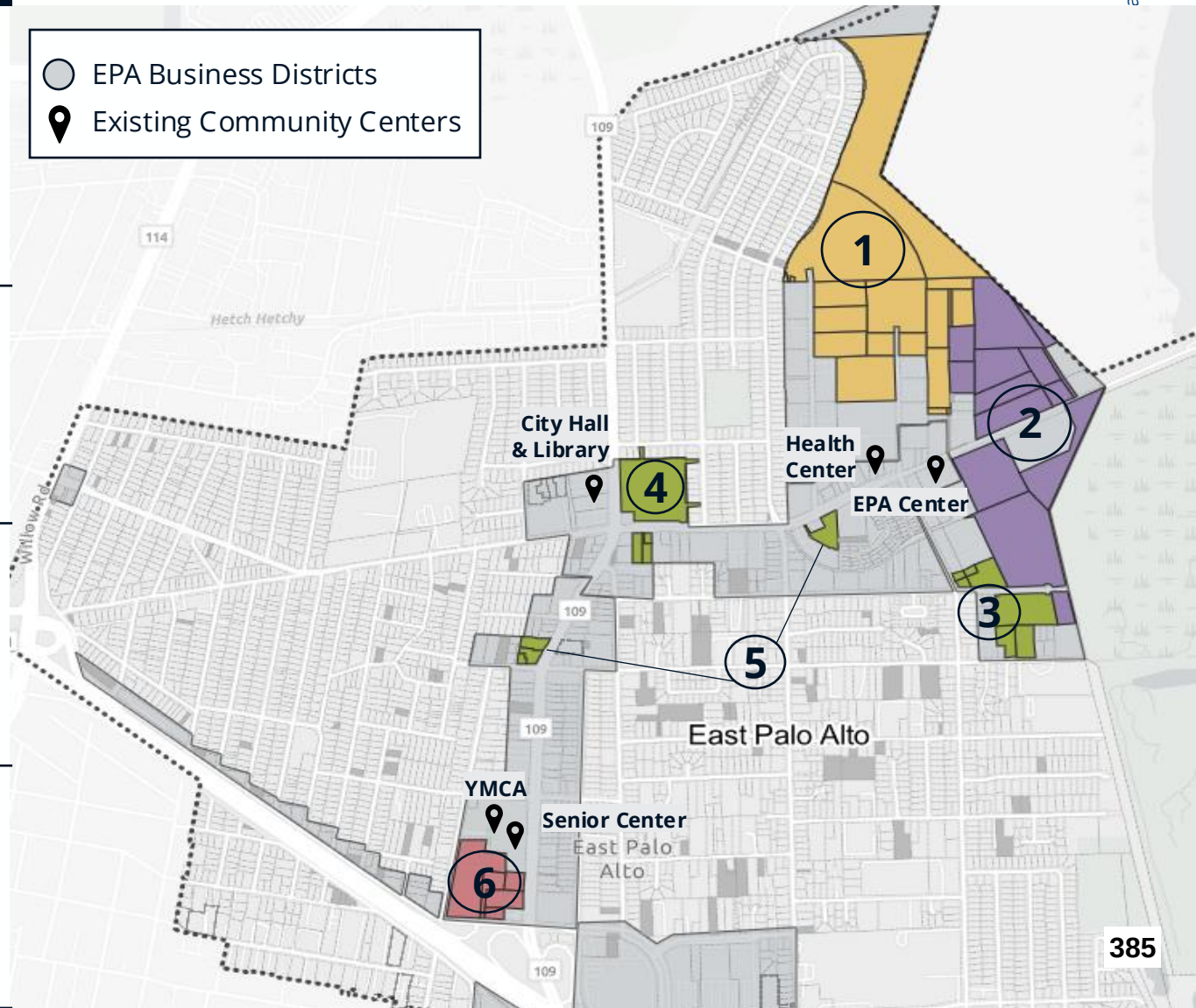
Note: While the entirety of the EPA Waterfront Project is highlighted as a cluster, the City should maintain its focus on facilitating the development of a 4-acre pair of vacant parcels, which is not currently planned for any projects. Details on the site are provided in later slides.



SITE OPPORTUNITIES AT-A-GLANCE

Note: Identified site opportunities are recommendations for consideration, not plans.

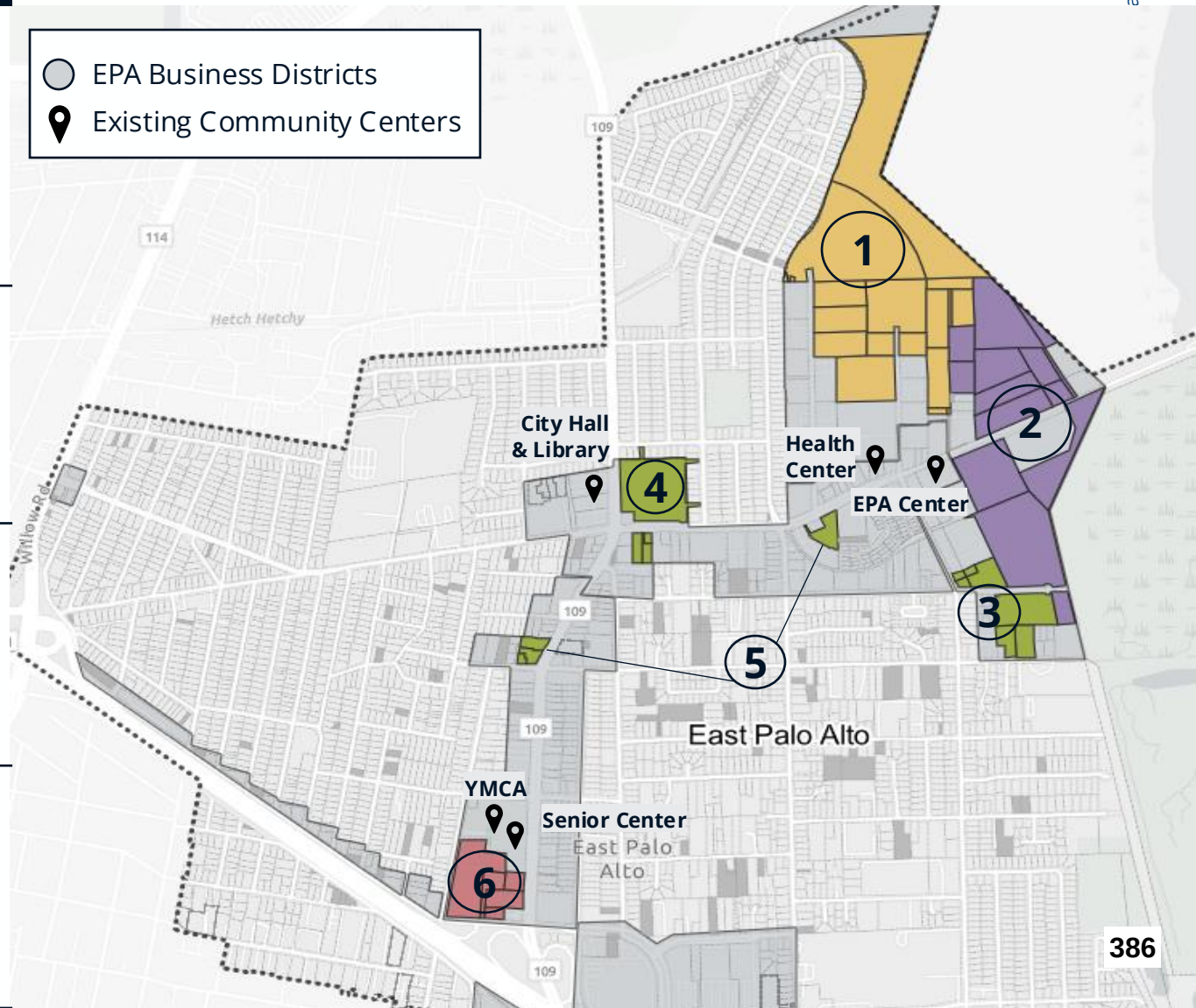
Strategic Site	Existing Conditions
Waterfront Mixed-Use Civic Hub *(Site 1)*	• Access to the waterfront • Adjacent to local bus routes • Primarily industrial / under-developed land
Bay Road Industry Hub *(Site 2)*	• Access to the waterfront • Adjacent to local bus routes • Primarily industrial / under-developed land
Gateway Commercial Hub *(Site 6)*	• Located near commercial hubs (Gateway 101, University Circle) • Adjacent to local bus routes • Regionally connected via proximity to the freeway
Mixed-Use Corridor & Infill *(Sites 3, 4, & 5)*	• Adjacent to local bus routes • Located on major thoroughfares (University Ave & Bay Rd)



SITE OPPORTUNITIES AT-A-GLANCE

Note: Identified site opportunities are recommendations for consideration, not plans.

Strategic Site	Potential Sector Focus
Waterfront Mixed-Use Civic Hub *(Site 1)*	• Government / Civic • Food & Beverages / Hospitality • Healthcare
Bay Road Industry Hub *(Site 2)*	• Manufacturing • Construction • Office-Based Sectors • Tech
Gateway Commercial Hub *(Site 6)*	• Retail *(grocery store, destination retail)* • Hotel / Hospitality • Office-Based Sectors / Tech • Education / Childcare
Mixed-Use Corridor & Infill *(Sites 3, 4, & 5)*	• Retail *(smaller scale, neighborhood amenities)* • Food & Beverages / Hospitality



SITE OPPORTUNITIES DETAILS

Note: Identified site opportunities are recommendations for consideration, not plans.

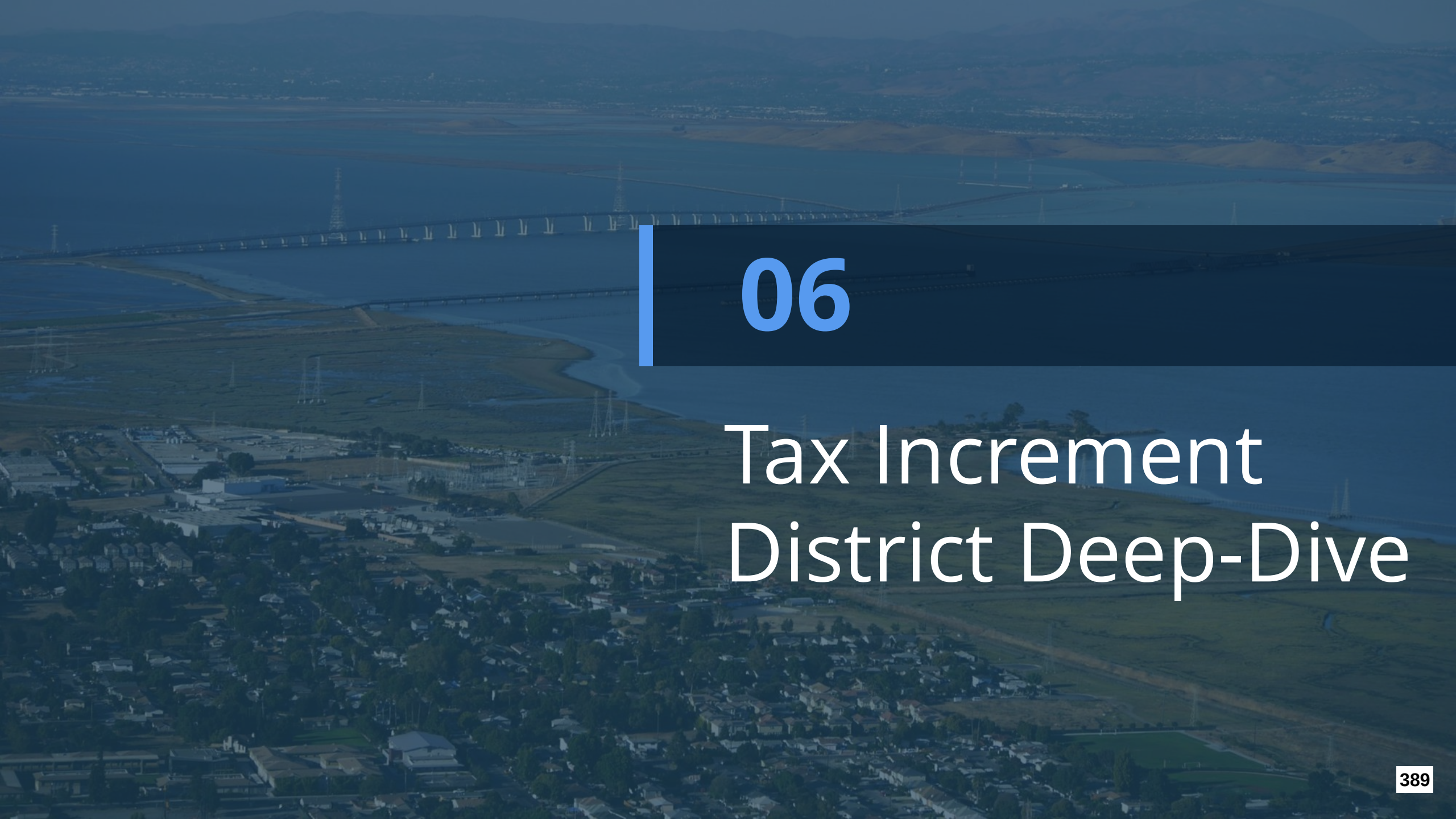
Strategic Site	Potential Sector Focus	Potential Site Positioning / Uses
Waterfront Mixed-Use Civic Hub *(Site 1)*	**Primary:** Government / Civic; Food & Beverages/Hospitality; Healthcare **Other complementary sectors:** Educational Services/ Childcare; Arts & Culture; Office-Based Sectors	Civic Commons (proposed); Food Hall / Kitchen Incubator; Healthcare/Wellness; Community Space; Housing ***Also consider:*** *Small Business Center; Office / Co-working; Childcare/Early Learning/Education; Community college annex or Stanford University Extension program; Arts and Culture*
Bay Road Industry Hub *(Site 2)*	**Primary:** Manufacturing; Construction; Office-Based Sectors; Tech **Other complementary sectors:** Sustainable Environmental Management; Arts & Culture	Industrial; Office; Lab / R&D; Workforce Development Center ***Also consider:*** *Data Centers (though need to consider environmental impacts; Arts and Culture (heavier uses like marker / production space)*
Gateway Commercial Hub *(Site 3)*	**Primary:** Retail *(grocery store, destination retail)*; Hospitality *(hotel)*; Office-Based Sectors / Tech; Educational Services/ Childcare **Other complementary sectors:** Food & Beverages; Healthcare	Flagship Community-Serving Retail (e.g. Grocery Store); Office/R&D/Lab; Childcare/Early Learning/Education; Community college annex or Stanford University Extension program ***Also consider:*** *Housing; Healthcare/Wellness; Community Space*
Mixed-Use Corridor & Infill *(Sites 3, 4, & 5)*	**Primary:** Retail; Food & Beverages **Other complementary sectors:** Office-Based Sectors (small-scale); Arts & Culture	Housing; Ground Floor Retail (e.g. cafes, restaurants, stores, doctor's offices, urgent care) ***Also consider:*** *Community Space; Food Hall/Kitchen Incubator Second Floor Small Business Space/Office Flex; Arts & Culture*

UNLOCKING STRATEGIC SITES

As recommended in Chapter 4, interventions will be needed to unlock strategic development sites in ways that boost economic development and enhance community amenities.

Barriers	Interventions & Relevant Strategies
Negative External Perception	Tell the EPA Story *(Goal 3 – Strategy A)*
Development Feasibility Challenges	Address Regulatory & Financial Barriers for Development *(Goal 3 – Strategy B)*
Development Proposal Misaligned with Community Needs	Make Desirable Uses Easiest to Build *(Goal 3 – Strategy B)*
Infrastructure Deficit	Improve Infrastructure & Site Readiness *(Goal 3 – Strategy B)*

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06

Tax Increment District Deep-Dive

KEY QUESTIONS TO GUIDE DECISION-MAKING

HR&A understands that the City is interested in evaluating whether a tax increment district mechanism would be useful in supporting economic development.

To support the City's decision-making, HR&A outlined the following guiding questions:

- Does EPA have an area that is **easily defined**, **sufficiently sized**, and has **demonstratable potential for significant future growth** in assessed value?
- What **types of improvements** would need to be funded in a tax increment district, and are there viable **alternatives** to fund these improvements?
- How much tax growth could the City **afford to divert into a district "lockbox"**?
- Would the **County participate** in a tax increment mechanism, therefore unlocking revenues that would otherwise not be available to EPA?
- How **fast** does the City need incoming revenue?
- What is **Council / voter sentiment** toward different revenue or tax mechanisms?

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There are four core tax increment district mechanisms EPA can consider.

EnhanCEDD Infrastructure Financing District (EIFD)

Post Redevelopment Agency (RDA) tax-increment tool formed by a city/county to fund a wide range of **infrastructure, public facilities** and **housing-related improvements** that benefit the community. Revenues come from consenting taxing entities' property-tax increment (no school participation); maximum term generally **up to 45 years** from first debt approval. Since 2019, EIFDs can **issue bonds without a voter election**, subject to the statute's protest and hearing process.

Climate Resilience District (CRD)

New resilience-focused districts that build on EIFD rules but provide **additional authority to fund and operate climate-related projects** such as heat, flood, and wildfire resilience. These districts can use tax increment revenues and may also incorporate **voter-approved special taxes, benefit assessments, or property-related fees**. They can be formed across multiple jurisdictions, and the enabling statute emphasizes nature-based solutions and directing resources to under-resourCEDD communities.

Infrastructure & Revitalization Financing District (IRFD)

Tax-increment financing (TIF) district aimed at **large-scale projects** (e.g., base reuse, major redevelopment) governed by the city/county legislative body. Requires two-thirds voter approval to form and to issue bonds; maximum term generally **up to 40 years**. Cities may dedicate portions of their Redevelopment Property Tax Trust Fund (post-RDA) to an IRFD financing plan.

Community Revitalization & Investment Authority (CRIA)

"**Redevelopment Authority-like**" tool limited to disadvantaged areas with specified conditions (e.g., low income, high unemployment/crime, deteriorated infrastructure). Uses property-tax increment (no school participation) and must dedicate **25% to affordable housing**; authorities have powers including **property acquisition** and time-limited **eminent domain** to carry out the plan.

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Pros

- **Tax increment revenue is earmarked in a TIF District "lockbox,"** protecting district priorities from General Fund fluctuations and competing citywide needs.
- **Wide range of projects** can be funded. *(EIFD: Infrastructure and Facilities projects listed in a Public Facilities Financing Plan; CRD climate related; CRIA affordable housing)*
- **No new taxes or fees for property owners.** (*CRD can leverage multiple sources though blending TIF with special taxes/assessments*)
- **In the long-term, TIFs can generate meaningful revenues** as assessed values and capturable increment grow over time.
- **Additional funding can be leveraged with multi-jurisdictional participation** (e.g. County, other special districts)

Cons

- The City's **General Fund will forego revenue** from tax growth within the TIF district, as those revenues would be redirected to the district for the duration of its existence. Agency/elected officials may resist the loss of discretionary General Fund dollars.
- **Revenues ramp up slowly over time**. Districts will likely not see increment revenue for the first 5 to 10 years.
- **City share of revenue may be insufficient** without County participation. County willingness to participate may be a challenge, because it must forego a portion of future incremental tax revenues.
- Use of funds is generally **limited to capital expenditures**. *(CRD can also fund operations.)*

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TAX INCREMENT MECHANISMS | EVALUATION

The appropriateness and long-term success of an EIFD or similar tax increment districts rely on multiple factors.

Strong regional real estate market

Typically, areas with stronger real estate markets generate a higher level of revenue with lower risk.

Ability to capture significant local property tax share

In California, general property tax revenues are split between the county and local jurisdiction. To be worth the effort to form an EIFD, the local jurisdiction should capture at least 15% of the general 1% property tax levy.

Ability to partner with other taxing entities

Some California cities have increased the revenue potential of their EIFDs by partnering with their counties, which agree to contribute a portion of their property-tax share to the district.

Availability of other sources of funding

Because funds from an EIFD ramp up slowly over time, it could be utilized in combination with other tools like a CFD, which can generate an immediate revenue stream to fund projects.

A limited number of property owners

The series of required public hearings in advance of approval of an EIFD are subject to a majority protest by property owners, increasing the challenges on the road to approval. Fewer owners simplifies the process.

Community support for development

It is important to garner support with the wider community to make the process of approving the EIFD as smooth as possible.

A local champion

EIFDs benefit from local champions who can advocate for the project, including making the case to city departments, elected officials and property owners.

An adopted specific plan that identifies infrastructure needs required to enable development

Identifying infrastructure needs and adopting a plan in advance is critical to communicating the need for the EIFD,and thus its approval.

Source: "Report on the Use of Tax Increment Financing." California Governor's Office of Planning and Research, December 2020.

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EPA, specifically Ravenswood Business District, only meet some of these conditions.

Whether EPA / Ravenswood Meets Conditions: Yes | Maybe | TBD

Strong regional real estate market

Yes, though current high-interest rate, high-cost environment makes development challenging.

Ability to capture significant local property tax share

May be challenging given general fund issues.

Ability to partner with other taxing entities

County participation TBD.

Availability of other sources of funding

Could potentially consider combining with other tools like a Community Facilities District.

A limited number of property owners

Yes.

Community support for development

Community may be split on sentiment towards development.

A local champion

TBD.

An adopted specific plan that identifies infrastructure needs required to enable development

Yes, established in Ravenswood Specific Plan.

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NON-TIF VALUE CAPTURE TOOLS

Given this, EPA should consider alternative financing tools to broaden its opens for delivering community benefits.

Community Facilities District

Voter/landowner-approved **special tax district** used to finance public facilities and, in some cases, services (police protection services, fire protection and suppression services, ambulance and paramedic services, lighting of parks, parkways, streets, traffic signals, roads, and open space, flood and storm protection and water improvement services) via pay-as-you-go revenues or bonds secured by the special tax lien; formation requires a two-thirds election of "qualified electors."

Special Assessment District

Property-owner assessment to fund improvements or services that confer a **special, proportional benefit** on assessed parcels; requires an engineer's report and property-owner ballot. Bonding is allowed, secured by the assessments.

Incentive Agreement / Tax Subvention

Typically done under unique circumstances. Contract that **rebates or shares a portion of new project-generated local taxes back to a business/developer** in exchange for specified public benefits (jobs, capital investment, site improvements). Must follow disclosure requirements including public notice, hearing, and posting of an economic development subsidy report; generally pay-as-you-go and not bondable.

Incentive Zoning / Zoning Bonus

Locally adopted zoning program that grants extra height/FAR/uses in return for defined public benefits (e.g., affordable housing, open space, childcare, cultural space). For housing, California's State Density Bonus Law guarantees density bonuses and incentives/concessions when affordability thresholds are met; cities can also **craft community-benefit bonus programs in specific plans** (e.g., Downtown LA).

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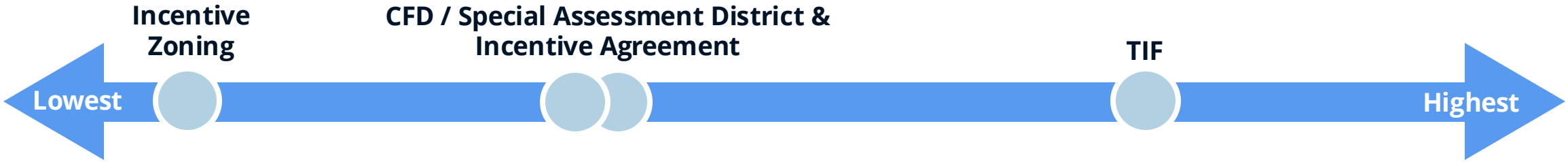
COMPARATIVE ANALYSIS

These mechanisms have **trade-offs** related to whether a new tax is instituted, their impact on the general fund, funding potential, implementation, and timing of funds (on next slide).

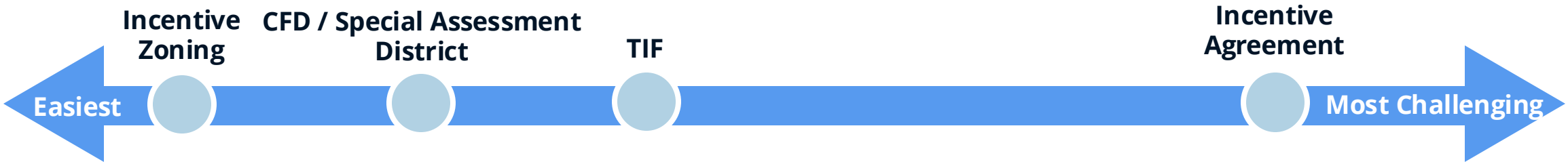
Type	Tool Name	Imposes new taxes or fees on property owners?	Foregoes City General Fund Revenue?
TIF	**EnhanCEDD Infrastructure Financing District (EIFD) & Similar Mechanisms**	No	Yes, forego City increment
TIF +	**Climate Resilience District (CRD)**	Not aways *(Optional special tax/assessment)*	Yes, forego City increment
Project-based tax subvention	**Incentive Agreement**	No	Yes, rebates net-new project taxes
Special district-wide tax / assessment	**Community Facilities District (CFD) & Special Assessment District**	Yes	No
Regulatory	**Incentive Zoning / Zoning Bonus**	No	No

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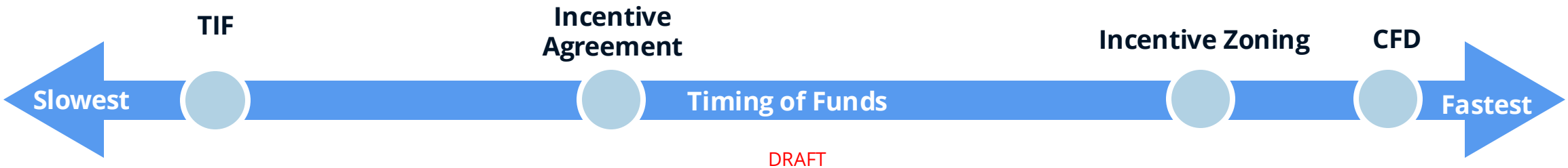
FUNDING POTENTIAL: CFDs/SADs are limited by how much special tax properties can bear; Incentive Agreements are limited by project size and eligible tax streams. TIFs generally have the highest upside by capturing a share of property-tax increment. Incentive zoning creates cross-subsidy via added density/height, but remains bounded by development feasibility.



IMPLEMENTATION: A CFD requires a written Resolution of Intention and proposed Rate and Method of Apportionment and Majority Vote of Property Owners (unimproved property) or Vote of Registered Voters in District (improved property) in addition to a public hearing in order to implement. An EIFD requires the formation of a Public Financing Authority, preparation of an Infrastructure Financing Plan, and a Public Hearing in order to implement. Getting County participation adds to time/challenge. Incentive Agreements are the most challenging to implement because the City evaluates and authorizes agreements on a case-by-case basis. Incentive zoning requires Council approval.



TIMING OF FUNDS: TIFs ramp up slowest because they rely on growth in assessed value to generate incremental property-tax revenue. Incentive Agreements can deliver funds sooner, but timing depends on the deal structure. Incentive zoning is available immediately upon adoption, though new projects take time to materialize. CFDs can generate cash fastest, since bonds may be issued soon after formation and required approvals.



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District candidate

Ravenswood District is the strongest candidate for a tax increment district, given its adopted Specific Plan, clearly defined infrastructure needs, established vision, and sites with significant development potential.

County participation

County participation is a key gating factor. Early outreach to the County to understand their parameters and conditions for participating in a Tax Increment District is essential. If County participation proves to be a hard sell, the City should evaluate whether alternative mechanisms - such as CFDs or Special Assessment Districts - would better serve its needs.

Timing of revenues

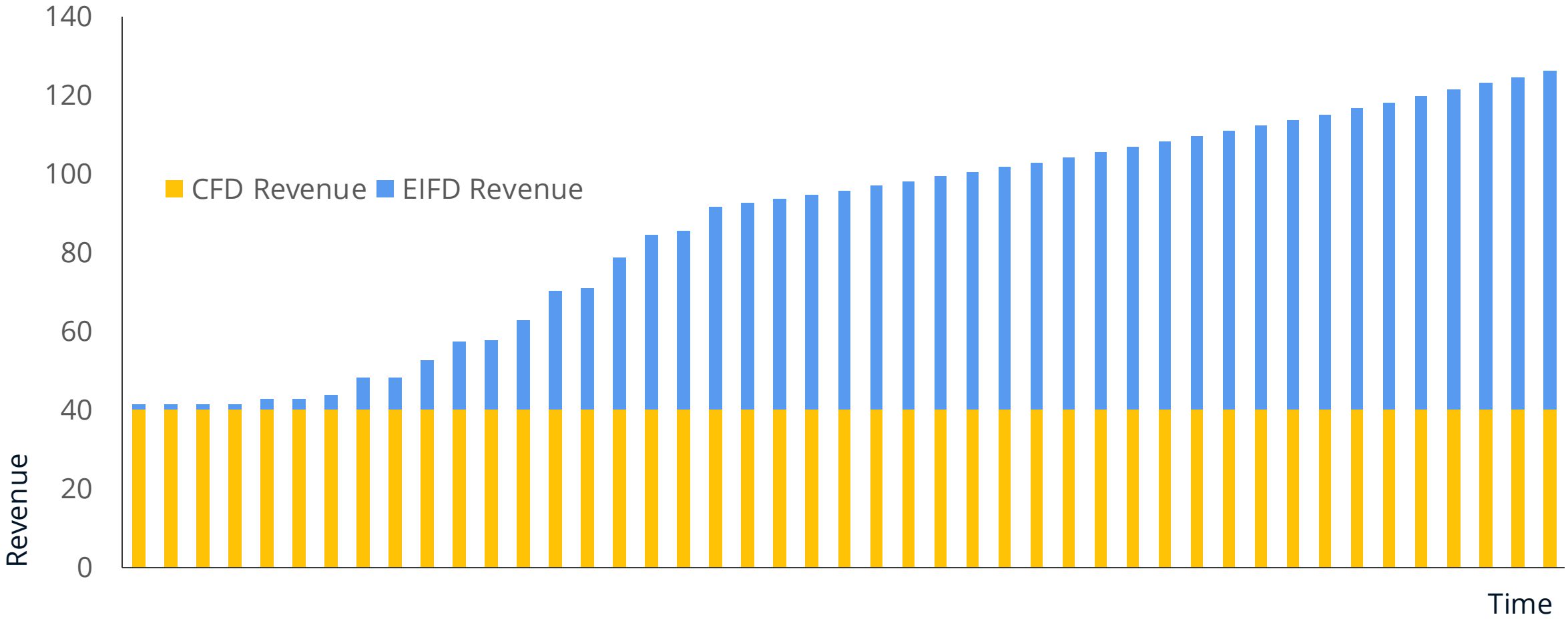
TIF revenues typically do not become available for the first 5-10 years after district formation, as assessed value growth ramps up. If upfront dollars are needed to deliver enabling infrastructure or other early investments, tools that allow near-term financing - such as CFDs, which can issue bonds shortly after formation - may be more appropriate.

