



# Fiscal Year 2012-13 Comprehensive Annual Financial Report

**City of Burlingame, California**

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2013**

**Prepared by  
City of Burlingame Finance Department**

**CITY OF BURLINGAME, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2013**

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## **INTRODUCTORY SECTION**



Comprehensive Annual Financial Report  
June 30, 2013



**Burlingame Finance Department**  
501 Primrose Road Burlingame, CA 94010-3997  
650-558-7200 Fax: 650-342-8386 [www.burlingame.org](http://www.burlingame.org)

December 24, 2013

To the Honorable Mayor, Members of the Council, and Citizens of Burlingame:

I am pleased to submit the Comprehensive Annual Financial Report of the City of Burlingame, California (City) for the fiscal year ended June 30, 2013. 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).

Management takes responsibility for the accuracy of the data presented and the completeness and fairness of financial presentations and disclosures. Information contained in this report is based upon a comprehensive framework of internal control 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 Brown Armstrong performed the audit for fiscal year ended June 30, 2013. 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, 2013, 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, 2013, 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.

### **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. A City Clerk is elected to a

four-year term and serves as elections officer and clerk to City Council and City. In November 2009, the voters approved a ballot measure changing the City Clerk to an appointed position, effective December 2013. The City Council has delegated the appointment of the City Clerk to the City Manager. 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 193 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 the City of San Francisco. According to the State Department of Finance, the population for the City of Burlingame is 29,426, a 1.1% increase from 2012.

### **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 and Building. Annual appropriations lapse at the end of the fiscal year for all funds except Capital Projects. Budgets are prepared on the same basis of accounting as the associated financial statements.

Long-term financial planning has been enhanced and is a formal part of the City's long range financial management process. A five-year budget forecast has been developed and was instrumental in projecting future revenues and expenditures and facilitate current resource allocation decisions. In addition, the City's capital facilities plan will continue to guide the five-year capital program and budget.

The budget process starts in January. The City prepares a five-year forecast of capital needs and prepares the five-year capital program. The City Council establishes overarching goals for the upcoming fiscal year, with strategies to support each goal. Staff prepares a short-term forecast of future expenditures including personnel costs, contracts, and other known expenses. The City Council uses the information to set budget parameters while addressing citizen needs within the resources at hand.

With City Council guidance, departments prepare their budgets during March and April. All budgets are reviewed by the Finance Department, which prepares the final document. The City Manager's proposed budget is delivered to the City Council in May. The City Council reviews and adopts the final budget in June.

A mid-year financial report is presented to help the City Council assess and evaluate budget performance during the year and adjust the budget as appropriate. The five year forecast of financial condition is updated at this time, providing an appropriate context for preparation of the budget for the subsequent fiscal year.

During the year, budget amendments within departments may be approved by the City Manager. Increases in department appropriations require City Council approval.

### **Assessment of Economic Condition**

The economic outlook for the City of Burlingame continues to improve, and for the short-term, low-to-moderate revenue growth in the General Fund can be anticipated. Key components of the continued recovery are employment and real estate.



## **Employment**

Locally, unemployment in San Mateo County remains comparatively low when contrasted to other areas of the state and is expected to improve. According to the State of California Employment Development Department, the unemployment rate in San Mateo County was 5.1% in October 2013, which is below last year's rate of 6.5% for the San Francisco-San Mateo-Redwood City metropolitan area. As such, the region continues to fare better than the State of California's average unemployment rate of 8.3%. According to the UCLA Anderson Forecast, "statewide employment is expected to grow 2.8% in 2014 and 3.1% in 2015. Payrolls will grow at 1.4% and 2.2% in the respective forecast years. Real personal income growth is forecast to be 1.8% in 2013 followed by 3.1% in 2014. Unemployment will fall through 2013 and will average approximately 9.7% for the year. In 2014 it is expected that the unemployment rate will drop to 8.4% on average, a percent higher than the U.S. forecast."

Between September 2013 and October 2013, the number of jobs in Marin, San Francisco, and San Mateo counties increased by 10,300, totaling 1,041,800. Of this amount, professional and business service jobs increased by a net 4,900; public and private school jobs increased by a net 3,200; and trade, transportation, and utilities jobs increased by a net 1,700, with the majority of the increase due to employment from retail. However, jobs in the financial services sector declined by 400 jobs, with the majority of the loss from the general finance, accounting and insurance sector.

## **Real Estate & Property Taxes**

According to data obtained from the San Mateo County Assessor, the City has 8,626 parcels with a total assessed value of \$7.8 billion, an increase of \$388.8 million from 2011-12. County-wide assessed value increased over 3.3%. Although this is welcome news, there are sharp contrasts among cities within the county. Atherton posted a 9.0% increase, while East Palo Alto saw a 2.5% decrease.

Property tax, which is based on assessed value, is one of the City's largest revenue sources, and it accounts for approximately 30% of General Fund revenue. In fiscal year 2012-13 property tax receipts were \$15.4 million, which was an increase of 14.0% compared to the prior year. This was partly due to the State of California's reimbursement of Proposition 1A property taxes of \$1.1 million, a long-term borrowing tactic which used 8% of local property tax revenue to balance the State budget in 2009.

According to DataQuick, the median price of homes sold in Burlingame during October 2012 was \$1,545,000, with a volume of 44 homes sold. This is a 6.6% year-over-year increase in the median home sales price. In San Mateo County, 695 homes were sold, with a median value of \$690,000, a 10.14% year-over-year increase in sales price since October 2012. The State of California's Department of Finance also reports that Burlingame has 13,027 housing units within the City limits, and the homeowner vacancy rate is 1.3%.

## **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 most 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 it 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. This area will be further enhanced by the Burlingame Avenue Streetscape Improvement Project, scheduled for completion in Summer 2014.

The project will provide an update to sidewalks, parking, street lights, street furniture, parking meters and landscaping in downtown Burlingame.

Sales and use taxes account for 18% of General Fund revenue in the 2012-13 fiscal year. The top 25 sales tax producers in Burlingame account for over 50% of total sales tax revenue, and include several auto dealers, hotels, general merchandise stores and restaurants. Although in recent years the economic downturn had an adverse effect on sales and use tax revenues, there is evidence of recovery based upon fiscal year 2012-13 receipts. Sales and Use Tax revenues were \$9.2 million, which is an 8.3% increase over the prior year's receipts of \$8.5 million. This marks the City's return to pre-recessionary sales tax receipts, which were approximately \$9 million prior to 2008.

### **Tourism and Business Travel**

Burlingame's 13 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO) and a total of approximately 3,742 rooms available for rental. As the City's largest revenue source, transient occupancy tax revenues account for 36% of all General Fund revenues, and grew 13% compared to the prior year. Tax receipts increased by \$2.1 million over prior year revenues of \$16.2 million. Hotel occupancy rates are indicative of continued improvement in the economy. Occupancy rates trended at 80% or higher, with average revenue per available room increasing approximately 12.8% in the San Francisco-San Mateo region during calendar year 2012.

### **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. The proprietary funds are accounted for using the accrual basis of accounting. 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 manages the portfolio of funds in accordance with the city council adopted investment policy and Government Code Sections 53601 and 56535. The Director submits a monthly investment report to the Council. The Council also reviews and approves the City's investment policy annually in January.

**Risk Management:** The City is a member of the Association of Bay Area Governments Pooled Liability Assurance Network Corporation (ABAG PLAN), a non-profit public benefit corporation 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 statutory limit, with a self-insured retention of \$500,000 per claim. The City maintains reserves for all claims below its self-insured retention in a separate Internal Service Fund, and charges the costs of the program to operating departments. 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 and an AA+ rating for its water and wastewater debt as issued by Standard & Poor's Rating Service. Both ratings have been re-affirmed. In fiscal year 2012-13, the City had ten outstanding bond issues, including a taxable bond issue for pension obligations, and two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant. During the year, the City issued the Lease Revenue Bond, Series 2012 to fund construction for the Burlingame Avenue Streetscape project and the Storm Drain Revenue Bond, Series 2012 to fund the City's ongoing storm drain capital improvement program. Both bonds were issued in December 2012. In June 2013, the Burlingame Financing Authority issued the Water and Wastewater Refunding Bonds, Series 2013 to defease the Water and Wastewater Revenue Bonds, Series 2004, in order to take advantage of a more advantageous interest rate environment.

The City has no general obligation debt. As of June 30, 2013, the City's general obligation debt limit was \$295 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.

Additional information pertaining to the City's outstanding long-term debt can be found under Long-Term Debt (Note 5) in the Notes to the 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, 2012. The City has received the award for 13 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**

Special thanks go to Diana Truong Narahara, the City's Financial Services Manager, and Senior Accountant Amy Bernardo, for their work in overseeing the fiscal year-end close, annual audit and compilation of these financial reports. Their diligent work, as well as the overall contributions of the entire Finance Department staff, was instrumental in ensuring the successful completion of this document.

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,

A handwritten signature in blue ink, appearing to read "Lisa K. Goldman".

Lisa K. Goldman  
City Manager

A handwritten signature in blue ink, appearing to read "Carol Augustine".

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, 2012**

Executive Director/CEO



**CITY OF BURLINGAME, CALIFORNIA  
ELECTED AND APPOINTED OFFICIALS  
FISCAL YEAR ENDED JUNE 30, 2013**

**CITY COUNCIL**

Ann Keighran, Mayor .....November 2013  
Michael Brownrigg, Vice Mayor.....November 2013  
Cathy Baylock.....November 2013  
Jerry Deal .....November 2015  
Terry Nagel.....November 2015

**CITY MANAGER**

Lisa K. Goldman

**DEPARTMENT DIRECTORS**

Community Development..... William Meeker  
Finance Director & Treasurer..... Carol Augustine  
Central County Fire (JPA) Chief ..... Mark Ladas  
Human Resources ..... Deirdre Dolan  
Library ..... Patricia Harding  
Parks & Recreation..... Margaret Glomstad  
Police..... Edward Wood  
Public Works ..... Syed Murtuza

**CITY CLERK**

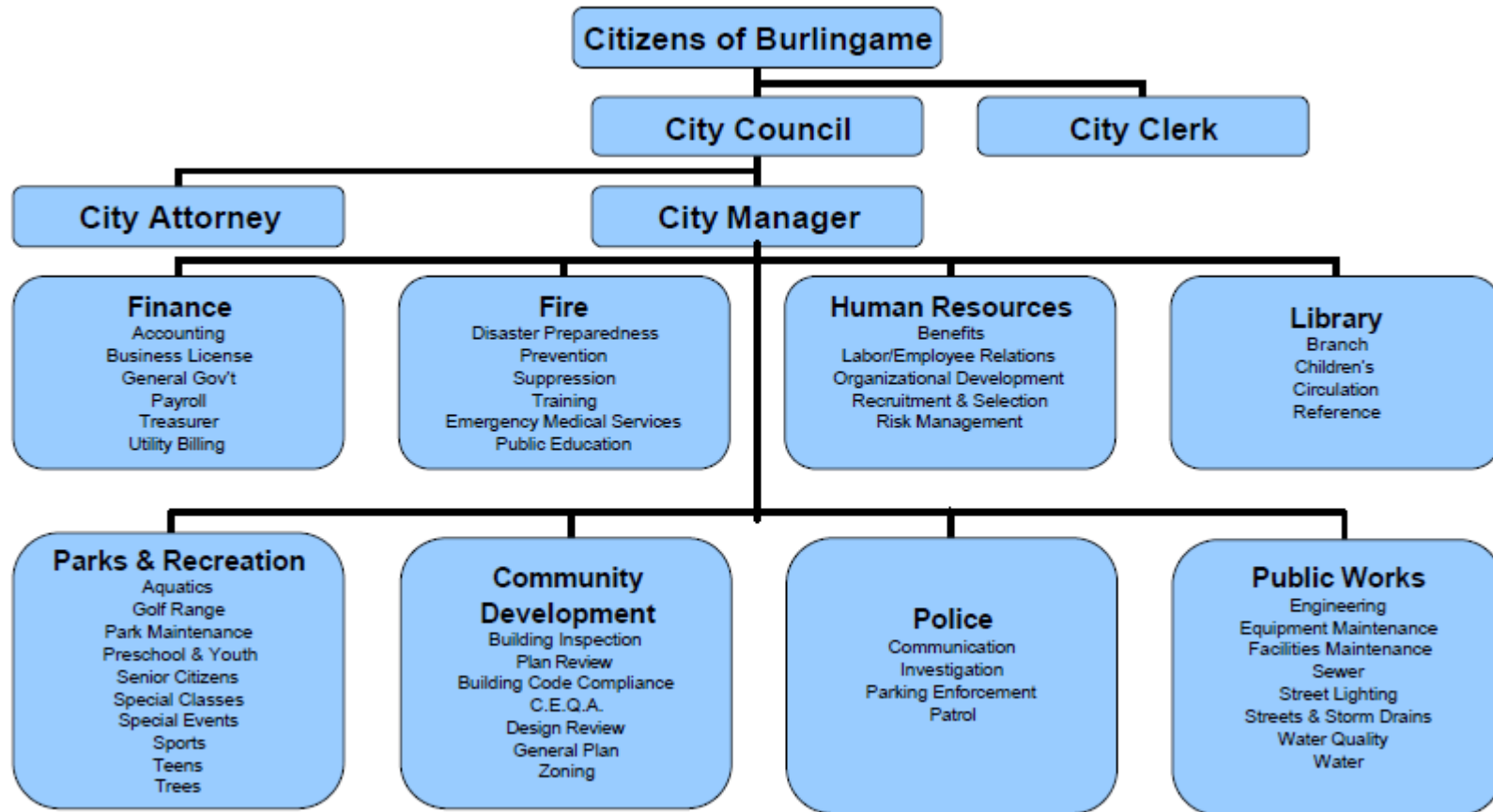
Mary Ellen Kearney

**CITY ATTORNEY**

Kathleen Kane



CITY OF BURLINGAME, CALIFORNIA  
ORGANIZATIONAL CHART





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## CITY ORGANIZATION BY CRITICAL SERVICE AREA

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### General Government

#### **City Attorney**

In-house counsel and risk management

#### **City Clerk**

Elections, city records, public noticing, maintenance of municipal code

#### **City Manager**

Supervision of departments and implementation of City policy and strategy

#### **Finance**

Revenue management, disbursements, budget & 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 & benefits administration, employment, health & 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 environmental, health and safety guidelines

#### **Streets & Storm Drainage**

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

### Public Safety

#### **Police**

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

#### **Central County Fire Department (JPA)**

Fire suppression and prevention, emergency medical services, disaster preparedness for the Town of Hillsborough and the City of Burlingame

### Leisure & Neighborhood Services

#### **Library**

City literacy advocacy, circulation of written and digital media, community education for citizens, children, and teens, Children's Holiday Tea

#### **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 & development

#### **Planning**

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





**CITY OF BURLINGAME, CA  
COMMISSIONS AND ADVISORY BOARDS  
FISCAL YEAR 2012-13**

<b>BEAUTIFICATION COMMISSION</b>	DATE	TERM	TERMS
Meets 1 <sup>st</sup> Thursday, Recreation Ctr, 6:30 pm; Appointed 3-year term	APPOINTED	EXPIRES	SERVED
Karen Dittman	Feb 2009	Oct 2015	1
Anne Hinckle	Dec 2010	Oct 2016	1
Mary Hunt	Feb 2009	Oct 2015	1
Richard Kirchner	Feb 2012	Oct 2015	
Leslie McQuaide	Dec 2003	Oct 2015	4

<b>LIBRARY BOARD</b>	DATE	TERM	TERMS
Meets 3 <sup>rd</sup> Tuesday, Library, 5:30 pm; Appointed 3-year term	APPOINTED	EXPIRES	SERVED
Elizabeth Corcoran	Jul 2009	Jun 2015	1
Deborah Griffith	Jun 2005	Jun 2014	3
Debra Donaldson	Jun 2013	Jun 2016	
Lisa Rosenthal	Jul 2010	Jun 2016	1
R. Sanborn "Sandy" Towle	Jun 2008	Jun 2014	2

<b>PARKS &amp; RECREATION COMMISSION</b>	DATE	TERM	TERMS
Meets 3 <sup>rd</sup> Thursday, Recreation Ctr, 7:00 pm; Appointed 3-year term	APPOINTED	EXPIRES	SERVED
Steven Baum	Dec 2010	Oct 2016	1
Julie Baird	Nov 2013	Oct 2016	
John Eaton	Oct 2008	Oct 2015	2
Donna Wills Colson	Nov 2013	Oct 2016	
Laura Hesselgren	Oct 2005	Oct 2014	3
Lily Lau	Nov 2011	Oct 2014	
Janet Martin	Dec 2012	Oct 2015	

<b>PLANNING COMMISSION</b>	DATE	TERM	TERMS
Meets 2 <sup>nd</sup> and 4 <sup>th</sup> Monday, City Hall, 7:00 pm; Appointed 4-year term	APPOINTED	EXPIRES	SERVED
Nirmala Bandrapalli	Apr 2013	Apr 2017	
Jeanne Davis	Nov 2012	Apr 2014	
Jeff DeMartini	Apr 2013	Apr 2017	3
Michael Gaul	Mar 2010	Apr 2015	2
Richard Sargent	May 2012	Apr 2016	
Richard Terrones	Jan 2006	Apr 2014	2
Sandra Yie	Feb 2008	Apr 2015	2

<b>TRAFFIC SAFETY PARKING COMMISSION</b> Meets 2 <sup>nd</sup> Thursday, City Hall, 7:00 pm; Appointed 3-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Nicklas Akers	Feb 2010	Nov 2014	1
Jeffrey Londer	Oct 2008	Nov 2014	1
John Martos	Dec 2013	Nov 2016	
J. Mark Noworolski	Dec 2006	Nov 2015	2
Howard Wettan	Dec 2012	Nov 2015	

<b><u>MOSQUITO ABATEMENT DISTRICT</u></b> 1351 Rollins Road, 344-8592, Board Rep. Appointed 2-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Barry Meinerth	Feb 2010	Feb 2014	1

<b><u>STORM DRAINAGE CITIZENS OVERSIGHT COMMITTEE</u></b>	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Rudy Horak	Jan 2010	Jan 2014	
Neal Kaufman	Jan 2010	Jan 2014	
Rosalie O'Mahony	Jan 2010	Jan 2015	1



**CITY OF BURLINGAME, CALIFORNIA  
FINANCE DEPARTMENT  
FISCAL YEAR ENDED JUNE 30, 2013**

**Carol Augustine..... Finance Director & Treasurer**

**Diana Truong ..... Financial Services Manager**

**\*\*\***

**Sandra Barocio..... Office Assistant to the Finance Director**

**Amy Bernardo..... Senior Accountant**

**Kristen Sinkhorn ..... Accounting Technician**

**Geeta Nair-Parsons ..... Accounting Technician**

**Lisa Rancatore..... Accountant Assistant III**

**Margaret Ono ..... Accountant Assistant III**

**Andrea Brown.....Accountant Assistant I/II**

**Theresa Peyton .....Accountant Assistant I/II**

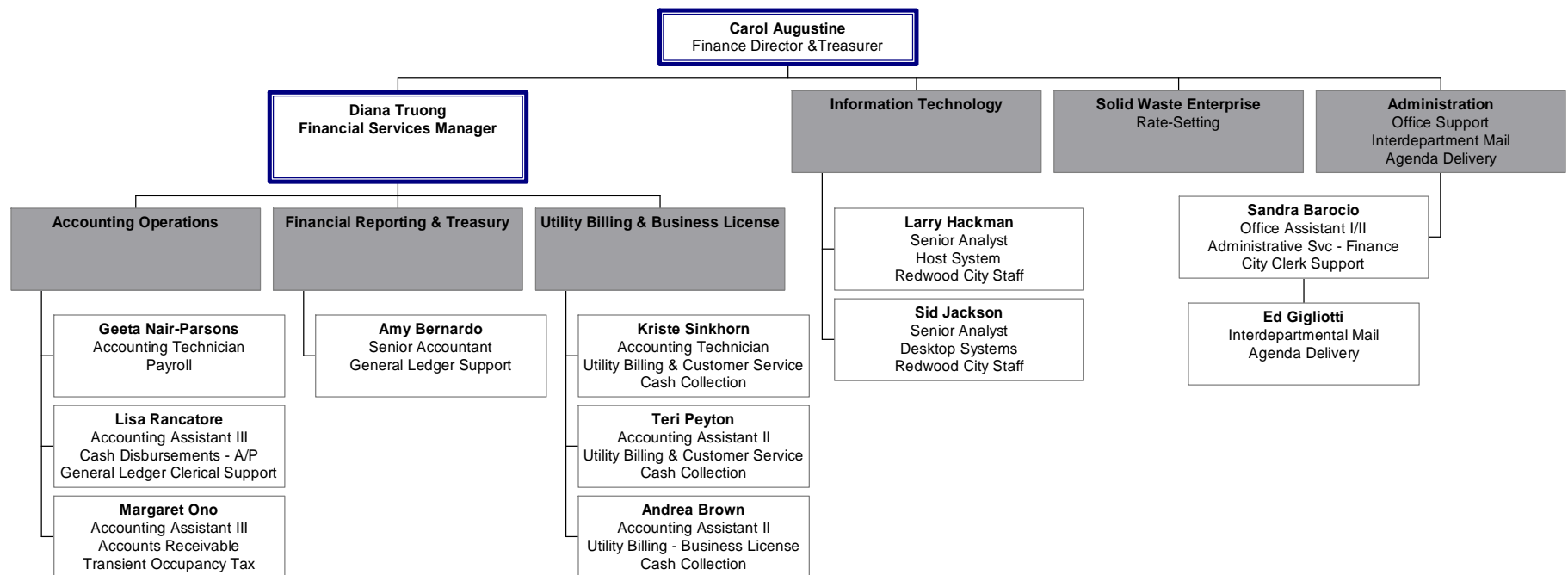
**Katie Edwards ..... Office Assistant**

**Ed Gigliotti ..... Interoffice Mail & Administrative Services**



**CITY OF BURLINGAME, CALIFORNIA**  
**FINANCE DEPARTMENT ORGANIZATION CHART FOR FISCAL YEAR 2012-13**

**City of Burlingame Finance Department**  
**Organization Chart for Fiscal Year 2012-13**



# 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.

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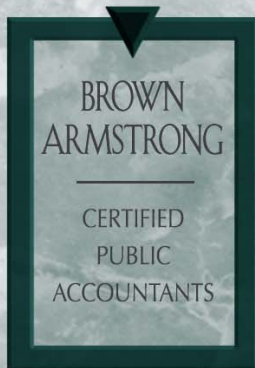
## **FINANCIAL SECTION**



# Comprehensive Annual Financial Report

June 30, 2013





# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

### MAIN OFFICE

#### 4200 TRUXTUN AVENUE

SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

#### 560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263  
TEL 661.746.2145  
FAX 661.746.1218

#### 7673 N. INGRAM AVENUE

SUITE 101  
FRESNO, CALIFORNIA 93711  
TEL 559.476.3592  
FAX 559.476.3593

#### 221 E. WALNUT STREET

SUITE 260  
PASADENA, CALIFORNIA 91101  
TEL 626.204.6542  
FAX 626.204.6547

#### 5250 CLAREMONT AVENUE

SUITE 237  
STOCKTON, CA 95207  
TEL 209.451.4833

### 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, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit includes 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.



REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

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 statement.

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 as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 27 and the Required Supplementary Information on pages 115 to 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The combining and individual non-major fund financial statements and schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedules and the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken 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 schedules and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013, 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 the 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
December 24, 2013



# Comprehensive Annual Financial Report

June 30, 2013

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2013. 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 of Burlingame.

**Financial Highlights for Fiscal Year 2012-2013 (ending June 30)**

- City assets and deferred inflows of resources exceed liabilities and deferred outflows of resources by \$189.9 million, or a \$13.1 million increase compared to beginning net position.
- The City's Net Position increased 7.4% as compared to an increase of 8.0% in the prior year.
- The other post-employment benefits obligations liability increased from \$15.6 million to \$19.8 million as recorded on the Statement of Net Position. The City continued to fund the annual costs of retiree health insurance in cash throughout the fiscal year.
- \$4.8 million of unrestricted General Fund balance was assigned to fund a reserve for future other post-employment obligation (OPEB) costs.
- General Fund revenues increased by \$5.0 million in fiscal year 2012-13, an increase of 10.7% of prior year performance of \$46.3 million. The increase in revenue was driven by higher current year collections of transient occupancy (hotel) taxes and property taxes.
- An amendment to the General Fund budget in the amount of \$67K was authorized by the City Council to fund a contract extension with the Burlingame Aquatic Center. No budget realignments to the General Fund were required in the prior year.
- The General Fund ending fund balance increased from \$15.5 million to \$19.9 million. Of this amount, \$12.3 million has been assigned – intended to be used for specific purposes.
- The City issued the second series of Storm Drainage Revenue Bonds, Series 2012, to finance storm drain improvements (\$10.6 million par), and Lease Revenue Bonds Series 2012, for the Downtown Burlingame Avenue Streetscape Project (\$10.0 million par). In addition, the Water and Wastewater Refunding Bonds, Series 2013 (\$14.3 million par value combined) were issued to refinance existing debt for future cost savings on debt service.

**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 financial statements. The report also contains supplemental information to help the reader develop a full understanding of the City's financial activities.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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.

The **Statement of Net Position** presents complete information on the City's assets and deferred outflows, as well as liabilities and deferred inflows, 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 administration, public safety (such as police, fire and 911-dispatch), public works, community development, parks, recreation and library, shuttle bus, and interest on long-term debt.

The self-supporting, business-type activities include water, sewer, parking, solid waste management, 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 of Burlingame 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 restricted versus funds that are available for spending.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Governmental Funds (Continued)**

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 of the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental activities and governmental funds.

The City has three major governmental fund types: General, Capital Projects, 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 five enterprise funds: Water, Sewer, Parking, Waste Management, 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; risk management; information technology; and administrative support. These funds are included in the governmental activities of the government-wide financial statements because their activities support governmental activities. 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 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, 2013**

**Notes to the Basic Financial Statements**

The notes to the financial statements provide detailed information that help the reader gain a full understanding of the data provided in both the government-wide and fund financial statements.

**Required Supplemental Information**

Required supplementary information is also included in the report. It provides information about the City's obligation to provide pension benefits to employees, the budget-to-actual information for the City's General Fund, and the disclosure of the modified approach used for reporting infrastructure capital assets.

**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 \$189.9 million as of June 30, 2013. Net position increased by 7.4% from beginning total net position of \$176.8 million as restated due to a cumulative change in accounting method. Assets and deferred outflows of resources as of the end of June 30, 2013 were \$353.6 million, reflecting a 8.8% positive change from the prior year due to a \$24.1 million increase in current assets and deferred outflows as well as a \$4.6 million growth in capital assets. Liabilities and deferred inflows of resources increased by 12.3% (\$17.9 million), due largely to an increase in long-term debt (\$16.3 million) and an increase in the City's Net OPEB obligation (\$4.3 million).

The largest portion of the City's net position (56.2%) is its net investment in capital assets totaling \$106.7 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, since 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. The remaining \$83.1 million in net position are a combination of cash and investments, restricted and unrestricted. Of the restricted amounts, \$16.7 million reflects amounts held by the City's trustee, largely comprised of unexpended bond proceeds from the Lease Revenue Bonds, Series 2012 the Storm Drainage Revenue Bonds, Series 2012, both issued during the fiscal year. Approximately \$4.6 million is restricted for debt service, \$9.7 million is restricted for capital projects such as storm drain capital improvements, the Burlingame Avenue Streetscape Project, and street repair and maintenance. Minor amounts are considered restricted for public safety. The City's unrestricted net position totaled \$34.8 million on June 30, 2013.

