



City of Burlingame, California

2017-18 Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018



City of Burlingame, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2018

Prepared by

City of Burlingame Finance Department

CITY OF BURLINGAME, CALIFORNIA



Comprehensive Annual Financial Report

June 30, 2018

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2018**

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Comprehensive Annual Financial Report

June 30, 2018

INTRODUCTORY SECTION



Comprehensive Annual Financial Report

June 30, 2018



Burlingame Finance Department
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November 9, 2018

To the Honorable Mayor, Members of the City Council, and residents of Burlingame:

I am pleased to submit the City of Burlingame's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This financial report contains a complete set of audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City, and in particular, the Finance Department. Information contained in this report is based upon a comprehensive framework of internal controls that has been established for this purpose. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the CAFR information is accurate in all material aspects. The Management's Discussion and Analysis section of the financial report provides information on the City's financial position and should be read in conjunction with the financial statements.

As required by GAAP, the financial statements present the government and its component units that are considered to be fiscally interdependent. For financial reporting purposes, the City's basic financial statements include all funds, boards, commissions, and authorities that are controlled by or are dependent upon the Burlingame City Council.

The California Government Code requires an annual audit of the basic financial statements of the City. The accounting firm Maze & Associates performed the audit for the fiscal year ended June 30, 2018. The independent auditor's report on the general purpose financial statements is included in the financial section of this report and states that the City's basic financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2018, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. For the year ended June 30, 2018, single audits were not required in accordance with the provisions of the Single Audit Act, as threshold expenditure requirements from federal funding were not reached during the fiscal year.

This transmittal letter is intended to provide an introductory profile of the City of Burlingame, its economy, and other information useful in assessing its overall financial condition. The transmittal letter is designed to complement the Management's Discussion & Analysis (MD&A), and should be read in conjunction with it. The MD&A, which can be found immediately following the independent auditor's report in the financial statement of the CAFR, provides a more comprehensive look at the City's financial results.

Government Profile

The City of Burlingame is a California general law City incorporated in 1908 that operates under the Council-Manager form of government. A five-member City Council is elected at large to four-year terms and serves as the board of directors. The City Council selects a Mayor and Vice Mayor from its members annually. A City Manager is appointed by the City Council and serves as the chief executive officer. The City Manager is responsible for all municipal functions. A City Attorney is appointed by the City Council to serve as chief legal advisor for the governing body and the administration. The City's municipal services include: police and fire protection; public works; community development; parks and recreation; library services; water, sewer, parking, solid waste, and storm drainage. General government activities include finance, human resources, legal services, and city administration. The City employs approximately 212 full-time employees. An executive team helps the City Manager lead the City organization. It includes eight department directors, the City Attorney, and the City Clerk.

The Burlingame City limits contain approximately six square miles. The City is located in San Mateo County, on the western shore of the San Francisco Bay approximately 10 miles south of San Francisco. According to the State Department of Finance, the population for the City of Burlingame is 30,294. The population has remained fairly level, increasing by 2.9% over the past five years.

Budget Process

The City adopts an annual budget for all funds. Major funds include the General, Capital Projects, Debt Service, Water, Sewer, Parking, Waste Management, Landfill, and Building Funds. Budgets are prepared on the same basis of accounting as the associated financial statements.

The City's formal budget is employed as a management control device during the year, and it is adopted annually for all City funds, except for the fiduciary funds and certain special revenue funds where appropriate. Consistent with most governmental entities, the City's budget is based on a modified accrual basis of accounting under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the related liability is incurred.

The City budget includes information regarding estimated costs (or outlays) and revenue (or cash inflows) for identified programs, projects, and levels of service to meet the needs of the City. All annual appropriations lapse at the end of the fiscal year except in the Capital Projects Fund, because capital improvement projects typically span more than one fiscal year. Appropriations for capital projects lapse when projects are completed, placed into service, accounted for as capital assets, or abandoned at the discretion of the City and/or City Council.

Budget amendments that increase a fund's appropriations require majority approval by the City Council. Certain budgetary re-allocations within departments require approval by the Finance Director and department heads. Budget amendments between departments are approved by the Finance Director and City Manager. A mid-year budget status report and a long-term financial forecast for the next five years are presented to the City Council as part of an ongoing assessment and evaluation of budgetary performance, with special attention to the General Fund and certain other major funds.

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds three public meetings to provide guidance on the

budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to the City Council and/or City staff.

Under these policy directives and guidance, departments prepare their budget requests in support of their programs for submission in early April. Expenditure assumptions are based on known factors such as collective bargaining agreements, current pay and benefit policies, consumer price indices, and other information available from expert third-parties or governing authorities.

The Finance Department reviews budget requests for technical compliance to City budget instructions. The Proposed Budget is prepared and delivered to the City Council in May. The City Council reviews the Proposed Budget before the final budget is formally adopted in June at a public hearing, which gives residents an additional opportunity to comment on the spending plan.

Assessment of Economic Condition

As with most cities along the San Francisco peninsula, the City has fully recovered from the 2008-2010 recession, as evidenced by rebounds in the City's largest revenue sources. The City's top three revenue streams (from transient occupancy tax, property tax, and sales taxes) have long surpassed pre-recessionary amounts, and now constitute over 85% of the City's General Fund revenues. Key indicators of the City's economic health are job growth, real estate values, and retail activity.

Employment

The San Francisco Bay Area continued to lead the state in job expansion; the unemployment rate remains one of the lowest in the State of California, based upon recent Employment Development Department (EDD) data. The unemployment rate in San Mateo County held steady at 2.3% in August 2018. Comparatively, the State of California's unemployment rate stood at 4.3%. At these healthy rates, which effectively reflect full employment, the pace of job growth has leveled off significantly. The region's labor market is showing signs of saturation after years of strong growth in professional, technological, and business service employment. Average salaries are well above the California average and are expected to remain so in the near future.

Real Estate & Property Taxes

Property taxes, which are based on assessed value, are one of the City's largest revenue sources, accounting for 28.3% of the City's General Fund revenue. Fiscal year 2017-18 property tax receipts were \$20.3 million, up approximately 7.4% from the prior year.

According to data obtained from the San Mateo County Assessor, the City has 8,700 parcels with a net total assessed value of nearly \$10.4 billion—an increase of \$647.0 million, or 6.66%, since last year. Residential assessed values grew by 5.7%, while commercial assessed values grew by 11.5%.

The median price of homes sold in Burlingame during the month of August 2018 was \$2.2 million, which is an 11% decrease compared to the same time last year. However, only 16 homes were sold. County-wide, over 600 homes were sold, with a median value of \$1.5 million, a 9.1% year-over-year increase in sales price since August 2017. Although home prices are starting to level off in the area, the housing

supply shortage is a primary driver of high housing costs. Combined with the increase in real income, it is increasingly apparent that lower-income residents are getting priced out of the county.

Sales and Use Taxes

Burlingame is a highly desirable residential community and upscale commercial location with attractive shopping districts. Burlingame borders the Town of Hillsborough, an affluent community that is 100% residential. Therefore, in many cases, Burlingame businesses have the opportunity to serve the commercial needs of Hillsborough residents, and benefit from the additional disposable income from neighboring communities. Numerous national retailers are located in the Burlingame Avenue Business District, making the area competitive with regional shopping malls. In addition, the City is known for its upscale restaurants and businesses that attract patrons from throughout the entire San Francisco Bay Area. The City owns and manages most of the parking spaces located within the shopping districts and works with local merchants to maximize the shopping experience.

Sales and use taxes accounted for 17.9% of General Fund revenue in fiscal year 2017-18. Sales and use tax revenues were \$12.8 million, which is approximately 6% more than the prior year's receipts of \$12.1 million. Part of the increase (\$474,000) was attributable to the first quarter of Measure I revenues. Measure I, which was approved by the voters in November 2017, enacted an additional ¼ cent transaction to help fund street and sidewalk maintenance, enhance neighborhood police patrols and programs, and support the cost of maintaining recreation programs and facilities. The tax was effective April 1, 2018. Without the inclusion of these new revenues, sales tax receipts increased 2.1%, only slightly higher than was budgeted for the year. The top 25 sales tax producers in Burlingame account for approximately 51.3% of total sales tax revenue, and include several auto dealers, hotels, and retail stores. Transactions in the City's Auto and Transportation sector continued to level off, though the slow-down in demand has been experienced nation-wide. It is interesting to note that the City's share of the countywide use tax pool increased over 3.2% compared to the same 4 quarters in 2017. The County distributes these taxes, which do not involve a California "point of sale", to each jurisdiction in the county on a pro rata share of taxable sales. While these receipts represent only about 18% of the total sales tax revenues (and are categorized by major industry group along with point-of-sale receipts), the increase reflects a continued acceleration of online shopping for merchandise shipped from out of state.

Tourism and Business Travel

Burlingame's 12 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO), with a total of approximately 3,707 rooms available for rental. Hotel occupancy rates are indicative of continued improvement in the economy. As the City's largest revenue source, transient occupancy tax revenues account for nearly 39% of all General Fund revenues, and grew by \$1.7 million (6.4%) compared to the prior year. Combined occupancy rates increased from 84% in the prior fiscal year to over 87% in the year ended June 30, 2018. Average room rates within the city increased approximately 6.3%, thanks to the success of many Bay Area sports teams and increased tourism. As reported by the San Francisco Airport, total domestic and international airport passengers increased by 1.4% in calendar year 2017.

Financial Information

Accounting System, Budgetary Control & Fund Accounting: All governmental and fiduciary fund types use the modified accrual basis of accounting. Revenues are recorded when measurable and available,

rather than when received, and expenses are recorded when the liability is incurred, rather than when paid. Conversely, the accrual basis of accounting is used for proprietary funds. All governmental fund types are accounted for on a spending (or funds flow) measurement focus. Only current assets and current liabilities are generally included on the governmental fund balance sheets.

Internal Controls: City management is responsible for establishing and maintaining adequate internal controls to ensure that City assets are protected from loss, theft, or misuse and to assure that adequate accounting data is compiled to allow for the preparation of financial statements that conform to generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived, and that cost-benefit analysis requires prudent estimates and judgments by management.

The Finance Department establishes internal accounting controls to provide management reasonable assurance regarding the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining asset accountability. The City's finance staff and the independent auditor consider the internal controls over financial reporting in planning and performing the annual audit. The independent auditors test the City's internal controls and make inquiries into the staff's knowledge of fraud or the occurrence of fraud.

Cash Management: The City pools cash from all operating sources to manage cash flow and invest idle funds. The Finance Director serves as the City's Treasurer and, utilizing the services of a third-party asset management advisor, oversees the investment of funds in accordance with the City Council adopted Investment Policy and Government Code Sections 53601 and 56535. The Finance Director submits a quarterly investment report to the Council. The Council also reviews and approves the City's Investment Policy early in each fiscal year.

Risk Management: The City is a member of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a joint powers insurance authority that consists of 28 member cities in the San Francisco Bay Area. The PLAN JPA was established to provide liability insurance, claims, risk management, and legal defense services to participating members. The program provides the City with liability coverage up to a maximum of \$10 million, with the City maintaining a self-insured retention of \$250,000. The City also maintains workers' compensation coverage to a maximum of \$5 million, with a self-insured retention of \$500,000 per claim. The City maintains reserves for all claims below its self-insured retention in separate Internal Service Funds, and charges the costs of the program to operating departments. An actuarial study of the current obligations for the General Liability and Workers' Compensation Funds was completed in September 2018, and the related accruals for current and expected claims have been included in the year-end results for these funds. The City has implemented and is in compliance with Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Debt Administration: The City has an AA+ underlying general obligation credit rating, an AA+ rating for its water and wastewater debt, and an A+ rating for the storm drain debt as issued by Standard & Poor's Rating Service. The AA+ general obligation credit rating was re-affirmed in June 2016. In fiscal year 2017-18, the City had eleven outstanding bonds or loans, including a taxable bond issue for pension obligations, two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant, and a storm drain revenue bond issued under the Internal Revenue Service's Build America Bond program. The City annually evaluates each outstanding debt

obligation that is subject to arbitrage rebate requirements and determined that there was no arbitrage rebate liability as of June 30, 2018.

As of June 30, 2018, the City's general obligation debt limit was \$388 million, which represents 3.75% of total assessed valuation based on assessments at 100% of full market value, in accordance with California Government Code Section 43605. With only the 2006 Pension Obligation Bonds (\$9.0 million outstanding) considered to be general obligation debt, the City's legal debt margin was \$379 million.

Additional information pertaining to the City's outstanding long-term debt can be found under Long-Term Debt (Note 6) in the Notes to the Basic Financial Statements and in the Statistical Section under Legal Debt Margin information.

Certificate of Achievement

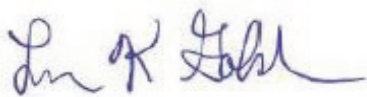
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The City has received the award for 16 consecutive years. To receive the award, a government must publish a readable and well organized annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for one year. Staff believes that the City's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in furthering the fiscal year-end audit, and for their continuing efforts to improve the quality of this report. The audit firm of Maze and Associates has also been very helpful in meeting the City's audit report requirements and financial reporting.

The City Council's continued support in fiscal matters, especially in the maintenance of a long-term, sustainable financial vision, is essential and sincerely appreciated. The financial health of the City is a direct result of their vigilant fiduciary stewardship.

Respectfully submitted,



Lisa K. Goldman
City Manager



Carol Augustine
Finance Director & Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Burlingame
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



**CITY OF BURLINGAME, CALIFORNIA
ELECTED AND APPOINTED OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2018**

CITY COUNCIL

Michael Brownrigg, Mayor.....November 2022
Donna Colson, Vice MayorNovember 2019
Emily BeachNovember 2019
Ricardo Ortiz.....November 2022
Ann KeighranNovember 2022

CITY MANAGER

Lisa K. Goldman

DEPARTMENT DIRECTORS

Community Development.....Kevin Gardiner
Finance Director and Treasurer.....Carol Augustine
Central County Fire (JPA) Chief.....John Kammeyer
Human Resources.....Sonya Morrison
Library.....Bradley McCulley
Parks and Recreation.....Margaret Glomstad
PoliceEric Wollman
Public Works.....Syed Murtuza

CITY CLERK

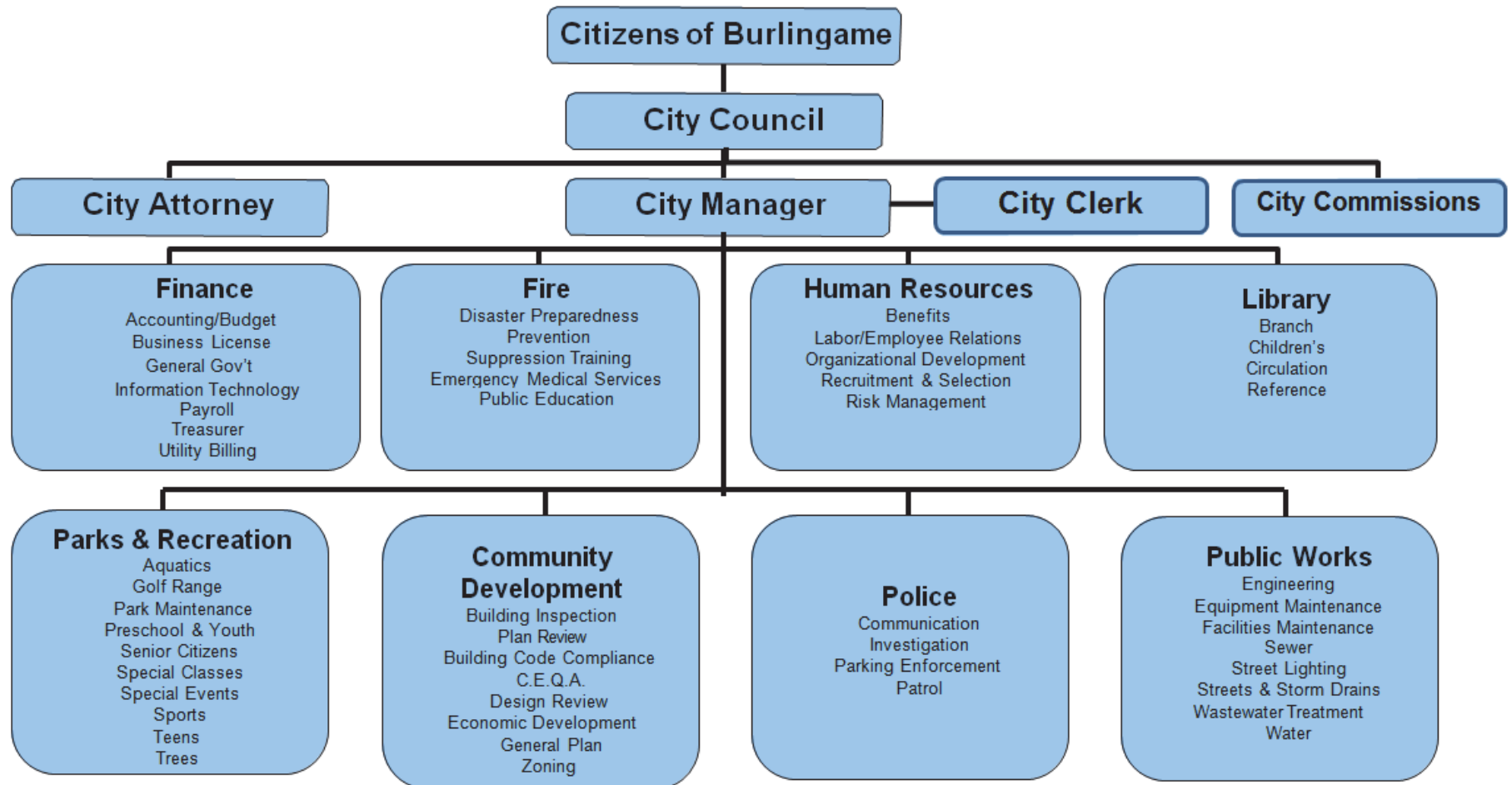
Meaghan Hassel-Shearer

CITY ATTORNEY

Kathleen Kane



**CITY OF BURLINGAME, CALIFORNIA
ORGANIZATIONAL CHART**



General Government

City Attorney

In-house counsel, risk management, and code enforcement

City Clerk

Elections, City records, public noticing, and maintenance of municipal code

City Manager

Supervision of departments, implementation of City policy and strategy, management of City communications and sustainability programs

Finance

Revenue management, disbursements, budget and forecasting, payroll, financial reporting, treasury, purchasing, information technology, telecom and utility billing, business licenses, cashing and front-desk customer service, and solid waste

Human Resources

Salary and benefits administration, employment, health and safety, employee training and wellness, and collective bargaining

Public Works

Engineering

Administration of capital improvement program including major and minor repair and replacement of city infrastructure

Water & Sewer

Delivery of potable water, treatment and discharge of sanitary flows in accordance with environmental, health and safety guidelines

Streets & Storm Drainage

Street sweeping, transportation and regional shuttles, streetlights, and stormwater management and compliance

Public Safety

Police

Community patrol, 911 communications and dispatch, crime prevention, special weapons and tactics (SWAT), K-9 Program, traffic safety, parking enforcement, and community outreach

Central County Fire Department (JPA)

Fire suppression and prevention, emergency medical services, and disaster preparedness for the City of Burlingame and the Town of Hillsborough; provision of service to the City of Millbrae via contract

Leisure and Neighborhood Services

Library

City literacy advocacy, circulation of written and digital media, special programs, and community education for citizens, children, and teens

Parks

Operation and maintenance of urban forest, landscaping, City parks, and infrastructure

Recreation

Recreational, educational and after-school programs for pre-school children, youth, and seniors

Community Development

Building

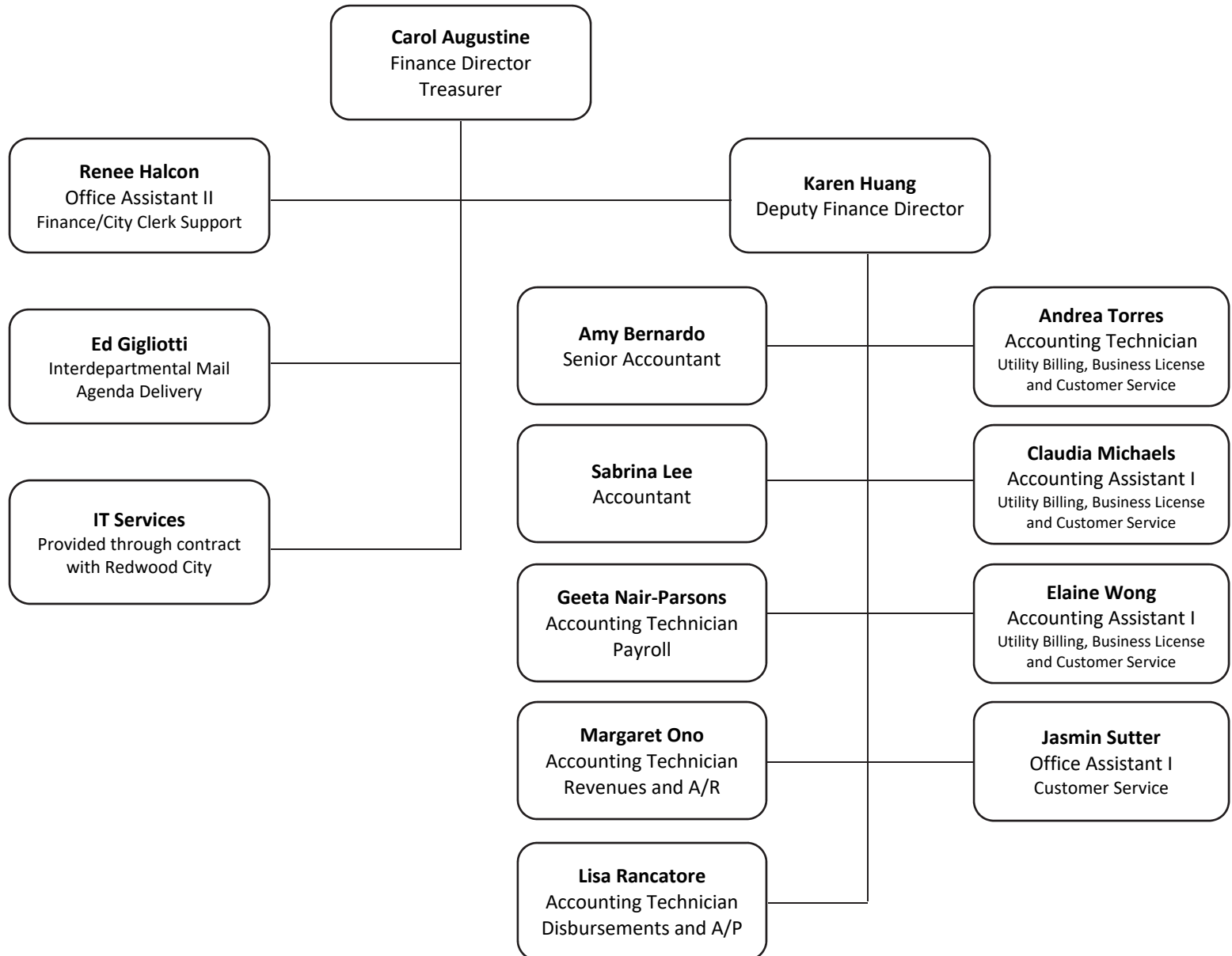
Plan checking, inspection, complaint response, development review and consultation, and building research and development

Planning

Public outreach, Climate Action Plan, land use, economic development, plan checks, and code and zoning enforcement



CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT ORGANIZATION CHART FOR FISCAL YEAR 2017-18



CITY OF BURLINGAME ORGANIZATIONAL COMPASS

The City of Burlingame is an organization that exists to serve and benefit the community. We deliver unsurpassed municipal services that enhance the quality of life for our citizens. As employees of the City of Burlingame, we recognize the leadership role we play in the community and we hold ourselves accountable to those we serve. We value the partnership that exists between the organization and community and strive to foster and maintain that relationship. As such, we are committed to the tenets of the Organizational Compass:

COMMUNITY SERVICE THAT IS RESPONSIVE TO AND MEETS THE NEEDS OF THE PUBLIC BY:

- Being dedicated to the community we serve
- Involving and understanding our community
- Anticipating and adapting to the changing needs of our citizens

AN ETHICAL ORGANIZATION THAT INTERACTS WITH THE PUBLIC AND EACH OTHER IN AN HONEST AND PROFESSIONAL MANNER BY:

- Treating people with respect and dignity
- Taking responsibility for our decisions, statements and actions to the organization and community
- Dealing with differences and conflicts in a professional, respectful and authentic fashion

ONE ORGANIZATION THAT FOSTERS POSITIVE RELATIONSHIPS AND TEAMWORK BY:

- Being part of the solution
- Creating and maintaining constructive relationships while respecting individual contributions
- Focusing on the issues and needs of the organization and community
- Encouraging behavior that builds confidence and self-esteem
- Emphasizing self-initiative, constant improvement and employee involvement

POSITIVE LEADERSHIP THAT IS NURTURING AND FORWARD-THINKING BY:

- Recognizing the leadership role all employees play in the community
- Encouraging innovation and creativity
- Leading by example
- Being supportive, humanistic and compassionate

As City employees we embrace the Organizational Compass and will be guided by its points.

FINANCIAL SECTION



Comprehensive Annual Financial Report

June 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Burlingame, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements as discussed in Note 11G.

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 26, 2018



Comprehensive Annual Financial Report

June 30, 2018

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2018. This information should be read together with the transmittal letter, financial statements, and notes to the basic financial statements to better understand the City of Burlingame's (the City) financial position.

The City has prepared its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP) and all Governmental Accounting Standards Board (GASB) pronouncements that affect the City.

Financial Highlights for Fiscal Year 2017-18 (ending June 30)

Key financial highlights for the year are as follows:

- In total, City assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$231 million, which is a \$11.4 million increase compared to the beginning net position.
- Enterprise Fund net position increased by \$6.8 million to nearly \$110 million. Of this amount, \$31.8 million was unrestricted net position and available for use at the City's discretion.
- Governmental fund balances increased \$10.2 million, to \$111.5 million. Of this amount, approximately \$12.0 million, or 10.8%, was unassigned fund balance and available for spending at the City's discretion.
- General Fund revenues increased by \$3.7 million in fiscal year 2017-18, an increase of 5.4% over the prior year's total of \$68.0 million. The increase in revenue was driven by a \$1.6 million increase in transient occupancy (hotel) tax, \$1.4 million in property tax, and a \$0.7 million increase in sales tax. These increases were partially offset by a \$0.5 million reduction in charges for services.
- Amendments to various revenue sources in the General Fund budget in the amount of \$1.5 million were authorized by the City Council at mid-year, as the improved revenues became evident early in the fiscal year.
- The General Fund ending fund balance increased from \$33.3 million to \$36.4 million. Of this amount, over \$19.9 million has been assigned – intended to be used for specific purposes.

Overview of the Financial Statements

This section introduces the reader to the City's three basic financial statements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. The report also contains supplemental information to help the reader develop a full understanding of the City's financial activities.

Government-Wide Statements

The government-wide financial statements include the **Statement of Net Position** and the **Statement of Activities**. These statements provide a broad overview of the City's finances. They are presented in a manner that is similar to private-sector business.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The **Statement of Net Position** presents complete information on the City's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources, with the difference reported as net position. Changes in net position that occur over time may serve as an indicator of the City's financial position.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported using the "accrual basis of accounting." Changes are reported when the underlying event causing the changes occurs, regardless of the timing of the related cash flows. Therefore, revenue and expenses are reported in this statement for some items that will result in cash flows in future years, such as revenues related to uncollected taxes, or earned but unused employee leave.

Both government-wide financial statements distinguish between governmental activities, such as City functions that are supported by taxes and intergovernmental revenue, and other activities that are self-supporting. The self-supporting functions are called "business-type activities" or enterprise funds. They are intended to recover all or a significant portion of their costs through user fees and charges for services.

Governmental activities include general government administration, public safety (such as police, fire and 911-dispatch), public works, community development, parks, recreation and library, shuttle bus operations, and financing and other activities. The self-supporting, business-type activities include water, sewer service, parking, waste management, landfill and building inspection.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and accounting requirements. The City's funds can be divided into three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds account for tax supported functions reported as governmental activities in the government-wide financial statements. Governmental funds use the "current financial resources" measurement focus, with an emphasis on having sufficient resources to meet expenditures in the short-term – a 12 month fiscal year. These statements focus on how cash and other financial assets can be readily converted to available resources for spending on City services. They also show fund balances that are left at the end of the fiscal year and distinguish between amounts that are restricted versus funds that are available for spending.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental activities and governmental funds.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The City has four major governmental fund types: General, Capital Projects, Storm Drainage and Debt Service. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds. Financial information for the remaining governmental funds is combined into a single, aggregated presentation called Non-Major Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located elsewhere in the report.

Proprietary Funds

Proprietary funds are used to account for services and activities for which a fee is charged to customers in exchange for City provided goods or services. Proprietary funds use the "economic resources" measurement focus, which concentrates on how transactions and events have affected the fund's total economic resources. The City maintains two different types of proprietary funds.

Business-Type Activities or Enterprise Funds: These are funds that are used to report business-type activities in the governmental-wide financial statements. The City has six enterprise funds: Water, Sewer, Parking, Waste Management, Landfill and the Building Fund.

Internal Service Funds: These funds are used to allocate costs internally among the City's functions. The City uses internal service funds to account for the maintenance and replacement of its fleet and rolling stock; maintenance of City buildings and facilities; general liability; workers' compensation; and information technology and administrative support. These funds are included in the governmental activities of the government-wide financial statements because their activities support governmental programs. The internal service funds are then combined into a single, aggregated presentation in the proprietary fund financial statements. Individual data for the internal services funds is provided in the form of combining statements.

Fiduciary Funds

Fiduciary funds are used to account for financial resources held for the benefit of parties outside the City government. The City holds these funds in a custodial capacity or as an agent for individuals, private organizations, or other governmental units such as the State of California or the United States. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's governmental activities.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Government-Wide Financial Analysis

All financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Prior year information is made available for a comparative analysis of government-wide data.

Analysis of Net Position

The City had a total net position of \$231.0 million as of June 30, 2018. Net position increased by 15.4% from the beginning total net position of \$200.2 million. Assets and deferred outflows of resources as of the end of June 30, 2018 were \$454.2 million, reflecting a 8.3% positive change from the prior year due to a \$27.5 million increase in current assets and deferred outflows of resources as well as a \$7.2 million increase in capital assets. Liabilities and deferred inflows of resources increased by 11.6% (\$23.3 million). Despite an \$8.5 million decrease in long-term debt, increases in the City's net OPEB liability and net pension liability (\$23.0 million and \$8.2 million, respectively) were responsible for the large increase in city-wide liabilities.

The largest portion (approximately two-thirds) of the City's net position is its net investment in capital assets totaling \$153.8 million. Capital assets are the aggregate value of land, buildings, and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources - the capital assets themselves cannot be used to liquidate these liabilities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position, \$39.1 million (16.9%) represents resources that are subject to restrictions that may only be used for debt service, to construct specified capital projects or within the confines of special revenue programs.

Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City's unrestricted net position on June 30, 2018 was approximately \$38.2 million, or 16.5% of total net position.

CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

City of Burlingame Comparative Statement of Net Position June 30, 2018 and 2017 (Amounts In Millions)						
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$137.04	\$125.04	\$66.76	\$59.82	\$203.80	\$184.86
Capital assets	118.13	112.91	108.49	106.49	226.62	219.40
Total assets:	<u>255.17</u>	<u>237.95</u>	<u>175.25</u>	<u>166.31</u>	<u>430.42</u>	<u>404.26</u>
Deferred Outflows:	<u>18.90</u>	<u>11.61</u>	<u>4.90</u>	<u>3.63</u>	<u>23.80</u>	<u>15.24</u>
Liabilities:						
Current liabilities	7.00	9.34	5.60	5.11	12.60	14.45
Other liabilities	2.22	1.62	1.36	1.09	3.58	2.71
Long term liabilities	141.42	118.82	62.89	59.93	204.31	178.75
Total liabilities:	<u>150.64</u>	<u>129.78</u>	<u>69.85</u>	<u>66.13</u>	<u>220.49</u>	<u>195.91</u>
Deferred Inflows:	<u>2.42</u>	<u>3.36</u>	<u>0.31</u>	<u>0.65</u>	<u>2.73</u>	<u>4.01</u>
Net Position:						
Net investment in						
capital assets	87.69	82.63	66.08	61.07	153.77	143.70
Restricted	26.90	43.38	12.15	11.96	39.05	55.34
Unrestricted	6.41	(9.58)	31.76	30.13	38.17	20.55
Total net position:	<u>\$121.01</u>	<u>\$116.42</u>	<u>\$109.99</u>	<u>\$103.16</u>	<u>\$231.00</u>	<u>\$219.58</u>

CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

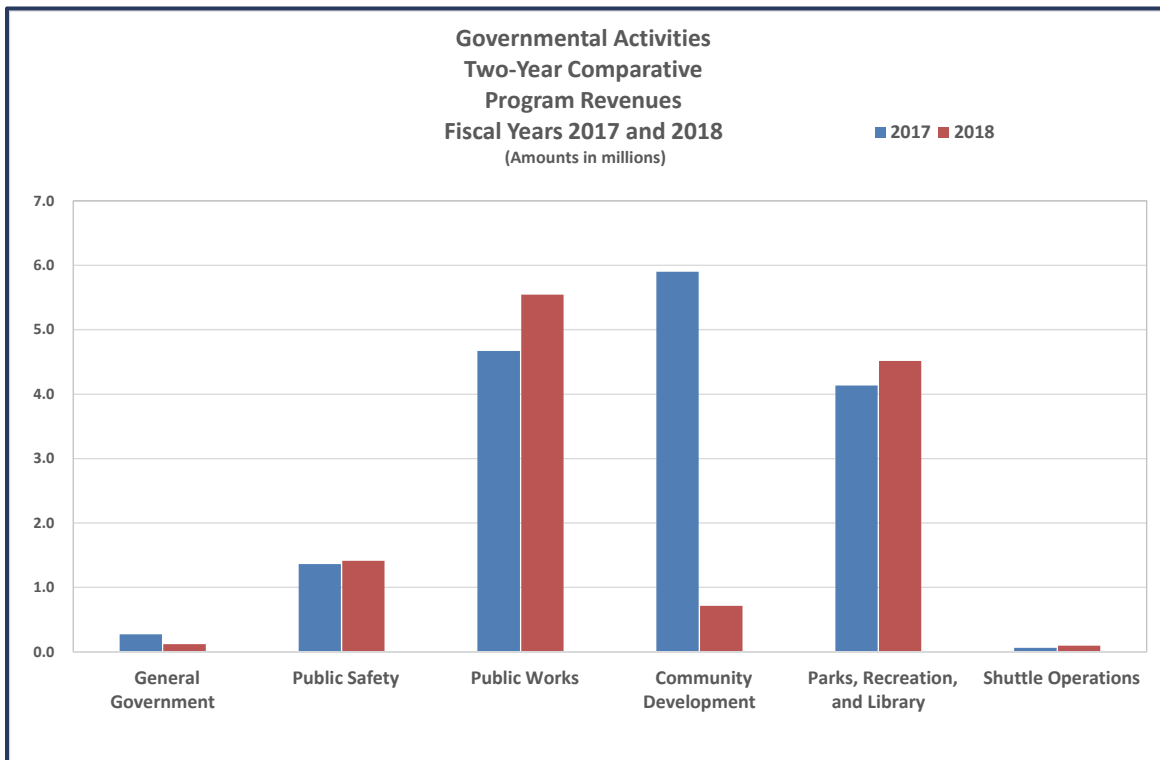
City of Burlingame Statement of Activities For the Fiscal Years Ended June 30, 2018 and 2017 (Amounts in millions)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$10.36	\$15.27	\$42.86	\$40.26	\$53.22	\$55.53
Operating grants and contributions	0.83	0.98	-	-	0.83	0.98
Capital grants and contributions	1.22	0.15	-	-	1.22	0.15
General revenues:						
Property taxes	20.33	18.93	-	-	20.33	18.93
Sales taxes	12.82	12.09	-	-	12.82	12.09
Transient occupancy taxes	27.94	26.26	-	-	27.94	26.26
Other taxes	4.87	4.41	-	-	4.87	4.41
Other general revenue	0.38	0.43	0.18	0.14	0.56	0.57
Total revenues:	78.75	78.52	43.04	40.40	121.79	118.92
Expenses:						
Governmental Activities						
General government	5.78	4.76	-	-	5.78	4.76
Public safety	27.13	25.71	-	-	27.13	25.71
Public works	7.93	7.35	-	-	7.93	7.35
Community development	1.82	1.39	-	-	1.82	1.39
Parks, recreation and library	16.92	14.58	-	-	16.92	14.58
Shuttle operations	0.19	0.15	-	-	0.19	0.15
Financing and other activities	2.21	3.08	-	-	2.21	3.08
Business-Type Activities						
Water	-	-	14.67	13.81	14.67	13.81
Sewer service	-	-	11.21	10.35	11.21	10.35
Waste management	-	-	0.79	0.68	0.79	0.68
Landfill	-	-	0.40	0.08	0.40	0.08
Parking	-	-	1.05	0.63	1.05	0.63
Building inspection	-	-	1.58	2.05	1.58	2.05
Total expenses:	61.98	57.02	29.70	27.60	91.68	84.62
Increase/(decrease) in net position before transfers	16.77	21.50	13.34	12.80	30.11	34.30
Loss on disposal of capital assets	(0.12)				(0.12)	0.00
Investment income (expenses)	0.62	0.27	0.23	0.13	0.85	0.40
Transfers	2.86	2.73	(2.86)	(2.73)	-	-
Change in net position:	20.13	24.50	10.71	10.20	30.84	34.70
Net position - beginning, as restated *	100.87	91.92	99.28	92.96	200.15	184.88
Net position - ending	\$121.00	\$116.42	\$109.99	\$103.16	\$230.99	\$219.58

* Note that net position was restated as of June 30, 2017 for the implementation of GASB Statement No. 75.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Governmental Activities

Governmental activities increased the City's net position by \$20.1 million, with a total net position of \$121.0 million at the end of the fiscal year. The increase was attributable to total governmental revenues that exceeded total expenses by \$16.8 million, prior to net transfers in of nearly \$2.9 million. Program revenues decreased nearly \$4.0 million (25%), largely the result of specific, non-recurring community development fees that were received in the prior fiscal year.



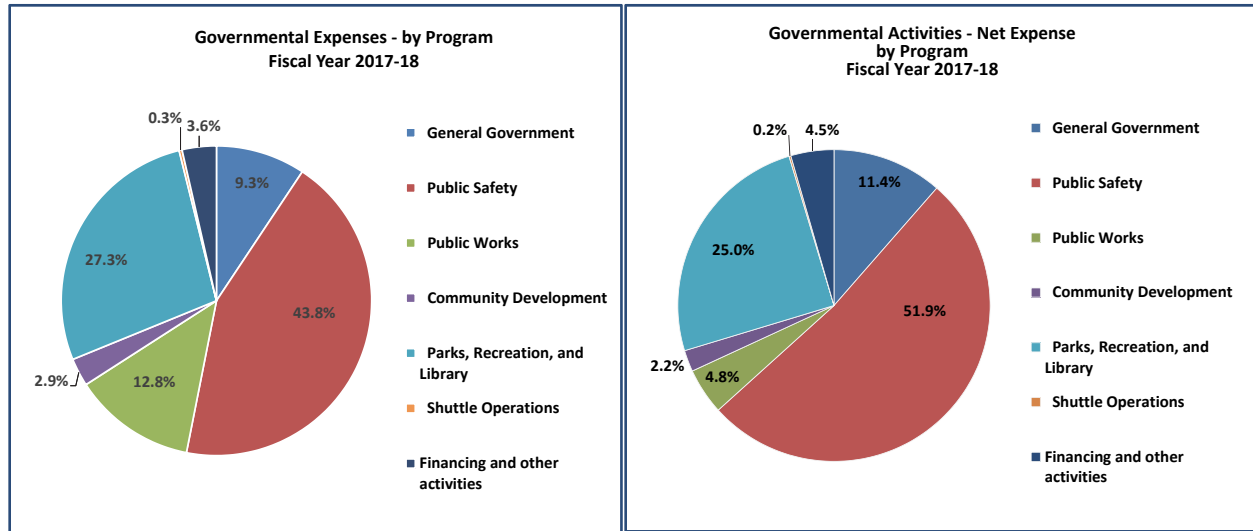
General revenues rose by \$4.2 million (6.8%). The increase was the result of transient occupancy tax receipts, which increased \$1.7 million (6.4%) over the prior year, and property tax revenues which were \$1.4 million higher than in the prior year. Local taxable sales activity remained strong, and the addition of the first quarter of Measure I (effective April 1, 2018) revenues added \$474,000 in the category of sales taxes for the fiscal year.

Expenses from governmental activities increased nearly \$5.0 million, for a total of \$62.0 million for the fiscal year. Expenses in all functional areas were higher than incurred in the prior fiscal year. Spending in the category of parks, recreation, and library increased by over \$2.3 million. Although an increase in operational needs (\$340,000) for the Parks Division was recognized in the non-personnel costs of the operating budget, largely to fund additional tree pruning and removal services, much of the increased spending (\$1.8 million) is reflected in capital improvements in the City's parks and field facilities.

The majority of these governmental activities are financed from City taxes. However, the \$10.4 million collected in charges for services (reported as program revenues) for these various activities served to offset the departmental spending associated with some services. Overall, program revenues covered approximately 20.0% of governmental expenses over the fiscal year.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Governmental Activities (Continued)



The above charts of expenses and net cost of the City's various governmental activities have been derived from the Statement of Activities. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities (\$62 million in fiscal year 2017-18). This compares with the relative net cost after applying program revenues derived from each area's activity shown in the second chart. The total net cost of governmental activities (\$49.6 million in fiscal year 2017-18) must be funded out of the City's general revenues – primarily taxes and investment earnings. Areas with the highest program revenues (i.e. Parks, Recreation and Library) are able to offset relatively more costs than activities that have fewer opportunities to derive program revenues (such as Public Safety).

Business-Type Activities

The net position for business-type activities increased by \$10.7 million, or 10.8%, from a beginning net position of \$99.3 million. The increase is largely a result of an increase in revenues needed to fuel future utility infrastructure and improvements. In fiscal year 2017-18, enterprise operations produced total operating revenue (consisting largely of revenues from charges for services) of \$43.0 million, an increase of \$2.6 million, or a 6.6% increase from fiscal year 2016-17 operating revenues.

Business-type expenses totaled \$29.7 million. Operating expenses for these activities increased by \$2.1 million or 7.7% from prior year expenses of \$27.6 million. This increase was largely attributable to expenses of the Water and Sewer activities. The cost of supplies and contractual obligations of these relatively large operations increased with demand for these utilities in both the residential and commercial sectors. Capital investments in water and sewer infrastructure will also increase depreciation charges to these activities going forward.

The changes in net position reflected a healthy increase for these enterprise activities. Unlike the governmental activities, program revenues cover total expenses in the business-type activities, with no contribution from City taxes. The City is able to adjust water, sewer, solid waste, parking rates, and building permit fees to cover expenditures and future liabilities.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Analysis of City Funds

Governmental Funds

The Governmental Funds financial statements provide information on the short-term inflows, outflows, and balances of resources that are available for spending over the 12-month fiscal period. The goals of the funds are to have sufficient resources available to finance City services within each fiscal year. In particular, the unassigned fund balance may serve as a measure of City funds that are available for spending in the short-term. The General Fund, Capital Projects Fund, and the Debt Service Funds, or collectively, the 'major funds' are reported separately in the basic Financial Statements. A separate accounting of the City's ten non-major governmental funds can be found in the Combining Statements located in the Other Supplementary Information section of the CAFR.

Total Governmental Funds (Amounts In Millions)					
Fund Description	6/30/2018		7/1/2017		Change - Net Position/Fund Balance
	Net Position/Fund Balance	6/30/2018 Nonspendable	Net Position/Fund Balance	7/1/2017 Nonspendable	
General Fund	\$36.37	\$0.06	\$33.27	\$0.21	\$3.10
Capital Projects	52.80	-	42.86	-	9.94
Storm Drainage	4.20	-	3.21	-	0.99
Debt Service Fund	9.19	-	11.43	-	(2.23)
Non-Major Funds	8.94	-	10.55	-	(1.61)
Total	\$111.50	\$0.06	\$101.31	\$0.21	\$10.19

The General Fund is the City's main operating fund. Revenues and expenditures are monitored year-round to maintain a balanced budget. General Fund revenues totaled \$71.2 million in fiscal year 2017-18, reflecting a \$3.7 million (5.4%) increase from the prior year's performance of \$68.0 million. Expenditures totaled \$53.6 million, which is \$3.9 million more than in the prior year. Revenues less operating expenditures before transfers were \$18.1 million. The General Fund transferred \$5.6 million out to the Debt Service Fund to pay for governmental debt, and \$12.4 million to the Capital Projects Fund. The large contribution for capital spending was approved to pay for project-related expenditures (\$7.1 million), and to bolster the Capital Investment Reserve (\$5.3 million) established in past fiscal years in recognition of the City's large backlog of facility needs. Detailed notes on the transfers can be found in the Interfund Transfer section (Note 4) in the Notes to the Basic Financial Statements.

The General Fund balance as of June 30, 2018, was \$36.4 million, representing an increase of \$3.1 million from the prior year fund balance of nearly \$33.3 million. The City Council assigned \$19.4 million as reserves for specific purposes as described in Note 12 of the Notes to the Basic Financial Statements, and approximately \$0.5 million represents contractual obligations (encumbrances) and reappropriations of specific program funding which will carry forward to the next fiscal year. \$4.4 million of the ending General Fund balance reflects the amount of cash and investments restricted as to use for specific purposes – this is the amount held in the City's § 115 Trust for Fund to pay required future pension contributions. The remaining \$12.0 million represents unassigned amounts.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Governmental Funds *(Continued)*

Capital Projects Fund

The Capital Projects Fund accounts for the resources used to acquire, develop, and construct capital improvements or to purchase major capital equipment for governmental activities. The City capitalizes equipment with a cost basis of at least \$5,000 and has an estimated useful life in excess of one year. Structures, improvements, and infrastructure with a value of at least \$250,000 are also capitalized. All capital assets are valued at historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. For more information on capital assets, please refer to the Notes to the Basic Financial Statements under Capital Assets (Note 5).

The Capital Projects Fund had revenues of nearly \$1.5million, which is \$1.4 million higher than the prior year. The higher amount was largely due to the receipt of two grant reimbursements: \$938,000 in federal fund monies was received via a One Bay Area Grant, to fund bicycle and pedestrian improvements associated with the Carolan Avenue Complete Street Improvement project; and \$280,000 was funded through a California Department of Conservation's Sustainable Community Planning Grant, providing funding and support for the City of Burlingame's General Plan Update. In fiscal year 2017-18 projects were financed mainly by \$18.6 million in transfers from other funds to support ongoing construction costs and to support previously appropriated projects. In addition to the General Fund contribution of \$12.4 million, \$2.5 million of Storm Drain bond proceeds, and \$3.6 million from the Measure A and Gas Tax special revenue funds were transferred into the Capital Projects Fund.

Capital project expenditures totaled over \$10.1 million, an increase of \$3.2 million from prior year expenditures. The Capital Projects fund balance at the end of the fiscal year was \$52.8 million, an increase of \$9.9 million from the prior year ending balance. Other than the \$25.8 million reserve for Capital Investment, which was increased by \$5.3 million during the fiscal year, the entire fund balance is assigned for the construction of specific capital projects.

During fiscal year 2017-18, major governmental capital project expenses, exceeding \$1 million included:

- Carolan Avenue Complete Street Improvements - \$1.9 million
This project modified Carolan Avenue (a busy corridor and partial residential street) between Broadway and Oak Grove Avenue to provide dedicated bike lanes, bulb outs at the intersection corners and improved crosswalks, with associated storm drainage facilities and landscaping.
- Neighborhood Storm Drain Project #9 - \$1.0 million
This project upgraded 24 storm drain inlets, removed and replace 1,147 linear feet of curb and gutter, lined 453 linear feet of cure-in-place pipe, and constructed 125 linear feet of additional pipe. This project is a continuation of the neighborhood storm drain improvements that focus on areas of concern due to inadequate capacity or areas of ponding.

Of the \$1.8 million spent on Parks & Recreation projects, \$680,000 was expended on renovations at Murray Field. The \$2.3 million project allowed the newly turfed field, which is frequently used by AYSO, club soccer and club lacrosse teams, to reopen in September 2018. \$350,000 was spent to cover the City's contractual obligation in the resurfacing two Burlingame School District fields as well. Paloma Park was completely renovated at a cost of over \$300,000.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

General Governmental projects, including facilities and technology projects and studies, accounted for an additional \$1.9 million in spending in the 2017-18 fiscal year. Of these projects, the Police Station HVAC Improvements project (\$710,000) was completed and accepted by the Council just prior to the fiscal year end.

Debt Service Fund

The Debt Service Fund is used to account for resources used to repay general long-term debt and to record the payment of principal and interest as well as other expenditures related to debt administration.

Principal payments on outstanding debt reduced general government debt by over \$5.2 million. The General Fund contributed nearly \$5.6 million to the Debt Service Fund for governmental debt service payments, and the Storm Drainage Fund contributed the \$2.1 million required to meet obligations relating to the Storm Drain Revenue Bonds. A significant portion of the 2010 Storm Drain Bonds were taxable Build America Bonds; the Internal Revenue Service provided an annual interest subsidy of approximately \$156,000 for this issuance. Debt service expenditures represent principal payments, interest charges, and administrative costs of debt such as fiscal agent fees on existing governmental debt.

A more detailed description of the City's outstanding debt and the long-term obligations associated with each issue can be found in the Notes to the Basic Financial Statements under Long-Term Debt (Note 6).

Storm Drainage Fund

The Storm Drainage Fund was added as a special revenue fund in fiscal year 2009-10 to fund needed improvements to the City's infrastructure and to pay debt service on certain revenue bonds issued to fund storm drain capital projects. The voter-approved initiative requires that the funds be accounted for separately, given their intended purpose. The voters approved the new fee in May 2009, and revenues are collected through an assessment on property tax bills. The storm drain fee will sunset after 30 years.

Neighborhood storm drainage improvements continued in fiscal year 2017-18. As in the prior year, the storm drain fee generated about \$2.8 million in revenue. The funds are dedicated to debt service on the use of storm drain revenue bonds and to fund improvements on a *pay-as-you-go* basis. Revenue bonds issued with a pledge of storm drain fee revenues are used as a funding source for these projects in the Capital Projects Fund.

The fund balance increased by nearly \$1.0 million during the fiscal year, as revenues from storm drain fees and interest earnings were adequate to fund the \$2.1 million debt service expense for the fiscal year.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Non-Major Governmental Funds

In fiscal year 2016-17, the Development Fees Special Revenue Fund became the largest of the City's non-major governmental funds, with approximately \$5 million in public benefit charges. Prior to last year, the Measure A and Gas Tax Funds together provided the majority of the City's non-major funds' balance. While Measure A revenues increased a healthy 7.4%, providing \$858,000 in funding for transportation-related programs, Gas Tax revenues increased nearly \$211,000 (to \$795,000) with the first inflows of the 2017 Road Repair and Accountability Act (SB1) allocations from the State. The first full year of SB1 funding will be in fiscal year 2018-19. Together, Measure A and Gas Tax Funds together served to fuel nearly \$3.7 million of traffic and street improvements. Non-major governmental fund balances in total decreased \$1.6 million, as these transfers to the Capital Projects Fund exceeded the year's Measure A and Gas Tax revenues. Revenues in most other non-major governmental funds exceeded the expenditures associated with the legally specified purpose of each fund.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. Proprietary funds consist of the City's six enterprise funds (Water, Sewer, Waste Management, Landfill, Parking, and the Building Enterprise funds) and six Internal Service Funds (General Liability, Workers' Compensation, Facilities Services, Equipment Services, OPEB and Information Technology Services funds). Operations of the City's Enterprise funds are accounted for as business activities.

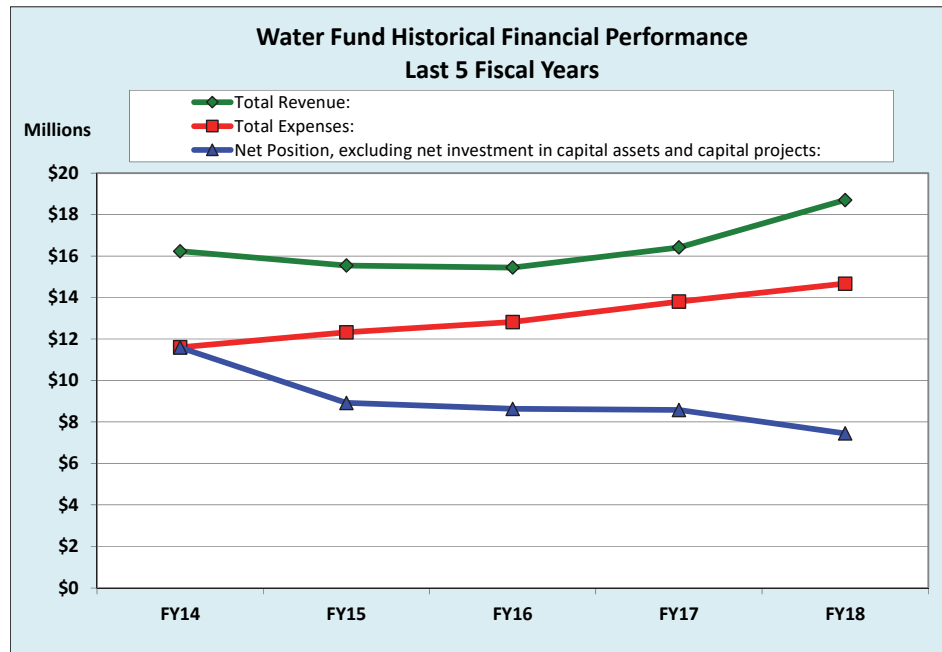
Total Enterprise Funds (Amounts In Millions)					
Fund Description	6/30/2018 Net Position	6/30/2018 Net Investment in Capital Assets	7/1/2017 Net Position	7/1/2017 Net Investment in Capital Assets	Yr-over-Yr Change - Net Position
Water	\$26.67	\$14.66	\$23.93	\$12.42	\$2.74
Sewer	59.07	44.26	55.42	41.35	3.64
Waste Management	3.86	-	3.90	-	(0.04)
Landfill	(1.77)	-	(1.84)	-	0.06
Parking	14.86	7.16	13.38	7.30	1.48
Building	7.31	-	4.48	-	2.83
Total	\$109.99	\$66.08	\$99.29	\$61.06	\$10.70

Water Fund

The Water Fund continues to maintain a stable financial position despite considerable variability in water consumption and wholesale costs over recent years. As a result of the end of six consecutive years of drought, water consumption increased somewhat, though certainly not to the level of pre-drought years. Revenues of the utility increased by over \$2.2 million (13.7%), a result of this higher water consumption combined with the rate increases put in place for the 2017, 2018 and 2019 calendar years. Expenses of the fund increased by \$0.9 million, with \$342,000 of the increase due to the cost of wholesale water. The City continues to invest in updates to the aging water system. Total spending on capital projects (\$3.1 million) included nearly \$2.5 million on the South Rollins Road Neighborhood improvements project. Note that Water Fund revenues include monthly reimbursements from the City's facilities for water.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The net position of the water enterprise fund increased by \$2.7 million, to \$26.7 million. The largest portion of net position (\$14.7 million) relates to the net investment in capital assets, representing 55.0% of the utility's total net position. Approximately 28.8% of the fund's net annual revenue is irrevocably pledged to the prompt payment of debt service relating to future payments of principal and interest on revenue bonds previously issued.



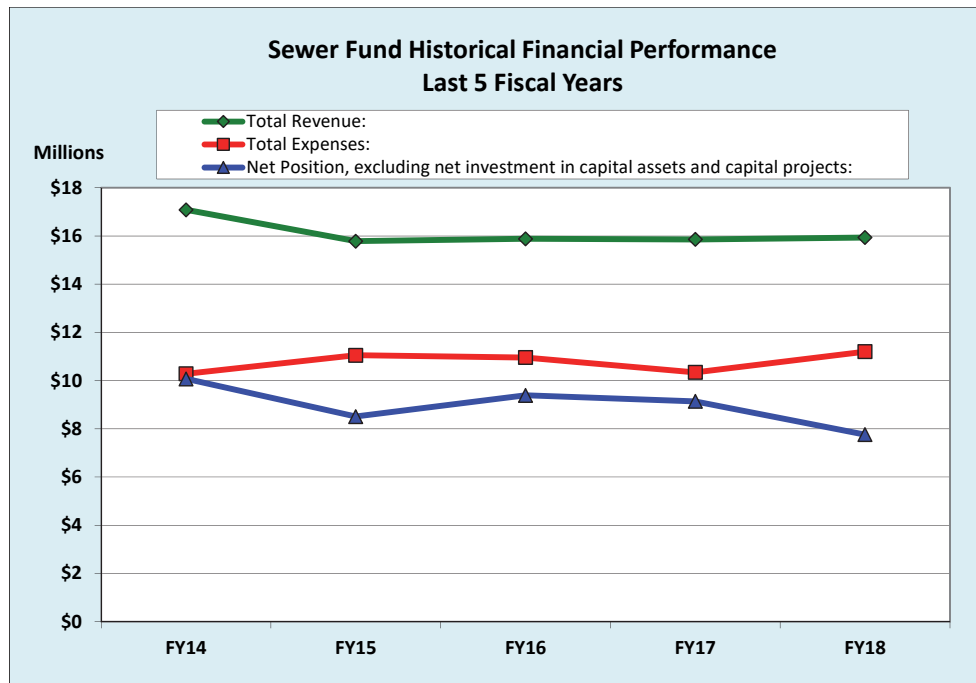
Sewer Fund

The Sewer Fund continues to be financially stable as in the prior year. The fund's overall net position (including capital assets) increased from \$55.4 million to slightly over \$59 million due largely to operating income. A concerted effort to increase the fund's net investment in capital assets through improvements to the City's waste water collection system and the treatment plant will advance the fund's position further in the near future. Note that the largest portion of net position (\$44.3 million) relates to this net investment in capital assets, representing 74.9% of the utility's total net position. Approximately 28.7% of the fund's net revenue is irrevocably pledged to the prompt payment of debt service relating to future payments of principal and interest on revenue bonds previously issued.

As a large portion of sewer charges are based on water consumption, sewer service revenues increased only slightly (<2%). There has been no annual rate increase for sewer service imposed in calendar years 2012 through 2018. Total expenses of the Sewer Fund, however, increased 9.6%; most of the increased spending occurred in the operation and maintenance of the wastewater treatment plant.

As with the Water Fund, the Sewer Fund will also finance future capital improvements on a *pay-as-you-go* basis. The sewer rate structure includes an annual set-aside of \$4.7 million to pay for capital improvements to the Burlingame Wastewater Treatment Plant and repair and maintenance of the sewer collection system. Total actual spending on capital projects (\$4.1 million) included over \$3.1 million on the Easton Addition and Ray Park Neighborhood Sewer Improvements project.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



Parking Fund

The objectives of the Parking Fund are to cover the costs of operating and improving the City's parking districts and to produce sufficient revenue to re-invest in the capital assets of the Burlingame and Broadway Avenue shopping districts, which are served by the City's parking lots. The fund's overall ending net position, including capital assets, increased nearly \$1.5 million over the prior year ending net position of \$13.4 million. Because much of the fund (\$7.2 million) is invested in capital assets, the increase is reported in unrestricted net position, and largely reflected in higher cash balances.

Revenue in the Parking Fund was fairly level with the prior year, increasing only \$56,000 (2%). This stabilization reflects a familiarity with the change from regular coin meters to smart meters in the summer of 2016, which served to increase parking activity in the prior fiscal year. The slight increase is also indicative of sustained economic growth in the City's retail centers. Operating expenses increased by 66% (approximately \$418,000) due to the equipment maintenance contract for an increased number of parking meters, and an associated growth in credit card fees.

Waste Management and Landfill Funds

The City is a member of the South Bayside Waste Management Authority (SBWMA), a joint powers authority that contracts with external vendors for solid waste collection and disposal as well as collection of inert recyclable materials, yard waste and other organic materials. The Waste Management Fund accounts for certain other services that are provided or paid for directly by the City. The costs of these services, which include the cleaning of sidewalks, parking lots and garbage cans/liners, hazardous waste disposal and street sweeping, are built into garbage collection rates for both residential and commercial customers. Operating revenues of the Waste Management fund totaled \$0.8 million. This amount is only slightly lower than that reported in the prior fiscal year, as the revenues that previously fueled the fund's rate stabilization reserve were needed to first pay the growing contractual services of collection, recycling and disposal. The fund's net position decreased slightly, reflecting a continued draw on the rate stabilization reserve.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

A surcharge on garbage collection rates funds the costs associated with the long-term monitoring requirements of the former city landfill. The surcharge yielded \$465,000 in fiscal year 2017-18. The Landfill Fund continues to report a deficit position of nearly \$1.8 million due to the status of the City's obligation to mediate closure and post-closure activities relating to the City's old landfill. On an annual basis, the City reports to CalRecycle (Department of Resources Recycling and Recovery) the estimated costs of post-closure and corrective action as adjusted for inflation and current year expenditures pertaining to mediation. The landfill closure and post closure liability increased (\$0.3 million) during the fiscal year due largely to the inflationary factors prescribed by CalRecycle, but the fund's ending net position remained level when compared to the prior year.

Internal Service Funds

The Internal Service Funds (ISFs) are allocated among the City's various functions and are therefore considered to account for governmental activities for financial statement purposes. The internal service funds as a whole experienced an increase in net position of over \$1.6 million, but this amount reflects a wide variation in the change of net position of the various funds. The General Liability fund net position increased \$0.9 million, with only modest increases in liabilities when compared to the prior year, and no large claims pay-outs. (Claims and litigation liabilities were adjusted based on an actuarial study completed in September 2018). The OPEB fund, which accounts for the cost of the City's retiree medical program, shows a balance of \$425,000 due to amounts accrued for contribution to the OPEB trust fund, but not yet paid out at the end of the fiscal year. Although the Facilities Service and Equipment Services ISFs showed very little change in net position from operations, the inclusion of net OPEB liabilities drove the beginning (restated) net position of each of these internal service funds down an average of \$615,000.

General Fund Budgetary Highlights

Detailed information on budget variances can be found in the General Fund Statement of Revenues, Expenditure and Changes in Fund Balance, Budget and Actual. The adopted fiscal year 2017-18 General Fund budget assumed fairly robust gains in operating revenue, based on the economic recovery evidenced in recent years. Revenue growth of 4.7% was forecast over the revenues anticipated in the prior year's adopted budget. Final collections totaled over \$71.7 million, an increase of 5.4% over prior year actual revenues.

Several key revenue budgets were adjusted upward at mid-year to reflect improvements in General Fund receipts. Still, overall revenues exceeded the year's adjusted budget by 1.8% (nearly \$1.3 million). The positive variance is due in part to the inclusion of revenues (\$474,000) from Measure I. Measure I, a retail transactions and use tax of ¼ percent, effectively increased the sales tax rate in Burlingame from 8.75 percent to 9 percent. The tax was approved by voters in November 2017, and went into effect on April 1, 2018, but not included in the City's adjusted revenue projections. While accounted for separately, Measure I activities are included in the General Fund for financial statement purposes.

City of Burlingame Historical General Fund Revenues (Amounts In Millions)					
	FY14	FY15	FY16	FY17	FY18
Total Revenue	\$55.63	\$61.91	\$66.16	\$68.04	\$71.72
Dollar Change	4.34	6.28	4.25	1.89	3.68
Percentage Change	8.46%	11.29%	6.86%	2.85%	5.40%

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

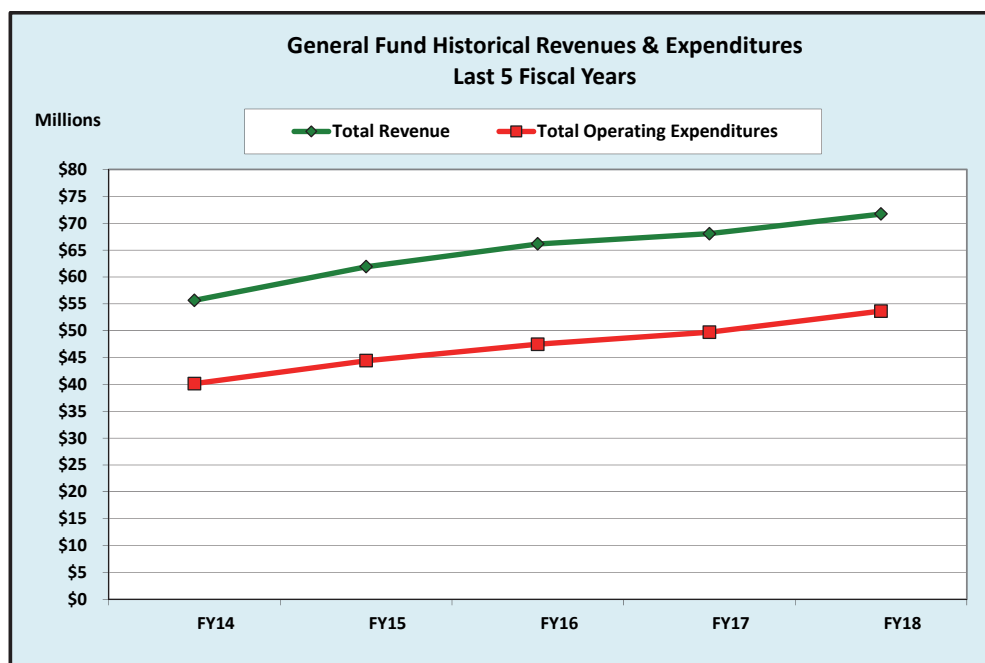
The performance of the top three revenue sources compared to the adjusted budget is as follows:

- Transient occupancy tax revenue for the year increased nearly 6.4% over prior year results, almost 2% higher than forecast at midyear.
- Property tax revenues came in slightly over budget (< 1%), a 7.4% growth over prior year results.
- Sales and use tax revenue ended the year at \$12.8 million, \$615,000 higher than forecast in the adjusted budget, largely due to the first quarter of revenues from the new Measure I transaction tax. Receipts reflected a 2.1% growth in taxable sales transactions when compared to the prior fiscal year.

These General Fund revenues are expected to remain relatively strong over the next fiscal year as the economy continues to improve, albeit more modestly than in the past few years. Burlingame's fiscal health relies largely on growth in the travel and tourism industry, and increased consumer confidence.

City of Burlingame Historical General Fund Expenditures (Amounts In Millions)					
	FY14	FY15	FY16	FY17	FY18
Total Operating Expenditures	\$40.14	\$44.41	\$47.46	\$49.71	\$53.64
Dollar Change	2.53	4.27	3.05	2.25	3.93
Percentage Change	6.72%	10.63%	6.88%	4.74%	7.91%

The fiscal year 2017-18 adopted General Fund budget assumed operating expenditures of nearly \$55.6 million, a growth of 6.2% from the prior year budget. During the fiscal year, the City had few significant budget adjustments; budgets were closely monitored City wide, as reflected in positive budget variances in all functional areas. Actual expenditures totaled \$53.6 million; total budgetary (expenditure) savings for the fund were nearly \$2.6 million, or 4.6%.



**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

General Fund Reserve Policy

The chart below illustrates the amounts of General Fund balance assigned as various reserves for the past five years. In January 2015, the Council adopted a General Fund Reserve Policy which established reserve levels based on an analysis of risks specific to the City, including vulnerability to extreme events and public safety concerns, revenue source stability, expenditure volatility, liquidity, leverage, and adequacy of infrastructure funding. The policy established targeted levels for an Economic Stability Reserve and a Catastrophic Reserve (24% and 2%-9% of budgeted revenues, respectively), as well as a Contingency Reserve amount of \$0.5 million. Based on an updated risk analysis, the policy was revised in October 2015 to replace the initial range for the Catastrophic Reserve to a fixed \$2 million. The actual reserve levels are adopted by resolution with each annual budget, but may be modified by resolution throughout the year based on recommendations by the Finance Director as economic forecasts or other changes dictate. Each reserve is reported as an assignment of the City's General Fund balance.