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General Fund tradeoff	Because TIF diverts incremental property tax revenue away from the General Fund into a district-specific "lockbox," **the City must weigh the relative importance of bolstering General Fund revenues versus earmarking funds to support place-based district priorities**. This policy choice should be made explicitly and in coordination with broader fiscal strategy. Before choosing a district financing / funding tool, evaluate general fund-backed debt (e.g., General Obligation Bond) as an alternative.
Market realities	As a small city with limited administrative capacity, tools with lower overhead costs such as Special Assessment Districts or CFDs may be easier to implement and manage. However, **any value capture mechanism must be evaluated in the context of total cost to the developer and market feasibility** in East Palo Alto to avoid deterring private investment. Tools should be layered carefully to avoid over-burdening projects.
Incentive Zoning	**Consider incentive zoning to leverage private value.** Where investments have a strong nexus to development - for example, infrastructure or amenities that directly enable higher-intensity projects - incentive zoning can be an effective regulatory tool to capture a portion of private development value to cross-subsidize needed investments.

RECOMMENDATIONS | TOOLS CAN BE USED IN COMBINATION

TIF, CFD/Special Assessment District, and Incentive Agreement funding tools can be used in conjunction with one another, which can also be paired with incentive zoning. For example, it may be strategic for a developer to set up a CFD for funding in initial years, and an EIFD to capture value over the long-term.



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RECOMMENDED NEXT STEPS TO FURTHER INVESTIGATE EIFD VIABILITY

- **Clarify objectives & eligible investments**
  Define priority capital projects, their location, timing, and the portion realistically eligible for TIF. Align on success metrics (e.g. delivery speed, equity outcomes, risk tolerance).

- **Sketch candidate boundaries & equity lens**
  Draft 1–2 district boundaries tied to benefit/nexus, then screen for: protest / political risk, overlap with disadvantaged areas (e.g. CRIA eligibility), and alignment with stated community outcomes.

- **Establish a tax-base "reality check"**
  Build a baseline of assessed value (AV) and drivers: historic AV growth, development pipeline, major owners/appeals, and overlapping rates. Model conservative/base/optimistic increment scenarios.

- **Test partner participation & constraints**
  Sound out San Mateo County on potential contribution shares and conditions. Document what's *feasible without them* vs. *with them* so TIF dependence is clear.

- **Assess governance, engagement, and approval risk**
  Decide governing body (PFA/CRIA board) and timelines; confirm staff/consultant capacity; design a plain-English outreach plan on benefits and formation mechanics; evaluate approval pathways and political sentiment. *EIFDs are governed by a Public Financing Authority (PFA) made up of 5 members of at least 3 elected officials and 2 local community members who live or work in the district area. The PFA oversees the creation of the District's Infrastructure Financing Plan (IFP), which outlines the specific projects the District will fund. Additionally, while EIFDs are not required to set aside a specific percentage of affordable housing, all housing that is developed must be affordable.*

DRAFT

07

Local Employment Strategies Deep-Dive

WORKFORCE DEVELOPMENT - KEY PLAYERS

EPA has strong nonprofits invested in workforce development and clear opportunities to leverage local educational institutions and employers.

Nonprofit Providers	For-Profit Providers	Educational Institutions	Employer / Industry Partners	Government
• JobTrain • StreetCode Academy • Live In Peace • WeHope • EPACENTER • One EPA • Renaissance Entrepreneurship Center • Grassroots Ecology*	No physical presence	Inside EPA: • School district Outside of EPA *(with limited programming in EPA)*: • Cañada College • Foothill College • Sequoia Adult School • Stanford University	• No direct City-sponsored partnerships beyond un-enforCEDD First Source Hiring Ordinance with Amazon and Four Seasons	City of East Palo Alto: • Measure HH Pilot supporting JobTrain, Live In Peace, Street Code • EPA Career Center operated by JobTrain San Mateo County: • NovaWorks State: • Funding through California Jobs First

**Palo Alto w/ EPA based programming*

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WORKFORCE DEVELOPMENT – PRIORITY SECTORS

EPA has strong nonprofits invested in workforce development, though workforce programs could be better aligned with strong regional industries to maximize access to quality jobs.

Training Workforce Development Providers for Strong Regional Industries with Quality Jobs					Trainings Available for Other Industries
Information *(Tech)*	**Healthcare**	**Education / Childcare**	**Construction**	**Manufacturing**	
JobTrain **StreetCode** **Live In Peace**	**JobTrain**	***No Provider***	**JobTrain** **Live In Peace**	***No Provider***	*Hospitality / Culinary arts (JobTrain)* *Custodial & food services (WeHope)* *Entrepreneurship (REN Center)* *Creative arts (EPACENTER)* *Conservation (Grassroot Ecology*)* *Youth employment (One EPA, Live In Peace)*

** Based in Palo Alto w/ some EPA based programming and ad hoc and through AmeriCorps*

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We have identified the following strengths and gaps that need to be addressed.

Strong Programs

- Tech training (Street Code, JobTrain)
- Youth / young adults employment & training (Live In Peace, EPA Center)

Emerging

- Healthcare (limited offerings)
- Hospitality (limited offerings)
- Green jobs (ad hoc & limited offerings)
- Job placement coordination
- Counseling / mentorship

Critical Gaps

- AdvanCEDD manufacturing
- Tech beyond coding fundamentals (e.g., biotech)

Under-tapped & New Opportunities

- Employer partnerships
- Regional educational institutions
- Center for Economic Mobility
- New City-operated Entrepreneurship Center
- Regional institutions / providers

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WORKFORCE DEVELOPMENT - ROLES

Organizations and businesses can play roles to advance economic development strategies.

Type of Organization	Potential Role	Related Initiative
Nonprofit / For-Profit Providers	• Program community, workforce development spaces e.g., City-owned incubator space in Gateway Retail Center • Connect talent pipeline with EPA jobs and EPA community with regional jobs • Invest in and establish entrepreneurship centers • Provide industry-aligned trainings and industry-specific programs e.g., EPA Construction Accelerator	**2B.1, 2B.3, 3B.2**
Educational Institutions	• Connect talent pipeline with EPA jobs and entrepreneurship opportunities • Support workforce development and entrepreneurship programming	**2B.2** **1A.3, 2B.1, 2B.3**
Employer / Industry Partners	• Provide upskilling programs to employees and local EPA community • Work with EPA Business Ambassador to provide industry-specific programs that are in demand	**1B.3, 2B.2**
Government	• City government to provide funding for workforce development / entrepreneurship programs and spaces • City government to connect organizations / businesses with regional funding opportunities	***Overall***

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WORKFORCE DEVELOPMENT

The City and its partners can leverage existing projects funded by the Bay area California Jobs First in priority sectors.

Relevant Bay Area California Jobs First Awarded Projects

Bay Area High-Road Manufacturing Initiative (BAHRMI)	High Road To Early Childhood Education Consortium	Educational Institutions
• Funding: $1,500,000 • Partners: labor organizations, educational institutions, nonprofits in clean energy entrepreneurship	• Funding: $1,500,000 • Partners: childcare nonprofit convening organizations, County office of education	• Funding: $660,176 • Partners: workforce development providers, educational institution
• Newly formed partnership that develops a high-road manufacturing ecosystem in the Bay Area by improving outcomes in existing industries and by supporting growth of new employers in strategic sectors. • Three pilot projects that provide technical assistance to manufacturing employers, strategies to improve job quality, and stakeholder engagement to design a battery manufacturing industry	• Increasing the availability and affordability of childcare/early childcare education • Funding enables the establishment of a consortium to create/strengthen support for parents, license providers who work during non-traditional hours, and build pipelines for positions	• Introducing high school students to construction career opportunities; funding used to expand outreach to communities, organize info sessions, form partners, develop a curriculum, hire qualified instructors, create hands-on learning activities

DRAFT



East Palo Alto Economic Development Strategic Plan

Appendix A: Existing Conditions Report

Summer 2025

HR&A



01

History & Background

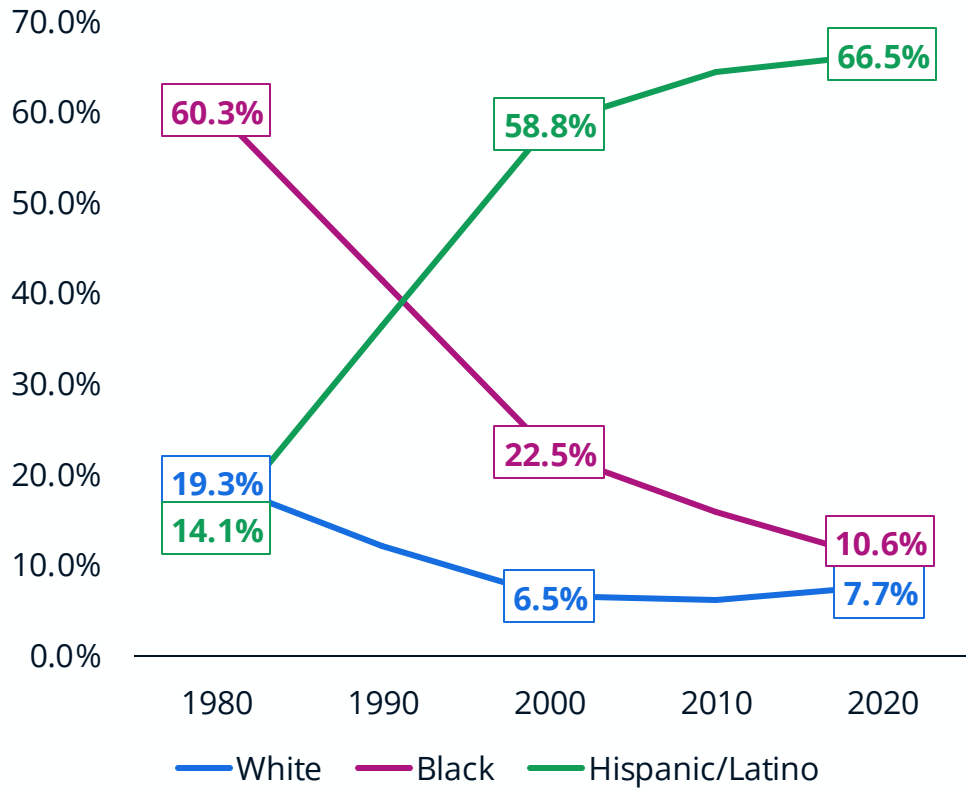
HISTORY

The history of East Palo Alto is deeply rooted in resilience and self-determination, and the city has long been an affordable haven for residents of color in the Bay Area.

A Brief Timeline of East Palo Alto's Recent History

- ***1950s*** *– "Blockbusting" practices employed, driving white flight and shifting to a majority-Black populace*
- ***1960s*** *– Facing minimal resources and racial discrimination, residents in EPA banded together to form their own institutions, including the Nairobi College*
- ***1983*** *– East Palo Alto incorporated as a city, despite intense opposition and concerns about tax revenue*
- ***1980s & 90s*** *– East Palo Alto struggled with drugs and gang violence, and known as the "Murder Capital"*
- ***2000s & 10s*** *– Tech companies increased presence; the city's populace became majority-Latino*
- ***2020s*** *– With crime levels significantly reduCEDD, the city sheds its former label but faces tensions between growth and gentrification concerns.*

Share of Total Population by Race, East Palo Alto
(2015-2025 YTD)



Source(s): *"East of Palo Alto's Eden: Race and the Formation of Silicon Valley", Kim-Mai Culter; US Census Data*

LOCATION

Strategically located near major tech hubs, East Palo Alto lacks robust transit access and is constrained by surrounding highways.

~25 mins

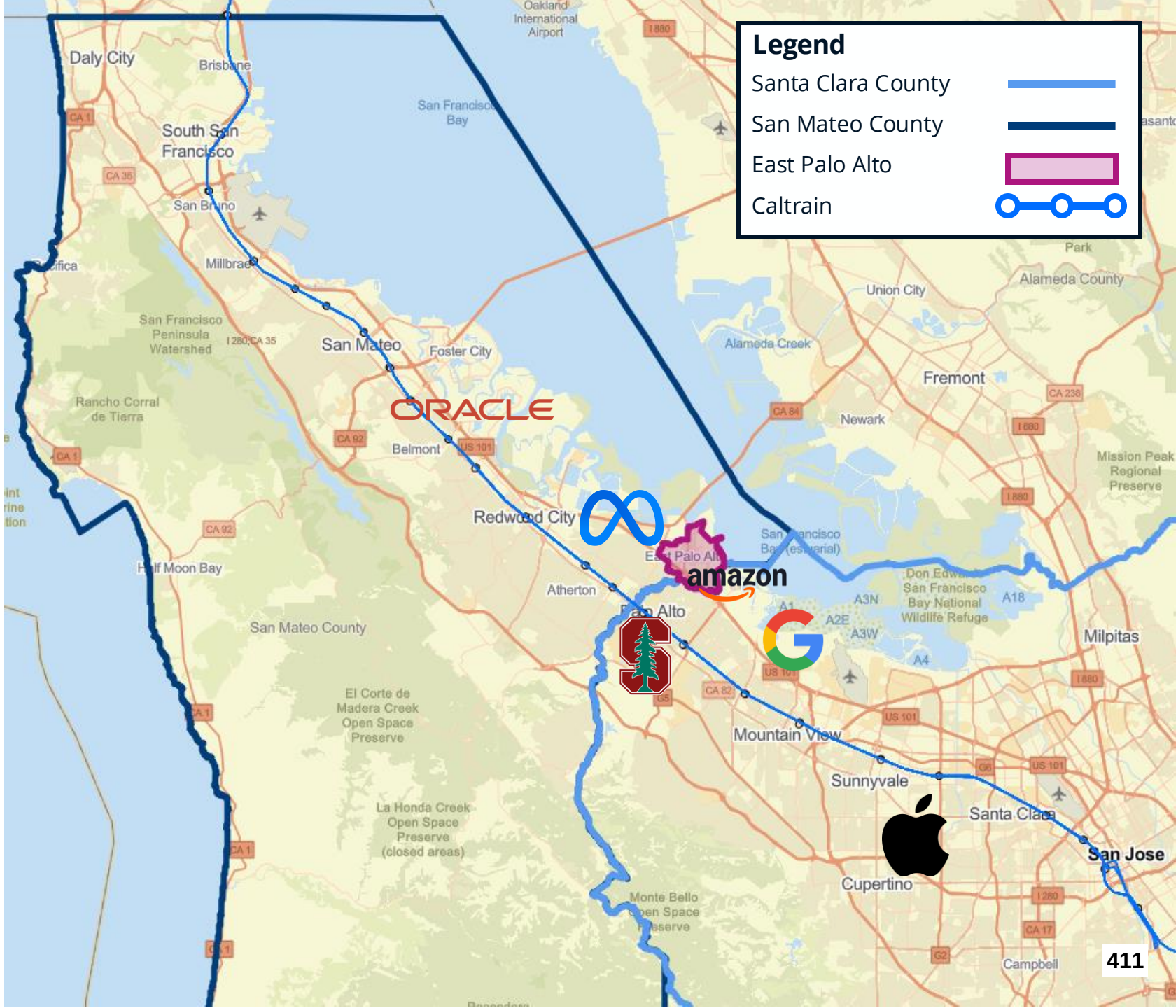
To San Jose

~35 mins

To Oakland

~45 mins

To San Francisco



SIZE

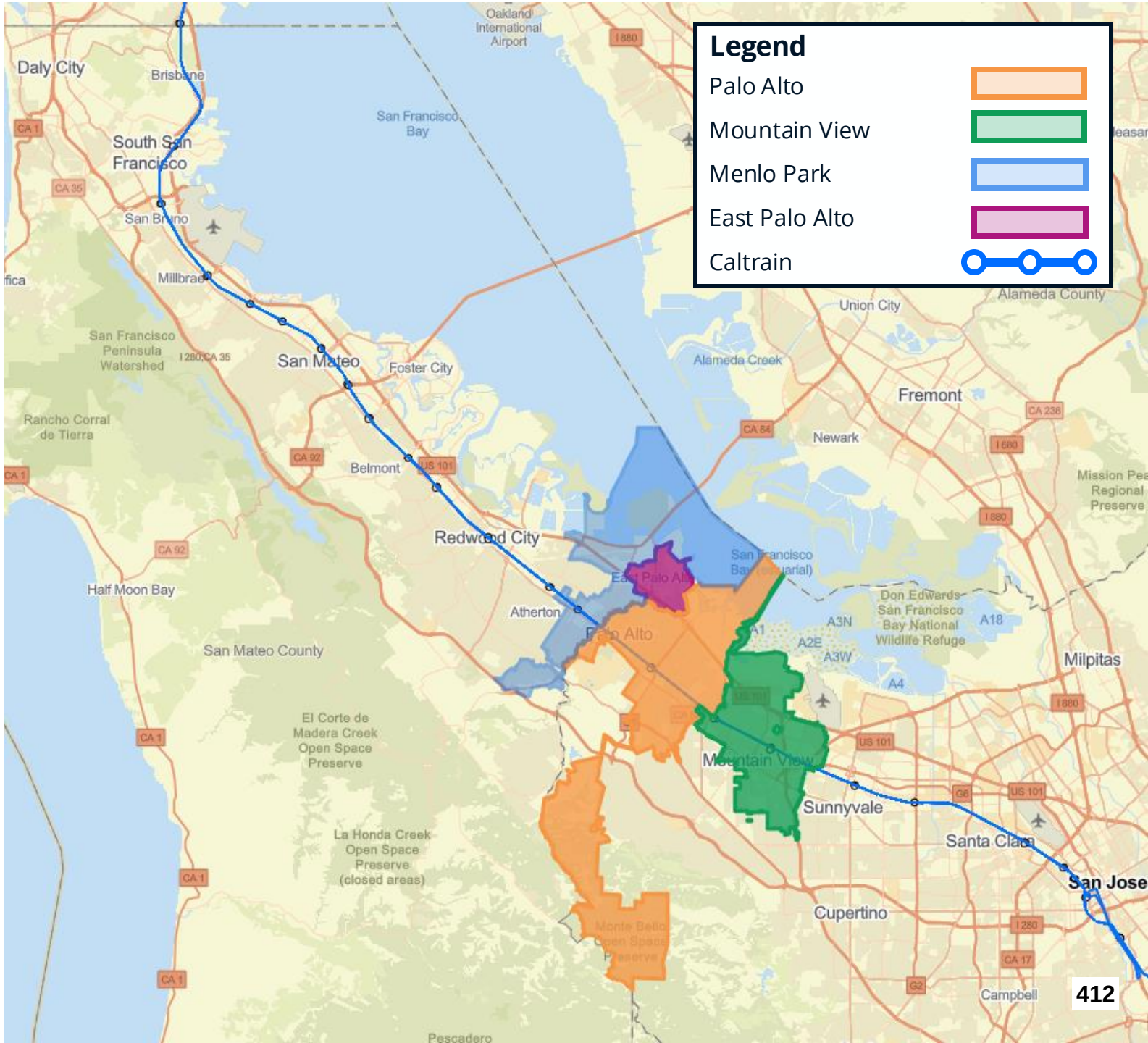
With a land area of 2.5 square miles, East Palo Alto is significantly smaller than its neighboring cities - a reality that will shape development efforts.

2.5 sq mi
East Palo Alto

9.9 sq mi
Menlo Park

11.9 sq mi
Mountain View

24.1 sq mi
Palo Alto



ASSETS

While geographically and populously smaller than its neighbors, East Palo Alto has strong assets and characteristics that could be leveraged for economic prosperity.



Proximity to Silicon Valley & Stanford University



Access to the waterfront



Engaged community & rich culture



Invested non-profit & private sector partners

East Palo Alto has a strong sense of identity, a tight-knit community, and a legacy of self-advocacy. Today, it is at an inflection point: **How can it maintain this identity while actively participating in—and benefiting from - the economic momentum surrounding it?**





02

Demographic & Socioeconomic Context

DEMOGRAPHIC & SOCIOECONOMIC CONTEXT | KEY TAKEAWAYS

1. **East Palo Alto's population growth is slower than that of the region**. In recent years, Asian and White populations have grown, while the Black population has declined.

2. **East Palo Alto is younger and has larger households** compared to the broader region – highlighting ability to support retail demand and community-oriented amenities and the importance of education and workforce investment and family-sustaining wages.

3. East Palo Alto has seen **rising median household income** and **educational attainment** – yet incomes remain significantly lower, and residents earn less even with a college degree.

4. **Stark racial disparities persist**. 70% of the population - primarily Latinx and Black households - earn an average of $25,000 less than the citywide median.

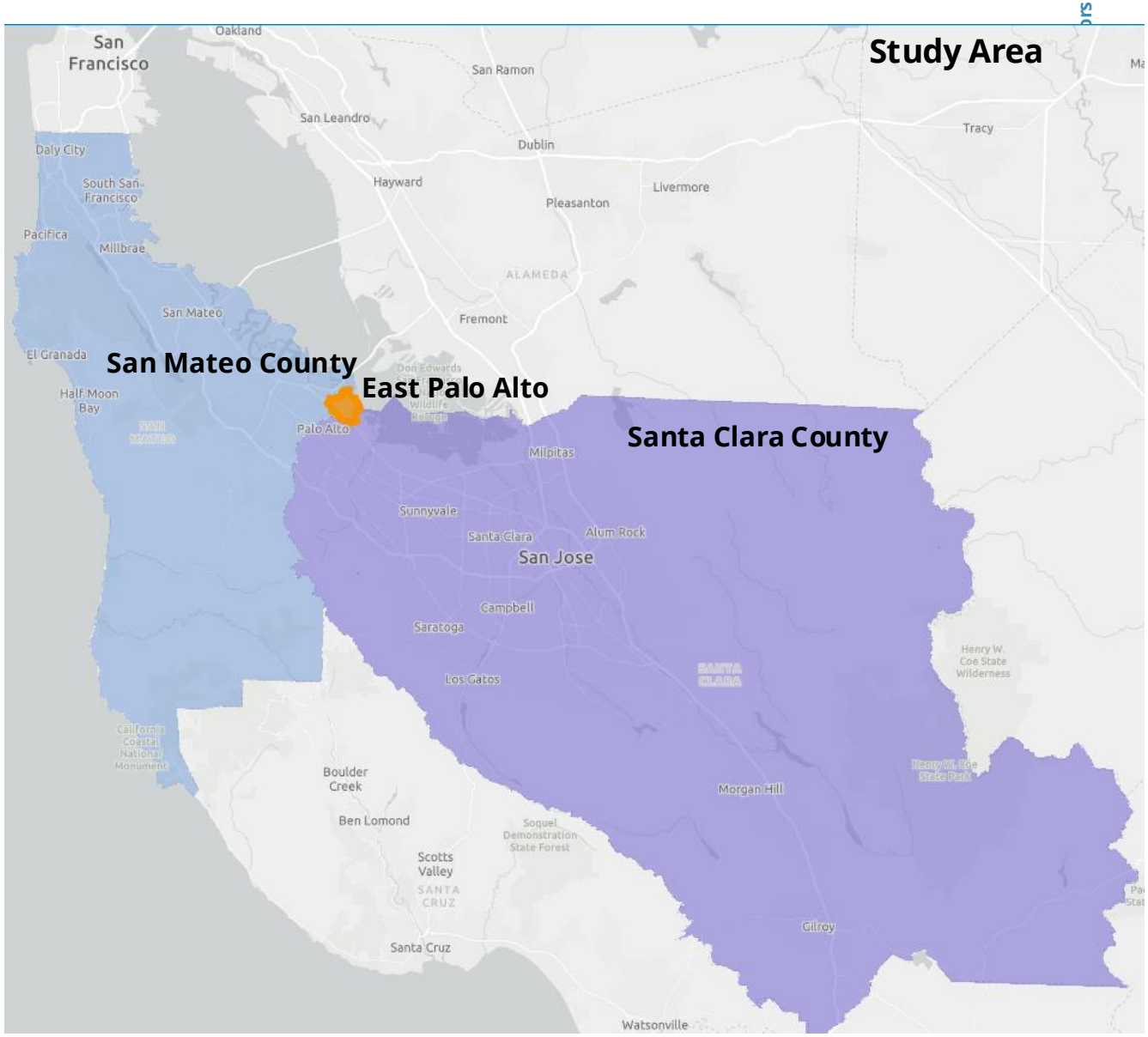
OVERVIEW

Over the last decade, East Palo Alto has seen modest population growth amid rising incomes and education attainment.

29,100
RESIDENTS (2023)
+2% (2013-2023)

$105K
MEDIAN HOUSEHOLD INCOME
+109% (2013-2023)

26%
RESIDENTS WITH A FOUR-YEAR DEGREE
+94% (2013-2023)

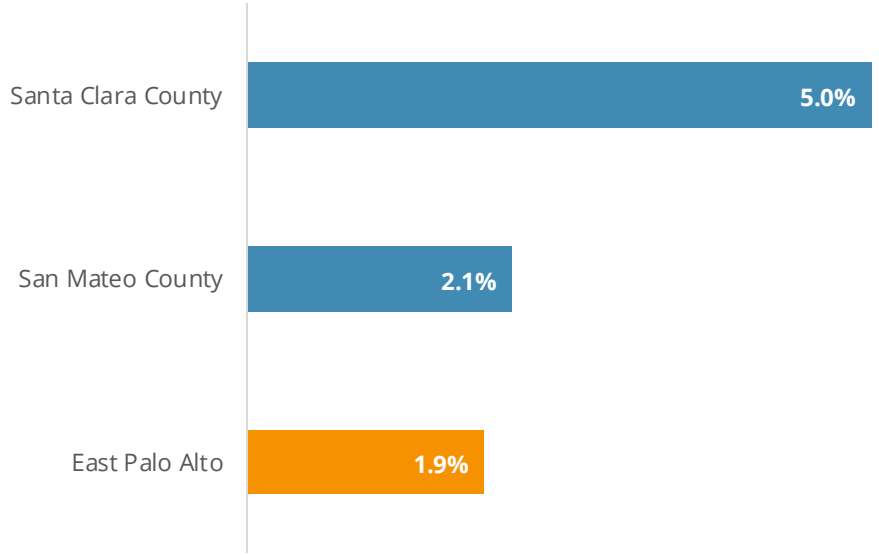


Source: ACS, US Census Bureau

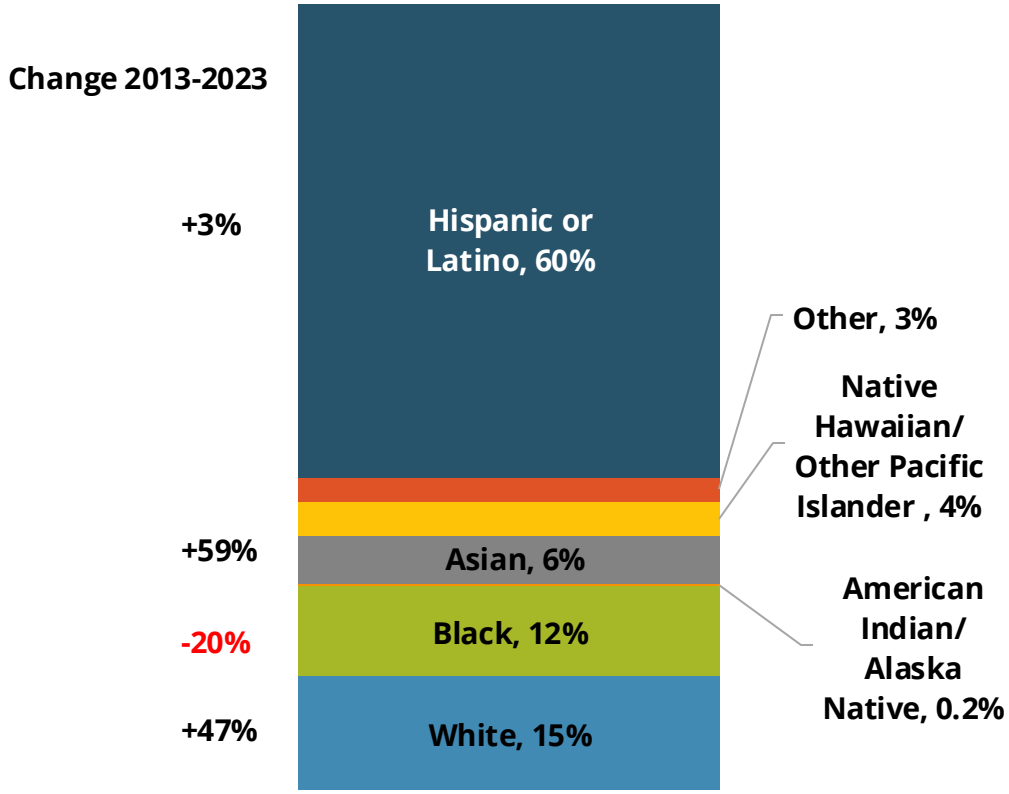
POPULATION GROWTH

East Palo Alto's population is growing at lower rates compared to the region. White, Asian, and Hispanic/Latino populations increased, while the Black population continues to decline.

10-YEAR POPULATION GROWTH (2013-2023)



RACE AND ETHNICITY (2023)



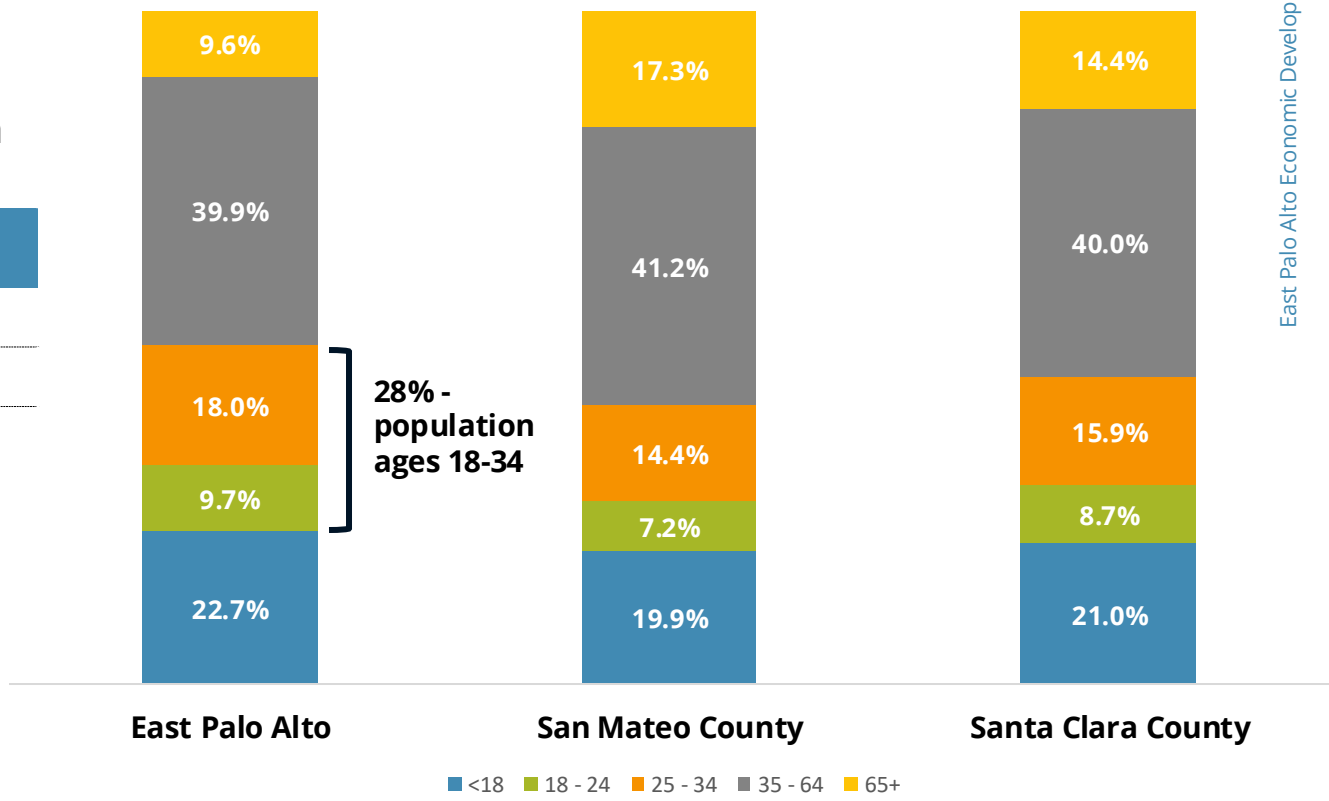
Source: ACS, US Census Bureau

HOUSEHOLD SIZE AND AGE

East Palo Alto has a larger household size and a higher proportion of children and younger working age population than the region.