At the end of the fiscal year, both governmental and business-type activities had positive net positions.



**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

City of Burlingame's Comparative Statement of Net Position June 30, 2013 and 2012 (Amounts in Millions)						
	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
<b>Assets:</b>						
Current and other assets	\$ 93.95	\$ 114.82	\$ 28.92	\$ 31.42	\$ 122.87	\$ 146.24
Capital assets	102.09	106.27	99.91	100.34	202.00	206.61
<b>Total assets:</b>	<u>196.04</u>	<u>221.09</u>	<u>128.83</u>	<u>131.76</u>	<u>324.87</u>	<u>352.85</u>
<b>Deferred Outflows:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.76</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities	15.49	12.27	6.01	5.91	21.50	18.18
Other liabilities	0.38	0.58	0.80	0.81	1.18	1.39
Long term liabilities	61.93	82.98	61.84	61.19	123.77	144.17
<b>Total liabilities:</b>	<u>77.80</u>	<u>95.83</u>	<u>68.65</u>	<u>67.91</u>	<u>146.45</u>	<u>163.74</u>
<b>Deferred Inflows:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position:</b>						
Net investment in capital assets	78.90	64.02	40.38	42.71	119.28	106.73
Restricted	12.11	33.53	-	5.05	12.11	38.58
Unrestricted	27.23	27.71	19.80	16.85	47.03	44.56
<b>Subtotal</b>	<u>\$ 118.24</u>	<u>\$ 125.26</u>	<u>\$ 60.18</u>	<u>\$ 64.61</u>	<u>\$ 178.42</u>	<u>\$ 189.87</u>
Cumulative effect of change in accounting principle	\$ (0.75)	\$ -	\$ (0.90)	\$ -	\$ (1.65)	\$ -
<b>Total net position</b>	<u>\$ 117.49</u>	<u>\$ 125.26</u>	<u>\$ 59.28</u>	<u>\$ 64.61</u>	<u>\$ 176.77</u>	<u>\$ 189.87</u>

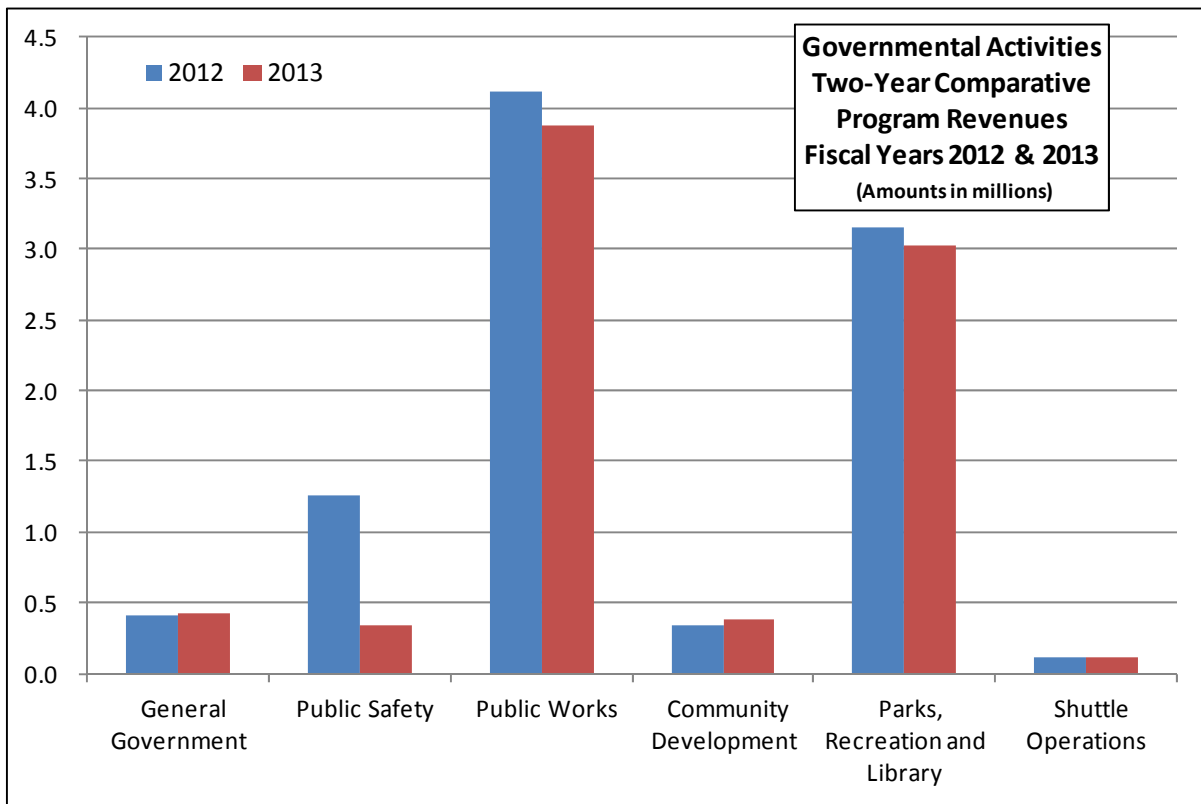
**CITY OF BURLINGAME, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<p style="text-align: center;">City of Burlingame  Statement of Activities and Changes in Net Position  For the Fiscal Years Ended June 30, 2013 and 2012  (Amounts in Millions)</p>						
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4.69	\$ 6.82	\$ 33.86	\$ 36.36	\$ 38.55	\$ 43.18
Operating grants and contributions	1.17	0.99	-	-	1.17	0.99
Capital grants and contributions	3.52	0.36	-	-	3.52	0.36
General revenues:						
Property taxes	13.67	14.39	-	-	13.67	14.39
Sales taxes	8.50	9.20	-	-	8.50	9.20
Transient occupancy taxes	16.18	18.24	-	-	16.18	18.24
Franchise tax - unrestricted	1.24	1.57	0.23	0.31	1.47	1.88
Fines, forfeitures, & penalties	-	0.93	-	-	-	0.93
Business license tax	0.90	-	-	-	0.90	-
Other taxes	0.44	1.40	-	-	0.44	1.40
Intergovernmental taxes	1.90	1.41	-	-	1.90	1.41
<b>Total revenues:</b>	<b>52.21</b>	<b>55.31</b>	<b>34.09</b>	<b>36.67</b>	<b>86.30</b>	<b>91.98</b>
<b>Expenses:</b>						
Governmental Activities						
General government	6.35	6.19	-	-	6.35	6.19
Public safety	20.26	21.16	-	-	20.26	21.16
Public works	8.25	9.27	-	-	8.25	9.27
Community development	1.24	0.94	-	-	1.24	0.94
Parks, recreation, and library	9.83	11.06	-	-	9.83	11.06
Shuttle operations	0.25	0.18	-	-	0.25	0.18
Interest on long-term debt	2.22	2.80	-	-	2.22	2.80
Business-Type Activities						
Water	-	-	11.08	12.13	11.08	12.13
Sewer service	-	-	9.69	9.55	9.69	9.55
Waste management	-	-	0.68	0.63	0.68	0.63
Parking	-	-	1.44	1.35	1.44	1.35
Building	-	-	1.22	1.32	1.22	1.32
Interest and bond issuance cost	-	-	1.84	2.40	1.84	2.40
<b>Total expenses:</b>	<b>48.40</b>	<b>51.60</b>	<b>25.95</b>	<b>27.38</b>	<b>74.35</b>	<b>78.98</b>
Increase/(decrease) in net position before transfers	3.81	3.71	8.14	9.29	11.95	13.00
Investment income (expenses)	0.47	0.14	0.41	(0.04)	0.88	0.10
Transfers	4.51	3.92	(4.51)	(3.92)	-	-
<b>Change in net position</b>	<b>8.79</b>	<b>7.77</b>	<b>4.04</b>	<b>5.33</b>	<b>12.83</b>	<b>13.10</b>
Net position	109.45	117.49	56.14	59.28	165.59	176.77
Restatement change in accounting principle	(0.75)	-	(0.90)	-	(1.65)	-
<b>Net position - ending</b>	<b>\$ 117.49</b>	<b>\$ 125.26</b>	<b>\$ 59.28</b>	<b>\$ 64.61</b>	<b>\$ 176.77</b>	<b>\$ 189.87</b>

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

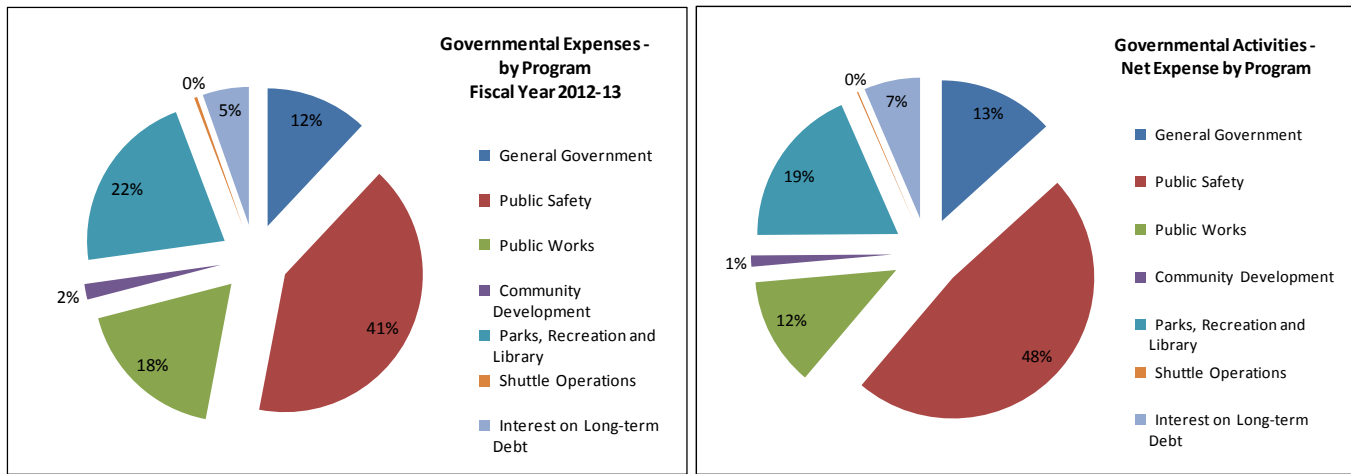
**Governmental Activities**

Governmental activities increased the City of Burlingame's net position by \$7.8 million, with a total net position of \$125.3 million. The increase was attributable to total governmental revenues that exceeded total expenses by \$3.8 million, prior to net transfers of \$3.9 million. Program revenues decreased \$1.2 million (12.9%), due largely to a reclassification of certain revenues: fines and forfeitures (approximately \$900,000 annually) are more appropriately shown as general revenues, rather than charges for services. General revenues increased over \$4.3 million, led by an increase in transient occupancy tax revenues of over \$2 million.



In addition, property and sales tax revenues were up a combined \$1.4 million over the prior year. The robust growth in these tax revenues was a result of strong tourist demand and improved consumer confidence when compared with the prior year. In total, revenues from governmental activities increased \$3.1 million, approximately 5.9%.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Expenses from governmental activities increased by \$3.2 million, for a total of \$51.6 million for the fiscal year. The \$0.6 million increase (26.3%) in interest in long term debt and bond issuance costs was due largely to a change in accounting method per GASB Statement No. 65, which requires previous bond issuance costs be expensed in the period incurred, as opposed to being amortized over the life of each bond issuance. Spending on Parks, Recreation and Library activities increased \$1.2 million or 12.6%, and Public Works expenses were up slightly over \$1 million from the prior year. Although the City continued with the spending control strategies initiated in response to the 2007-2010 downturn, departmental spending increased by a modest \$2.6 million, or 5.6%. The majority of these governmental activities are financed from City taxes. However, a \$2.1 million increase in charges for services (reported as program revenues) collected by the governmental activities also served to offset the increase in departmental spending somewhat. Program revenues overall totaled nearly \$8.2 million, covering about 15.8% of governmental expenses.

The above charts of expenses and net cost of the City's various governmental activities have been derived from the Statement of Activities and Changes in Net Position. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities (\$51.6 million in fiscal year 2012-13). This compares with the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$43.4 million in fiscal year 2012-13) must be funded out of the City's general revenues – primarily taxes and investment earnings. Areas with the highest program revenues (i.e. Public works; 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).

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Business-Type Activities**

The net position for business-type activities increased by \$5.3 million, or 9.0%, from a beginning restated net position of \$59.3 million. In fiscal year 2012-13, enterprise operations produced total operating revenue (consisting largely of revenues from charges for services) of nearly \$36.7 million, an increase of \$2.6 million or 7.6% growth from fiscal year 2012-13 operating revenues of \$34.1 million.

Business-type expenses totaled \$27.4 million and included operating expenses of nearly \$25.0 million, and net non-operating expenses of \$2.4 million, which is interest on long-term debt and bond issuance costs net of investment income and expenses. Operating expenses increased by \$0.9 million or 3.5% from prior year expenses of \$24.1 million. This increase was attributable not only to higher (\$1.1 million) operating expenses of the Water Enterprise, which experienced higher costs of purchased water, but also to a \$1.5 million increase in interest expense. As with the reporting of government activities, this significant increase in interest expense was due to the expensing of prior year bond issuance costs in the current fiscal year due to the implementation of the change in accounting method as required under GASB 65. The resulting additional charge for business activities in 2012-13 was \$1.1 million. Increased expenses in the Building Enterprise were due to an increase in development activity, and were completely offset by increased revenues from charges for services. Expenses relating to most other enterprise operations either remained flat or declined slightly when compared to the prior fiscal year.

Changes in net position, or the year-over-year difference between business-type revenues plus deferred outflows, and expenditures plus deferred inflows of resources, totaled \$5.3 million. Unlike the governmental activities, program revenues cover total expenditures 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.

**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 eleven non-major governmental funds can be found in the Combining Statements located in the Other Supplementary Information section of the CAFR.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Total Governmental Funds</b>					
<b>Fund Description</b>	<b>6/30/2013 Net Position / Fund Balance</b>	<b>6/30/2013 Capital Assets or Nondspendable</b>	<b>7/1/2012 Net Position / Fund Balance</b>	<b>7/1/2012 Net Investment in Capital Assets</b>	<b>Yr-over-Yr Change - Net Position / Fund Balance</b>
<b>General Fund</b>	\$ 19,947,103	\$ 217,470	\$ 15,518,765	\$ 553	\$ 4,428,338
<b>Capital Projects</b>	19,411,842	-	12,070,050	-	7,341,792
<b>Debt Service Fund</b>	16,710,658	395,842	3,907,980	204,137	12,802,678
<b>Non-Major Funds</b>	10,855,405	-	9,369,788	-	1,485,617
<b>Total</b>	<b>\$ 66,925,008</b>	<b>\$ 613,312</b>	<b>\$ 40,866,583</b>	<b>\$ 204,690</b>	<b>\$ 26,058,425</b>

### General Fund

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 were \$51.3 million in fiscal year 2012-13, reflecting a \$5.0 million increase from prior year performance of \$46.3 million. Expenditures totaled \$37.6 million, which is \$0.9 million more than prior year. Revenues were sufficient to cover all operating expenditures. Revenues less operating expenditures before transfers were \$13.7 million. The General Fund transferred \$5.4 million out to the Debt Service Fund to pay for governmental debt and \$5.7 million to the Capital Projects Fund to pay for project-related expenditures. Detailed notes on the transfers can be found in the Interfund Transfer section (Note 10 in the Notes to the Basic Financial Statements).

The General Fund balance as of June 30, 2013, was \$19.9 million, representing an increase of \$4.4 million from the prior year fund balance of \$15.5 million. Although \$0.2 million of the fund balance was categorized as "nondspendable", the City Council assigned \$12.3 million for specific purposes as described below. Assignments of the City's General Fund balance may be modified throughout the year based on recommendations by the Finance Director. The remaining \$7.4 million represents unassigned amounts.

Descriptions of assigned fund balances are as follows:

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 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 OPEB Retiree Health Reserve is available to minimize and defray the costs and financial liability associated with retiree health care commitments as reported in accordance with GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*.

The Contingency Reserve covers unexpected expenditures that may arise during the course of the fiscal year.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The City Council and the Finance Director reserve the right to change the amounts of each General Fund balance assignment and to appropriate any and all assigned funds it collectively deems necessary to continue the operations of the City. Historically, the City Council and the Finance Director have been reluctant to expend any assigned amounts as indicated by the chart. Decisions to use assigned funds have been limited to preserving important City services during periods of sharp or unexpected revenue decline.

<b>City of Burlingame Council Assigned General Fund Reserves</b>					
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Economic Stability Reserve	\$ 2,000,000	\$ 1,650,834	\$ 5,000,000	\$ 6,000,000	\$ 5,000,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
OPEB Reserve	2,800,000	2,800,000	2,700,000	3,000,000	4,800,000
Contingency Reserve	400,000	400,000	500,000	500,000	500,000
Total Assigned Fund Balance:	<u>\$ 7,200,000</u>	<u>\$ 6,850,834</u>	<u>\$ 10,200,000</u>	<u>\$ 11,500,000</u>	<u>\$ 12,300,000</u>

\* In 2010, the target was \$7.2m

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, 2013, the unrestricted fund balance of \$19.7 million (\$19.9 million less non-spendable fund balance of \$.2 million) represents 52.5% of General Fund operating expenditures of \$37.6 million.

<b>City of Burlingame General Fund Balance As A Percentage of Operating Expenditures</b>					
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Expenditures:</b>	\$ 38,046,279	\$ 35,817,177	\$ 34,533,995	\$ 36,683,828	\$ 37,613,343
<b>Fund Balance:</b>	7,225,121	6,850,834	11,864,585	15,518,212	19,729,633
<b>% of Expenses:</b>	19.0%	19.1%	34.4%	42.3%	52.5%

### 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. 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 or Note I(i).

The Capital Projects Fund had revenues of \$0.5 million, received in large part from property tax assessments, sidewalk maintenance reimbursements from Burlingame residents and remittances from other government entities that shared in the cost of certain infrastructure improvements. Projects were funded mainly by \$24.5 million in transfers from other funds to support ongoing construction costs and to set aside funds for previously appropriated projects. In fiscal year 2012-13, the General Fund

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Projects Fund (Continued)**

contributed \$5.7 million; the Measure A and Gas Tax special revenue funds provided a combined total of \$1.2 million; and the Water and Sewer Funds contributed a combined total of \$7.4 million for construction projects.

Capital project expenditures totaled \$11.2 million, an increase of \$2.7 million from expenditures of \$8.5 million in fiscal year 2011-12. The Capital Projects Fund balance at the end of the fiscal year was \$19.4 million, or an increase of \$7.3 million from the prior year ending balance. The entire fund balance is assigned for the construction of capital projects.

Neighborhood storm drainage improvements continued in fiscal year 2012-13. As in the prior year, the storm drain fee generated \$2.6 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 Project Fund.

During fiscal year 2012-13, major governmental capital project expenditures, exceeding \$250,000 in a single project included:

- Marsten Pump Station Reconstruction Design - \$4.7 million
- Residential Area Storm Drain Project - \$0.3 million
- Burlingame Avenue Streetscape (Storm Drain and Streets Improvements) - \$2.5 million
- 2011 Annual Sidewalk/ADA Ramp Program - \$0.6 million
- 2012 Annual Street Resurfacing Program - \$0.7 million
- Library Millennium Project - \$0.3 million

During fiscal year 2012-13, major business-type capital project expenditures, exceeding \$250,000 in a single project included:

- Large Water Meter Replacement Program - \$0.3 million
- Hillside Reservoir Taps to Hillside Main - \$0.3 million
- Burlingame Avenue Streetscape (Water Main and Infrastructure Improvements) - \$0.9 million
- 2012 Sanchez Area Sewer Rehabilitation Project, Phase 2 - \$2.1 million
- Burlingame Avenue Streetscape (Sewer Infrastructure Improvements) - \$0.7 million

**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.



**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Debt Service Fund (Continued)**

Principal payments on outstanding debt reduced general government debt by \$3.6 million for the year. This reduction was offset by nearly \$21.2 million from two new debt issuances. The Storm Drainage Revenue Bonds Series 2012 (\$10.6 million par value) is the second issuance of debt secured by revenues from the City's Storm Drainage Fees, which were approved by a majority of parcel owners in a special election in May 2009. Bond proceeds will fund necessary improvements to the City's Storm Drainage System. The Lease Revenue Bonds, Series 2012 (\$10.0 million par value) were issued to finance improvements to the Downtown Burlingame Avenue Streetscape Project. The debt service is funded partially through Special Assessment Fees (approved by property owners in May 2012) and partially by parking revenue funds.

The General Fund contributed \$5.4 million to the Debt Service Fund for governmental debt service payments, and the Storm Drainage Fund contributed \$1.0 million required to meet obligations relating to the taxable and tax-exempt Storm Drain Revenue Bonds, 2010. A significant portion of the Storm Drain Bonds were taxable Build America Bonds; the Internal Revenue Service provided an interest subsidy of over \$166,000 for this 2010 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 5).

**Non-major Governmental Funds**

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 purposes. The voters approved the new fee in May 2009, and revenues are collected through property tax bills. The storm drain fee will sunset in 30 years. With a fund balance of nearly \$6.8 million, the Storm Drainage Fund is the largest of the non-major governmental fund. The fund balance increased \$1.6 million, as revenues from the fee exceeded the debt service expense for the year.

**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 five enterprise funds (Water, Sewer, Waste Management, Parking, and the Building Enterprise funds) and four internal service funds (Risk Management, Facilities Services, Equipment Services, and Information Technology Services funds). The Internal Service Funds are allocated among the City's various functions and are therefore considered to account for governmental activities for financial statement purposes. The internal revenue funds experienced a change in net position of less than 0.3%.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Proprietary Funds (Continued)**

<b>Total Enterprise Funds</b>					
<b>Fund Description</b>	<b>6/30/2013 Net Position</b>	<b>6/30/2013 Net Investment in Capital Assets</b>	<b>7/1/2012 Net Position</b>	<b>7/1/2012 Net Investment in Capital Assets</b>	<b>Yr-over-Yr Change - Net Position / Fund Balance</b>
<b>Water</b>	\$ 17,165,481	\$ 7,171,837	\$ 16,766,791	\$ 6,001,368	\$ 398,690
<b>Sewer</b>	37,445,018	29,334,041	33,891,716	27,376,122	3,553,302
<b>Waste Management</b>	(718,377)	-	(1,209,917)	658	491,540
<b>Parking</b>	8,491,195	6,963,097	7,994,478	7,003,135	496,717
<b>Building</b>	2,229,297	-	1,843,737	-	385,560
<b>Total</b>	<b>\$ 64,612,614</b>	<b>\$ 43,468,975</b>	<b>\$ 59,286,805</b>	<b>\$ 40,381,283</b>	<b>\$ 5,325,809</b>

**Water Fund**

<b>City of Burlingame Historical Water Fund Net Position (net investment in capital assets)</b>					
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Net Position, net investment in capital assets:</b>	\$ 11,915,121	\$ 13,318,587	\$ 12,087,115	\$ 11,318,437	\$ 10,494,762
<b>Dollar Change:</b>	2,003,780	1,403,466	(1,231,472)	(768,678)	(823,675)
<b>Percentage Change:</b>	20.22%	11.78%	-9.25%	-6.36%	-7.27%

The Water Fund continues to maintain a stable financial position as in the prior year. The ending net position of the fund including capital assets increased slightly (by \$0.4 million, about a 2.4% change). Unrestricted net position (which excludes capital assets) totaled \$10.5 million, a decline of \$0.8 million from prior year.

<b>City of Burlingame Historical Water Fund Revenues</b>					
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Operating Revenue:</b>	\$ 11,800,380	\$ 11,515,884	\$ 12,734,554	\$ 13,708,448	\$ 14,874,705
<b>Nonoperating Revenue:</b>	344,228	19,402	37,815	213,379	-
<b>Total Revenue:</b>	12,144,608	11,535,286	12,772,369	13,921,827	14,874,705
<b>Dollar Change:</b>	299,673	(609,322)	1,237,083	1,149,458	952,878
<b>Percentage Change:</b>	2.53%	-5.02%	10.72%	9.00%	6.84%

Water revenues increased in fiscal year 2012-13 by over \$0.9 million, a 6.8% increase, largely reflective of the 7.8% rate increase that went into effect on January 1, 2013, for all customer classes.

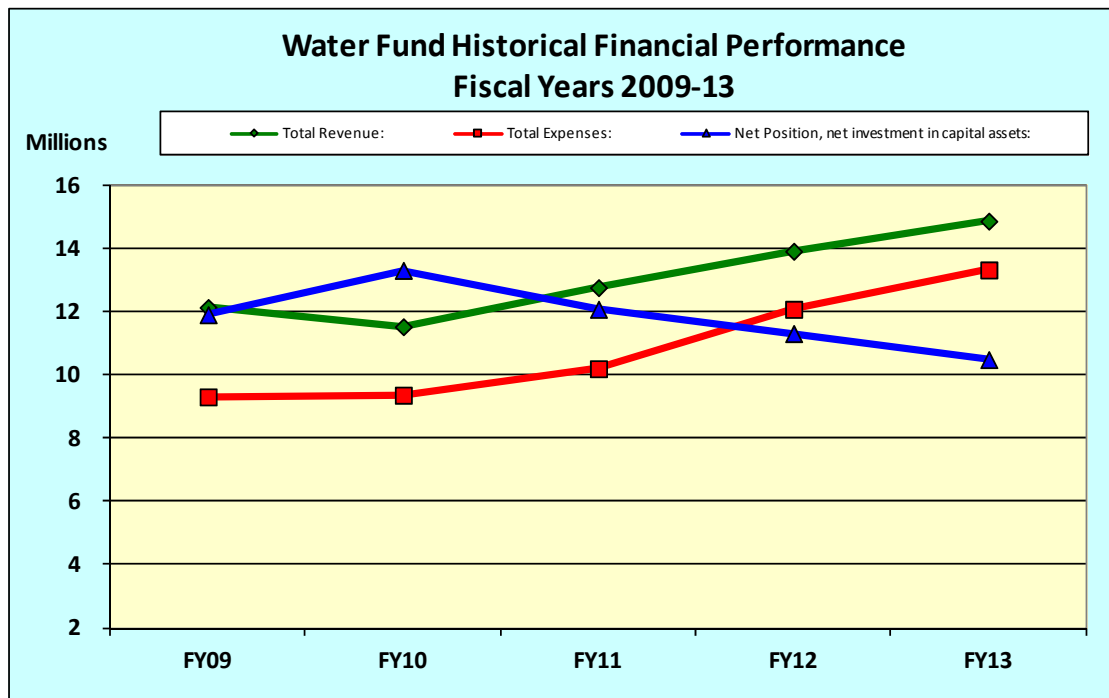
<b>City of Burlingame Historical Water Fund Expenses</b>					
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Operating Expenses:</b>	\$ 8,209,956	\$ 8,498,014	\$ 9,569,097	\$ 11,082,981	\$ 12,127,012
<b>Nonoperating Expenses:</b>	1,105,174	872,041	637,197	1,003,988	1,204,976
<b>Total Expenses:</b>	9,315,130	9,370,055	10,206,294	12,086,969	13,331,988
<b>Dollar Change:</b>	652,842	54,925	836,239	1,880,675	1,245,019
<b>Percentage Change:</b>	7.54%	0.59%	8.92%	18.43%	10.30%

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Water Fund (Continued)**

Water expenses include both operating and interest expenses on debt. Water expenses increased by \$1.3 million from the prior year, with a \$1.0 million increase in operating expenses and a \$0.2 million increase in non-operating expenses. Although the significant increase in the cost of water purchases (\$747,000, or 13.8%) was largely anticipated, increased depreciation expense of \$579,000 (29%) was the result of a full year of depreciation taken on assets placed in service in the prior year and partial depreciation taken for assets placed in service during the current year, such as large water meter replacement and major water main repair and replacement work. The increase in non-operating expenditures was due to the implementation of GASB Statement No. 65, which requires issuance costs of bonded debt to be expensed rather than amortized over the life of the debt.