City of Burlingame City Council Assigned General Fund Reserves (Amounts In Millions)					
	FY14	FY15	FY16	FY17	FY18
Economic Stability Reserve	\$6.00	\$13.30	\$15.70	\$16.20	\$16.91
Catastrophic Reserve	2.00	4.50	2.00	2.00	2.00
OPEB Reserve	-	-	-	-	-
General Plan Reserve	0.50	-	-	-	-
Contingency Reserve	0.50	0.50	0.50	0.50	0.50
Total Reserves	9.00	18.30	18.20	18.70	19.41
Encumbrances and Reappropriations	0.41	0.47	0.44	0.69	0.52
Total Assigned Fund Balance	\$9.41	\$18.77	\$18.64	\$19.39	\$19.93

As a measure of the General Fund liquidity, it is useful to compare its unrestricted fund balance (including commitments and assignments of fund balance) to annual operating expenditures. As of June 30, 2018, the unrestricted fund balance of \$32.0 million (\$36.4 million less non-spendable and restricted fund balance of \$4.4 million) represents 67.8% of General Fund operating expenditures of \$53.6 million.

City of Burlingame General Fund Balance as a Percentage of Operating Expenditures (Amounts In Millions)					
	FY14	FY15	FY16	FY17	FY18
Expenditures:	\$40.14	\$44.41	\$47.46	\$49.71	\$53.64
Fund Balance:	22.89	29.46	29.98	33.27	36.37
% of Expenses:	57.0%	66.3%	63.2%	66.9%	67.8%

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Capital Assets and Debt Administration

Capital Assets

Improvements that lengthen an asset's useful life are not capitalized unless the improvements increase its service potential. Furthermore, maintenance costs are expensed in the period incurred. The City maintains an inventory of roads and parking lots and performs periodic assessments to establish the condition levels. The City uses the modified approach for roads and parking lots as alternative to depreciation. Additional information can be found in the CAFR's Required Supplementary Information, Note 4 - Modified Approach for the City's Infrastructure.

As reported in the Statement of Net Position, capital assets for the governmental and business-type activities totaled \$226.6 million on June 30, 2018, net of depreciation. Capital assets increased by 3.3% from prior fiscal year. The investments in capital assets include: land, construction in progress, buildings, improvements, machinery and equipment, facilities, roads, streets, utilities infrastructure, and storm drains.

Capital Assets, Net of Accumulated Depreciation June 30, 2018 (Amounts in Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2018	2017	% Change	2018	2017	% Change	2018	2017	% Change
Land and other assets not being depreciated	\$43.99	\$42.03	4.6%	\$10.80	\$7.24	49.2%	\$54.78	\$49.27	11.2%
Facilities, infrastructure and equipment	\$74.15	\$70.88	4.6%	\$97.70	\$99.25	-1.6%	\$171.84	\$170.13	1.0%
Total	\$118.12	\$112.91	4.6%	\$108.49	\$106.49	1.9%	\$226.63	\$219.40	3.3%

All depreciable capital assets were depreciated from their acquisition date to the end of the current fiscal year for the government-wide financial statement presentation. Governmental fund financial statements record capital asset purchases as expenditures during the year. Ongoing projects are accounted for as "construction in progress." Additional information about Capital Assets can be found in the Notes to the Basic Financial Statements under Note 5 – Capital Assets.

Long-Term Obligations

For the fiscal year ended June 30, 2018, the City implemented (GASB) Governmental Accounting Standards Board's Statement No. 75 rules for postemployment benefits other than pensions (OPEB). This standard requires the reporting of OPEB liabilities, which for the City comprises retiree healthcare benefits, on the face of the statement rather than in the footnotes. Although the City utilizes a trust mechanism to systematically fund these liabilities, this presentation significantly decreases the City's net position. However, the implementation of this accounting standard does not reflect an actual change in financial condition. As of June 30, 2018, the net OPEB liability for the City was computed to be \$38.9 million.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Due to the implementation of the GASB's pension reporting rules encapsulated in GASB Statements and 68 and 71, effective June 30, 2014, the City's Statement of Net Position also reflects unfunded pension liabilities. The GASB standards require the City to compute its unfunded liabilities by ascertaining "net pension liability" or the difference between a plan's total pension liability and the assets available to pay for such liability at a specific time. As of June 30, 2018, the net pension liability for the City was computed to be \$65.9 million, an \$8.2 million increase over the prior year. The increase was proportionately the same (14.2%) for both governmental and business-type activities and was due largely to assumption changes within the actuarial evaluations of the City's pension plans. A detailed explanation of the changes in the pension liabilities associated with the City's Safety and Miscellaneous Employee pension plans can be found in the Notes to the Basic Financial Statements under Notes 9 and 10, respectively.

Concerned over growing pension liabilities and in response to the sharply increasing employer rates to support the pensions provided by CalPERS (projected by the City's actuary), the City implemented a plan, beginning in 2017-18, to annually set aside additional funding in a 115 trust, at a rate that would smooth the projected increased employer contributions to CalPERS over the next 10-15 years. The balance in the pension trust fund as of June 30, 2018 was slightly over \$4.8 million. Trust fund contributions are not shown as expenditures, but are reflected in each operating fund as restricted cash and investments.

Outstanding Long-Term Obligations June 30, 2018 (Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2018	2017	% Change	2018	2017	% Change	2018	2017	% Change
Bonds Due in More than One Year	\$46.13	\$48.86	-5.6%	\$41.50	\$44.67	-7.1%	\$87.63	\$93.53	-6.3%
Bonds Due Within One Year	2.47	5.12	-51.7%	2.53	2.45	3.1%	5.00	7.57	-34.0%
Claims and Litigation	6.67	6.54	2.0%	-	-	0.0%	6.67	6.54	2.0%
Landfill Closure	-	-	0.0%	3.23	2.95	9.4%	3.23	2.95	9.4%
Net OPEB Liability ⁽¹⁾	31.46	12.98	142.3%	7.45	2.94	153.2%	38.90	15.94	144.1%
Net Pension Liability	55.25	48.36	14.2%	10.66	9.33	14.3%	65.91	57.68	14.3%
Compensated Absences	2.45	2.51	-2.6%	0.33	0.31	3.6%	2.76	2.83	-2.3%
Total:	\$144.43	\$124.37	16.1%	\$65.68	\$62.66	4.8%	\$210.11	\$187.03	12.3%

⁽¹⁾ During fiscal year 2017-18, the City implemented GASB Statement No. 75, which requires the recording of net OPEB liability and related deferred inflows and outflows of resources on the financial statements.

As of June 30, 2018, the City had total long-term obligations of \$210.1 million, an increase of \$23.1 million from the prior year. Bonded debt outstanding was reduced by nearly \$8.5 million due largely to regular debt service payments. More than half (\$48.6 million) of the City's total long-term outstanding debt relates to storm drain revenue bond financing and other governmental activities; the remainder (\$44.0 million) is comprised of loans and revenue bonds previously issued to support various capital projects overseen by the Water and Sewer enterprises. Short of additional debt financings, bonded debt obligations will decrease over time as principal amounts are paid off.

In addition, the City has several other long-term obligations. Landfill closure and post-closure liabilities are determined in order to capture the estimated cost of municipal solid waste landfill closure and post-closure care as required by federal and state regulations. Funds are then set aside to ensure adequate funding for the post-closure costs of the former Burlingame landfill, including the annual costs of monitoring and maintaining the former landfill, as the costs are incurred. Funding for this liability is currently provided through a portion of solid waste rates charged to City ratepayers. Additional information about the City's long term obligations can be found in the Notes to the Basic Financial Statements under Note 6 – Long Term Debt and Note 7 – Other Long-Term Liabilities.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Economic Factors and Next Year's Budget and Rates

The following factors were taken into consideration in preparing the fiscal year 2018-19 budget:

Revenue Projections: Each Year, City staff prepares a five-year forecast of revenues and expenditures for the General Fund early in the budget process. The adopted budget for 2018-19 assumed growth of approximately \$6 million, or 8.7% in total General Fund revenue before transfers compared to the prior year adopted budget, largely due to positive changes in the economy evident in the 2017-18 fiscal (prior) year to date, as well as the addition of a full year of Measure I revenues (\$1.8 million).

Expenditures: General Fund operating expenditures are expected to grow approximately 3.7%. Fiscal year 2018-19 departmental budgets of \$58.3 million provide for increases in pension costs, health care premiums for active employees, and slight increases in capital outlay. Overall appropriations including transfers (\$68.4 million) reflect a 3.8% increase from the 2017-18 adopted budget.

The City Council approved a set aside of \$3 million to fuel the City's Capital Investment Reserve within the Capital Projects Fund. In addition, the amount of contributions to the § 115 Trust fund established to smooth future pension rate increases from CalPERS was determined to be \$3.4 million City wide for the 2018-19 fiscal year. The General Fund contribution to this additional funding is \$2.8 million.

General Fund Capital Improvements: The City Council earmarked over \$7.2 million in the 2018-19 fiscal year General Fund budget for capital improvements in the Five Year CIP Plan, including \$2.8 million for facilities improvement, and \$3.1 million for parks projects.

Water and Sewer Rate Adjustments: The most recent rate study for the water utility was completed in the fall of 2016. At that time, the drought that had begun in 2011 had worsened and state-wide water restrictions had reduced water consumption to record lows. Based on the increased cost of water purchased from the San Francisco Public Utility Commission (SFPUC), and to upgrade and maintain the aging water system, the City approved water rates increases for each of the years beginning January 1, 2017, 2018 and 2019. The winter of 2016-17 turned out to be the wettest on record in Northern California, and consumption has trended upward since that time, easing the cost of wholesale water for both water and sewer operations for the City. Beyond the water utility rate increases approved in 2016, no further rate adjustments are foreseen at this time.

Solid Waste Rate Adjustments: The City provides solid waste services through a joint exercise of powers agreement (JPA) and a franchise with a private contractor. Rates are adjusted each calendar year based on updated costs of solid waste collection and material processing service, including landfill post-closure costs, street sweeping, recycling and other diversion programs. Due to significant upheaval in global market conditions for recyclables, changes in both commercial and residential waste streams, a scarcity of landfill options, and increased diversion requirements and environmental regulation from the State, the cost of solid waste services has risen in recent years. Although a rate stabilization reserve within the City's Solid Waste Fund has allowed services to continue without a rate increase since 2012, incremental solid waste rate adjustments will be proposed for calendar years 2019, 2010 and 2021.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Requests for Information

The financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Individuals are encouraged to make inquiries or requests for additional financial information at:

Burlingame Department of Finance
City Hall
501 Primrose Road,
Burlingame, CA 94010
(650) 558-7200



Comprehensive Annual Financial Report

June 30, 2018

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 116,426,779	\$ 59,442,210	\$ 175,868,989
Receivables (net of uncollectible amounts)			
Due from consumers	187,544	5,430,856	5,618,400
Due from other governments	2,740,353	547,247	3,287,600
Other receivables	3,859,888	374,641	4,234,529
Inventory	47,893		47,893
Prepaid items and deposits	6,041		6,041
Cash and investments, restricted	13,768,826	967,868	14,736,694
Internal balance	6,286	(6,286)	
Capital assets:			
Land and other assets not being depreciated	43,985,307	10,798,547	54,783,854
Facilities, infrastructure, and equipment, net of depreciation	74,146,675	97,695,652	171,842,327
Total assets	255,175,592	175,250,735	430,426,327
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount of bond refunding		1,160,102	1,160,102
Deferred outflows related to OPEB	4,040,212	956,340	4,996,552
Deferred outflows related to pension	14,856,361	2,783,644	17,640,005
Total deferred outflows of resources	18,896,573	4,900,086	23,796,659
LIABILITIES			
Accounts payable	2,485,053	2,183,391	4,668,444
Retentions payable	127,450	55,942	183,392
Accrued payroll	695,443		695,443
Accrued interest	685,245	559,261	1,244,506
Deposits	2,061,944	1,317,915	3,379,859
Unearned revenue	154,770	41,398	196,168
Claims and litigation			
Due in one year	130,000		130,000
Due in more than one year	6,535,000		6,535,000
Compensated absences			
Due in one year	407,912	59,577	467,489
Due in more than one year	2,039,155	265,561	2,304,716
Landfill closure and post closure costs			
Due in one year		215,251	215,251
Due in more than one year		3,013,509	3,013,509
Long-term debt			
Due in one year	2,472,529	2,525,020	4,997,549
Due in more than one year	46,133,157	41,500,142	87,633,299
Net OPEB liability, due in more than one year	31,464,635	7,447,849	38,912,484
Net pension liability, due in more than one year	55,249,198	10,663,140	65,912,338
Total liabilities	150,641,491	69,847,956	220,489,447
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	167,019	39,535	206,554
Deferred inflows related to pension	2,258,285	270,814	2,529,099
Total deferred inflows of resources	2,425,304	310,349	2,735,653
NET POSITION			
Net investment in capital assets	87,689,174	66,077,123	153,766,297
Restricted for:			
Pension and employee benefit program	4,575,948	519,884	5,095,832
Debt service	9,187,451		9,187,451
Capital projects	4,195,033	11,635,081	15,830,114
Development fees	6,259,267		6,259,267
Burlingame Avenue Special Assessment District	405,117		405,117
Shuttle, Access TV and community programs	1,313,561		1,313,561
Street and sidewalk repair and maintenance	964,997		964,997
Total restricted net position	26,901,374	12,154,965	39,056,339
Unrestricted	6,414,822	31,760,428	38,175,250
Total net position	\$ 121,005,370	\$ 109,992,516	\$ 230,997,886

See accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 5,784,916	\$ 119,436			\$ 119,436
Public safety	27,129,165	1,139,168	\$ 275,042		1,414,210
Public works	7,928,544	4,186,489	139,033	\$ 1,218,493	5,544,015
Community development	1,816,592	702,324	12,500		714,824
Parks, recreation, and library	16,924,681	4,209,063	307,271		4,516,334
Shuttle operations	191,468		95,750		95,750
Interest	2,209,949				
Total governmental activities	61,985,315	10,356,480	829,596	1,218,493	12,404,569
Business-type activities:					
Water	14,670,807	18,623,425			18,623,425
Sewer	11,206,359	15,835,790			15,835,790
Waste management	789,262	700,491			700,491
Landfill	405,971	464,656			464,656
Parking	1,052,646	2,820,386			2,820,386
Building	1,579,510	4,413,374			4,413,374
Total business-type activities	29,704,555	42,858,122			42,858,122
Total government-wide	\$ 91,689,870	\$ 53,214,602	\$ 829,596	\$ 1,218,493	\$ 55,262,691

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Other taxes

Other general revenue

Total general revenues

Loss on disposal of capital assets

Investment income (expense)

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

See accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (5,665,480)		\$ (5,665,480)
(25,714,955)		(25,714,955)
(2,384,529)		(2,384,529)
(1,101,768)		(1,101,768)
(12,408,347)		(12,408,347)
(95,718)		(95,718)
(2,209,949)		(2,209,949)
(49,580,746)		(49,580,746)
	\$ 3,952,618	3,952,618
	4,629,431	4,629,431
	(88,771)	(88,771)
	58,685	58,685
	1,767,740	1,767,740
	2,833,864	2,833,864
	13,153,567	13,153,567
(49,580,746)	13,153,567	(36,427,179)

20,334,818		20,334,818
12,819,794		12,819,794
27,935,991		27,935,991
4,868,723		4,868,723
380,522	184,679	565,201
66,339,848	184,679	66,524,527
(114,831)		(114,831)
623,854	234,649	858,503
2,863,673	(2,863,673)	
69,712,544	(2,444,345)	67,268,199
20,131,798	10,709,222	30,841,020
100,873,572	99,283,294	200,156,866
\$ 121,005,370	\$ 109,992,516	\$ 230,997,886



Comprehensive Annual Financial Report

June 30, 2018

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The **General Fund** accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, parks, and recreation.

The **Storm Drainage Fund** – This fund is to account for the storm drainage fees collected due to an assessment approved by the majority of the parcel owners in the City voting at a special election on May 5, 2009.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs (other than those paid for by the Proprietary Funds).

The **Capital Projects Fund** accounts for City capital projects funded by the General Fund or other governmental funds, or any projects funded by multiple sources.

CITY OF BURLINGAME, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and investments	\$ 29,864,637	\$ 4,086,400	\$ 256,724	\$ 53,945,326	\$ 8,706,666	\$ 96,859,753
Accounts receivable	3,451,844	107,814		148,222	326,359	4,034,239
Due from other governments	2,432,771	819		97,501		2,531,091
Due from other funds	20,785		6,286	268,437		295,508
Prepays and deposits	6,041					6,041
Cash and investments, restricted	4,390,537		9,192,878			13,583,415
Total assets	<u>\$ 40,166,615</u>	<u>\$ 4,195,033</u>	<u>\$ 9,455,888</u>	<u>\$ 54,459,486</u>	<u>\$ 9,033,025</u>	<u>\$ 117,310,047</u>
Liabilities:						
Accounts payable	\$ 846,146			\$ 1,325,825	\$ 21,740	\$ 2,193,711
Due to other funds			\$ 268,437		20,785	289,222
Retentions payable				127,450		127,450
Accrued payroll	695,443					695,443
Deposits	2,061,944					2,061,944
Unearned revenue	154,770					154,770
Total liabilities	<u>3,758,303</u>		<u>268,437</u>	<u>1,453,275</u>	<u>42,525</u>	<u>5,522,540</u>
Deferred Inflows:						
Unavailable revenue	36,131			201,397	47,558	285,086
Total deferred inflows	<u>36,131</u>			<u>201,397</u>	<u>47,558</u>	<u>285,086</u>
Fund Balances:						
Nonspendable	6,041					6,041
Restricted	4,390,537	\$ 4,195,033	9,187,451		8,942,942	26,715,963
Committed				27,004,814		27,004,814
Assigned	19,929,904			25,800,000		45,729,904
Unassigned	12,045,699					12,045,699
Total fund balances	<u>36,372,181</u>	<u>4,195,033</u>	<u>9,187,451</u>	<u>52,804,814</u>	<u>8,942,942</u>	<u>111,502,421</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 40,166,615</u>	<u>\$ 4,195,033</u>	<u>\$ 9,455,888</u>	<u>\$ 54,459,486</u>	<u>\$ 9,033,025</u>	<u>\$ 117,310,047</u>

See accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Fund balance – total governmental funds \$ 111,502,421

Amounts reported for governmental activities in the statement of net assets are different because:

CAPITAL ASSETS

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 116,475,401

LONG TERM LIABILITIES

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(2,383,250)
Long-term debt	(48,605,686)
Net OPEB Liability	(\$30,036,547)
Net Pension Liability	(53,418,613)

Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. (685,245)

DEFERRED INFLOWS AND OUTFLOWS

Deferred outflows are not current assets or financial resources; and deferred inflows are not due and payable in the current period and are therefore not reported in the governmental funds

Deferred Outflows	18,235,320
Deferred Inflows	(2,371,231)
Unavailable revenues	285,086

ALLOCATION OF INTERNAL SERVICES FUND NET ASSETS

Internal service funds are used by management to charge the costs of fleet management, building maintenance, information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statements of net assets.

\$12,007,714

Net assets of governmental activities \$ 121,005,370

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 20,334,818					\$ 20,334,818
Sales and use taxes	12,819,794					12,819,794
Transient occupancy taxes	27,935,991					27,935,991
Other taxes	3,216,203					3,216,203
Charges for services - fees	5,515,803	\$ 2,959,633		\$ 274,016	\$ 547,286	9,296,738
Charges for services - licenses and permits	82,622					82,622
Fines, forfeitures, and penalties	977,121					977,121
Investment income	332,714	53,331	\$ 125,833		35,455	547,333
Intergovernmental taxes					1,652,520	1,652,520
Grant revenue	284,839			1,218,493	544,759	2,048,091
Other revenue	223,078		155,108			378,186
Total revenues	71,722,983	3,012,964	280,941	1,492,509	2,780,020	79,289,417
EXPENDITURES:						
Current:						
General government	5,132,951		28,297	397,132	45,285	5,603,665
Public safety	26,361,307			6,919	80,329	26,448,555
Public works	5,624,681			991,994		6,616,675
Community development	1,799,124				12,500	1,811,624
Parks, recreation, and library	14,546,580			833,877	261,396	15,641,853
Shuttle operations					159,868	159,868
Capital Outlay	172,615			7,907,859		8,080,474
Debt service:						
Principal			5,245,933			5,245,933
Interest			2,364,243			2,364,243
Total expenditures	53,637,258		7,638,473	10,137,781	559,378	71,972,890
REVENUES OVER (UNDER) EXPENDITURES	18,085,725	3,012,964	(7,357,532)	(8,645,272)	2,220,642	7,316,527
OTHER FINANCING SOURCES (USES):						
Transfers in	3,194,673	44,829	7,634,227	18,591,015	140,000	29,604,744
Transfer out	(18,180,617)	(2,074,239)	(2,516,215)		(3,970,000)	(26,741,071)
Total other financing (uses) sources	(14,985,944)	(2,029,410)	5,118,012	18,591,015	(3,830,000)	2,863,673
Net change in fund balances	3,099,781	983,554	(2,239,520)	9,945,743	(1,609,358)	10,180,200
FUND BALANCES:						
Beginning of year	33,272,400	3,211,479	11,426,971	42,859,071	10,552,300	101,322,221
End of year	\$ 36,372,181	\$ 4,195,033	\$ 9,187,451	\$ 52,804,814	\$ 8,942,942	\$ 111,502,421

See accompanying Notes to the Basic Financial Statements

**CITY OF BURLINGAME, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net change in fund balances – total governmental funds \$ 10,180,200

Amounts reported for governmental activities in the statement of activities are different because:

CAPITAL ASSETS TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are added back to fund balance	8,080,474
Expenses being added due to difference in capital outlay and capital asset additions	30,479
Retirements are deducted from fund balance	(146,536)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance. (3,152,226)

DEFERRED REVENUE

Under the full accrual method of accounting, State Proposition 1A revenue is recognized as revenue in the year it is earned rather than the year of receipt. Therefore, it is not reported as revenue, but rather as a reduction of receivable.

LONG TERM DEBT PROCEEDS AND PAYMENTS

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest calculated on bonds payable	27,753
Amortization of bond premium	127,471
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets:	
Principal payments	5,245,000

ACCRUAL OF NON-CURRENT ITEMS

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

This change reflects a increase in compensated absences that occurred during the year	74,407
Pension Expense	(2,445,036)
Net other post-employment benefits obligation expense	891,578
Unavailable revenues recognized as revenue in prior year	(414,090)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service funds are used by management to charge the costs of certain activities, such as fleet management, building maintenance, information technology and risk management to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in net position - All Internal Service Funds	1,632,324
Change in net position of governmental activities	\$ 20,131,798

See accompanying Notes to the Basic Financial Statements



Comprehensive Annual Financial Report

June 30, 2018

PROPRIETARY FUND FINANCIAL STATEMENTS

The ***Water Fund*** is used to account for the provision of water services to residents of Burlingame and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, and billing/collections.

The ***Sewer Fund*** is used to account for the provision of sewer services to the residents of Burlingame and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, and billing/collections.

The ***Waste Management Fund*** is used to account for the provision of solid waste services to the residents of Burlingame, excluding the revenues and expenditures associated with the collection, processing, and disposal of solid waste and recyclable materials which are provided by a solid waste provider servicing member cities of the South Bay Waste Management Authority.

The ***Landfill Fund*** is used to account for the landfill closure costs and post-closure monitoring services.

The ***Parking Fund*** is used to account for the activities of the City's parking districts.

The ***Building Fund*** was established to account for the activities of the City's building permits and inspection division.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments	\$ 15,931,557	\$ 17,235,521	\$ 4,656,102
Receivables (net of uncollectible amounts):			
Due from other governments	3,663	543,584	
Due from consumers	2,848,793	2,582,063	
Other receivables	81,524	85,852	73,906
Prepays and deposits			
Inventory			
Total current assets	<u>18,865,537</u>	<u>20,447,020</u>	<u>4,730,008</u>
Noncurrent assets:			
Cash and investments, restricted	209,024	620,599	30,603
Capital assets:			
Land and other assets not being depreciated	535,503	4,488,744	
Facilities, infrastructure, and equipment, net of depreciation	<u>33,354,686</u>	<u>62,958,318</u>	
Total noncurrent assets	<u>34,099,213</u>	<u>68,067,661</u>	<u>30,603</u>
Total assets	<u>52,964,750</u>	<u>88,514,681</u>	<u>4,760,611</u>
Deferred outflows of resources:			
Deferred amount on bond refunding	665,652	494,450	
Deferred outflows related to pensions	983,107	826,751	134,592
Deferred outflows related to OPEB	<u>388,232</u>	<u>315,782</u>	<u>55,462</u>
Total deferred outflows of resources	<u>2,036,991</u>	<u>1,636,983</u>	<u>190,054</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 1,111,390	\$ 726,937	\$ 125,146
Due to other funds	3,143	3,143	
Accrued interest	184,288	374,973	
Retentions payable	8,515	47,427	
Deposits	16,650		
Unearned revenue	41,398		
Claims and litigation due in one year			
Bonds payable due in one year	1,023,672	1,501,348	
Compensated absences due in one year	30,536	18,689	455
Landfill closure and post-closure liability due in one year			
Total current liabilities	<u>2,419,592</u>	<u>2,672,517</u>	<u>125,601</u>
Noncurrent liabilities:			
Bonds payable	18,872,243	22,627,899	
Landfill closure and post closure liability			
Claims and litigation			
Compensated absences	137,111	65,245	4,858
Net pension liability	3,765,929	3,166,986	515,572
Net OPEB liability	<u>3,023,500</u>	<u>2,459,269</u>	<u>431,929</u>
Total noncurrent liabilities	<u>25,798,783</u>	<u>28,319,399</u>	<u>952,359</u>
Total liabilities	<u>28,218,375</u>	<u>30,991,916</u>	<u>1,077,960</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	95,644	80,433	13,094
Deferred inflows related to OPEB	<u>16,049</u>	<u>13,054</u>	<u>2,293</u>
Total deferred inflows of resources	<u>111,693</u>	<u>93,487</u>	<u>15,387</u>
NET POSITION			
Net investment in capital assets	\$ 14,659,926	\$ 44,260,249	
Restricted for capital projects	4,351,232	6,871,032	
Restricted for pension and benefits program	209,024	172,615	\$ 30,603
Unrestricted	<u>7,451,491</u>	<u>7,762,365</u>	<u>3,826,715</u>
Total net position	<u>\$ 26,671,673</u>	<u>\$ 59,066,261</u>	<u>\$ 3,857,318</u>

See accompanying Notes to the Basic Financial Statements

Enterprise Funds					Governmental Activities- Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total		
\$ 1,479,480	\$ 9,240,078	\$ 10,899,472	\$ 59,442,210	\$ 19,567,026	
			547,247	33,629	
			5,430,856		
45,077	42,627	45,655	374,641	188,826	
				47,893	
1,524,557	9,282,705	10,945,127	65,794,954	19,837,374	
4,815	19,436	83,391	967,868	185,411	
	5,774,300		10,798,547		
	1,382,648		97,695,652	1,656,581	
4,815	7,176,384	83,391	109,462,067	1,841,992	
1,529,372	16,459,089	11,028,518	175,257,021	21,679,366	
			1,160,102		
1,608	450,687	386,899	2,783,644	477,879	
8,994	34,976	152,894	956,340	183,374	
10,602	485,663	539,793	4,900,086	661,253	
\$ 12,731	\$ 19,532	\$ 187,655	\$ 2,183,391	\$ 291,342	
			6,286		
			559,261		
			55,942		
		1,301,265	1,317,915		
			41,398		
				130,000	
			2,525,020		
		9,897	59,577	9,794	
215,251			215,251		
227,982	19,532	1,498,817	6,964,041	431,136	
			41,500,142		
3,013,509			3,013,509		
				6,535,000	
	19,983	38,364	265,561	54,023	
6,161	1,726,421	1,482,071	10,663,140	1,830,585	
70,042	272,387	1,190,722	7,447,849	1,428,088	
3,089,712	2,018,791	2,711,157	62,890,201	9,847,696	
3,317,694	2,038,323	4,209,974	69,854,242	10,278,832	
156	43,846	37,641	270,814	46,492	
372	1,446	6,321	39,535	7,581	
528	45,292	43,962	310,349	54,073	
	\$ 7,156,948		\$ 66,077,123	\$ 1,656,581	
	412,817		11,635,081		
\$ 4,815	19,436	\$ 83,391	519,884	185,411	
(1,783,063)	7,271,936	7,230,984	31,760,428	10,165,722	
\$ (1,778,248)	\$ 14,861,137	\$ 7,314,375	\$ 109,992,516	\$ 12,007,714	

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
OPERATING REVENUES:			
Water sales	\$ 18,405,535		
Sewer service charges:			
City of Burlingame users		\$ 14,515,024	
Other agencies		1,320,766	
Special surcharges			\$ 700,491
Parking fees			
Charges for services	217,890		
Other revenue	11,867	31,000	81,729
Total operating revenues	<u>18,635,292</u>	<u>15,866,790</u>	<u>782,220</u>
OPERATING EXPENSES:			
Salaries and benefits	2,698,574	2,231,997	433,688
Retiree medical benefit			
Supplies and services	1,281,300	4,946,986	354,429
Water purchases	7,785,754		
Depreciation	2,061,678	2,979,213	
Insurance claims and expenses	78,195	242,448	1,145
Total operating expenses	<u>13,905,501</u>	<u>10,400,644</u>	<u>789,262</u>
Operating income	<u>4,729,791</u>	<u>5,466,146</u>	<u>(7,042)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	67,316	70,666	19,022
Interest expense	(765,306)	(805,715)	
Net nonoperating revenues (expenses)	<u>(697,990)</u>	<u>(735,049)</u>	<u>19,022</u>
Income before transfers	<u>4,031,801</u>	<u>4,731,097</u>	<u>11,980</u>
Transfers out	<u>(1,293,887)</u>	<u>(1,085,859)</u>	<u>(58,000)</u>
Net change in net position	<u>2,737,914</u>	<u>3,645,238</u>	<u>(46,020)</u>
NET POSITION:			
Net position - beginning (deficit), as restated	23,933,759	55,421,023	3,903,338
Net position - end of year (deficit)	<u>\$ 26,671,673</u>	<u>\$ 59,066,261</u>	<u>\$ 3,857,318</u>

See accompanying Notes to the Basic Financial Statements

Enterprise Funds				Governmental Activities- Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total	
			\$ 18,405,535	
			14,515,024	
\$ 464,656			1,320,766	
	\$ 2,820,386		1,165,147	
		\$ 4,413,374	2,820,386	
			4,631,264	\$ 11,138,848
	1,624	58,459	184,679	34,041
464,656	2,822,010	4,471,833	43,042,801	11,172,889
34,346	335,193	1,002,752	6,736,550	1,331,469
				4,322,881
371,625	568,452	573,617	8,096,409	2,129,152
			7,785,754	
	148,282		5,189,173	560,945
	719	3,141	325,648	1,272,639
405,971	1,052,646	1,579,510	28,133,534	9,617,086
58,685	1,769,364	2,892,323	14,909,267	1,555,803
5,300	33,846	38,499	234,649	76,521
			(1,571,021)	
5,300	33,846	38,499	(1,336,372)	76,521
63,985	1,803,210	2,930,822	13,572,895	1,632,324
	(326,927)	(99,000)	(2,863,673)	
63,985	1,476,283	2,831,822	10,709,222	1,632,324
(1,842,233)	13,384,854	4,482,553	99,283,294	10,375,390
\$ (1,778,248)	\$ 14,861,137	\$ 7,314,375	\$ 109,992,516	\$ 12,007,714

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 18,196,831	\$ 15,503,955	\$ 795,673
Receipts from other funds			
Payments to other funds	(708)	(708)	
Payments to suppliers	(9,053,022)	(4,921,265)	(300,117)
Payments to retirees and trust			
Payments to claims			
Receipts from claims and litigation			
Payments to employees for services	(2,554,103)	(2,171,764)	(396,582)
Net cash provided by (used in) operating activities	<u>6,588,998</u>	<u>8,410,218</u>	<u>98,974</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds			
Transfers to other funds	(1,293,887)	(1,085,859)	(58,000)
Net cash provided by (used in) noncapital financing activities	<u>(1,293,887)</u>	<u>(1,085,859)</u>	<u>(58,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(2,989,538)	(4,202,466)	
Principal paid on long-term debt	(1,366,328)	(1,731,845)	
Interest paid on long-term debt	(772,042)	(828,865)	
Net cash provided by (used in) capital and related financing activities	<u>(5,127,908)</u>	<u>(6,763,176)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	67,316	70,666	19,022
Net cash provided by (used in) investing activities	<u>67,316</u>	<u>70,666</u>	<u>19,022</u>
Net increase (decrease) in cash and equivalents	234,519	631,849	59,996
CASH AND CASH EQUIVALENTS:			
Beginning of year	15,906,062	17,224,271	4,626,709
End of year	<u>\$ 16,140,581</u>	<u>\$ 17,856,120</u>	<u>\$ 4,686,705</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	\$ 4,729,791	\$ 5,466,146	\$ (7,042)
Adjustments for noncash activities:			
Depreciation and amortization	2,061,678	2,979,213	
Changes in assets and liabilities:			
Receivables	(440,328)	(362,835)	13,453
Prepaid / Inventories			
Deferred outflows	(476,221)	(397,014)	(75,434)
Due to other funds	(708)	(708)	
Accounts payable	204,953	350,811	55,457
Retentions and Deposits payable	(112,726)	(82,642)	
Unearned revenue	1,867		
Compensated absences	25,764	(18,760)	(237)
Claims and litigations liabilities			
Net pension liabilities	470,685	395,825	64,439
Net OPEB Liabilities	241,392	179,142	64,281
Deferred inflows	(117,149)	(98,960)	(15,943)
Total adjustments	<u>1,859,207</u>	<u>2,944,072</u>	<u>106,016</u>
Net cash provided by (used in) operating activities	<u>\$ 6,588,998</u>	<u>\$ 8,410,218</u>	<u>\$ 98,974</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and investments – current	\$ 15,931,557	\$ 17,235,521	\$ 4,656,102
Cash and investments, restricted	209,024	620,599	30,603
Cash and cash equivalents on statement of cash flows	<u>\$ 16,140,581</u>	<u>\$ 17,856,120</u>	<u>\$ 4,686,705</u>
Non-cash transactions			
Amortization of Bond Premiums	\$ 186,328	\$ 138,213	

See accompanying Notes to the Basic Financial Statements

Enterprise Funds				Governmental Activities- Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total	
\$ 460,868	\$ 2,810,416	\$ 4,446,418	\$ 42,214,161	\$ 11,179,007
			(1,416)	
(378,900)	(579,073)	(268,765)	(15,501,142)	(2,680,462)
				(4,322,881)
				(549,967)
<u>(29,173)</u>	<u>(259,018)</u>	<u>(947,366)</u>	<u>(6,358,006)</u>	<u>(1,281,439)</u>
<u>52,795</u>	<u>1,972,325</u>	<u>3,230,287</u>	<u>20,353,597</u>	<u>2,344,258</u>
				(89,175)
	<u>(326,927)</u>	<u>(99,000)</u>	<u>(2,863,673)</u>	
	<u>(326,927)</u>	<u>(99,000)</u>	<u>(2,863,673)</u>	<u>(89,175)</u>
	(4,941)		(7,196,945)	(974,993)
277,280			(2,820,893)	
			(1,600,907)	
<u>277,280</u>	<u>(4,941)</u>		<u>(11,618,745)</u>	<u>(974,993)</u>
5,300	33,846	38,499	234,649	76,521
<u>5,300</u>	<u>33,846</u>	<u>38,499</u>	<u>234,649</u>	<u>76,521</u>
335,375	1,674,303	3,169,786	6,105,828	1,356,611
<u>1,148,920</u>	<u>7,585,211</u>	<u>7,813,077</u>	<u>54,304,250</u>	<u>18,395,826</u>
<u>\$ 1,484,295</u>	<u>\$ 9,259,514</u>	<u>\$ 10,982,863</u>	<u>\$ 60,410,078</u>	<u>\$ 19,752,437</u>
\$ 58,685	\$ 1,769,364	\$ 2,892,323	\$ 14,909,267	\$ 1,555,803
	148,282		5,189,173	560,945
(3,788)	(20,165)	(25,415)	(839,078)	6,118
	8,571		8,571	(47,893)
(9,232)	(101,851)	(210,304)	(1,270,056)	(254,283)
			(1,416)	
(7,275)	(9,902)	40,871	634,915	89,255
		267,122	71,754	
			1,867	
	470	14,030	21,267	(55,687)
				130,000
770	215,776	185,236	1,332,731	228,795
13,481	21,397	112,522	632,215	188,370
154	(59,617)	(46,098)	(337,613)	(57,165)
<u>(5,890)</u>	<u>202,961</u>	<u>337,964</u>	<u>5,444,330</u>	<u>788,455</u>
<u>\$ 52,795</u>	<u>\$ 1,972,325</u>	<u>\$ 3,230,287</u>	<u>\$ 20,353,597</u>	<u>\$ 2,344,258</u>
\$ 1,479,480	\$ 9,240,078	\$ 10,899,472	\$ 59,442,210	\$ 19,567,026
4,815	19,436	83,391	967,868	185,411
<u>\$ 1,484,295</u>	<u>\$ 9,259,514</u>	<u>\$ 10,982,863</u>	<u>\$ 60,410,078</u>	<u>\$ 19,752,437</u>
			\$ 324,541	

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Agency Funds
	<hr/>
ASSETS	
Cash and investments	\$ 624,180
Accounts receivable	<u>802,010</u>
Total assets	<u><u>\$ 1,426,190</u></u>
LIABILITIES	
Accounts payable	\$ 589,513
Due to other governmental units	<u>836,677</u>
Total liabilities	<u><u>\$ 1,426,190</u></u>

See accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Definition of the Reporting Entity

The City of Burlingame (the City) was incorporated in 1908 as a California general law city. Burlingame is a full-service city providing all municipal services, including police, fire, library, parks, recreation, street and storm drain maintenance, and water and sewage treatment. It is governed by a five member City Council, whose members are each elected to a four year term. The Mayor of the City is a one-year rotating chair of the City Council. As a government agency, the City is exempt from both federal income taxes and state franchise taxes.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City as the primary government. For financial reporting purposes, the City's financial statements include all funds, boards and commissions, and authorities that are controlled by or are dependent on the City's legislative branch, the City Council. Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt, or the City's obligation to fund any deficits that may occur.