2023	East Palo Alto	San Mateo County	Santa Clara County
Total Population	29,100	745,100	1,903,300
Total Households	8,300	264,400	654,500
Average Household Size	3.5	2.8	2.9

POPULATION BY AGE (2023)

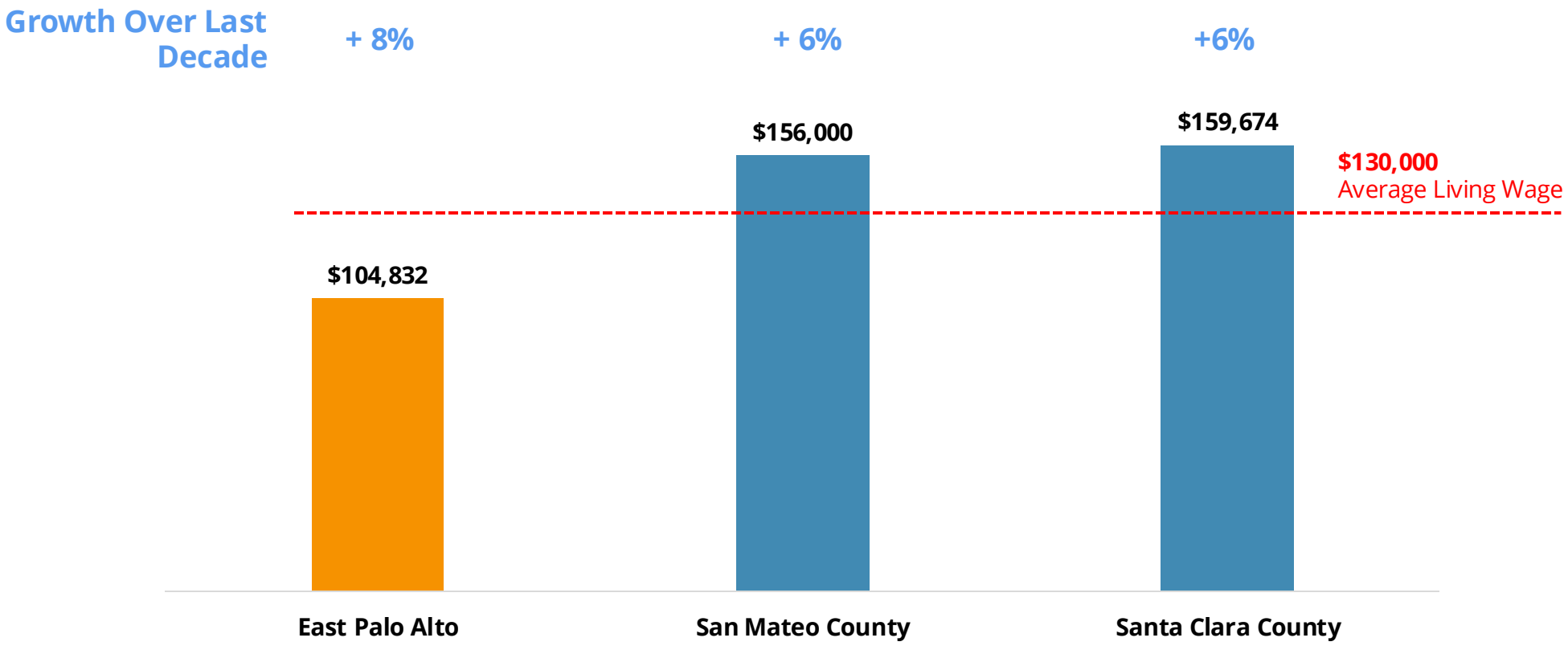


Source: ACS, US Census Bureau

MEDIAN HOUSEHOLD INCOME

Despite faster growth, East Palo Alto's median household income remains 50% lower than the regional average.

MEDIAN HOUSEHOLD INCOME (2023) & GROWTH (2013-2023 CAGR)



Source: ACS, US Census Bureau, MIT Living Wage Calculator

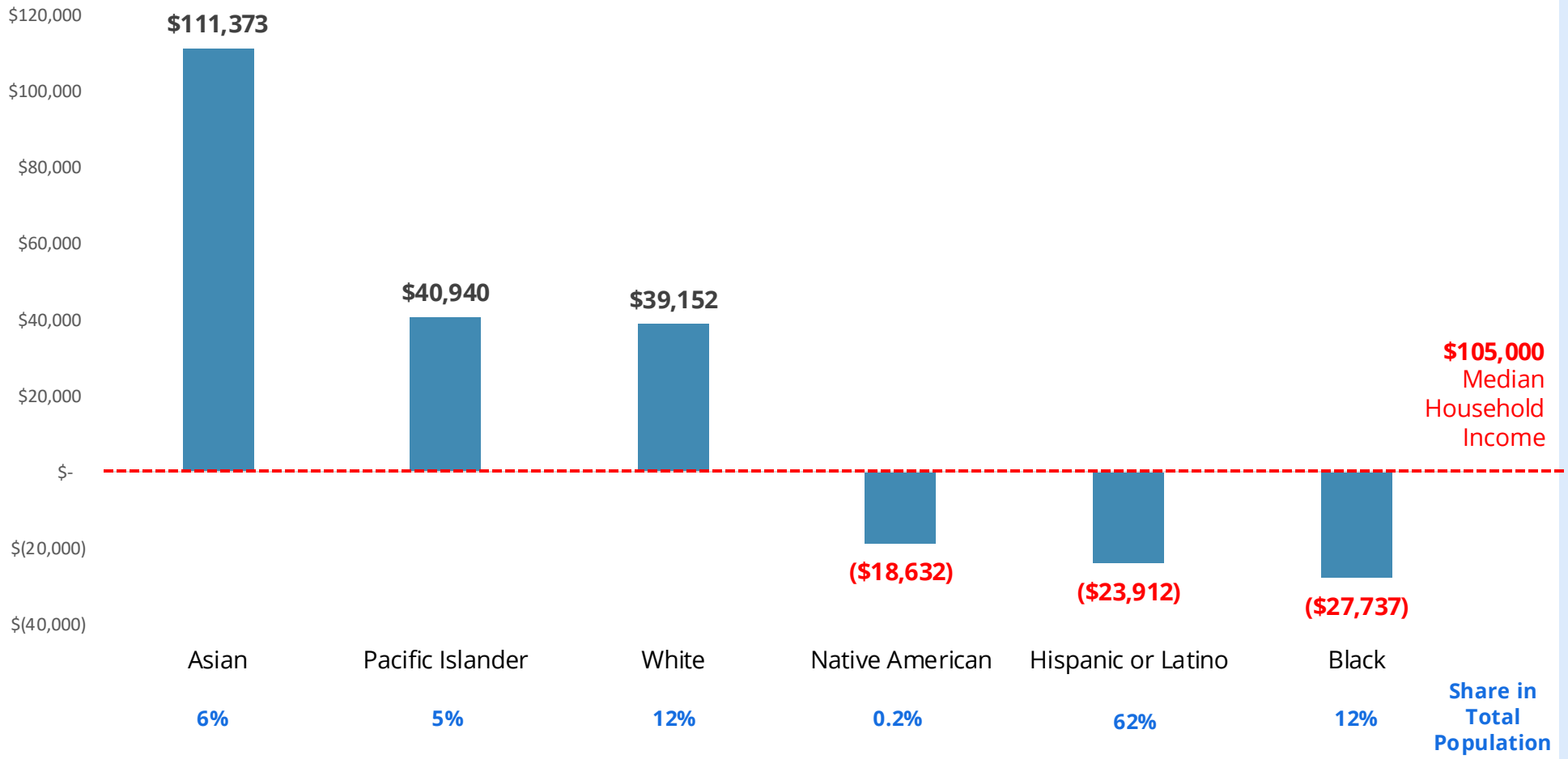
Living wage is defined as what one full-time worker must earn on an hourly basis to help cover the cost of their family's minimum basic needs where they live while still being self-sufficient.

Average living wage in San Mateo County for 2 adults (1 working) and 2 children household is approximately $63/hour or $130,000 annually for a full-time salary. This is $30,000 greater than the median household income in EPA.*

**cost of living was not considered on the city level, which may affect the living wage.*

HOUSEHOLD INCOME BY RACE

Stark racial inequities exist - Black, Hispanic, and Native American residents earning significantly lower than the median household income.



Over 70% of the population is Hispanic or Latino, or Black. However, the two populations earn, on average, $25,000 less than the city's median income.

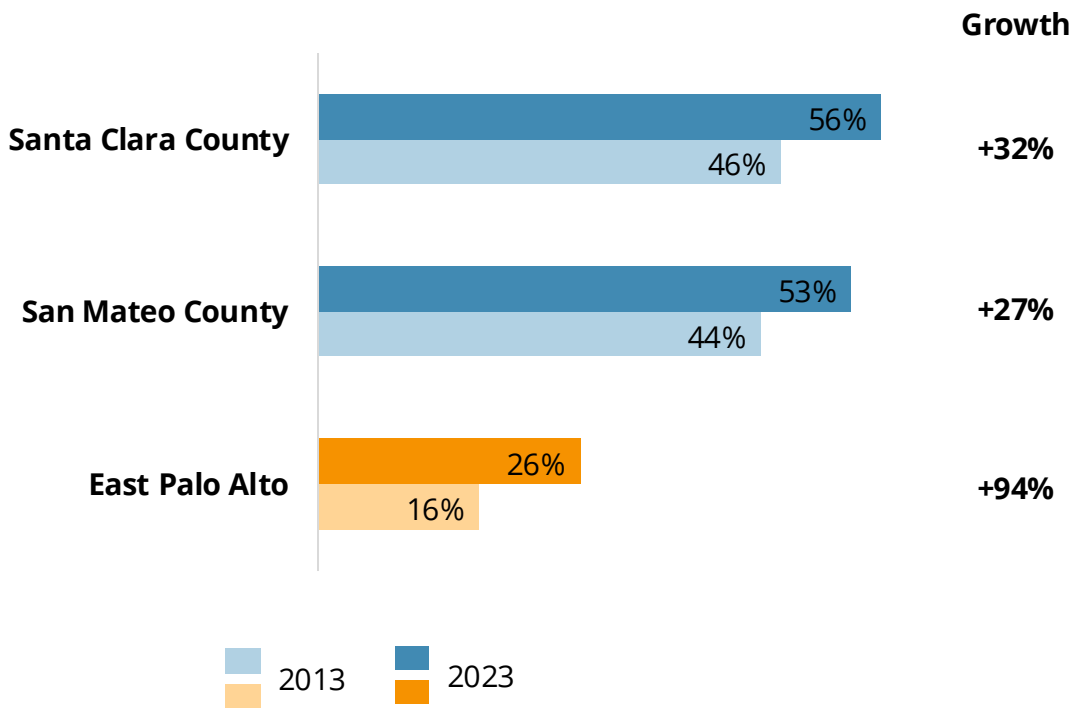
Asian, Pacific Islander, and White populations have been increasing and tend to hold higher income jobs.

Source: ACS, US Census Bureau

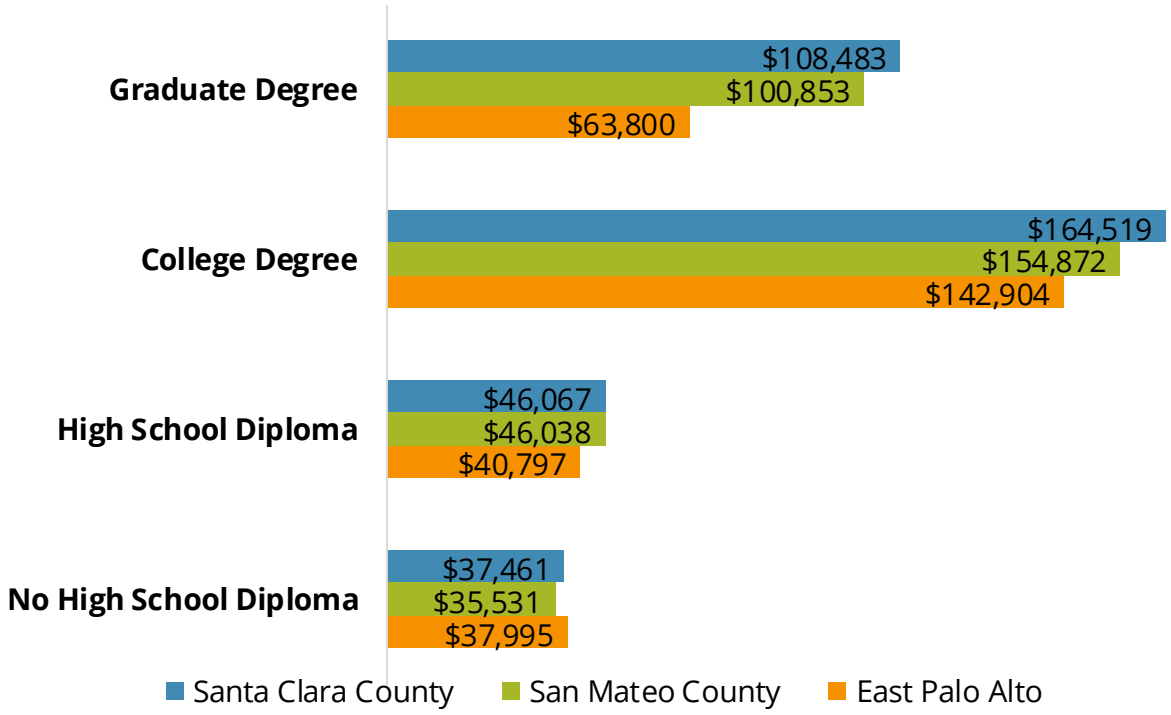
EDUCATIONAL ATTAINMENT

Education attainment level in East Palo Alto is growing though still lags behind the region – but advanCEDD degrees do not close the income gap for East Palo Alto residents.

PERCENTAGE OF POPULATION WITH BACHELOR'S DEGREE (2013-2023)



MEDIAN INDIVIDUAL INCOME BY HIGHEST EDUCATIONAL ATTAINMENT (2023)



Source: ACS, US Census Bureau



03

Industry & Employment Base

1. East Palo Alto has **gained back most of its jobs lost** since 2013, though its **employment base is still relatively small** with a growth rate that lags the region.

2. **High-wage jobs are growing** in East Palo Alto, though **low-wage jobs remain dominant locally**.

3. **Professional, Scientific, and Technical Services** and **Health Care** are the largest industries in East Palo Alto - both of which could be strong sources of quality jobs and career pathways.

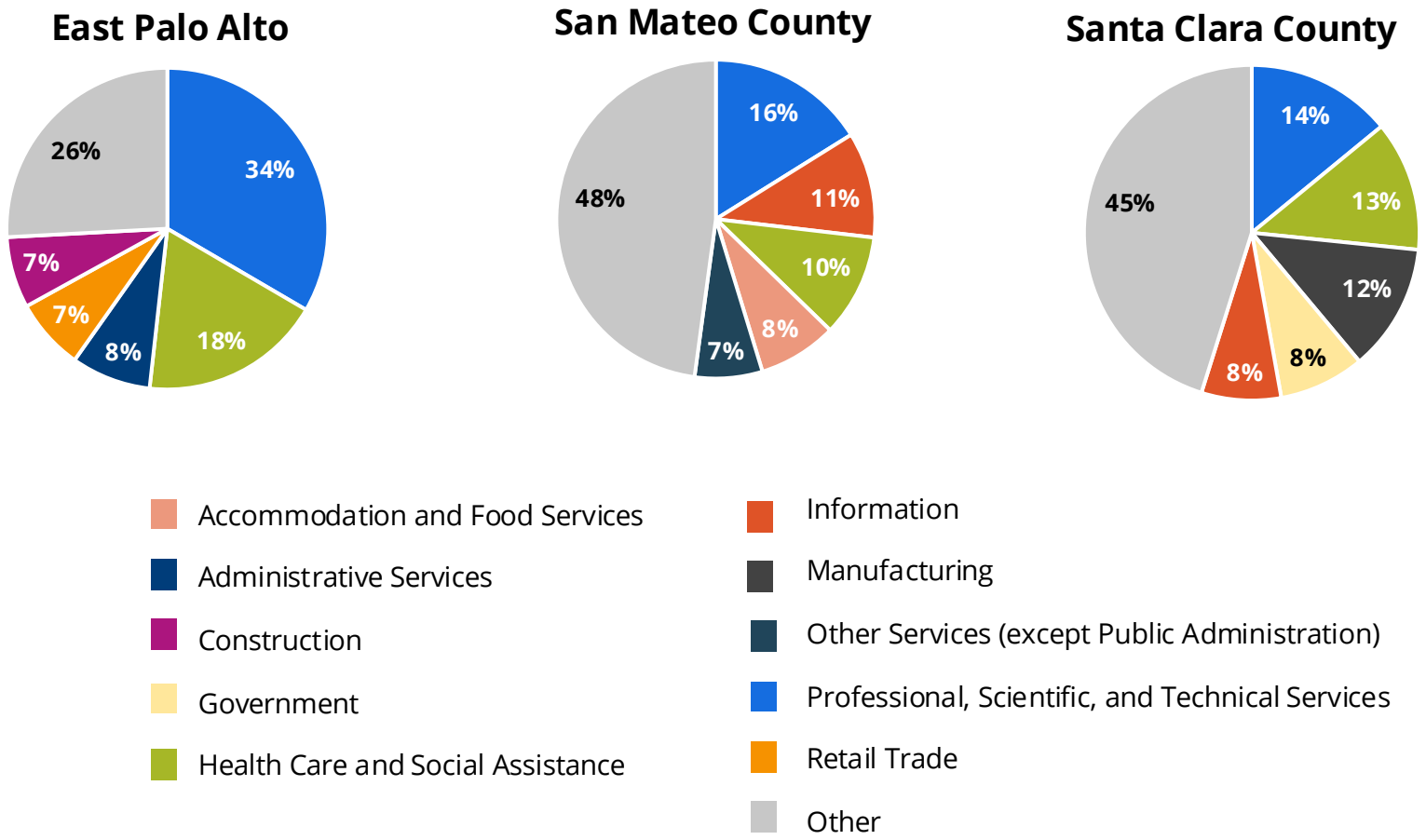
4. **East Palo Alto does not capture the region's most competitive industry: tech**. At the same time, while the city has industrial space and districts, its **manufacturing industry lacks scale**.

5. EPA has **strong nonprofit workforce training providers**, though offerings could be **further enhanCEDD to better align with strong regional industries** to maximize access to quality jobs.

INDUSTRIES PROFILE

Professional, Scientific, and Technical Services and Health Care are the largest industries in East Palo Alto, in line with regional trends.

TOP 5 INDUSTRIES (2024)



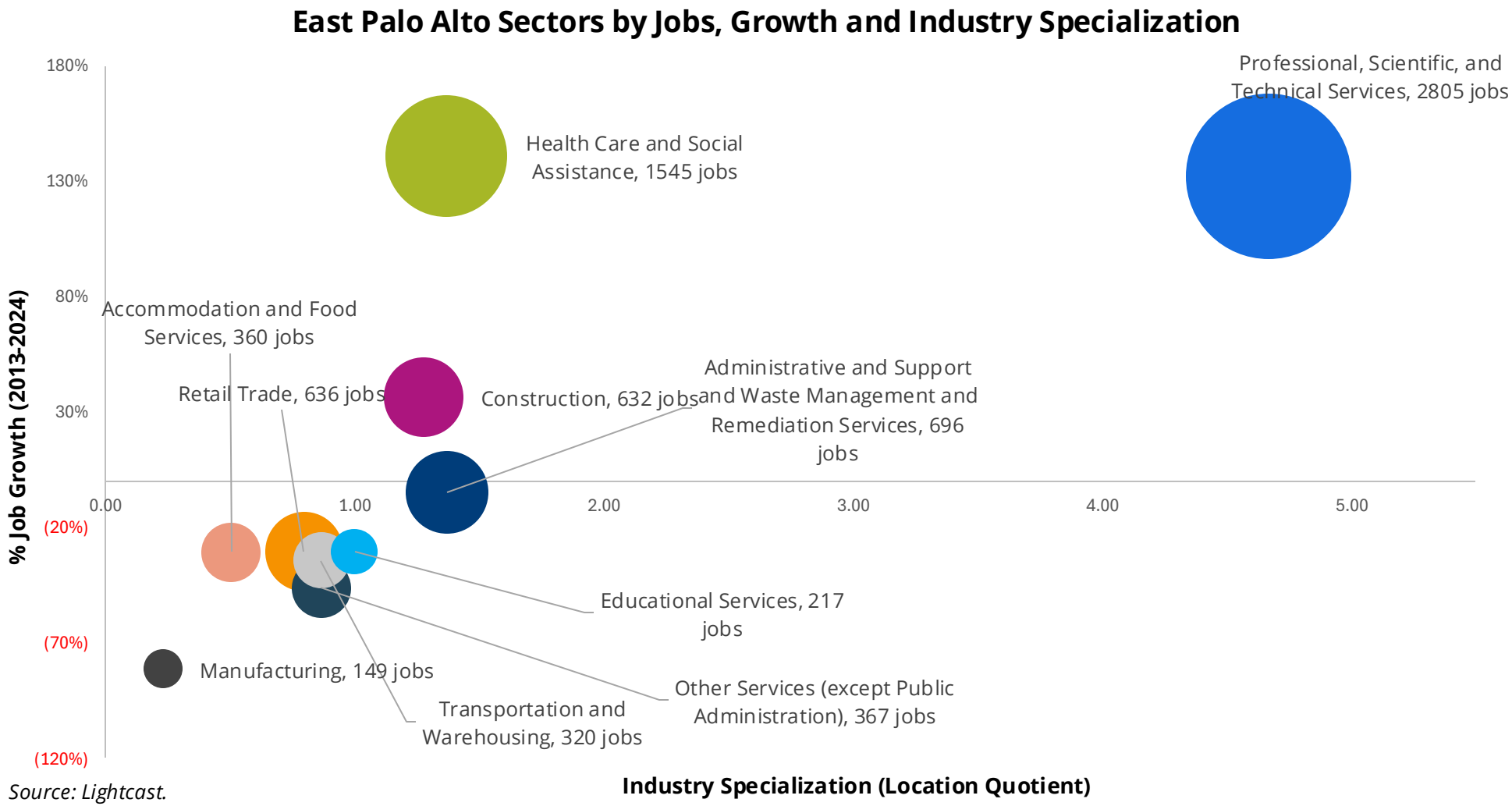
Source: Lightcast.

East Palo Alto depends more heavily on professional services than surrounding counties overall. There are also large regional industries that do not have a strong presence in East Palo Alto:

- **Information** is the second largest and growing industry in San Mateo County with growth of +107% in the last decade.
- **Manufacturing** is the third largest industry in Santa Clara County.
- **Management of Companies and Enterprises** is the largest growing industry in Santa Clara County.

INDUSTRY SPECIALIZATION – EAST PALO ALTO

East Palo Alto's relative strength in professional services and healthcare – both sources of good jobs - presents economic development potential.



Source: Lightcast.

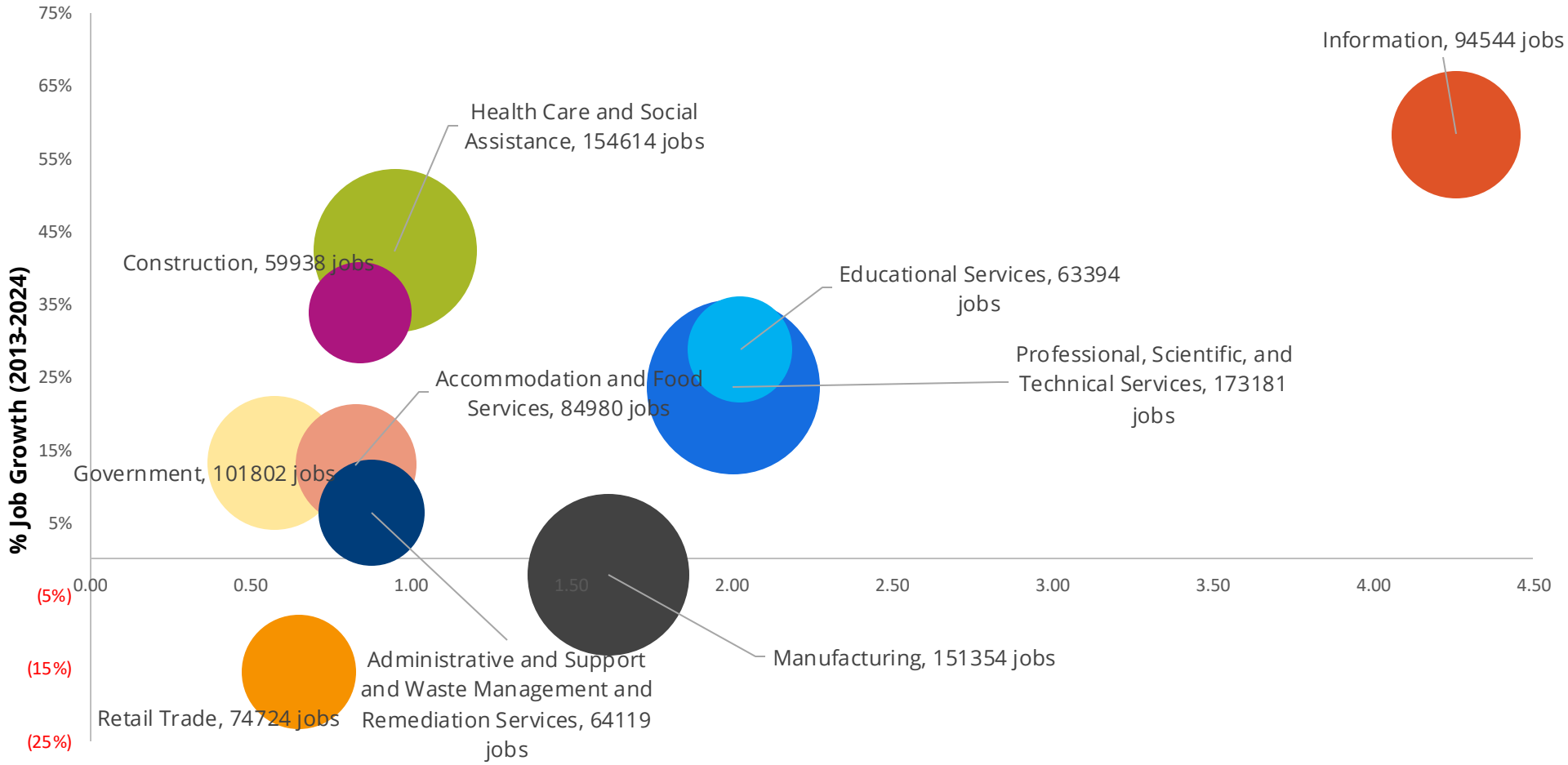
Industry Specialization as Measured by Location Quotient: Location Quotient, as shown on the chart's X axis, measures how specialized a city's economy is in a sector relative to the nation. An Industry Specialization level of 2.0 means a city's economy is twice as specialized in that sector than the national average.

Information Industry: EPA specializes in professional services, in line with San Mateo County. However, information, the most notable industry - in the County in size, growth, and specialization - is largely absent in EPA.

INDUSTRY SPECIALIZATION – REGIONAL

East Palo Alto does not capture the region's strengths in tech or advanCEDD manufacturing, both offering quality jobs and career pathways.

Santa Clara County Sectors by Jobs, Growth and Location Quotient



Source: Lightcast.

Manufacturing Industry:

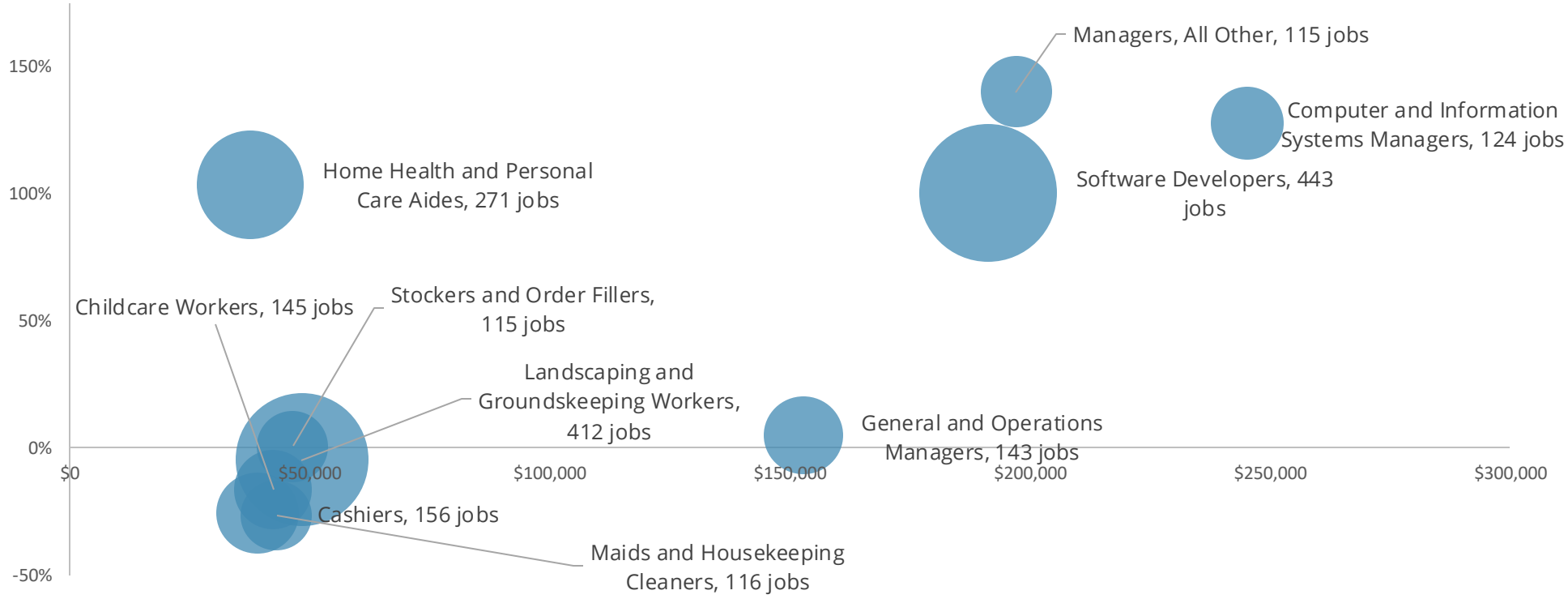
In addition to information industry professional services as economic drivers, Santa Clara County's manufacturing sector is also notable in terms of size and specialization. It has a location quotient of 1.6 and consists 12% of total jobs.