The Water Fund will finance future capital improvements with cash and proceeds from debt. Currently, the City plans to construct or set-aside approximately \$2.5 million for water-related capital improvements annually. As of the end of the fiscal year, the Water Fund had no unspent capital proceeds from debt.



**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Sewer Fund**

City of Burlingame										
Historical Sewer Fund Ending Net Position (net investment in capital assets)										
	FY09		FY10		FY11		FY12		FY13	
Net Position, net investment										
in capital assets:	\$	5,452,111	\$	4,881,174	\$	4,534,544	\$	6,858,775	\$	8,365,496
Dollar Change:		1,111,403		(570,937)		(346,630)		2,324,231		1,506,721
Percentage Change:		25.60%		-10.47%		-6.36%		47.62%		22.00%

The Sewer Fund continues to maintain a stable financial position compared to the prior year. The fund's overall net position (including capital assets) grew by 10.5% from \$33.9 million (as restated) to \$37.4 million. Net investment in capital assets increased nearly \$2 million as associated debt payable decreased by \$1.1 million, and assets were placed in service as construction in progress (\$0.6 million). The largest portion of net position (\$29.0 million) relates to net investment in capital assets, representing 78% of total net position. An unrestricted net position of \$7.9 million reflects an increase of \$1.1 million from the prior year, a reflection of the positive result of operations for the year. Approximately 20% of 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.

City of Burlingame Historical Sewer Fund Revenues										
	FY09		FY10		FY11		FY12		FY13	
Total Revenue:	\$	12,466,935	\$	12,538,507	\$	14,566,587	\$	16,157,287	\$	16,791,449
Dollar Change:		496,284		71,572		2,028,080		1,590,700		634,162
Percentage Change:		4.15%		0.57%		16.17%		10.92%		3.92%

Sewer service revenue increased by \$0.6 million or 3.9% due primarily to an increase of 13.9% which went into effect January 1, 2012 (midway through the prior fiscal year), for all customer classes. Unlike water utility service, there was no rate increase for sewer service imposed on January 1, 2013.

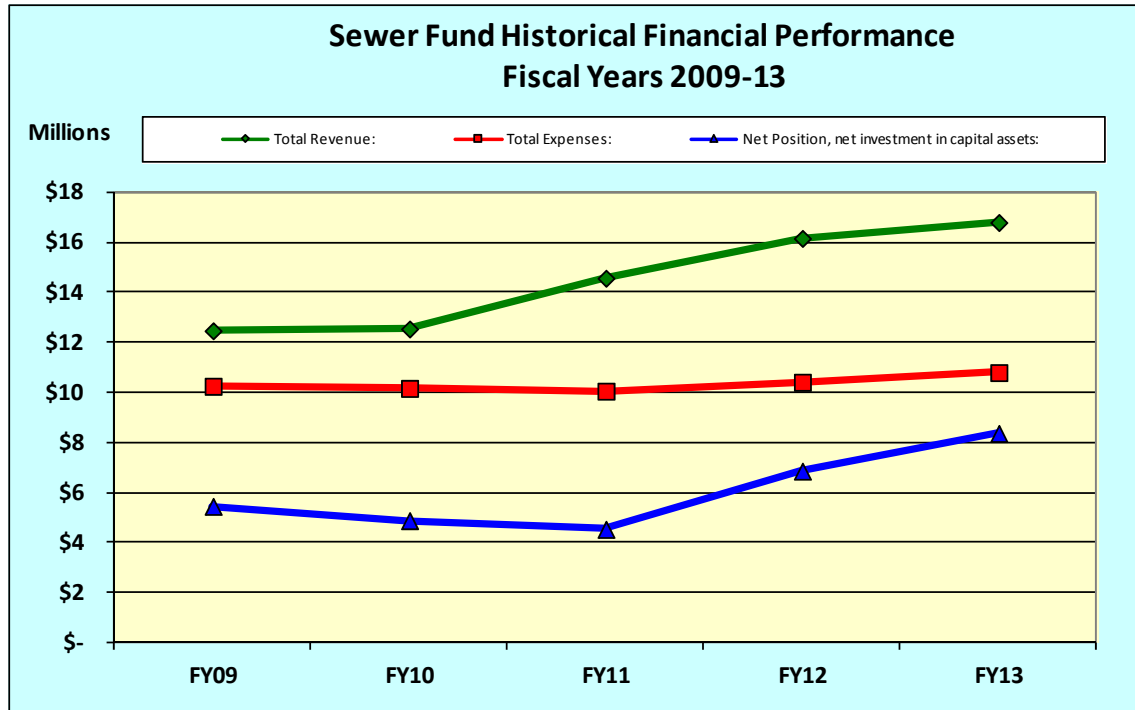
City of Burlingame Historical Sewer Fund Expenses						
	FY09	FY10	FY11	FY12	FY13	
Operating Expenses:	\$ 9,244,520	\$ 9,151,230	\$ 9,508,659	\$ 9,685,877	\$ 9,553,446	
Nonoperating Expenses:	1,006,420	1,015,206	545,437	724,754	1,242,816	
Total Expenses:	10,250,940	10,166,436	10,054,096	10,410,631	10,796,262	
Dollar Change:	852,025	(93,290)	357,429	177,218	385,631	
Percentage Change:	10.15%	-1.01%	3.91%	1.86%	3.70%	

A \$0.5 million increase in non-operating expenses offset the moderate (1.4%) decrease in sewer operating expenditures. The addition of significant bond issuance costs (\$0.4 million) was due to the issuance of the Water and Wastewater Revenue Refunding Bonds, Series 2013 and was expensed as required under GASB Statement No. 65, which requires that issuance costs of bonded debt be expensed rather than amortized over the life of the debt.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Sewer Fund (Continued)**

Similarly to the Water Fund, the Sewer Fund will also finance future capital improvements on a *pay-as-you-go* basis. The sewer rate structure includes a set-aside for a capital improvements reserve to pay for capital improvements to the Burlingame Wastewater Treatment Plant and repair and maintenance of the sewer collection system.



**Parking Fund**

The goals 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.

City of Burlingame Historical Parking Fund Ending Net Position (net investment in capital assets)						
	FY09	FY10	FY11	FY12	FY13	
Net Position, net investment in capital assets:	\$ 602,828	\$ 705,184	\$ 777,533	\$ 991,343	\$ 1,528,098	
Dollar Change:	43,537	102,356	72,349	213,810	536,755	
Percentage Change:	7.78%	16.98%	10.26%	27.50%	54.14%	

The fund's overall ending net position, including capital assets, increased by 6.2% or \$0.5 million over the prior year ending net position of \$8.0 million. Because much of the fund is invested in capital assets, the increase is reported in unrestricted net position, and largely reflected in higher cash balances. This overall increase amounted to \$0.5 million or a year-over-year increase of 54.1%.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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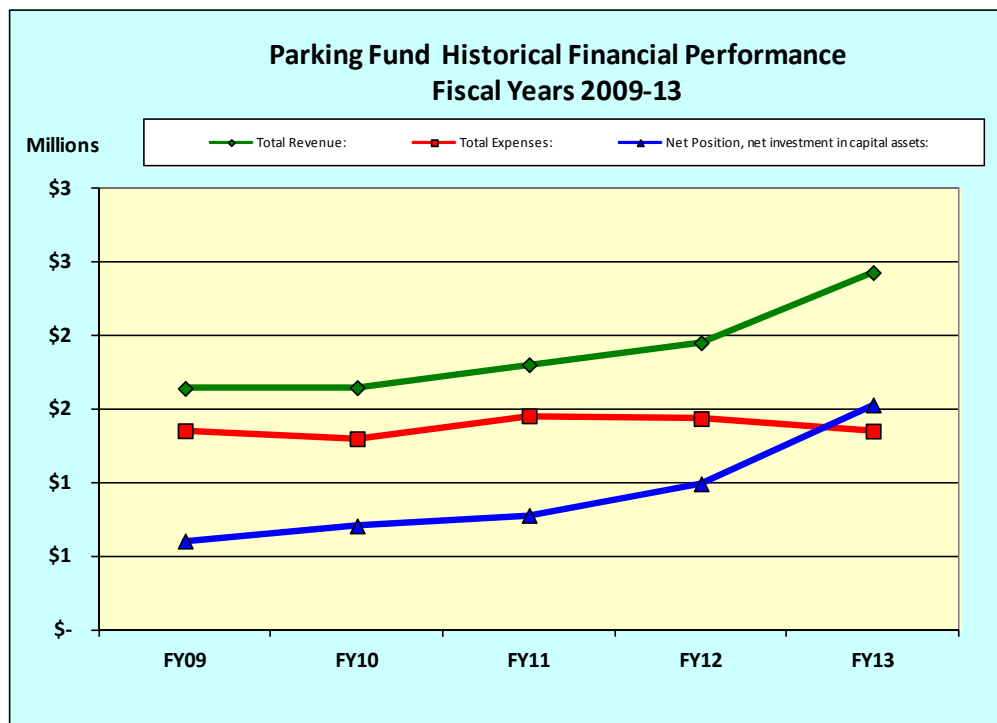
**Parking Fund (Continued)**

City of Burlingame Historical Parking Fund Revenues					
	FY09	FY10	FY11	FY12	FY13
<b>Total Revenue:</b>	\$ 1,639,867	\$ 1,645,227	\$ 1,801,535	\$ 1,950,260	\$ 2,427,521
<b>Dollar Change:</b>	(51,272)	5,360	156,308	148,725	477,261
<b>Percentage Change:</b>	-3.03%	0.33%	9.24%	9.07%	24.47%

Parking revenue increased by 24.5% due primarily to an increase in parking rates in fiscal year 2011-12 to partially finance the Burlingame Avenue Streetscape Improvement Project, which broke ground in Spring 2013, and ongoing capital needs. Rates increased in the spring of 2012 by \$0.25 - \$1.00 per hour for depending on the location of the metered space by action of the City Council.

City of Burlingame Historical Parking Fund Expenses					
	FY09	FY10	FY11	FY12	FY13
<b>Total Expenses:</b>	\$ 1,353,010	\$ 1,298,059	\$ 1,453,636	\$ 1,435,069	\$ 1,350,574
<b>Dollar Change:</b>	37,351	(54,951)	155,577	18,567	(84,495)
<b>Percentage Change:</b>	2.84%	-4.06%	11.99%	-0.95%	-5.89%

Parking expenses declined by 5.89% due to continued departmental controls over spending. The Parking Fund also made the last of ten payments to the General Fund for past capital improvements to the Broadway Avenue Business District.



**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Waste Management Fund**

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, door-to-door hazardous waste pickup and street sweeping, are built into garbage collection rates for both residential and commercial customers. In addition, this enterprise finances the costs associated with the long-term monitoring requirements of the former city landfill. The fund also provides for a rate stabilization reserve for the garbage collection and processing services provided through the SBWMA contracts.

Operating revenues of the fund increased over \$185,000. The increase was due in part to a garbage collection rate increase of 12% in calendar year 2012, which resulted in higher pass-through revenues to the City. The fund was also bolstered by a transfer of \$250,000 from the General Fund to retain the funds fiscal condition and prevent the need for further rate increases. Operating expenses decreased because a final payment for the garbage collection contract that ended on December 31, 2010, was made in fiscal year 2011-12. The resulting change in net position was \$491,000, or a 40% increase in net position. This increase is largely reflected in higher cash balances and a decrease in the liability associated with the former contract.

The fund continues to report a deficit position 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. Despite a landfill costs surcharge on garbage collection fees that are passed through to the City, the landfill closure and post closure liability increase very slightly (\$8,000) during the fiscal year. At year end, the liability was approximately \$3.1 million.

**General Fund Budgetary Highlights**

Detailed information on variances can be found in the Budgetary Comparison Schedule – General Fund, Note 5 in the Required Supplementary Information section of this report.

The fiscal year 2012-13 adopted General Fund budget assumed modest gains in operating revenue. Revenue growth of 8.5% growth was forecast over the prior year budgeted revenue. Final collections totaled \$51.3 million, an increase of 10.7% over prior year actuals.

Increases in General Fund revenue were mostly due to the following:

- Transient occupancy tax revenue performed \$2.4 million better than budget, with a 12.7% growth over prior year results.
- Sales and use tax revenue performed \$0.5 million better than budget, with an 8.2% growth over prior year results.
- On a cash basis (or modified accrual method of accounting for governmental funds), property tax receipts grew by over \$1.9 million, a 14.3% increase over the prior year results. However, nearly \$1.2 million of this increase was due to repayment of Prop 1A local property tax revenue shifted to the State General Fund in 2009.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**General Fund Budgetary Highlights** (Continued)

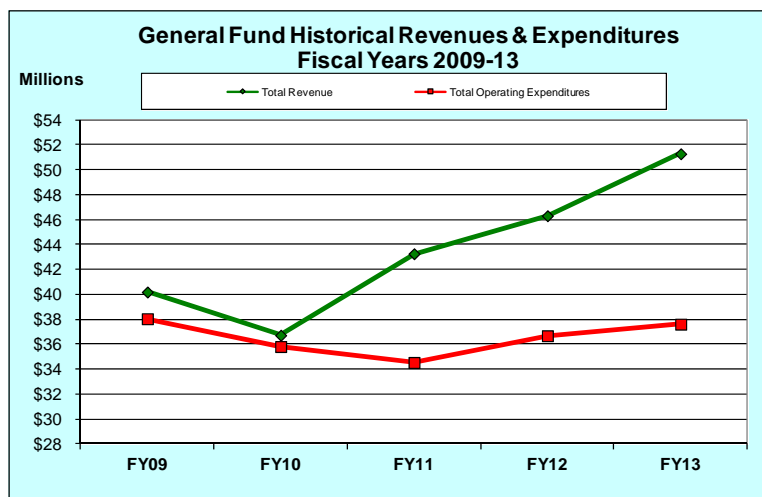
City of Burlingame Historical General Fund Revenues					
	FY09	FY10	FY11	FY12	FY13
<b>Total Revenue</b>	\$ 40,190,363	\$ 36,725,735	\$ 43,266,203	\$ 46,313,538	\$ 51,287,003
<b>Dollar Change</b>	(3,188,117)	(3,464,628)	6,540,468	3,047,335	4,973,465
<b>Percentage Change</b>	-7.35%	-8.62%	17.81%	7.04%	10.74%

City of Burlingame Historical General Fund Ending Fund Balance (Spendable)					
	FY09	FY10	FY11	FY12	FY13
<b>Ending Spendable Fund Balance</b>	\$ 7,339,988	\$ 6,850,834	\$ 11,864,585	\$ 15,518,212	\$ 19,729,633
<b>Dollar Change</b>	(2,205,236)	(489,154)	5,013,751	3,653,627	4,211,421
<b>% of Expenses</b>	19.29%	19.13%	34.36%	42.30%	52.45%

General Fund revenues are expected to continue this upward trend over the next fiscal year as the recovering economy provides modest improvements through growth in the travel and tourism industry, and increased consumer confidence.

City of Burlingame Historical General Fund Expenditures					
	FY09	FY10	FY11	FY12	FY13
<b>Total Operating Expenditures</b>	\$ 38,046,279	\$ 35,817,177	\$ 34,533,995	\$ 36,683,828	\$ 37,613,343
<b>Dollar Change</b>	514,546	(2,229,102)	(1,283,182)	2,149,833	929,515
<b>Percentage Change</b>	1.37%	-5.86%	-3.58%	6.23%	2.53%

The fiscal year 2012-13 adopted General Fund budget assumed operating expenditures of \$39.4 million, a growth of 3.5% from the prior year budget. During the fiscal year, the City did not have any significant mid-year budget realignments (a modest \$67,000 supplemental appropriation was approved for the Burlingame Aquatic Center) due to better than budgeted revenue performance and continued monitoring by departments to control spending. Slight budgetary overages in some departments were offset by savings in other areas for General Fund budgetary expenditure savings of nearly \$1.8 million (4.5%).





**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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, Section 2, 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 \$206.6 million on June 30, 2013, net of depreciation. Capital assets increased by 2.3% from prior fiscal year. The investments in capital assets include: land, construction in progress, buildings, improvements, machinery and equipment, facilities, roads, streets, and storm drains.

Capital Assets, Net of Accumulated Depreciation June 30, 2013 (Amounts in Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2012	2013	% Change	2012	2013	% Change	2012	2013	% Change
Land and other assets not being depreciated	\$ 47.21	\$ 40.77	-13.6%	\$ 6.98	\$ 8.39	20.2%	\$ 54.20	\$ 49.16	-9.3%
Facilities, infrastructure, and equipment	54.88	65.50	19.4%	92.93	91.94	-1.1%	147.80	157.45	6.5%
Total:	\$ 102.09	\$ 106.27	4.1%	\$ 99.91	\$ 100.34	0.4%	\$ 202.00	\$ 206.61	2.3%

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 Financial Statements under Note 4 – Capital Assets.

**Long-Term Obligations**

As of June 30, 2013, the City had total long-term debt obligations of \$122.2 million, an increase of \$16.1 million from the prior year due to the issuance of two bond financings. Nearly half of all long-term debt relates to business-type activities of the Water and Sewer Funds due to loans and revenue bonds previously issued to support various capital projects overseen by each enterprise. Therefore, short of additional debt financings, these 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, which was closed during 1995-1997, as the costs are incurred. Funding for this liability is currently provided through a portion of solid waste

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Long-Term Obligations (Continued)**

rates charged to City ratepayers. This same funding also provides for the annual costs of monitoring and maintaining the former landfill. In fiscal year 2012-13, these annual operating costs exceeded the amounts collected from solid waste rates, resulting in a slight \$8,000 increase in the Landfill Post-Closure Liability.

Outstanding Long-Term Obligations June 30, 2013 (Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2012	2013	% Change	2012	2013	% Change	2012	2013	% Change
Bonds Due in More than One Year	\$ 43.84	\$ 60.47	37.9%	\$ 56.48	\$ 54.97	-2.7%	\$ 100.32	\$ 115.44	15.1%
Bonds Due Within One Year	3.15	4.06	28.9%	2.39	2.66	11.3%	5.54	6.72	21.3%
Claims and Litigation	7.07	6.77	-4.2%	-	-	0.0%	7.07	6.77	-4.2%
Landfill Closure	-	-	0.0%	3.08	3.09	0.3%	3.08	3.09	0.3%
OPEB Obligation	12.85	16.22	26.2%	2.71	3.62	33.6%	15.56	19.84	27.5%
Compensated Absences	2.17	1.26	-41.9%	0.49	0.31	-36.7%	2.66	1.57	-41.2%
Total:	\$ 69.08	\$ 88.78	28.5%	\$ 65.15	\$ 64.65	-5.8%	\$ 134.23	\$ 153.43	14.3%

**Debt Administration**

The City has a AA+ underlying general obligation rating and a AA+ rating for its water and wastewater debt as issued by Standard & Poor's Rating Service. Both ratings were re-affirmed with 2012-13 bond issuances. The Burlingame Financing Authority has nine outstanding bond issues. City debt also includes two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant and a taxable bond issue for pension obligations.

As previously discussed, the Burlingame Financing Authority issued the Lease Revenue Bonds, Series 2012, and the Storm Drainage Revenue Bonds, Series 2012 in the fiscal year ended June 30, 2013. In addition, the Water and Wastewater Refunding Bonds, Series 2013 were issued to defease the Water and Wastewater Revenue Bonds, Series 2004, in order to take advantage of declining market interest rates.

Burlingame Financing Authority Debt					
	FY09	FY10	FY11	FY12	FY13
Governmental Debt:	\$ 39,206,629	\$ 36,977,024	\$ 49,690,340	\$ 46,982,203	\$ 64,529,755
Business-Type Debt:	69,338,107	66,325,722	60,723,806	58,863,327	57,622,844
Total	\$ 108,544,736	\$ 103,302,746	\$ 110,414,146	\$ 105,845,530	\$ 122,152,599

The City has no general obligation debt. As of June 30, 2013, the City's general obligation debt limit was \$295 million. The legal debt limit represents 3.75% of total assessed valuation based on assessments at 100% of full market value, in accordance with California Government Code Section 43605.

Additional information pertaining to the City's outstanding long-term debt can be found under Long-Term Debt Note 5 – Long-Term Debt on page 79 in the Notes to the Financial Statements and in the Statistical Section under Legal Debt Margin information.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Economic Factors and Next Year's Budget and Rates**

The following factors were taken into consideration in preparing the fiscal year 2013-14 budget:

**Revenue Projections:** The City prepared a five-year forecast of revenues and expenditures for the General Fund. The adopted budget will assume growth of approximately 7.5% in total General Fund revenue before transfers compared to the prior year adopted budget.

**Expenditures:** Operating expenditures are expected to grow approximately 6.4% to provide for a strategic increase of 5.5 fulltime equivalent (FTE) staff positions, based on current workload and Council priorities projects and programs. Annual pre-funding of a newly-established trust fund for retiree medical benefits will also increase operating costs of all funds, but will prevent future growth in the liability associated with these benefits.

**Employee Costs:** In addition to the increase in staff positions, modest salary adjustments, coupled with increased pension and other employee benefit obligations, will put upward pressure on personnel costs. However, prior year cost-controlling strategies and employee concessions implemented in prior years will limit these increases to a 6% growth rate.

**General Fund Capital Improvements:** The City Council earmarked \$3.0 million for capital improvements.

**Water and Sewer Rate Adjustments:** Water and sewer adjustments will be implemented in January 2014. Water rates are expected to increase by a blended average of 7.8%, based on a progressive tiered rate structure on January 1, 2013 for most single-family residential customers. The tiered structure allows for increased volumetric charges for higher water units consumed. No rate increase is proposed for sewer service charges.

**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. Landfill operations will be accounted for in a separate fund beginning in fiscal year 2013-14 so that the related expenses can be more readily tracked. No Solid Waste rate adjustment is expected for calendar year 2014.

**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, 2013

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 58,496,420	\$ 25,552,798	\$ 84,049,218
Receivables (net of uncollectible amounts of \$0 for business-type activities):			
Due from consumers	303,943	5,386,547	5,690,490
Internal balances	30,398	(30,398)	-
Intergovernmental	585,075	-	585,075
Other receivables	4,422,275	58,896	4,481,171
Inventory	47,482	-	47,482
Prepaid items	613,312	-	613,312
Cash and investments, restricted	23,837,709	451,212	24,288,921
Net pension asset	26,483,356	-	26,483,356
Capital assets:			
Land and other assets not being depreciated	40,772,152	8,391,264	49,163,416
Facilities, infrastructure, and equipment, net of depreciation	65,502,717	91,944,918	157,447,635
Total assets	221,094,839	131,755,237	352,850,076
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount of bond refunding	-	755,637	755,637
Total deferred outflows of resources	-	755,637	755,637
<b>LIABILITIES</b>			
Accounts payable	4,250,632	1,659,281	5,909,913
Retentions payable	381,878	-	381,878
Accrued payroll	1,378,494	-	1,378,494
Accrued interest	450,973	786,993	1,237,966
Deposits	441,554	766,666	1,208,220
Due to other grantors	141,365	34,558	175,923
Claims and judgments:			
Due in one year	1,595,000	-	1,595,000
Due in more than one year	5,179,000	-	5,179,000
Compensated absences:			
Due in one year	160,109	17,762	177,871
Due in more than one year	1,103,571	298,796	1,402,367
Landfill closure and post-closure costs:			
Due in one year	-	795,597	795,597
Due in more than one year	-	2,293,057	2,293,057
Net OPEB obligation			
Due in more than one year	16,221,473	3,622,706	19,844,179
Long-term debt:			
Due in one year	4,057,533	2,655,312	6,712,845
Due in more than one year	60,472,222	54,967,532	115,439,754
Total liabilities	95,833,804	67,898,260	163,732,064
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total deferred inflows of resources	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	64,020,114	43,468,975	107,489,089
Restricted for:			
Debt service - revenue bonds	-	4,599,052	4,599,052
Restricted cash held with trustee	16,710,658	451,212	17,161,870
Public safety	24,312	-	24,312
Streetscape - Special Assessment District	362,829	-	362,829
Storm drainage	6,792,597	-	6,792,597
Street repair and maintenance	2,509,186	-	2,509,186
Total restricted	26,399,582	5,050,264	31,449,846
Unrestricted	34,841,339	16,093,375	50,934,714
<b>Total net position</b>	<b>\$ 125,261,035</b>	<b>\$ 64,612,614</b>	<b>\$ 189,873,649</b>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,188,022	\$ 116,561	\$ 308,603	\$ -	\$ 425,164
Public safety	21,162,610	212,324	131,091	-	343,415
Public works	9,268,105	3,230,058	291,595	356,759	3,878,412
Community development	940,919	383,825	-	-	383,825
Parks, recreation, and library	11,064,566	2,879,922	142,425	-	3,022,347
Shuttle operations	179,296	-	113,458	-	113,458
Financing and other activities	2,797,393	-	-	-	-
Total governmental activities	51,600,911	6,822,690	987,172	356,759	8,166,621
Business-type activities:					
Water	12,127,012	14,874,705	-	-	14,874,705
Sewer	9,553,446	16,791,449	-	-	16,791,449
Waste management	634,156	564,022	-	-	564,022
Parking	1,349,659	2,427,521	-	-	2,427,521
Building	1,316,600	1,707,258	-	-	1,707,258
Total business-type activities	24,980,873	36,364,955	-	-	36,364,955
Total government-wide	\$ 76,581,784	\$ 43,187,645	\$ 987,172	\$ 356,759	\$ 44,531,576

**General revenues**

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Other taxes

Fines, forfeitures, and penalties

Franchise fees, unrestricted

Intergovernmental revenues, unrestricted

Total general revenues

**Investment income (expense)**

**Bond issuance costs**

**Capital contributions**

**Transfers to other funds**

Total general revenues and transfers

Change in net position

**Net position beginning**

Cumulative effect of change in accounting principle

**Net position - beginning, as restated**

**Net position ending**

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF ACTIVITIES (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (5,762,858)	\$ -	\$ (5,762,858)
(20,819,195)	-	(20,819,195)
(5,389,693)	-	(5,389,693)
(557,094)	-	(557,094)
(8,042,219)	-	(8,042,219)
(65,838)	-	(65,838)
(2,797,393)	-	(2,797,393)
<u>(43,434,290)</u>	<u>-</u>	<u>(43,434,290)</u>
-	2,747,693	2,747,693
-	7,238,003	7,238,003
-	(70,134)	(70,134)
-	1,077,862	1,077,862
-	390,658	390,658
<u>-</u>	<u>11,384,082</u>	<u>11,384,082</u>
<u>(43,434,290)</u>	<u>11,384,082</u>	<u>(32,050,208)</u>
14,393,687	-	14,393,687
9,198,871	-	9,198,871
18,244,310	-	18,244,310
1,397,683	-	1,397,683
932,568	-	932,568
1,572,005	314,370	1,886,375
1,408,411	-	1,408,411
<u>47,147,535</u>	<u>314,370</u>	<u>47,461,905</u>
148,136	(2,199,268)	(2,051,132)
-	(219,013)	(219,013)
-	-	-
<u>3,916,142</u>	<u>(3,916,142)</u>	<u>-</u>
<u>51,211,813</u>	<u>(6,020,053)</u>	<u>45,191,760</u>
7,777,523	5,364,029	13,141,552
<u>118,238,249</u>	<u>60,183,000</u>	<u>178,421,249</u>
(754,737)	(896,195)	(1,650,932)
<u>117,483,512</u>	<u>59,286,805</u>	<u>176,770,317</u>
<u>\$ 125,261,035</u>	<u>\$ 64,650,834</u>	<u>\$ 189,911,869</u>

See accompanying Notes to the Basic Financial Statements.