Blended Component Units

The following unit is a legally separate component unit for which the City is financially accountable, and therefore, the related financial activities have been blended with the City's financial reporting:

Burlingame Financing Authority

In November 1995, the City formed an authority known as the Burlingame Financing Authority (Authority). The Authority provides services entirely to the City. The purpose of this Authority is to issue bonds to finance the construction of public capital improvements through the lease of certain land and existing improvements or a pledge of revenue. Facilities are leased by the Authority to the City pursuant to lease agreements.

The Authority is comprised of members of the City Council. The City and the Authority have a financial and operational relationship and the financial activities of the Authority have been included in the financial statements of the City as a blended component unit. The Authority's financial activities are presented in the Debt Service Fund as part of the governmental fund statements. The books and records of the Authority are maintained by the City. Additional financial data for the Authority may be obtained from the Finance Department, 501 Primrose Road, Burlingame, CA 94010.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Definition of the Reporting Entity (Continued)

Non-Disclosed Organizations

There are other agencies that provide services within the City, which are independently governed, and also maintain financial books and records that are separate from the City.

Agency Funds

The fiduciary fund consists of various agency funds, which account for various programs, activities, or funds held by the City in a custodial capacity or as an agent for individuals, private organizations, and other government units. The City's basic financial statements, except for certain cash held by the City as a fiscal agent, do not reflect, for example, the operations of the Burlingame School District, the Burlingame Library Trustees, nor the Hotel and Business Improvement Districts. A complete listing of agency funds can be found in the Fiduciary Fund Financial Statements.

Central County Fire Department

Effective July 1, 2010, City fire employees became employees of Central County Fire Department (CCFD). CCFD is a Joint Powers Authority (JPA) which provides fire, emergency medical, and disaster preparedness services to the City and the Town of Hillsborough. CCFDS also provide fire and emergency medical services to the City of Millbrae through a contract. CCFD is governed by a four member board of directors and a Chief Administrative Officer. As members of the CCFD JPA, Burlingame and Hillsborough fund 70% of the direct costs in support of the ongoing operations and maintenance of CCFD based on a 60/40 cost allocation as outlined in the JPA. The remaining 30% is funded by the City of Millbrae. The Town of Hillsborough maintains the books and records of the CCFD which is subject to a separate annual audit. This cost allocation is reflected as a receivable (if total actual direct costs are less than budgeted or expected direct costs) or payable (if total actual direct costs exceed budgeted or expected direct costs) on the City's Statement of Net Position. CCFD is a stand-alone employer recognized by the California Public Employees' Retirement System (CalPERS).

B. Basis of Accounting, Measurement Focus, and Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting, Measurement Focus, and Presentation (Continued)

GASB requires that the accounts of the City be organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Financial reporting standards established by GASB require that the financial statements described below be presented.

Government-Wide Financial Statements

The 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, and represent a consolidation of all financial activities for the entire City. Fiduciary activities of the City are not included in these statements.

The Government-Wide Financial Statements are presented on an economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Accordingly, all of the City's current and long-term assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position as of June 30. The Statement of Activities presents changes in net position since July 1, the beginning of the fiscal year.

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 liability is incurred, regardless of the timing of the related cash flows. For example, property tax revenue is recognized in the year of levy, and all other revenue is recognized when services have been rendered. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor 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 met the qualifications for major fund reporting.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting, Measurement Focus, and Presentation (Continued)

Governmental Fund Financial Statements (Continued)

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds. The identification and separate reporting of major funds serves to highlight financial activities which may be particularly important to financial statement users. Nonmajor funds are reported in aggregate in a separate column in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources and transactions except those required to be accounted for in another fund.

The Storm Drainage Special Revenue Fund is used to account for the storm drainage fees collected as a result of an assessment approved by the majority of the parcel owners in the City voting at a special election on May 5, 2009.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs (other than those paid by the proprietary funds).

The Capital Projects Fund is used to account for resources used to acquire or develop facilities or major capital improvements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current net position.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

The primary revenue sources, which have been treated as susceptible to accrual by the City, are taxpayer-assessed tax revenues (such as property taxes, sales taxes, transient occupancy taxes, and franchise taxes), certain grant revenues, and earnings on investments.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting, Measurement Focus, and Presentation (Continued)

Governmental Fund Financial Statements (Continued)

Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Other revenues which may be accrued include other taxes, intergovernmental revenues, interest, and charges for services.

Again, grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. It is the City's policy to first apply restricted resources to such programs, followed by unrestricted resources if necessary.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Fund Net Position; and a Statement of Cash Flows for each major proprietary fund. A column representing internal service funds is also presented in these statements. However, internal service fund balances and activities are combined with the Governmental Activities in the Government-Wide Financial Statements.

The City reports the following major proprietary (enterprise) funds:

The Water Fund is used to account for the activities of the City's water supply system.

The Sewer Fund is used to account for the activities of the City's sewage collection system and the Wastewater Treatment Plant.

The Waste Management Fund is used to account for the activities of the City's franchised garbage collections and recycling program.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting, Measurement Focus, and Presentation (Continued)

Proprietary Fund Financial Statements (Continued)

The Landfill Fund is used to account for the landfill closure costs and post-closure monitoring services. The Landfill Fund was created in 2014 by separating landfill activities from the Waste Management Fund.

The Parking Fund is used to account for the activities of the City's Parking Districts.

The Building Fund is used to account for activities of the City's building division.

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 present 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 the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. The primary operating revenues of the City's enterprise and Notfunds include water and sewer service, connection fees, sewer discharge permits, garbage and recycling collection surcharges, building inspections, parking fees and permits, information technology support, vehicle and facilities maintenance, and risk management activities provided to the various departments in the City. 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 nonoperating expenses.

The Internal Service Funds are used to account for the servicing of self-insurance, allocation of funding for the retiree medical benefit trust fund, vehicle maintenance and acquisition, facilities maintenance, and information technology maintenance and acquisitions made for City departments or agencies on a cost-reimbursement basis.

Fiduciary Fund Financial Statements

The Fiduciary Funds are used to account for the resources held by the City in a custodial capacity or as an agent for individuals, private organizations, other government units such as the State of California, and/or other funds. The City maintains agency funds for the Library Trustees; Hotel, Downtown and Broadway Business Improvement Districts (BIDs) fees; and the elementary and high school district developer fees. Fiduciary Fund Financial Statements include a Statement of Net Position and represent the related activity for the City's Agency Funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

D. Deferred Outflows and Inflows of Resources

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

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

E. Capital Assets

Capital assets, which include land, roads and parking lots, buildings and structures, improvements other than buildings, machinery and equipment, infrastructure assets, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City capitalizes equipment and improvements having an estimated useful life in excess of one year and acquisition cost of at least \$5,000.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventories and Prepaid Items

Inventories are reported at a cost basis. The cost is recorded, using a weighted average, as an expenditure at the time an individual item is consumed rather than when purchased. Inventories are reflected as nonspendable in the General Fund balance and are, therefore, unavailable for appropriation. The City's inventory consists of small tools, auto shop supplies, and fuel.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, are reported as part of nonspendable fund balance.

G. Property Taxes

Property taxes are collected for a twelve-month period effective July 1 by the County Tax Collector. Property tax is levied each September 1 on the assessed values as of the prior January 1 for all real and personal property located in the City. Once the levy rates are approved, the actual claim to property taxes arises and is enforceable. Taxes are billed once a year in late October and are payable in two equal installments due by December 10 and April 10 (of the following year). Taxes are considered delinquent if paid after the due dates.

As a result of the implementation of Article XIII (a) of the California State Constitution in fiscal year 1978-1979, the City does not have the power to levy property taxes or to set property tax rates based on the financial requirements of the various funds. Instead, the City receives remittances from the County. These remittances are based either on a flat 1% rate applied to the fiscal year 1975-1976 full value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the fiscal year 1975-1976 valuation. Values on properties (exclusive of increases related to sales transactions and construction) can rise at a maximum of 2% per year or the amount of increases to the California Consumer Price Index, whichever is less. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Article XIII (a), Section 1B, of the California State Constitution allows property taxes in excess of the 1% limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters.

On October 12, 1993, the County Board of Supervisors adopted and implemented the Alternative Method of Tax Apportionment (Teeter Plan). The Teeter Plan applies to secured taxes only and provides a consistent predictable cash flow for taxes since they are apportioned to the City as if the tax levy had been collected in full.

In 2009, the State shifted 8% of local property tax revenue as part of a long-term borrowing tactic to balance the State budget, under Proposition 14.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Use of Estimates and Reclassifications

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Basis of Budgeting

A formal budget is employed as a management control device during the year for the City, and is adopted annually for all City funds, except for the fiduciary funds, Debt Service Fund and certain special revenue funds where appropriate. Consistent with most governmental entities, the City's budget is based on a modified accrual basis of accounting under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the related liability is incurred.

Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP).

The City budget includes information regarding estimated costs (or outlays) and revenue (or cash inflows) for identified programs, projects, and levels of service to meet the needs of the City. All annual appropriations lapse at the end of the fiscal year except in the Capital Projects Fund because capital improvement projects typically span more than one fiscal year. Appropriations for capital projects lapse when projects are completed, placed into service, accounted for as capital assets, or abandoned at the discretion of the City and/or City Council.

Budget amendments that increase a fund's appropriations require majority approval by the City Council. Certain budgetary re-allocations within departments require approval by the Finance Director and department heads. Budget amendments between departments are approved by the Finance Director and City Manager. A mid-year budget status report and long-term financial forecast for the next five years is presented to the City Council as part of an ongoing assessment and evaluation of budgetary performance, with special attention to the General Fund and certain other major funds.

Budgetary financial data is included in the required supplementary information for the General Fund and Storm Drainage Fund. Final budgetary data excludes the amount reserved for encumbrances in order to properly compare these amounts to actual expenditures.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

A. Basis of Budgeting (Continued)

Budget Development and Adoption

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds public meetings to provide guidance on the budget.

Under these policy directives and guidance, departments prepare their budget requests in support of their programs in January for submission in early April. Expenditure assumptions are based on known factors such as collective bargaining agreements, current pay and benefit policies, consumer price indices, and other information available from expert third-parties or governing authorities.

Budget requests are reviewed by the Finance Department for technical compliance to City budget instructions. The Proposed Budget is prepared and delivered to the City Council in May. The City Council reviews the Proposed Budget before the final budget is formally adopted in June at a public hearing, which gives residents an additional opportunity to comment on the spending plan.

A separate publication presenting this information is available from the City of Burlingame, Finance Department, 501 Primrose Road, Burlingame, CA 94010. General Fund and Storm Drainage Fund Budgetary Comparison Schedules are also included in the Required Supplementary Information, which has information regarding budget to actual performance for the General Fund and Storm Drainage Fund.

NOTE 3 – CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested to enhance interest earnings in accordance with City investment policy guidelines established by the City Treasurer. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

The City has the following cash and investments at June 30, 2018:

	Government-Wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	\$ 116,426,779	\$ 59,442,210	\$ 624,180	\$ 176,493,169
Cash and investments, restricted		447,984		447,984
Cash and investments, restricted, held with fiscal agents	13,768,826	519,884		14,288,710
Total cash and investments	<u>\$ 130,195,605</u>	<u>\$ 60,410,078</u>	<u>\$ 624,180</u>	<u>\$ 191,229,863</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

The City's cash and investments at June 30, 2018 in more detail:

	<u>Fair Value</u>
<u>Cash and Investments Held with Treasury</u>	
Deposits	
Deposits - unrestricted	\$12,573,580
Deposits - restricted	14,288,710
Total deposits	<u>26,862,290</u>
Investments -unrestricted	
U.S. Treasury Bond/Note	24,811,106
Supranational Agency Bond/Note	6,881,204
Federal Agency Obligations	29,603,184
Certificates of Deposit	19,833,489
Asset-Backed Security/Collateralized Mortgage	2,649,335
Corporate notes	23,503,322
California Asset Management Program	23,149,118
California Local Agency Investment Funds	33,936,815
Total investments	<u>164,367,573</u>
Unrestricted, held with Treasury	176,493,169
Restricted, held with Treasury	447,984
Total Cash and Investments Held With Treasury	<u>176,941,153</u>
<u>Restricted Cash and Investment Held with Fiscal Agent</u>	
Investment held with Pension Trust - PARS	4,812,540
Cash held by fiscal agent - Bank of New York	9,192,878
Cash held by fiscal agent - J. P. Morgan Chase	85,195
Cash held by fiscal agent - Bank of America	198,097
Total restricted cash and investments held with fiscal agent	<u>14,288,710</u>
Total Cash and Investments	<u>\$ 191,229,863</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

A. Deposits

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that the City will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to deposits.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. State 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 may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The carrying amounts of the City's cash deposits were \$12,573,580 at June 30, 2018. Bank balances before reconciling items were \$13,267,605. At that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed above.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis 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.

B. Investments

Pooled Investments and Investment by City Treasury

Cash of the respective funds is pooled and invested principally in U.S. Treasury and agency securities and short-term investments such as the State of California (State) Local Agency Investment Fund (LAIF) and the California Asset Management Program (CAMP).

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

The LAIF is a pool of State cash and investments and those of California cities and local agencies. The State's investment policy is consistent with the City's policy, and, although State and City investments are pooled, the State does not have access to City funds. The State Treasurer administers LAIF, which charges for the service by retaining a percentage of investment earnings. State regulations permit the City to place up to \$65,000,000 in LAIF, plus any bond proceeds related to construction of a City facility.

Valuation

For the purposes of the Statement of Cash Flows, the City considers cash and cash equivalents to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition. 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. Market value is used as fair value for those securities for which market quotations are readily available. Interest income from investment of pooled cash is allocated to the funds based on monthly cash balances.

Investments are presented at fair value except as noted below. The fair value of participants' position in the investment pools is the same as the value of the investment pools' shares and investment income includes changes in fair value (i.e., realized and unrealized gains or losses). Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost which approximates fair value.

Certain disclosure requirements, if applicable, for deposits and investment risks such as interest rate risk and custodial credit risk are required to be disclosed in the financial statements.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

- Fair Value Hierarchy
- 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.

For purposes of the Statement of Cash Flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of cash and investments of the City as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:			
U.S. Treasury Bond/Note	\$ 24,811,106		\$ 24,811,106
Supranational Agency Bond/Note		\$ 6,881,204	6,881,204
Federal Agency Obligations		29,603,184	29,603,184
Asset-Backed Security/ Collateralized Mortgage		2,649,335	2,649,335
Corporate notes		23,503,322	23,503,322
Total Investments	<u>\$ 24,811,106</u>	<u>\$ 62,637,045</u>	87,448,151
Investments measured at Amortized Cost:			
California Local Agency Investment Fund			33,936,815
California Asset Management Program			23,149,118
Certificates of Deposit			19,833,489
Total Cash and Investments			<u>\$ 164,367,573</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Federal agency securities, Certificates of Deposit, Commercial paper totaling and Corporate notes classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The California Local Agency Investment Fund (LAIF) is classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under GASB 72. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. The City has the following investments in one issuer (other than money market funds and an external investment pool) that represent 5% or more of total City investments:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Fannie Mae	Federal Agency Securities	\$ 19,223,067

Interest Rate Risk

To minimize exposure to fair value losses caused by rising interest rates and to meet the liquidity needs of the City, the City's investment policy limits its investment portfolio to a maturity of less than 5 years.

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Total</u>	<u>Percentage of Portfolio</u>
U.S. Treasury Bond/Note		\$ 1,179,766	\$ 23,631,340	\$ 24,811,106	15.09%
Supranational Agency Bond/Note			6,881,204	6,881,204	4.19%
Federal Agency Obligations		10,015,764	19,587,420	29,603,184	18.01%
Corporate notes	\$ 4,545,487	4,229,946	14,727,889	23,503,322	14.30%
Asset-Backed Security/ Collateralized Mortgage			2,649,335	2,649,335	1.61%
Certificates of Deposit	6,180,309	10,242,580	3,410,600	19,833,489	12.07%
California Asset Management Program	23,149,118			23,149,118	14.08%
California Local Agency Investment Fund	33,936,815			33,936,815	20.65%
Total Investments	<u>\$ 67,811,729</u>	<u>\$ 25,668,056</u>	<u>\$ 70,887,788</u>	<u>\$ 164,367,573</u>	<u>100.00%</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk

State law limits investments in commercial paper and corporate bonds to be rated in a category “A” or its equivalent or better by nationally recognized statistical rating organizations (NRSROs). It is the City’s policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor’s, Fitch Ratings, and Moody’s Investors Service (Moody’s).

<u>Investment Type:</u>	<u>Fair Value:</u>	<u>Moody’s Rating</u>
U.S. Treasury Bond/Note	\$ 24,811,106	Aaa
Federal Agency Obligations	29,603,184	Aaa
Supranational Agency Bond/Note	6,881,204	Aaa
Asset-Backed Security/ Collateralized Mortgage	2,649,335	Aaa
Corporate Notes:		
Wells Fargo & Company Notes	1,764,118	A2
JP Morgan Securities	1,028,129	A3
American Express (Callable)	1,753,240	A1
Bank of New York Mellon (Callable)	1,775,340	A1
American Express Credit (Callable)	1,282,944	A2
John Deere Capital Securities	215,242	A2
JP Morgan Chase (Callable)	956,420	A3
Walmart Stores Corp Notes	1,812,512	Aa2
Wells Fargo Corp Notes	943,464	A2
Toyota Motor Credit Corp Notes	920,233	Aa3
Bank of New York Mellon (Callable)	1,963,194	A1
Bank of America Corp Notes	903,787	A3
Morgan Stanley Corp Notes	898,553	A3
Goldman Sachs Corp Notes	899,693	A3
Branch Banking & Trust Corp Notes	1,449,411	A2
Citigroup Inc. Corp Notes (Callable)	901,255	Baa1
IBM Corp Bonds	1,954,452	A1
Walt Disney Company Notes	1,031,855	A2
Home Depot Inc. Corp Notes	1,049,480	A2
Certificates of Deposit	19,833,489	FDIC Insured
California Asset Management Program	23,149,118	Not Rated
California Local Agency Investment Fund	33,936,815	Not Rated
	<u>\$ 164,367,573</u>	

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 held by the counterparty. All of the City’s investments in securities are held in the name of the City. The City’s custody agreement policy prohibits counterparties holding securities not in the City’s name.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments in LAIF

The City is a 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 reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by the State, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, floating rate Securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills and corporations. As of June 30, 2018, these investments have an average maturity of 193 days.

D. California Asset Management Program

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by a Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2018, the fair value approximated was the City's cost.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 4 – INTERFUND TRANSFERS AND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to allocate resources from the fund that receives them to the fund where they will be spent without a requirement for repayment. Less often, a transfer may be made to open or close a fund.

Transfers between funds for the year ending June 30, 2018, are as follows:

Transfers Out	Transfer In					Total Out	
	General Fund	Debt Service Fund	Capital Projects Fund	Non Major	Storm Drain Fund		
General Fund		\$ 5,574,988	\$ 12,420,800	\$ 140,000	\$ 44,829	\$ 18,180,617	(c)(d)
Storm Drain Fund	\$ 15,000	2,059,239				2,074,239	(d)
Debt Service Fund			2,516,215			2,516,215	(b)
Non Major	316,000		3,654,000			3,970,000	(b)
Water Fund	1,293,887					1,293,887	(a)
Sewer Fund	1,085,859					1,085,859	(a)
Waste Management Fund	58,000					58,000	(a)
Parking Fund	326,927					326,927	(a)
Building Enterprise Fund	99,000					99,000	(a)
Total In	<u>\$ 3,194,673</u>	<u>\$ 7,634,227</u>	<u>\$ 18,591,015</u>	<u>\$ 140,000</u>	<u>\$ 44,829</u>	<u>\$ 29,604,744</u>	

(a) To fund debt service and administrative support
(b) To fund capital projects
(c) To fund capital projects and various City services
(d) To fund debt service

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 4 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

B. Interfund Receivables and Payables

During the course of operations, transactions may occur between funds to account for goods received or services rendered. Transactions between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds, which represent the noncurrent portion of any interfund loans. All other outstanding balances between funds are reported as due to/from other funds. Any other residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

C. Internal Balances

Internal balances are presented only in the government-wide financial statements. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

Due From	Due To				
	Debt Service Fund	Non-major Funds	Water Fund	Sewer Fund	Total Due From
Capital Projects Fund	\$ 268,437				\$ 268,437
Debt Service Fund			\$ 3,143	\$ 3,143	6,286
General Fund		\$ 20,785			20,785
Totals	\$ 268,437	\$ 20,785	\$ 3,143	\$ 3,143	\$ 295,508

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimate acquisition value on the date contributed. Furthermore, the book value of grant-funded assets is shown net of any grant reimbursement revenue. Capital outlay is recorded as expenditures in the General, Capital Projects, and other governmental funds and as an asset in the government-wide financial statements to the extent that the City's capitalization threshold is met. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Except for roads and parking lots covered by the modified approach, depreciation has been provided on capital assets excluding land and construction in progress. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the Statement of Net Position as a reduction in the book value of capital assets.

Depreciation is provided using the straight-line method which means 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.

<u>Type of Asset</u>	<u>Years</u>
Buildings and structures	10-100
Improvements	10-100
Machinery and equipment	5-15
Infrastructure	10-100

The modified approach is an alternative to depreciation that may be applied for eligible infrastructure capital assets. The City has elected to follow the modified approach for paved roads and parking lots. No depreciation is reported for these assets nor are amounts capitalized in connection with improvements that lengthen the lives of the roads and parking lots, unless the improvements also increase their service potential. Rather, costs for both maintenance and preservation of these assets are expensed in the period incurred. The City maintains an inventory of the roads and parking lots and performs periodic condition assessments to establish the condition levels of the systems. Additional information regarding the condition of paved roads can found in the required supplementary information.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

Intangible Assets

In 2010, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 established accounting and financial reporting requirements for intangible assets to reduce inconsistencies, enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The statement also provides authoritative guidance that specifically addresses the nature of the intangible assets that are internally created by the governmental entity. Examples of intangible assets include easements, land use rights, and computer software. The City capitalizes intangible assets with an acquisition cost of at least \$5,000 and an estimated useful life in excess of one year.

Artwork and historical artifacts of the City held for public exhibition or promotion of education and public service rather than financial gain are not capitalized and are expensed when incurred. As of June 30, 2018, the City does not have intangible assets.

A. Capital Asset Activity from Governmental Activities

Capital asset activity for the year ended June 30, 2018, relating to governmental activities was as follows:

Total Governmental Activities	Balance July 01, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 6,407,198				\$ 6,407,198
Pavement accounted for using the modified approach	32,947,987				32,947,987
Construction in progress	2,679,647	\$ 7,907,864		\$ (5,957,389)	4,630,122
Total capital assets, not being depreciated	42,034,832	7,907,864		(5,957,389)	43,985,307
Capital assets being depreciated:					
Buildings and structures	42,049,932			50,480	42,100,412
Improvements other than buildings	36,494,510	21,024	\$ (161,945)	2,830,424	39,184,013
Machinery and equipment	19,496,559	1,157,058	(487,747)	938,892	21,104,762
Infrastructure	54,849,098			2,137,593	56,986,691
Total capital assets, being depreciated	152,890,099	1,178,082	(649,692)	5,957,389	159,375,878
Less accumulated depreciation for:					
Buildings and structures	17,458,316	823,168			18,281,484
Improvements other than buildings	28,556,943	664,287	(45,884)		29,175,346
Machinery and equipment	16,717,478	1,353,360	(457,272)		17,613,566
Infrastructure	19,286,451	872,356			20,158,807
Total accumulated depreciation	82,019,188	3,713,171	(503,156)		85,229,203
Total capital assets, being depreciated, net	70,870,911	(2,535,089)	\$ (146,536)	5,957,389	74,146,675
Governmental activities capital assets, net	\$ 112,905,743	\$ 5,372,775	\$ (146,536)		\$ 118,131,982

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

B. Capital Asset Activity from Business-Type Activities

Capital asset activity for the year ended June 30, 2018, relating to business-type activities was as shown below.

Total Business-type Activities	Balance July 01, 2017	Increases	Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 6,357,188			\$ 6,357,188
Construction in progress	880,330	\$ 6,937,053	\$ (3,376,024)	4,441,359
Total capital assets, not being depreciated	7,237,518	6,937,053	(3,376,024)	10,798,547
Capital assets being depreciated:				
Buildings and structures	3,924,051			3,924,051
Improvements other than buildings	167,716,031	200,209	3,376,024	171,292,264
Machinery and equipment	7,299,409	59,683		7,359,092
Total capital assets, being depreciated	178,939,491	259,892	3,376,024	182,575,407
Less accumulated depreciation for:				
Buildings and structures	1,420,471	80,136		1,500,607
Improvements other than buildings	73,015,356	4,782,932		77,798,288
Machinery and equipment	5,254,755	326,105		5,580,860
Total accumulated depreciation	79,690,582	5,189,173		84,879,755
Total capital assets, being depreciated, net	99,248,909	(4,929,281)	3,376,024	97,695,652
Business-type activities capital assets, net	<u>\$ 106,486,427</u>	<u>\$ 2,007,772</u>	<u></u>	<u>\$ 108,494,199</u>

C. Depreciation Expense

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the current year were as follows:

	Depreciation	Less: ISF	Net
Governmental activities:			
General government	\$ 122,084		\$ 122,084
Public safety	622,887		622,887
Public works	1,845,451	\$ (560,945)	1,284,506
Parks, recreation, and library	1,122,749		1,122,749
Total depreciation expense - governmental activities	<u>\$ 3,713,171</u>	<u>\$ (560,945)</u>	<u>\$ 3,152,226</u>
Business-type activities:			
Water	\$ 2,061,678		
Sewer	2,979,213		
Parking	148,282		
Total depreciation expense - business-type activities	<u>\$ 5,189,173</u>		

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT

Government-Wide Financial Statements

In the government-wide financial statements, long-term debt and other financial obligations are reported as liabilities in the appropriate activities or proprietary funds. Bond premiums, discounts, and deferred gains and losses at refunding are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are expensed in the year incurred.