While the number of manufacturing jobs have been declining, its subsectors include high-paying industries in advanCEDD manufacturing such as semiconductor manufacturing that offers high-paying jobs.

OCCUPATIONS & EARNINGS

While higher-paying occupations are growing in East Palo Alto, jobs in the city remain predominantly service-oriented and low-paying.

East Palo Alto Occupations by Size, Percent Growth, and Annual Median Income* (2024)



Source: Lightcast, ACS 5-Year.
*Note: *Annual Median Income is based on San Mateo County data.*

Top Employers:

East Palo Alto's top employers are a mix of large companies, healthcare industry, and the public sector.

Top 5 Employers by Number of Employees (2023-2024):

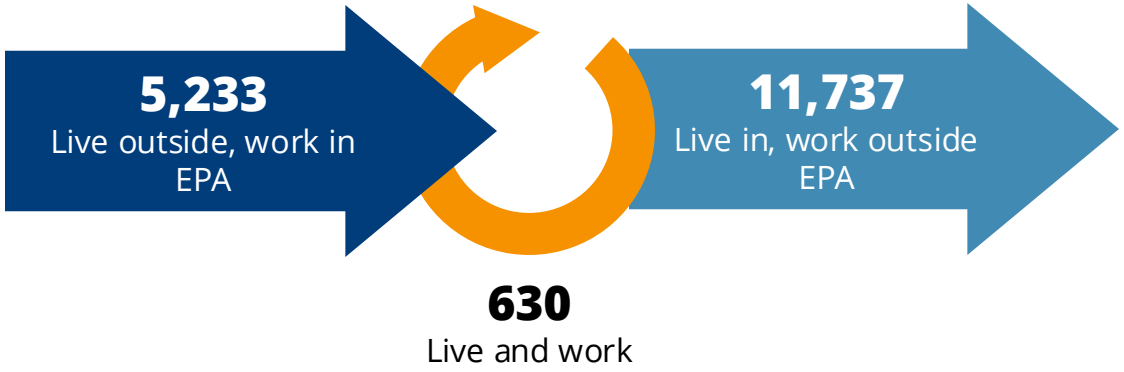
1. Amazon Web Services – 1,613
2. Ravenswood Family Health Center – 334
3. IKEA – 270
4. Ravenswood City School District – 253
5. Four Seasons Hotel – Silicon Valley – 214

Source: City of East Palo Alto 2024 Annual Comprehensive Financial Report.

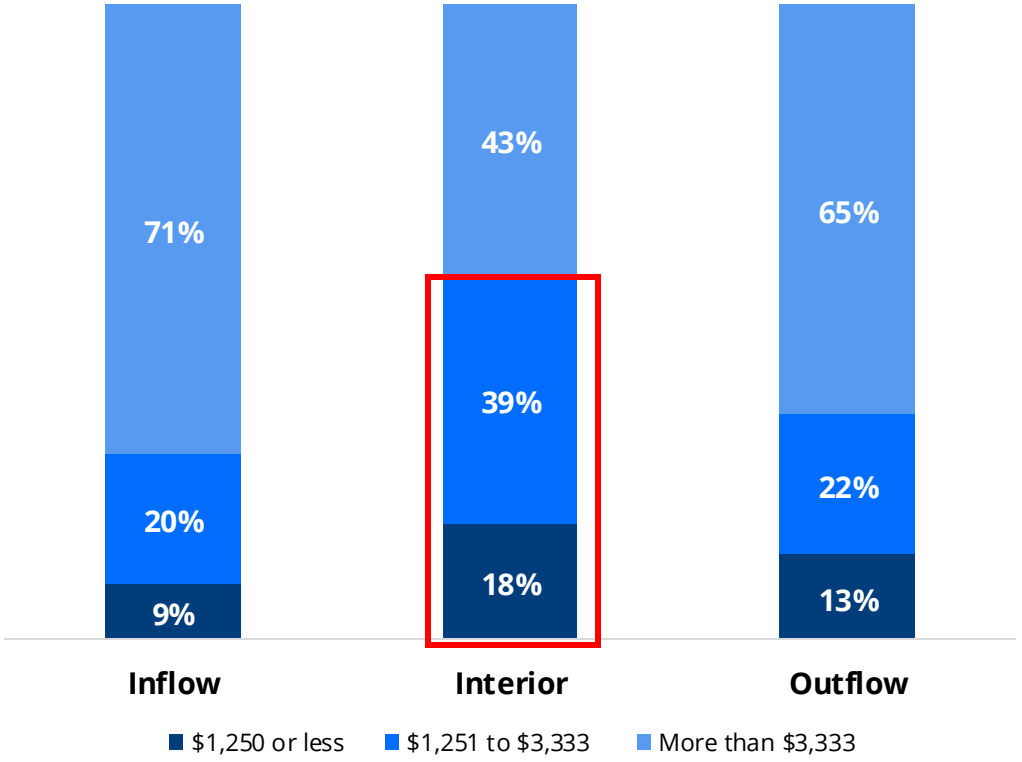
RESIDENT COMMUTE & EARNING PATTERNS

East Palo Alto sees high daytime turnover, with only 630 residents working locally - earning less than both inbound and outbound commuters.

COMMUTER INFLOW/OUTFLOW (2022)



MONTHLY WORKER EARNINGS (2022)



Source: Longitudinal Employer-Household Dynamics (LEHD).



04

Business & Retail Landscape

TAKEAWAYS

This business analysis yields the following takeaways to inform strategy development and implementation planning.

1. East Palo Alto is **a city of small businesses** - the majority are small businesses that employ fewer than 10 people. This makes **small business growth a vital pillar of its economic development**.

2. At the same time, the **performance of a few larger businesses has an outsized impact** on the city's job supply, tax revenues, and the overall local economy.

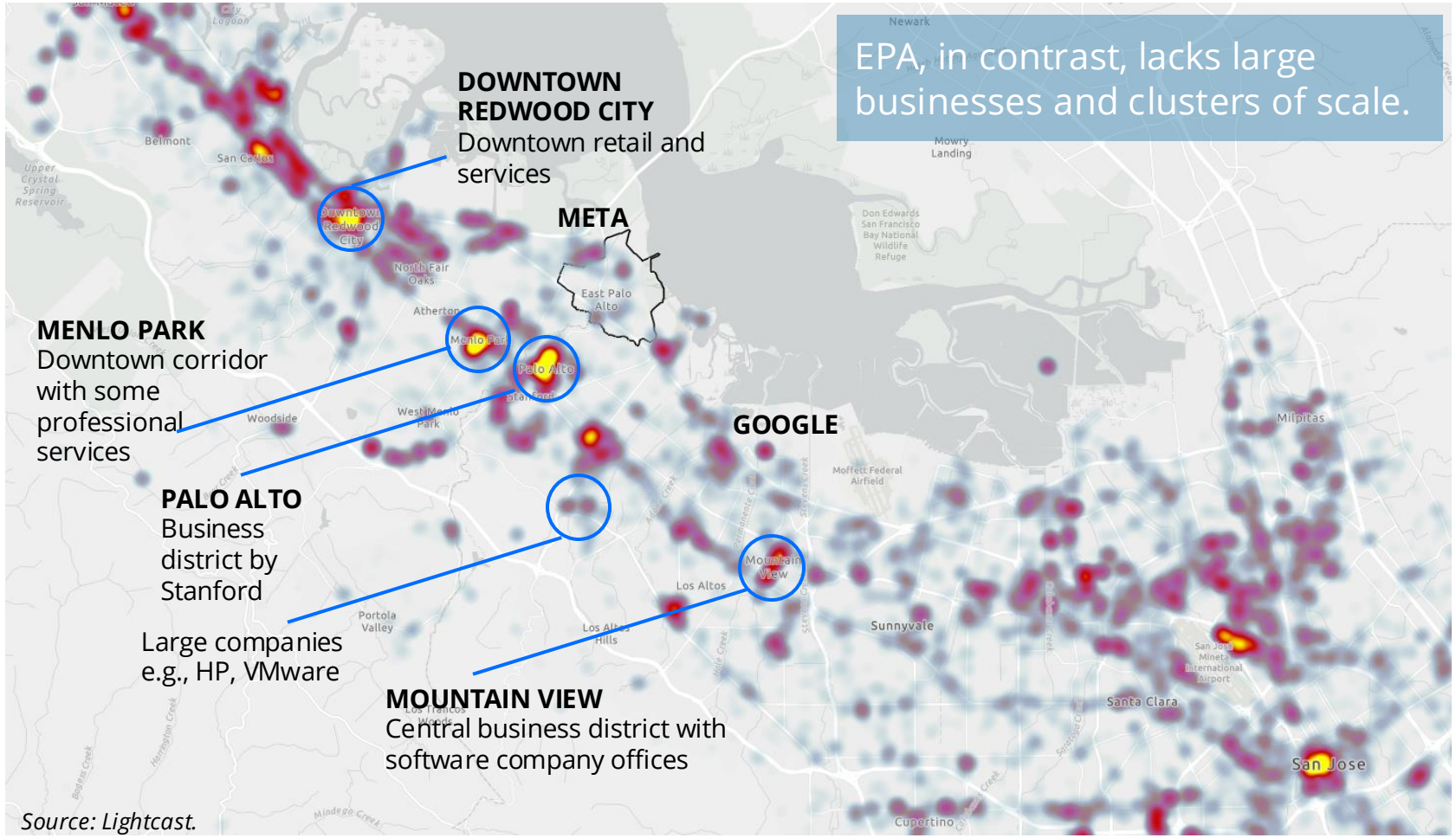
3. Beyond the Gateway Retail Center, the **absence of physically clustered businesses, active storefronts, and workers** hinders the development of vibrant commercial corridors and a strong sense of place.

4. Limited retail supply and diversity contributes to unmet demand across many categories - highlighting **under-tapped potential to capture more of residents' and workers' spending power**.

REGIONAL CONTEXT & PHYSICAL CLUSTERS

Cities such as Palo Alto, Menlo Park, and Redwood City benefit from dense business clusters anchored by major companies and dynamic downtowns.

BUSINESSES IN SAN MATEO COUNTY AND SANTA CLARA COUNTY



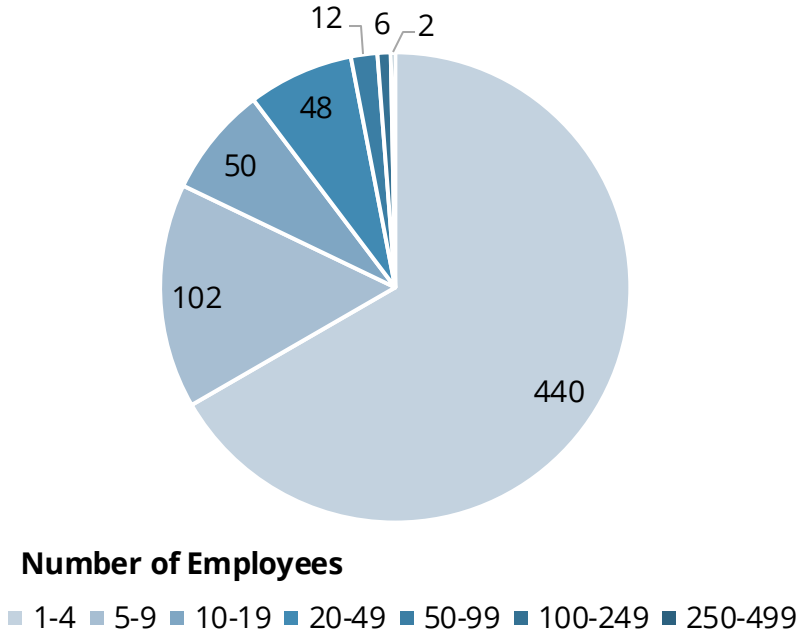
Source: Lightcast.

LARGEST REGIONAL EMPLOYERS

- Meta - tech
- Grail – health care tech
- Exponent – consulting
- Robinhood – Financial tech
- Genesys Cloud Services – tech
- Palantir – tech
- Stanford Skin Center – health care
- Intuit – financial tech
- Stanford University

Over 80% of businesses employ fewer than 10 people. General retail – driven by big-boxes like IKEA and Home Depot – account for significant portions of the City's total sales taxes.

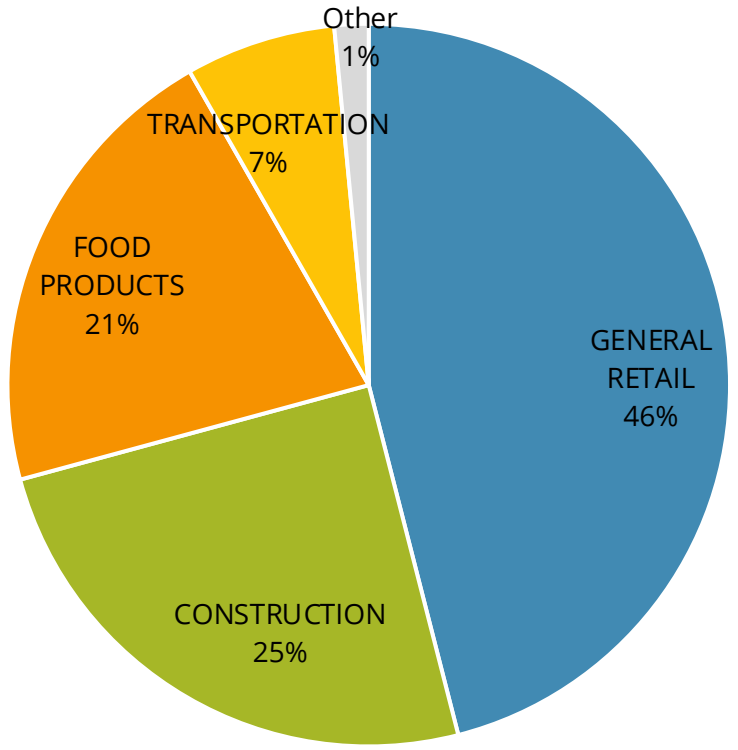
BUSINESSES IN EPA BY NUMBER OF EMPLOYEES



Important to note that available data does not capture informal, home-based, micro businesses. Outreach to these businesses are underway.

Source: Data Axle.

SALES TAX BY TYPE OF BUSINESS (2024)

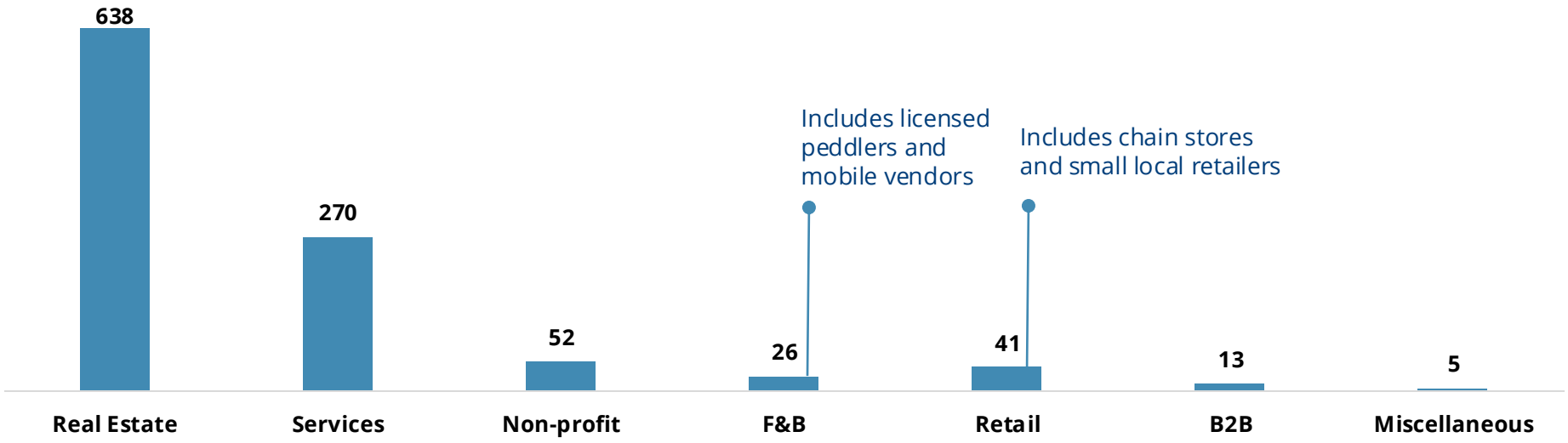


Source: City of East Palo Alto

EPA BUSINESS LANDSCAPE | TYPE

Based on the City's business license data, there are more than 1,000 EPA-based businesses that contribute to East Palo Alto's economy, providing jobs, services, and tax revenues.

NUMBER OF BUSINESSES IN EAST PALO ALTO BY TYPE (2024)



The majority of active businesses in East Palo Alto are real estate and service-oriented, including contractors, landscapers, beauty salons, and other neighborhood and business services.

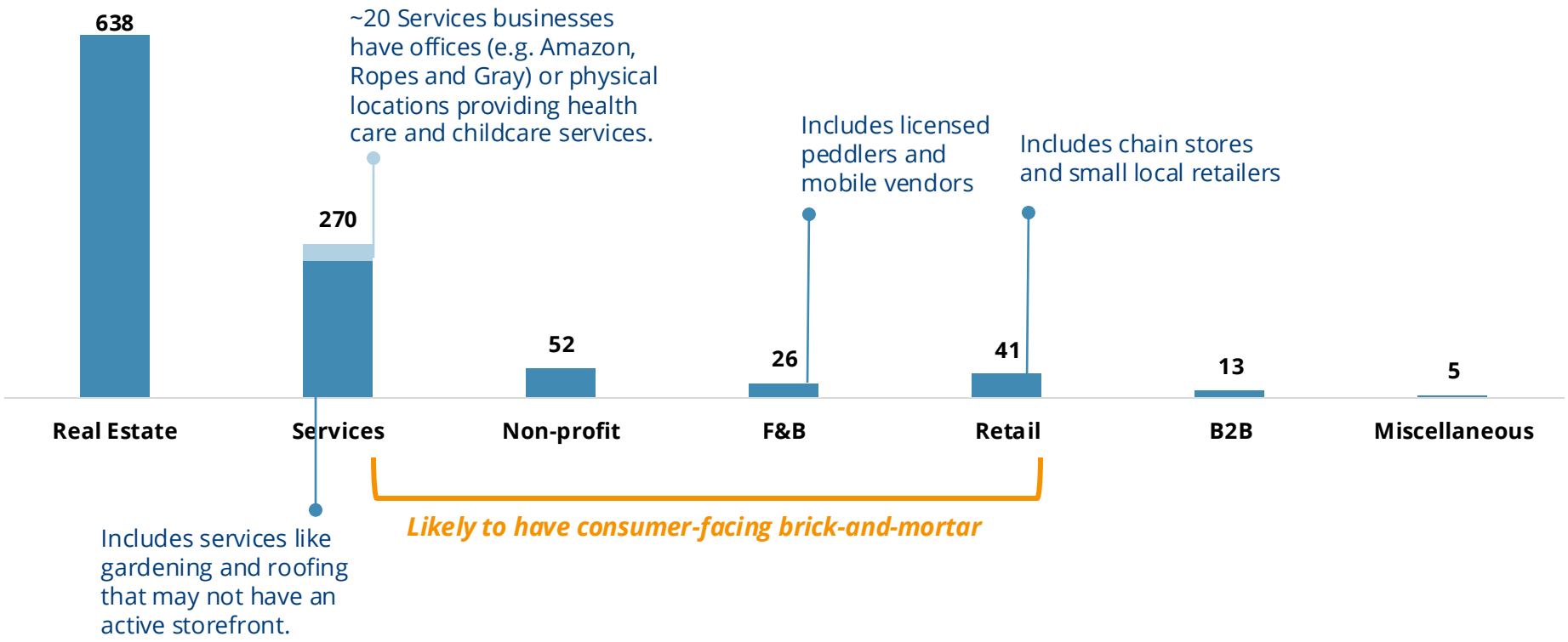
It is important to note that this data does not capture the city's informal economy such as unlicensed home-based businesses and vendors.

Source: City of East Palo Alto Business License Data.
Note: This analysis used business license data provided by the City as a proxy for business data. The data portrayed here includes only businesses with physical location in East Palo Alto and an active business license status. This graph presents a recategorized dataset based on "business type", "rate type", and qualitative data on type of business.

EPA BUSINESS LANDSCAPE | PHYSICAL PRESENCE

As the City prioritizes the creation of 'main street' corridors, there is an opportunity to cultivate physical clusters of active storefronts and brick-and-mortar businesses to support street-level vibrancy.

NUMBER OF BUSINESSES IN EAST PALO ALTO BY TYPE (2024)



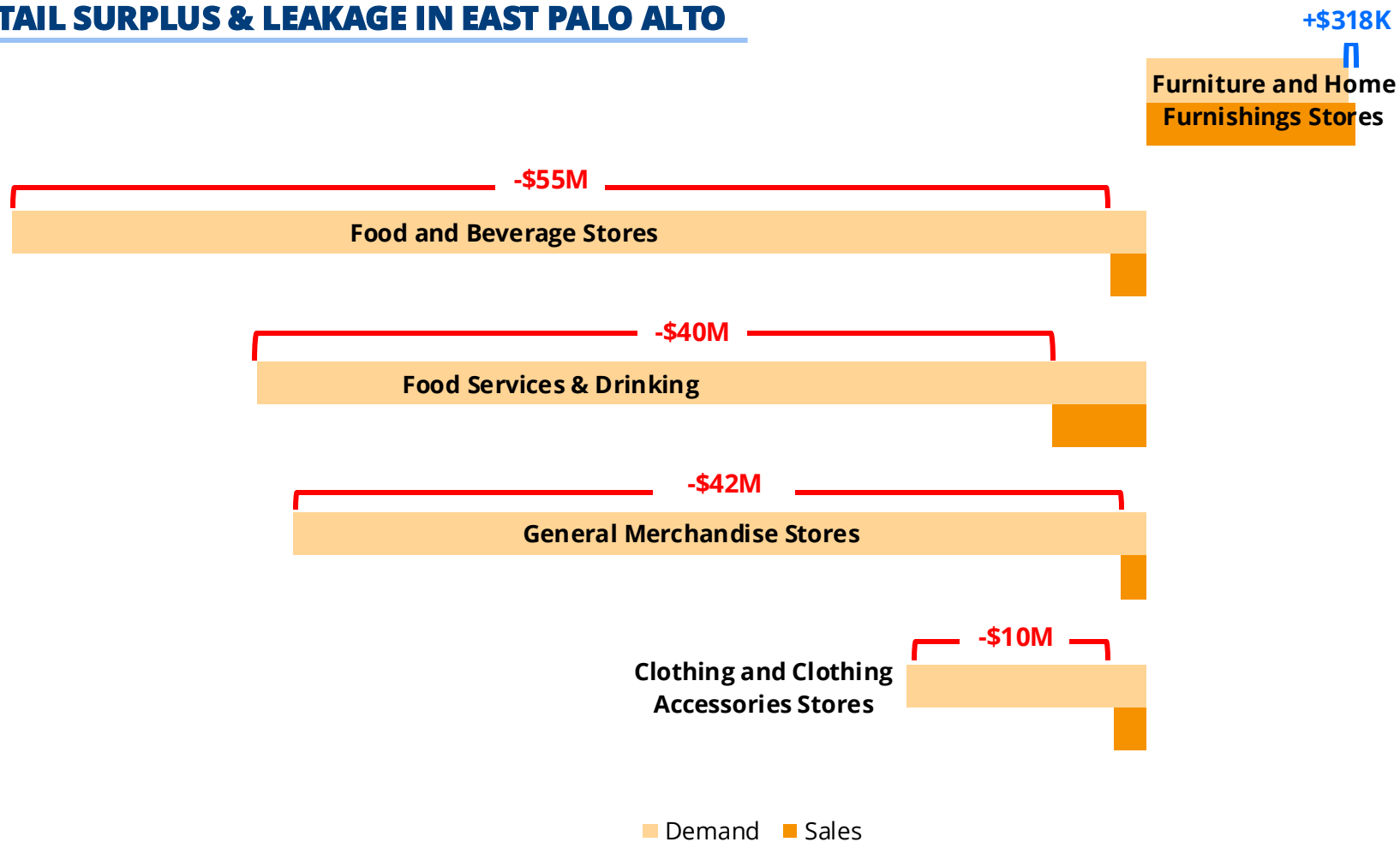
Source: City of East Palo Alto Business License Data.
Note: This analysis used business license data provided by the City as a proxy for business data. The data portrayed here includes only businesses with physical location in East Palo Alto and an active business license status. This graph presents a recategorized dataset based on "business type", "rate type", and qualitative data on type of business.

In addition to creating jobs and generating tax revenue, businesses with a physical presence - such as retail stores and offices - contribute to placemaking and dynamic sense of place.

RETAIL OPPORTUNITIES

EPA's limited retail offerings do not meet its residential demand across multiple categories and are leaving spending power on the table.

RETAIL SURPLUS & LEAKAGE IN EAST PALO ALTO



Source: City of East Palo Alto, ESRI Business Analyst.
Note: Sales might not include the sales from mobile vendor activities.

Retail leakage reflects the gap between local consumer demand and actual in-city sales. It is calculated by subtracting resident demand in dollar amounts by sales generated within the city.

Other than the Furniture and Home Furnishings Stores category, which has a small surplus due to the presence of destination retailers, other shopping categories and F&B categories have large leakages, meaning EPA residents have spending power that is leaking outside of EPA.

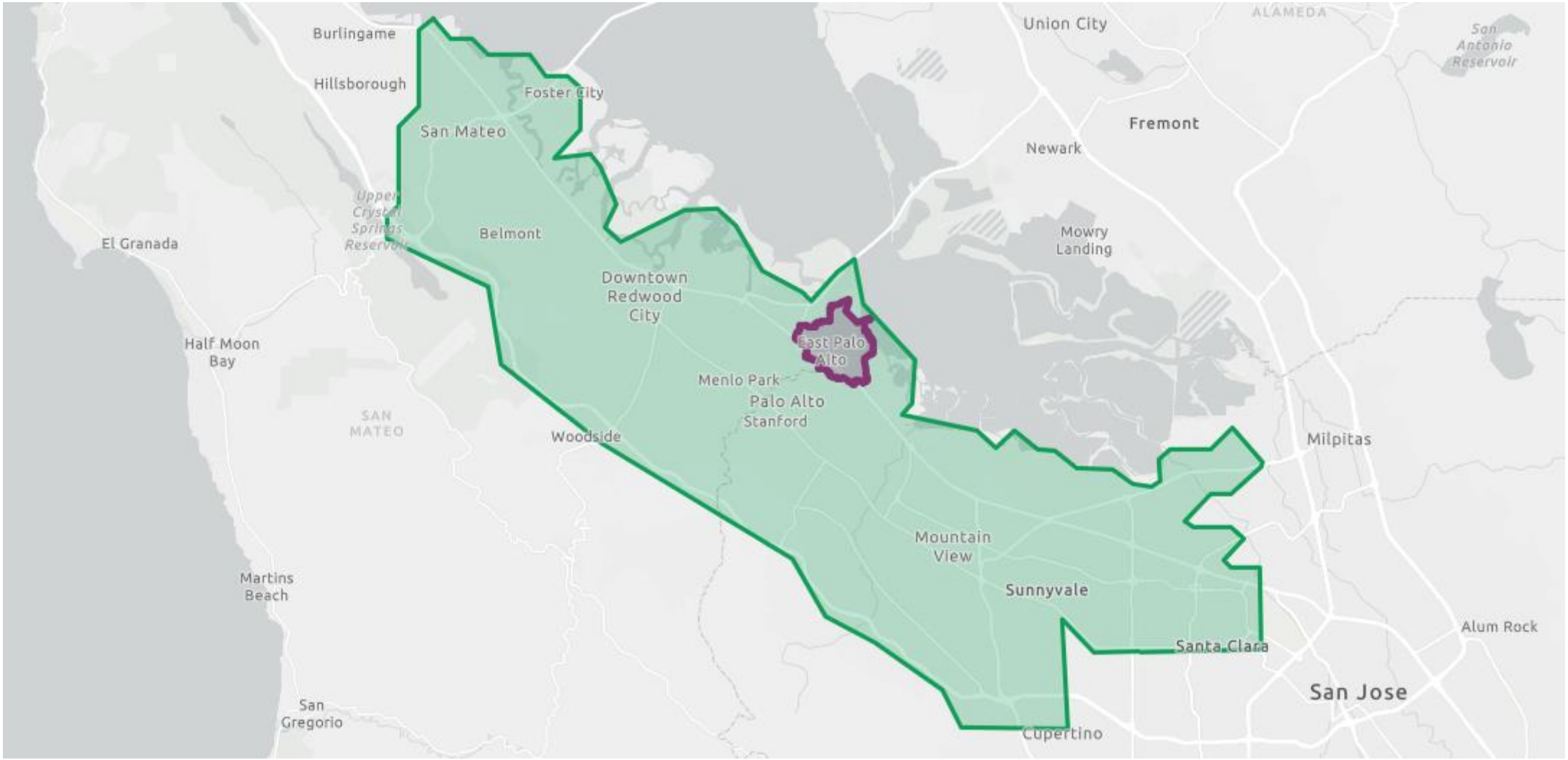


05

Real Estate Conditions

REAL ESTATE TRENDS

The real estate analysis considers the City of East Palo Alto, as well as a custom geography ("Study Area") that represents a 20-minute driving radius from the city.



1. **Growth across all use types in East Palo Alto has been stagnant** since 2015. Within that timeframe, only one new office building and one new multifamily building have been delivered.

2. With lower-than-average vacancies and rents keeping relative pace with the broader Study Area, **retail and industrial uses appear to have notable growth potential** within East Palo Alto.

3. **Existing multifamily units are showing signs of tightening demand** - rising rents and falling vacancies. The City must facilitate sufficient housing construction to accommodate future growth and ease market pressure on existing and new residents.

4. **Most notable commercial and industrial properties and developments are in the City's eight business districts**. Each district's characteristics and redevelopment potential will inform its future positioning and place-based strategies.

EPA comprises a modest share of the regional real estate market. Its growth across real estate asset classes have lagged 20-min drive radius - except for office.