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

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).

**CITY OF BURLINGAME, CALIFORNIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets:					
Cash and investments	\$ 18,666,329	\$ 836,810	\$ 13,952,610	\$ 10,729,331	\$ 44,185,080
Receivables (net of allowance for collectibles of \$0)	4,132,498	-	652,639	200,548	4,985,685
Due from other fund	-	30,398	8,390,101	-	8,420,499
Prepaid expenditures	217,470	395,842	-	-	613,312
Cash and investments, restricted	-	23,837,709	-	-	23,837,709
Total assets	<u>23,016,297</u>	<u>25,100,759</u>	<u>22,995,350</u>	<u>10,929,879</u>	<u>82,042,285</u>
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 23,016,297</u>	<u>\$ 25,100,759</u>	<u>\$ 22,995,350</u>	<u>\$ 10,929,879</u>	<u>\$ 82,042,285</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 707,781	\$ -	\$ 3,201,630	\$ 74,474	\$ 3,983,885
Due to other funds	-	8,390,101	-	-	8,390,101
Retentions payable	-	-	381,878	-	381,878
Accrued payroll	1,378,494	-	-	-	1,378,494
Deposits	441,554	-	-	-	441,554
Advanced from other funds	400,000	-	-	-	400,000
Unearned revenue	141,365	-	-	-	141,365
Total liabilities	<u>3,069,194</u>	<u>8,390,101</u>	<u>3,583,508</u>	<u>74,474</u>	<u>15,117,277</u>
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable	217,470	395,842	-	-	613,312
Restricted	-	16,314,816	-	9,688,924	26,003,740
Committed	-	-	19,411,842	-	19,411,842
Assigned	12,300,000	-	-	1,166,481	13,466,481
Unassigned	7,429,633	-	-	-	7,429,633
Total fund balances	<u>19,947,103</u>	<u>16,710,658</u>	<u>19,411,842</u>	<u>10,855,405</u>	<u>66,925,008</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,016,297</u>	<u>\$ 25,100,759</u>	<u>\$ 22,995,350</u>	<u>\$ 10,929,879</u>	<u>\$ 82,042,285</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, 2013**

<b>Fund balance – total governmental funds</b>	\$	66,925,008
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Amounts reported for governmental activities in the statement of net position are different because:

**CAPITAL ASSETS**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		104,280,683
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**LONG-TERM ASSETS AND LIABILITIES**

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

Compensated absences		(1,192,839)
Long-term debt		(64,529,755)
Net other post-employment benefits obligation		(16,221,473)

The proceeds of the pension obligation bonds were used to pre-pay the City's unfunded California Public Employees' Retirement System actuarial liability. This prepayment is not reported in the governmental funds but is recorded in the statement of net position as a net pension asset.		26,483,356
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Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(450,973)
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**ALLOCATION OF INTERNAL SERVICES FUND NET POSITION**

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 position.

9,967,028

<b>Net position of governmental activities</b>	\$	<u><u>125,261,035</u></u>
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**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 15,384,141	\$ -	\$ 154,814	\$ -	\$ 15,538,955
Sales and use taxes	9,198,871	-	-	-	9,198,871
Transient occupancy taxes	18,244,310	-	-	-	18,244,310
Other taxes	2,969,688	-	-	-	2,969,688
Charges for services - fees	3,680,900	-	-	-	3,680,900
Charges for services - licenses and permits	101,753	-	-	3,040,037	3,141,790
Fines, forfeitures, and penalties	860,476	-	-	72,092	932,568
Investment income	133,386	13,655	-	1,095	148,136
Intergovernmental taxes	404,875	-	301,930	1,408,411	2,115,216
Grant revenue	-	-	54,829	212,471	267,300
Other revenue	308,603	-	-	61,223	369,826
<b>Total revenues</b>	<b>51,287,003</b>	<b>13,655</b>	<b>511,573</b>	<b>4,795,329</b>	<b>56,607,560</b>
<b>EXPENDITURES:</b>					
Current:					
General government	5,636,245	24,767	-	37,666	5,698,678
Public safety	18,829,704	-	-	65,571	18,895,275
Public works	3,084,543	-	4,749,903	-	7,834,446
Community development	854,231	-	-	-	854,231
Parks, recreation, and library	9,208,620	-	-	119,632	9,328,252
Shuttle operations	-	-	-	179,296	179,296
Capital outlay	-	-	6,447,132	-	6,447,132
Debt service:					
Principal	-	3,527,050	-	-	3,527,050
Interest	-	2,336,950	-	-	2,336,950
<b>Total expenditures</b>	<b>37,613,343</b>	<b>5,888,767</b>	<b>11,197,035</b>	<b>402,165</b>	<b>55,101,310</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>13,673,660</b>	<b>(5,875,112)</b>	<b>(10,685,462)</b>	<b>4,393,164</b>	<b>1,506,250</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	2,184,223	6,431,858	24,514,232	78,823	33,209,136
Transfer out	(11,429,545)	(8,390,101)	(6,486,978)	(2,986,370)	(29,292,994)
Other financing sources (uses):					
Storm Drain Revenue Bond, Series 2012	-	10,892,090	-	-	10,892,090
Lease Revenue Bond, Series 2012	-	10,271,969	-	-	10,271,969
Bond issuance costs	-	(528,026)	-	-	(528,026)
<b>Total other financing sources (uses)</b>	<b>(9,245,322)</b>	<b>18,677,790</b>	<b>18,027,254</b>	<b>(2,907,547)</b>	<b>24,552,175</b>
<b>Net change in fund balances</b>	<b>4,428,338</b>	<b>12,802,678</b>	<b>7,341,792</b>	<b>1,485,617</b>	<b>26,058,425</b>
<b>FUND BALANCES:</b>					
Beginning of year	15,518,765	3,907,980	12,070,050	9,369,788	40,866,583
End of year	\$ 19,947,103	\$ 16,710,658	\$ 19,411,842	\$ 10,855,405	\$ 66,925,008

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, 2013**

**Net change in fund balances – total governmental funds** \$ 26,058,425

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. 6,447,132

Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance. (2,500,450)

**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. (1,145,268)

**LONG-TERM DEBT PROCEEDS AND PAYMENTS**

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from issuance of debt (21,164,059)

Accrued interest calculated on bonds payable (21,873)

Amortization of bond premium 89,459

Amortization of net pension asset (1,040,819)

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 position:

Principal payments 3,527,050

**ACCRUAL OF NONCURRENT 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 decrease in compensated absences that occurred during the year. 869,708

Net other post-employment benefits obligation expense (3,367,183)

**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 25,401

**Change in net position of governmental activities** \$ 7,777,523

See accompanying Notes to the Basic Financial Statements.

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## ***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 ***Parking Fund*** is used to account for the activities of the City's downtown 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, 2013**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets:			
Cash and investments	\$ 10,764,355	\$ 6,462,297	\$ 2,466,847
Receivables (net of uncollectible amounts of \$0):			
Due from consumers	2,277,935	3,063,727	43,636
Other receivables	28,933	15,775	4,182
Advances to other funds	-	-	-
Inventory	-	-	-
Total current assets	<u>13,071,223</u>	<u>9,541,799</u>	<u>2,514,665</u>
Noncurrent assets:			
Cash and investments, restricted	3,228	447,984	-
Capital assets:			
Land and other assets not being depreciated	970,664	1,668,752	-
Facilities, infrastructure, and equipment, net of depreciation	<u>31,517,024</u>	<u>59,216,645</u>	<u>-</u>
Total noncurrent assets	<u>32,490,916</u>	<u>61,333,381</u>	<u>-</u>
Total assets	<u>45,562,139</u>	<u>70,875,180</u>	<u>2,514,665</u>
Deferred outflows of resources:			
Deferred amount on bond refunding	<u>499,023</u>	<u>256,614</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 46,061,162</u>	<u>\$ 71,131,794</u>	<u>\$ 2,514,665</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Current liabilities:			
Accounts payable	\$ 1,384,589	\$ 97,628	\$ 11,189
Due to other funds	15,199	15,199	-
Accrued interest	263,733	523,260	-
Deposits	15,725	-	-
Unearned revenue	34,558	-	-
Claims and litigation due in one year	-	-	-
Landfill closure and post-closure liability	-	-	795,597
Bonds and loans payable due in one year	1,165,435	1,489,877	-
Compensated absences due in one year	<u>6,364</u>	<u>3,559</u>	<u>-</u>
Total current liabilities	<u>2,885,603</u>	<u>2,129,523</u>	<u>806,786</u>
Noncurrent liabilities:			
Bonds payable	24,651,534	30,315,998	-
Landfill closure and post-closure liability	-	-	2,293,057
Other post-employment benefits obligation payable	1,246,192	1,141,974	127,992
Claims and litigation	-	-	-
Compensated absences	<u>112,352</u>	<u>99,281</u>	<u>5,207</u>
Total noncurrent liabilities	<u>26,010,078</u>	<u>31,557,253</u>	<u>2,426,256</u>
Total liabilities	<u>28,895,681</u>	<u>33,686,776</u>	<u>3,233,042</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>28,895,681</u>	<u>33,686,776</u>	<u>3,233,042</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,171,837	29,334,041	-
Restricted	3,228	447,984	-
Unrestricted	<u>9,990,416</u>	<u>7,662,993</u>	<u>(718,377)</u>
Total net position	<u>\$ 17,165,481</u>	<u>\$ 37,445,018</u>	<u>\$ (718,377)</u>

See accompanying Notes to the Basic Financial Statements.



**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

Enterprise Funds			Governmental Activities - Internal Service Funds
Parking Fund	Building Fund	Total	
\$ 2,172,676	\$ 3,686,623	\$ 25,552,798	\$ 14,311,340
936	313	5,386,547	303,943
3,862	6,144	58,896	21,665
-	-	-	400,000
-	-	-	47,482
<u>2,177,474</u>	<u>3,693,080</u>	<u>30,998,241</u>	<u>15,084,430</u>
-	-	451,212	-
5,751,848	-	8,391,264	-
<u>1,211,249</u>	<u>-</u>	<u>91,944,918</u>	<u>1,994,186</u>
<u>6,963,097</u>	<u>-</u>	<u>100,787,394</u>	<u>1,994,186</u>
<u>9,140,571</u>	<u>3,693,080</u>	<u>131,785,635</u>	<u>17,078,616</u>
-	-	755,637	-
<u>\$ 9,140,571</u>	<u>\$ 3,693,080</u>	<u>\$ 132,541,272</u>	<u>\$ 17,078,616</u>
\$ 13,751	\$ 152,124	\$ 1,659,281	\$ 266,747
-	-	30,398	-
-	-	786,993	-
-	750,941	766,666	-
-	-	34,558	-
-	-	-	1,595,000
-	-	795,597	-
-	-	2,655,312	-
<u>7,327</u>	<u>512</u>	<u>17,762</u>	<u>4,819</u>
<u>21,078</u>	<u>903,577</u>	<u>6,746,567</u>	<u>1,866,566</u>
-	-	54,967,532	-
-	-	2,293,057	-
596,330	510,218	3,622,706	-
-	-	-	5,179,000
<u>31,968</u>	<u>49,988</u>	<u>298,796</u>	<u>66,022</u>
<u>628,298</u>	<u>560,206</u>	<u>61,182,091</u>	<u>5,245,022</u>
<u>649,376</u>	<u>1,463,783</u>	<u>67,928,658</u>	<u>7,111,588</u>
-	-	-	-
<u>649,376</u>	<u>1,463,783</u>	<u>67,928,658</u>	<u>7,111,588</u>
6,963,097	-	43,468,975	1,994,186
-	-	451,212	-
<u>1,528,098</u>	<u>2,229,297</u>	<u>20,692,427</u>	<u>7,972,842</u>
<u>\$ 8,491,195</u>	<u>\$ 2,229,297</u>	<u>\$ 64,612,614</u>	<u>\$ 9,967,028</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>OPERATING REVENUES:</b>			
Water sales	\$ 14,714,432	\$ -	\$ -
Sewer service charges:			
Burlingame users	-	15,498,440	-
Other agencies	-	1,293,009	-
Special surcharges	108,875	-	-
Parking fee	-	-	-
Charges for services	-	-	-
Other revenue	51,398	-	564,022
Franchise tax	-	-	314,370
<b>Total operating revenues</b>	<b>14,874,705</b>	<b>16,791,449</b>	<b>878,392</b>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	2,445,361	2,106,180	343,620
Supplies and services	374,959	594,999	14,832
Water purchase	6,156,963	-	-
Contractual services	392,502	3,413,609	273,251
Communication and utilities	88,838	52,263	181
Maintenance	-	-	-
Bad debt expense	21,041	26,074	-
Depreciation and amortization	2,549,770	3,255,647	657
Insurance claims and expenses	97,578	104,674	1,615
<b>Total operating expenses</b>	<b>12,127,012</b>	<b>9,553,446</b>	<b>634,156</b>
<b>Operating income</b>	<b>2,747,693</b>	<b>7,238,003</b>	<b>244,236</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income (expenses)	(28,830)	(681)	(2,696)
Bond issuance costs	(147,073)	(71,940)	-
Interest expense	(1,029,073)	(1,170,195)	-
<b>Net nonoperating revenues (expenses)</b>	<b>(1,204,976)</b>	<b>(1,242,816)</b>	<b>(2,696)</b>
<b>Income before transfers</b>	<b>1,542,717</b>	<b>5,995,187</b>	<b>241,540</b>
Transfers in	1,927,455	3,029,597	250,000
Transfers out	(3,071,482)	(5,471,482)	-
<b>Change in net position</b>	<b>398,690</b>	<b>3,553,302</b>	<b>491,540</b>
<b>NET POSITION:</b>			
Net position - beginning	17,319,805	34,234,897	(1,209,917)
Cumulative effect of change in accounting principle	(553,014)	(343,181)	-
Net position - beginning, as restated	16,766,791	33,891,716	(1,209,917)
End of year	<u>\$ 17,165,481</u>	<u>\$ 37,445,018</u>	<u>\$ (718,377)</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Enterprise Funds			Governmental
Parking Fund	Building Fund	Total	Activities - Internal Service Funds
\$ -	\$ -	\$ 14,714,432	\$ -
-	-	15,498,440	-
-	-	1,293,009	-
-	-	108,875	-
2,427,521	-	2,427,521	-
-	1,571,629	1,571,629	4,931,251
-	135,629	751,049	75,742
-	-	314,370	-
<u>2,427,521</u>	<u>1,707,258</u>	<u>36,679,325</u>	<u>5,006,993</u>
957,898	870,593	6,723,652	1,025,443
221,148	181,148	1,387,086	370,547
-	-	6,156,963	-
96,715	256,033	4,432,110	1,166,404
16,974	5,683	163,939	63,313
-	-	-	339,063
-	-	47,115	-
53,492	-	5,859,566	573,793
3,432	3,143	210,442	1,420,569
<u>1,349,659</u>	<u>1,316,600</u>	<u>24,980,873</u>	<u>4,959,132</u>
<u>1,077,862</u>	<u>390,658</u>	<u>11,698,452</u>	<u>47,861</u>
(915)	(5,098)	(38,220)	(22,460)
-	-	(219,013)	-
-	-	(2,199,268)	-
<u>(915)</u>	<u>(5,098)</u>	<u>(2,456,501)</u>	<u>(22,460)</u>
1,076,947	385,560	9,241,951	25,401
-	-	5,207,052	-
<u>(580,230)</u>	<u>-</u>	<u>(9,123,194)</u>	<u>-</u>
496,717	385,560	5,325,809	25,401
7,994,478	1,843,737	60,183,000	9,941,627
-	-	(896,195)	-
<u>7,994,478</u>	<u>1,843,737</u>	<u>59,286,805</u>	<u>9,941,627</u>
<u>\$ 8,491,195</u>	<u>\$ 2,229,297</u>	<u>\$ 64,612,614</u>	<u>\$ 9,967,028</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from consumers	\$ 14,647,879	\$ 17,893,370	\$ 973,051
Payment to suppliers	(6,950,375)	(4,318,508)	(632,327)
Payment to employees for services	(2,205,419)	(1,885,534)	(298,822)
<b>Net cash provided by (used in) operating activities</b>	<b>5,492,085</b>	<b>11,689,328</b>	<b>41,902</b>
<b>CASH FLOWS TO/FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers to/from other funds	(1,144,027)	(2,441,885)	250,000
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(1,144,027)</b>	<b>(2,441,885)</b>	<b>250,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on long-term debt	(10,354,606)	(5,901,514)	-
Bond Issuance cost	(700,087)	(415,121)	-
Interest paid on long-term debt	(1,066,432)	(1,042,681)	-
Proceeds from new debt	9,475,000	4,785,000	-
Loss on disposal of assets	-	18,461	-
Acquisition of capital assets	(2,013,262)	(3,379,361)	-
<b>Net cash used in capital and related financing activities</b>	<b>(4,659,387)</b>	<b>(5,935,216)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received/paid on investments	-	-	(2,696)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>	<b>(2,696)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(311,329)</b>	<b>3,312,227</b>	<b>289,206</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	11,078,912	3,598,054	2,177,641
End of year	<u>\$ 10,767,583</u>	<u>\$ 6,910,281</u>	<u>\$ 2,466,847</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 2,747,693	\$ 7,238,003	\$ 244,236
Adjustments for noncash activities:			
Depreciation and amortization	2,549,770	3,255,647	657
Bad debt expense	21,041	26,074	-
Changes in assets and liabilities:			
Receivables	(239,146)	1,101,921	94,661
Deposits	950	-	-
Inventory	-	-	-
Other assets	-	116,290	-
Advances to other funds	-	-	-
Accounts payable to suppliers and service providers	160,465	(276,786)	(350,852)
Claims and litigation	-	-	-
Due to other funds	-	7,533	-
Landfill closure liability	-	-	8,402
Other Post-Employment Benefit obligation	319,956	290,557	44,907
Compensated absences	(80,014)	(69,911)	(109)
Unearned revenue	11,370	-	-
<b>Total adjustments</b>	<b>2,744,392</b>	<b>4,451,325</b>	<b>(202,334)</b>
<b>Net cash provided by operating activities</b>	<b>\$ 5,492,085</b>	<b>\$ 11,689,328</b>	<b>\$ 41,902</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>			
Cash and investments – current	\$ 10,764,355	\$ 6,462,297	\$ 2,466,847
Cash and investments, restricted	3,228	447,984	-
<b>Cash and cash equivalents on the statement of cash flows</b>	<b>\$ 10,767,583</b>	<b>\$ 6,910,281</b>	<b>\$ 2,466,847</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Contributions of capital assets from capital project funds	\$ 1,927,455	\$ 3,029,597	\$ -

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Enterprise Funds			Governmental Activities - Internal Service Funds
Parking Fund	Building Fund	Total	
\$ 2,428,454	\$ 1,685,321	\$ 37,628,075	\$ 4,252,193
(343,136)	(373,848)	(12,618,194)	(3,291,236)
<u>(830,683)</u>	<u>(767,195)</u>	<u>(5,987,653)</u>	<u>(1,058,684)</u>
1,254,635	544,278	19,022,228	(97,727)
<u>(580,230)</u>	<u>-</u>	<u>(3,916,142)</u>	<u>-</u>
<u>(580,230)</u>	<u>-</u>	<u>(3,916,142)</u>	<u>-</u>
-	-	(16,256,120)	-
-	-	(1,115,208)	-
-	-	(2,109,113)	-
-	-	14,260,000	-
-	-	18,461	-
<u>(13,454)</u>	<u>-</u>	<u>(5,406,077)</u>	<u>(811,575)</u>
<u>(13,454)</u>	<u>-</u>	<u>(10,608,057)</u>	<u>(811,575)</u>
<u>(915)</u>	<u>(5,098)</u>	<u>(8,709)</u>	<u>(22,460)</u>
<u>(915)</u>	<u>(5,098)</u>	<u>(8,709)</u>	<u>(22,460)</u>
660,036	539,180	4,489,320	(931,762)
<u>1,512,640</u>	<u>3,147,443</u>	<u>21,514,690</u>	<u>15,243,102</u>
<u>\$ 2,172,676</u>	<u>\$ 3,686,623</u>	<u>\$ 26,004,010</u>	<u>\$ 14,311,340</u>
\$ 1,077,862	\$ 390,658	\$ 11,698,452	\$ 47,861
53,492	-	5,859,566	573,793
-	-	47,115	-
935	1,707	960,078	(57,800)
-	(23,644)	(22,694)	-
-	-	-	14,774
-	-	116,290	-
-	-	-	(400,000)
(4,869)	72,159	(399,883)	53,886
-	-	-	(297,000)
-	-	7,533	-
-	-	8,402	-
135,413	120,717	911,550	-
(8,198)	(17,319)	(175,551)	(33,241)
<u>-</u>	<u>-</u>	<u>11,370</u>	<u>-</u>
<u>176,773</u>	<u>153,620</u>	<u>7,323,776</u>	<u>(145,588)</u>
<u>\$ 1,254,635</u>	<u>\$ 544,278</u>	<u>\$ 19,022,228</u>	<u>\$ (97,727)</u>
\$ 2,172,676	\$ 3,686,623	\$ 25,552,798	\$ 14,311,340
-	-	451,212	-
<u>\$ 2,172,676</u>	<u>\$ 3,686,623</u>	<u>\$ 26,004,010</u>	<u>\$ 14,311,340</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,957,052</u>	<u>\$ -</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	Agency Funds
	<hr/>
<b>ASSETS</b>	
Cash and investments	\$ 216,347
Accounts receivable	<hr/> 939,505
<b>Total assets</b>	<hr/> <b>\$ 1,155,852</b> <hr/>
 <b>LIABILITIES</b>	
Accounts payable	\$ 185,517
Due to other governments	<hr/> 970,335
<b>Total liabilities</b>	<hr/> <b>\$ 1,155,852</b> <hr/>

See accompanying Notes to the Basic Financial Statements.

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**CITY OF BURLINGAME, CALIFORNIA**  
**INDEX TO THE NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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 on 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 Unit**

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 may be leased by the Authority to the City pursuant to a lease agreement.

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, 2013**

**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 Broadway Business Improvement Districts. A complete listing of agency funds can be found in the Fiduciary Fund Statements.

Central County Fire Department

Effective July 1, 2010, City fire employees became employees of Central County Fire Department (CCFD).

The CCFD is a Joint Powers Authority (JPA) which provides fire, emergency medical, and disaster preparedness services to the City and the Town of Hillsborough. CCFD is governed by a four member board of directors and a Chief Administrative Officer. Generally, the City is allocated 60% of total direct costs in support of the ongoing operations and maintenance of CCFD, whose administration, books and records are maintained by the Town of Hillsborough and are therefore, 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 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.

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.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables, including the corresponding deferred revenues. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all National Council on Government Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*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.

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 separate columns 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 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 net current assets.

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Governmental Fund Financial Statements (Continued)*

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. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

Reconciliation of the Governmental Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach to reporting.

*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 fund accounts for the activities of the City's water supply system.

The Sewer Fund is used to fund accounts 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 landfill closure costs and post-closure monitoring services.

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Proprietary Fund Financial Statements*

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. In accordance with GASB Statement No. 62, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as FASB Statements and Interpretations, APB Opinions, and ARBs of the Committee on Accounting Procedure issued on or before November 30, 1989.

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 internal service funds include water and sewer service, connection fees, sewer discharge permits, revenues from solid waste management and franchise fees, building inspections, parking fees and permits, information technology support, and vehicle and facilities maintenance for various departments in the City. All other revenues are reported as nonoperating 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 City does not typically incur costs or earn revenues relating to nonoperating activities.

The Internal Service Funds are used to account for the servicing of the self-insurance, vehicle maintenance and acquisition, facilities maintenance, and information technology maintenance and acquisition programs of City departments or agencies on a cost-reimbursement basis.

*Fiduciary Fund Financial*

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, the State of California for seismic fees, Hotel and Broadway Business Improvement District (BID) fees, Central County Fire Department (CCFD), specialized training and Emergency Medical Systems (EMS) training fund, building standards administration, Quality of Work Life Committee (QWLC), the elementary and high school districts, and unclaimed property from the police department. Fiduciary Fund Financial Statements include a Statement of Net Position and represent the related activity for the City's Agency Funds.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. 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 and certain two special revenue funds. 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 department appropriations require majority approval by the City Council. Certain budgetary re-allocations within departments require approval by the City Manager and Department Heads. 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 basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances in order to properly compare these amounts to actual expenditures.

**Budget Development and Adoption**

Each January, forecasts for salaries and benefits for the ensuing year are completed and presented to the City Council at a budget policy setting meeting as part of the mid-year budget review in March. The City Council considers this information to set budget parameters and provide direction on the City's new financial plan. The City Council may review and approve budgetary revenue assumptions and may make adjustments to City fees for services at its discretion.

City departments submit budget requests in April, and 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 during a series of budget study sessions in May before the final budget is formally adopted in June.

By request of the City Council, the City includes a long-term forecast of the General Fund, which includes the ensuing fiscal year and the succeeding five years for a total of six budget years. The forecast is designed to provide clarity on potential and future revenue and expenditure scenarios, providing additional context for the financial decisions made by the City Council. Revenue assumptions are based on historical collections. Expenditure assumptions are based on known factors such as collective bargaining agreements, current pay and benefit policies, consumer price indices, and other available information from expert third-parties or governing authorities.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Budgeting (Continued)**

Expenditures exceeded budgetary appropriations for the year ended June 30, 2013, as follows:

Major Fund:

General Fund

General Government

City Attorney (1)	\$ 101,038
Human Resources	63,892
Parks, Recreation, and Library	
Library	42,459

Nonmajor Governmental Funds

Special Revenue Funds

Development Fees Fund

General Government	1,021
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State/Federal Grants Fund

Public Safety (2)	250
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Local Grants Fund

Public Safety (3)	65,321
Parks, Recreation, and Library (3)	119,632

Expenditures exceeding budget represented minor amounts that are insignificant.

(1) Due to ongoing litigation and consultation on various legal matters.

(2) Expenditure exceeding budget represented minor amounts that are immaterial.

(3) The variance is due to the City's historic practice of not making annual revenue assumptions relating to receipts from local donations in its budget.

**D. Cash, Cash Equivalents, and 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 Local Agency Investment Fund (LAIF) and the San Mateo County Investment Pool.