Governmental Fund Financial Statements

The governmental fund financial statements do not present long-term debt, which is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt related to governmental and business-type activities during the fiscal year ended June 30, 2018:

Description	Beginning Balance June 30, 2017	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities:				
Pension Obligation Bonds, Series 2006	\$ 12,145,000	\$ (3,175,000)	\$ 8,970,000	\$ 460,000
Storm Drainage Revenue Bonds, Series 2010	8,245,000	(250,000)	7,995,000	265,000
- Unamortized Premium	157,450	(7,790)	149,660	(7,790)
Storm Drainage Revenue Bonds, Series 2012	9,375,000	(300,000)	9,075,000	310,000
- Unamortized Premium	229,133	(10,657)	218,476	(10,657)
Lease Revenue Refunding Bonds, Series 2010	4,280,000	(1,020,000)	3,260,000	1,050,000
- Unamortized Premium	217,459	(54,365)	163,094	(54,365)
Lease Revenue Bonds, Series 2012	9,070,000	(225,000)	8,845,000	235,000
- Unamortized Premium	205,673	(8,066)	197,607	(8,066)
Storm Drainage Revenue Bonds, Series 2016	9,075,000	(275,000)	8,800,000	280,000
- Unamortized Premium	978,442	(46,593)	931,849	(46,593)
Total Governmental Activities	\$ 53,978,157	\$ (5,372,471)	\$ 48,605,686	\$ 2,472,529
Business-Type Activities:				
State Water Resource Loan - 2003	\$ 6,249,638	\$ (557,835)	\$ 5,691,803	\$ 571,781
State Water Resource Loan - 2010	4,559,731	(240,797)	4,318,934	247,780
Water and Wastewater Refunding Bonds, Series 2011	4,210,000	(300,000)	3,910,000	310,000
- Unamortized Premium	381,937	(34,722)	347,215	(34,722)
Water and Wastewater Refunding Bonds, Series 2013	11,345,000	(755,000)	10,590,000	785,000
- Unamortized Premium	1,082,595	(90,216)	992,379	(90,216)
Water and Wastewater Refunding Bonds, Series 2016	16,500,000	(920,000)	15,580,000	935,000
- Unamortized Premium	2,794,434	(199,603)	2,594,831	(199,603)
Total Business-Type Activities	\$ 47,123,335	\$ (3,098,173)	\$ 44,025,162	\$ 2,525,020

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities

Pension Obligation Bonds, 2006 Series A Bonds – Original Issue \$32,975,000

In September 2006, the City issued \$32,975,000 in taxable pension obligation bonds. The City is obligated to make payments to the California Public Employees' Retirement System (CalPERS) as a result of retirement benefits accruing to members of CalPERS. The City's statutory obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability (UAAL) and to make contributions with respect to such retirement benefits. The proceeds of the bonds were used to provide funds to allow the City to refund its current UAAL with respect to retirement benefits accruing to members of CalPERS and to prepay a portion of its contribution to CalPERS for the fiscal year ended June 30, 2007. The obligation of the City to make payments with respect to the bond is an absolute and unconditional obligation of the City, and payment of principal and of interest is not limited to any special source of funds. Principal on the bonds is payable annually on June 1. Interest on the bonds is payable semi-annually June 1 and December 1. During fiscal year 2017-18, the City made principal and interest payments totaling \$3,175,000 and \$670,225, respectively. The bonds mature on June 1, 2036, and the underlying serial and term bonds carry an interest rate that varies from 5.2% to 5.5%.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 460,000	\$ 496,648	\$ 956,648
2020	505,000	471,500	976,500
2021	555,000	443,891	998,891
2022	605,000	413,550	1,018,550
2023	660,000	379,966	1,039,966
2024-2028	2,455,000	1,373,318	3,828,318
2029-2033	2,080,000	820,438	2,900,438
2034-2036	1,650,000	187,624	1,837,624
	<u>\$ 8,970,000</u>	<u>\$ 4,586,935</u>	<u>\$ 13,556,935</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Lease Revenue Refunding Bonds, Series 2010 – Original Issue \$8,205,000

In 2010, the Authority issued \$8,205,000 of Lease Revenue Refunding Bonds, Series 2010 to refund and defease all of the Authority's outstanding Lease Revenue Bonds, Series 2001, which financed certain improvements to the City's Corporation Yard and paid the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues, consisting primarily of base rental payments to be made by the City, and amounts on deposit in certain funds and accounts on deposit in certain funds and accounts held under the trust agreement. A premium of \$579,892 was paid and will be amortized over the life of the bonds. The transaction resulted in an economic gain of \$1,150,926 and a reduction of \$2,575,952 in future debt service payments. Principal is due annually on June 1, commencing on June 1, 2007. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2010. During fiscal year 2017-18, the City made principal and interest payments totaling \$1,020,000 and \$144,875, respectively. The bonds mature on June 1, 2021, and the underlying serial and term bonds carry an interest rate that varies from 2.5% to 4.0%.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,050,000	\$ 114,275	\$ 1,164,275
2020	1,085,000	82,775	1,167,775
2021	1,125,000	39,375	1,164,375
	<u>3,260,000</u>	<u>236,425</u>	<u>3,496,425</u>
Plus: Unamortized premium	<u>163,094</u>		<u>163,094</u>
	<u>\$ 3,423,094</u>	<u>\$ 236,425</u>	<u>\$ 3,659,519</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Storm Drainage Revenue Bonds, Series 2010 – Original Issue \$9,805,000
Series 2010A-1 Tax-Exempt \$2,635,000
Series 2010A-2 Taxable – Build America Bonds
\$7,170,000

The Authority issued Storm Drainage Revenue Bonds, Series 2010 to provide funds to the City to finance certain improvements to the City's Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. The installment payments are special obligations of the City under the 2010 Installment Sale Agreement and are separately secured by a pledge of the system revenues of the Storm Drainage System. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. The bonds include \$2,635,000 in tax-exempt bonds and \$7,170,000 in taxable Build America Bonds under the American Recovery and Reinvestment Act of 2009 (Recovery Act). Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury up to 35% of the interest payable on the Series 2010A-2 bonds on or about each interest payment date. The Refundable Credits received by the City constitute system revenues and are pledged to the payment of installment payments under the Installment Sale Agreement. The tax-exempt series was issued at a premium of \$210,326, which will be amortized over the life of the bonds. Principal is due annually on July 1, commencing July 1, 2011. Interest on the bonds is payable semiannually on January 1 and July 1, commencing on January 1, 2011. During fiscal year 2017-18, the City made principal and interest payments on the tax-exempt series totaling \$250,000 and \$46,725 respectively. Principal and interest payments on the taxable series totaled \$0 and \$475,245 respectively, net of the Build America Bonds interest subsidy. The bonds mature on July 1, 2038, and the underlying serial and term bonds carry interest rates which vary from 3.0% to 6.8%.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Storm Drainage Revenue Bonds, Series 2010 (continued)

Storm Drainage - Series 2010A-1 - Tax Exempt				
For The Year Ending June 30	Governmental			Total
	Principal	Interest		
2019	\$ 265,000	\$ 34,225		\$ 299,225
2020	275,000	20,975		295,975
2021	285,000	9,975		294,975
	825,000	65,175		890,175
Plus: Unamortized premium	149,660			149,660
	<u>\$ 974,660</u>	<u>\$ 65,175</u>		<u>\$ 1,039,835</u>

Storm Drainage - Series 2010B Taxable - Build America Bonds				
For The Year Ending June 30	Governmental			Total
	Principal	Interest	Subsidy	
2019		\$ 475,245	\$ (156,023)	\$ 319,222
2020		475,245	(156,023)	319,222
2021		475,245	(156,023)	319,222
2022	\$ 295,000	475,245	(156,023)	614,222
2023	310,000	457,377	(150,157)	617,220
2024-2028	1,740,000	1,984,794	(651,608)	3,073,186
2029-2033	2,155,000	1,358,117	(445,870)	3,067,247
2034-2038	2,670,000	559,815	(183,787)	3,046,028
	<u>\$ 7,170,000</u>	<u>\$ 6,261,083</u>	<u>\$ (2,055,514)</u>	<u>\$ 11,375,569</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Lease Revenue Bonds, Series 2012 – Original Issue \$10,030,000

In December 2012, the Authority issued the Lease Revenue Bonds, Series 2012 to finance certain improvements to Downtown Burlingame Avenue in accordance with the City's Downtown Burlingame Avenue Streetscape Project and to pay the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues, consisting primarily of base rental payments to be made by the City, pursuant to a facilities sublease dated October 2, 2012. The bonds were issued at a premium of \$237,936, which will be amortized over the life of the bonds. Principal and interest are due annually on June 1, commencing on June 1, 2013. During fiscal year 2017-18, the City made principal and interest payments totaling \$225,000 and \$324,888, respectively. The bonds mature on June 1, 2042, and the underlying serial and term bonds carry an interest rate that varies from 2.0% to 5.0%.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 235,000	\$ 315,888	\$ 550,888
2020	245,000	306,488	551,488
2021	250,000	296,688	546,688
2022	265,000	286,688	551,688
2023	275,000	276,088	551,088
2024-2028	1,560,000	1,181,826	2,741,826
2029-2033	1,835,000	913,118	2,748,118
2034-2038	2,160,000	585,550	2,745,550
2039-2042	<u>2,020,000</u>	<u>179,725</u>	<u>2,199,725</u>
	<u>8,845,000</u>	<u>4,342,059</u>	<u>13,187,059</u>
Plus: Unamortized premium	<u>197,607</u>		<u>197,607</u>
	<u>\$ 9,042,607</u>	<u>\$ 4,342,059</u>	<u>\$ 13,384,666</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Storm Drainage Revenue Bonds, Series 2012 – Original Issue \$10,615,000

In December 2012, the Authority issued Storm Drainage Revenue Bonds, Series 2012 to provide funds to the City to finance certain improvements to the City's Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. The installment payments are special obligations of the City under the 2012 Installment Sale Agreement and are separately secured by a pledge of the system revenues of the Storm Drainage System. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. Principal is due annually on July 1, commencing July 1, 2013. Interest on bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2013. During fiscal year 2017-18, the City made principal and interest payments totaling \$300,000 and \$323,544 respectively. The bonds mature on July 1, 2038, and the underlying serial and term bonds carry interest rates which vary from 2.0% to 5.0%.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 310,000	\$ 311,544	\$ 621,544
2020	325,000	299,144	624,144
2021	340,000	286,144	626,144
2022	360,000	269,144	629,144
2023	370,000	251,144	621,144
2024-2028	2,105,000	1,019,195	3,124,195
2029-2033	2,430,000	690,175	3,120,175
2034-2038	2,835,000	282,427	3,117,427
	<u>9,075,000</u>	<u>3,408,917</u>	<u>12,483,917</u>
Plus: Unamortized premium	<u>218,476</u>		<u>218,476</u>
	<u>\$ 9,293,476</u>	<u>\$ 3,408,917</u>	<u>\$ 12,702,393</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Storm Drainage Revenue Bonds, Series 2016– Original Issue \$9,855,000

In February 2016, the Authority issued Storm Drainage Revenue Bonds, Series 2016 to provide funds to the City to finance certain improvements to the City's Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. The Installment Payments are special obligations of the City under the 2016 Installment Sale Agreement and are secured by a pledge of the System Revenues of the Storm Drainage System on a parity with the installment payments under the 2010 Installment Sale Agreement and the 2012 Installment Sale Agreement. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. Principal is due annually on July 1, commencing July 1, 2016. Interest on bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2017. During fiscal year 2017-18, the City made principal and interest payments totaling \$275,000 and \$377,325, respectively. The bonds mature on July 1, 2038, and the underlying serial and term bonds carry interest rates which vary from 2.0% to 5.0%.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 280,000	\$ 369,075	\$ 649,075
2020	295,000	357,875	652,875
2021	305,000	346,075	651,075
2022	310,000	333,875	643,875
2023	335,000	318,375	653,375
2024-2028	1,925,000	1,325,625	3,250,625
2029-2033	2,435,000	835,275	3,270,275
2034-2038	2,915,000	383,225	3,298,225
	<u>8,800,000</u>	<u>4,269,400</u>	<u>13,069,400</u>
Plus: Unamortized premium	<u>931,849</u>		<u>931,849</u>
	<u>\$ 9,731,849</u>	<u>\$ 4,269,400</u>	<u>\$ 14,001,249</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities

State Water Resources Control Board Loan, 2003 – Principal \$10,743,788

In 2003, the City entered into an agreement with the State of California Water Resources Control Board (CWRCB) to receive financial assistance for the improvement of the wastewater treatment plant which consists of upgrading the performance of several unit processes and increasing their reliability to help the plant meet discharge requirements. The loan is due in annual installment payments at an interest of 1.5%. Installment payments will start August 2007 and shall be fully amortized August 2026. The City is required to maintain compliance with all provisions of the loan. During fiscal year 2017-18, the City made principal and interest payments of \$557,835 and \$156,241 respectively.

For The Year Ending June 30	Principal	Interest	Total
2019	\$ 571,781	\$ 142,295	\$ 714,076
2020	586,075	128,001	714,076
2021	600,727	113,349	714,076
2022	615,745	98,331	714,076
2023	631,139	82,937	714,076
2024-2027	<u>2,686,336</u>	<u>169,968</u>	<u>2,856,304</u>
	<u>\$ 5,691,803</u>	<u>\$ 734,881</u>	<u>\$ 6,426,684</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities (Continued)

State Water Resources Control Board Loan, 2010 – Principal \$5,605,800

In 2010, the City entered into an agreement with CWRCB to receive financial assistance for the Influent Storm Water Retention Basin project at the City's wastewater treatment facility, which involves the construction of an influent storm water retention basin and associated pumping system, commencing in July 2011. The loan is due in annual installments payments at an interest of 2.9%, and the net revenues of the Sewer Fund are pledged for the prompt payment of debt service on the loan. Installment payments commenced July 2012 and shall be fully amortized in July 2031. The City is required to maintain compliance with all provisions of the loan. During fiscal year 2017-18, the City made principal and interest payments of \$240,797 and \$132,232, respectively.

For The Year Ending June 30	Principal	Interest	Total
2019	\$ 247,780	\$ 125,249	\$ 373,029
2020	254,966	118,063	373,029
2021	262,360	110,670	373,030
2022	269,968	103,062	373,030
2023	277,797	95,232	373,029
2024-2028	1,514,605	350,542	1,865,147
2029-2032	1,491,458	114,508	1,605,966
	<u>\$ 4,318,934</u>	<u>\$ 1,017,326</u>	<u>\$ 5,336,260</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities (Continued)

Water and Wastewater Refunding Revenue Bonds, Series 2011 – Original Issue \$5,935,000

In 2011, the Authority issued \$5,935,000 of Water and Wastewater Refunding Revenue Bonds, Series 2011 to refund and defease all of the Authority's outstanding Water and Wastewater Revenue Bonds, Series 2003, which financed certain improvements to the City's water and wastewater system, and to pay the costs of issuance of the bonds. The bonds are a limited obligation of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system, wastewater system, and from amounts on deposits in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year, and net system revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Principal is payable annually on April 1, commencing April 1, 2012. Interest on the bonds is payable semiannually on April 1 and October 1, commencing April 1, 2012.

The bonds mature on April 1, 2028, with an interest rate that varies from 4.00 to 4.75%. A premium of \$575,800 was paid and will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$450,734 and a reduction of \$1,429,732 in future debt service payments. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2011 were \$300,000 and \$196,751, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$190,000 and \$125,263. Principal and interest payments made by the Sewer Enterprise Fund were \$110,000 and \$71,488.

For The Year Ending June 30	Principal	Interest	Total
2019	\$ 310,000	\$ 187,751	\$ 497,751
2020	330,000	172,251	502,251
2021	345,000	155,751	500,751
2022	360,000	138,501	498,501
2023	380,000	120,501	500,501
2024-2028	<u>2,185,000</u>	<u>311,455</u>	<u>2,496,455</u>
	3,910,000	1,086,210	4,996,210
Plus: Unamortized premium	<u>347,215</u>		<u>347,215</u>
	<u><u>\$ 4,257,215</u></u>	<u><u>\$ 1,086,210</u></u>	<u><u>\$ 5,343,425</u></u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities (Continued)

Water and Wastewater Revenue Refunding Bonds, Series 2013 – Original Issue \$14,260,000

In 2013, the Authority issued \$14,260,000 of Water and Wastewater Revenue Refunding Bonds, Series 2013 to advance refund the Authority's outstanding Water and Wastewater Revenue Bonds, Series 2004, which financed certain improvements to the City's water and wastewater system, and to pay the costs of issuance of the bonds. The bonds are a limited obligation of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system, wastewater system, and from amounts on deposit in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year, and net system revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Principal is payable annually on April 1, commencing April 1, 2013. Interest on the bonds is payable semi-annually on April 1 and October 1, commencing October 1, 2013. During fiscal year 2017-18, the City made principal and interest payments of \$755,000 and \$449,901, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$505,000 and \$299,038. Principal and interest payments made by the Sewer Enterprise Fund were \$250,000 and \$150,863. The bonds mature on April 1, 2029, with underlying serial and term bonds carrying an interest rate that varies from 2.00% to 5.00%. The bond was issued a premium of \$1,533,676 which will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$584,903.

For The Year Ending June 30	Principal	Interest	Total
2019	\$ 785,000	\$ 419,701	\$ 1,204,701
2020	815,000	388,301	1,203,301
2021	845,000	359,776	1,204,776
2022	875,000	325,976	1,200,976
2023	910,000	290,976	1,200,976
2024-2028	5,190,000	827,630	6,017,630
2029	1,170,000	38,026	1,208,026
	<u>10,590,000</u>	<u>2,650,386</u>	<u>13,240,386</u>
Plus unamortized premium	992,379		992,379
	<u>\$ 11,582,379</u>	<u>\$ 2,650,386</u>	<u>\$ 14,232,765</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities (Continued)

Water and Wastewater Revenue Refunding Bonds, Series 2016 – Original Issue \$17,585,000

In July 2016, the Authority issued \$17,585,000 of Water and Wastewater Revenue Refunding Bonds, Series 2016 to advance refund the Authority's outstanding Water and Wastewater Revenue Bonds, Series 2007, which financed certain improvements to the City's water and wastewater system, and to pay the costs of issuance of the bonds. The bonds are a limited obligation of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system, wastewater system, and from amounts on deposit in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year, and net system revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Principal is payable annually on April 1, commencing April 1, 2017. Interest on the bonds is payable semi-annually on April 1 and October 1, commencing October 1, 2016. During fiscal year 2017-18, the City made principal and interest payments of \$920,000 and \$667,200, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$485,000 and \$348,450. Principal and interest payments made by the Sewer Enterprise Fund were \$435,000 and \$318,750. The bonds mature on April 1, 2031, with underlying serial and term bonds carrying an interest rate that varies from 2.00% to 5.00%. The bond was issued a premium of \$2,994,038 which will be amortized over the life of the bond.

For The Year Ending June 30	Principal	Interest	Total
2019	\$ 935,000	\$ 648,800	\$ 1,583,800
2020	950,000	630,100	1,580,100
2021	985,000	592,100	1,577,100
2022	1,035,000	552,700	1,587,700
2023	1,080,000	500,950	1,580,950
2024-2028	6,210,000	1,679,200	7,889,200
2029-2031	4,385,000	355,400	4,740,400
	<u>15,580,000</u>	<u>4,959,250</u>	<u>20,539,250</u>
Plus: Unamortized premium	2,594,831		2,594,831
	<u>\$ 18,174,831</u>	<u>\$ 4,959,250</u>	<u>\$ 23,134,081</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

C. Future Debt Requirements

The future outstanding debt of the City, net of amortized costs as of June 30, 2018, for governmental activities is as follows:

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,600,000	\$ 1,960,877	\$ 4,560,877
2020	2,730,000	1,857,979	4,587,979
2021	2,860,000	1,741,370	4,601,370
2022	1,835,000	1,622,479	3,457,479
2023	1,950,000	1,532,793	3,482,793
2024-2028	9,785,000	6,233,150	16,018,150
2029-2033	10,935,000	4,171,253	15,106,253
2034-2038	12,230,000	1,814,854	14,044,854
2039-2043	2,020,000	179,725	2,199,725
	<u>46,945,000</u>	<u>21,114,480</u>	<u>68,059,480</u>
Plus: Unamortized premium	<u>1,660,686</u>		<u>1,660,686</u>
	<u>\$ 48,605,686</u>	<u>\$ 21,114,480</u>	<u>\$ 69,720,166</u>

The future outstanding debt of the City, net of amortized costs as of June 30, 2018, for business-type activities is as follows:

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,849,561	\$ 1,523,796	\$ 4,373,357
2020	2,936,041	1,436,716	4,372,757
2021	3,038,087	1,331,646	4,369,733
2022	3,155,713	1,218,570	4,374,283
2023	3,278,936	1,090,596	4,369,532
2024-2028	17,785,941	3,338,795	21,124,736
2029-2032	7,046,458	507,934	7,554,392
	<u>40,090,737</u>	<u>10,448,053</u>	<u>50,538,790</u>
Plus unamortized premium	<u>3,934,425</u>		<u>3,934,425</u>
	<u>\$ 44,025,162</u>	<u>\$ 10,448,053</u>	<u>\$ 54,473,215</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

D. Arbitrage Rebate Liability

Under U.S. Treasury Department regulations, all government tax – exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the excess of earnings from the investment of tax-exempt bond proceeds over related interest expenditure on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The city has valued each outstanding debt obligation that is subjected to arbitrage rebate requirement and has determined that there is no arbitrage rebate liability as of June 30, 2018.

E. Credit Rating

The City carried underlying ratings of AA+ for the Water and Sewer Funds, AA+ for the Storm Drainage Fund, and AA+ as the City's institutional credit rating for general obligation debt. These ratings were most recently affirmed by Standard & Poor's in June 2016.

F. Revenue Pledge

The City has pledged future revenues to debt service on previously issued revenue bonds to finance the capital programs related to the Water and Sewer Funds or defease previously issued revenue bonds: (1) Water and Wastewater Revenue Bonds, Series 2011; (2) Water and Wastewater Refunding Revenue Bonds, Series 2013; (3) Water and Wastewater Refunding Revenue Bonds, Series 2016.

Debt service on certain bonds are payable solely through the net revenue of the activities of the Water and Sewer Funds.

G. Revenue Pledge

Under the provisions of GASB Statement No. 48, the City's net revenue for the year ended June 30, 2018, and net amounts available to pay debt service on the revenue bonds are as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Pledged revenue required for future principal and interest	\$ 22,701,498	\$ 27,837,292
Principal and interest paid during the year	1,952,751	2,423,206
Net revenue, excluding depreciation and amortization	6,791,469	8,446,134
Percentage of revenue pledged	28.75%	28.69%
Term of commitment	2031	2031

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

H. Debt Service Coverage

Under the terms of the City's Indenture, the Water and Sewer Funds are required to collect sufficient net revenues each fiscal year, which may include any other unappropriated enterprise funds available for expenditure on debt service. The Indenture requires that net revenues are, at minimum, equal to 1.20 times annual debt service for the applicable fiscal year.

For the year ended June 30, 2018, the Water and Sewer Funds had sufficient net revenues to satisfy the requirements of the Indenture.

Under the terms of the City's Indenture, the Storm Drainage Fund is required to collect sufficient net revenues each fiscal year, which may include any other unappropriated funds available for expenditure on debt service. The Indenture requires that net revenues are, at minimum, equal to 1.10 times annual debt service for the applicable fiscal year. For the year ended June 30, 2018, the Storm Drainage Fund had sufficient net revenues to satisfy the requirements of the Indenture.

Other obligations relating to governmental activities are paid solely from available revenue of the City, such as the Lease Revenue Bonds Series 2010 and the Pension Obligation Bonds Series 2006, which are subordinate to previously issued parity debt relating to the Water and Sewer Funds.

The following table summarizes debt service coverage levels for the Water Fund for the fiscal year ending June 30, 2018:

<u>Water Fund</u>	
Gross operating revenue	\$ 18,635,292
Less: Operating expenses, except depreciation and amortization	<u>(11,843,823)</u>
Net revenue	6,791,469
Debt Service	
Water Refunding Bonds, Series 2016	833,450
Water Refunding Bonds, Series 2011	315,263
Water Refunding Bonds, Series 2013	<u>804,038</u>
Parity Debt Service	1,952,751
Lease Revenue Bonds, Series 2010	384,409
Pension Obligation Bond, Series 2006	<u>480,653</u>
Total Debt Service	<u>\$ 2,817,813</u>
Parity Debt Service Coverage	3.48
Total Debt Service Coverage	2.41

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 6 – LONG-TERM DEBT (Continued)

H. Debt Service Coverage (Continued)

The following table summarizes debt service coverage levels for the Sewer Fund for the fiscal year ending June 30, 2018:

Sewer Fund	
Gross operating revenue	\$ 15,866,790
Less: Operating expenses, except depreciation and amortization	<u>(7,420,656)</u>
Net revenue	8,446,134
Debt Service	
State Water Resource Board Loan, 2003	\$ 714,076
Wastewater Refunding Bonds, Series 2016	753,750
State Water Resource Board Loan, 2010	373,029
Wastewater Refunding Bonds, Series 2011	181,488
Wastewater Refunding Bonds, Series 2013	<u>400,863</u>
Parity Debt Service	2,423,206
Lease Revenue Bonds, Series 2010	384,409
Pension Obligation Bond, Series 2006	<u>480,653</u>
Total Debt Service	<u>\$ 3,288,268</u>
Parity Debt Service Coverage	3.49
Total Debt Service Coverage	2.57

The following table summarizes debt service coverage levels for the Storm Drainage Fund for the fiscal year ending June 30, 2018:

Storm Drainage Fund	
Net Revenue, Excluding Depreciation and Amortization	\$ 3,012,964
Debt Service	
Storm Drain Revenue Bond, Series 2010	771,970
Storm Drain Revenue Bond, Series 2012	623,544
Storm Drain Revenue Bond, Series 2016	<u>652,325</u>
Parity Debt Service	<u>\$ 2,047,839</u>
Parity Debt Service Coverage	1.47

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 7 – OTHER LONG-TERM LIABILITIES

A. Compensated Absences

The City's compensated absences consist of accumulated vacation, compensatory time, and administrative leave for management employees. The estimated unpaid compensated absences at June 30, 2018 are recorded in the government-wide and proprietary fund financial statements.

The City permits its employees to accumulate vacation hours up to a maximum of two years of annual accrual. Depending on the bargaining unit, Sick leave is accumulated up to 2000 or 2080 hours. Upon retirement unused sick leave is reported to CalPERS and converted to service credit in accordance with CalPERS rules and procedures. Depending on the bargaining unit, an employee may elect to be compensated for up to 600 hours of unused sick leave and the remainder can be reported to CalPERS for conversion to service credit.

At retirement or termination, employees receive compensation for any unused vacation leave balance, any accrued compensatory time, and administrative leave for management employees. Such cash payments are recognized as expenditures of the government-wide and proprietary funds. The General Fund has been primarily used to liquidate the liability for compensated absences.

	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
Balance on June 30, 2017	\$ 2,512,435	\$ 303,871	\$ 2,816,306
Additions	1,887,108	369,178	2,256,286
Payments	<u>(1,952,476)</u>	<u>(347,911)</u>	<u>(2,300,387)</u>
Balance on June 30, 2018	<u>\$ 2,447,067</u>	<u>\$ 325,138</u>	<u>\$ 2,772,205</u>
Due Within One Year	<u>\$ 407,912</u>	<u>\$ 59,577</u>	<u>\$ 467,489</u>
Noncurrent Portion	<u>\$ 2,039,155</u>	<u>\$ 265,561</u>	<u>\$ 2,304,716</u>

B. Pollution Remediation Obligation

Landfill Closure and Post-Closure Costs

The City closed the Burlingame Landfill located on Airport Boulevard in accordance with the California Code of Regulations under the jurisdiction of the California Integrated Waste Management Board in 1987. The landfill had been filled to capacity and has been reconstructed as a multi-use recreational facility.

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill site. These same regulations require the City to make annual contributions and/or provide an alternative funding mechanism to finance closure and post-closure costs. The City has collected a surcharge on solid waste collection fees in order to cover these costs. The City was also required by the Bay Area Air Quality Management Board to install a gas collection system.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 7 – OTHER LONG-TERM LIABILITIES (Continued)

In 1997, the City developed a post-closure plan that met all regulatory requirements. The post-closure estimate was \$3,660,000. In 2008, the City recognized an additional liability, as required by the State, for corrective action. The corrective action cost estimate was \$733,100. Consequently, the City recorded 100% of its closure and post-closure costs based upon these estimates. At June 30, 2018, the City's outstanding future post-closure and corrective action costs were estimated at \$3,228,760. This estimate is based upon the original estimates for post-closure and corrective action costs as reported to the California Department of Resources Recycling and Recovery (CalRecycle) as adjusted, based on changes in the implicit price deflator for the gross national product in accordance with Title 27 of the California Code of Regulations, reduced by any permitted 15 year amortization of post-closure costs, and adjusted for incurred costs and expected costs of remediation.

The City will fund ongoing post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined, these costs may need to be covered by additional garbage surcharges or from future tax revenue.

NOTE 8 – RISK MANAGEMENT

A. Self-Insurance and Contingent Liabilities

Effective July 1, 1976, and December 2, 1976, respectively, the City implemented a self-insurance program for workers' compensation and general liability. The City is a member of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a joint powers insurance authority which consists of 28 member cities in the San Francisco Bay Area. PLAN JPA provides liability insurance with coverage, claims management, risk management services, and legal defense to its participating members. PLAN JPA is governed by a board of directors, which comprises officials appointed by each participating member. Premiums paid to PLAN JPA are subject to possible refund based on the results of actuarial studies and approval by PLAN JPA's board of directors. Premiums are assessed to the participants based on their individual loss experience. The PLAN JPA claim administrators set the reserve levels for known liability claims. General liability insurance coverage has been purchased by PLAN JPA for losses exceeding \$250,000 up to a maximum of \$10,000,000.

The workers' compensation program is administered by a third-party administrator (TPA). The TPA sets reserve levels for reported claims. Excess workers' compensation insurance has been purchased by the City for losses exceeding \$500,000 up to the maximum statutory limit.

The City's liabilities are reported when it is both probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims and litigation liabilities are reported in the governmental activities of the government-wide financial statements and in the internal service fund and include an amount for claims that have been incurred but not reported. The liabilities are re-evaluated annually using the results of actuarial studies. The estimated liability for claims and litigation is calculated considering recent claim settlement trends, amounts for claims incurred but not reported, current settlements, frequency of claims, past experience, and economic factors.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 8 – RISK MANAGEMENT (Continued)

A. Self-Insurance and Contingent Liabilities (Continued)

Changes in the balances of the City's claims liabilities were as follows:

	Balance July 1	Current Year Claims and Changes in Estimates	Payments for Current and Prior Fiscal Years	Balance June 30
2010-2011	\$ 6,640,000	\$ 2,524,265	\$ (2,524,265)	\$ 6,640,000
2011-2012	6,640,000	1,516,265	(1,085,265)	7,071,000
2012-2013	7,071,000	1,595,000	(1,892,000)	6,774,000
2013-2014	6,774,000	2,813,959	(1,692,959)	7,895,000
2014-2015	7,895,000	911,838	(1,791,838)	7,015,000
2015-2016	7,015,000	910,959	(1,507,959)	6,418,000
2016-2017	6,418,000	1,675,414	(1,558,414)	6,535,000
2017-2018	6,535,000	1,591,781	(1,461,781)	6,665,000

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past eight fiscal years.

In September 2016, an actuarial review was conducted and completed to identify the estimated liability for the City's Self-Insured General Liability Program as well as determine the various funding confidence levels to cover that liability. The study estimated the expected liability for outstanding claims to be \$823,000 as of June 30, 2018. The study recommends that the City set aside an amount in addition to the discounted expected loss costs to be set aside as a margin for contingencies. As of June 30, 2018, the City has funded the general liability program at the 90% confidence level noted in the actuarial report, or \$823,000.

In September 2016, an actuarial review was conducted and completed to identify the estimated liability for the City's Self-Insured Workers' Compensation Program as well as determine the various funding confidence levels to cover that liability as of June 30, 2018. The study estimated that the outstanding claims at June 30, 2018, were \$5,842,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2018, the City has funded the workers' compensation program at the 70% confidence level noted in the actuarial report, or \$5,842,000.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 9 – PENSION PLANS – COST-SHARING

A. General information about the Safety Pension Plan

The City's Safety Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan, which is administered by CalPERS. The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors two rate plans (Police Classic tier and Police PEPPA tier) within the safety risk pool.

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety Employee Pension plan, cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and the City's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPPA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety	
	Classic	PEPPA
Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3%	2.0 % - 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	21.418%	12.729%

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 9 – PENSION PLANS – COST-SHARING (Continued)

A. General information about the Safety Pension Plan (Continued)

Beginning in fiscal year 2017, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$1,136,668 in fiscal year 2018.

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 are 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 year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Safety - Classic</u>	<u>Safety - PEPRA</u>
Contributions - employer	\$ 2,007,570	\$ 98,691

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety	<u>\$ 27,003,552</u>

The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City's proportion of the net pension liability was based on a projection of City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For governmental funds, the General Fund has been primarily used to liquidate pension liabilities.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 9 – PENSION PLANS – COST-SHARING (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018, was as follows:

	<u>Safety</u>
Proportion - June 30, 2017	0.45659%
Proportion - June 30, 2018	<u>0.45193%</u>
Change - Increase (Decrease)	<u><u>-0.00466%</u></u>

For the year ended June 30, 2018, the City recognized a pension expense of \$3,207,319 for the Safety Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Safety Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,106,261	
Differences between actual and expected experience	271,718	\$ (70,844)
Changes in assumptions	3,940,589	(302,333)
Net differences between projected and actual earnings on plan investments	859,203	
Change in proportion	304,979	(497,477)
Differences between actual contributions and proportionate share of contributions		<u>(670,267)</u>
Total	<u>\$ 7,482,750</u>	<u>\$ (1,540,921)</u>

\$2,106,261 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2019	\$ 646,446
2020	2,318,680
2021	1,373,192
2022	(502,750)

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 9 – PENSION PLANS – COST-SHARING (Continued)

C. 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 as of the measurement date, 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 one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

		<u>Safety</u>
1% Decrease		6.15%
Net Pension Liability	\$	40,021,625
Current Discount Rate		7.15%
Net Pension Liability	\$	27,003,552
1% Increase		8.15%
Net Pension Liability	\$	16,361,927

Actuarial assumptions and information regarding the discount rate are discussed in Note 9D below.

D. Information Common to the Miscellaneous (Footnote 10) and Safety Plans

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial assumptions:

	<u>Miscellaneous and Safety Plans</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.375%
Mortality	Derived using CalPERS Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 9 – PENSION PLANS – COST-SHARING (Continued)

D. Information Common to the Miscellaneous (Footnote 10) and Safety Plans (Continued)

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found in the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15 percent used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 9 – PENSION PLANS – COST-SHARING (Continued)

D. Information Common to the Miscellaneous (Footnote 10) and Safety Plans (Continued)

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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

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

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

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 10 – PENSION PLANS – MULTIPLE EMPLOYER

A. General information about the Miscellaneous Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Miscellaneous Plan, agent multiple employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and the City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

A. General information about the Miscellaneous Pension Plan (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.0%	6.75%
Required employer contribution rates	10.70%	13.30%

Employees Covered – As of the June 30, 2016 actuarial valuation date, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	265
Inactive employees entitled to but not yet receiving benefits	138
Active employees	179
Total	582

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 both Plans are 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

B. Net Pension Liability

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown in Note 9D above.

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan follow:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	<u>\$ 130,809,457</u>	<u>\$ 96,763,681</u>	<u>\$ 34,045,776</u>
Changes in the year:			
Service cost	2,891,884		2,891,884
Interest on the total pension liability	9,717,799		9,717,799
Changes of benefit terms			
Changes in assumptions	7,865,663		7,865,663
Differences between actual and expected experience	(570,100)		(570,100)
Plan to plan resource movement		(397,322)	397,322
Contribution - employer		3,362,448	(3,362,448)
Contribution - employee		1,357,763	(1,357,763)
Net investment income		10,862,212	(10,862,212)
Benefit payments, including refunds of employee contributions	(7,275,386)	(7,275,386)	
Administrative expenses		(142,865)	142,865
Net changes	<u>12,629,860</u>	<u>7,766,850</u>	<u>4,863,010</u>
Balance at June 30, 2017	<u><u>\$ 143,439,317</u></u>	<u><u>\$ 104,530,531</u></u>	<u><u>\$ 38,908,786</u></u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

C. Changes in the Net Pension Liability (Continued)

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

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 57,812,731
Current Discount Rate	7.15%
Net Pension Liability	\$ 38,908,786
1% Increase	8.15%
Net Pension Liability	\$ 23,298,583

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized a pension expense of \$5,591,250. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,611,599	
Change of Assumptions	5,243,775	
Differences between actual and expected experience		\$ (988,178)
Net differences between projected and actual earnings on plan investments	1,301,881	
Total	<u>\$ 10,157,255</u>	<u>\$ (988,178)</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

\$3,611,599 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Amortization</u>
2018	\$ 1,727,942
2019	4,065,397
2020	578,900
2021	(814,761)

E. Payable to the Miscellaneous Pension Plan

At June 30, 2018, the City reported no payable for the outstanding amount of employer and member contributions to the Miscellaneous pension plan required for the year ended June 30, 2018.

NOTE 11 – OTHER -POST-EMPLOYMENT HEALTHCARE PLAN (OPEB)

A. Plan Description

The City of Burlingame has established a Retiree Healthcare Plan (Plan), and participates in an agent multiple-employer defined benefit retiree healthcare plan. The Plan provides post-employment healthcare benefits to eligible employees who retire directly from the City under CalPERS at the minimum age of 50 with at least 5 years of CalPERS service or disability. Retirees must make a retirement election with CalPERS within 120 days following the date of separation from the City. Benefit provisions are established and may be amended through agreements and memorandums of understanding (MOUs) between the City, its management employees, and unions representing City employees.