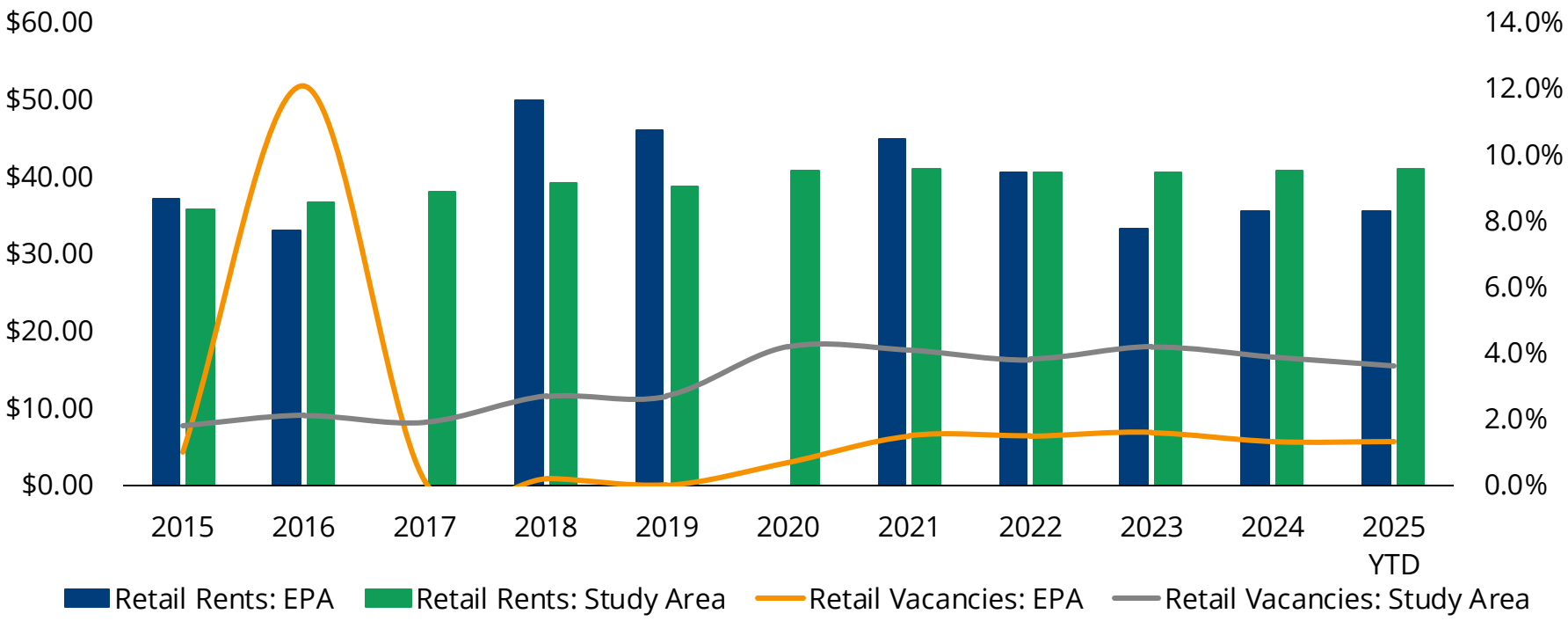
Comparative Land Use Inventory
(2025 YTD)

	Multifamily Residential (For Context)		Retail		Office		Industrial		Hotel	
	Inventory	***Growth since 2015***	**Inventory**	***Growth since 2015***	**Inventory**	***Growth since 2015***	**Inventory**	***Growth since 2015***	**Inventory**	***Growth since 2015***
City of East Palo Alto	3,880 Units	***+1.1%***	770,458 SF	***0%***	790,745 SF	***+37.1%***	470,099 SF	***0%***	200 Rooms	***0%***
Study Area (20-Minute Drive Radius)	122,205 Units	***+20.3%***	32,217,652 SF	***+4.3%***	121,837,206 SF	***+29.0%***	37,397,780 SF	***+4.7%***	20,210 Rooms	***+18.8%***
EPA Share of Total Study Area Inventory	**3.2%**		**2.4%**		**0.6%**		**1.3%**		**1.0%**	

Source(s): *CoStar*

Lower-than-average vacancies suggest that demand for retail is strong in East Palo Alto. However, available space in the city is not commanding the high rents seen elsewhere.

Comparative Retail Rents PSF & Vacancies
(2015-2025 YTD)



CHANGE IN RETAIL RENTS PSF (2015-2025 YTD)

-4%
East Palo Alto

+14%
Study Area

Source(s): *CoStar*
Note(s): *Retail rent data missing for East Palo Alto in 2017 and 2020; retail vacancy data missing for East Palo Alto in 2019.*

REAL ESTATE TRENDS | RETAIL

Nearly 77% (592K SF) of EPA's retail inventory is concentrated within the Gateway Shopping Center. Elsewhere in the city, much of the retail uses are scattered in small storefronts and in older building stock.

Retail Types Outside of Gateway Shopping Center

178K sq ft (23% of total)

Neighborhood Service



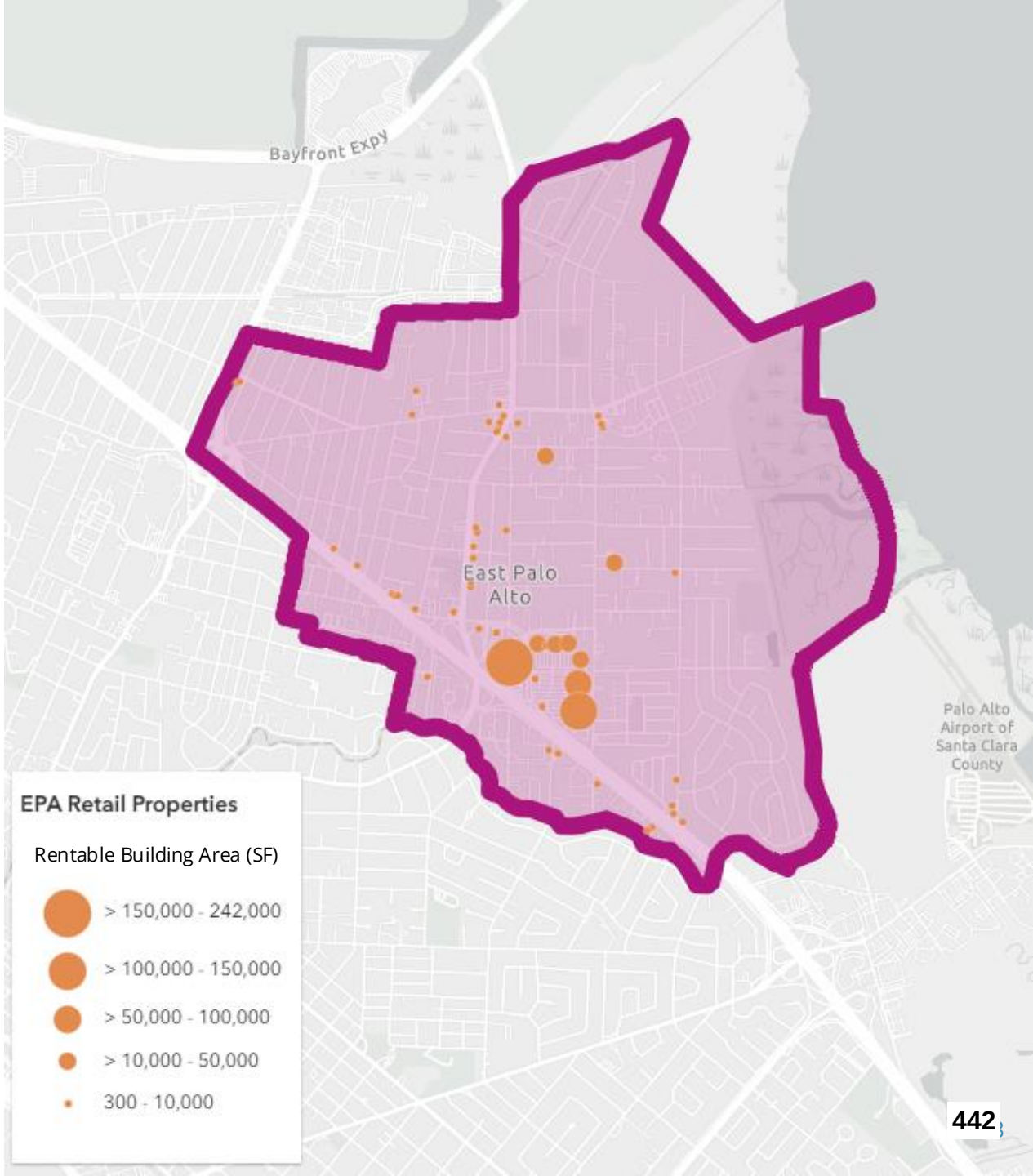
Small-Scale Cluster



Food & Beverage



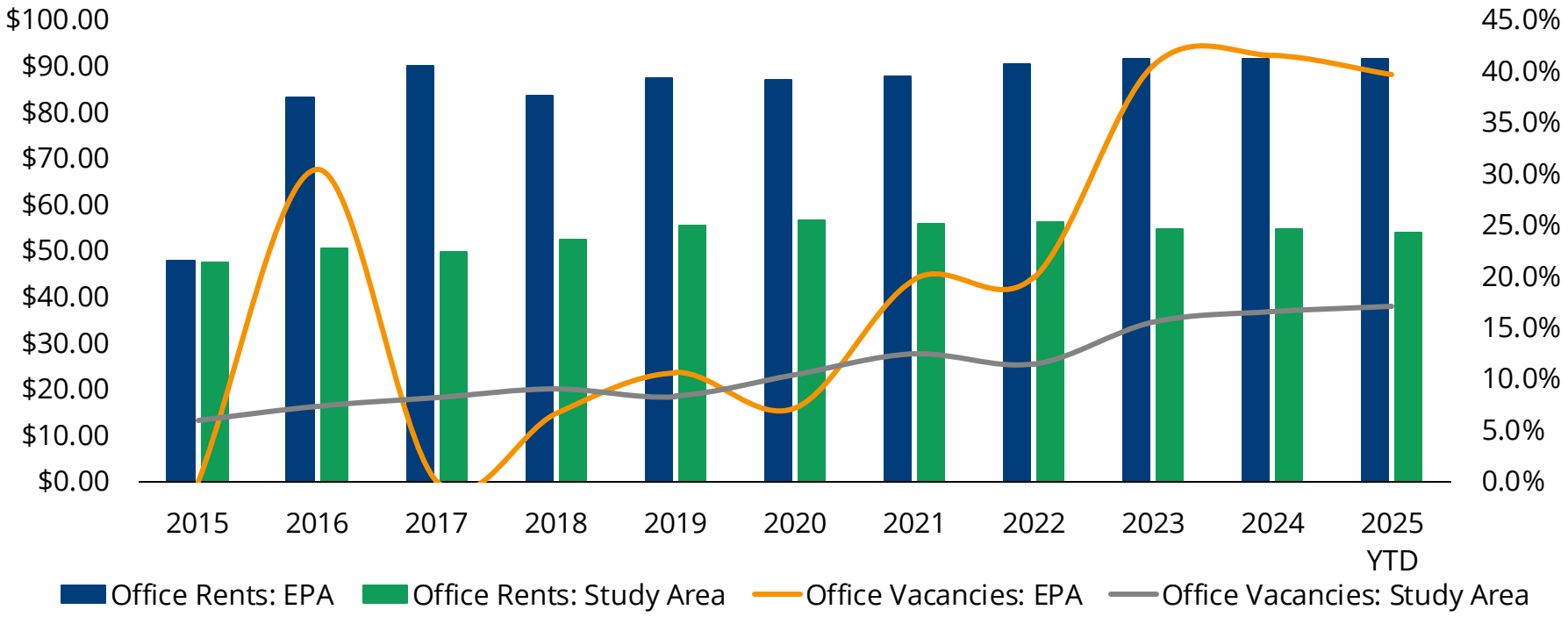
Source(s): *CoStar*



REAL ESTATE TRENDS | OFFICE

Office rents in East Palo Alto increased significantly in 2016, likely due to the delivery of the new Amazon building. Vacancies have doubled since 2022, indicating slowing demand.

Comparative Office Rents PSF & Vacancies
(2015-2025 YTD)



CHANGE IN OFFICE RENTS PSF (2015-2025 YTD)

+91%
East Palo Alto

+14%
Study Area

Source(s): *CoStar*
Note(s): *Data on office vacancies is missing for East Palo Alto in 2015 and 2017.*

REAL ESTATE TRENDS | OFFICE

The design and location of existing and proposed office campuses in East Palo Alto enable regional access but do not encourage users to engage with the broader community.

University Circle
1900-2000 University Ave
450K SF total (three buildings)
~70% vacancy



University Square Phase II
2111 University Ave
220K SF (Status TBD)



Potential Office / Commercial Development

2535 Pulgas Ave
In Planning

Developer conversations suggest current market does not support new office development.

2020 Bay Rd Offices
2020 Bay Rd
~1.3M SF (Status TBD)



University Circle Phase II
1950 University Ave
180K SF



Amazon Offices
2100 University Ave
214K SF
8% vacancy



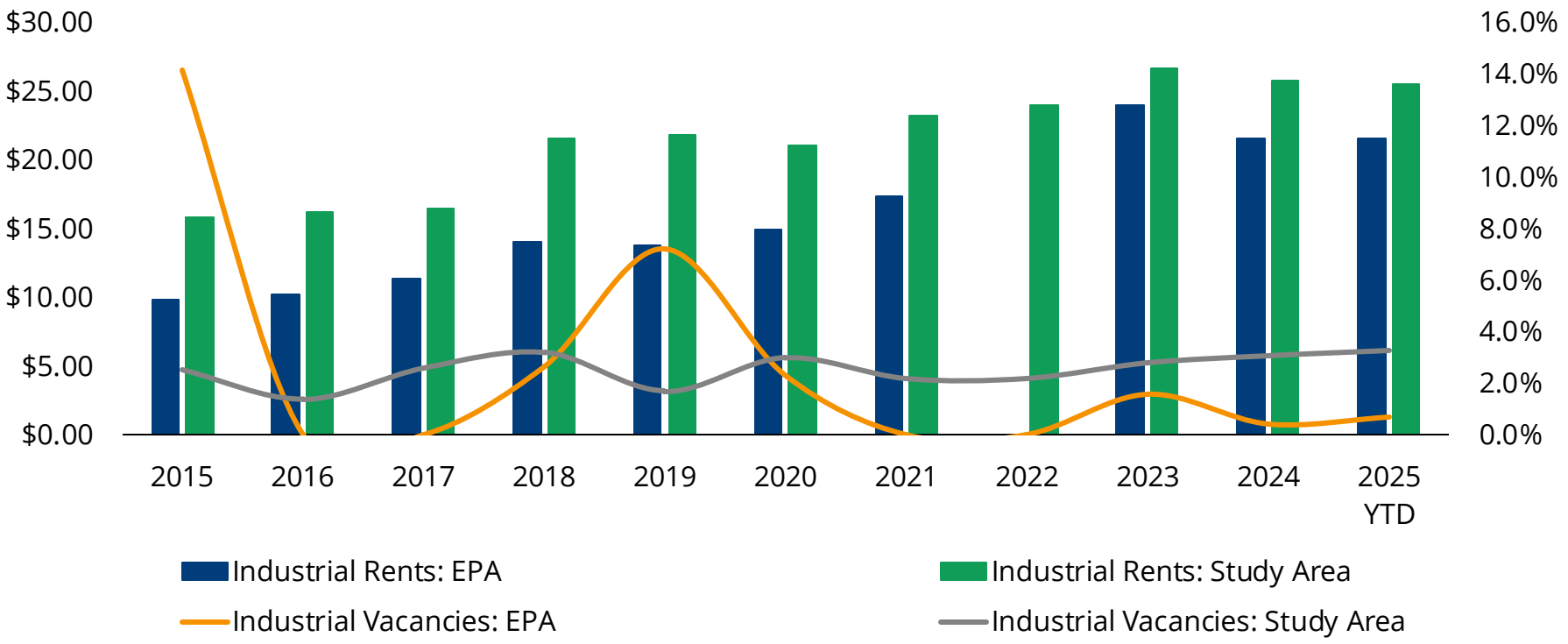
East Palo Alto

OFFICE INVENTORY

- Existing
- Pipeline
- Proposed

Despite stagnant growth in the last decade, industrial space in East Palo Alto has performed well, with rents more than doubling since 2015 and vacancies at or below 3% since 2020.

Comparative Industrial Rents PSF & Vacancies
(2015-2025 YTD)



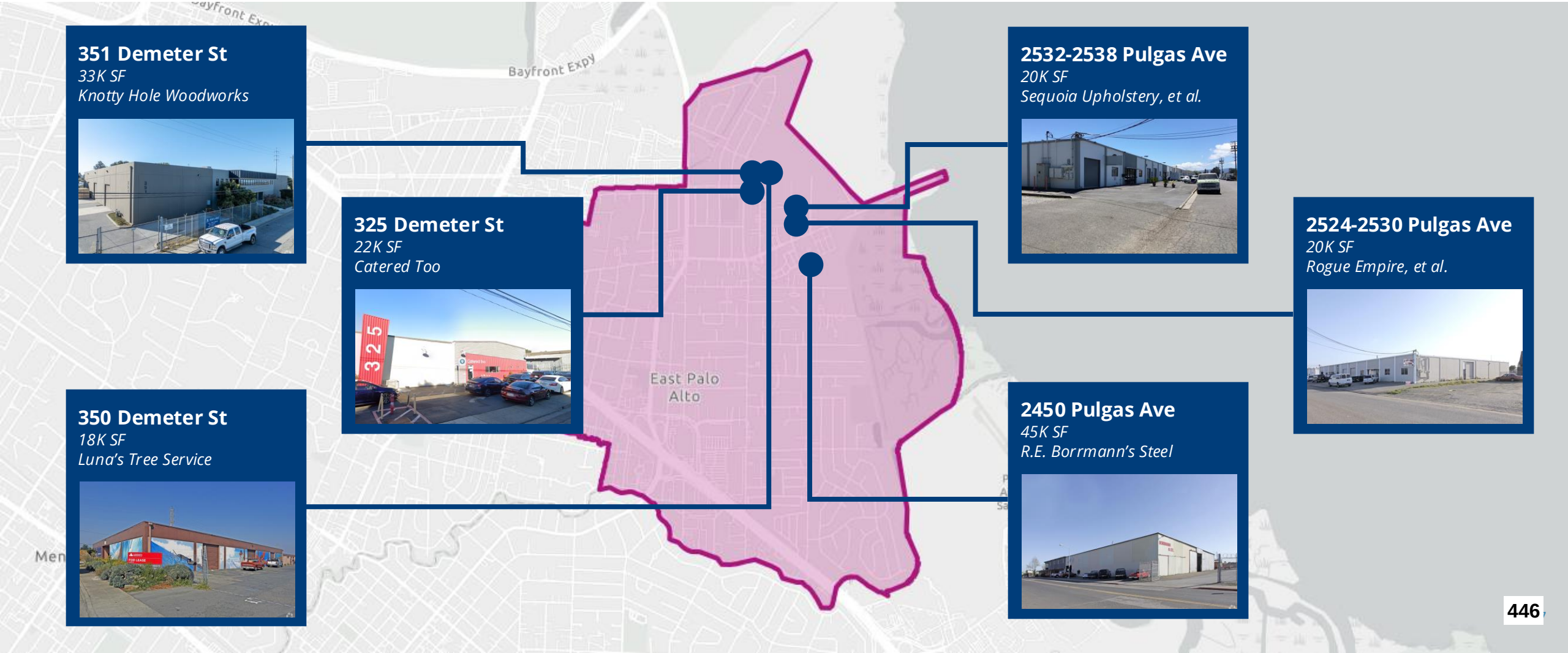
CHANGE IN INDUSTRIAL RENTS PSF (2015-2025 YTD)

+119%
East Palo Alto

+61%
Study Area

Source(s): *CoStar*
Note(s): *Industrial rent data is missing for East Palo Alto in 2022; industrial vacancy data is missing for East Palo Alto in 2016, 2017, 2021, and 2022.*

Many of the city's industrial properties are concentrated around Pulgas Ave and Demeter St, including traditional light industrial uses, a catering business, and a martial arts gym.



351 Demeter St
33K SF
Knotty Hole Woodworks

325 Demeter St
22K SF
Catered Too

350 Demeter St
18K SF
Luna's Tree Service

2532-2538 Pulgas Ave
20K SF
Sequoia Upholstery, et al.

2524-2530 Pulgas Ave
20K SF
Rogue Empire, et al.

2450 Pulgas Ave
45K SF
R.E. Borrmann's Steel

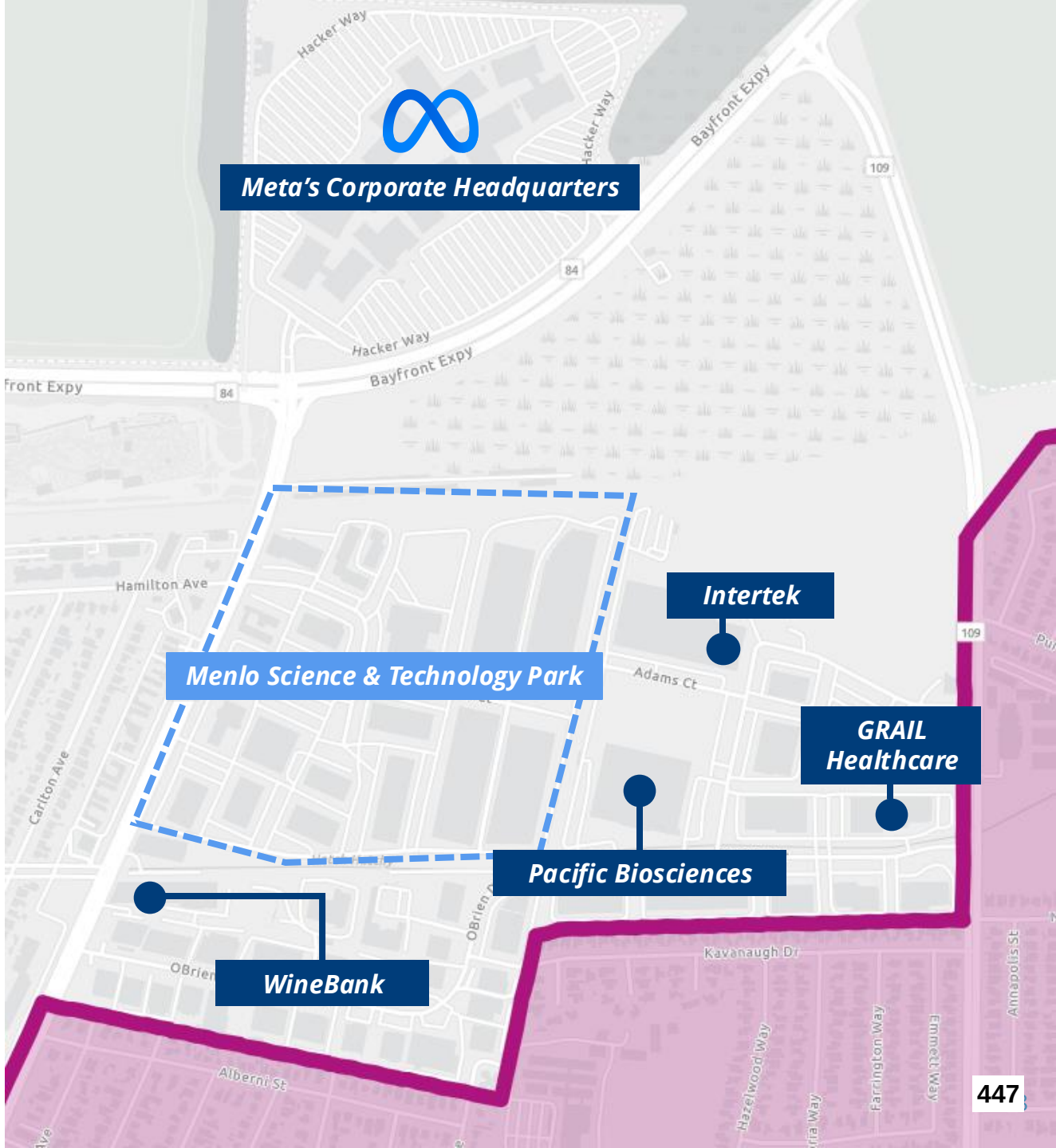
REAL ESTATE TRENDS | OFFICE / INDUSTRIAL

For context, in Menlo Park - just beyond East Palo Alto's northern border - there are office parks that currently house 2.6M SF of office, industrial, and flex space.

Proposed Willow Village

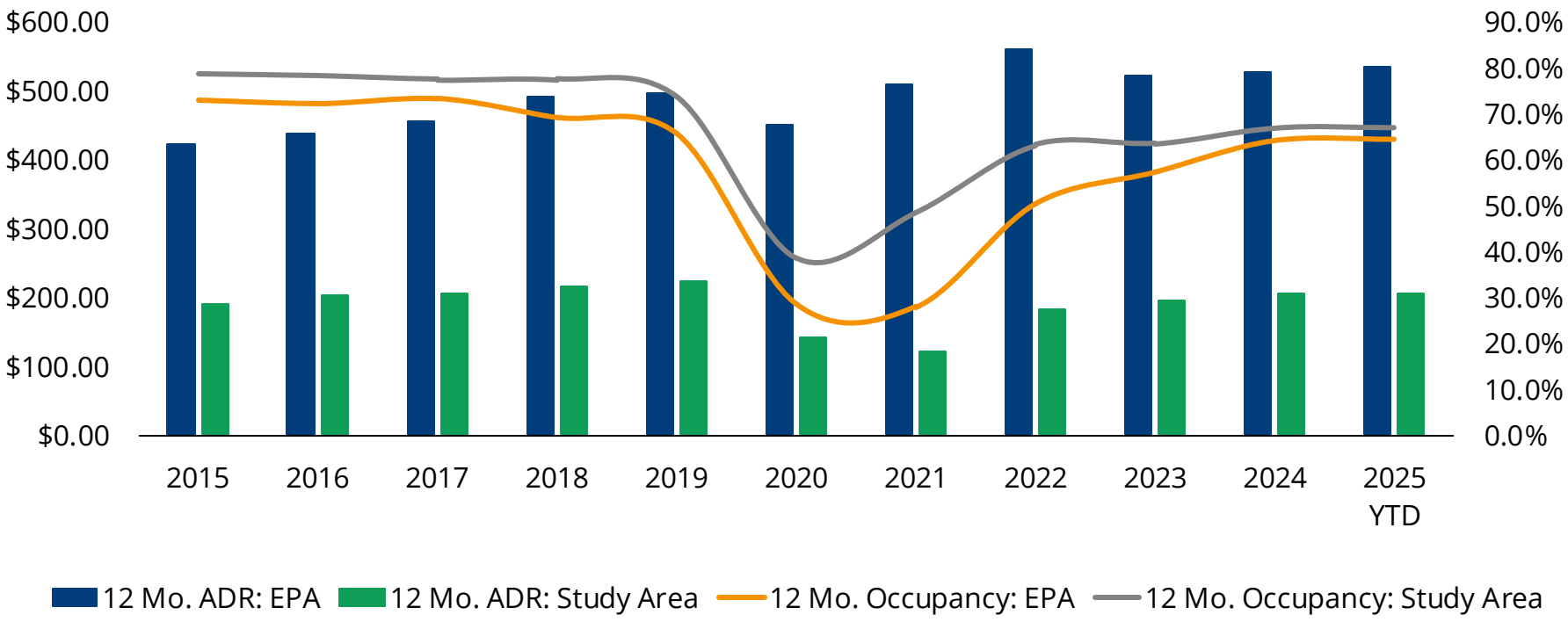
Meta has plans to redevelop the Menlo Science & Technology Park, replacing nearly one million square feet of "outdated buildings" with a "vibrant, walkable, mixed-use village." The project is advancing through approvals and will include the following uses:

- *1.6M SF of office and accessory uses*
- *200K SF of retail & non-office commercial uses, including a grocery store and pharmacy*
- *1,730 residential units (312 below market-rate)*
- *A 193-room hotel with attached retail & dining*
- *Accessible open space & town square*
- *Pedestrian and cyclist pathways*



As a luxury hotel, the Four Seasons in East Palo Alto has significantly outperformed all hotels in the Study Area. The taxes that it generates are a major asset to the City's tax base.

Comparative 12 Mo. ADR & 12 Mo. Occupancy
(2015-2025 YTD)



CHANGE IN HOTEL 12 MONTH ADR (2015-2025 YTD)

+26%
East Palo Alto

+7%
Study Area

Source(s): *CoStar*

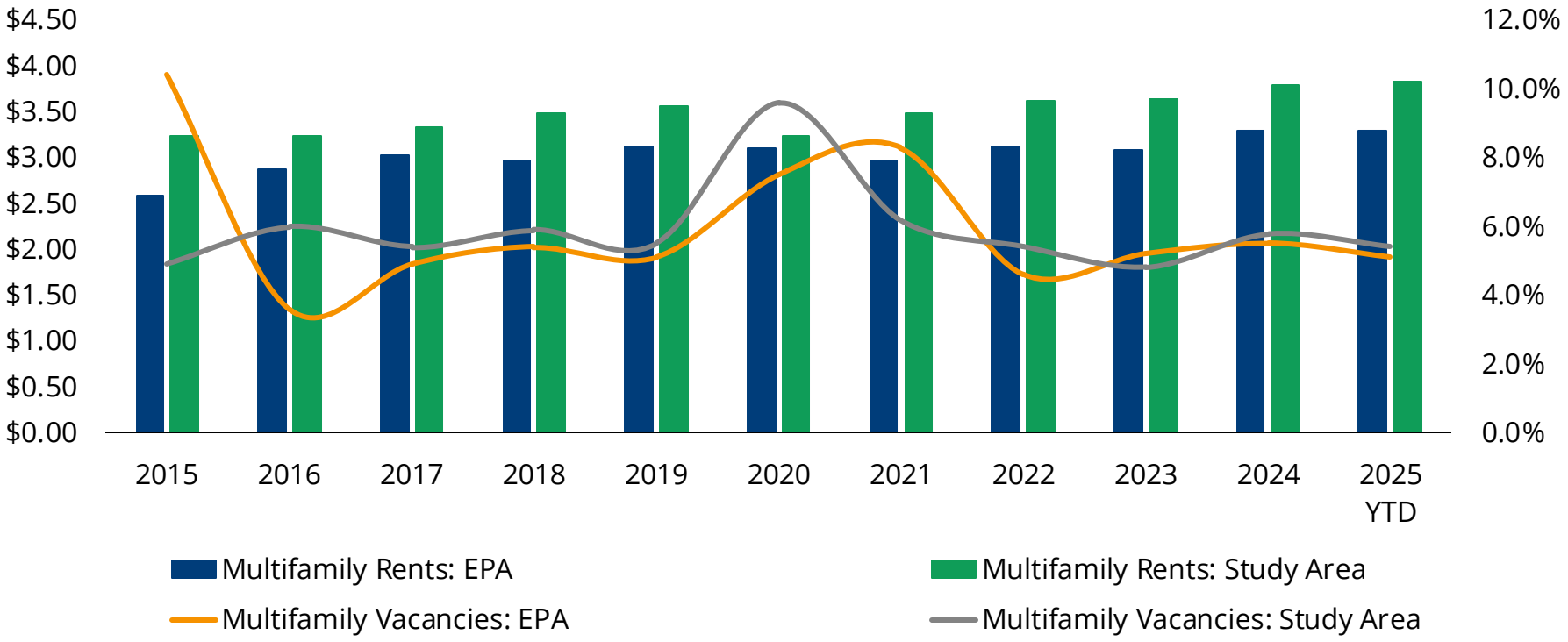
REAL ESTATE TRENDS | HOTELS

There are a handful of hotels in neighboring cities that are comparable in size - at least 150 rooms - to the Four Seasons in East Palo Alto.