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, not to exceed 0.25%. State regulations permit the City to place up to \$50,000,000 in LAIF, plus any bond proceeds related to construction of a City facility.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash, Cash Equivalents, and Investments (Continued)**

*Pooled Investments and Investment by City Treasury (Continued)*

The San Mateo County (the County) Investment Pool is managed by the County Treasurer, and, as required by State law, an investment advisory committee made up of representatives of those cities and local agencies who invest in the pool meets quarterly with the County Treasurer to review the investment portfolio. The County's investment policy is consistent with the City's policy, and although the City's and County's investments are pooled, the County does not have access to City funds.

*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.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash, Cash Equivalents, and Investments (Continued)**

Valuation (Continued)

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.

**E. Account Receivables**

The City accrues revenue at fiscal year-end, and receivables are shown net of an allowance for uncollectible accounts. The City periodically evaluates outstanding receivables to identify those that are more likely than not to be uncollected.

The water and sewer utilities are billed bi-monthly. Revenue is recorded as billed to customers on a cyclical basis. The City accrues for earned but unbilled water and sewer services at June 30. The policy of the City is not to recognize an allowance for uncollectible accounts for the Water and Sewer Funds due to historically high collectability rates and the ability for the City to seek collection of delinquent service charges as a special assessment lien.

**F. Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the City that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The Statement of Net Position includes an itemized listing of deferred inflows and outflows of resources the City has recognized.

**G. Interfund Transfers**

Interfund transfers are generally recorded as transfers except for the following types of transactions:

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as unbilled receivables at the end of the fiscal year.

Reimbursements for costs or services performed are recorded as a reduction of expenditure in the performing fund, and an expenditure of the requesting fund.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. 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 represents 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.

**I. 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 activity 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.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed and donated capital assets are valued at their estimated fair market value on the date contributed. 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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Capital Assets (Continued)**

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.

**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, 2013, the City does not have intangible assets.

**J. Compensated Employee Absences**

The City permits its employees to accumulate vacation hours up to a maximum of two years of entitlement. Sick leave may be accumulated up to 1,440, 1,560, 2,080 or unlimited hours depending on the bargaining unit. Effective December 1, 2011, memorandums of understanding with collective bargaining units capped sick leave accruals at 2,000 hours. If vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement or termination. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination.

Whereas, at retirement, vacation is compensated at 100% of accumulated hours, sick leave is compensated at 25% or by a tiered plan of accumulated hours to a maximum of 360, 430, 520, 540, or 600 hours depending upon varying restrictions of the bargaining units for employees separated prior to December 1, 2011. Effective December 1, 2011, cash payouts of accumulated and unused sick leave were eliminated. Upon termination only accrued vacations are compensated. Such cash payments are recognized as expenditures of the governmental funds in the year of payment. The General Fund is typically used to liquidate the liability for compensated absences in the governmental funds.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Employee Absences (Continued)**

Estimated unpaid vacation pay and sick pay at June 30 is accrued and recorded in the government-wide and proprietary fund financial statements. The estimated obligation includes an amount for salary-related payments (i.e., payroll taxes) associated with the vacation pay or sick leave. All retired or terminated employees as of June 30 have been compensated for any accumulated vacation or sick leave.

**K. 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, 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.

**L. 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.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Property Taxes (Continued)**

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 of California shifted 8% of local property tax revenue as part of a long-term borrowing tactic to balance the State budget, under Proposition 14. In 2013, the State of California reimbursed the City in the amount of \$1.1 million plus interest.

**M. 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.

Bonds payable are reported net of the applicable premium or discount.

*Fund Financial Statements*

The Governmental Fund Financial Statements do not present long-term debt, which are 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 financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Pollution Remediation Obligations**

The City has adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which includes instructions for governments on the financial reporting and disclosure of a liability relating to pollution remediation. According to GASB Statement No. 49, the City is required to estimate its expected outlays for pollution remediation and accrue for the corresponding liability if any obligating events requiring reporting and disclosure occur:

- The City is compelled to take pollution remediation action because of an imminent endangerment.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Pollution Remediation Obligations (Continued)**

- The City violates a pollution prevention-related permit or license.
- The City is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible part for remediation, or as a government entity responsible for sharing costs.
- The City is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The City commences or legally obligates itself to commence pollution remediation.

The City has included a provision for landfill closure and post-closure relating to the activities of the Waste Management Fund as a noncurrent liability in its Statement of Net Position. Corrective action costs for minor pollution remediation at the landfill are treated as a short-term obligation and post-closure remediation costs are treated as a long-term obligation.

**O. Fund Balance – Governmental Fund Statements**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, attempts to improve the usefulness of governmental fund balance information by providing the users of financial information clearly defined categories of fund balance and the constraints placed on the City's fund balances.

GASB Statement No. 54 requires governmental fund balances to be reported using five categories, which take into consideration the makeup and intended use of the various fund balances. The hierarchy of the five possible classifications of fund balance is:

- Nonspendable fund balance generally means that it is not expected to be converted to cash (e.g., inventories, prepaid expenses, land held for resale) for use by the government, or the amount is required to be maintained intact (e.g., the principal of an endowment).
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (e.g., creditors, grantors), constitutional provisions or laws (e.g., state law, city charter, or voter referendum), or through enabling legislation (i.e., legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers (including voters).
- Unrestricted fund balance consists of three categories:
  - Committed fund balance includes amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (e.g., the City Council). Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Fund Balance – Governmental Fund Statements (Continued)**

- Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official to whom the governing body delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents all amounts that are not classified as restricted or committed. This is because resources in governmental funds other than the General Fund are to be used for the specific purpose of that fund.
- Unassigned fund balance is a residual (surplus) classification used for the General Fund only and includes amounts not contained in the other classifications. Unassigned amounts in the General Fund are technically available for any purpose. However, if a governmental fund, other than the General Fund, has a fund balance *deficit*, it will be reported as a negative amount in the unassigned classification in that fund. GASB Statement No. 54 prohibits reporting any excess balances in other funds. Balances must be assigned to a specific purpose in all but the General Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by unrestricted committed, assigned, and unassigned resources as they are needed. The aggregate balance of unassigned fund balance was \$7,429,633 as of June 30, 2013.

*Committed and Assigned Fund Balance*

The designation of General Fund balance as of June 30, 2013, by City Council constitutes an "assignment of intention" to use certain amounts for specific purposes. Therefore the City's current fund balance reserves are considered either "Committed" or "Assigned" and will be reported as such. The annual budget has traditionally designated the amounts to be assigned by the City Council and purpose of the fund assignments. That practice will continue and each year, the City Council will provide direction on the assignment of fund balance and the amounts to be assigned.

By resolution, the City Council has provided the Finance Director and Treasurer with the authority to assign these uses to General Fund balance together with the amounts of each assignment in accordance with City Council policies and direction.

The aggregate balance of the General Fund's assigned fund balance was \$12,300,000 as of June 30, 2013. 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, 2013, was \$5,000,000.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Committed and Assigned Fund Balance (Continued)*

- 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, 2013, was \$2,000,000.
- The Other Post-Employment Benefits (OPEB) Retiree Health Reserve is available to minimize and defray the costs and financial liability associated with retiree healthcare commitments as reported in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. The balance at June 30, 2013, was \$4,800,000.
- 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, 2013, was \$500,000.

**P. Net Position – Government-Wide Financial Statements**

In the government-wide financial statements, net position is classified in the following categories:

- Net Investment in Capital Assets – This amount consists of all capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.
- Unrestricted – This amount is all net position that does not meet the definition of net investment in capital assets or restricted. This represents the remaining net position of the City which is not restricted for any purpose stated above.

Pursuant to the terms of the City's Indentures, certain revenues are irrevocably pledged to the punctual payment of debt service on certain outstanding revenue and refunding bonds. Such revenues are not used for any other purpose while any revenue and refunding bonds are outstanding, except as expressly permitted by the Indentures. These amounts are recorded on the Statement of Net Position as restricted, and may include principal and interest amounts set aside to pay for debt service, unspent bond proceeds, and amounts that have been restricted for future capital projects.

The City also maintains certain restricted amounts that are held in trust, which primarily consist of various project and construction funds held by an outside fiscal agent. These typically relate to previously issued revenue bonds for the Water and Sewer proprietary funds.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Net Position – Government-Wide Financial Statements (Continued)**

The City treats net position created from specially designated revenues for street repair and maintenance as restricted, which relate to revenues from Measure A and the City's local share of gas tax.

Net position created by revenues received from federal and state grants and subventions are treated as restricted by the outside agency.

**Q. Self-Insurance for Risk Management and Workers' Compensation**

The City is self-insured for general liability, property damage, and workers' compensation claims. Internal service funds are used to account for the City's self-insurance activities. It is the City's policy to provide in each fiscal year, by premiums charged to affected operating funds, amounts sufficient for self-insurance program expenses and reserves associated with claims. Additional reserves are maintained to protect against unusual losses beyond normal experience. The Risk Management Internal Service Fund estimated liability for claims and contingencies is actuarially determined and includes claims incurred but not reported.

**R. 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.

Furthermore, certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position.

**S. Future GASB Pronouncements**

The following GASB Statements will be implemented in future financial statements:

- GASB Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statement No. 10 and No. 62*. This statement was issued in March 2012 to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The City has elected not to early implement Statement No. 66 and has not determined its effects on the City's financial statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**S. Future GASB Pronouncements (Continued)**

- GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25* (effective for fiscal years beginning after June 15, 2013). This statement's objective is to improve financial reporting by state and local governmental pension plans. The City has elected not to early implement Statement No. 67 and does not believe there will be a fiscal impact to its financial statements.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (effective for fiscal years beginning after June 15, 2014). This statement's objective is to improve accounting and financial reporting by state and local governments for pensions. The City has elected not to early implement Statement No. 68 and has not determined its effects on the City's financial statements.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City has elected not to early implement Statement No. 69 and has not determined its effects on the City's financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (effective for fiscal years beginning after June 15, 2013). The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The City has elected not to early implement Statement No. 70 and has not determined its effects on the City's financial statements.

**T. New GASB Pronouncements Implemented in the Financial Statements**

The following GASB Statements have been implemented in the current financial statements:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

GASB Statement No. 60 addresses how to account for and report service concession arrangements (SCA), a type of public-private or public-public partnership that state and local governments are increasingly entering onto. The City did not engage in these types of activities, therefore, the adoption of this statement did not impact the City's financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*

GASB Statement No 61 modifies a number of provisions with regard to reporting of component units within a financial reporting entity. There was no effect on the financial statements as a result of implementing this statement.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**T. New GASB Pronouncements Implemented in the Financial Statements (Continued)**

GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements – FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. However, as the statement codifies what is in current practice, there was no net effect on the City's accounting or financial reporting as a result of implementing this statement.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources by defining these elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The guidance also identifies net position as the residual of all other elements presented in a statement of net position. The City has deferred outflows pertaining to refunding gains and losses recognized at the time of refinancing of bonds and long-term debt, which were previously amortized over the life of the new bond and reported as assets. Upon adoption of GASB Statement No. 63, the City has distinguished those deferred outflows from assets in the Statement of Net Position.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions

GASB Statement No. 64 amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. The City does not enter into hedge agreements with swap providers for the purpose of managing risk beyond investment return. As such, GASB Statement No. 64 will not have an effect on the financial statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**T. New GASB Pronouncements Implemented in the Financial Statements (Continued)**

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources of deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limited the use of the term “deferred” in financial statement presentations. The implementation of this statement resulted in a change in accounting principles and the City restating the beginning net position in the statement of activities and proprietary funds related to the change in reporting of certain debt items. Refer to Note 12 – *Restatement of Beginning Net Position and Fund Balances* and Note 13 – *Deferred Outflows of Resources*.

**NOTE 2 – 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:

	Government-Wide Statement of Net Position			Funds Financials	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	
Cash and investments held with Treasury	\$ 58,496,420	\$ 25,552,798	\$ 84,049,218	\$ 216,347	\$ 84,265,565
Restricted cash held with Treasury	\$ -	\$ 447,984	\$ 447,984	\$ -	\$ 447,984
Restricted cash held by fiscal agent	\$ 23,837,709	\$ 3,228	\$ 23,840,937	\$ -	\$ 23,840,937

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The City's Cash and Investments at June 30 in more detail:

	<u>Fair Value</u>
<b>City Treasury:</b>	
<i>Deposits:</i>	
Deposit - unrestricted	\$ 7,367,176
Deposits - restricted	<u>1,284,794</u>
Total deposits	<u>8,651,970</u>
<i>Investments:</i>	
U.S. Government Securities	29,854,488
Certificates of Deposit	2,271,199
South Bayside Waste Management Authority	3,000,000
San Mateo County Investment Pool	4,985,454
Local Agency Investment Fund	<u>35,950,438</u>
Total investments	<u>76,061,579</u>
<b>Total City Treasury</b>	<u>84,713,549</u>
<b>Restricted Cash and Investments:</b>	
Cash held by fiscal agent (Bank of New York)	23,386,917
Cash held by fiscal agent (Deutsche Bank)	<u>454,020</u>
<b>Total restricted cash and investments</b>	<u>23,840,937</u>
<b>Total cash and investments (including fiduciary funds)</b>	<u><u>\$ 108,554,486</u></u>

**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. 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.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**A. Deposits (Continued)**

*Custodial Credit Risk (Continued)*

The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City 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 \$8,651,970 at June 30. Bank balances before reconciling items were \$9,114,228 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 below.

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.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**B. Investments**

Interest Rate Risk

To minimize the City's exposure to fair value losses caused by rising interest rates, the City's investment policy limits its investment portfolio to a maturity of less than 5 years. Those over two years will be confined to U.S. Government and Agency securities.

	Investment Maturities in Years					
	Fair Value	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years
<b>U.S. Agencies</b>						
Federal Home Loan Bank	\$ 10,148,250	\$ -	\$ -	\$ -	\$ 2,304,830	\$ 7,843,420
Federal Home Loan Mortgage Corp	3,889,590	-	-	-	977,790	2,911,800
Federal National Mortgage Association (Fannie Mae)	9,912,908	-	-	1,993,125	4,010,243	3,909,540
Federal Farm Credit Bank	5,903,740	-	-	993,070	3,936,060	974,610
<b>Certificates of Deposit</b>						
Goldman Sachs Bank	255,786	-	-	-	255,786	-
Discover Bank	255,786	-	-	-	255,786	-
GE Capital Retail Bank	255,794	-	-	-	255,794	-
GE Capital Financial Bank	253,859	-	-	253,859	-	-
Beal Bank	250,154	250,154	-	-	-	-
Ally Bank	250,714	-	250,714	-	-	-
Merrick Bank	250,000	-	250,000	-	-	-
Safra National Bank	250,000	-	-	250,000	-	-
First National Bank	249,106	-	-	249,106	-	-
<b>Municipal Bonds</b>						
South Bayside Waste Management Authority	3,000,000	-	3,000,000	-	-	-
<b>External Pool</b>						
State of California - Local Agency Investment Fund	35,950,438	35,950,438	-	-	-	-
San Mateo County Investment Pool	4,985,454	4,985,454	-	-	-	-
<b>Total</b>	<b>\$ 76,061,579</b>	<b>\$ 41,186,046</b>	<b>\$ 3,500,714</b>	<b>\$ 3,739,160</b>	<b>\$ 11,996,289</b>	<b>\$ 15,639,370</b>

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, applies to all the City's investments, even if they are held to maturity and redeemed at full face value. Since it is the City's policy to hold all investments to maturity, the fair value adjustments required by GASB Statement No. 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will not reflect changes in its value at each succeeding fiscal year-end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB Statement No. 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year-end.

GASB Statement No. 31 further requires that the City's investments be carried at fair value instead of cost. Under GASB Statement No. 31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year-end, and it must include the effects of these adjustments in income for that fiscal year. GASB Statement No. 31 fair value adjustment for the City's investments as of June 30, 2013, was \$(473,690).

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued 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.

The City's investments are rated by the NRSROs as follows:

Investment Type	Fair Value	Moody's Rating
Federal Home Loan Bank	\$ 10,148,250	Aaa
Federal Home Loan Mortgage Corp	3,889,590	Aaa
Federal National Mortgage Association (Fannie Mae)	9,912,908	Aaa
Federal Farm Credit Bank	5,903,740	Aaa
Certificates of Deposit - Goldman Sachs	255,786	FDIC Insured
Certificates of Deposit - Discover Bank	255,786	FDIC Insured
Certificates of Deposit - GE Capital Retail Bank	255,794	FDIC Insured
Certificates of Deposit - GE Capital Financial Bank	253,859	FDIC Insured
Certificates of Deposit - Beal Bank	250,154	FDIC Insured
Certificates of Deposit - Ally Bank	250,714	FDIC Insured
Certificates of Deposit - Merrick Bank	250,000	FDIC Insured
Certificates of Deposit - Safra National Bank	250,000	FDIC Insured
Certificates of Deposit - First National Bank	249,106	FDIC Insured
South Bayside Waste Management Authority	3,000,000	Not Rated
State of California - Local Agency Investment Fund	35,950,438	Not Rated
San Mateo County Investment Pool	4,985,454	Aaa
Total	<u>\$ 76,061,579</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, 2013**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**C. Investments in Local Agency Investment Fund (LAIF)**

LAIF is a voluntary program created by statute in 1977. LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. LIAB consists of five members as designated by statute.

The City's investments with LAIF at June 30 included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, which primarily consist of mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations (CMO)) or credit card receivables.

As of June 30, the City had \$35,950,438 invested in LAIF. The LAIF fair value factor of 1.000273207 was used to calculate the fair value of the investments in LAIF. The fair value of the City's position in the pool is materially equivalent to the value of the pool shares. The financial statements for LAIF are available in the State Treasurer's Office website at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

**D. Investments in San Mateo County Pooled Investment Fund**

The City invests in the San Mateo County Pooled Investment Fund (SMCPIF), an external investment pool. The pool determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and valuations are based on amortized cost or best estimate for those securities where market value is not readily available. The responsibility for managing the SMCPIF resides with the County Treasurer. The County Board of Supervisors, in consultation with the Treasurer, establishes an eight member County Treasury Oversight Committee pursuant to California Government Code Section 27130. The investment program is supervised within the guidelines set forth in the investment policy developed by the Treasurer, reviewed and approved annually by the County Treasury Oversight Committee and the County Board of Supervisors.

As of June 30, the City had \$4,985,454 invested in SMCPIF. The SMCPIF fair value factor is determined by dividing all SMCPIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.99643. The financial statements for the San Mateo County are available in the San Mateo County website at [www.co.sanmateo.ca.us](http://www.co.sanmateo.ca.us).

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 3 – RECEIVABLES**

Receivables as of year-end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental			Business-Type						
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Building Fund	Parking Fund	Waste Management Fund	Internal Service Funds	Totals
Receivables:										
Customer accounts	\$ -	\$ -	\$ -	\$ 2,277,935	\$ 3,063,727	\$ 313	\$ 936	\$ 43,636	\$ 303,943	\$ 5,690,490
Transient occupancy tax	1,778,854	-	-	-	-	-	-	-	-	1,778,854
Sales tax	1,131,900	-	-	-	-	-	-	-	-	1,131,900
Real property transfer tax	49,724	-	-	-	-	-	-	-	-	49,724
Public safety sales tax	10,427	-	-	-	-	-	-	-	-	10,427
Interest	39,683	-	17,070	-	-	-	-	-	-	56,753
Intergovernmental	149,599	302,487	132,989	-	-	-	-	-	-	585,075
Other receivables	972,311	350,152	50,489	28,933	15,775	6,144	3,862	4,182	21,665	1,453,513
Gross receivables	4,132,498	652,639	200,548	2,306,868	3,079,502	6,457	4,798	47,818	325,608	10,756,736
Less: allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	-
Net total receivables	<u>\$ 4,132,498</u>	<u>\$ 652,639</u>	<u>\$ 200,548</u>	<u>\$ 2,306,868</u>	<u>\$ 3,079,502</u>	<u>\$ 6,457</u>	<u>\$ 4,798</u>	<u>\$ 47,818</u>	<u>\$ 325,608</u>	<u>\$ 10,756,736</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

**A. Capital Asset Activity from Governmental Activities**

Capital asset activity for the year ended June 30, 2013, relating to governmental activities was as follows:

	Governmental Activities			
	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
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	7,859,361	6,421,101	-	1,416,967
Total capital assets, not being depreciated	47,214,546	6,421,101	-	40,772,152
Capital assets, being depreciated:				
Buildings and structures	39,069,291	-	-	39,069,291
Improvements other than buildings	31,376,883	-	-	31,376,883
Machinery and equipment	15,634,823	837,606	(244,287)	16,455,535
Infrastructure	35,614,046	-	-	48,250,148
Total capital assets, being depreciated	121,695,043	837,606	(244,287)	135,151,857
Less accumulated depreciation for:				
Buildings and structures	13,396,410	785,136	-	14,181,546
Improvements other than buildings	26,025,045	509,634	-	26,534,679
Machinery and equipment	12,278,326	984,222	(244,287)	13,018,261
Infrastructure	15,119,403	795,251	-	15,914,654
Total accumulated depreciation	66,819,184	3,074,243	(244,287)	69,649,140
Total capital assets, being depreciated, net	54,875,859	(2,236,637)	-	65,502,717
Governmental activities capital assets, net	\$ 102,090,405	\$ 4,184,464	\$ -	\$ 106,274,869

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS (Continued)**

**B. Capital Asset Activity from Business-Type Activities**

Capital asset activity for the year ended June 30, 2013, relating to business-type activities was as follows below. Contributions of capital assets from the Capital Projects Fund to the Water and Sewer Funds were \$1,927,455 and \$3,029,597, respectively.

	Business-Type Activities				Balance June 30, 2013
	Balance July 1, 2012	Increases	Decreases	Transfer In/Out	
Capital assets not being depreciated:					
Land	\$ 6,357,188	\$ -	\$ -	\$ -	\$ 6,357,188
Construction in progress	625,664	5,130,610	(18,463)	(3,703,735)	2,034,076
Total capital assets, not being depreciated	6,982,852	5,130,610	(18,463)	(3,703,735)	8,391,264
Capital assets, being depreciated:					
Buildings and structures	2,661,566	-	-	288,428	2,949,994
Improvements other than buildings	140,966,861	174,543	-	2,811,292	143,952,696
Machinery and equipment	4,553,285	100,925	(254,087)	604,015	5,004,138
Total capital assets, being depreciated	148,181,712	275,468	(254,087)	3,703,735	151,906,828
Less accumulated depreciation for:					
Buildings and structures	1,095,982	61,439	-	-	1,157,421
Improvements other than buildings	50,403,835	4,417,654	-	6,350	54,827,839
Machinery and equipment	3,752,810	484,277	(254,087)	(6,350)	3,976,650
Total accumulated depreciation	55,252,627	4,963,370	(254,087)	-	59,961,910
Total capital assets, being depreciated, net	92,929,085	(4,687,902)	-	3,703,735	91,944,918
Business-type activities capital assets, net	\$ 99,911,937	\$ 442,708	\$ (18,463)	\$ -	\$ 100,336,182

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS (Continued)**

**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:

	<u>Depreciation</u>
Governmental activities:	
General government	\$ 102,613
Public safety	404,787
Public works	1,583,998
Parks, recreation, and library	<u>982,845</u>
Total depreciation expense – governmental activities	<u><u>\$ 3,074,243</u></u>
Business-type activities:	
Water	\$ 1,996,755
Sewer	2,912,466
Solid waste management	657
Parking	<u>53,492</u>
Total depreciation expense – business-type activities	<u><u>\$ 4,963,370</u></u>



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT**

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, 2013:

Description	Beginning Balance (Restated)* June 30, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Lease Revenue Refunding Bonds, Series 2004	\$ 2,730,000	\$ -	\$ (640,000)	\$ 2,090,000	\$ 665,000
- Unamortized Premium	55,312	-	(17,939)	37,373	(17,939)
Pension Obligation Bonds, Series 2006	24,235,000	-	(1,960,000)	22,275,000	2,180,000
Storm Drainage Revenue Bonds, Series 2010	9,360,000	-	(205,000)	9,155,000	-
- Unamortized Premium	196,400	-	(7,790)	188,610	(7,790)
Storm Drainage Revenue Bonds, Series 2012	-	10,615,000	(140,000)	10,475,000	-
- Unamortized Premium	-	277,090	(5,329)	271,761	(10,657)
Lease Revenue Refunding Bonds, Series 2010	8,205,000	-	(200,000)	8,005,000	865,000
- Unamortized Premium	489,284	-	(54,365)	434,919	(54,365)
Lease Revenue Bonds, Series 2012	-	10,030,000	(140,000)	9,890,000	195,000
- Unamortized Premium	-	241,969	(4,033)	237,936	(8,066)
Master Equipment Lease Purchase Agreement, 2011	1,305,907	-	(200,954)	1,104,952	207,355
California Energy Commission, 2012	405,300	-	(41,096)	364,204	43,995
<b>Total Governmental Activities</b>	<b>\$ 46,982,203</b>	<b>\$ 21,164,059</b>	<b>\$ (3,616,506)</b>	<b>\$ 64,529,755</b>	<b>\$ 4,057,533</b>
<b>Business-Type Activities:</b>					
State Water Resource Loan - 2003	8,841,243	-	(493,045)	8,348,198	505,371
State Water Resource Loan - 2010	5,456,943	-	-	5,456,943	214,778
Water and Wastewater Revenue Bonds, Series 2004	15,600,000	-	(15,600,000)	-	-
- Unamortized Premium	22,539	-	(22,539)	-	-
Water and Wastewater Revenue Bonds, Series 2007	22,945,000	-	(800,000)	22,145,000	830,000
- Unamortized Premium	23,589	-	(1,194)	22,395	(1,194)
- Unamortized Discount	(4,417)	225	-	(4,192)	223
Water and Wastewater Revenue Bonds, Series 2011*	5,605,000	-	(265,000)	5,340,000	270,000
- Unamortized Premium	555,546	-	(34,722)	520,824	(34,722)
Water and Wastewater Revenue Refunding Bonds, Series 2013*	-	14,260,000	-	14,260,000	775,000
- Unamortized Premium	-	1,533,676	-	1,533,676	95,855
<b>Total Business-Type Activities</b>	<b>\$ 59,045,443</b>	<b>\$ 15,793,901</b>	<b>\$ (17,216,500)</b>	<b>\$ 57,622,844</b>	<b>\$ 2,655,312</b>

\* The Water and Wastewater Revenue Bonds, Series 2011 and Series 2013 deferred amounts on refunding of \$170,734 and \$584,903, respectively, with beginning balances of \$182,116 and \$0, respectively, have been removed from this Note due to the implementation of GASB Statement No. 65.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

**A. Long-Term Debt from Governmental Activities**

*Lease Revenue Refunding Bonds, Series 2004 – Original Issue \$6,705,000*

On August 4, 2004, the Burlingame Financing Authority (Authority) issued bonds to refund and defease all of the Authority's outstanding Lease Revenue Bonds, Series 1995, which financed certain improvements to the City's Main Library, purchased a Reserve Facility for deposit in the reserve fund for the bonds, and paid 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 paid by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. A premium of \$197,330 was paid and will be amortized over the life of the bonds, \$16,444 annually. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2004. Principal is due annually on December 1, commencing December 1, 2005. During fiscal year 2012-13, principal and interest payments totaled \$640,000 and \$107,590, respectively. The bonds mature on June 1, 2016, and the underlying serial and term bonds carry an interest rate that varies from 2.5% to 5.0%.