The City participates in the CalPERS healthcare program (PEMHCA) and allow retirees to continue participation in the medical insurance program after retirement. Under the Plan, the City pays retiree healthcare benefits up to a cap for eligible retirees and dependents based on bargaining unit and hire date. Employees hired on or after January 1, 2012 (or an earlier date as defined in the MOUs) are only eligible to receive a City contribution equal to the PEMHCA minimum upon retirement from the City. As stated above, an individual must also qualify as a CalPERS annuitant in order to receive this benefit. No dental, vision or life insurance benefits are provided.

In addition, the City provides a defined contribution retiree healthcare plan for eligible employees. Employees hired after January 1, 2012 (or an earlier date as defined in the MOUs) are enrolled in a retiree health savings plan (RHS Plan) after five years of service. Upon enrollment, the City contributes 2.0% of the employee's annual base pay into the RHS Plan. Contributions cease upon termination from employment.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 11 – OTHER - POST-EMPLOYMENT HEALTHCARE PLAN (Continued)

B. Employees Covered by Benefit Terms

At June 30, 2017 (the Measurement date), the benefit terms covered the following employees:

Active employees	208
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	269
Inactive employees entitled to but not yet receiving benefit payments	0
Total	<u>477</u>

C. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. For governmental funds, the General Fund has been primarily used to liquidate OPEB liabilities.

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	June 30, 2017
Inflation	2.75%
Salary increases	3.00%. Additional merit-based increases based on CalPERS merit salary increase tables.
Investment rate of return	7.28%
Healthcare cost trend rates	7.00% in the first year. Trending down to 3.84% over 58 years
Mortality rate	Based on CalPERS tables

Discount Rate: The discount rate used to measure the total OPEB liability is 7.28%. This is the expected long-term rate of return on City assets using investment strategy 1 within the California Employers' Retiree Benefit Trust (CERBT). The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 11 – OTHER - POST-EMPLOYMENT HEALTHCARE PLAN (Continued)

D. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at 6/30/2017:	\$ 51,665,130	\$ 11,284,358	\$ 40,380,772
Changes Recognized for the Measurement Period:			
Service Cost	1,076,983		1,076,983
Interest on the total OPEB liability	3,715,640		3,715,640
Expected investment income			
Contributions			
Employer - City's Contribution		4,402,957	(4,402,957)
Employer - Implicit Subsidy		627,012	(627,012)
Employee			
Net investment income		1,236,932	(1,236,932)
Administrative expenses		(5,990)	5,990
Difference between expected and actual experience			
Changes of assumptions			
Implicit rate subsidy fulfilled	(627,012)	(627,012)	
Benefit payments	(2,779,180)	(2,779,180)	
Net Changes	1,386,431	2,854,719	(1,468,288)
Balance at 6/30/2018: (Measurement Date: 6/30/17)	\$ 53,051,561	\$ 14,139,077	\$ 38,912,484

Sensitivity of the net OPEB liability to changes in the discount rate: The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.28%) or one percentage point higher (8.28%) follows:

Net OPEB Liability/(Asset)		
Discount Rate -1% (6.28 %)	Discount Rate (7.28%)	Discount Rate +1% (8.28%)
\$ 44,884,150	\$ 38,912,484	\$ 33,885,441

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

Net OPEB Liability/(Asset)		
1% Decrease (6% decreasing to 2.84%)	Healthcare Cost Trend Rates (7% decreasing to 3.84%)	1% Increase (8% decreasing to 4.84%)
\$ 33,415,032	\$ 38,912,484	\$ 45,499,269

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 11 – OTHER - POST-EMPLOYMENT HEALTHCARE PLAN (Continued)

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

For the year ended June 30, 2018, the City recognized an OPEB expense of \$3,768,235. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made subsequent to the measurement date	\$ 4,996,552	
Net differences between Projected and Actual Earnings		\$ 206,554
Changes of assumptions		0
Total	<u>\$ 4,996,552</u>	<u>\$ 206,554</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2019	\$ 51,639
2020	51,639
2021	51,639
2022	51,637

F. Funding Policy

The contribution requirements of the Plan participants and the City are established and may be amended by the City.

In September 2013, the City established an irrevocable trust to prefund its unfunded actuarially accrued liability for retiree health care benefits. The California Benefit Trust Fund (CERBT), a multi-employer trust, is administered by CalPERS which also invests trust fund deposits made by the City on behalf of retirees. The City pre-funds the Plan by contributing the City's ADC every year to the CERBT. During fiscal year 2017-18, the City made deposits of \$1,588,645 to the trust. As of June 30, 2018, the cash balance was \$16,846,083.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 11 – OTHER - POST-EMPLOYMENT HEALTHCARE PLAN (Continued)

G. Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net position as of July 1, 2017 of the Governmental Activities, Business-Type Activities and the corresponding Enterprise Funds were restated and reduced by \$15,551,053 and \$3,874,621 respectively.

NOTE 12 – NET POSITION AND FUND BALANCES

A. Net Position

Net position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflow, regardless of fund. Net position is divided into three captions on the Statement of Net Position. These captions apply only to net position, which is determined at the Government-wide level and proprietary funds and are described as follows:

Net investment in capital assets, describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements and funds restricted to low and moderate income purposes.

Unrestricted describes the portion of net position which is not restricted as to use.

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances (Continued)

The City's fund balances are classified in accordance with GASB Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on the long-term amounts of loans and on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint as follows:

Nonspendable represents balances set aside to indicate items 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 inventories and prepaids, the long-term amounts of loans and notes receivable and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

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

Committed fund balances have constraints imposed by resolution of the City Council, which may only be altered by resolution of the City Council. Nonspendable amounts subject to council commitments are included along with spendable resources.

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 designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance. This category includes nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances (Continued)

Committed and Assigned Fund Balance

In 2015, the City Council adopted a General Fund Reserve Policy by resolution. The policy, based on an analysis of risks specific to the City, establishes targeted levels for an Economic Stability Reserve and a Catastrophic Reserve (24% of budgeted revenues), Catastrophic Reserve amount of \$2,000,000, as well as a Contingency Reserve amount of \$500,000. The actual reserve levels are adopted by resolution with each annual budget, or as recommended by the Finance Director based upon an update of the City's fiscal needs or forecasts during the year.

As the City Council and management can only use reserves for purposes consistent with the purposes described in the policy, these reserve amounts are reported as assignments of the General Fund's balance.

The aggregate balance of the General Fund's assigned fund balance was \$19,929,904 as of June 30, 2018. The breakdown is shown below:

- The Economic Stability Reserve is available to protect and preserve City services from dramatic drops in General Fund revenues that are highly sensitive to economic conditions, mainly sales taxes and transient occupancy taxes. The balance at June 30, 2018, was \$16,913,000.
- The Catastrophic Reserve is available to make repairs and reconstruct City buildings and facilities that may be damaged by natural disasters or acts of war and terrorism. The balance at June 30, 2018, was \$2,000,000.
- The Contingency Reserve is available to cover unexpected expenses that may arise during the course of the fiscal year that were not considered during budget planning. The balance at June 30, 2018, was \$500,000.
- Encumbrances and Reappropriations represent commitments related to contracts not yet performed and purchase orders not yet filled or appropriations for specific activities approved late in the fiscal year that were not encumbered by contractual arrangements by the end of the fiscal year. The total of encumbrances and reappropriations at June 30, 2018 were \$516,904.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances (Continued)

Detailed classifications of the City's fund balances, as of June 30, 2018, are below:

Fund Balance Classifications	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:						
Items not in spendable form:						
Prepays	\$ 6,041					\$ 6,041
Total Nonspendable Fund Balances	6,041					6,041
Restricted for:						
Employee Benefits	4,390,537					4,390,537
Special Revenue Programs:						
Development Fees					\$ 6,259,267	6,259,267
Local Grants					588,329	588,329
Measure A and Gas Tax					964,997	964,997
Special Assessment District					405,117	405,117
Other					725,232	725,232
Capital Projects		\$ 4,195,033				4,195,033
Debt service			\$ 9,187,451			9,187,451
Total Restricted Fund Balances	4,390,537	4,195,033	9,187,451		8,942,942	26,715,963
Committed to:						
Capital Projects				\$ 27,004,814		27,004,814
Total Committed Fund Balances				27,004,814		27,004,814
Assigned to:						
Encumbrances and reappropriations	516,904					516,904
Contingency reserve	500,000					500,000
Economic stability reserve	16,913,000					16,913,000
Catastrophic event reserve	2,000,000					2,000,000
Capital Projects				25,800,000		25,800,000
Total Assigned Fund Balances	19,929,904			25,800,000		45,729,904
Unassigned:	12,045,699					12,045,699
Total Fund Balances	\$ 36,372,181	\$ 4,195,033	\$ 9,187,451	\$ 52,804,814	\$ 8,942,942	\$ 111,502,421

C. PARS Trust

During fiscal year 2018, the City established an irrevocable trust with Public Agency Retirements Services (PARS) to set aside funds for pension liability.

At June 30, 2018, the balance in the trust was \$4,812,540. The City Council reserves the authority to review and amend this funding policy from time to time, in order to ensure the funding policy continues to best suit the circumstances of the City.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

D. Deficit Fund Balance/Net Position

The following funds had a deficit fund balance/net position at June 30, 2018:

<u>Funds</u>	<u>Deficit Fund Balances/ Net Position</u>
Enterprise Funds:	
Landfill	\$ 1,778,248
Internal Service Fund:	
Facilities Services	1,156,460

The City expects future revenues to mitigate the deficit fund balance/net position in future years.

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

A. Grant Programs

The City may, from time to time, participate in Federal and State grant programs. No cost allowances were proposed as a result of the City's financial audit. As of June 30, 2018, the City has not made an allowance for expenditures which may be disallowed by the granting agencies. Any disallowance for expenditures is expected to be immaterial.

B. Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is one case pending in which there is at least a possibility that the plaintiff could be entitled to monetary damages. However, the City believes that its financial position would not be adversely affected due to the availability of reserves in the remote event that the plaintiff prevails.

C. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge

The City contracts with the City and County of San Francisco for the purchase of water from the Hetch Hetchy System operated by the San Francisco Public Utilities Commission (SFPUC). The City is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA) which represents the interests of all the 24 cities and water districts, as well as two private utilities, that purchase wholesale water from the SFPUC.

In 2009 the City entered into a new 25 year agreement with the SFPUC. Under the new agreement, the SFPUC issues revenue bonds and the debt service (which also includes an interest component) is paid for through rates over the life of the bonds.

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

C. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge (Continued)

During the transition from the old to the new contracts, one of the issues addressed was how to deal with the \$370 million in assets that were still being paid for by the wholesale customers under the old agreement. The assets were transferred to the new agreement, assigned a life with an agreed upon rate of return of 5.13%. Also negotiated was a provision to allow the wholesale customers to prepay any remaining existing assets' unpaid principal balance without penalty or premium. This prepayment was executed through the issuance of bonds by BAWSCA which provide a better interest rate given the favorable rate environment.

BAWSCA issued Revenue Bonds in the principal amount of \$335,780,000 in January 2013 to prepay the capital cost recovery payment obligation and fund a stabilization fund. The Bonds mature in October 2034 and are secured by surcharges to the monthly water purchase charges imposed upon the participating members. The Bonds are not a debt obligation of any member, and BAWSCA's failure to pay its Bonds would not constitute a default by any participating member.

Should any participating member fail to pay its share, BAWSCA will rely on the stabilization fund and will pursue all legal remedies to collect the shortfall from the delinquent member. In the interim, other participating members may have their portion adjusted to insure the continued payment of the debt service surcharge.

The risk of bearing the debt service expense of a defaulting member is not significantly different than the risk each member assumes currently for fluctuations in water purchase charges. Under the Bond indenture, BAWSCA maintains a stabilization fund. If surcharge revenues collected are less than needed (due to a member's failure to pay timely), BAWSCA uses the stabilization fund to fund the debt service deficiency, and increases the surcharge in the subsequent year to make up for the prior year shortfall and reimburse the stabilization fund account. Also, given that each participating agency's governing body adopted a Resolution to participate in the Bond issue, Management believes that default is generally very unlikely.

The annual debt service surcharges are a fixed amount for each participant and are calculated by taking the subsequent fiscal year's debt service, multiplied by each participant's actual water purchase as a percent of total wholesale customer water purchases from the prior fiscal year. One-twelfth of the annual surcharge is included in the monthly bill from SFPUC. Because each participant's share of the debt service surcharge is proportional to the amount of water purchased during the prior fiscal year, the City's share of the debt service will fluctuate from year to year.

The City paid its surcharge of \$683,583 during fiscal year 2018, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2019 is estimated to be \$674,112.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 14 – SUBSEQUENT DISCLOSURE

On September 29, 2018, the Governor of California approved Assembly Bill No. 1912, which requires member agencies of an agency established pursuant to a joint powers agreement that participates in, or contracts with, a public retirement system, prior to filing a notice of termination or upon notice of potential termination by the Board of Administration of the Public Employees' Retirement System (PERS), to mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided that the agreement equals 100% of the retirement liability of the agency.

If the member agencies are unable to mutually agree to the apportionment, the bill requires the PERS board to apportion the retirement liability of the agency to each member agency, as specified, and would establish procedures allowing a member agency to challenge the board's determination through the arbitration process. This bill also requires the PERS board to enter into the above-described agreement upon request of a member agency of a terminating agency formed under the Joint Exercise of Powers Act and providing that the member agencies of the terminating agency are liable to the system for inadequate funding of the benefits pursuant to the agreement.

This bill will extend that liability and lien to all of the parties of a terminating agency that was formed under the Joint Exercise of Powers Act. In addition, the bill requires the PERS board, prior to exercising its authority to reduce benefits and to the extent consistent with its fiduciary duties, to consider and exhaust all options and necessary actions, including evaluating whether to bring a civil action against any member agencies to a terminated agency formed by an agreement under the Joint Exercise of Powers Act to compel payment of the terminated public agency's pension obligations.

The above requirements apply retroactively to a member agency, or current and former member agency, that has an agreement in existence with the PERS board on or before January 1, 2019. It also applies to any new agreements between an agency and the board on or after January 1, 2019. However, it will not apply to an agency that has dissolved prior to January 1, 2019.

As June 30, 2018, the City participated in the following joint powers agreements that participate in, or contracts with, a public retirement system:

- Central County Fire District – CCFD (fire, emergency medical, disaster preparedness)
- San Mateo County Pre-Hospital Emergency Services Group – SMCPHESG (pre-hospital emergency services, ambulance transport, first response)

The City is not aware that any of these agencies are in the process of termination or facing potential termination by the PERS board.



Comprehensive Annual Financial Report

June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Safety Plan, Cost-Sharing Multiple-Employer Defined Pension Plan

Last 10 Years*

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Safety Plan			
Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's Proportion of the Net Pension Liability/Asset	0.24850%	0.44660%	0.45659%	0.45193%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 15,465,681	\$ 18,401,988	\$ 23,647,731	\$ 27,003,552
Plan's Covered Payroll	\$ 4,498,186	\$ 4,478,926	\$ 4,671,613	\$ 4,834,326
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered Payroll	343.82%	410.86%	506.20%	558.58%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	18.58%	22.03%	27.54%	29.02%

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

CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

As of fiscal year ending June 30, 2018
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	Safety Plan			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 1,288,226	\$ 1,686,060	\$ 1,923,807	\$ 2,106,261
Contributions in relation to the actuarially determined contributions	(1,288,226)	(1,686,060)	(1,923,807)	(2,106,261)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,478,926	\$ 4,671,613	\$ 4,834,326	\$ 4,880,736
Contributions as a percentage of covered payroll	28.76%	36.09%	39.79%	43.15%

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.0 % Varies by Age, Service and Type of Employment
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

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

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 – AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Prepared for City of Burlingame, an Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$ 2,451,356	\$ 2,374,018	\$ 2,440,538	\$ 2,891,884
Interest	8,964,159	9,244,742	9,456,322	9,717,799
Changes of benefit terms				
Differences between expected and actual experience		(1,273,339)	(1,959,467)	(570,100)
Changes in assumptions		(2,208,472)		7,865,663
Benefit payments, including refunds of employee contributions	(6,246,453)	(6,895,260)	(6,958,358)	(7,275,386)
Net change in total pension liability	5,169,062	1,241,689	2,979,035	12,629,860
Total pension liability - beginning	121,419,671	126,588,733	127,830,422	130,809,457
Total pension liability - ending (a)	\$ 126,588,733	\$ 127,830,422	\$ 130,809,457	\$ 143,439,317
Plan fiduciary net position				
Contributions - employer	\$ 2,214,366	\$ 2,605,414	\$ 2,936,966	\$ 3,362,448
Contributions - employee	1,203,540	1,064,874	1,112,768	1,357,763
Net investment income	15,116,451	2,248,984	487,558	10,862,212
Benefit payments, including refunds of employee contributions	(6,246,453)	(6,895,260)	(6,958,358)	(7,275,386)
Plan to plan resource movement		40,946	(98)	(397,322)
Administration expense		(111,650)	(60,485)	(142,865)
Net change in plan fiduciary net position	12,287,904	(1,046,692)	(2,481,649)	7,766,850
Plan fiduciary net position - beginning	88,004,118	100,292,022	99,245,330	96,763,681
Plan fiduciary net position - ending (b)	\$ 100,292,022	\$ 99,245,330	\$ 96,763,681	\$ 104,530,531
Net pension liability - ending (a)-(b)	\$ 26,296,711	\$ 28,585,092	\$ 34,045,776	\$ 38,908,786
Plan fiduciary net position as a percentage of the total pension liability	79.23%	77.64%	73.97%	72.87%
Covered payroll	\$ 13,078,081	\$ 13,191,923	\$ 13,560,054	\$ 14,918,921
Net pension liability as percentage of covered-employee payroll	201.07%	216.69%	251.07%	260.80%

Notes to Schedule:

Benefit changes. Figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, the discount rate was changed from 7.5% (net of administrative expenses) to 7.65%. In 2014, amounts reported were based on the 7.5 discount rate.

* - Fiscal year 2015 was the 1st year of implementation.

CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 – AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

Prepared for City of Burlingame, an Agent Multiple-Employer Defined Pension Plan
Last 10 Years

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	\$ 2,605,414	\$ 2,929,226	\$ 3,370,189	\$ 3,611,599
Contributions in relation to the actuarially determined contributions	(2,605,414)	(2,929,226)	(3,370,189)	(3,611,599)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,191,923	\$ 13,560,054	\$ 14,918,921	\$ 15,717,707
Contributions as a percentage of covered payroll	19.75%	21.60%	22.59%	22.98%

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.0% Varies by category, entry age, and duration of service.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

* Fiscal year 2015 was the 1st year of implementation.

CITY OF BURLINGAME, CALIFORNIA`
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Schedule of Changes in the Net OPEB Liability and Related Ratios
An Agent Multi-Employer Defined Benefits Retiree Healthcare Plan
Last 10 fiscal years *

Measurement Date	<u>6/30/17</u>
Total OPEB Liability (1)	
Service Cost	\$ 1,076,983
Interest	3,715,640
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Implicit rate subsidy fulfilled	(627,012)
Benefit payments	<u>(2,779,180)</u>
Net change in total OPEB liability	1,386,431
Total OPEB liability - beginning	<u>51,665,130</u>
Total OPEB liability - ending (a)	<u><u>\$ 53,051,561</u></u>
OPEB fiduciary net position	
Net investment income	\$ 1,236,932
Contributions - employer	4,402,957
Contributions - Implicit Subsidy	627,012
Contributions - employee	-
Administrative expense	(5,990)
Implicit rate subsidy fulfilled	(627,012)
Benefit payments, including refunds of employee contributions	<u>(2,779,180)</u>
Net change in plan fiduciary net position	2,854,719
Plan fiduciary net position - beginning	<u>11,284,358</u>
Plan fiduciary net position - ending (b)	<u><u>14,139,077</u></u>
 Net OPEB liability - ending (a)-(b)	 <u><u>\$ 38,912,484</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 <u><u>26.65%</u></u>
 Covered-employee payroll	 <u><u>\$ 21,235,525</u></u>
 Net OPEB liability as a percentage of covered-employee payroll	 <u><u>183.24%</u></u>

Notes to schedule:

* - Fiscal year 2018 was the first year of implementation.

CITY OF BURLINGAME, CALIFORNIA

**REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Schedule of Changes in the Net OPEB Liability and Related Ratios
An Agent Multi-Employer Defined Benefits Retiree Healthcare Plan
Last 10 fiscal years*

Fiscal Year Ended June 30,	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 4,669,234
Less: Contributions in Relation to the ADC	<u>4,996,552</u>
Contribution Deficiency (Excess)	<u>(\$327,318)</u>
Covered-employee payroll	<u>\$ 21,872,591</u>
Contributions as a percentage of Covered-employee payroll	22.84%

Notes to Schedule:

Assumptions and Methods

Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	17 years
Inflation	2.75%
Assumed Payroll Growth	3.00%
Healthcare Trend Rates	7.00%, trending down to 3.84%
Rate of Return on Assets	7.28%
Mortality & Retirement Rates	CalPERS Rates

* Fiscal year 2018 was the first year of implementation of GASB 75.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 – MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE

In accordance with GASB Statement No. 34, the City accounts for and reports infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; park and recreation lands and improvement system; storm water collection system; and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business. Each major infrastructure system is divided into subsystems. For example, the street system is divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals, and pavement markings), landscaping, and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach, as defined by GASB Statement No. 34, for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated.

In February 2016, the City's consultant completed a study to update the physical condition assessment of the streets. The streets, primarily asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: (1) arterial/major, (2) collector, (3) residential, and (4) other (such as alleys and parking lots).

This condition assessment will be performed approximately every two years. For this inspection update, all the paved streets in the City's system were re-inspected. A visual survey of approximately 82.28 centerline miles was evaluated in accordance with Metropolitan Transportation Commission (MTC) standards. Upon completion of this survey, a Pavement Condition Index (PCI) was calculated for each segment to reflect the overall pavement condition. Ranging between 0 – 100, a PCI of 0 would correspond to a badly deteriorated pavement with virtually no remaining life. A PCI of 100 would correspond to a new pavement with proper engineering design and construction at the beginning of its life cycle.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>	<u>Description</u>
Excellent	90-100	Little or no distress.
Very Good	70-89	Little or no distress, with the exception of utility patches in good condition, or minor to moderate hairline cracks; typically lightly weathered.
Good	50-69	Light to moderate weathering, light load-related base failure, moderate linear cracking.
Poor	25-49	Moderate to severe weathering, moderate levels of base failure, moderate to heavy linear cracking.
Very Poor	0-24	Extensive weathering, moderate to heavy base failure, failed patches, extensive network of moderate to heavy linear cracking.

The City’s policy is to achieve an average rating of 65 for all streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2017, the City’s street system was rated at a PCI index of 77 on a 100-point scale. The overall condition of the street pavement is in the lower range of MTC’s designation ‘Very Good’.

The following table details the network statistics and pavement condition by functional class.

Table 1 – Street Network Statistics and Average PCI by Functional Class

<u>Functional Class</u>	<u>Centerline Miles</u>	<u>Lane Miles</u>	<u># of Sections</u>	<u>% of Network</u>	<u>Average PCI</u>
Arterial	23.47	53.50	84	28.5%	75
Residential	37.55	67.33	249	45.6%	80
Collector	20.35	39.69	116	24.8%	77
Other	0.80	1.61	24	1%	60
Totals	82.17	162.13	473	100%	77

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)

Table 2 details the percentage of the street network area by each PCI range or condition category.

Table 2 – Percent Network Area by Functional Class and Condition Class

Condition Class	PCI Range	Arterial	Collector	Residential	Other	NCE	Total
Excellent/Very Good (I)	70-100	22.40%	22.00%	32.70%	2.00%	0.00%	78.90%
Good/Fair (II/III)	50-69	5.60%	3.30%	8.50%	0%	0.00%	18.21%
Poor (IV)	25-49	0.40%	0.60%	0.70%	1.00%	0.00%	2.31%
Very Poor (V)	0-24	0.00%	0.20%	0.10%	0.40%	0.10%	0.58%
Totals		28.40%	26.10%	42.00%	3.40%	0.10%	100.00%

The City’s street network replacement value is estimated at \$160 million. Replacement value is calculated as the current cost to reconstruct each street in the network.

The optimal network PCI is somewhere between low and mid 80’s, which is in the middle of the ‘excellent/very good’ condition category. This is recommended because streets with a PCI in the 80’s as opposed to 70’s will likely remain in the ‘excellent/very good’ condition category for a longer period of time if relatively inexpensive preventive maintenance treatments are used. Once PCI falls below 70, more expensive rehabilitation treatments will be needed.

The cost to repair and maintain a pavement depends on its current PCI. In the ‘excellent/very good’ category, it costs very little to apply preventative maintenance treatments. More than half (76.9%) of the City’s street network would benefit from these lower cost preventative maintenance treatments.

Approximately 96% of the City’s street network is considered in ‘good’ condition. Pavements in this range require more than a life-extending treatment. At this point, a well designed pavement will have served at least 75 percent of its life with the quality of the pavement dropping approximately 40%.

The remaining 4% of the City’s street network falls into the ‘poor’ or ‘very poor’ PCI ranges. These pavements are near the end of their service lives and often exhibit major forms of distress. At this stage a street usually requires either a thick overlay or reconstruction.

One of the key elements of a pavement repair strategy is to keep streets that are in the ‘good’ or ‘fair’ category from deteriorating. This is particularly true for streets in the ‘fair’ range, because they are at the point where pavement deterioration accelerates if left untreated.

The projected pavement budget for fiscal year 2016-17 through fiscal year 2020-21 is approximately \$1,400,000 per year or \$7,000,000 million. This investment level is estimated to maintain the current PCI level with a decrease of one point to 76 in 2020. Furthermore, under this investment level, the deferred maintenance backlog is projected to decrease from \$2.4 million in 2016 to \$1.3 million in 2020.

CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)

	2016	2017	2018	2019	2020	Total
Budget	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 7,000,000
Rehabilitation	4,441,000	1,167,000	2,114,000	986,000	420,000	9,128,000
Preventative Maintenance	61,300	3,000	1,100	10,300	600	76,300
Deferred Maintenance	2,416,651	3,028,748	4,389,200	3,233,473	1,338,271	14,406,343
PCI	78	78	77	77	76	-

A schedule of estimated annual amounts calculated to maintain and preserve the City’s streets at the current level compared to actual expenditures for street maintenance for the last three years is presented below.

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Rating
2013-2014	\$ 1,200,000	980,218	76
2014-2015	\$ 1,200,000	1,479,349	76
2015-2016	\$ 1,200,000	1,151,003	77
2016-2017	\$ 1,200,000	1,300,698	78

The City’s ongoing street rehabilitation program is funded in the Capital Improvement Program.

**CITY OF BURLINGAME, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 19,189,000	\$ 20,150,000	\$ 20,334,818	\$ 184,818
Sales and use taxes	12,205,000	12,205,000	12,819,794	614,794
Transient occupancy taxes	26,871,000	27,400,000	27,935,991	535,991
Other taxes	3,046,000	3,085,000	3,216,203	131,203
Licenses and permits	88,500	88,000	82,622	(5,378)
Fines, forfeitures and penalties	901,500	910,700	977,121	66,421
Charges for services	5,257,500	5,337,775	5,515,803	178,028
Other revenue	195,500	208,500	223,078	14,578
Grants and subventions	238,216	238,216	284,839	46,623
Investment income	945,000	840,000	332,714	(507,286)
Total revenues	<u>68,937,216</u>	<u>70,463,191</u>	<u>71,722,983</u>	<u>1,259,792</u>
Expenditures				
Current:				
General Government				
City Attorney	906,965	906,965	704,341	202,624
City Clerk	366,167	366,167	287,187	78,980
City Council	350,699	355,699	333,794	21,905
City Manager	823,277	823,277	696,570	126,707
Elections	168,000	168,000	108,463	59,537
Human Resources	956,176	956,176	762,222	193,954
Finance	2,227,805	2,242,805	2,240,374	2,431
Total General Government	<u>5,799,089</u>	<u>5,819,089</u>	<u>5,132,951</u>	<u>686,138</u>
Public safety:				
Fire	10,356,780	10,356,780	10,210,972	145,808
Fire - Disaster Preparedness	494,889	494,889	483,063	11,826
Police Communications Dispatch	1,577,730	1,577,730	1,495,279	82,451
Police - Parking Enforcement	638,422	638,422	625,387	13,035
Police	13,829,348	13,925,948	13,546,606	379,342
Total Public Safety	<u>26,897,169</u>	<u>26,993,769</u>	<u>26,361,307</u>	<u>632,462</u>
Public Works	<u>5,903,529</u>	<u>6,342,629</u>	<u>5,624,681</u>	<u>717,948</u>
Community Development	<u>1,836,358</u>	<u>1,861,358</u>	<u>1,799,124</u>	<u>62,234</u>
Parks, recreation, and library				
Library	5,190,727	5,181,277	5,065,279	115,998
Parks	4,692,033	4,753,533	4,689,883	63,650
Recreation and Aquatics	5,037,153	5,050,986	4,791,418	259,568
Total Leisure & Cultural Services	<u>14,919,913</u>	<u>14,985,796</u>	<u>14,546,580</u>	<u>439,216</u>
Capital outlay	<u>209,200</u>	<u>209,200</u>	<u>172,615</u>	<u>36,585</u>
Total Expenditures	<u>55,565,258</u>	<u>56,211,841</u>	<u>53,637,258</u>	<u>2,574,583</u>
Excess (deficiency) of revenues over expenditures	<u>13,371,958</u>	<u>14,251,350</u>	<u>18,085,725</u>	<u>3,834,375</u>
Other financing sources (uses)				
Transfers in	3,223,273	3,194,673	3,194,673	
Transfers out	(18,246,437)	(18,185,317)	(18,180,617)	4,700
Total other financing sources (uses)	<u>(15,023,164)</u>	<u>(14,990,644)</u>	<u>(14,985,944)</u>	<u>4,700</u>
Net change in fund balance	<u>\$ (1,651,206)</u>	<u>\$ (739,294)</u>	<u>3,099,781</u>	<u>\$ 3,839,075</u>
FUND BALANCE				
Beginning of year			33,272,400	
End of year			<u>\$ 36,372,181</u>	

See accompanying Notes to the Basic Financial Statements

**CITY OF BURLINGAME, CALIFORNIA
STORM DRAINAGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues				
Charges for services	\$ 2,825,200	\$ 2,912,200	\$ 2,959,633	\$ 47,433
Investment income	236,000	218,000	53,331	(164,669)
Total revenues	<u>3,061,200</u>	<u>3,130,200</u>	<u>3,012,964</u>	<u>(117,236)</u>
Other financing sources (uses)				
Transfers in	44,829	44,829	44,829	
Transfers out	<u>(2,074,239)</u>	<u>(2,074,239)</u>	<u>(2,074,239)</u>	
Total other financing sources (uses)	<u>(2,029,410)</u>	<u>(2,029,410)</u>	<u>(2,029,410)</u>	
Net change in fund balance	<u>\$ 1,031,790</u>	<u>\$ 1,100,790</u>	983,554	<u>\$ (117,236)</u>
FUND BALANCE				
Beginning of year			3,211,479	
End of year			<u>\$ 4,195,033</u>	

See accompanying Notes to the Basic Financial Statements



Comprehensive Annual Financial Report
June 30, 2018

**COMBINING FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**



Comprehensive Annual Financial Report
June 30, 2018

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Measure A Fund – This fund accounts for the City's share of the special half-cent sales tax for transportation approved on the November 1988 ballot, effective January 1, 1989. Expenditures from this fund can only be incurred on transportation-related programs.

Gas Tax Fund – This fund is to account for revenue received from the State of California derived from gasoline taxes. These funds may only be used for street purposes as specified in the State Streets and Highway Code.

Special Assessment District Fund – This fund accounts for revenue from special assessments received from a special benefit district formed during fiscal year 2011-12 on Burlingame Avenue. The special benefit district revenues fund the lighting, landscape, and utility-related upgrades completed in 2014, and a portion of the related maintenance costs.

Train Shuttle Fund – This fund is to account for grant revenues received from the San Mateo County Transportation Authority and the Bay Area Air Quality Management District for a commuter shuttle bus program.

State/Federal Grants Funds – These funds are to account for grants from the State of California and the federal government, used or expended for a specific purpose, activity, or facility.

Local Grants Fund – This fund is to account for grants or donations from local sources other than the State or Federal government used or expended for a specific purpose, activity, or facility.

Development Fees Fund – This fund is to account for developers' fees that may be used for public improvements or facilities needed to support approved development projects in the City. This fund includes receipts from impact fees for specific improvement in the Bayfront and North Burlingame areas, as well as parking in lieu fees.

Public TV Access Fund – This fund is to account for the PEG Access funding through Cable TV Franchise agreement beginning January 1, 1999. The City uses these funds to finance capital improvements associated with the broadcast of municipal events.