Despite modest inventory growth, multifamily rents in East Palo Alto have increased by 27% since 2015. Vacancies have also been halved from 13% to 7%.

Comparative Multifamily Rents PSF & Vacancies
(2015-2025 YTD)



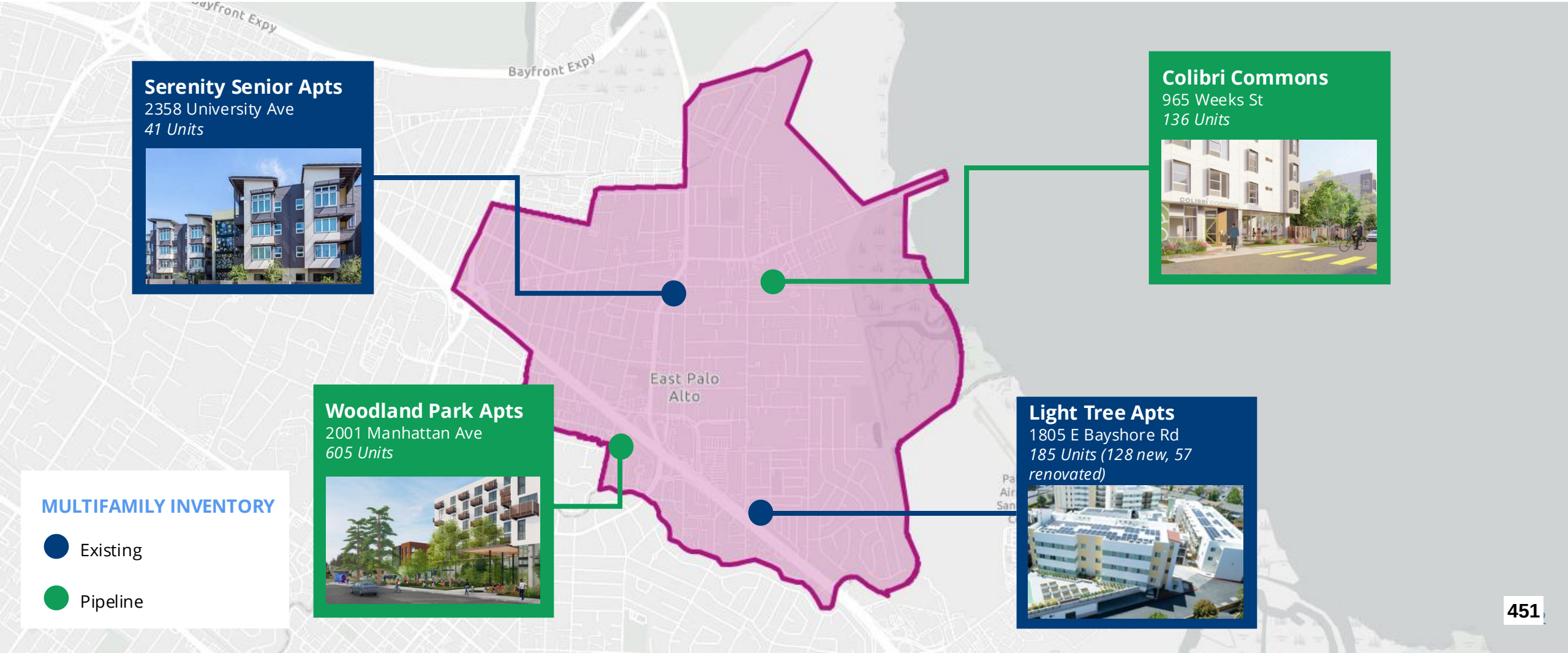
CHANGE IN MULTIFAMILY RENTS PSF (2015-2025 YTD)

+27%
East Palo Alto

+19%
Study Area

Source(s): *CoStar*

East Palo Alto has only seen two multifamily projects delivered in the last decade, both offering affordable units. Others are nearing completion or have been approved.



Serenity Senior Apts
2358 University Ave
41 Units

Colibri Commons
965 Weeks St
136 Units

Woodland Park Apts
2001 Manhattan Ave
605 Units

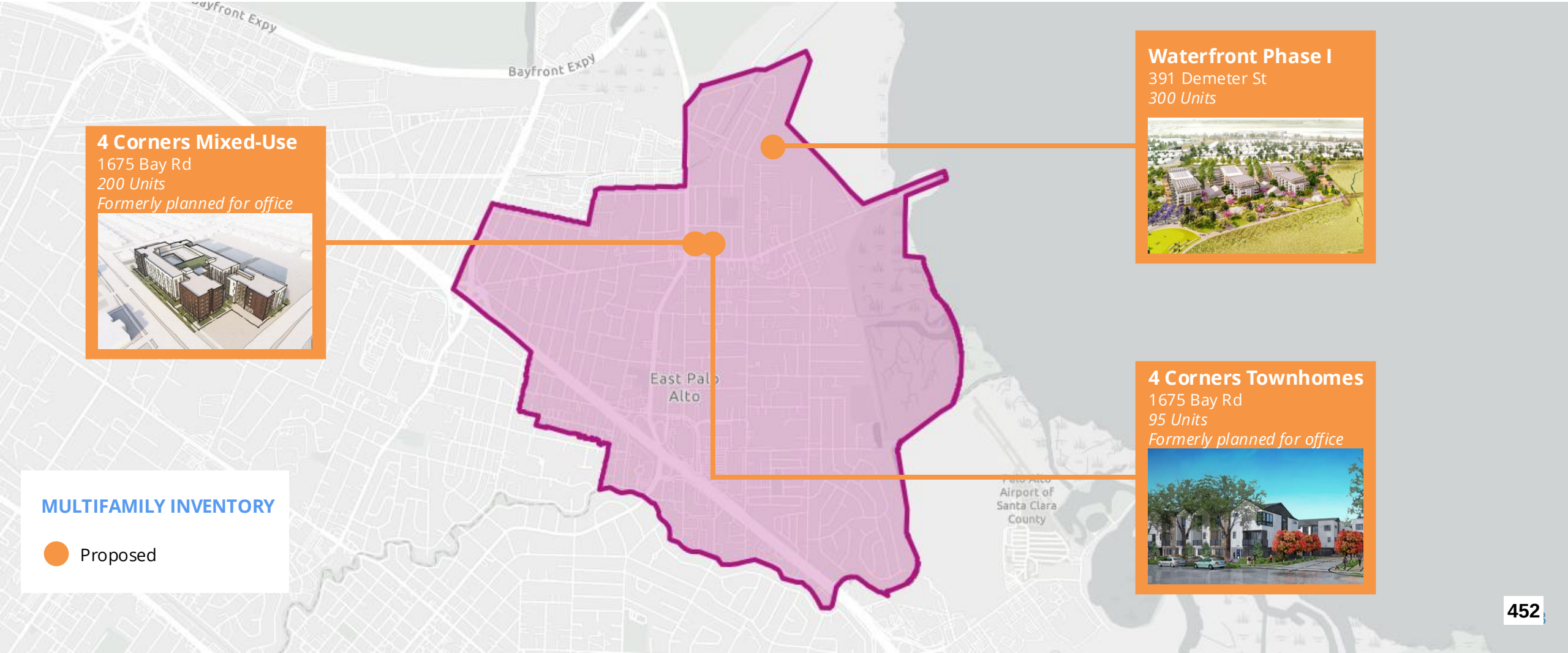
Light Tree Apts
1805 E Bayshore Rd
185 Units (128 new, 57 renovated)

MULTIFAMILY INVENTORY

- Existing
- Pipeline

REAL ESTATE TRENDS | MULTIFAMILY RESIDENTIAL

Several larger multifamily projects have been proposed but paths to delivery may be uncertain.



4 Corners Mixed-Use
1675 Bay Rd
200 Units
Formerly planned for office

Waterfront Phase I
391 Demeter St
300 Units

4 Corners Townhomes
1675 Bay Rd
95 Units
Formerly planned for office

MULTIFAMILY INVENTORY

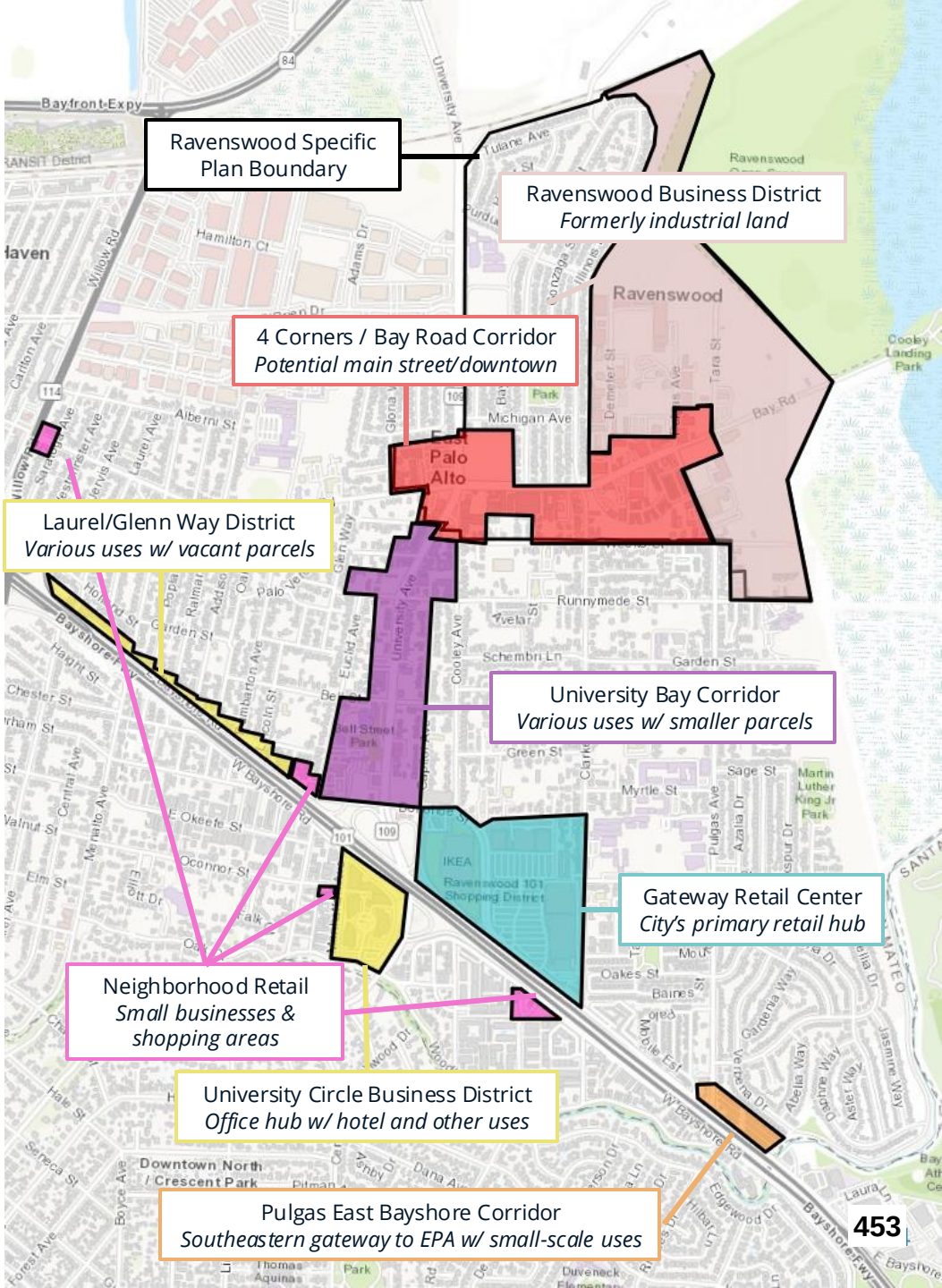
- Proposed

BUSINESS DISTRICTS

Most notable non-residential properties and developments noted above are in the City's eight business districts. Each has its own characteristics and may need differing place-based strategies for activation.

District Name	Current Business Mix / Industry Focus	Trajectory	Sense of Place	Scale of Redevelopment Opportunities
Gateway Retail Center	Big-box retail	Stable	★	Low
Ravenswood Business District	Industrial, vacant land	Growing	★ ★	High
University Bay Corridor	Office, civic	Stable	★	Medium
University Circle Business District	Office, hotel	Growing	★ ★ ★	Medium
4 Corners / Bay Road Corridor	Civic, retail, residential	Growing	★ ★	High
Pulgas East Bayshore Corridor	Warehouse, retail	Stable	★	Low
Laurel / Glen Way / East Bayshore District	Retail, vacant land	Stable	★	Low
Neighborhood Commercial	Office, retail	Stable	★	Low

Snapshot for each district is provided in the Appendix.





East Palo Alto Economic Development Strategic Plan

Appendix B: Business District Profiles

Summer 2025

HR&A

GATEWAY RETAIL CENTER

District Overview

Located near the southern end of the city, the Gateway Retail Center is East Palo Alto's primary business hub. The district contains several big box retailers—including IKEA, Nordstrom Rack, and Home Depot—and generates approximately 65% of the City's sales tax revenue.

The northeastern corner of the district contains some residential uses, with a mix of single-family homes and a condominium complex with ground-floor retail. A mortuary is located in a lot just north of the IKEA.

Opportunities

- Regional access via proximity to the 101 Freeway
- New uses, such as a Mega Mart and the City's entrepreneur center, vacant Office Depot space, and parking lot could be leveraged to boost economic development / activation

Challenges

- Not inviting or accessible to pedestrians
- According to store managers, retail theft and street vending management present challenges



GATEWAY RETAIL CENTER

Notable Existing Properties

1

1700 E Bayshore Rd – IKEA
- *242K SF building constructed around 2000*
- *Owned by IKEA Property Inc.*

2

1731-1761 E Bayshore Rd – Gateway 101 Shopping Center
- *~100K SF of retail space constructed in 1999-2000*
- *Several owners, including Gateway 101 LLC*
- *Occupied by anchor tenants including Cardenas Markets and PGA Tour Superstore*
- *1761 building has long been vacant; most recently occupied by Office Depot*

3

1771-1781 E Bayshore Rd – Gateway 101 Shopping Center
- *~200K SF of retail space constructed in 1999-2000*
- *Several owners, including Gateway 101 LLC*
- *Occupied by anchor tenants including Nordstrom Rack and Home Depot; Mega Mart will be moving into space formerly occupied by Target*

4

1765 E Bayshore Rd
- *45K SF mixed-use building constructed in 2008 (residential condo, retail)*
- *Individual condo owners; retail space owned by Cummings Park Associates & EPA Bayshore Properties LLC*
- *Will house the **City's upcoming entrepreneur center***



GATEWAY RETAIL CENTER

Vacant Parcels & Planned Projects

1 **660 Donohoe St**
- *Two lots combining for 0.39 acres, located next to Jones Mortuary*
- *Smaller lot owned by EPA City Redevelopment; larger lot owned by the Charles A Jones Trust*

2 **1700 Bay Rd**
- *0.27-acre lot next to IKEA*
- *Owned by the Lola Mae Clewis Trust*

3 **899 O'Connor St**
- *0.08-acre lot behind Nordstrom Rack*
- *Owned by Gateway 101 LLC*

4 **1791 E Bayshore Rd**
- *0.40-acre lot at southern tip of the district near pedestrian pathway*
- *Owned by Redevelopment Agency*



RAVENSWOOD BUSINESS DISTRICT

District Overview

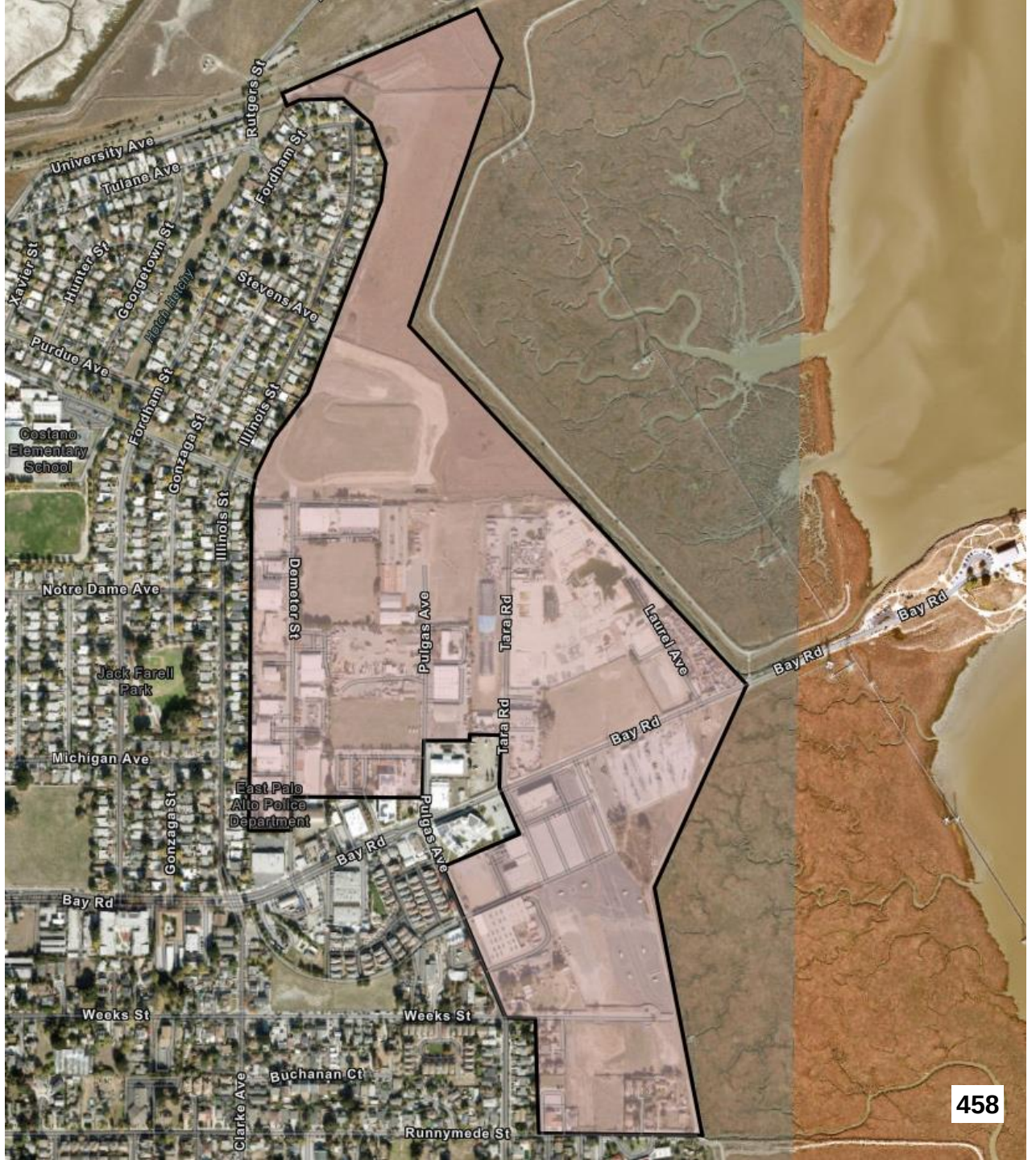
The Ravenswood Business District, located in the northern tip of the city along Bay Road, contains several vacant parcels on formerly industrial land, as well as some small-scale industrial facilities and single-family homes. As one half of the Ravenswood Business District / 4 Corners Specific Plan, this area has been envisioned as an "employment district with…new-generation industries."

Opportunities

- Recently adopted Ravenswood/4 Corners Specific Plan established a shared vision for the district
- Potential for mixed-use hub near waterfront, with existing draws like Cooley Landing, Bloomhouse/farmers market
- Large swaths of land are held by single owners, enabling transformative development guided by a coherent vision

Challenges

- Significant environmental remediation and infrastructure improvements are required to accommodate future development
- Current Low demand for office and life science uses require pivoting on previously conceived development plans



RAVENSWOOD BUSINESS DISTRICT

Notable Existing Properties

1 **2555 Pulgas Ave – Bloomhouse**
- *6,000-SF community center opened in 2019*

2 **1885 Bay Rd – Ravenswood Family Health Center**
- *38K SF building opened in 2015*

Vacant Parcels & Planned Projects

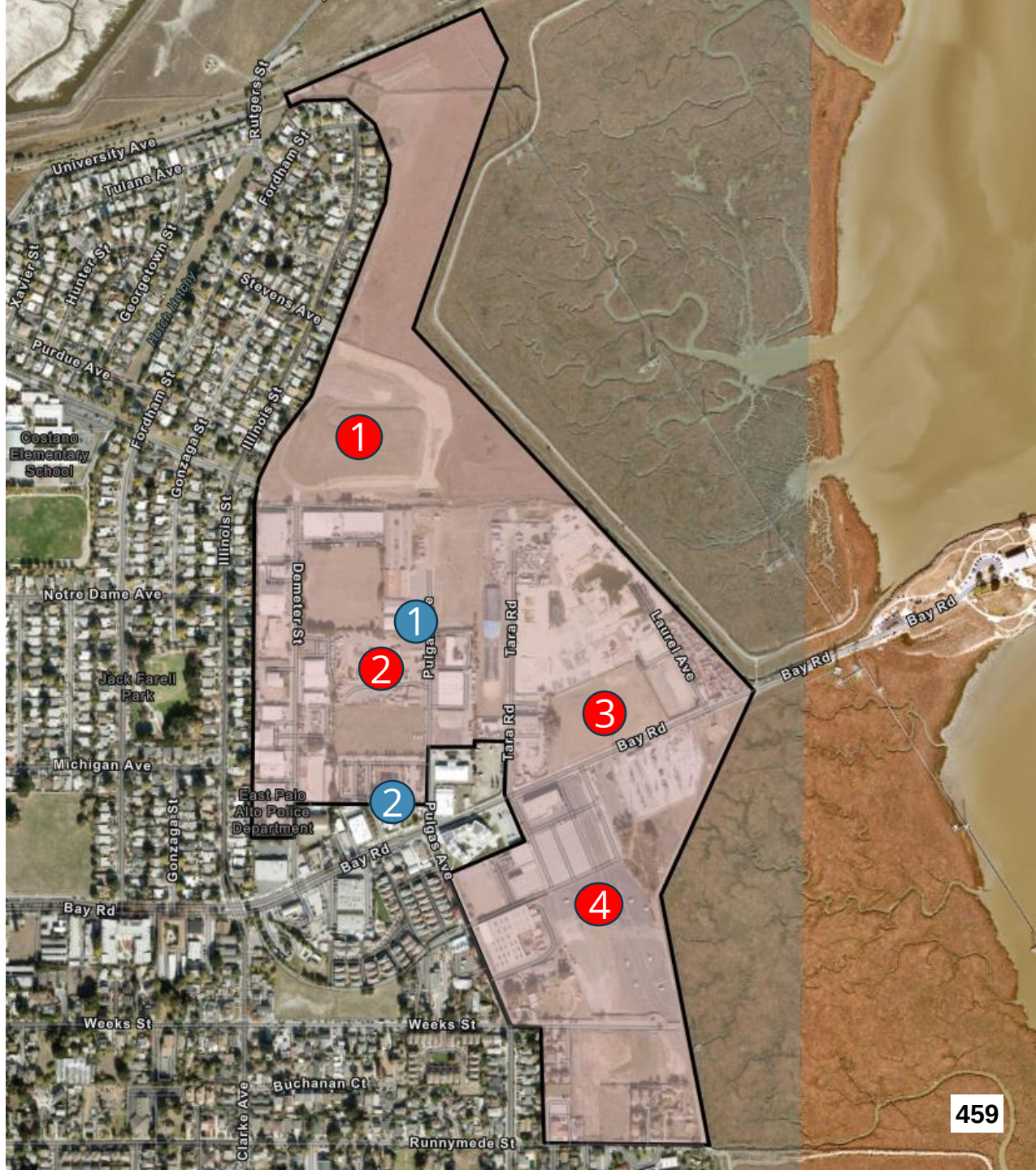
1 **Parcel 63050050**
- *29.65-acre parcel, a portion of which will be developed into Phase 1 of the EPA Waterfront Project*
- *Project will include three residential buildings with nearly 300 units*

2 **2519-2535 Pulgas Ave**
- *9-acre site owned by Emerson Collective - planning in progress*

3 **2020 Bay Rd**
- *17.2-acre site planned for 1.4M SF of office, retail, and open space*

4 **1990 Bay Rd**
- *Planned site for 918K SF of office, life science, and retail space*
- *Developed by Harvest Properties*

Note: *There are some lands within this district that cannot be developed because they are protected, under utility easements, or are still undergoing environmental mitigation, limited to commercial and, therefore, no residential can be built on certain sites.*



4 CORNERS / BAY ROAD CORRIDOR

District Overview

The 4 Corners / Bay Road Corridor is situated around the intersection of University Avenue and Bay Road and contains a variety of uses, including multi- and single-family residential, retail, industrial, civic, and office. The Ravenswood Business District / 4 Corners Specific Plan envisions this area as the city's downtown with "active neighborhood-serving uses…and a lively main street." City Hall and the San Mateo County Library serve as anchors, while a vacant six-acre lot across the street—former home the Nairobi Village Shopping Center—awaits redevelopment.

Opportunities

- Recently adopted Ravenswood/4 Corners Specific Plan established a shared vision for the district
- Multifamily housing and key civic and community anchors, such as City Hall and the EPACENTER, could provide a user base for additional retail / amenities
- Planned and under construction projects at 1675 Bay Rd and 965 Weeks St could activate surrounding parcels

Challenges

- As the aspirational new downtown, the District does not yet have a pedestrian friendly environment / district identity



4 CORNERS / BAY ROAD CORRIDOR

Notable Existing Properties

1. **2415 University Ave – San Mateo County Government Center**
   - *Contains East Palo Alto's City Hall and public library*

2. **1730 Bay Rd – Courtyard at Bay Road**
   - *Four-story, 77-unit multifamily building*
   - *Constructed in 2005*

3. **Montage Circle Complex**
   - *Newer looking single-family home complex*
   - *Mentioned briefly in the Ravenswood Specific Plan (Pulte Homes subdivision) and listed as vacant parcels in data from City*

4. **1950 Bay Rd - EPACENTER**
   - *Two-story, 25K SF youth development center*
   - *Opened in 2022*



4 CORNERS / BAY ROAD CORRIDOR

Vacant Parcels & Planned Projects

1. **1675 Bay Rd**
   - *6.0-acre parcel owned by Sand Hill Properties*
   - *City owns a small adjacent parcel at the southwest corner of the site*
   - *Planned for a mixed-use project with residential and retail uses*

2. **1620 Bay Rd**
   - *Three parcels combining for 0.85 acres*
   - *Potentially owned by Clarumb (to be confirmed)*

3. **1798 Bay Rd**
   - *1.4-acre lot owned by the City of EPA*
   - *Currently provides a safe parking lot for unhoused residents living in RVs*

4. **965 Weeks St**
   - *2.6-acre lot planned for Colibri Commons, a 136-unit multifamily building for low-income households (studios to four-bedrooms)*



UNIVERSITY BAY CORRIDOR

District Overview

The University Bay Corridor contains a variety of uses, including multi- and single-family housing, retail, civic, and office. The district's primary thoroughfare—University Avenue—is used as a cut-through route for traffic accessing the Dumbarton Bridge to the north and the 101 Freeway to the south.

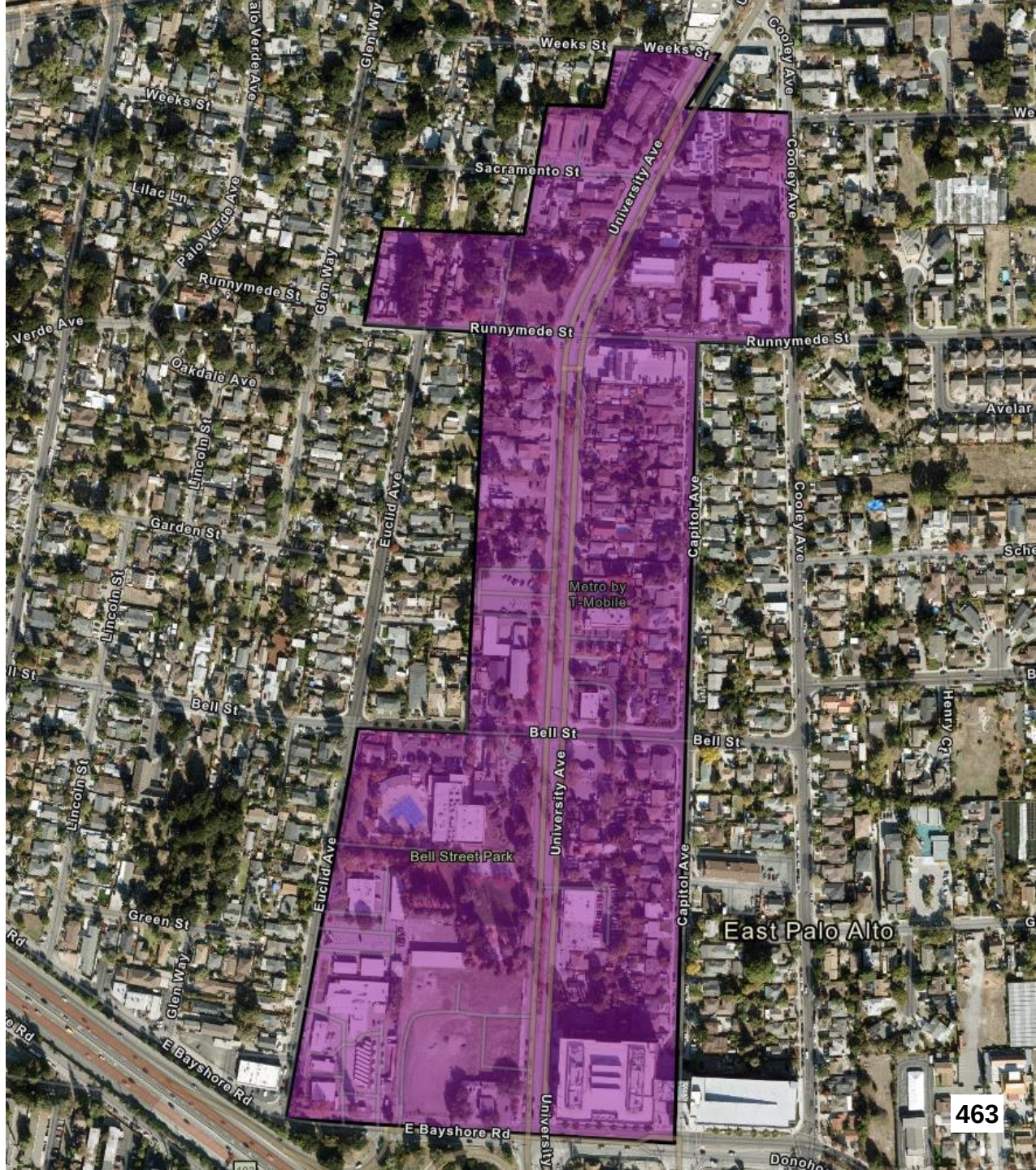
Corporate offices for Amazon, located at the southern end of the district, opened in 2016. An adjacent vacant lot was tapped for additional office space but was halted during the pandemic.