Year Ending June 30	Governmental		Total
	Principal	Interest	
2014	\$ 665,000	\$ 83,220	\$ 748,220
2015	695,000	53,875	748,875
2016	730,000	18,250	748,250
	2,090,000	155,345	2,245,345
Plus unamortized premium	37,373	-	37,373
	<u>\$ 2,127,373</u>	<u>\$ 155,345</u>	<u>\$ 2,282,718</u>

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

In September 2007, 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 2012-13, the City made principal and interest payments totaling \$1,960,000 and \$1,322,536, 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 5.6%.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT (Continued)**

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

*Pension Obligation Bonds, 2006 Series A Bonds – Original Issue \$32,975,000 (Continued)*

Year Ending June 30	Governmental		Total
	Principal	Interest	
2014	\$ 2,180,000	\$ 1,218,127	\$ 3,398,127
2015	2,400,000	1,101,345	3,501,345
2016	2,645,000	972,057	3,617,057
2017	2,905,000	829,042	3,734,042
2018	3,175,000	670,225	3,845,225
2019-2023	2,785,000	2,205,554	4,990,554
2024-2028	2,455,000	1,373,317	3,828,317
2029-2033	2,080,000	820,438	2,900,438
2034-2036	1,650,000	187,624	1,837,624
	<u>\$ 22,275,000</u>	<u>\$ 9,377,729</u>	<u>\$ 31,652,729</u>

*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 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, 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 annually at 10% of the premium balance. 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 2012-13, the City made principal and interest payments totaling \$200,000 and \$288,375, 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%.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 865,000	\$ 283,375	\$ 1,148,375
2015	915,000	248,775	1,163,775
2016	955,000	212,175	1,167,175
2017	990,000	173,975	1,163,975
2018	1,020,000	144,875	1,164,875
2019-2021	3,260,000	236,425	3,496,425
	8,005,000	1,299,600	9,304,600
Plus unamortized premium	434,919	-	434,919
	<u>\$ 8,439,919</u>	<u>\$ 1,299,600</u>	<u>\$ 9,739,519</u>

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 equal 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, \$7,512 annually. 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 2012-13, the City made principal and interest payments on the tax-exempt series totaling \$205,000 and \$91,375, respectively. Principal and interest payments on the taxable series totaled \$0 and \$308,909, 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, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

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

*Storm Drainage Revenue Bonds, Series 2010 – Original Issue \$9,805,000* (Continued)

Storm Drainage - Series 2010A -1- Tax Exempt			
Year Ending June 30	Governmental		
	Principal	Interest	Total
2014	\$ -	\$ 83,175	\$ 83,175
2015	215,000	74,575	289,575
2016	225,000	67,825	292,825
2017	230,000	56,325	286,325
2018	240,000	46,725	286,725
2019-2022	1,075,000	65,175	1,140,175
	1,985,000	393,800	2,378,800
Plus unamortized premium	188,610	-	188,610
	<u>\$ 2,173,610</u>	<u>\$ 393,800</u>	<u>\$ 2,567,410</u>

Storm Drainage - Series 2010A -2- Taxable - Build America Bonds				
Year Ending June 30	Governmental			Total
	Principal	Interest	Subsidy	
2014	\$ -	\$ 475,245	\$ (166,336)	\$ 308,909
2015	-	475,245	(166,336)	308,909
2016	-	475,245	(166,336)	308,909
2017	-	475,245	(166,336)	308,909
2018	-	475,245	(166,336)	308,909
2019-2023	605,000	2,358,358	(825,426)	2,137,932
2024-2028	1,740,000	1,984,794	(694,678)	3,030,116
2029-2033	2,155,000	1,358,417	(475,641)	3,037,776
2034-2038	2,670,000	559,815	(195,935)	3,033,880
	7,170,000	8,637,609	(3,023,360)	12,784,249
Plus unamortized premium	-	-	-	-
	<u>\$ 7,170,000</u>	<u>\$ 8,637,609</u>	<u>\$ (3,023,360)</u>	<u>\$ 12,784,249</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

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

*Master Equipment Lease Purchase Agreement, February 2011 – Principal \$1,500,000*

In February 2011, the City (Lessee) entered into a lease purchase agreement with Holman Capital in the amount of \$1.5 million, as authorized by a resolution by City Council, for replacement of existing technology infrastructure that has exceeded its useful life. The agreement provides for placement of funds in escrow with a Trustee, and project expenditures are submitted to the Trustee for reimbursement to the City.

The City has accounted for the lease purchase agreement as a capital lease, which includes an option to purchase the equipment prior to the end of the lease term. The agreement includes a provision which requires transfer of ownership of the equipment to the City at the end of the lease term, and a purchase option during the term of the lease. The lease purchase agreement requires bi-annual rental payments to the lessor during the lease term beginning February 24, 2011, at an interest rate of 3.2%. Principal and interest payments are payable on September 1 and March 1. During fiscal year 2012-13, the City made principal and interest payments totaling \$200,954 and \$39,692, respectively.

<u>Year Ending June 30</u>	<u>Governmental</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 207,355	\$ 33,291	\$ 240,646
2015	213,959	26,687	240,646
2016	220,773	19,873	240,646
2017	227,805	12,841	240,646
2018	235,060	5,586	240,646
	<u>\$ 1,104,952</u>	<u>\$ 98,278</u>	<u>\$ 1,203,230</u>

*California Energy Commission, LED Streetlight Turnkey, 2012 – Principal \$405,300*

In May 2012, the City received a loan from the California Energy Commission to finance an energy efficiency initiative to retrofit City maintained streetlights. The interest rate on the loan is 3.00%, which was below-market at the time of the loan. This interest rate was made possible through stimulus funds made available to the California Energy Commission via the Recovery Act. Principal and interest is payable in semi-annual installments in December and June, commencing December 2012 and ending in December 2020. During fiscal year 2012-13, the City made principal and interest payments totaling \$41,096 and \$13,499, respectively.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

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

California Energy Commission, LED Streetlight Turnkey, 2012 – Principal \$405,300 (Continued)

Year Ending June 30	Governmental		Total
	Principal	Interest	
2014	\$ 43,995	\$ 10,600	\$ 54,595
2015	45,325	9,270	54,595
2016	46,674	7,921	54,595
2017	48,105	6,489	54,594
2018	49,559	5,035	54,594
2019-2021	130,546	5,941	136,487
	<u>\$ 364,204</u>	<u>\$ 45,256</u>	<u>\$ 409,460</u>

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, and amounts on deposit in certain funds and accounts held under the trust agreement. The bonds are a limited obligation of the Authority payable solely from revenues, consisting primarily of base rental payments to be paid by the City pursuant to a facilities sublease dated October 1, 2012. The bonds were issued at a premium of \$237,936, which will be amortized over the life of the bonds. Principal and interest is due annually on June 1, commencing on June 1, 2013. During fiscal year 2012-13, the City made principal and interest payments totaling \$140,000 and \$176,281, 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%.

Year Ending June 30	Governmental		Total
	Principal	Interest	
2014	\$ 195,000	\$ 355,738	\$ 550,738
2015	200,000	349,888	549,888
2016	210,000	341,888	551,888
2017	215,000	333,488	548,488
2018	225,000	324,888	549,888
2019-2023	1,270,000	1,481,838	2,751,838
2024-2028	1,560,000	1,181,825	2,741,825
2029-2033	1,835,000	913,119	2,748,119
2034-2038	2,160,000	585,550	2,745,550
2039-2042	2,020,000	179,725	2,199,725
	9,890,000	6,047,947	15,937,947
Plus: Unamortized premium	237,936	-	237,936
	<u>\$ 10,127,936</u>	<u>\$ 6,047,947</u>	<u>\$ 16,175,883</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – 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 and interest is due annually on July 1, commencing July 1, 2013. During fiscal year 2012-13, the City made principal and interest payments totaling \$140,000 and \$195,704, respectively, which represent prepaid amounts due in fiscal year 2013-14. 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%.

Year Ending June 30	Governmental		
	Principal	Interest	Total
2014	\$ -	\$ 195,704	\$ 195,704
2015	260,000	362,244	622,244
2016	270,000	354,444	624,444
2017	280,000	346,344	626,344
2018	290,000	335,144	625,144
2019-2023	1,635,000	1,489,520	3,124,520
2024-2028	2,035,000	1,090,814	3,125,814
2029-2033	2,355,000	760,825	3,115,825
2034-2038	2,745,000	371,639	3,116,639
2039	605,000	19,663	624,663
	10,475,000	5,326,341	15,801,341
Plus: Unamortized premium	271,761	-	271,761
	<u>\$ 10,746,761</u>	<u>\$ 5,326,341</u>	<u>\$ 16,073,102</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**B. Long-Term Debt from Business-Type Activities**

*State Water Resources Control Board, 2003 – Principal \$11,030,407*

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 2.5%. 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 2012-13, the City made principal and interest payments of \$493,045 and \$221,031, respectively.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2014	\$ 505,371	\$ 208,705	\$ 714,076
2015	518,005	196,071	714,076
2016	530,955	183,121	714,076
2017	544,229	169,847	714,076
2018	557,835	156,241	714,076
2019-2023	3,005,468	513,912	3,519,380
2024-2027	2,686,335	169,968	2,856,303
	<u>\$ 8,348,198</u>	<u>\$ 1,597,865</u>	<u>\$ 9,946,063</u>

*Water and Wastewater Revenue Bonds, Series 2004 – Original Issue \$20,320,000*

The Authority issued Water and Wastewater Revenue Bonds, Series 2004 to provide funds to the City to finance certain improvements to the City's water system and wastewater system, to fund a reserve fund for the bonds, and to pay the costs of issuance of the bonds. The bonds are limited obligations 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 and the 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 such that system net 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. Interest on the bonds is payable semiannually on April 1 and October 1, commencing October 1, 2004. Principal is payable annually on April 1, commencing April 1, 2005. The bonds mature on April 1, 2029, with underlying serial and term bonds carrying an interest rate that varies from 2.50% to 4.50%.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

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

*Water and Wastewater Revenue Bonds, Series 2004 – Original Issue \$20,320,000* (Continued)

In June 2013, the Authority issued the Water and Wastewater Refunding Revenue Bonds, Series 2013 which was an advance refunding of the Water and Wastewater Revenue Bonds, Series 2004. The transaction resulted in a reduction of \$1,346,060 in future debt service payments, or \$895,723 in savings for the Water Enterprise Fund and \$450,337 in savings for the Sewer Enterprise Fund. The economic gain was \$584,903, of which \$389,501 relates to the Water Enterprise Fund and \$195,402 relates to the Sewer Enterprise Fund.

*Water and Wastewater Revenue Bonds, Series 2007 – Original Issue \$25,180,000*

The Authority issued Water and Wastewater Revenue Bonds, Series 2007 to provide funds to the City to finance certain improvements to the City's water system and wastewater system, to fund a reserve fund surety for the bonds, and to pay the costs of issuance of the bonds. The bonds are limited obligations 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 and the 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 such that system net 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, 2008. Interest on the bonds is payable semiannually on April 1 and October 1, commencing October 1, 2007. The bonds mature on April 1, 2031, with serial and term bonds carrying an interest rate that varies from 4.0% to 5.0%. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2007 were \$800,000 and \$1,006,383, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$420,000 and \$525,700. Principal and interest payments made by the Sewer Enterprise Fund were \$380,000 and \$480,683.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2014	\$ 830,000	\$ 974,383	\$ 1,804,383
2015	870,000	932,883	1,802,883
2016	920,000	889,383	1,809,383
2017	950,000	852,583	1,802,583
2018	1,000,000	812,208	1,812,208
2019-2023	5,670,000	3,358,963	9,028,963
2024-2028	6,950,000	2,060,900	9,010,900
2029-2031	4,955,000	457,503	5,412,503
	22,145,000	10,338,806	32,483,806
Plus unamortized premium	22,395	-	22,395
Less unamortized discount	(4,192)	-	(4,192)
	<u>\$ 22,163,203</u>	<u>\$ 10,338,806</u>	<u>\$ 32,502,009</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

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

*State Water Resources Control Board, 2010 – Principal \$5,456,943*

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 will start July 2012 and shall be fully amortized in July 2031. The City is required to maintain compliance with all provisions of the loan.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2014	\$ 214,778	\$ 158,251	\$ 373,029
2015	221,007	152,023	373,030
2016	227,416	145,614	373,030
2017	234,011	139,019	373,030
2018	240,797	132,232	373,029
2019-2023	1,312,872	552,275	1,865,147
2024-2028	1,514,605	350,542	1,865,147
2029-2032	1,491,457	114,510	1,605,967
	<u>\$ 5,456,943</u>	<u>\$ 1,744,466</u>	<u>\$ 7,201,409</u>

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

In 2011, the Burlingame Financing 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 such that system net 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 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 \$265,000 and \$235,851, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$170,000 and \$150,363. Principal and interest payments made by the Sewer Enterprise Fund were \$95,000 and \$85,488.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT (Continued)**

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

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

Year Ending June 30	Business-Type		
	Principal	Interest	Total
2014	\$ 270,000	\$ 230,551	\$ 500,551
2015	280,000	219,750	499,750
2016	290,000	214,150	504,150
2017	290,000	208,350	498,350
2018	300,000	196,751	496,751
2019-2023	1,725,000	714,969	2,439,969
2024-2028	2,185,000	311,451	2,496,451
	5,340,000	2,095,972	7,435,972
Plus unamortized premium	(170,734)	-	(170,734)
Less: Deferred Amounts	520,824	-	520,824
	<u>\$ 5,690,090</u>	<u>\$ 2,095,972</u>	<u>\$ 7,786,062</u>

*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 such that system net 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, 2014. Interest on the bonds is payable semiannually on April 1 and October 1, commencing October 1, 2013. 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 transaction resulted in an economic gain of \$584,903 (\$389,501 for the Water Enterprise Fund and \$195,402 for the Sewer Enterprise Fund), and a reduction of \$1,346,060 in future debt service payments (\$895,723 for the Water Enterprise Fund and \$450,337 for the Sewer Enterprise Fund).

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT (Continued)**

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

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

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2014	\$ 775,000	\$ 432,013	\$ 1,207,013
2015	695,000	507,149	1,202,149
2016	710,000	493,249	1,203,249
2017	735,000	471,950	1,206,950
2018	755,000	449,901	1,204,901
2019-2023	4,230,000	1,784,726	6,014,726
2024-2028	5,190,000	827,626	6,017,626
2029	1,170,000	38,026	1,208,026
	14,260,000	5,004,640	19,264,640
Plus unamortized premium	1,533,676	-	1,533,676
Less: deferred amounts	-	-	-
	<u>\$ 15,793,676</u>	<u>\$ 5,004,640</u>	<u>\$ 20,798,316</u>

**C. Future Debt Requirements**

The future outstanding debt of the City, net of amortized costs as of June 30, 2013, for governmental activities is as follows:

Year Ending June 30	Governmental Activities			Total
	Principal	Interest	Subsidies	
2014	\$ 4,156,350	\$ 2,738,475	\$ (166,336)	\$ 6,728,489
2015	4,944,284	2,701,904	(166,336)	7,479,852
2016	5,302,447	2,469,678	(166,336)	7,605,789
2017	4,905,910	2,228,148	(166,336)	6,967,722
2018	5,244,620	2,007,723	(166,336)	7,086,008
2019-2023	10,760,545	7,842,811	(825,426)	17,777,930
2024-2028	7,790,000	5,630,750	(694,678)	12,726,072
2029-2033	8,425,000	3,852,799	(475,641)	11,802,158
2034-2038	9,225,000	1,704,628	(195,935)	10,733,693
2039-2042	2,625,000	199,388	-	2,824,388
Less: deferred amounts	1,170,599	-	-	1,170,599
	<u>\$ 64,549,755</u>	<u>\$ 31,376,304</u>	<u>\$ (3,023,360)</u>	<u>\$ 92,902,699</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**C. Future Debt Requirements (Continued)**

The future outstanding debt of the City, net of amortized costs as of June 30, 2013, for business-type activities is as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2014	\$ 2,595,149	\$ 2,003,903	\$ 4,599,052
2015	2,584,012	2,007,876	4,591,888
2016	2,678,371	1,925,517	4,603,888
2017	2,753,240	1,841,749	4,594,989
2018	2,853,632	1,747,333	4,600,965
2019-2023	15,943,340	6,406,627	22,349,967
2024-2028	18,525,940	4,124,005	22,649,945
2029-2033	7,616,457	610,039	8,226,496
	55,550,141	20,667,049	76,217,190
Plus unamortized premium	2,076,895	-	2,076,895
Less: deferred amounts, net	(4,192)	-	(4,192)
	<u>\$ 57,622,844</u>	<u>\$ 20,667,049</u>	<u>\$ 78,289,893</u>

The following are costs of issuance and bond surety premiums that are being expensed due to implementation of GASB Statement No. 65:

	Balance June 30, 2012	Additions	Amortization	Balance June 30, 2013
<b>Business-Type Activities:</b>				
Water and Wastewater Revenue Bonds, Series 2004	\$ 312,538	\$ -	\$ (312,538)	\$ -
Water and Wastewater Revenue Bonds, Series 2007	358,873	-	(358,873)	-
Water and Wastewater Refunding Bonds, Series 2011	229,200	-	(229,200)	-
Water and Wastewater Refunding Bonds, Series 2013	-	251,234	(251,234)	-
<b>Total Business-Type Activities</b>	<u>\$ 900,611</u>	<u>\$ 251,234</u>	<u>\$ (1,151,845)</u>	<u>\$ -</u>
<b>Governmental Activities</b>				
Lease Revenue Refunding Bonds, Series 2010	\$ 128,850	\$ -	\$ (128,850)	\$ -
Lease Revenue Bonds, Series 2012	-	262,930	(262,930)	-
Storm Drainage Revenue Bonds, Series 2010	155,364	-	(155,364)	-
Storm Drainage Revenue Bonds, Series 2012	-	262,946	(262,946)	-
Pension Obligation Bonds, Series 2006	470,523	-	(470,523)	-
<b>Total Governmental Activities</b>	<u>\$ 754,737</u>	<u>\$ 525,876</u>	<u>\$ (1,280,613)</u>	<u>\$ -</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**D. Legal Debt Limit and Debt Margin**

As of June 30, the City's debt limit was \$295,549,890. California Government Code, Section 43605 sets the debt limit at 15% of assessed value. The legal requirement 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%). The total amount of debt applicable to the debt limit was \$0. The resulting legal debt margin was \$295,549,890. As of June 30, 2013, the City's general obligation debt was \$295 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.

**E. Arbitrage Rebate Liability**

Under U.S. Treasury Department regulations, all governmental 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 expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The City has evaluated each outstanding debt obligation that is subject to arbitrage rebate requirements and has determined that there is no arbitrage rebate liability as of June 30, 2013.

**F. Credit Rating**

As of June 30, 2013, the City carried underlying ratings of AA+ for the Water and Sewer Funds, A+ for the Storm Drain Fund, and AA+ as the City's institutional credit rating for general obligation debt. These ratings were affirmed by Standard & Poor's.

**G. 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 2007; (2) Water and Wastewater Refunding Revenue Bonds, Series 2011; (3) Water and Wastewater Refunding Revenue Bonds, Series 2013.

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

**G. Revenue Pledge** (Continued)

Under the provisions of GASB Statement No. 48, the City's net revenue for the year ended June 30, 2013, 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	\$ 34,481,471	\$ 41,850,414
Principal and interest paid during the year	2,131,342	2,195,043
Net revenue, excluding depreciation and amortization	5,456,520	10,574,386
Percentage of revenue pledged	39.06%	20.76%
Term of commitment	2031	2036

**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, 2013, 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 Drain 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, 2013, the Storm Drain 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.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

**H. Debt Service Coverage** (Continued)

The following table summarizes debt service coverage levels for the Water Fund for the fiscal year ending June 30, 2013:

Water Fund	
	2013
Net Revenue, Excluding Depreciation and Amortization	\$ 5,456,520
Debt Service	
Water Revenue Bonds, Series 2004	865,281
Water Revenue Bonds, Series 2007	945,699
Water Refunding Bonds, Series 2011	320,362
Water Refunding Bonds, Series 2013	-
Parity Debt Service	2,131,342
Lease Revenue Bonds, Series 2010	161,164
Pension Obligation Bonds, 2006	296,708
Total Debt Service	<u>\$ 2,589,214</u>
Parity Debt Service Coverage	2.56
Total Debt Service Coverage	2.11

The following table summarizes debt service coverage levels for the Sewer Fund for the fiscal year ending June 30, 2013:

Sewer Fund	
	2013
Net Revenue, Excluding Depreciation and Amortization	\$ 10,574,386
Debt Service	
State Water Resource Board Loan, 2003	714,076
Wastewater Revenue Bonds, Series 2004	439,796
Wastewater Revenue Bonds, Series 2007	860,683
Wastewater Refunding Bonds, Series 2011	180,488
Parity Debt Service	2,195,043
Lease Revenue Bonds, Series 2010	161,164
Pension Obligation Bonds, Series 2006	261,811
Total Debt Service	<u>\$ 2,618,018</u>
Parity Debt Service Coverage	4.82
Total Debt Service Coverage	4.04

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT** (Continued)

**H. Debt Service Coverage** (Continued)

The following table summarizes debt service coverage levels for the Storm Drain Fund for the fiscal year ending June 30, 2013:

Storm Drain Fund		2013
Net Revenue, Excluding Depreciation and Amortization	\$	2,619,337
Debt Service		
Storm Drain Revenue Bond, Series 2010		608,084
Storm Drain Revenue Bond, Series 2012		-
Parity Debt Service		608,084
Parity Debt Service Coverage		4.31

**NOTE 6 – OTHER LONG-TERM LIABILITIES**

The following table summarizes the City's government-wide other long-term liabilities and the short-term portion as of June 30, 2013:

Description	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Self-Insurance and Contingent Liabilities	\$ 7,071,000	\$ -	\$ (297,000)	\$ 6,774,000	\$ 1,595,000
Net OPEB Obligation	12,854,290	3,367,183	-	16,221,473	-
Compensated Absences	2,166,577	-	(902,897)	1,263,680	160,109
Total Governmental Activities	<u>\$ 22,091,867</u>	<u>\$ 3,367,183</u>	<u>\$ (1,199,897)</u>	<u>\$ 24,259,153</u>	<u>\$ 1,755,109</u>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 492,109	\$ -	\$ (175,551)	\$ 316,558	\$ 17,762
Net OPEB Obligation	2,711,156	911,550	-	3,622,706	-
Landfill Post Closure Care Costs	3,080,252	188,104	(179,701)	3,088,654	795,597
Total Business-Type Activities	<u>\$ 6,283,517</u>	<u>\$ 1,099,654</u>	<u>\$ (355,252)</u>	<u>\$ 7,027,918</u>	<u>\$ 813,359</u>

**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 Associated Bay Area Governments Pooled Liability Assurance Network Corporation (ABAG PLAN), a public-entity risk pool. ABAG PLAN provides liability insurance coverage, claims management, risk management services, and legal defense to its participating members. ABAG PLAN is governed by a board of directors, which comprises officials appointed by each participating member. Premiums paid to ABAG PLAN are subject to possible refund based on the results of actuarial studies and approval by ABAG PLAN's board of directors. Premiums are assessed to the participants based on their individual loss experience. General liability insurance coverage has been purchased by ABAG PLAN for losses exceeding \$250,000 up to a maximum of \$10,000,000.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 6 – OTHER LONG-TERM LIABILITIES** (Continued)

**A. Self-Insurance and Contingent Liabilities** (Continued)

The workers' compensation program is administered by a third-party administrator (TPA), Athens Administrators. 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 ABAG PLAN claim administrators set the reserve levels for known liability claims. 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.

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

		Outstanding Liabilities			
		Balance	Current Year	Payments for	Balance
		July 1	Claims and	Current and	June 30
			Changes in	Prior Fiscal	
			Estimates	Years	
2008-09	\$ 6,250,000	\$ 2,748,027	\$ (2,654,027)	\$ 6,344,000	
2009-10	6,344,000	2,716,739	(2,420,739)	6,640,000	
2010-11	6,640,000	2,524,265	(2,524,265)	6,640,000	
2011-12	6,640,000	1,516,000	(1,085,000)	7,071,000	
2012-13	7,071,000	1,595,000	(1,892,000)	6,774,000	

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 three fiscal years.

In August 2012, an actuarial study was conducted and completed by the firm of Bickmore Risk Services to identify the estimated liability for the City's Self-Insured Workers' Compensation Program as well determine the various funding confidence levels to cover that liability as of June 30, 2012. The study estimated that the outstanding claims at June 30, 2013, were \$5,573,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2013, the City has funded the workers' compensation program at the 70% confidence level noted in the actuarial report or \$5,573,000.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 6 – OTHER LONG-TERM LIABILITIES (Continued)**

**A. Self-Insurance and Contingent Liabilities (Continued)**

In October 2011, an actuarial study was conducted by the firm of Bickmore Risk Services to identify the estimated liability for the City's Self-Insured General Liability Program as well determine the various funding confidence levels to cover that liability. The study estimated the expected liability for outstanding claims to be \$1,201,000 as of June 30, 2013. 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, 2013, the City has funded the general liability program at the 70% confidence level noted in the actuarial report or \$1,201,000.

**B. 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 are recorded in the government-wide and proprietary fund financial statements. Additional information about significant accounting policies over compensated absences can be found in Note 1(J).

**C. Pollution Remediation Obligation**

**Landfill Closure and Post-Closure Costs**

The City is responsible for closing the Airport Boulevard landfill in accordance with the California Code of Regulations under the jurisdiction of the California Integrated Waste Management Board. The landfill is full to capacity and has been reconstructed as a multi-use recreational facility. A liability was accrued based on the capacity used to date. Consequently, the City recorded 100% of its estimated closure and post-closure costs and the development of a recreation facility. The City was also required by the Bay Area Air Quality Management Board to install a gas collection system. During fiscal year 1993, the City developed a Closure Plan that met all regulatory requirements. The closure was planned to occur in two phases, Phase I was estimated at \$5 million, and Phase II was estimated at \$3.8 million. The City will be conducting a landfill study in fiscal year 2013-14 as part of periodically monitoring and valuing closure costs.

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the landfill and post-closure liability accounted for in the Waste Management Enterprise Fund is reduced by annual expenditures relating to post-closure maintenance which significantly reduce future costs of mediation. In October 2008, the City also recognized an additional liability, determined by the State, for corrective action. The post-closure costs and the deficit in the Waste Management Enterprise Fund, which resulted from the recording of the liability for such costs, will be funded in future years by a surcharge on solid waste collection. The original liability was estimated at \$85,000 per year for 30 years, which may be adjusted, based on changes with inflation or deflation as well as changes in applicable laws or regulation. In the current year, the liability was adjusted for incurred costs and expected costs of remediation of \$3,088,654. As of June 30, 2013, the deficit in the Waste Management Enterprise Fund amounted to \$718,377, as a result of this remediation liability.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 6 – OTHER LONG-TERM LIABILITIES (Continued)**

**D. Commitments and Contingent Liabilities**

*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, 2013, 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.

*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.

**NOTE 7 – EMPLOYEE RETIREMENT PLAN**

**A. Plan Description and Funding Policy**

All permanent employees participate in the California Public Employees' Retirement System (CalPERS) per the City's Charter. The miscellaneous employees of the City are part of an agent multiple-employer defined benefit pension plan. The safety employees are part of a cost-sharing multiple-employer defined benefit plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City's employees participate in the separate safety (police and fire) and miscellaneous (all other) employee plans. Benefit provisions under both plans are established by state statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment.