CITY OF BURLINGAME, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

	Measure A Fund	Gas Tax Fund	Special Assessment District	Train Shuttle Fund
ASSETS				
Cash and investments	\$ 305,237	\$ 501,072	\$ 403,103	\$ 112,557
Receivables (net of uncollectible amount of \$0):				
Accounts and other receivables	<u>128,318</u>	<u>30,370</u>	<u>17,972</u>	<u>63,675</u>
Total assets	<u><u>\$ 433,555</u></u>	<u><u>\$ 531,442</u></u>	<u><u>\$ 421,075</u></u>	<u><u>\$ 176,232</u></u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable				\$ 7,935
Due to other funds				
Total liabilities				<u>7,935</u>
Deferred Inflows:				
Unavailable revenue			\$ 15,958	31,600
Total deferred inflows			<u>15,958</u>	<u>31,600</u>
Fund Balances:				
Restricted	<u>\$ 433,555</u>	<u>\$ 531,442</u>	<u>405,117</u>	<u>136,697</u>
Total fund balances	<u>433,555</u>	<u>531,442</u>	<u>405,117</u>	<u>136,697</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 433,555</u></u>	<u><u>\$ 531,442</u></u>	<u><u>\$ 421,075</u></u>	<u><u>\$ 176,232</u></u>

Special Revenue Funds					
State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Total Nonmajor Governmental Funds	
\$ 10,529	\$ 596,740	\$ 6,229,121	\$ 548,307	\$ 8,706,666	
25,866	1,654	30,146	28,358	326,359	
<u>\$ 36,395</u>	<u>\$ 598,394</u>	<u>\$ 6,259,267</u>	<u>\$ 576,665</u>	<u>\$ 9,033,025</u>	
\$ 20,785	\$ 10,065		\$ 3,740	\$ 21,740	
20,785	10,065		3,740	20,785	
				42,525	
				47,558	
				47,558	
15,610	588,329	\$ 6,259,267	572,925	8,942,942	
15,610	588,329	6,259,267	572,925	8,942,942	
<u>\$ 36,395</u>	<u>\$ 598,394</u>	<u>\$ 6,259,267</u>	<u>\$ 576,665</u>	<u>\$ 9,033,025</u>	

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2018

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Special Assessment District	Train Shuttle Fund
REVENUES:				
Investment income	\$ 3,875	\$ 3,377	\$ 1,637	
Intergovernmental taxes	857,925	794,595		
Charges for services			294,136	
Grants and subventions				\$ 95,750
Total revenues	<u>861,800</u>	<u>797,972</u>	<u>295,773</u>	<u>95,750</u>
EXPENDITURES:				
Current:				
General government				
Public safety				
Community development				
Parks, recreation, and library				
Shuttle operations				159,868
Total expenditures				<u>159,868</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>861,800</u>	<u>797,972</u>	<u>295,773</u>	<u>(64,118)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				140,000
Transfer out	(2,200,000)	(1,460,000)	(310,000)	
Total other financing sources (uses)	<u>(2,200,000)</u>	<u>(1,460,000)</u>	<u>(310,000)</u>	<u>140,000</u>
Net change in fund balance	<u>(1,338,200)</u>	<u>(662,028)</u>	<u>(14,227)</u>	<u>75,882</u>
FUND BALANCE:				
Beginning of year	<u>1,771,755</u>	<u>1,193,470</u>	<u>419,344</u>	<u>60,815</u>
End of year	<u>\$ 433,555</u>	<u>\$ 531,442</u>	<u>\$ 405,117</u>	<u>\$ 136,697</u>

Special Revenue Funds				Total Nonmajor Governmental Funds
State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
		\$ 24,509	\$ 2,057	\$ 35,455
				1,652,520
		146,654	106,496	547,286
\$ 125,630	\$ 323,379			544,759
125,630	323,379	171,163	108,553	2,780,020
			45,285	45,285
80,329				80,329
12,500				12,500
11,959	249,437			261,396
				159,868
104,788	249,437		45,285	559,378
20,842	73,942	171,163	63,268	2,220,642
				140,000
				(3,970,000)
				(3,830,000)
20,842	73,942	171,163	63,268	(1,609,358)
(5,232)	514,387	6,088,104	509,657	10,552,300
\$ 15,610	\$ 588,329	\$ 6,259,267	\$ 572,925	\$ 8,942,942

CITY OF BURLINGAME, CALIFORNIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Nonmajor Governmental Funds
For the year ended June 30, 2018

	Special Revenue Funds					
	Measure A Fund			Gas Tax Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Investment income	\$ 23,000	\$ 3,875	\$ (19,125)	\$ 18,000	\$ 3,377	\$ (14,623)
Intergovernmental	824,000	857,925	33,925	849,100	794,595	(54,505)
Charges for services						
Grants revenue						
Total revenues	847,000	861,800	14,800	867,100	797,972	(69,128)
EXPENDITURES:						
Current:						
General government						
Public safety						
Parks, recreation, and library						
Community development						
Shuttle operations						
Total expenditures						
REVENUES OVER (UNDER) EXPENDITURES	847,000	861,800	14,800	867,100	797,972	(69,128)
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(2,200,000)	(2,200,000)		(1,460,000)	(1,460,000)	
Total other financing sources (uses)	(2,200,000)	(2,200,000)		(1,460,000)	(1,460,000)	
Net change in fund balance	\$ (1,353,000)	(1,338,200)	\$ 14,800	\$ (592,900)	(662,028)	\$ (69,128)
FUND BALANCE:						
Beginning of year		1,771,755			1,193,470	
End of year		<u>\$ 433,555</u>			<u>\$ 531,442</u>	

Special Revenue Funds								
Special Assessment District			Train Shuttle Fund			State/Federal Grants Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ 6,000	\$ 1,637	\$ (4,363)						
310,000	294,136	(15,864)	\$ 64,150	\$ 95,750	\$ 31,600	\$ 77,500	\$ 125,630	\$ 48,130
316,000	295,773	(20,227)	64,150	95,750	31,600	77,500	125,630	48,130
						99,573	80,329	19,244
						7,500	11,959	(4,459)
							12,500	(12,500)
			204,650	159,868	44,782			
			204,650	159,868	44,782	107,073	104,788	2,285
316,000	295,773	(20,227)	(140,500)	(64,118)	76,382	(29,573)	20,842	50,415
			140,000	140,000				
(310,000)	(310,000)							
(310,000)	(310,000)		140,000	140,000				
\$ 6,000	(14,227)	\$ (20,227)	(500)	75,882	\$ 76,382	\$ (29,573)	20,842	\$ 50,415
	419,344			60,815			(5,232)	
	\$ 405,117			\$ 136,697			\$ 15,610	

CITY OF BURLINGAME, CALIFORNIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Nonmajor Governmental Funds
For the year ended June 30, 2018

	Special Revenue Funds					
	Local Grant Funds			Development Fees Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Investment income	\$ 3,000	\$ (4,310)	\$ (7,310)	\$ 60,000	\$ 24,509	\$ (35,491)
Intergovernmental						
Charges for services					146,654	146,654
Grants revenue	<u>27,000</u>	<u>323,379</u>	<u>296,379</u>			
Total revenues	<u>30,000</u>	<u>319,069</u>	<u>289,069</u>	<u>60,000</u>	<u>171,163</u>	<u>111,163</u>
EXPENDITURES:						
Current:						
General government						
Public safety						
Parks, recreation, and library	23,555	245,127	(221,572)			
Community development						
Shuttle operations						
Total expenditures	<u>23,555</u>	<u>245,127</u>	<u>(221,572)</u>			
REVENUES OVER (UNDER) EXPENDITURES	<u>6,445</u>	<u>73,942</u>	<u>67,497</u>	<u>60,000</u>	<u>171,163</u>	<u>111,163</u>
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
Total other financing sources (uses)						
Net change in fund balance	<u>\$ 6,445</u>	<u>73,942</u>	<u>\$ 67,497</u>	<u>\$ 60,000</u>	<u>171,163</u>	<u>\$ 111,163</u>
FUND BALANCE:						
Beginning of year		<u>514,387</u>			<u>6,088,104</u>	
End of year		<u>\$ 588,329</u>			<u>\$ 6,259,267</u>	

Special Revenue Funds		
Public TV Access Fund		
Budget	Actual	Variance Positive (Negative)
\$ 6,000	\$ 2,057	\$ (3,943)
110,000	106,496	(3,504)
<u>116,000</u>	<u>108,553</u>	<u>(7,447)</u>
60,000	45,285	14,715
<u>60,000</u>	<u>45,285</u>	<u>14,715</u>
<u>56,000</u>	<u>63,268</u>	<u>(7,268)</u>
<u>\$ 56,000</u>	63,268	<u>\$ (7,268)</u>
	<u>509,657</u>	
	<u>\$ 572,925</u>	



Comprehensive Annual Financial Report

June 30, 2018

INTERNAL SERVICE FUNDS

General Liability Fund – This fund accounts for the servicing of the general liability self-insurance program of the City. Included are costs associated with self-insurance and the purchase of excess insurance to adequately protect the City. User departments are charged for this program at rates based on loss experience (frequency and severity of claims).

Workers' Compensation Fund - This fund accounts for the funding of the City's Workers' Compensation costs. User departments are charged for workers' compensation at rates based on loss experience and on departmental personnel budgets.

OPEB (Other Post-Employment Benefits) Fund – This fund accounts for the costs of the City's retiree medical program and related liabilities. A percentage "surcharge" on actual payroll provides the fund's revenues; benefits are paid out of the fund and the remaining funds are swept to the irrevocable trust fund established to reduce the OPEB liability incurred in prior years.

Facilities Services Fund – This fund accounts for the costs of operation of the City's maintenance and repair of City building and custodial services on a cost reimbursement basis.

Equipment Services Fund – This fund accounts for the costs of operation, maintenance, and replacement of automotive equipment used by the various departments. Such costs are billed to the consuming departments at a rate that includes operation and maintenance, and an amount necessary to provide replacement of the equipment at a future date.

Information Technology Services Fund – This fund accounts for the costs of operation of the City's telephone and computer maintenance and acquisitions. Such costs are billed to the consuming departments at a rate that includes operation and maintenance, and an amount necessary to provide for replacement of computers.

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	General Liability Fund	Worker's Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
ASSETS							
Current assets:							
Cash and investments	\$ 4,983,580	\$ 6,767,944	\$323,911	\$ 351,785	\$ 6,255,419	\$ 884,387	\$ 19,567,026
Receivable (net of uncollectible amounts of \$0):							
Accounts					3,580	30,049	33,629
Other receivables	21,980	32,796	96,790	1,779	31,559	3,922	188,826
Prepaid and Inventory			14,272		33,621		47,893
Total current assets	<u>5,005,560</u>	<u>6,800,740</u>	<u>434,973</u>	<u>353,564</u>	<u>6,324,179</u>	<u>918,358</u>	<u>19,837,374</u>
Non-Current assets:							
Cash and investments, restricted		85,195		57,153	37,296	5,767	185,411
Capital assets:							
Facilities, infrastructure, and equipment, net of depreciation				109,402	1,520,167	27,012	1,656,581
Total noncurrent assets		<u>85,195</u>		<u>166,555</u>	<u>1,557,463</u>	<u>32,779</u>	<u>1,841,992</u>
Total assets	<u>5,005,560</u>	<u>6,885,935</u>	<u>434,973</u>	<u>520,119</u>	<u>7,881,642</u>	<u>951,137</u>	<u>21,679,366</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions				282,010	182,933	12,936	477,879
Deferred outflows related to OPEB				104,928	67,953	10,493	183,374
Total deferred outflows of resources				<u>386,938</u>	<u>250,886</u>	<u>23,429</u>	<u>661,253</u>
LIABILITIES							
Current liabilities:							
Accounts payable	20,604	804	10,305	86,155	72,341	101,133	291,342
Compensated absences due in one year				192	9,602		9,794
Claims and litigation due in one year	<u>50,000</u>	<u>80,000</u>					<u>130,000</u>
Total current liabilities	<u>70,604</u>	<u>80,804</u>	<u>10,305</u>	<u>86,347</u>	<u>81,943</u>	<u>101,133</u>	<u>431,136</u>
Noncurrent liabilities:							
Compensated absences				47,954	6,069		54,023
Claims and litigation	773,000	5,762,000					6,535,000
Net pension liability				1,080,280	700,751	49,554	1,830,585
Net OPEB liability				817,162	529,210	81,716	1,428,088
Total noncurrent liabilities	<u>773,000</u>	<u>5,762,000</u>		<u>1,945,396</u>	<u>1,236,030</u>	<u>131,270</u>	<u>9,847,696</u>
Total liabilities	<u>843,604</u>	<u>5,842,804</u>	<u>10,305</u>	<u>2,031,743</u>	<u>1,317,973</u>	<u>232,403</u>	<u>10,278,832</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions				27,436	17,797	1,259	46,492
Deferred inflows related to OPEB				4,338	2,809	434	7,581
Total deferred outflows of resources				<u>31,774</u>	<u>20,606</u>	<u>1,693</u>	<u>54,073</u>
NET POSITION							
Net investment in capital assets				109,402	1,520,167	27,012	1,656,581
Restricted		85,195		57,153	37,296	5,767	185,411
Unrestricted (deficit)	<u>4,161,956</u>	<u>957,936</u>	<u>424,668</u>	<u>(1,323,015)</u>	<u>5,236,486</u>	<u>707,691</u>	<u>10,165,722</u>
Total net position	<u>\$ 4,161,956</u>	<u>\$ 1,043,131</u>	<u>\$ 424,668</u>	<u>\$ (1,156,460)</u>	<u>\$ 6,793,949</u>	<u>\$ 740,470</u>	<u>\$ 12,007,714</u>

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2018

	General Liability Fund	Worker's Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
OPERATING REVENUES:							
Charges for services	\$ 1,510,000	\$ 848,883	\$ 4,774,219	\$ 1,529,812	\$ 1,231,636	\$ 1,244,298	\$ 11,138,848
Other revenue	<u>32,692</u>			<u>117</u>	<u>1,232</u>		<u>34,041</u>
Total operating revenue	<u>1,542,692</u>	<u>848,883</u>	<u>4,774,219</u>	<u>1,529,929</u>	<u>1,232,868</u>	<u>1,244,298</u>	<u>11,172,889</u>
OPERATING EXPENSES:							
Salaries and benefits				814,132	435,941	81,396	1,331,469
Retiree medical benefit			4,322,881				4,322,881
Supplies and services	133,936	105,299	26,670	713,639	223,459	926,149	2,129,152
Depreciation				17,379	528,221	15,345	560,945
Insurance claims and expenses	<u>519,621</u>	<u>702,922</u>		<u>2,156</u>	<u>47,940</u>		<u>1,272,639</u>
Total operating expenses	<u>653,557</u>	<u>808,221</u>	<u>4,349,551</u>	<u>1,547,306</u>	<u>1,235,561</u>	<u>1,022,890</u>	<u>9,617,086</u>
Operating income (loss)	<u>889,135</u>	<u>40,662</u>	<u>424,668</u>	<u>(17,377)</u>	<u>(2,693)</u>	<u>221,408</u>	<u>1,555,803</u>
NONOPERATING REVENUES (EXPENSES):							
Investment income (expense)	<u>17,870</u>	<u>26,664</u>		<u>2,388</u>	<u>26,285</u>	<u>3,314</u>	<u>76,521</u>
Net nonoperating revenues (expenses)	<u>17,870</u>	<u>26,664</u>		<u>2,388</u>	<u>26,285</u>	<u>3,314</u>	<u>76,521</u>
Net change in net position	<u>907,005</u>	<u>67,326</u>	<u>424,668</u>	<u>(14,989)</u>	<u>23,592</u>	<u>224,722</u>	<u>1,632,324</u>
NET POSITION:							
Total net position, beginning, as restated	<u>3,254,951</u>	<u>975,805</u>		<u>(1,141,471)</u>	<u>6,770,357</u>	<u>515,748</u>	<u>10,375,390</u>
Total net position, ending	<u>\$ 4,161,956</u>	<u>\$ 1,043,131</u>	<u>\$424,668.00</u>	<u>\$ (1,156,460)</u>	<u>\$ 6,793,949</u>	<u>\$ 740,470</u>	<u>\$ 12,007,714</u>

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2018

	General Liability Fund	Workers' Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers for service charges	\$ 1,566,417	\$ 835,887	\$ 4,768,629	\$ 1,529,614	\$ 1,265,968	\$ 1,212,492	\$ 11,179,007
Payments to claims	(70,295)	(479,672)					(549,967)
Payments to suppliers	(512,726)	(247,745)	(32,662)	(688,437)	(243,638)	(955,254)	(2,680,462)
Payments to retirees and trust			(4,322,881)				(4,322,881)
Payments to employees				(792,255)	(404,195)	(84,989)	(1,281,439)
Net cash provided by (used in) operating activities	983,396	108,470	413,086	48,922	618,135	172,249	2,344,258
CASH FLOWS FROM							
NONCAPITAL FINANCING ACTIVITIES:							
Interfund loans received (paid)			(89,175)				(89,175)
			(89,175)				(89,175)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets				(13,341)	(961,652)		(974,993)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received on investments	17,870	26,664		2,388	26,285	3,314	76,521
	17,870	26,664		2,388	26,285	3,314	76,521
Net increase (decrease) in cash and cash equivalents	1,001,266	135,134	323,911	37,969	(317,232)	175,563	1,356,611
CASH AND CASH EQUIVALENTS:							
Beginning of year	3,982,314	6,718,005		370,969	6,609,947	714,591	18,395,826
End of year	\$ 4,983,580	\$ 6,853,139	\$ 323,911	\$ 408,938	\$ 6,292,715	\$ 890,154	\$ 19,752,437
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating (loss) income	\$ 889,135	\$ 40,662	\$ 424,668	\$ (17,377)	\$ (2,693)	\$ 221,408	\$ 1,555,803
Adjustments for noncash activities:							
Depreciation and amortization				17,379	528,221	15,345	560,945
Changes in assets and liabilities:							
Receivables	23,725	(12,996)	(5,590)	(315)	33,100	(31,806)	6,118
Inventories			(14,272)		(33,621)		(47,893)
Deferred outflows				(146,774)	(95,097)	(12,412)	(254,283)
Accounts payable	20,536	804	8,280	27,358	61,382	(29,105)	89,255
Compensated absences				(48,146)	(7,541)		(55,687)
Claims and litigations liabilities	50,000	80,000					130,000
Deferred inflows				(33,871)	(21,976)	(1,318)	(57,165)
Net pension liabilities				135,019	87,583	6,193	228,795
Net OPEB liabilities				115,649	68,777	3,944	188,370
Total adjustments	94,261	67,808	(11,582)	66,299	620,828	(49,159)	788,455
Net cash provided by (used in) operating activities	\$ 983,396	\$ 108,470	\$ 413,086	\$ 48,922	\$ 618,135	\$ 172,249	\$ 2,344,258
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION							
Cash and investments – current	\$ 4,983,580	\$ 6,767,944	\$ 323,911	\$ 351,785	\$ 6,255,419	\$ 884,387	\$ 19,567,026
Cash and investments, restricted		85,195		57,153	37,296	5,767	185,411
Total cash and investments per Statement of Net Position	\$ 4,983,580	\$ 6,853,139	\$ 323,911	\$ 408,938	\$ 6,292,715	\$ 890,154	\$ 19,752,437

FIDUCIARY FUNDS

Agency Funds

Seismic Education Fees – This Fund records fees collected from building permits and disbursements to the State of California in accordance with program regulations.

Hotel Business Improvement District (BID) Fees Fund – This fund accounts for fee collections received as an Agent for the San Mateo County Visitors and Convention Bureau.

Elementary School Development Fees Fund – This fund accounts for fee collections received as an Agent for the Burlingame Elementary School District.

High School Development Fees Fund – This fund accounts for fee collections received as an Agent for the San Mateo Union High School District.

Council Cities – This fund records collections received for the Council of Cities meeting.

Business Improvement District (BID) Fund – Broadway – This fund accounts for collections received as an Agent for the Broadway Business Improvement Project.

Library Foundation Account Fund – This fund accounts for collections and disbursements by the Library Foundation.

Building Standards Administration Fund – This Fund records fees collected from building permits and disbursements to the State of California in accordance with program regulations.

Downtown Business Improvement District Fund – This fund accounts for collections received for the Downtown Business Improvement District.

Deferred Compensation – Retirees Fund – This fund is for the collection of the City's closed out deferred compensation plans. Funds will be disbursed to the account beneficiaries.

Deferred Compensation – Administrative Services Fund – This fund is used to collect funding deposits from the City's deferred compensation plan vendor to pay third party expenses.

CITY OF BURLINGAME
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Seismic Education Fees				
Assets:				
Cash and investments	\$ 6,356		\$ (6,356)	
Total assets	<u>\$ 6,356</u>	<u></u>	<u>(6,356)</u>	<u></u>
Liabilities:				
Accounts payable	\$ 4,795		(\$4,795)	
Due to other governmental units	<u>1,561</u>	<u></u>	<u>(1,561)</u>	<u></u>
Total liabilities	<u>\$ 6,356</u>	<u></u>	<u>(6,356)</u>	<u></u>
Hotel BID Fees				
Assets:				
Cash and investments	\$ 151,561		\$ (11,456)	\$ 140,105
Accounts receivable	<u>749,899</u>	<u>38,721</u>	<u></u>	<u>788,620</u>
Total assets	<u>\$ 901,460</u>	<u>\$ 38,721</u>	<u>\$ (11,456)</u>	<u>\$ 928,725</u>
Liabilities:				
Accounts payable	\$ 159,574		\$ (12,087)	\$ 147,487
Due to other governmental units	<u>741,886</u>	<u>39,352</u>	<u></u>	<u>781,238</u>
Total liabilities	<u>\$ 901,460</u>	<u>\$ 39,352</u>	<u>\$ (12,087)</u>	<u>\$ 928,725</u>
Elementary School Development Fees				
Assets:				
Cash and investments	\$ 29,320	\$ 212,925		\$ 242,245
Total assets	<u>\$ 29,320</u>	<u>\$212,925</u>	<u></u>	<u>\$ 242,245</u>
Liabilities:				
Accounts payable	\$ 29,320	\$212,925		\$ 242,245
Total liabilities	<u>\$ 29,320</u>	<u>\$212,925</u>	<u></u>	<u>\$ 242,245</u>
High School Development Fees				
Assets:				
Cash and investments	\$ 22,913	\$ 167,113		\$ 190,026
Total assets	<u>\$ 22,913</u>	<u>\$ 167,113</u>	<u></u>	<u>\$ 190,026</u>
Liabilities;				
Accounts payable	\$ 22,913	\$ 167,113		\$ 190,026
Total liabilities	<u>\$ 22,913</u>	<u>\$ 167,113</u>	<u></u>	<u>\$ 190,026</u>

(continued)

CITY OF BURLINGAME
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Council Cities				
Assets:				
Cash and investments	\$ 1,050		\$ (1,050)	
Accounts receivable	550		(550)	
Total assets	\$ 1,600		(\$1,600)	
Liabilities:				
Accounts payable	\$ 1,300		\$ (1,300)	
Due to other governmental units	300		(300)	
Total liabilities	\$ 1,600		(\$300)	
BID - Broadway				
Assets:				
Cash and investments	\$ 262	\$ 6,496		\$ 6,758
Total assets	\$ 262	\$ 6,496		\$ 6,758
Liabilities;				
Accounts payable	\$ 262	\$ 6,496		\$ 6,758
Total liabilities	\$ 262	\$ 6,496		\$ 6,758
Library Foundation Account Fund				
Assets:				
Cash and investments	\$ 2,346		\$ (199)	\$ 2,147
Total assets	\$ 2,346		\$ (199)	\$ 2,147
Liabilities;				
Accounts payable	\$ 2,346		(\$199)	\$ 2,147
Total liabilities	\$ 2,346		(199)	\$ 2,147

(continued)

CITY OF BURLINGAME
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Building Standards Administration				
Assets:				
Cash and investments	\$ 1,761		\$ (1,761)	
Total assets	\$ 1,761		(1,761)	
Liabilities:				
Accounts payable	\$ 1,005		\$ (1,005)	
Due to other governmental units	756		(756)	
Total liabilities	\$ 1,761		\$ (1,761)	
Downtown Business Improvement District				
Assets:				
Cash and investments	\$ 2,363		\$ (2,363)	
Accounts receivable	10,385	3,005		13,390
Total assets	\$ 12,748	\$ 3,005	\$ (2,363)	\$ 13,390
Liabilities:				
Accounts payable	\$ 4,108		\$ (3,258)	\$ 850
Due to other governmental units	8,640	\$ 3,900		12,540
Total liabilities	\$ 12,748	\$ 3,900	\$ (3,258)	\$ 13,390
Deferred Comp - Retirees				
Assets:				
Cash and investments	\$ 6,428			\$ 6,428
Total assets	\$ 6,428			\$ 6,428
Liabilities:				
Due to other governmental units	\$ 6,428			\$ 6,428
Total liabilities	\$ 6,428			\$ 6,428

(continued)

CITY OF BURLINGAME
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Deferred Comp - Admin. Services				
Assets:				
Cash and investments	\$ 17,921	\$ 41,050	\$ (22,500)	\$ 36,471
Prepays	3,806		(3,806)	
Total assets	21,727	\$ 41,050	\$ (26,306)	\$ 36,471
Liabilities:				
Accounts payable	\$ 12,000		\$ (12,000)	
Due to other governmental units	9,727	41,050	(14,306)	36,471
Total liabilities	\$ 21,727	\$ 41,050	(26,306)	\$ 36,471
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 242,281	\$ 427,584	\$ (45,685)	\$ 624,180
Accounts receivable	760,834	41,726	(550)	802,010
Prepaid and deposit	3,806		(3,806)	
Total assets	\$ 1,006,921	\$ 469,310	\$ (50,041)	\$ 1,426,190
Liabilities:				
Accounts payable	\$ 237,623	\$ 386,534	\$ (34,644)	\$ 589,513
Due to other governmental units	769,298	84,302	(16,923)	836,677
Total liabilities	\$ 1,006,921	\$ 470,836	\$ (51,567)	\$ 1,426,190



Comprehensive Annual Financial Report

June 30, 2018

STATISTICAL SECTION



Comprehensive Annual Financial Report

June 30, 2018

STATISTICAL SECTION

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	148-155
<u><i>Revenue Capacity</i></u>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and other taxes.	156-162
<u><i>Debt Capacity</i></u>	
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.	163-167
<u><i>Demographic and Economic Information</i></u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	168-170
<u><i>Operating Information</i></u>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	172-174

CITY OF BURLINGAME, CALIFORNIA
NET POSITION BY COMPONENT
Last Ten Fiscal Years (accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year			
		(1)	(1)	(1)
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	\$ 60,967	\$ 59,936	\$ 51,521	\$ 78,903
Restricted	3,575	3,515	8,674	12,102
Unrestricted - restated per GASB 75	41,005	42,298	49,259	27,234
Total governmental activities net position	<u>\$ 105,547</u>	<u>\$ 105,749</u>	<u>\$ 109,454</u>	<u>\$ 118,239</u>
Business-type activities:				
Net investment in capital assets	\$ 32,014	\$ 30,759	\$ 38,406	\$ 40,381
Restricted	-	-	-	5,014
Unrestricted - restated per GASB 75	18,119	19,260	17,736	14,788
Total business-type activities net position	<u>\$ 50,133</u>	<u>\$ 50,019</u>	<u>\$ 56,142</u>	<u>\$ 60,183</u>
Primary government:				
Net investment in capital assets	\$ 92,981	\$ 90,695	\$ 89,927	\$ 119,284
Restricted	3,575	3,515	8,674	17,116
Unrestricted	59,124	61,558	66,995	42,022
Total primary government net position	<u>\$ 155,680</u>	<u>\$ 155,768</u>	<u>\$ 165,596</u>	<u>\$ 178,422</u>

(1) Reclassifications in the categories were made to stay consistent and comparable with the presentation in the current year.

(2) 2012 reflects net position as originally stated and does not include the effect of implementation of GASB Statement No. 65 in 2013 which restated beginning net position.

Fiscal Year					
(2)					
2013	2014	2015	2016	2017	2018
\$ 64,020	\$ 72,956	\$ 74,346	\$ 79,019	\$ 82,624	\$ 87,689
26,400	45,863	36,446	38,414	43,383	26,901
34,841	14,732	(26,763)	(25,511)	(9,583)	6,415
<u>\$ 125,261</u>	<u>\$ 133,551</u>	<u>\$ 84,029</u>	<u>\$ 91,922</u>	<u>\$ 116,424</u>	<u>\$ 121,005</u>
\$ 43,469	\$ 46,341	\$ 50,485	\$ 54,587	\$ 61,071	\$ 66,077
5,050	451	451	12,367	11,963	12,155
16,093	27,092	22,038	26,002	30,125	31,760
<u>\$ 64,612</u>	<u>\$ 73,884</u>	<u>\$ 72,974</u>	<u>\$ 92,956</u>	<u>\$ 103,159</u>	<u>\$ 109,992</u>
\$ 107,489	\$ 119,297	\$ 124,831	\$ 133,606	\$ 143,695	\$ 153,766
31,450	46,314	36,897	50,781	55,346	39,056
50,934	41,824	(4,725)	491	20,542	38,176
<u>\$ 189,873</u>	<u>\$ 207,436</u>	<u>\$ 157,003</u>	<u>\$ 184,878</u>	<u>\$ 219,583</u>	<u>\$ 230,998</u>

CITY OF BURLINGAME, CALIFORNIA
CHANGE IN NET POSITION
Last Ten Fiscal Years (accrual basis accounting)
(amounts expressed in thousands)

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 5,493	\$ 5,354	\$ 6,803	\$ 6,358
Public safety	21,154	21,050	21,141	20,265
Public works	8,071	8,453	8,514	8,248
Community development	3,263	2,318	1,752	1,245
Parks, recreation and library	10,868	9,191	10,475	9,828
Shuttle operations	318	130	324	249
Financing and other activities	2,093	1,876	2,656	2,215
Total governmental activities expenses	<u>51,261</u>	<u>48,372</u>	<u>51,665</u>	<u>48,408</u>
Business-type activities:				
Water	9,315	9,370	9,569	11,082
Sewer	10,442	10,170	9,509	9,686
Waste management	1,217	687	936	681
Landfill	-	-	-	-
Parking	1,353	1,298	1,454	1,435
Building	1,185	1,075	1,141	1,222
Total business-type activities expenses	<u>23,512</u>	<u>22,600</u>	<u>22,608</u>	<u>24,107</u>
Total primary government expenses	<u>\$ 74,773</u>	<u>\$ 70,972</u>	<u>\$ 74,273</u>	<u>\$ 72,516</u>
Program Revenue				
Governmental activities:				
Charges for services:				
General government	\$ 240	\$ 350	\$ 616	\$ 2
Public safety	2,104	1,179	2,202	1,053
Public works	556	314	1,713	560
Community development	300	336	744	319
Parks, recreation and library	2,565	2,643	2,744	2,760
Shuttle operations	-	-	72	-
Operating grants and contributions	2,590	2,040	2,210	1,165
Capital grants and contributions	918	3,407	3,189	3,520
Total government activities program revenues	<u>9,273</u>	<u>10,269</u>	<u>13,490</u>	<u>9,379</u>
Business-types activities:				
Charges for services:				
Water	11,800	11,516	12,734	13,708
Sewer	12,467	12,534	14,566	16,157
Waste management	7	294	653	465
Landfill	-	-	-	-
Parking	1,640	1,645	1,802	1,950
Building	2,356	1,479	1,404	1,580
Capital grants and contributions	535	23	-	-
Total business-type activities program revenues	<u>28,805</u>	<u>27,491</u>	<u>31,159</u>	<u>33,860</u>
Total primary governmental program revenues	<u>\$ 38,078</u>	<u>\$ 37,760</u>	<u>\$ 44,649</u>	<u>\$ 43,239</u>
Net (expenses)/revenue				
Government activities	\$ (41,988)	\$ (38,103)	\$ (38,175)	\$ (39,029)
Business-type activities	5,293	4,891	8,551	9,753
Total primary government net expenses	<u>\$ (36,695)</u>	<u>\$ (33,212)</u>	<u>\$ (29,624)</u>	<u>\$ (29,277)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 12,798	\$ 13,355	\$ 13,310	\$ 13,672
Sales tax	8,251	6,276	8,041	8,495
Transient occupancy tax	10,155	10,342	13,404	16,183
Other taxes	2,095	2,267	5,037	4,478
Other general revenue	-	-	-	-
Special Item - OPEB pre-funding	-	-	-	-
Loss on disposal of capital assets	-	-	-	-
Investment earnings (expense)	897	618	805	472
Transfers	980	5,447	1,282	4,513
Total governmental activities	<u>35,176</u>	<u>38,305</u>	<u>41,879</u>	<u>47,813</u>
Business-type activities:				
Other taxes	610	442	-	228
Other general revenue	-	-	-	-
Investment earnings (expense)	-	-	(1,145)	(1,427)
Transfers	(980)	(5,447)	(1,282)	(4,513)
Total primary government	<u>(370)</u>	<u>(5,005)</u>	<u>(2,427)</u>	<u>(5,712)</u>
Change in Net Position				
Government activities	(6,811)	202	3,704	8,784
Business-type activities	4,923	(114)	6,124	4,041
Total primary government	<u>\$ (1,887)</u>	<u>\$ 88</u>	<u>\$ 9,828</u>	<u>\$ 12,825</u>

2013	2014	2015	2016	2017	2018
\$ 6,188	\$ 7,295	\$ 4,231	\$ 4,275	\$ 4,757	\$ 5,785
21,163	19,141	23,005	26,296	25,710	27,129
9,268	12,961	8,267	8,312	7,353	7,929
941	1,007	1,145	1,162	1,386	1,817
11,065	11,162	15,832	13,786	14,581	16,925
179	188	135	137	150	191
3,552	2,812	2,422	2,639	3,075	2,210
52,356	54,567	55,037	56,607	57,012	61,986
12,127	10,745	11,471	12,822	13,806	14,671
9,553	9,332	10,144	10,960	10,345	11,205
634	467	481	487	676	789
-	177	67	56	77	406
1,350	1,183	1,296	445	635	1,053
1,317	1,254	1,368	1,420	2,054	1,580
24,980	23,158	24,827	26,190	27,593	29,704
\$ 77,336	\$ 77,725	\$ 79,864	\$ 82,797	\$ 84,605	\$ 91,690
\$ 117	\$ 302	\$ 116	\$ 123	\$ 122	\$ 119
212	1,097	1,066	1,009	1,075	1,140
3,230	4,075	3,870	3,477	4,316	4,186
384	738	657	890	5,900	702
2,880	2,919	3,372	3,405	3,860	4,208
-	-	-	150	-	-
987	738	1,127	591	978	830
357	1,249	740	439	150	1,218
8,167	11,118	10,948	10,084	16,401	12,403
14,875	16,023	15,425	15,158	16,375	18,623
16,791	16,931	15,679	15,634	15,798	15,837
564	1,694	943	778	780	700
-	350	445	437	447	465
2,428	2,477	2,573	2,649	2,766	2,820
1,707	2,057	1,980	2,257	4,087	4,413
-	-	-	42,858	-	-
36,365	39,532	37,045	79,771	40,253	42,858
\$ 44,532	\$ 50,651	\$ 47,993	\$ 89,855	\$ 56,654	\$ 55,261
\$ (44,189)	\$ (43,449)	\$ (44,089)	\$ (46,523)	\$ (40,611)	\$ (49,583)
11,385	16,374	12,218	53,581	12,660	13,154
\$ (32,804)	\$ (27,075)	\$ (31,871)	\$ 7,058	\$ (27,951)	\$ (36,429)
\$ 14,394	\$ 15,497	\$ 16,677	\$ 17,645	\$ 18,933	\$ 20,335
9,199	10,196	11,101	12,828	12,089	12,820
18,244	21,357	23,698	26,092	26,263	27,936
5,311	4,595	4,697	4,589	4,407	4,869
-	344	1,254	233	427	381
-	(6,600)	-	-	-	-
-	-	-	-	-	(115)
148	576	481	1,292	266	624
3,916	5,774	3,127	(8,114)	2,730	2,863
51,212	51,739	61,037	54,565	65,115	69,713
314	-	-	-	-	-
(3,353)	(1,329)	(1,451)	382	144	185
(3,916)	(5,774)	(3,127)	762	128	235
(6,955)	(7,103)	(4,578)	8,114	(2,730)	(2,864)
			9,258	(2,458)	(2,444)
7,023	8,290	16,947	7,893	24,503	20,132
4,430	9,271	7,640	19,982	10,202	10,709
\$ 11,453	\$ 17,562	\$ 24,587	\$ 27,875	\$ 34,705	\$ 30,841



Comprehensive Annual Financial Report

June 30, 2018

CITY OF BURLINGAME, CALIFORNIA
FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (modified accrual basis of accounting)
(amounts express in thousands)

	2009	2010	2011 (1)	2012	2013
General Fund:					
Nonspendable			\$ 3	\$ 1	\$ 217
Restricted					
Committed					
Assigned			10,200	11,927	12,300
Unassigned			1,665	3,591	7,430
Reserved	\$ 670	\$ 580			
Unreserved	6,676	6,276			
Total general fund	<u>\$ 7,346</u>	<u>\$ 6,856</u>	<u>\$ 11,868</u>	<u>\$ 15,519</u>	<u>\$ 19,947</u>
All other governmental funds:					
Nonspendable			475	\$ 204	\$ 396
Restricted			5,756	11,898	26,004
Committed					19,412
Assigned			16,140	13,246	1,166
Unassigned					
Subtotal all other governmental funds			22,370	<u>\$ 25,348</u>	<u>\$ 46,978</u>
Reserved	\$ 6,111	\$ 9,024			
Unreserved, reported in:					
Debt service funds					
Special revenue funds	757	739			
Capital projects funds					
Total all other governmental funds	<u>\$ 6,868</u>	<u>\$ 9,763</u>	<u>\$ 34,238</u>	<u>\$ 40,867</u>	<u>\$ 66,925</u>
	2014	2015	2016	2017	2018
General Fund:					
Nonspendable	\$ 221	\$ 224	\$ 337	\$ 215	\$ 6
Restricted				12	4,391
Committed					
Assigned	9,413	18,773	18,638	19,386	19,930
Unassigned	13,251	10,465	11,003	13,659	12,046
Subtotal General Fund	<u>\$ 22,885</u>	<u>\$ 29,462</u>	<u>\$ 29,978</u>	<u>\$ 33,272</u>	<u>\$ 36,373</u>
All other governmental funds:					
Nonspendable	\$ 383	\$ 375	\$ 575		
Restricted	17,417	10,851	21,034	25,196	22,325
Committed	28,063	25,220	20,874	22,359	27,005
Assigned	651	8,762	13,500	20,500	25,800
Unassigned			97	(5)	
Subtotal all other governmental funds	<u>\$ 46,514</u>	<u>\$ 45,208</u>	<u>\$ 56,080</u>	<u>\$ 68,050</u>	<u>\$ 75,130</u>
Total governmental fund balance	<u>\$ 69,399</u>	<u>\$ 74,670</u>	<u>\$ 86,058</u>	<u>\$ 101,322</u>	<u>\$ 111,503</u>

(1) Beginning in fiscal year 2011, the City implemented GASB Statement No. 54 which provided updated guidance on fund balance designation and reporting.