Opportunities

- Vacant Sobrato site presents opportunity to add meaningful scale to the district
- New retail - particularly dining options - could capture University Avenue commuters
- Anchors such as the Amazon office and YMCA could provide a user base for additional retail / amenities

Challenges

- Paths to realize stalled developments uncertain
- High traffic volume; not pedestrian friendly



UNIVERSITY BAY CORRIDOR

Notable Existing Properties

1. **2361 University Ave – Nugent Square Apartments**
   - *40K, 32-unit rent-restricted multifamily building*
   - *Constructed in 2006*

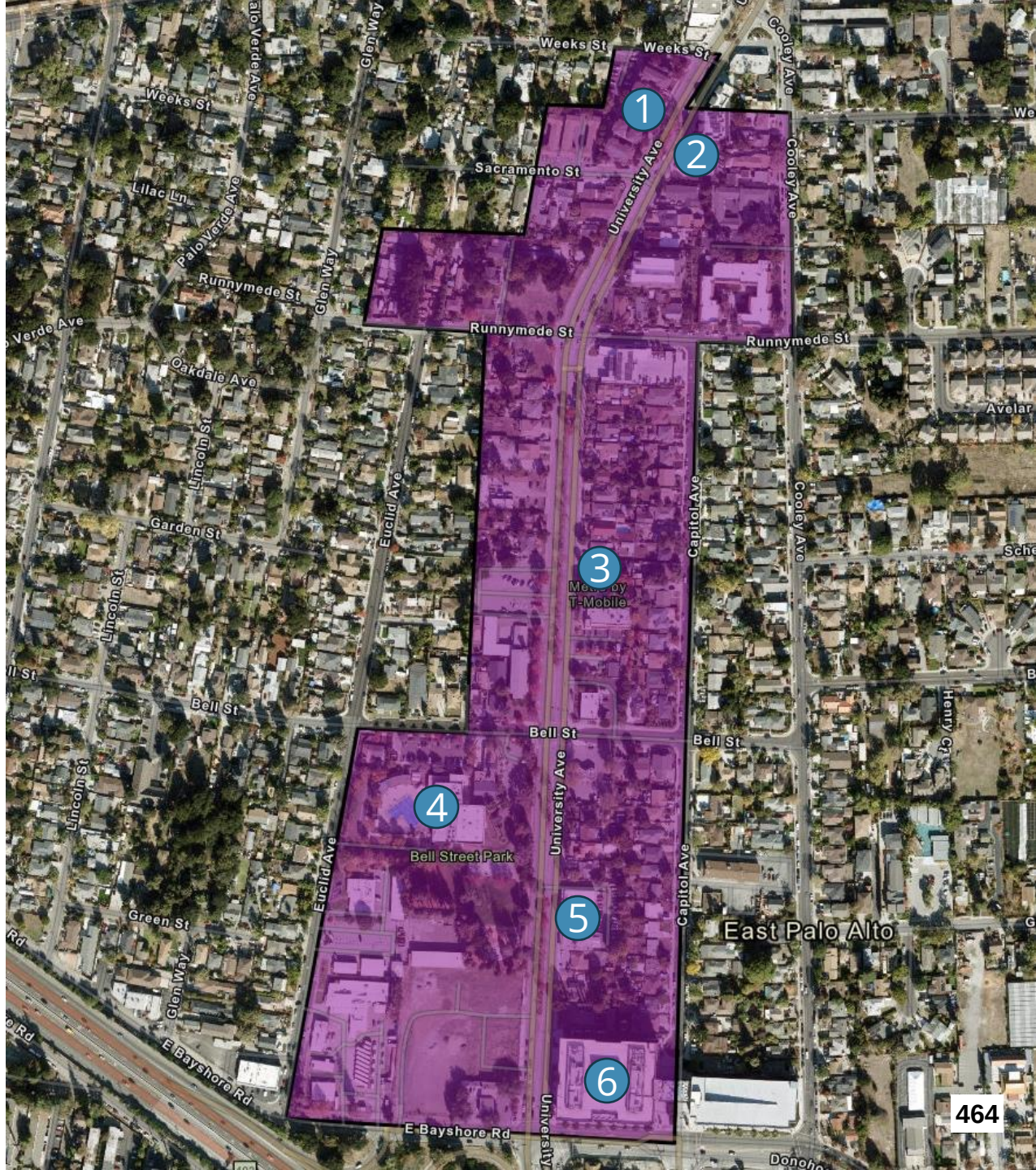
2. **2358 University Ave – Serenity Senior**
   - *160K, 41-unit rent-restricted multifamily building*
   - *Constructed in 2017*

3. **2242 University Ave – Drew Center Pharmacy**
   - *Only pharmacy currently in the City of East Palo Alto*

4. **550 Bell St – EPA Family YMCA**
   - *32K SF community center*
   - *Constructed in 2007*

5. **2160 University Ave – AutoZone Auto Parts**
   - *7K SF auto parts store*

6. **2100 University Ave - Amazon**
   - *214K office building, housing over 1,000 corporate and tech employees for Amazon Web Services*
   - *Constructed in 2016*



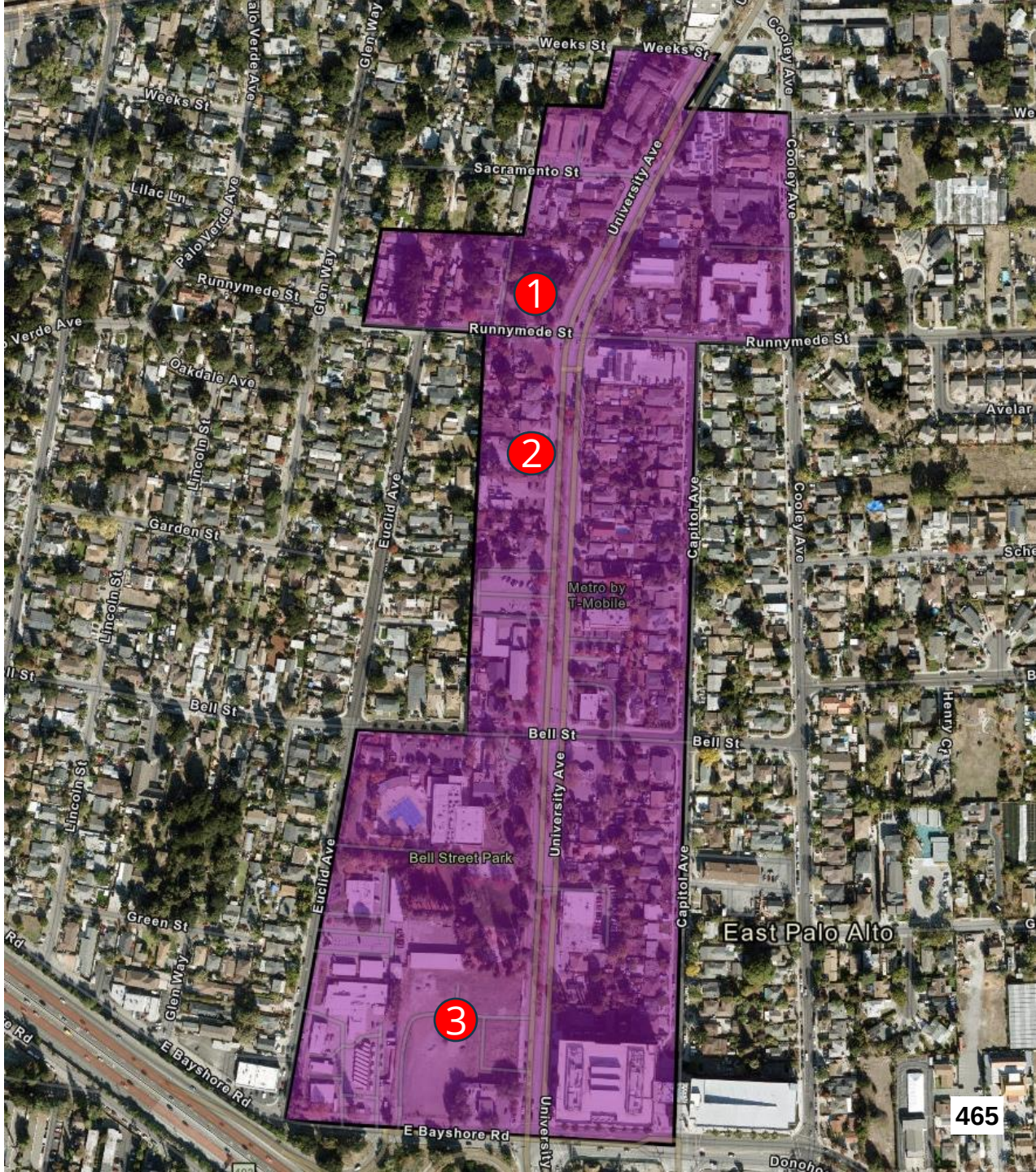
UNIVERSITY BAY CORRIDOR

Vacant Parcels & Planned Projects

1 **2331 University Ave**
- *Two parcels combining for 0.5 acres and planned for a four-story, 48K SF mixed-use building with retail and 33 residential units*
- *Entitled by Clarum Communities but project did not advance*

2 **2277 University Ave**
- *0.36-acre parcel owned by the EPA County Waterworks District*
- *A single-story government building is currently on the site*
- *City is in talks with San Mateo County about swapping the parcel for another in order to develop a park*

3 **2115 University Ave**
- *2.9-acre site planned for a 220K SF office building; project on pause*
- *Owned by The Sobrato Organization*



UNIVERSITY CIRCLE BUSINESS DISTRICT

District Overview

The University Circle Business District, located at the intersection of the 101 Freeway and University Avenue, is anchored by three office towers totaling 450,000 SF and a 200-room Four Seasons Hotel. This district lies on the former site of Whiskey Gulch, a collection of small businesses of which many were owned by local residents of color. A new office tower and renovations to the central plaza are planned, and there is a desire from both the City and property managers to activate the space even more.

Opportunities

- Coherent district identity with some public-space activation
- Regional access via proximity to the 101 Freeway and University Avenue
- New site improvements and tenant/community-serving uses and temporary activations could attract new tenants, community members, and visitors to the district

Challenges

- District is cut off from the rest of East Palo Alto by the 101 Freeway. Limited pedestrian access and connections for surrounding residential community
- Regionally office vacancy remains high



UNIVERSITY CIRCLE BUSINESS DISTRICT

Notable Existing Properties

1 **1900 University Ave**
- *143K SF office building constructed in 2001*
- *Owned by Columbia Property Trust Inc.*

2 **1950 University Ave**
- *165K SF office building constructed in 2002*
- *Owned by Columbia Property Trust Inc.*

3 **2000 University Ave**
- *148K SF office building constructed in 2002*
- *Owned by Columbia Property Trust Inc.*

4 **2050 University Ave – Four Seasons Hotel**
- *190K SF hotel constructed in 2006*
- *Owned by Strategic Hotels & Resorts*

Vacant Parcels & Planned Projects

1 **Parcels 63680090, 63680110, and 63680180**
- *Planned University Circle Phase II project, approved in 2022, would allow the construction of 180,000 square feet of new offices on campus. Project timeline TBD.*

2 **1900-2050 University Ave (Inner Circle)**
- *Planned renovation to the inner circle of the complex, including reconfiguration of an existing structure into a café, landscape improvements, and façade changes to buildings 1900, 1950, and 2000 University Ave*



PULGAS EAST BAYSHORE CORRIDOR

District Overview

This business district, located at southern tip of the city, consists of a Public Storage facility, a few small shops, and an auto repair business. Section 16.4 of the General Plan 2035 envisions this area for “redevelopment and intensification of the existing neighborhood retail…including mixed-use development with ground-floor retail and office or residential on the upper floors.”

Opportunities

- Surrounding residential community provides natural customer base for community serving uses and neighborhood amenities

Challenges

- While low-density, self-storage use is typically hard to displace / redevelop
- Highway adjacency creates a physical barrier and detracts from the street-level experience due to noise, exhaust, and the absence of active storefronts across the street
- Located on the periphery and disconnected from the city’s other business districts



PULGAS EAST BAYSHORE CORRIDOR

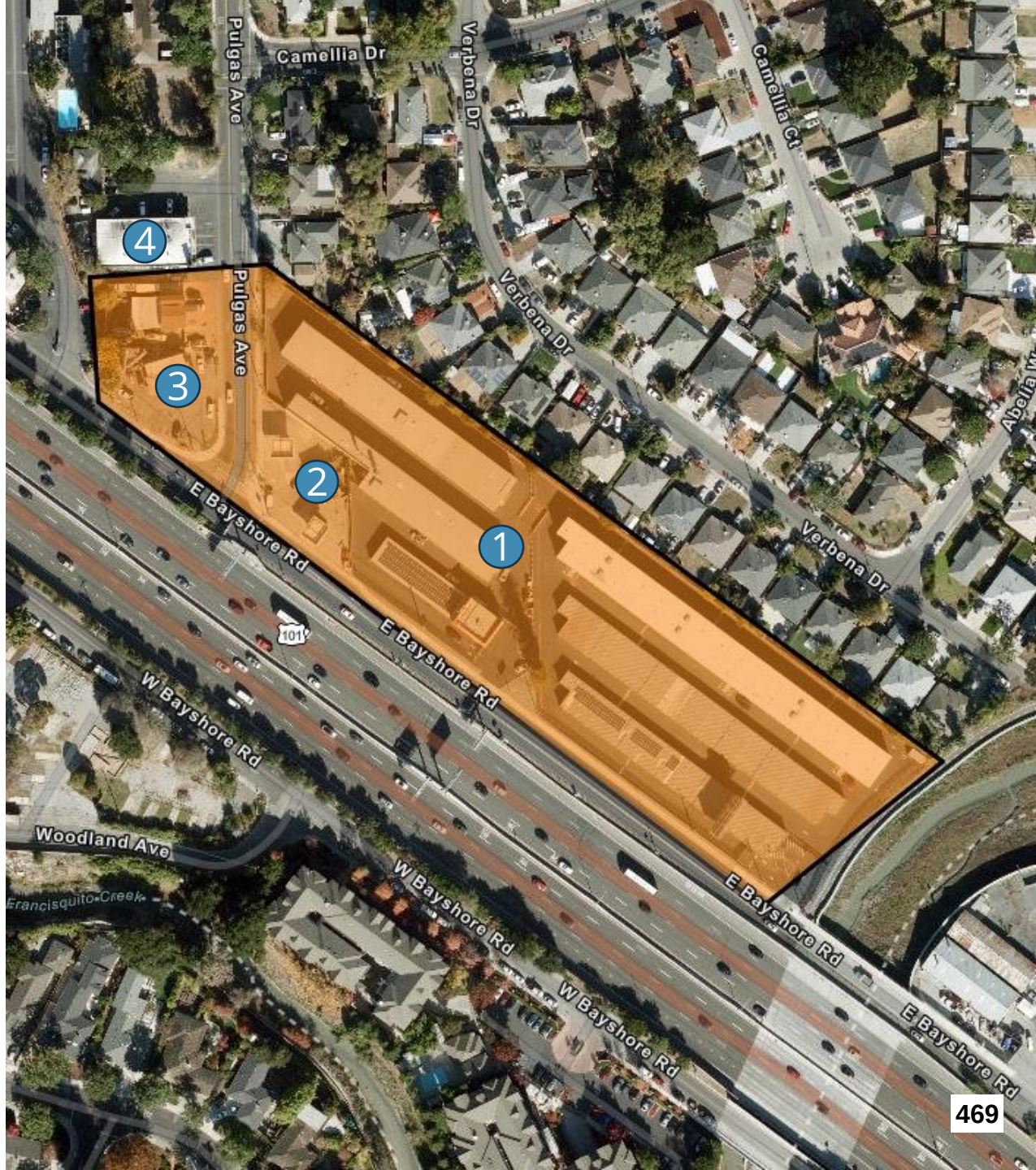
Notable Existing Properties

1 **1961 E Bayshore Rd – Public Storage**
- *Facilities spread out over three parcels combining for 3.5 acres*
- *Owned by SEI PSP II Joint Ventures and American Storage Associates*

2 **1905 E Bayshore Rd – Gonzalez Tires**
- *Auto service shop located on a 0.25-acre lot*
- *Owned by the Henry Rainer Trust*

3 **1895 E Bayshore Rd**
- *Parcel is designated as occupied by auto services, but maps show smaller retail uses on a 0.25-acre lot*
- *Owned by the Edward E. Campbell Trust*

4 **1933 Pulgas Ave – Garden Market**
- *5,300-SF general store located on a 2.23-acre lot*
- *Owned by Citystar Properties*



LAUREL / GLEN WAY / EAST BAYSHORE DISTRICT

District Overview

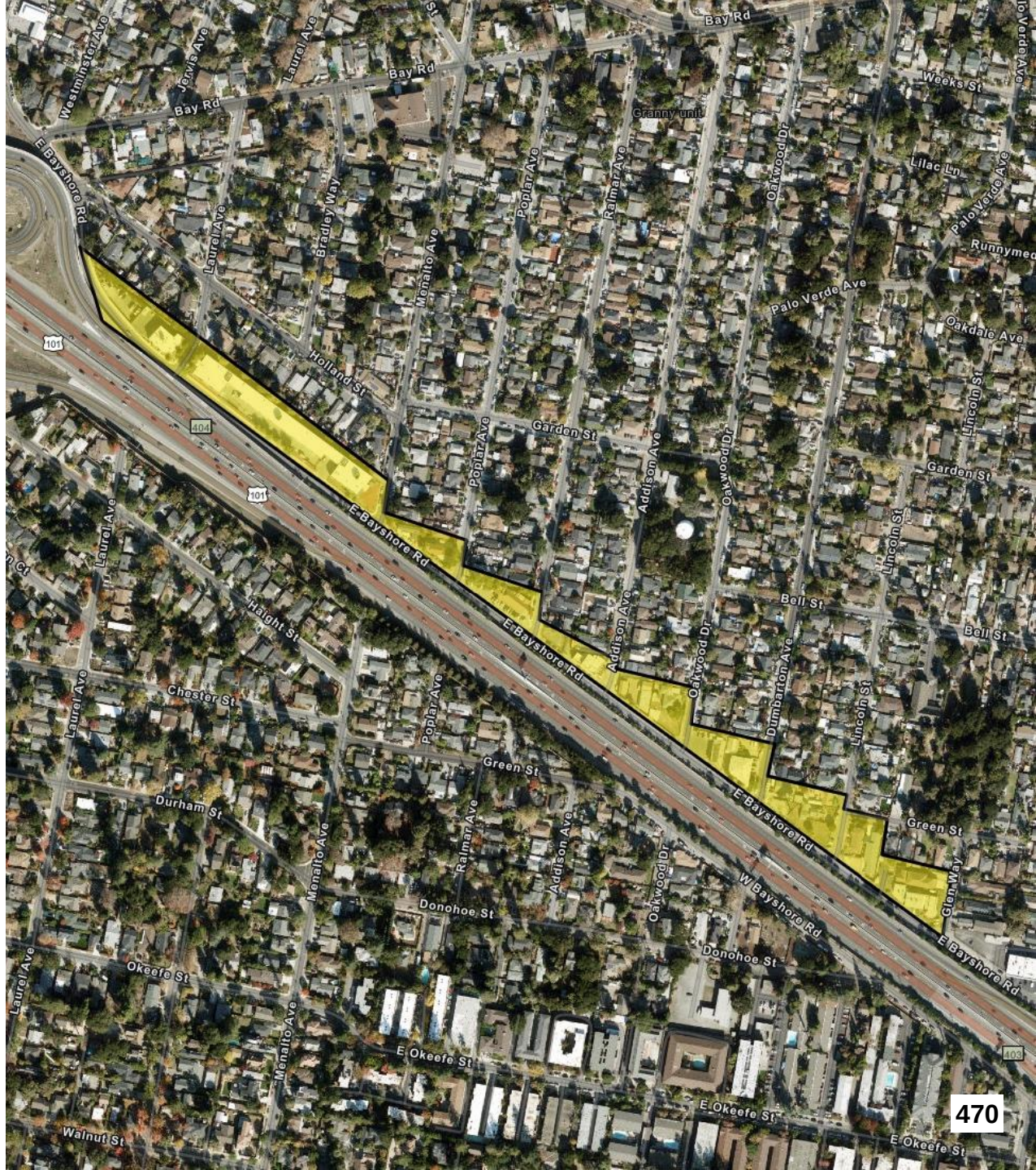
This business district, located along the western border of the city, consists of an Extra Space Storage facility, a mix of single- and multi-family homes, retail, a church, and a few vacant lots. Given the variety of uses along this corridor, this district could be well-suited for some smaller, neighborhood-serving retail spaces.

Opportunities

- Vacant parcels could provide opportunities to fill neighborhood-serving retail gaps

Challenges

- Vacant parcels are small and shallow - potentially challenging to develop
- Highway adjacency creates a physical barrier and detracts from the street-level experience due to noise, exhaust, and the absence of active storefronts across the street
- Placemaking / activation would be needed to support a more coherent sense of place that establishes the district as a more active commercial corridor



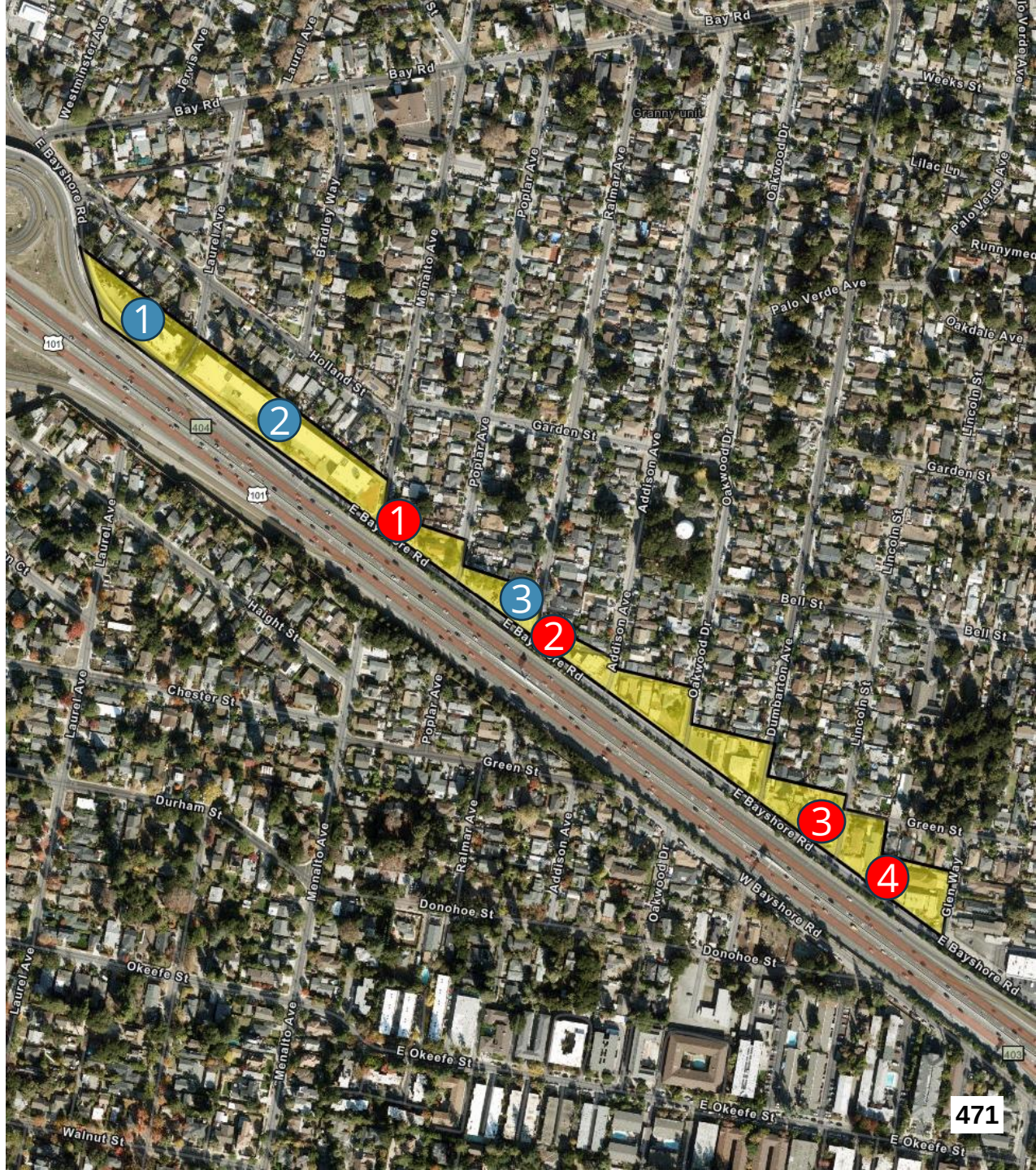
LAUREL / GLEN WAY / EAST BAYSHORE DISTRICT

Notable Existing Properties

1. **807 E Bayshore Rd**
   - *0.55-acre lot w/ warehouse*
   - *Empty lot on site but not listed as vacant*
   - *Owned by Lucky Children LLC*
2. **999 E Bayshore Rd**
   - *1.26-acre lot w/ Extra Space Storage*
   - *Owned by Storage Portfolio I LLC*
3. **1199 E Bayshore Rd**
   - *0.26-acre lot w/ St. Samuel Church*
   - *Owned by St. Samuel Church of God*

Vacant Parcels & Planned Projects

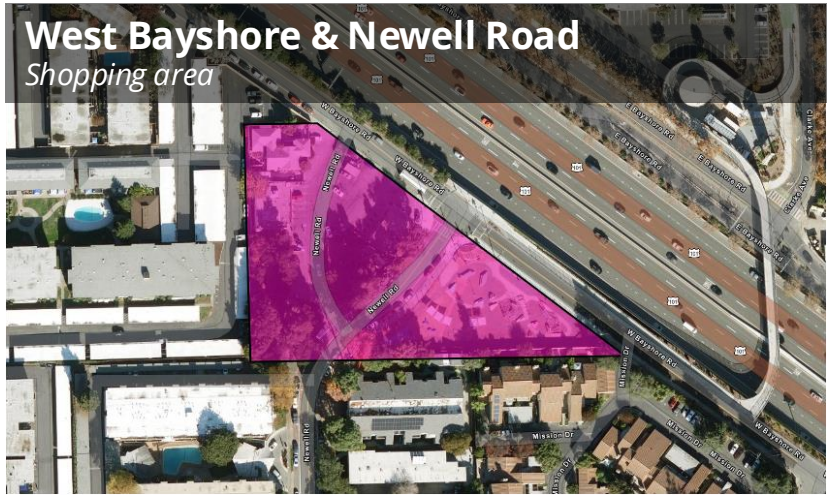
1. **1001 E Bayshore Rd**
   - *0.08-acre lot w/ single-family home*
   - *Owned by Yip Lambo*
2. **1205 E Bayshore Rd**
   - *0.12-acre lot w/ fence and billboard*
   - *Owned by Yusuf Ibrahim*
3. **1385 E Bayshore Rd**
   - *0.10-acre lot next to single-family homes*
   - *Owned by Keleta Tesfai*
4. **Parcel 063183090**
   - *0.09-acre lot w/ parking next to Emmanuel's Pizza & Bakery*
   - *Owned by the Curtis D. Duplessis Trust*



NEIGHBORHOOD COMMERCIAL

The Neighborhood Retail Business Area comprises several non-contiguous hubs of small businesses and shopping areas across East Palo Alto.