In September 2012, the Governor signed a comprehensive pension reform package affecting state and local government employees, the Public Employees' Pension Reform Act of 2013 (PEPRA). The legislation implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Key changes to retirement plans affecting the City include:

- New defined-benefit formulas that increase retirement ages for new public employees hired on or after January 1, 2013.
- For new employees, a cap on pensionable income of \$110,100, or \$132,120 (for employees not in Social Security). Annual increases on the cap would be limited to the Consumer Price Index for All Urban Customers.
- A standard that employees pay at least 50% of normal costs.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)**

**A. Plan Description and Funding Policy (Continued)**

- Establishing increases for current City civil service and related excluded employees who are not contributing at least half of normal costs.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting the purchase of non-qualified service credit.

In the long-term, additional employee contributions, limits on pensionable compensation, and higher retirement ages will reduce the City's unfunded accrued actuarial liability (UAAL) and potentially, the City's contribution levels in future years.

Funding contributions for all five plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	Police Safety	Fire Safety	Miscellaneous	PEPRA Police Safety	PEPRA Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	55	55	57	62
Monthly benefits, as a % of annual salary	3.00%	3.00%	2.50%	2.70%	2.00%
Required employee contribution rates	9.00%	9.00%	8.00%	12.25%	6.75%

Employer contributions are determined by CalPERS as a percentage of covered payroll and represent the actuarially required contribution.

Police Safety employees are covered under the "3.0% at 50" formula. New police safety employees under PEPRA are covered under the "2.7% at 57" formula. For example, under the "3.0% at 50" retirement plan, an employee's retirement earnings at age 50 for Police are equal to the product of the benefit factor, years of service, and final compensation. Safety service retirement benefits are capped at 90% of final compensation.

In June 2010, Fire Safety employees transitioned to the CCFD, which has a separate account established with CalPERS. The City makes pension contributions for any active fire safety personnel employed with the City as of the date of transition through an annual billing from the CCFD.

Miscellaneous employees are covered under the "2.5% at 55" formula. New miscellaneous employees under PEPRA are covered under the "2.0% at 62" formula. Under this retirement plan, an employee's benefit is equal to the product of the benefit factor, years of service, and final compensation. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)**

**A. Plan Description and Funding Policy (Continued)**

CalPERS determines contribution requirements using the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

CalPERS uses the market-related value method of valuing the plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service.

The City's unfunded actual accrued liability is being amortized as a level percentage of payrolls on a closed basis. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30-year period, which results in an amortization of about 6% of unamortized gains and losses each year.

**B. Annual Pension Cost**

In September 2007, the City issued Pension Obligation Bonds to provide funds to refund its current UAAL creating a net pension asset. The net pension asset as of June 30, 2013, was \$26,483,356.

For Police and Fire safety plans, risk pooling was implemented as of June 30, 2003. Effective July 1, 2010, the Burlingame Fire employees became employees of CCFD. CCFD is a stand-alone employer recognized by CalPERS. Therefore, the Fire Safety Pension information is now part of CCFD's Comprehensive Annual Financial Report.

The most recent available audited annual financial statements for CalPERS and ten-year trend information are available upon request from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Total current payroll for all covered employees for the fiscal year ended June 30, 2013, was \$15,370,392. The payroll subject to retirement amounted to \$3,937,611 for police safety, and \$11,432,781 for the miscellaneous group. For the year ended June 30, 2013, the City's miscellaneous plan annual pension cost of \$1,653,055 for CalPERS was equal to the City's required and actual contributions adjusted by the changes in Net Pension Asset. The safety annual pension cost of \$1,561,529 was equal to the City's required and actual contributions.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)**

**B. Annual Pension Cost (Continued)**

The required contribution was determined as part of the June 30, 2012, actuarial valuation as follows:

	<u>Police Safety</u>	<u>Miscellaneous</u>
2010	20.880%	11.853%
2011	26.416%	15.711%
2012	27.877%	17.226%

CalPERS has reported that the value of the net position in the plan held for pension benefits changes as follows during the year ended June 30, 2013, which as of date of report issuance, is the most recent available information:

	<u>Miscellaneous</u>
Actuarial value as of June 30, 2011	\$ 93,670,364
Contributions received	2,905,159
Benefit and refunds paid	(5,406,521)
Transfers and miscellaneous adjustments	(68,626)
Expected investment earnings credited at 7.5%	<u>6,930,645</u>
Expected actuarial value of the assets	<u>\$ 98,031,021</u>
Market value of assets as of June 30, 2012	<u>\$ 79,657,391</u>
Actuarial value of assets as of June 30, 2012	<u>\$ 95,836,384</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)**

**C. Trend Information**

Three years of trend information regarding annual pension costs for both safety and miscellaneous employees is summarized as follows:

<b>Miscellaneous Employees</b>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2011	\$ 1,393,140	89%	\$ (9,426,569)
6/30/2012	1,360,154	87%	(9,213,801)
6/30/2013	2,364,681	84%	(8,953,886)

<b>Safety Employees</b>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2011	\$ 853,769	100%	\$ (18,970,843)
6/30/2012	780,626	100%	(18,310,374)
6/30/2012	1,992,856	100%	(17,529,470)

The following table shows the components of the City's miscellaneous plan's annual pension cost for the year, the amount actually contributed to the plan, and changes in the City's Net Pension Assets:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 2,104,766	\$ 1,211,953	\$ 3,316,719
Interest on net pension assets	(714,070)	(1,419,054)	(2,133,124)
Adjustment to annual required contribution	973,985	2,199,957	3,173,942
Annual pension cost	2,364,681	1,992,856	4,357,537
Contribution made	(2,104,766)	(1,211,952)	(3,316,718)
Change in net pension assets	(259,915)	(780,904)	(1,040,819)
Net pension assets - beginning of year	9,213,801	18,310,374	27,524,175
Net pension assets - end of year	<u>\$ 8,953,886</u>	<u>\$ 17,529,470</u>	<u>\$ 26,483,356</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)**

**D. Funded Status**

A schedule of funding progress as of the most recent actuarial date is presented below (in thousands):

Miscellaneous Plan

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/2010	\$ 101,033	\$ 90,502	\$ 10,531	89.6%	\$ 11,937	88.2%
06/30/2011	105,996	93,810	12,186	88.5%	12,034	101.3%
06/30/2012	110,834	95,836	14,998	86.5%	11,802	127.1%

Safety Plan

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/2011	\$ 67,655	\$ 53,392	\$ 14,263	78.9%	\$ 3,799	375.4%
06/30/2012	72,137	53,196	18,941	73.7%	4,214	449.5%

A schedule of the funding progress for this defined benefit pension plan is presented in the Required Supplementary Information section of this report. The Required Supplementary Information immediately follows these Notes to the Basic Financial Statements. This schedule presents multi-year trend information that shows if the actuarial value of plan assets are increasing or decreasing relative to the actuarial accrued liability for benefits over time.

As of the actuarial valuation date of June 30, 2003, the City's fire and police safety plans became part of a CalPERS Risk Pool for employers with less than 100 active plan members.

**NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN**

**A. Plan Description**

The City of Burlingame Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing City employees. The Retiree Healthcare Plan does not issue a financial report.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN** (Continued)

**A. Plan Description** (Continued)

The City provides certain retirees that are eligible with retiree medical benefits through the California Public Employees' Retirement System Healthcare Program (PEMHCA). The City pays retiree healthcare benefits up to a cap for eligible retirees, dependent on bargaining unit and hire date. No dental, vision, or life insurance benefits are provided.

Employees hired after November 1, 2011, are enrolled in a retiree health savings plan (RHS Plan) after five years of service. Upon enrollment, the City contributes 2% of annual base pay into the RHS Plan. After nineteen years of service, the City contributes 2.5% of annual base pay into the RHS Plan.

**B. Funding Policy**

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

The City has currently chosen to pay plan benefits on a *pay-as-you-go* basis. The Plan does not require employee contributions. For fiscal year 2013, the City paid \$2,451,798 for Retiree Healthcare Plan benefits.

**C. Annual Other Post-Employment Benefits (OPEB) Cost and Net OPEB Obligation**

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC is equal to the normal cost, or projected cost to cover the related obligation during the year, plus a 21-year amortization of the unfunded actuarial liability.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 6,666,000	36%	\$ 11,329,547
6/30/2012	\$ 6,526,233	35%	\$ 15,565,446
6/30/2013	\$ 6,730,531	36%	\$ 19,844,179

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN** (Continued)

**C. Annual Other Post-Employment Benefits (OPEB) Cost and Net OPEB Obligation** (Continued)

The following table, based on the City's actuarial valuation as of January 1, 2011, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation, shown below at a 4.25% discount rate:

	2013
Annual required contribution	\$ 7,150,000
Interest on net OPEB obligation	661,531
Adjustment to annual required contribution	<u>(1,081,000)</u>
Annual OPEB cost (expense)	6,730,531
Contributions made	<u>(2,451,798)</u>
Increase in net OPEB obligation	4,278,733
Net OPEB obligation - beginning of year	<u>15,565,446</u>
Net OPEB obligation - end of year	<u><u>\$ 19,844,179</u></u>

**D. Funded Status and Funding Progress**

A schedule of funding progress for the last three years is presented below in thousands.

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
1/1/2009	\$ 67,518	\$ -	\$ 67,518	0.0%	\$ 22,394	301.5%
1/1/2010	67,578	-	67,518	0.0%	22,394	301.5%
1/1/2011	76,402	-	76,402	0.0%	16,961	450.5%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN** (Continued)

**D. Funded Status and Funding Progress** (Continued)

The funded status of the Plan as of January 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 76,402,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 76,402,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 16,961,000

The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty year period. As of January 1, 2011, the most recent actuarial valuation date, the funded status of retiree healthcare benefits was 0%, resulting in an UAAL of \$76.4 million. For the year ended June 30, 2013, the estimated covered payroll (annual payroll of active employees covered by the Plan) was \$16,961,000 and the ratio of the UAAL to the covered payroll was 450%.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return, which is the expected long-term investment return on City investments, a 3.0% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, and an annual pre-Medicare medical cost trend of 8.4% (HMO) and 9.0% (PPO) applied to obtain 2009 rates, decreasing to 4.5% after 9 years (the post-Medicare medical cost trend starts 0.3% higher and decreases to the same ultimate rate after 9 years). Healthcare caps are assumed to increase with healthcare trend in the future. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis, starting June 30, 2009.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 9 – WASTE MANAGEMENT DEFICIT**

As of June 30, 2013, the Waste Management Fund, an Enterprise Fund, had a deficit of \$718,377.

The Waste Management Fund deficit relates to the current portion of landfill closure and post-closure liabilities of \$796,000. The City expects to finance these costs with fees derived from surcharges on the City's franchise solid waste collection activities.

**NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS**

**A. Transfers**

Transfers and advances between funds for the year ending June 30, 2013, are as follows:

	Transfers In							Total Out
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water Fund	Waste Management Fund	Sewer Fund	
General Fund	\$ -	\$ 5,403,988	\$ 5,696,734	\$ 78,823	\$ -	\$ 250,000	\$ -	\$ 11,429,545
Debt Service Fund	-	-	8,390,101	-	-	-	-	8,390,101
Capital Projects Fund	-	-	1,529,926	-	1,927,455	-	3,029,597	6,486,978
Nonmajor Governmental Funds	461,030	1,027,870	1,497,470	-	-	-	-	2,986,370
Parking Fund	580,230	-	-	-	-	-	-	580,230
Sewer Fund	571,482	-	4,900,000	-	-	-	-	5,471,482
Water Fund	571,481	-	2,500,001	-	-	-	-	3,071,482
<b>Total in</b>	<b>\$ 2,184,223</b>	<b>\$ 6,431,858</b>	<b>\$ 24,514,232</b>	<b>\$ 78,823</b>	<b>\$ 1,927,455</b>	<b>\$ 250,000</b>	<b>\$ 3,029,597</b>	<b>\$ 38,416,188</b>

The \$11.4 million General Fund transfer out includes \$5.4 million for the payment of debt service, \$5.7 million in contributions to fund capital improvement projects, a \$0.3 in support of the Solid Waste Fund, and \$79 thousand to fund the commuter shuttle program.

The \$8.4 million transfer out of the Debt Service Fund relates to withdrawals from available capital project proceeds from debt and the transfer of such funds to the facilities, storm drain, and streets capital project programs. Approximately \$5.8 million relates to previously issued taxable and tax-exempt storm drain bonds, \$0.2 million relates to support of communication and technology infrastructure improvements under the Master Equipment Lease Purchase 2011, and \$2.4 million relates to drawdowns from the Lease Revenue Bond, Series 2012 to fund the Burlingame Avenue Streetscape Project.

The \$6.5 million transfer out of the Capital Projects Fund relates to amounts expended in support of the City's capital improvement program. Approximately \$3.0 million and \$1.9 million relate to capital contributions from the Capital Project Fund to the Sewer and Water operating funds, respectively, for current construction in progress placed in service as capital assets during the fiscal year.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)**

**A. Transfers (Continued)**

The \$3.0 million transfer out of nonmajor governmental funds includes a \$1.5 million combined transfer from the Measure A and Gas Tax Funds in support of traffic, street, and pedestrian improvements; \$1.0 million for debt service due on the taxable and tax-exempt Storm Drainage Bonds, Series 2010; and \$0.5 million in transfers to the General Fund for the reimbursement of services.

The \$4.9 million transfer out of the Sewer Enterprise Fund and the \$2.5 million transfer out from the Water Enterprise Fund relate to amounts needed from the operating funds to subsidize the cost of water and wastewater infrastructure projects. Sources of funds include remaining capital project funds held with the Trustee from the previous issuance of the Water and Wastewater Revenue Bonds, Series 2007, the State Revolving Fund Loan, 2010, and ratepayer revenue. A \$0.5 million transfer from each of the Water and Sewer operating funds to the General Fund relate to reimbursements for each fund's proportionate share of debt service due on the previously issued Pension Obligation Bonds, Series 2006 and Lease Revenue Bonds, Series 2010 which was issued to construct the Public Works Corporation Yard.

**B. Advances Between Funds**

Advances between funds for the year ending June 30, 2013, are as follows:

	Advances From	
	Equipment Services Fund	Total Advances To
Advances To		
General Fund	\$ 400,000	\$ 400,000
<b>Total Advances From</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>

On December 3, 2012, the City Council authorized an appropriation of \$400,000 to implement a computer aided dispatch and records management system. Funding for this project will come from an advance from the Equipment Services Fund to the General Fund. A four year promissory note between funds was executed, which requires annual payments of principal and interest at an interest rate of 1.00%, which is based upon historical investment yields typically earned by the LAIF.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 11 – SUBSEQUENT EVENTS**

**A. Creation of the California Employers' Retiree Benefit Trust (CERBT) and Approval of a Transfer of \$6.6 Million to CalPERS to Establish Retiree Trust Benefits**

On September 16, 2013, the City Council approved the CERBT agreement with CalPERS which created an irrevocable trust to prefund the City's unfunded retiree medical liability and authorized the City to transfer \$6.6 million to the CERBT. The funds will come from the City's existing OPEB Retiree Health Reserve of \$4.8 million, with the remaining \$1.8 million to come from the City's fiscal year 2013-14 budgetary surplus. The \$6.6 million transfer took place in October 2013.

**B. Review of Subsequent Events**

Subsequent events were evaluated through December 24, 2013, which is the date the financial statements were available to be issued.

**NOTE 12 – RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCES**

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net position of the Water and Sewer Funds, and of the Governmental Activities and Business-Type Activities. The adjustments occurred due to a change in accounting principles. Refer to Note 1 T – New GASB Pronouncements Implemented in the Financial Statements.

The following schedule summarizes the effect of the restatement of the beginning net position as of July 1, 2012, resulting from implementation of GASB Statement No. 65:

	Governmental Activities		
Net Position at July 1, 2012	\$	118,238,249	
Cumulative Effect of Change in Accounting Principle (1)		(754,737)	
Net Position at July 1, 2012, as restated	\$	117,483,512	
	Business-Type Activities	Water Fund	Sewer Fund
Net Position at July 1, 2012	\$ 60,183,000	\$ 17,319,805	\$ 34,234,897
Cumulative Effect of Change in Accounting Principle (1)	(896,195)	(553,014)	(343,181)
Net Position at July 1, 2012, as restated	\$ 59,286,805	\$ 16,766,791	\$ 33,891,716

(1) Pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The difference between the reacquisition price and carrying amount of the old debt should be reported as a deferred outflow of resources. The City made adjustments for these items as a cumulative effect of change in accounting principle in the current fiscal year. This resulted in the Net Position for governmental activities and business-type activities to decrease by \$754,737 and \$896,195, respectively.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2013**

**NOTE 13 – DEFERRED OUTFLOW OF RESOURCES**

Deferred outflow of resources consists of the following at June 30, 2013:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Business- Type</u>
(a) Deferred amount on refunding - Water and Wastewater Revenue Bonds, Series 2011	\$ (111,617)	\$ (59,117)	\$ (170,734)
(a) Deferred amount on refunding - Water and Wastewater Revenue Bonds, Series 2013	<u>(389,501)</u>	<u>(195,402)</u>	<u>(584,903)</u>
	<u><u>\$ (501,118)</u></u>	<u><u>\$ (254,519)</u></u>	<u><u>\$ (755,637)</u></u>



# Comprehensive Annual Financial Report

June 30, 2013

## **REQUIRED SUPPLEMENTARY INFORMATION**



# Comprehensive Annual Financial Report

June 30, 2013

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS) FUNDING**

**Miscellaneous Plan**

**Schedule of CalPERS Funding Progress - Unaudited  
(dollars in thousands)**

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
6/30/10	\$ 101,033	\$ 90,502	\$ 10,531	89.6%	\$ 11,937	88.2%
6/30/11	105,996	93,810	12,186	88.5%	12,034	101.3%
6/30/12	110,834	95,836	14,998	86.5%	11,802	127.1%

**Fire and Police Safety Plan**

**Schedule of CalPERS Funding Progress – Unaudited  
(dollars in thousands)**

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/2011	\$ 67,655	\$ 53,392	\$ 14,263	78.9%	\$ 3,799	375.4%
06/30/2012	72,137	53,196	18,941	73.7%	4,214	449.5%

The above information is the most recent information available from the California Public Employees’ Retirement System (CalPERS).

The City contributes to CalPERS, an agent multiple-employer public pension plan. The amounts reflected herein represent the City’s portion, as reported by CalPERS.

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 2 – OTHER POST-EMPLOYMENT BENEFITS**

**Schedule of Funding Progress  
(dollars in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ -	\$ 67,518	\$ 67,518	0.0%	\$ 22,394	301.5%
1/1/2010	-	67,518	67,518	0.0%	22,394	301.5%
1/1/2011	-	76,402	76,402	0.0%	16,961	450.5%

**NOTE 3 – BUDGET AND BUDGETARY ACCOUNTING**

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP). The Debt Service Fund is governed by the appropriate bond indentures. The Capital Projects Fund is budgeted on a project length basis. Annual budgets are not adopted for the Development Fees and Local Grants Special Revenue Funds.

Expenditures are controlled at the department level for all budgets within the City. Budget amendments which increase departmental appropriations must be approved by the City Council by majority vote. Changes within departments are approved by the City Manager. Supplemental appropriations were made during the fiscal year and are reflected in the final budgetary data. Except for the Capital Projects Fund, appropriations lapse at the close of the fiscal year to the extent that they have not been expended or encumbered.

The City Manager submits a recommended operating budget in May each year to the City Council for the fiscal year commencing the following July 1, showing proposed expenditures by programs and the means of financing them.

The City Council conducts budget study sessions, which are open for public comment, before adopting the budget. Once the budget is adopted, expenditures may not legally exceed appropriation.

A separate publication presenting this information is available from the City of Burlingame, Finance Department, 501 Primrose Road, Burlingame, CA 94010.

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE**

In accordance with Governmental Accounting Standards Board (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 under the following conditions:

In May 2011, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in May 2008. 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 three classifications: (1) arterial/major, (2) collector, and (3) residential.

This condition assessment will be performed every three years. For this inspection update, all the paved streets in the City of Burlingame’s system were re-inspected. A visual survey of approximately 83.92 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, 2013**

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

The following conditions were defined:

Condition	Rating	Description
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, 2013, the City’s street system was rated at a PCI index of 74 on a 100-point scale. The overall condition of the street pavement is in the lower range of MTC’s designation ‘Very Good’. The City’s average PCI of 74 suggests that major portions of its streets are due for preventive maintenance work soon.

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

Notice the average PCI for the arterial and collector streets is significantly higher than that of the residential/other streets. This is typical of most street networks, as more priority is given to higher functional class streets.

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

<u>Functional Class</u>	<u>Centerline Miles</u>	<u>Land Miles</u>	<u># of Sections</u>	<u>% of Network</u>	<u>Average PCI</u>
Arterial	25.11	53.89	96	29.60%	78
Collector	20.48	39.95	120	25.90%	72
Residential	38.34	68.42	277	44.50%	75
Totals	83.92	162.26	493	-	75

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



**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

<b>Condition Class</b>	<b>PCI Range</b>	<b>Arterial</b>	<b>Collector</b>	<b>Residential</b>	<b>Total</b>
<b>Good (I)</b>	70-100	24.20%	18.60%	28.50%	71.30%
<b>Fair (I/II)</b>	50-69	4.80%	3.90%	10.00%	18.70%
<b>Poor (IV)</b>	25-49	0.50%	2.60%	5.40%	8.50%
<b>Very Poor (V)</b>	0-24	0.00%	0.80%	0.40%	1.50%
<b>Totals</b>		29.60%	25.90%	44.50%	

The City’s street network replacement value is estimated at \$156.2 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 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 ‘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 ‘good’ category, it costs very little to apply preventative maintenance treatments. Almost three-quarters (71.3%) of the City’s street network would benefit from these treatments.

Approximately one-sixth (18.7%) of the City’s street network is considered in ‘fair’ 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 percent.

The remaining 10 percent 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 2011-12 through fiscal year 2015-16 is \$1,125,000 per year or \$5.6 million. The overall network will decrease by 3 points, from 75 currently, to 72 by 2016. Under this investment level, the deferred maintenance backlog increases, from \$6.9 million in 2012, to \$11.1 million in 2016. This is mainly due to the increase in the number of streets that will require an expensive reconstruction treatment, as the percentage of the street network in the ‘very poor’ condition increases from 1.5% in 2012 to 4.3% in 2016. This is illustrated in the table below.

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
<b>Budget</b>	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ 5,625,000
<b>Rehabilitation</b>	1,008,133	1,007,371	1,001,867	1,008,951	1,000,724	5,027,046
<b>Preventative</b>						
<b>Maintenance</b>	116,789	116,500	122,631	115,688	123,993	595,601
<b>Deferred</b>						
<b>Maintenance</b>	6,847,394	7,455,907	9,380,441	9,883,865	11,078,608	-
<b>PCI</b>	75	75	74	73	72	-

The study determined that the current funding strategies demonstrate there is a \$6.9 million deferred maintenance backlog in the first year of the scenario. If these issues are not addressed, the quality of the street network will inevitably decline. In order to correct these deficiencies, a cost-effective funding and maintenance and rehabilitation strategy must be implemented.

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

<b>Fiscal Year</b>	<b>Maintenance Estimate</b>	<b>Actual Expenditures</b>	<b>PCI Rating</b>
<b>2010-2011</b>	\$ 1,100,000	\$ 1,384,524	74
<b>2011-2012</b>	1,100,000	1,391,621	74
<b>2012-2013</b>	1,100,000	1,345,690	74

The City has an ongoing street rehabilitation program funded in the Capital Improvement Program that is intended to maintain the condition rating of City streets. A major Street Re-surfacing Project was completed in fiscal year 2010-11 which resulted in over 750,000 square feet of street repair.

**CITY OF BURLINGAME, CALIFORNIA**  
**REQUIRED SUPPLEMENTARY INFORMATION (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 5 – BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	<sup>1</sup> \$ 15,061,531	\$ 14,725,744	\$ 15,384,141	\$ 658,397
Sales and use taxes	8,698,303	8,698,303	9,198,871	500,568
Transient occupancy taxes	15,782,706	15,782,706	18,244,310	2,461,604
Other taxes	2,497,000	2,497,000	2,969,688	472,688
Licenses and permits	85,500	85,500	101,753	16,253
Fines, forfeitures, and penalties	915,000	915,000	860,476	(54,524)
Charges for services	3,227,120	3,227,120	3,680,900	453,780
Other revenue	184,000	-	308,603	308,603
Grant revenue	-	-	-	-
Intergovernmental revenues	85,000	85,000	404,875	319,875
Investment income	660,000	660,000	133,386	(526,614)
<b>Total revenues</b>	<b>47,196,160</b>	<b>46,676,373</b>	<b>51,287,003</b>	<b>4,610,630</b>
<b>Expenditures</b>				
Current:				
General government:				
City attorney	419,516	419,516	520,554	(101,038)
City clerk	229,699	229,699	213,364	16,335
City council	165,089	165,089	154,636	10,453
City manager	392,934	392,934	376,703	16,231
Human resources	616,067	616,067	679,959	(63,892)
Finance	847,950	847,950	711,586	136,364
Other employee benefits	2,499,200	2,499,200	2,355,867	143,333
Nondepartmental	641,605	641,605	623,576	18,029
<b>Total general government</b>	<b>5,812,060</b>	<b>5,812,060</b>	<b>5,636,245</b>	<b>175,815</b>
Public safety:				
Fire	8,977,494	8,977,494	8,908,472	69,022
Fire - Disaster Preparedness	113,795	113,795	91,033	22,762
Police Communications Dispatch	953,184	953,184	917,779	35,405
Police	9,106,439	9,106,439	8,912,420	194,019
<b>Total public safety</b>	<b>19,150,912</b>	<b>19,150,912</b>	<b>18,829,704</b>	<b>321,208</b>
Public works	3,660,110	3,660,110	3,084,543	575,567
Community development	869,392	869,392	854,231	15,161
Parks, recreation, and library:				
Library	3,729,088	3,729,088	3,771,547	(42,459)
Parks	2,486,141	2,486,141	2,390,139	96,002
Recreation	3,477,123	3,544,284	3,046,934	497,350
<b>Total leisure and cultural services</b>	<b>9,692,352</b>	<b>9,759,513</b>	<b>9,208,620</b>	<b>550,893</b>
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>39,184,826</b>	<b>39,251,987</b>	<b>37,613,343</b>	<b>1,638,644</b>
<b>Excess of revenues over expenditures</b>	<b>8,011,334</b>	<b>7,424,386</b>	<b>13,673,660</b>	<b>6,249,274</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,963,962	1,963,962	2,184,223	220,261
Transfers out	(9,352,970)	(11,294,704)	(11,429,545)	(134,841)
<b>Total other financing sources (uses)</b>	<b>(7,389,008)</b>	<b>(9,330,742)</b>	<b>(9,245,322)</b>	<b>85,420</b>
<b>Net change in fund balance</b>	<b>\$ 622,326</b>	<b>\$ (1,906,356)</b>	<b>4,428,338</b>	<b>\$ 6,334,694</b>
<b>FUND BALANCE</b>				
Beginning of year			15,518,765	
End of year			<u>\$ 19,947,103</u>	

<sup>1</sup> Due to creation of a special revenue fund for Burlingame Avenue Special Assessment District in the amount of \$335K.