CITY OF BURLINGAME, CALIFORNIA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
REVENUES:					
Property taxes	\$ 12,798	\$ 12,209	\$ 13,310	\$ 13,672	\$ 15,539
Sales and use taxes	8,251	6,276	8,041	8,495	9,199
Transient occupancy taxes	10,155	10,342	13,404	16,183	18,244
Other taxes	2,012	2,159	2,416	2,582	2,970
Licenses and permits	298	92	97	100	102
Fines, forfeitures, and penalties	1,298	467	1,025	889	933
Investment income	959	695	803	472	148
Motor vehicle in lieu tax	83	108	148	-	-
Intergovernmental	1,898	1,506	1,500	1,896	2,115
Charges for services	3,986	6,393	6,121	6,270	6,721
Grant and governmental revenues	824	1,146	662	1,216	267
Other revenue	877	552	845	904	370
Total revenues	43,440	41,945	48,371	52,680	56,608
EXPENDITURES:					
Current					
General government	5,111	4,842	5,458	6,669	5,699
Public safety	19,097	18,830	17,378	18,392	18,895
Public works	6,839	7,231	5,713	9,790	7,834
Community development	890	780	731	1,172	854
Parks, recreation and library	10,319	8,500	8,620	9,463	9,328
Shuttle operations	318	130	139	145	179
Other	-	-	17	-	-
Capital Outlay	11,001	5,028	4,023	-	6,447
Debt service:					
Principal	2,138	2,212	7,526	3,034	3,527
Interest	2,104	1,922	2,425	2,304	2,337
Total expenditures	57,817	49,475	52,031	50,969	55,101
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,377)	(7,530)	(3,660)	1,711	1,507
OTHER FINANCING SOURCES (USES):					
Transfer in	17,398	16,797	26,312	29,276	33,209
Transfer out	(6,686)	(6,861)	(25,029)	(24,763)	(29,293)
Pension obligation bonds issued	-	-	-	-	-
Payment to PERS retirement	-	-	-	-	-
Refund bond issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Proceeds from issuance of debt	-	-	20,300	405	20,637
Payments to refunded bond escrow agent	-	-	(305)	-	-
Total other financing sources (uses)	10,712	9,936	21,278	4,918	24,553
Net change in fund balances	\$ (3,665)	\$ 2,405	\$ 17,618	\$ 6,630	\$ 26,058
Debt service as a percentage of noncapital expenditures	9%	9%	21%	10%	12%

Fiscal Year				
2014	2015	2016	2017	2018
\$ 15,497	\$ 16,677	\$ 17,645	\$ 18,933	\$ 20,335
10,196	11,101	12,828	12,089	12,819
21,357	23,698	26,092	26,263	27,936
2,970	3,048	3,154	3,024	3,216
112	84	86	88	83
874	921	864	898	976
391	374	1,036	309	547
-	-	-	-	-
1,625	1,648	1,435	1,383	1,653
7,704	8,076	7,919	14,284	9,298
1,987	1,867	1,075	779	2,048
345	1,255	391	427	378
<u>63,058</u>	<u>68,749</u>	<u>72,525</u>	<u>78,477</u>	<u>79,289</u>
5,989	4,434	4,917	5,148	5,604
20,082	23,231	25,057	25,646	26,448
11,280	8,311	7,330	6,238	6,617
1,041	1,244	1,406	1,531	1,812
10,485	15,145	12,725	13,590	15,642
188	135	137	150	160
-	-	-	-	-
3,205	6,594	3,885	4,863	8,080
4,631	4,964	5,832	5,596	5,246
2,752	2,548	2,633	3,182	2,364
<u>59,654</u>	<u>66,607</u>	<u>63,922</u>	<u>65,944</u>	<u>71,973</u>
<u>3,404</u>	<u>2,142</u>	<u>8,603</u>	<u>12,533</u>	<u>7,316</u>
33,520	33,694	30,150	26,378	29,605
(34,448)	(30,567)	(38,264)	(23,648)	(26,741)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,045	-	-
-	-	9,855	-	-
-	-	-	-	-
<u>(929)</u>	<u>3,127</u>	<u>2,786</u>	<u>2,730</u>	<u>2,864</u>
<u>\$ 2,473</u>	<u>\$ 5,270</u>	<u>\$ 11,389</u>	<u>\$ 15,263</u>	<u>\$ 10,180</u>
13%	13%	14%	14%	12%

CITY OF BURLINGAME, CALIFORNIA
ASSESSED VALUES OF TAXABLE PROPERTY
Last Ten Fiscal Years

Category	2008-09	2009-10	2010-11	2011-12	2012-13
Residential	\$ 4,752,698,976	\$ 4,919,813,993	\$ 4,964,900,673	\$ 5,067,435,558	\$ 5,292,630,080
Commercial	1,205,209,020	1,229,890,648	1,197,204,546	1,203,204,597	1,264,338,491
Industrial	403,343,837	417,397,081	445,945,589	449,409,192	469,569,724
Government	1,718,546	1,752,914	477,622	481,217	490,841
Institutional	27,466,494	23,302,586	5,108,197	5,179,683	5,313,527
Miscellaneous	2,386,992	6,116,146	47,603,695	46,149,474	47,731,445
Recreational	20,570,100	17,974,577	21,392,656	21,565,053	21,330,221
Vacant Land	43,891,543	46,610,281	50,379,786	44,684,470	53,260,644
SBE Nonunitary	3,837,425	3,837,425	3,680,597	2,560,452	2,560,452
Unsecured	300,758,515	299,902,769	274,429,627	270,906,684	275,840,943
Unknown	145,525	-	-	-	-
TOTALS	\$ 6,762,026,973	\$ 6,966,598,420	\$ 7,011,122,988	\$ 7,111,576,380	\$ 7,433,066,368
Total Direct Rate	0.14522	0.14521	0.14520	0.14519	0.14209

Note:

Exempt values are not included in the total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: San Mateo County Assessor 2008/09 - 2017/18 Combined Tax Rolls

2013-14	2014-15	2015-16	2016-17	2017-18
\$ 5,657,587,039	\$ 6,106,922,682	\$ 6,543,165,637	\$ 6,996,722,454	\$ 7,392,749,191
1,304,028,690	1,406,432,281	1,487,657,043	1,665,932,944	1,857,291,724
487,612,064	491,904,917	500,290,183	523,550,270	545,609,274
1,131,741	1,136,878	16,859,592	17,116,700	17,459,033
5,686,994	6,739,774	5,545,746	5,634,571	5,743,999
52,216,889	52,541,265	63,818,615	76,577,551	102,398,944
21,756,820	27,696,881	30,269,253	30,095,025	30,696,916
61,242,201	42,238,634	43,082,544	62,448,455	63,823,350
2,560,452	2,560,452	2,763,435	2,763,435	2,763,435
302,712,785	307,284,506	324,903,282	329,134,973	338,411,794
45,233,193	-	-	-	-
<u>\$ 7,941,768,868</u>	<u>\$ 8,445,458,270</u>	<u>\$ 9,018,355,330</u>	<u>\$ 9,709,976,378</u>	<u>\$ 10,356,947,660</u>
0.14205	0.14235	0.14250	0.14246	0.14245

CITY OF BURLINGAME, CALIFORNIA
NET TAXABLE ASSESSED VALUE HISTORY
Last Ten Fiscal Years

TAXABLE PROPERTY VALUES

LIEN YEAR	SECURED	UNSECURED	SBE NONUNITARY	NET TOTAL	% CHANGE
				ASSESSED VALUE	
2008/09	\$ 6,457,431,033	\$ 300,758,515	\$ 3,837,425	\$ 6,762,026,973	5.91%
2009/10	6,662,858,226	299,902,769	3,837,425	6,966,598,420	3.03%
2010/11	6,733,012,764	274,429,627	3,680,597	7,011,122,988	0.64%
2011/12	6,838,109,244	270,906,684	2,560,452	7,111,576,380	1.43%
2012/13	7,154,664,973	275,840,943	2,560,452	7,433,066,368	4.52%
2013/14	7,636,495,631	302,712,785	2,560,452	7,941,768,868	6.84%
2014/15	8,135,613,312	307,284,506	2,560,452	8,445,458,270	6.34%
2015/16	8,690,688,613	324,903,282	2,763,435	9,018,355,330	6.78%
2016/17	9,378,077,970	329,134,973	2,763,435	9,709,976,378	7.67%
2017/18	10,015,772,431	338,411,794	2,763,435	10,356,947,660	6.66%

Source: San Mateo County Assessor

CITY OF BURLINGAME, CALIFORNIA
PROPERTY TAX RATES--DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(per \$100 of assessed value)

Fiscal Year	General County, City and Schools ⁽¹⁾⁽²⁾	DEBT AND/OR SPECIAL ASSESSMENTS						Total Tax Rate
		City	County	Peninsula Hospital	Community College District	Elementary School District	High School District	
	\$	\$	\$	\$	\$	\$	\$	\$
2009	1.000000	0.000000	0.000000	0.000000	0.016500	0.108300	0.029800	1.154600
2010	1.000000	0.000000	0.000000	0.000000	0.018200	0.127400	0.031900	1.177500
2011	1.000000	0.000000	0.000000	0.000000	0.019300	0.132300	0.032200	1.183800
2012	1.000000	0.000000	0.000000	0.000000	0.019900	0.138800	0.038300	1.197000
2013	1.000000	0.000000	0.000000	0.000000	0.019400	0.144800	0.038100	1.202300
2014	1.000000	0.000000	0.000000	0.000000	0.019400	0.177200	0.035500	1.232100
2015	1.000000	0.000000	0.000000	0.000000	0.019000	0.101500	0.047500	1.168000
2016	1.000000	0.000000	0.000000	0.000000	0.025000	0.090000	0.046600	1.161600
2017	1.000000	0.000000	0.000000	0.000000	0.024700	0.082400	0.041500	1.148600
2018	1.000000	0.000000	0.000000	0.000000	0.023500	0.103800	0.043300	1.170600

City's Share of 1% Levy Per Prop 13 ⁽³⁾ 0.17065

Redevelopment Rate ⁽⁴⁾ 0.0000

Total Direct Rate 0.14245

Note:

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies in which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(3) City's share of 1% levy is based on the City's share of the General Fund tax rate area with the largest net taxable value within the city. Educational Revenue Augmentation Fund (ERAF) General Fund tax shifts may not be included in tax ratio figures.

(4) Redevelopment Agency (RD) rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State Statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated RDA from the State of California for the fiscal year 2012/13 and years thereafter.

(5) Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013-14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012-13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

CITY OF BURLINGAME, CALIFORNIA
TOP TEN PROPERTY TAXPAYERS
June 30, 2018
(amounts expressed in thousands)

Taxpayer	2018			Taxpayer	2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)
HMC Burlingame Hotels LLC	\$ 220,369	1	2.13%	Bay Park Plaza Associates	\$ 111,392	1	1.65%
EQR-NorthPark LP	122,952	2	1.19%	HMC Burlingame Hotel LLC	110,887	2	1.64%
Inland American Lodging Burlingame LLC	112,663	3	1.09%	HMH SFO Inc.	76,089	3	1.13%
Burlingame Bay LLC	92,105	4	0.89%	Stellar Skyline LLC	45,671	4	0.68%
MNCVAD-Harvest One Bay LLC	72,420	5	0.70%	Felcor CSS Holdings LP	45,178	5	0.67%
Felcor CSS Holdings LP	66,927	6	0.65%	CRP BAHF SFO	32,561	6	0.48%
Burlingame Point LLC	49,434	7	0.48%	FB Riveroaks LLC	29,525	7	0.44%
EQR Skyline Terrace LP	47,010	8	0.45%	Harbor View Hotels Inc.	27,972	8	0.41%
Romel Chicago LLC	41,387	9	0.40%	Glenborough Rollins Road LLC	26,520	9	0.39%
Green Banker LLC	38,924	10	0.38%	350 Beach Road LLC	26,010	10	0.38%
	<u>\$ 864,191</u>		<u>8.34%</u>		<u>\$ 531,805</u>		<u>7.86%</u>

(1) 2017-18 Local Combined Assessed Valuation \$ 10,356,948

Source: San Mateo County Assessor Combined Tax Rolls and the SBE Non Unitary Tax Roll

CITY OF BURLINGAME, CALIFORNIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected Within Year of Levy		Delinquent Tax Collections	Total Collections	
		Current Tax Collections	% of Levy		Total Tax Collections	% of Levy
2009	\$ 11,304,881	\$ 9,730,358	86.07%	-	\$ 9,730,358	86.07%
2010	11,653,813	8,840,920	75.86%	-	8,840,920	75.86%
2011	11,729,356	10,050,908	85.69%	-	10,050,908	85.69%
2012	11,900,220	10,976,456	92.24%	-	10,976,456	92.24%
2013	12,446,101	11,762,421	94.51%	-	11,762,421	94.51%
2014	13,312,310	12,745,227	95.74%	-	12,745,227	95.74%
2015	14,167,158	13,744,014	97.01%	-	13,744,014	97.01%
2016	15,144,338	14,512,541	95.83%	-	14,512,541	95.83%
2017	16,321,692	15,570,855	95.40%	-	15,570,855	95.40%
2018	17,425,188	16,758,071	96.17%	-	16,758,071	96.17%

Notes:

(1) In fiscal year 2009-10 as part of the State of California's budget balancing actions, the State borrowed \$1,145,268 of the City's property tax revenue, with the promise to repay the Prop 1A loan in three years with 2% interest. These amounts were fully reimbursed by the State of California as of June 30, 2013.

(2) Current tax collections are less than the levy due to roll corrections, county administrative charges, and other adjustments which may occur after the date of levy.

(3) The City participates in the Teeter Plan under California State law. Under the Teeter Plan, the County remits the entire tax levy and manages delinquent tax collections with the associated interest and penalties.

Source: San Mateo County Controller's Office; Audited City financial records

CITY OF BURLINGAME, CALIFORNIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Other Taxes	Inter- governmental Revenues	Total
2009	\$ 12,798	\$ 8,251	\$ 10,155	\$ 1,782	\$ 1,898	\$ 34,884
2010	13,355	6,276	10,342	1,857	1,506	33,336
2011	13,310	8,041	13,404	2,070	1,500	38,325
2012	13,672	8,495	16,183	2,582	1,896	42,828
2013	14,394	9,199	18,244	4,217	2,115	48,169
2014	15,497	10,196	21,357	2,970	1,625	51,645
2015	16,677	11,101	23,698	3,048	1,648	56,172
2016	17,645	12,828	26,092	3,154	1,435	61,154
2017	18,933	12,089	26,263	3,024	1,383	61,692
2018	20,335	12,820	27,936	3,216	1,653	65,960

Source: Audited City Financial records - Governmental Funds

CITY OF BURLINGAME, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Lease Revenue Bond	Storm Drainage	Pension Obligation Bonds	State Loans	Lease Purchase	Sewer Bonds	Water Bonds			
2009	\$ 4,530,000	\$ -	\$ 29,020,000	\$ 10,249,390	\$ -	\$ 24,250,000	\$ 29,550,000	\$ 97,599,390	7.66%	3,326
2010	3,950,000	-	27,605,000	9,791,549	-	22,400,000	28,600,000	92,346,549	6.61%	3,173
2011	11,555,000	9,805,000	26,010,000	11,776,097	1,500,000	20,470,000	27,625,000	108,741,097	7.78%	3,736
2012	10,935,000	9,560,000	24,235,000	13,466,890	1,305,907	18,225,000	25,925,000	103,652,797	6.91%	3,522
2013	19,985,000	19,630,000	22,275,000	364,204	1,104,952	17,525,000	24,895,000	105,779,156	7.14%	3,563
2014	18,889,859	19,596,924	20,095,000	320,209	897,598	30,260,807	24,550,763	114,611,160	7.74%	3,861
2015	16,999,489	19,083,477	17,695,000	274,884	683,639	28,729,137	23,372,756	106,838,382	6.41%	3,597
2016	15,040,564	28,920,064	15,050,000	228,210	462,866	27,143,163	22,154,450	108,999,317	6.03%	3,667
2017	13,773,133	28,060,024	12,145,000	-	-	25,861,091	21,262,243	101,101,491	5.44%	3,353
2018	12,465,703	27,169,985	8,970,000	-	-	24,129,246	19,895,915	92,630,849	4.77%	3,058

Note:

Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements.
Furthermore, please reference the schedule of Demographic and Economic Statistics for personal income and per capita data. Data for calendar year 2018 is not available.
Therefore, in order to present a useful estimate, personal income data for calendar year 2016 has been used.

CITY OF BURLINGAME, CALIFORNIA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Net Total Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Burlingame Population	Per Capita
2008	\$ 30,280,000	\$ 6,384,850,363	0.47%	\$ 28,453	\$ 1,064
2009	29,020,000	6,762,026,973	0.43%	28,762	1,009
2010	27,605,000	6,966,598,420	0.40%	29,050	950
2011	26,010,000	7,011,122,988	0.37%	29,342	886
2012	24,235,000	7,111,576,380	0.34%	29,106	833
2013	22,275,000	7,433,066,368	0.30%	29,426	757
2014	20,095,000	7,941,768,868	0.25%	29,685	677
2015	17,695,000	8,445,458,270	0.21%	29,700	596
2016	15,050,000	9,018,355,330	0.17%	29,724	506
2017	12,145,000	9,709,976,378	0.13%	30,148	403
2018	8,970,000	10,356,947,660	0.09%	30,294	296

Note:

The City has had no general obligations bonds outstanding over the last ten years. However, because the 2006 Pension Obligation Bonds are to be repaid with general government resources, they are shown as general obligation bonds included in this table.

CITY OF BURLINGAME, CALIFORNIA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT*
June 30, 2018

2017-18 Assessed Valuation** : \$ 10,356,947,660

	Total Debt June 30, 2018	Percent Applicable (1)	City's share of Debt June 30, 2018
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 576,424,069	5.005%	\$ 28,850,025
San Mateo Union High School District	525,549,991	14.249%	74,885,618
Burlingame School District	124,377,486	94.668%	117,745,678
Hillsborough School District	69,062,002	0.152%	104,974
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,295,413,548		\$ 221,586,295
<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>			
San Mateo County General Fund Obligations	\$ 366,157,077	5.005%	\$ 18,326,162
San Mateo County Board of Education Certificates of Participation	8,745,000	5.005%	437,687
Burlingame School District Certificates of Participation	3,443,660	94.668%	3,260,044
City of Burlingame General Fund Obligations (Net)	12,465,703	100.000%	12,465,703
City of Burlingame Pension Obligation Bond	8,970,000	100.000%	8,970,000
City of Burlingame - Storm Drainage Revenue Bonds, Series 2010 (Net)	8,144,661	100.000%	8,144,661
City of Burlingame - Storm Drainage Revenue Bonds, Series 2012 (Net)	9,293,475	100.000%	9,293,475
City of Burlingame - Storm Drainage Revenue Bonds, Series 2016 (Net)	9,731,849	100.000%	9,731,849
TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT	\$ 426,951,425		\$ 70,629,581
Less: City of Burlingame General Fund Obligations supported from enterprise revenues			2,151,600
Less: City of Burlingame Pension Obligations supported by enterprise revenues			2,242,500
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 66,235,481
TOTAL GROSS DIRECT DEBT			\$ 48,605,688
TOTAL NET DIRECT DEBT			\$ 44,211,588
TOTAL OVERLAPPING DEBT			\$ 243,610,188
GROSS COMBINED TOTAL DEBT			\$ 292,215,876
NET COMBINED TOTAL DEBT (2)			\$ 287,821,776

Ratios to 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.14%	* Source: California Municipal Statistics, Inc.
Total Gross Direct Debt	0.47%	** Total assessed valuation less other exemptions
Total Net Direct Debt	0.43%	Source: San Mateo County Assessor
Gross Combined Total Debt	2.82%	
Net Combined Total Debt	2.78%	

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Burlingame. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore responsible for repaying the debt of each overlapping government.

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Source: California Municipal Statistics

CITY OF BURLINGAME, CALIFORNIA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(amount expressed in thousands)

	2009	2010	2011	2012	Fiscal Year 2013	2014	2015	2016	2017	2018
Debt limit	\$ 253,576	\$ 261,247	\$ 266,684	\$ 295,550	\$ 295,550	\$ 297,816	\$ 299,010	\$ 323,138	\$ 351,979	\$ 379,416
Pension Obligation Bond	\$ 29,020	\$ 27,605	\$ 26,010	\$ 24,235	\$ 22,275	\$ 20,095	\$ 17,695	\$ 15,050	\$ 12,145	\$ 8,970
Total net debt applicable to the limit as a percentage of debt limit	11.4%	10.6%	9.8%	8.2%	7.5%	6.7%	5.9%	4.7%	3.5%	2.4%

Legal Debt Margin Calculation for Fiscal Year 2018

Gross Assessed Valuation	\$ 10,356,947,660
Multiplied by: (1)	0.0375
	<u>388,385,537</u>
Less: Amount of Debt Applicable to Limit	8,970,000
Legal Debt Margin	<u><u>\$ 379,415,537</u></u>

(1) California Government, Code Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% (one-fourth the limit of 15%).

CITY OF BURLINGAME, CALIFORNIA
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Water Charges	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
2009	11,800,380	6,801,139	4,999,241	925,000	1,279,173	2.27
2010	11,515,884	6,874,120	4,641,764	950,000	1,249,998	2.11
2011	12,734,554	7,747,436	4,987,118	975,000	1,218,998	2.27
2012	13,708,448	9,112,553	4,595,895	1,225,000	1,232,332	1.87
2013	14,874,705	9,577,242	5,297,463	1,220,000	1,295,085	2.11
2014	16,023,092	8,955,437	7,067,655	1,125,000	942,966	3.42
2015	15,425,234	9,507,833	5,917,401	1,095,000	964,149	2.87
2016	15,178,439	9,945,476	5,232,963	1,135,000	928,601	2.54
2017	16,385,236	10,933,600	5,451,636	1,240,000	705,220	2.80
2018	18,635,292	11,843,823	6,791,469	1,180,000	772,751	3.48

Wastewater Revenue Bonds						
Fiscal Year	Wastewater Charges	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
2009	12,466,935	6,763,470	5,703,465	350,000	845,798	4.77
2010	12,534,507	6,578,950	5,955,557	365,000	835,723	4.96
2011	14,566,587	6,927,346	7,639,241	375,000	824,648	6.37
2012	16,157,287	6,932,146	9,225,141	405,000	786,381	7.74
2013	16,791,449	6,297,799	10,493,650	700,000	780,966	7.09
2014	16,931,432	6,448,667	10,482,765	750,000	693,981	7.26
2015	15,679,343	7,071,969	8,607,374	750,000	695,633	5.95
2016	15,634,340	6,973,545	8,660,795	785,000	668,183	5.96
2017	15,821,906	7,081,664	8,740,242	870,000	470,705	6.52
2018	15,866,790	7,994,847	7,871,943	795,000	541,101	5.89

Notes:

Details regarding the City's outstanding debt can be found in the Notes to the Basic Financial Statements.

Operating expenses, for purposes of calculating debt service coverage, do not include depreciation and amortization. The above reference debt service only includes parity debt.

CITY OF BURLINGAME, CALIFORNIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Calendar Year	Population (1)	Personal Income (amounts expressed in thousands)(2)	Per Capita Personal Income (2)	% of Population 25+ with High School Degree (3)	% of Population 25+ with Bachelor's Degree (3)	Unemployment Rate (4)
2008	28,762	\$ 1,747,107	\$ 60,744	N/A	N/A	3.5%
2009	29,050	1,700,088	58,523	95.3%	53.6%	6.2%
2010	29,342	1,274,382	43,432	94.4%	51.8%	6.5%
2011	29,106	1,396,972	47,996	94.1%	53.4%	5.8%
2012	29,426	1,500,785	51,002	95.2%	54.1%	3.7%
2013	29,685	1,480,747	49,882	95.2%	54.6%	3.0%
2014	29,700	1,667,596	56,148	95.5%	58.3%	3.3%
2015	29,724	1,808,528	60,844	95.8%	58.0%	2.6%
2016	30,148	1,856,902	61,592	96.6%	58.5%	2.3%
2017	30,294	1,943,371	64,150	96.3%	60.5%	2.2%

Sources:

(1) California State Department of Finance

(2) Income Data: ESRI provided by HDL, Coren & Cone

(3) For 2007-2008, education level attained for population 25 years of age and over was not available.

(4) State of California Employment Development Department for San Mateo County

CITY OF BURLINGAME, CALIFORNIA
PRINCIPAL EMPLOYERS
Last Fiscal Year and Nine Years Ago

	2017-18		2008-09	
Business Name	Number of Employees	Percent of Total Employment (%)	Number of Employees (1)	Percent of Total Employment (%)
Mills-Peninsula Medical Center - Sutter Health	1,960	10.71%		
Lufthansa Service Holding Group Sky Chefs Inc	569	3.11%	281	1.93%
Hyatt Regency SF Airport*	425	2.32%	467	3.21%
Flying Food Group**	425	2.32%	236	1.62%
Lahlouh Inc.	350	1.91%	218	1.50%
Burlingame School District	327	1.79%		
Burlingame Long Term Care	297	1.62%		
Guittard Chocolate CO*	267	1.46%		
American Medical response*	228	1.25%		
Hilton-San Francisco Airport	176	0.96%		
Classic Party Rentals			521	3.58%
ECC Remediation Services Corp			460	3.16%
Critchfield Mechanical, Inc			371	2.55%
SF Airport Marriott			350	2.40%
Virgin America			257	1.77%
Goldberg & Solovy Foods, Inc			244	1.68%
Total Top 10 Employers	5,024	27.45%	3,405	23.39%
 Total City Labor Force (2)	 18,300		 14,556	

Source: Avenu Insights & Analytics

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

* Includes full and part time

** Includes 2 locations in Burlingame

(1) Prior year data provided by previous CAFR.

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

CITY OF BURLINGAME, CALIFORNIA**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION****Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government	19.13	19.00	18.00	18.00	18.00	18.00	19.00	19.63	19.88	19.88
Public safety										
Police:										
Officers	42.00	39.00	37.00	37.00	37.00	37.00	37.00	37.00	39.00	39.00
Civilians	20.00	19.00	18.25	18.25	17.25	19.25	19.25	20.00	20.00	20.00
Fire:										
Firefighters and officers	44.00	43.00	-	-	-	-	-	-	-	-
Civilians	1.75	1.75	-	-	-	-	-	-	-	-
Public works	56.30	59.55	61.15	61.15	61.14	61.75	62.74	62.99	62.99	64.99
Community development	12.00	12.00	10.00	10.00	10.00	11.00	11.00	11.75	12.75	12.75
Leisure and culture	55.42	52.29	49.77	49.77	49.52	51.67	52.18	53.93	54.38	54.38

Note:

The Central County Fire Department (CCFD) is a Joint Powers Authority shared by the Town of Hillsborough and City of Burlingame.

Please refer to the Notes to the Financial Statements which define the reporting entity. CCFD is a non-disclosed organization, independently governed, and therefore, no longer a reporting unit of the City.

Source: City of Burlingame



Comprehensive Annual Financial Report

June 30, 2018

CITY OF BURLINGAME, CALIFORNIA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2009	2010	2011	2012	2013
Function					
Police					
Calls for Service	28,481	29,124	30,865	39,724	41,651
Physical arrests	343	438	348	508	560
Crimes Reported	2,296	1,797	1,516	1,879	1,799
Traffic Stops	6,354	5,255	3,683	5,692	8,057
Fire					
Number of calls answered	4,205	4,267	4,152	N/A	N/A
Inspections	1,299	1,414	4,195	5,700	5,662
Public works					
Street repair (sq. ft.)	15,529	10,000	14,154	10,678	15,560
Sidewalk & curb repair (sq. ft.)	8,278	4,000	5,468	2,539	1,985
City planning					
Plans checked	500	364	355	366	499
Planning applications reviewed	187	131	144	134	125
Building					
Permit issued	N/A	N/A	N/A	1,075	1,229
Inspections conducted	N/A	N/A	N/A	5,161	5,662
Leisure and culture					
Recreation Class Participants	14,318	13,607	13,821	13,657	11,982
Library circulation	698,558	713,394	696,096	721,132	761,795
Tree plantings	466	222	229	164	271
Tree trimmings	1,576	1,831	1,785	1,712	1,621
Water					
New connections	17	50	37	20	10
Main and valve repairs	61	15	19	19	15
Millions of gallons purchased (millions of gallons)	1,561	1,600	1,474	1,190	1,519
Wastewater					
Average daily sewage treatment (millions of gallons)	3.82	3.30	2.60	2.60	2.60
Preventive Maintenance, main cleaning (F	450,937	450,000	404,488	299,212	330,586

Source: Various city department records.

Aquatic Center registrations are not included in fiscal year 2013, due to the transition of programming responsibility from the City of Burlingame to the Burlingame Aquatics Club.

Police statistical data has been presented on a calendar year basis.

Central County Fire Department data is now reported with the Central County Fire Department CAFR.

2014	2015	2016	2017	2018
40,773	40,854	41,553	41,673	46,540
634	586	770	768	800
1,787	1,878	2,222	1,885	1,915
9,455	6,506	4,812	5,003	5,178
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
12,600	13,650	12,545	13,704	9,891
2,100	43,789	2,557	52,557	4,262
554	500	494	418	436
94	120	86	112	129
1,185	1,230	1,280	1,226	1,278
5,280	5,600	6,135	5,722	7,433
13,428	13,424	13,331	13,787	14,537
753,694	647,128	720,000	688,058	658,754
230	198	271	240	257
1,943	2,866	1,520	1,830	2,081
21	16	20	4	2
17	26	16	22	21
1,497	1,340	1,164	1,058	1,232
2.60	3.00	2.81	3.55	2.82
270,000	366,774	220,192	202,812	342,422

CITY OF BURLINGAME, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION
FOR FISCAL YEAR 2017-18 (COMPARED TO 5 YEARS AGO)

	2013	2018
Function		
Public works		
Streets (miles)	152	152
Streetlights	1,800	1,800
Traffic signals	17	18
Water		
Water mains (miles)	107	107
Fire hydrants	822	887
Maximum daily capacity (thousands of gallons)	2,850	2,850
Sewer		
Sanitary sewers (miles)	98	130
Storm sewers (miles)	42.0	50.0
Maximum daily treatment capacity (thousands of gallons)	4,100	4,100
Storm drain pump station	5	5

Note:

Historical data is not available.

Includes Hillside Fire Station which is currently closed.

Source: City of Burlingame

**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 Mayor and Members of City Council
of the City of Burlingame, California

We have audited, in accordance with the 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, the basic financial statements of the City of Burlingame, California, as of and for the year ended June 30, 2018, and have issued our report thereon dated October 26, 2018.

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) to determine the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated October 26, 2018 which is an integral part of our audit and should be read in conjunction with this report.

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.

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

Pleasant Hill, California
October 26, 2018