Opportunities

- Surrounding residential communities may support targeted investment in F&B, personal services, and community amenities

Challenges

- While most parcels house active businesses, shopping areas generally lack district identity

NC – WILLOW RD / NEWBRIDGE RETAIL HUB

Notable Existing Properties & Vacant Parcels

1 Hernandez' Nursery
- *910 Newbridge St*
- *0.15-acre parcel owned by Karwash Mohammed*



2 Ana's Party Store
- *910 Newbridge St*
- *0.08-acre parcel owned by Karwash Mohammed*

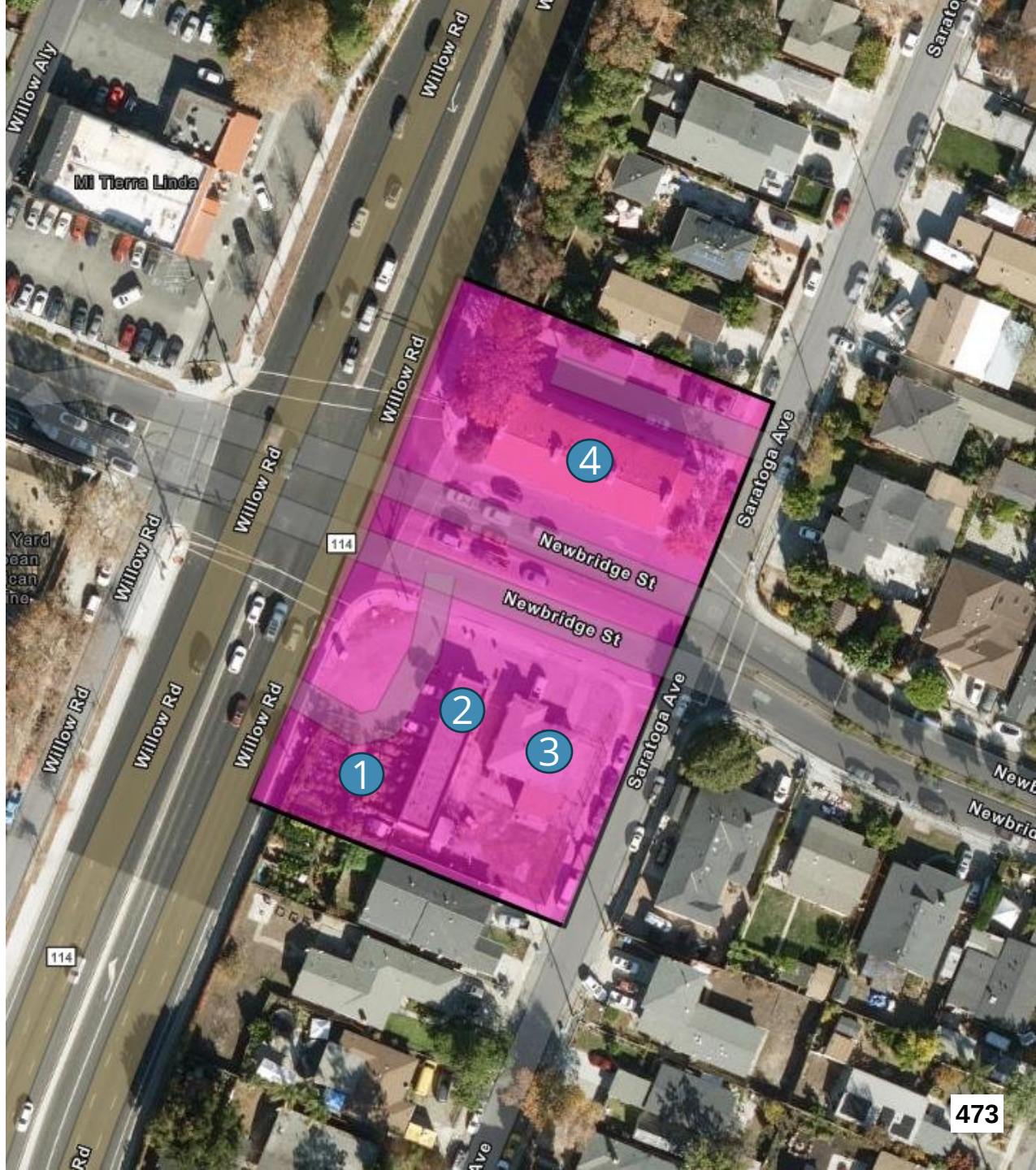


3 Elegancia Beauty Salon
- *922 Newbridge St*
- *0.16-acre parcel owned by Kibrom Berhane*



4 907 Newbridge St
- *Office building (tenants include legal services firm and a janitorial company)*
- *0.23-acre parcel owned by Karwash Mohammed*





NC – MANHATTAN & O'CONNOR

Notable Existing Properties & Vacant Parcels

1 La Tiendita Market

- *510 O'Connor St*
- *0.23-acre parcel owned by Redus Woodland LLC*



2 LaunderLand EPA

- *1997 Manhattan Ave*
- *0.12-acre parcel owned by the Grace M. Chew Trust*





NC – WEST BAYSHORE & NEWELL ROAD

Notable Existing Properties & Vacant Parcels



1 1750 W Bayshore Rd
- *0.15-acre parcel w/ single-family home*
- *Owned by the Toi Lung Young Trust*



2 7-Eleven
- *77 Newell Rd*
- *0.12-acre parcel owned by the Toi Lung Young Trust*



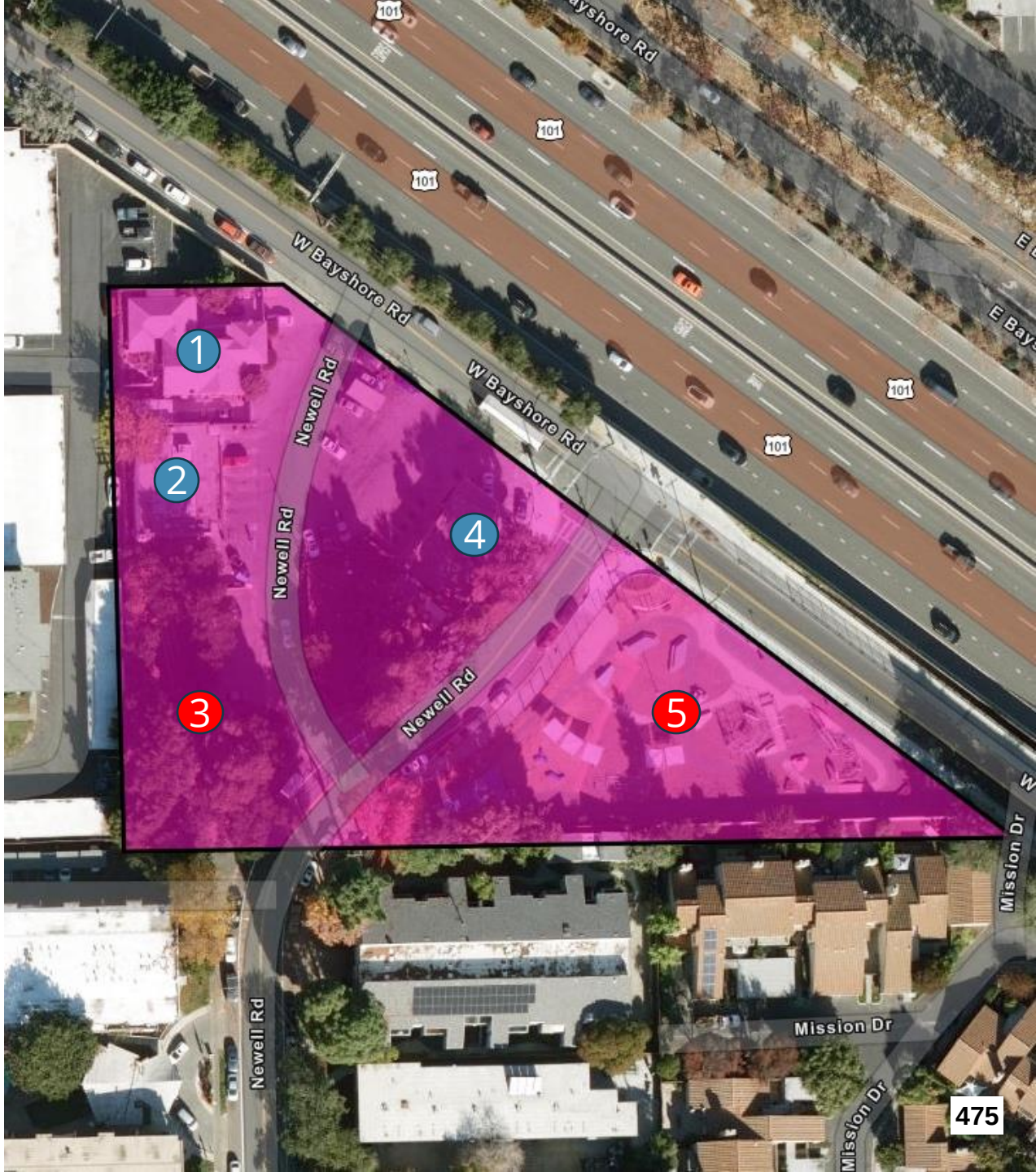
3 Parcel 063513730
- *Vacant 0.26-acre parcel used for parking*
- *Owned by the Toi Lung Young Trust*



4 Three Brothers Tacos
- *95 Newell Rd*
- *0.39-acre parcel owned by Fred Young Jr.*



5 Parcel 063515170
- *Vacant 0.63-acre parcel currently used for a pop park*
- *Owned by Gordon Young*



NC – EAST BAYSHORE & EUCLID

Notable Existing Properties & Vacant Parcels



1 1489 E Bayshore Rd
- *Single-building with various retailers*
- *0.45-acre parcel owned by Sonsco LLC*



2 1475 E Bayshore Rd
- *Gated parking lot; listed as auto repair*
- *0.23-acre parcel owned by LR Land LLC*



3 2056 Glen Way
- *5+ unit apartment building built in 1960*
- *0.21-acre parcel owned by the Maude P. Hutchins Trust*



4 2070 Glen Way
- *Single-family home built in 1953*
- *0.18-acre parcel owned by an LLC*



5 2080 Glen Way
- *Duplex built in 1935*
- *0.19-acre parcel owned by Nofal Ali Abdallah*





East Palo Alto Economic Development Strategic Plan

Appendix C: Site Opportunity Details

December 2025

HR&A

STRATEGIC SITE #1
EAST PALO ALTO WATERFRONT PROJECT

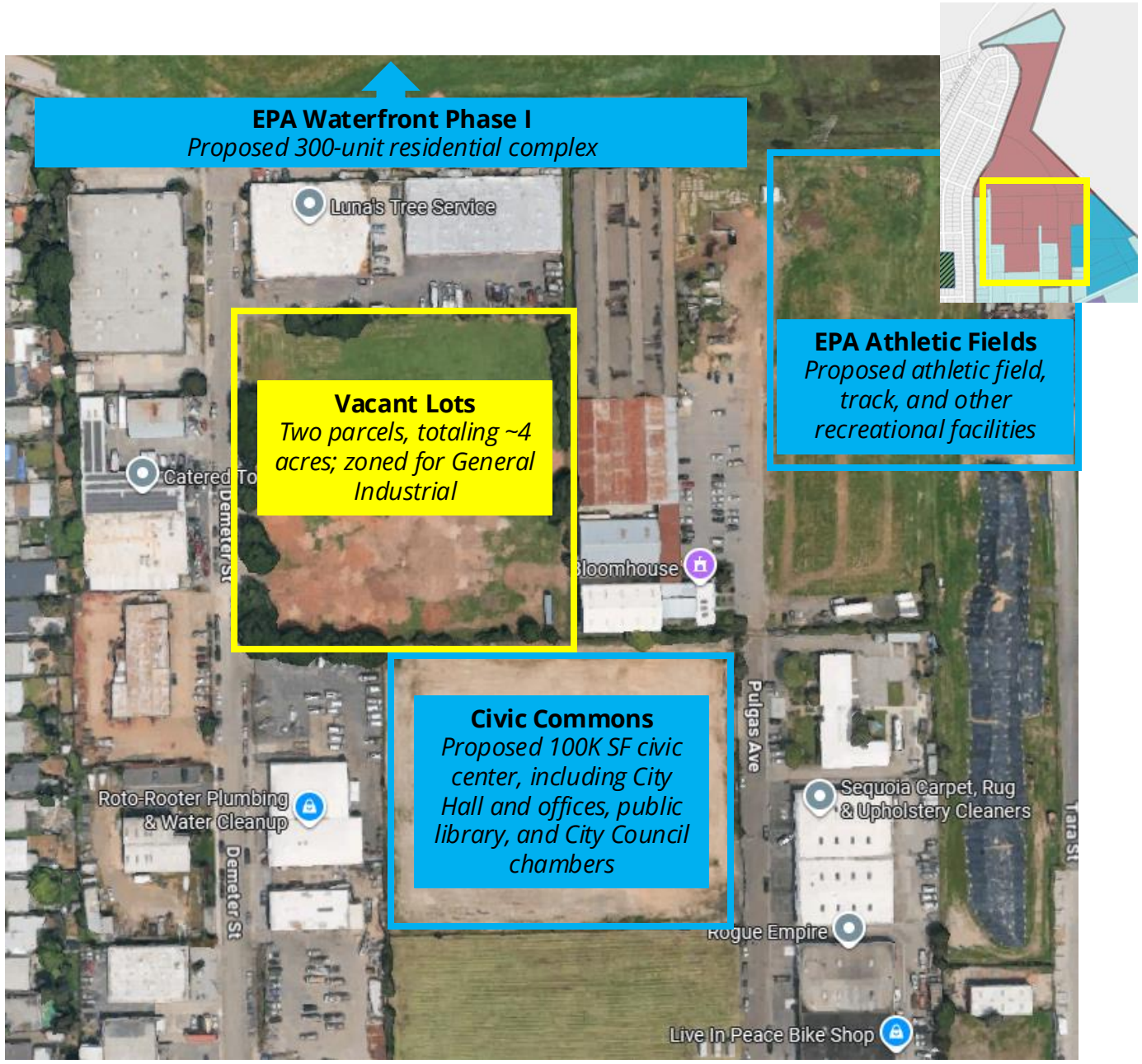
Overview

- 15 parcels (29 acres), led by Emerson Collective
- Phase I: 300 residential units, athletic fields, and 100K SF Civic Commons
- Next strategic focus: two ~2-acre vacant parcels (~87K SF each)

Waterfront Mixed-Use Civic Hub: Hub of community life, anchored by destinations like Bloomhouse, proposed civic commons and athletic fields, and leveraging waterfront access

Development Concepts:

- Primary Uses
  - **Civic Commons** (Under Planning) – establishes a civic anchor with government services and public space.
  - **Food Hall / Kitchen Incubator** – provides food options for nearby housing and workers while opening pathways for local food entrepreneurs.
  - **Healthcare / Wellness Facility** – addresses gaps in community healthcare access while creating skilled jobs.
- Secondary Uses
  - **Childcare / Early Learning Center** – supports families and workforce participation.
  - **Higher Ed** - Community college annex or Stanford University Extension program
  - **Office & Small Business Center** – coworking, incubation, and local business space.



Note: While the entirety of the EPA Waterfront Project is highlighted as a cluster, the City should maintain its focus on facilitating the development of this site, which is not currently planned for any projects. Development here should align with the services provided by surrounding projects.

STRATEGIC SITE #2
2020 BAY RD + 1990 BAY RD (THE LANDING)

Overview

- **2020 Bay Rd** (9 parcels; 17.2 acres): Owned by Three Cities Research Inc.; 1.3M SF of proposed office, civic, retail, and open space.
- **1990 Bay Rd – The Landing** (4 parcels; 17.8 acres): Developed by Harvest Properties, proposed 918,000 SF of office, lab, civic, and open space.

Bay Road Industry Hub: employment and innovation district, building on the area's existing industrial base and transportation access

Development Concepts:

- **Industrial / R&D** – anchor employment base with facilities specifically for construction tech (modular/panelized builders), semiconductor packaging, clean energy R&D, and light industrial flex, to create middle-skill, middle-wage jobs.
- **Office / Lab** – co-located with the industrial uses to house engineering, design, and lab teams tied to production. Includes lab space for clean energy/bio-R&D and civic-oriented office for nonprofits and training partners
- **Workforce Development Hub** – Career & Innovation Center with workforce training, youth programs, and small business incubation, to ensure that local residents have clear pathways into jobs created on-site



STRATEGIC SITE #2
2020 BAY RD + 1990 BAY RD (THE LANDING)

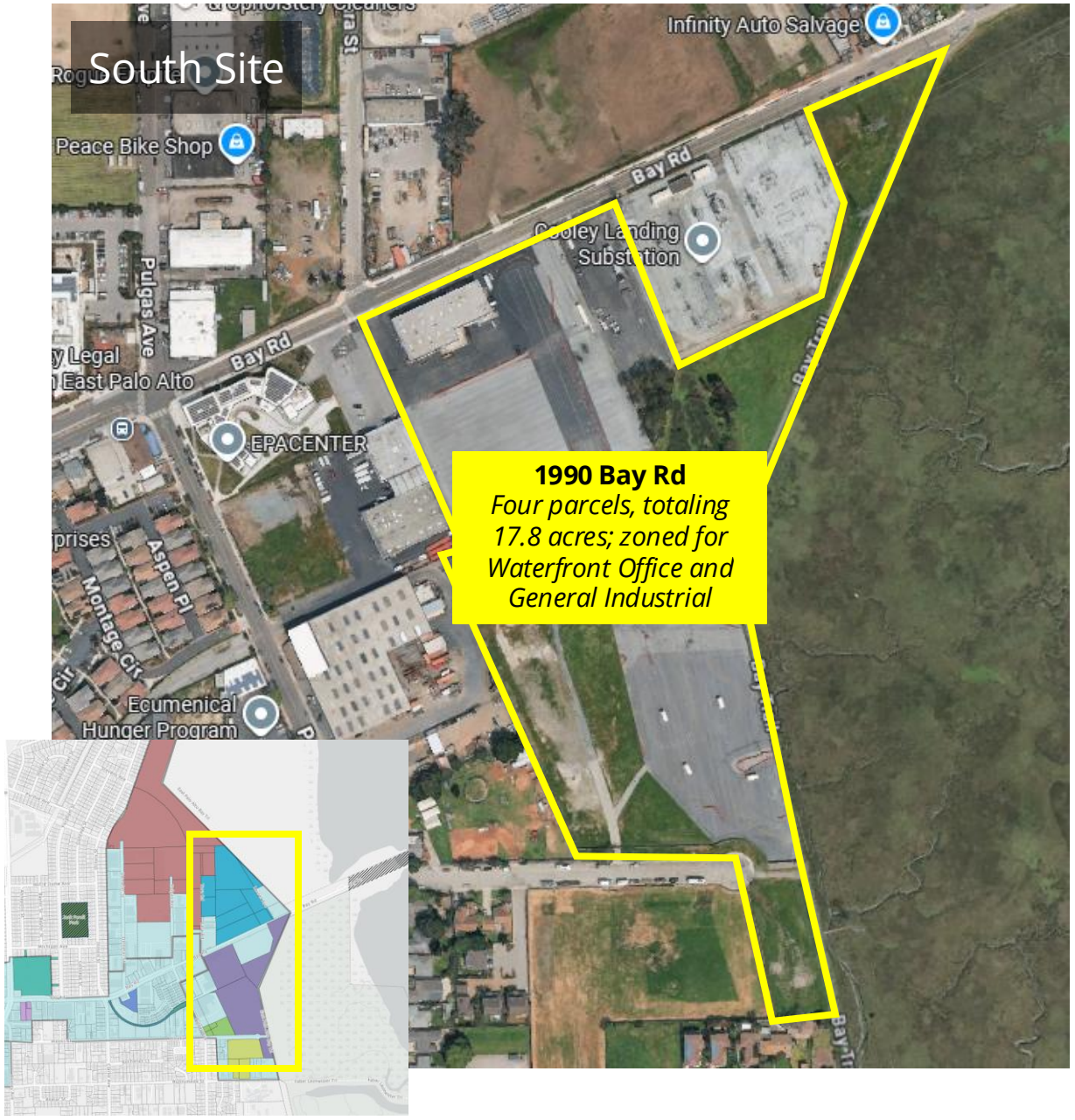
Overview

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Industry Hub: employment and innovation district, building on the area's existing industrial base and transportation access

Development Concepts:

- **Industrial / R&D** – anchor employment base with facilities specifically for construction tech (modular/panelized builders), semiconductor packaging, clean energy R&D, and light industrial flex, to create middle-skill, middle-wage jobs.
- **Office / Lab** – co-located with the industrial uses to house engineering, design, and lab teams tied to production. Includes lab space for clean energy/bio-R&D and civic-oriented office for nonprofits and training partners
- **Workforce Development Hub** – Career & Innovation Center with workforce training, youth programs, and small business incubation, to ensure that local residents have clear pathways into jobs created on-site



STRATEGIC SITE #3
1103 WEEKS ST + 1201 RUNNYMEDE

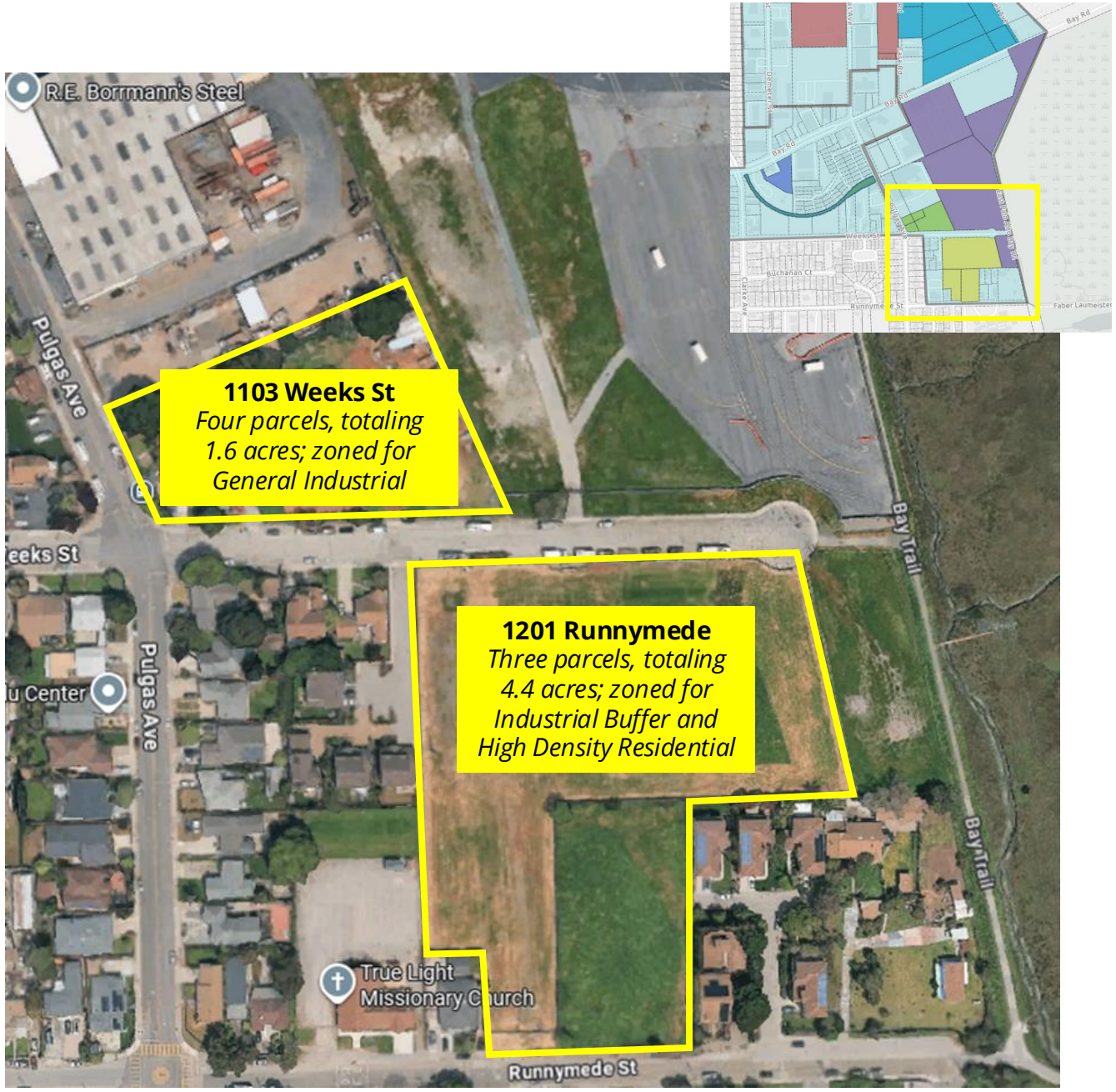
Assemblage Overview

- **1103 Weeks St** (4 parcels; 1.6 acres): Developed by Eden Housing (land donated by Harvest Properties); proposed 95-unit affordable housing project with civic space.
- **1201 Runnymede** (3 parcels, 4.4 acres): One parcel previously entitled for a 32-unit multifamily project; another plan proposed 20 townhomes. Applicant has since pursued lower density.

Mixed-Use Corridor: a series of active neighborhood sites that integrate housing, retail, and small businesses, supporting more vibrant local activity

Development Concepts:

- **Housing** (entitled + proposed) – anchoring the site with affordable and market-rate units
- **Small Business / Office Flex** – coworking and professional services space added above or alongside retail
- **Retail** - targeted, smaller scale as residential / worker amenity and neighborhood activation



STRATEGIC SITE #4
1675 BAY RD + 1620 BAY RD

Assemblage Overview

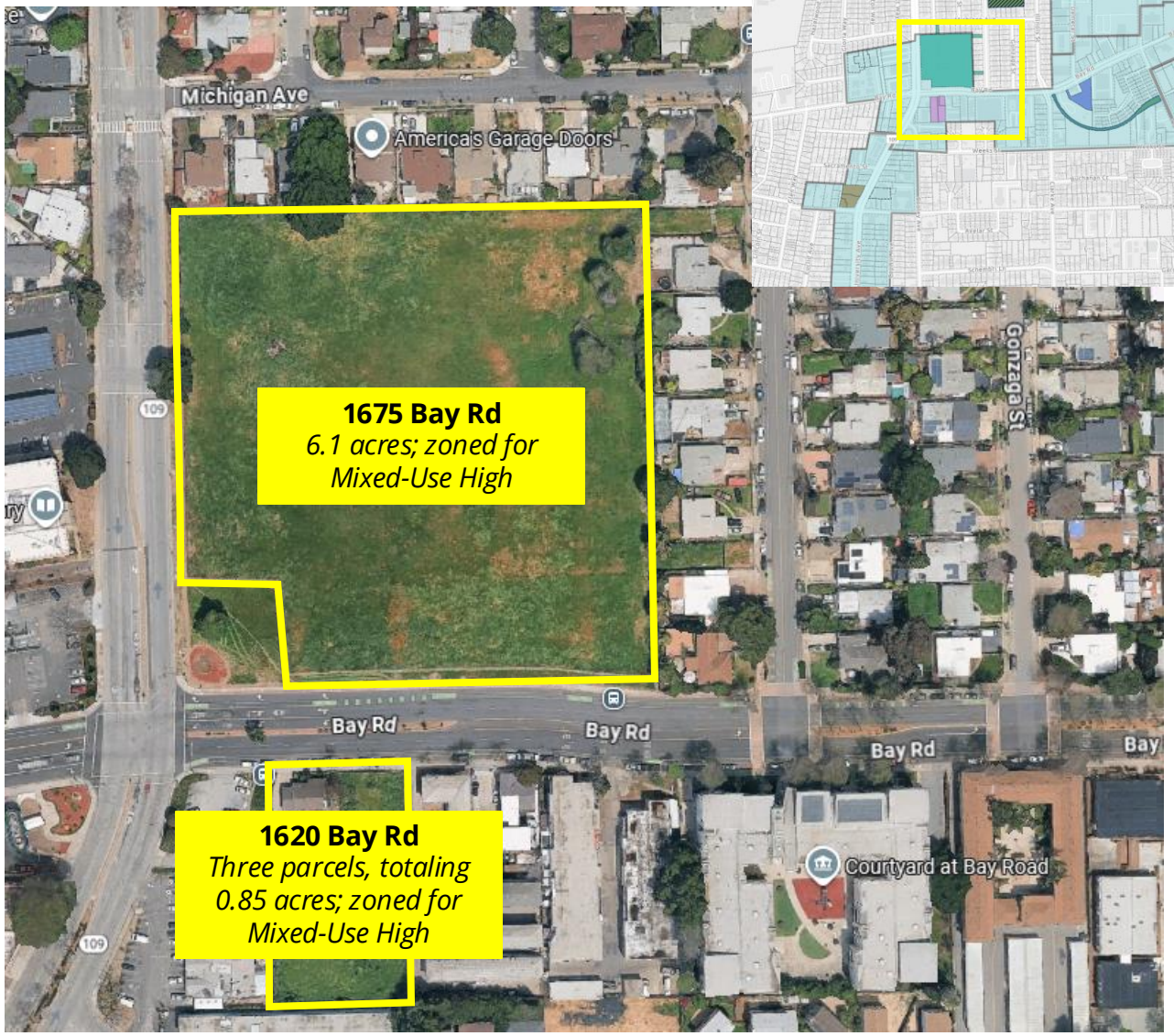
- **1675 Bay Rd:** 6.1 acres; developed by Sand Hill Properties; previously proposed as mixed-use with residential, retail, civic, and lab uses; has since been scaled back to primarily residential (200 multifamily units, 95 townhomes).
- **1620 Bay Rd:** 0.85 acres; overgrown lot with a single-family home; no current development plans.

Mixed-Use Corridor: a series of active neighborhood sites that integrate housing, retail, and small businesses, supporting more vibrant local activity

Development Concepts:

- **Housing (entitled + proposed)** – ~200 units**;** backbone of the development, anchoring the site with new multifamily and townhomes
- **Retail** – ground-floor storefronts to activate Bay Road, building on the existing corner retail node
- **Small Business / Office Flex** – coworking and professional services space integrated above or alongside retail
- **Community Space / Food Hall** – gathering place in the heart of the city, providing F&B/cultural programming that reflects the diversity of the community





STRATEGIC SITE #5
1804 BAY RD + CLARUM UNIVERSITY CORNER

Assemblage Overview

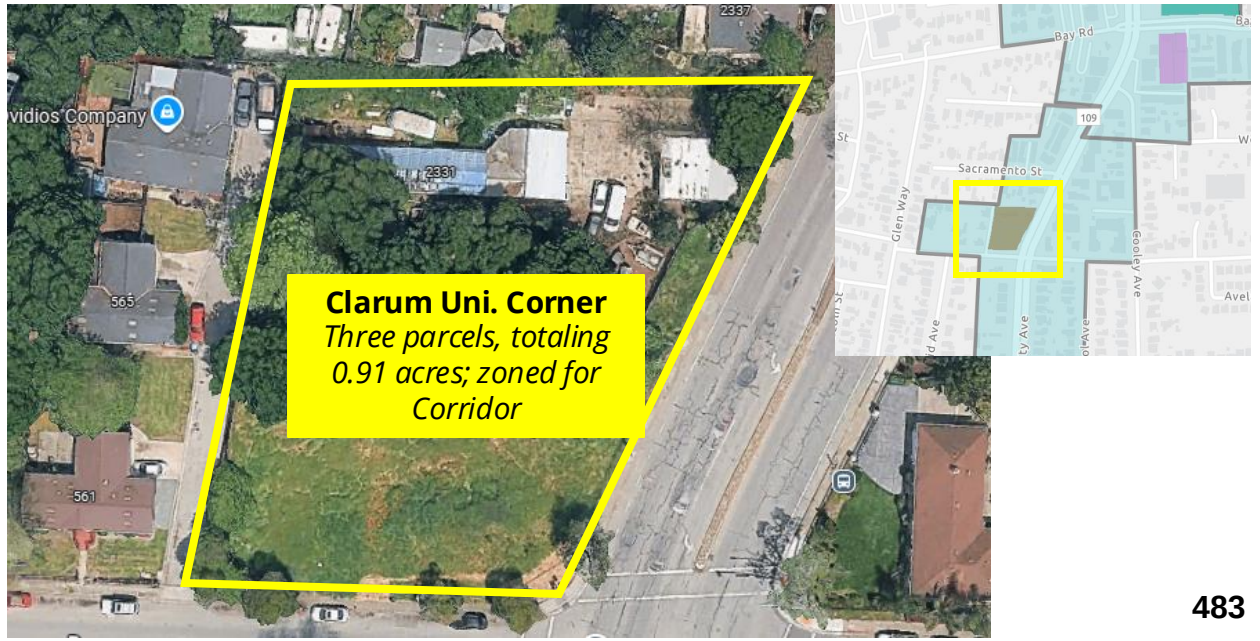
- **1804 Bay Rd:** 0.99 acres. Proposed mixed-use with 75 residential units and ground-floor retail.
- **Clarum University Corner:** 0.91 acres. Entitled by Clarum Communities, but project is inactive. Proposed 48,000-SF mixed-use with 33 residential units and ground-floor retail.

Mixed-Use Corridor: a series of active neighborhood sites that integrate housing, retail, and small businesses, supporting more vibrant local activity

Development Concepts:

- **Housing** (entitled + proposed) – ~100–120 total units across the two parcels
- **Retail** – small/flexible ground-floor storefronts for food, neighborhood amenities and services (e.g., hair salons), and hospitality
- **Small Business / Office Flex** – coworking or professional services space, stacked above retail or integrated into residential





STRATEGIC SITE #6
RAVENSWOOD ELEMENTARY SCHOOL DISTRICT + 2115 UNIVERSITY AVE

Overview

- **Ravenswood Elementary School District:** 4.15 acres; underutilized property with surplus school facilities and parking; proposed 430-unit affordable multifamily development with 2,800 SF of ground-floor retail.
- **2115 University Ave:** 2.9 acres; developed by The Sobrato Organization; previously proposed 230,000-SF office building (Phase II of the Amazon office across the street), though project is currently paused.

Gateway Commercial Hub: well-connected gateway to the city and region, offering destination shopping experience and community-serving retail, services, and local job opportunities

Development Concepts:

- Primary Uses
  - **Large Scale Community Serving Retail** (e.g. Grocery Store) - anchors University Avenue with food, services, and hospitality that draw both residents and workers
  - **Hospitality** – hotel as part of a mixed-use development
  - **Office / Lab -** flexible employment space for offices, nonprofits, or lab/tech tenants. Reuses the scale of the former Amazon entitlement but broadens user types.
  - **Childcare / Education**– Located within the housing development or adapted from existing school facilities
  - **Higher Ed** - Community college annex or Stanford University Extension program
- Secondary Uses
  - **Healthcare / Wellness Facility** – a clinic or wellness hub that addresses community health needs and creates more local jobs
  - **Community / Civic Space** – small multipurpose space for cultural programming, youth activities, or workforce training
  - **Housing** – entitled, ~430 units)