# Comprehensive Annual Financial Report

June 30, 2013

**COMBINING FINANCIAL STATEMENTS AND  
OTHER SUPPLEMENTARY INFORMATION**

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## **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.

**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.

**Special Assessment District Fund** – This fund accounts for revenue from special assessments received from a special benefit district formed during fiscal year 2011-2012 on Burlingame Avenue. The special benefit district will undergo lighting, landscape, and utility-related upgrades, and the revenues are used to finance these improvements.

**Traffic Safety Fund** – This fund is to account for revenues received from traffic fines and used for traffic safety programs.

**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 Grants Fund** – This fund is to account for grants from the State of California used or expended for a specific purpose, activity, or facility.

**Federal Grants Fund** – This fund is to account for grants from 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 State and Federal used or expended for a specific purpose, activity, or facility.

**Bayfront and North Burlingame Area Development Fees Fund** – This fund is to account for developers' fees that may be used for improvements on the bay front area and streetscape improvements in the North Burlingame area of the City.

**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, 2013**

	Special Revenue Funds				
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Special Assessment District Fund	Traffic Safety Fund
<b>ASSETS</b>					
Cash and investments	\$ 1,536,011	\$ 853,047	\$ 6,781,943	\$ 362,005	\$ 4,803
Receivables (net of uncollectible amount of \$0):					
Accounts receivable	3,502	2,433	10,654	824	-
Due from other governments	114,193	-	-	-	16,521
<b>Total assets</b>	<u>\$ 1,653,706</u>	<u>\$ 855,480</u>	<u>\$ 6,792,597</u>	<u>\$ 362,829</u>	<u>\$ 21,324</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Restricted	1,653,706	855,480	6,792,597	362,829	21,324
Assigned	-	-	-	-	-
<b>Total fund balances</b>	<u>1,653,706</u>	<u>855,480</u>	<u>6,792,597</u>	<u>362,829</u>	<u>21,324</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,653,706</u>	<u>\$ 855,480</u>	<u>\$ 6,792,597</u>	<u>\$ 362,829</u>	<u>\$ 21,324</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

Special Revenue Funds					Total Nonmajor Governmental Funds
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
\$ 32,541	\$ 713	\$ 461,648	\$ 509,758	\$ 186,862	\$10,729,331
13,470	-	9,365	1,093	26,218	67,559
-	2,275	-	-	-	132,989
<u>\$ 46,011</u>	<u>\$ 2,988</u>	<u>\$ 471,013</u>	<u>\$ 510,851</u>	<u>\$ 213,080</u>	<u>\$10,929,879</u>
\$ 19,607	\$ -	\$ 54,867	\$ -	\$ -	\$ 74,474
<u>19,607</u>	<u>-</u>	<u>54,867</u>	<u>-</u>	<u>-</u>	<u>74,474</u>
-	2,988	-	-	-	9,688,924
<u>26,404</u>	<u>-</u>	<u>416,146</u>	<u>510,851</u>	<u>213,080</u>	<u>1,166,481</u>
<u>26,404</u>	<u>2,988</u>	<u>416,146</u>	<u>510,851</u>	<u>213,080</u>	<u>10,855,405</u>
<u>\$ 46,011</u>	<u>\$ 2,988</u>	<u>\$ 471,013</u>	<u>\$ 510,851</u>	<u>\$ 213,080</u>	<u>\$10,929,879</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds				
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Special Assessment District Fund	Traffic Safety Fund
<b>REVENUES:</b>					
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ 72,092
Investment income	-	-	-	1,095	-
Intergovernmental	701,512	706,899	-	-	-
Charges for services	-	-	2,619,337	310,097	-
Grant revenue	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<u>701,512</u>	<u>706,899</u>	<u>2,619,337</u>	<u>311,192</u>	<u>72,092</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-
Shuttle operations	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>701,512</u>	<u>706,899</u>	<u>2,619,337</u>	<u>311,192</u>	<u>72,092</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfer out	(675,000)	(740,000)	(1,042,870)	(290,231)	(60,000)
<b>Total other financing sources (uses)</b>	<u>(675,000)</u>	<u>(740,000)</u>	<u>(1,042,870)</u>	<u>(290,231)</u>	<u>(60,000)</u>
<b>Net change in fund balances</b>	<u>26,512</u>	<u>(33,101)</u>	<u>1,576,467</u>	<u>20,961</u>	<u>12,092</u>
<b>FUND BALANCES:</b>					
Beginning of year	<u>1,627,194</u>	<u>888,581</u>	<u>5,216,130</u>	<u>341,868</u>	<u>9,232</u>
End of year	<u>\$ 1,653,706</u>	<u>\$ 855,480</u>	<u>\$ 6,792,597</u>	<u>\$ 362,829</u>	<u>\$ 21,324</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Special Revenue Funds					Total Nonmajor Governmental Funds
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,092
-	-	-	-	-	1,095
-	-	-	-	-	1,408,411
-	-	-	-	110,603	3,040,037
53,458	-	159,013	-	-	212,471
60,000	1,223	-	-	-	61,223
<u>113,458</u>	<u>1,223</u>	<u>159,013</u>	<u>-</u>	<u>110,603</u>	<u>4,795,329</u>
-	-	-	1,021	36,645	37,666
-	250	65,321	-	-	65,571
-	-	119,632	-	-	119,632
<u>179,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,296</u>
<u>179,296</u>	<u>250</u>	<u>184,953</u>	<u>1,021</u>	<u>36,645</u>	<u>402,165</u>
<u>(65,838)</u>	<u>973</u>	<u>(25,940)</u>	<u>(1,021)</u>	<u>73,958</u>	<u>4,393,164</u>
78,823	-	-	-	-	78,823
-	(89,799)	-	(88,470)	-	(2,986,370)
<u>78,823</u>	<u>(89,799)</u>	<u>-</u>	<u>(88,470)</u>	<u>-</u>	<u>(2,907,547)</u>
<u>12,985</u>	<u>(88,826)</u>	<u>(25,940)</u>	<u>(89,491)</u>	<u>73,958</u>	<u>1,485,617</u>
<u>13,419</u>	<u>91,814</u>	<u>442,086</u>	<u>600,342</u>	<u>139,122</u>	<u>9,369,788</u>
<u>\$ 26,404</u>	<u>\$ 2,988</u>	<u>\$ 416,146</u>	<u>\$ 510,851</u>	<u>\$ 213,080</u>	<u>\$ 10,855,405</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds					
	Measure A Fund			Gas Tax Fund		
	Budget <sup>1</sup>	Actual	Variance Final Budget	Budget <sup>1</sup>	Actual	Variance Final Budget
<b>REVENUES:</b>						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	15,000	-	(15,000)	15,000	-	(15,000)
Intergovernmental	550,000	701,512	151,512	766,468	706,899	(59,569)
Grant revenue	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
<b>Total revenues</b>	<u>565,000</u>	<u>701,512</u>	<u>136,512</u>	<u>781,468</u>	<u>706,899</u>	<u>(74,569)</u>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-	-
Shuttle operations	-	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>565,000</u>	<u>701,512</u>	<u>136,512</u>	<u>781,468</u>	<u>706,899</u>	<u>(74,569)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(675,000)	(675,000)	-	(740,000)	(740,000)	-
<b>Total other financing sources (uses)</b>	<u>(675,000)</u>	<u>(675,000)</u>	<u>-</u>	<u>(740,000)</u>	<u>(740,000)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (110,000)</u>	<u>26,512</u>	<u>\$ 136,512</u>	<u>\$ 41,468</u>	<u>(33,101)</u>	<u>\$ (74,569)</u>
<b>FUND BALANCES:</b>						
Beginning of year		<u>1,627,194</u>			<u>888,581</u>	
End of year		<u>\$ 1,653,706</u>			<u>\$ 855,480</u>	

<sup>1</sup> There were no changes between the original and final budgets.

<sup>2</sup> The City does not budget for this fund.

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Storm Drainage Fund			Special Revenue Funds Special Assessment District Fund			Traffic Safety Fund		
Budget <sup>1</sup>	Actual	Variance Final Budget	Budget <sup>1</sup>	Actual	Variance Final Budget	Budget <sup>1</sup>	Actual	Variance Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 72,092	\$ 12,092
50,000	-	(50,000)	-	1,095	1,095	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	2,619,337	2,619,337	-	310,097	310,097	-	-	-
2,550,000	-	(2,550,000)	335,787	-	(335,787)	-	-	-
2,600,000	2,619,337	19,337	335,787	311,192	(24,595)	60,000	72,092	12,092
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,600,000	2,619,337	19,337	335,787	311,192	(24,595)	60,000	72,092	12,092
-	-	-	-	-	-	-	-	-
(2,325,125)	(1,042,870)	1,282,255	-	(290,231)	(290,231)	(60,000)	(60,000)	-
(2,325,125)	(1,042,870)	1,282,255	-	(290,231)	(290,231)	(60,000)	(60,000)	-
\$ 274,875	1,576,467	\$ 1,301,592	\$ 335,787	20,961	\$ (314,826)	\$ -	12,092	\$ 12,092
	5,216,130			341,868			9,232	
	\$ 6,792,597			\$ 362,829			\$ 21,324	

<sup>1</sup> There were no changes between the original and final budgets.

<sup>2</sup> The City does not budget for this fund.

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds					
	Train Shuttle Fund			State/Federal Grants Funds		
	Budget <sup>1</sup>	Actual	Variance Final Budget	Budget <sup>1</sup>	Actual	Variance Final Budget
<b>REVENUES:</b>						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Grant revenue	50,851	53,458	2,607	-	-	-
Charges for services	-	-	-	-	-	-
Other revenue	58,000	60,000	2,000	-	1,223	1,223
<b>Total revenues</b>	<b>108,851</b>	<b>113,458</b>	<b>4,607</b>	<b>-</b>	<b>1,223</b>	<b>1,223</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	250	(250)
Parks, recreation, and library	-	-	-	-	-	-
Shuttle operations	213,943	179,296	34,647	-	-	-
<b>Total expenditures</b>	<b>213,943</b>	<b>179,296</b>	<b>34,647</b>	<b>-</b>	<b>250</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(105,092)</b>	<b>(65,838)</b>	<b>39,254</b>	<b>-</b>	<b>973</b>	<b>(973)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	78,823	78,823	-	-	-	-
Transfers out	-	-	-	-	(89,799)	(89,799)
<b>Total other financing sources (uses)</b>	<b>78,823</b>	<b>78,823</b>	<b>-</b>	<b>-</b>	<b>(89,799)</b>	<b>(89,799)</b>
<b>Net change in fund balances</b>	<b>\$ (26,269)</b>	<b>12,985</b>	<b>\$ 39,254</b>	<b>\$ -</b>	<b>(88,826)</b>	<b>\$ (88,826)</b>
<b>FUND BALANCES:</b>						
Beginning of year		13,419			91,814	
End of year		<u>\$ 26,404</u>			<u>\$ 2,988</u>	

<sup>1</sup> There were no changes between the original and final budgets.

<sup>2</sup> The City does not budget for this fund.

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Special Revenue Funds								
Local Grants Fund			Development Fees Fund			Public TV Access Fund		
Budget <sup>2</sup>	Actual	Variance Final Budget	Budget <sup>2</sup>	Actual	Variance Final Budget	Budget <sup>1</sup>	Actual	Variance Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	159,013	159,013	-	-	-	-	-	-
-	-	-	-	-	-	-	110,603	110,603
-	-	-	-	-	-	99,954	-	(99,954)
-	159,013	159,013	-	-	-	99,954	110,603	10,649
-	-	-	-	-	-	-	-	-
-	-	-	-	1,021	(1,021)	60,000	36,645	23,355
-	65,321	(65,321)	-	-	-	-	-	-
-	119,632	(119,632)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	184,953	(184,953)	-	1,021	(1,021)	60,000	36,645	23,355
-	-	-	-	-	-	-	-	-
-	(25,940)	25,940	-	(1,021)	1,021	39,954	73,958	(12,706)
-	-	-	-	-	-	-	-	-
-	-	-	(88,470)	(88,470)	-	-	-	-
-	-	-	(88,470)	(88,470)	-	-	-	-
\$ -	(25,940)	\$ 25,940	\$ (88,470)	(89,491)	\$ 1,021	\$ 39,954	73,958	\$ (12,706)
	442,086			600,342			139,122	
	\$ 416,146			\$ 510,851			\$ 213,080	

<sup>1</sup> There were no changes between the original and final budgets.

<sup>2</sup> The City does not budget for this fund.

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Totals		Variance
	Budget <sup>1</sup>	Actual	Final Budget
<b>REVENUES:</b>			
Fines, forfeitures, and penalties	\$ 60,000	\$ 72,092	\$ 12,092
Investment income	80,000	1,095	(78,905)
Intergovernmental	1,316,468	1,408,411	91,943
Grant revenue	50,851	212,471	161,620
Charges for services	-	3,040,037	3,040,037
Other revenue	3,043,741	61,223	(2,982,518)
<b>Total revenues</b>	<b>4,551,060</b>	<b>4,795,329</b>	<b>244,269</b>
<b>EXPENDITURES:</b>			
Current:			
General government	60,000	37,666	22,334
Public safety	-	65,571	(65,571)
Parks, recreation, and library	-	119,632	(119,632)
Shuttle operations	213,943	179,296	34,647
<b>Total expenditures</b>	<b>273,943</b>	<b>402,165</b>	<b>(128,222)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,277,117</b>	<b>4,393,164</b>	<b>116,047</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	78,823	78,823	-
Transfers out	(3,888,595)	(2,986,370)	902,225
<b>Total other financing sources (uses)</b>	<b>(3,809,772)</b>	<b>(2,907,547)</b>	<b>902,225</b>
<b>Net change in fund balances</b>	<b>\$ 467,345</b>	<b>1,485,617</b>	<b>\$ 1,018,272</b>
<b>FUND BALANCES:</b>			
Beginning of year		9,369,788	
End of year		<u>\$ 10,855,405</u>	

<sup>1</sup> There were no changes between the original and final budgets.

<sup>2</sup> The City does not budget for this fund.



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## ***INTERNAL SERVICE FUNDS***

***Risk Management Fund*** – This fund accounts for the servicing of the self-insurance programs of the other departments or agencies. Included are costs and costs associated with self-insurance and the purchase of excess insurance to adequately protect the City. User departments are charged for workers' compensation insurance at rates based on loss experience and on departmental budget size.

***Facilities Services Fund*** – This fund accounts for the costs of operation of the City's maintenance and repair of buildings 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 other 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, 2013**

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments, available for operations	\$ 8,166,647	\$ 325,859	\$ 5,311,224	\$ 507,610	\$ 14,311,340
Receivables (net of uncollectible amounts of \$0):					
Accounts	251,894	26,501	10,289	15,259	303,943
Other receivables	14,813	550	5,327	975	21,665
Advances to other funds	-	-	400,000	-	400,000
Inventory	-	-	47,482	-	47,482
Total current assets	<u>8,433,354</u>	<u>352,910</u>	<u>5,774,322</u>	<u>523,844</u>	<u>15,084,430</u>
Noncurrent assets:					
Capital assets:					
Facilities, infrastructure, and equipment, net of depreciation	-	111,238	1,822,923	60,025	1,994,186
Total noncurrent assets	-	<u>111,238</u>	<u>1,822,923</u>	<u>60,025</u>	<u>1,994,186</u>
<b>Total assets</b>	<u>\$ 8,433,354</u>	<u>\$ 464,148</u>	<u>\$ 7,597,245</u>	<u>\$ 583,869</u>	<u>\$ 17,078,616</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 9,150	\$ 33,611	\$ 172,353	\$ 51,633	\$ 266,747
Compensated absences	-	336	4,483	-	4,819
Claims and litigation	1,595,000	-	-	-	1,595,000
Total current liabilities	<u>1,604,150</u>	<u>33,947</u>	<u>176,836</u>	<u>51,633</u>	<u>1,866,566</u>
Noncurrent liabilities:					
Compensated absences	-	32,147	33,875	-	66,022
Claims and litigation	5,179,000	-	-	-	5,179,000
Total noncurrent liabilities	<u>5,179,000</u>	<u>32,147</u>	<u>33,875</u>	<u>-</u>	<u>5,245,022</u>
<b>Total liabilities</b>	<u>6,783,150</u>	<u>66,094</u>	<u>210,711</u>	<u>51,633</u>	<u>7,111,588</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	111,238	1,822,923	60,025	1,994,186
Unrestricted	1,650,204	286,816	5,563,611	472,211	7,972,842
<b>Total net position</b>	<u>\$ 1,650,204</u>	<u>\$ 398,054</u>	<u>\$ 7,386,534</u>	<u>\$ 532,236</u>	<u>\$ 9,967,028</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 2,272,682	\$ 1,162,316	\$ 754,686	\$ 741,567	\$ 4,931,251
Other revenue	18,973	138	56,631	-	75,742
<b>Total operating revenues</b>	<u>2,291,655</u>	<u>1,162,454</u>	<u>811,317</u>	<u>741,567</u>	<u>5,006,993</u>
<b>OPERATING EXPENSES:</b>					
Salaries and benefits	-	615,272	353,051	57,120	1,025,443
Supplies and services	2,209	120,637	42,994	204,707	370,547
Insurance claims and expenses	1,412,869	2,691	3,008	2,001	1,420,569
Communication and utilities	-	53,566	558	9,189	63,313
Maintenance	-	126,167	174,255	38,641	339,063
Depreciation and amortization	-	16,839	524,033	32,921	573,793
Contractual services	357,711	250,796	2,050	555,847	1,166,404
<b>Total operating expenses</b>	<u>1,772,789</u>	<u>1,185,968</u>	<u>1,099,949</u>	<u>900,426</u>	<u>4,959,132</u>
<b>Operating income (loss)</b>	<u>518,866</u>	<u>(23,514)</u>	<u>(288,632)</u>	<u>(158,859)</u>	<u>47,861</u>
<b>NONOPERATING REVENUES:</b>					
Interest expense	(11,610)	(719)	(8,870)	(1,261)	(22,460)
<b>Net nonoperating revenues</b>	<u>(11,610)</u>	<u>(719)</u>	<u>(8,870)</u>	<u>(1,261)</u>	<u>(22,460)</u>
<b>Change in net position</b>	507,256	(24,233)	(297,502)	(160,120)	25,401
<b>NET POSITION:</b>					
Beginning of year	1,142,948	422,287	7,684,036	692,356	9,941,627
End of year	<u>\$ 1,650,204</u>	<u>\$ 398,054</u>	<u>\$ 7,386,534</u>	<u>\$ 532,236</u>	<u>\$ 9,967,028</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from transactions with other funds	\$ 1,843,528	\$ 1,213,599	\$ 415,773	\$ 779,293	\$ 4,252,193
Payments to suppliers	(1,818,357)	(564,538)	(98,033)	(810,308)	(3,291,236)
Payments to employees for services	-	(632,874)	(368,690)	(57,120)	(1,058,684)
<b>Net cash provided by (used in) operating activities</b>	<b>25,171</b>	<b>16,187</b>	<b>(50,950)</b>	<b>(88,135)</b>	<b>(97,727)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	-	-	(800,795)	(10,780)	(811,575)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received on investments	(11,610)	(719)	(8,870)	(1,261)	(22,460)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,561</b>	<b>15,468</b>	<b>(860,615)</b>	<b>(100,176)</b>	<b>(931,762)</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	8,153,086	310,391	6,171,839	607,786	15,243,102
End of year	\$ 8,166,647	\$ 325,859	\$ 5,311,224	\$ 507,610	\$ 14,311,340
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 518,866	\$ (23,514)	\$ (288,632)	\$ (158,859)	\$ 47,861
Adjustments for noncash activities:					
Depreciation	-	16,839	524,033	32,921	573,793
Changes in assets and liabilities:					
Receivables	(151,127)	51,145	4,456	37,726	(57,800)
Inventories	-	-	14,774	-	14,774
Advances to other funds	-	-	(400,000)	-	(400,000)
Accounts payable	(45,568)	(10,681)	110,058	77	53,886
Claims and litigation	(297,000)	-	-	-	(297,000)
Compensated absences	-	(17,602)	(15,639)	-	(33,241)
Total adjustments	(493,695)	39,701	237,682	70,724	(145,588)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 25,171</b>	<b>\$ 16,187</b>	<b>\$ (50,950)</b>	<b>\$ (88,135)</b>	<b>\$ (97,727)</b>

## **FIDUCIARY FUNDS**

### **Agency Funds**

**Library Trustee Account Fund** – This fund accounts for collections and disbursements by the Library Trustees.

**Seismic Education Fees** – This fund accounts for fees collected from building permits and disbursed to the State of California in accordance with program regulations.

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

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

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

**Unclaimed Property – Police Department (PD)** – This fund accounts for unclaimed property received by the Burlingame Police Department.

**Emergency Medical Services (EMS) Training Fund** – This fund accounts for collections received as an Agent for county-wide EMS training.

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

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

**Building Standards Administration** – This fund accounts for fees collected from building permits and disbursed to the State of California in accordance with program regulations.

**Quality of Work Life (QWL) Committee** – This fund accounts for collections received as an Agent for the Quality of Work Life Committee.

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

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**JUNE 30, 2013**

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>Library Trustee Account Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ (1,969)	\$ 1,791	\$ -	\$ (178)
<b>Total assets</b>	<u>\$ (1,969)</u>	<u>\$ 1,791</u>	<u>\$ -</u>	<u>\$ (178)</u>
<b>Liabilities:</b>				
Due to other governmental units	\$ (1,969)	\$ 1,791	\$ -	\$ (178)
<b>Total liabilities</b>	<u>\$ (1,969)</u>	<u>\$ 1,791</u>	<u>\$ -</u>	<u>\$ (178)</u>
<b>Seismic Education Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 32,839	\$ 688	\$ 2,024	\$ 31,503
<b>Total assets</b>	<u>\$ 32,839</u>	<u>\$ 688</u>	<u>\$ 2,024</u>	<u>\$ 31,503</u>
<b>Liabilities:</b>				
Accounts payable	\$ 3,292	\$ 1,267	\$ 3,292	\$ 1,267
Due to other governmental units	29,547	4,263	3,574	30,236
<b>Total liabilities</b>	<u>\$ 32,839</u>	<u>\$ 5,530</u>	<u>\$ 6,866</u>	<u>\$ 31,503</u>
<b>Hotel BID Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 133,989	\$ 2,164,021	\$ 2,175,139	\$ 122,871
Accounts receivable	963,134	3,307,294	3,342,771	927,657
<b>Total assets</b>	<u>\$ 1,097,123</u>	<u>\$ 5,471,315</u>	<u>\$ 5,517,910</u>	<u>\$ 1,050,528</u>
<b>Liabilities:</b>				
Accounts payable	\$ 132,825	\$ 2,164,227	\$ 2,174,181	\$ 122,871
Due to other governmental units	964,298	3,306,130	3,342,771	927,657
<b>Total liabilities</b>	<u>\$ 1,097,123</u>	<u>\$ 5,470,357</u>	<u>\$ 5,516,952</u>	<u>\$ 1,050,528</u>
<b>Elementary School Development Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 29,381	\$ 32,223	\$ 29,381	\$ 32,223
<b>Total assets</b>	<u>\$ 29,381</u>	<u>\$ 32,223</u>	<u>\$ 29,381</u>	<u>\$ 32,223</u>
<b>Liabilities:</b>				
Accounts payable	\$ 29,381	\$ 32,223	\$ 29,381	\$ 32,223
<b>Total liabilities</b>	<u>\$ 29,381</u>	<u>\$ 32,223</u>	<u>\$ 29,381</u>	<u>\$ 32,223</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)**  
**ALL AGENCY FUNDS**  
**JUNE 30, 2013**

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>High School Development Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 19,642	\$ 22,661	\$ 19,642	\$ 22,661
<b>Total assets</b>	<u>\$ 19,642</u>	<u>\$ 22,661</u>	<u>\$ 19,642</u>	<u>\$ 22,661</u>
<b>Liabilities:</b>				
Accounts payable	\$ 19,642	\$ 22,661	\$ 19,642	\$ 22,661
<b>Total liabilities</b>	<u>\$ 19,642</u>	<u>\$ 22,661</u>	<u>\$ 19,642</u>	<u>\$ 22,661</u>
<b>Unclaimed Property - PD</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,846	\$ 127	\$ -	\$ 1,973
<b>Total assets</b>	<u>\$ 1,846</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 1,973</u>
<b>Liabilities:</b>				
Due to other governmental units	\$ 1,846	\$ 127	\$ -	\$ 1,973
<b>Total liabilities</b>	<u>\$ 1,846</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 1,973</u>
<b>EMS Training Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ (3,871)	\$ -	\$ -	\$ (3,871)
Accounts receivable	-	-	-	-
<b>Total assets</b>	<u>\$ (3,871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,871)</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	(3,871)	-	-	(3,871)
<b>Total liabilities</b>	<u>\$ (3,871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,871)</u>
<b>BID Trust - Broadway</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,088	\$ 29,191	\$ 25,679	\$ 4,600
<b>Total assets</b>	<u>\$ 1,088</u>	<u>\$ 29,191</u>	<u>\$ 25,679</u>	<u>\$ 4,600</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,088	\$ 29,191	\$ 25,679	\$ 4,600
<b>Total liabilities</b>	<u>\$ 1,088</u>	<u>\$ 29,191</u>	<u>\$ 25,679</u>	<u>\$ 4,600</u>
<b>Library Foundation Account Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ 629	\$ 1,422	\$ 1,314	\$ 737
<b>Total assets</b>	<u>\$ 629</u>	<u>\$ 1,422</u>	<u>\$ 1,314</u>	<u>\$ 737</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,314	\$ 424	\$ 1,314	\$ 424
Due to other governmental units	(685)	998	-	313
<b>Total liabilities</b>	<u>\$ 629</u>	<u>\$ 1,422</u>	<u>\$ 1,314</u>	<u>\$ 737</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)**  
**ALL AGENCY FUNDS**  
**JUNE 30, 2013**

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>Building Standards Administration</b>				
<b>Assets:</b>				
Cash and investments	\$ 3,007	\$ 3,172	\$ 2,778	\$ 3,401
<b>Total assets</b>	<u>\$ 3,007</u>	<u>\$ 3,172</u>	<u>\$ 2,778</u>	<u>\$ 3,401</u>
<b>Liabilities:</b>				
Accounts payable	\$ 845	\$ 571	\$ 845	\$ 571
Due to other governmental units	2,162	2,601	1,933	2,830
<b>Total liabilities</b>	<u>\$ 3,007</u>	<u>\$ 3,172</u>	<u>\$ 2,778</u>	<u>\$ 3,401</u>
<b>QWL Committee</b>				
<b>Assets:</b>				
Cash and investments	\$ 993	\$ -	\$ 341	\$ 652
<b>Total assets</b>	<u>\$ 993</u>	<u>\$ -</u>	<u>\$ 341</u>	<u>\$ 652</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 777	\$ 777	\$ -
Due to other governmental units	993	-	341	652
<b>Total liabilities</b>	<u>\$ 993</u>	<u>\$ 777</u>	<u>\$ 1,118</u>	<u>\$ 652</u>
<b>Unclaimed - General Accounts</b>				
<b>Assets:</b>				
Cash and investments	\$ (1,191)	\$ 65	\$ -	\$ (1,126)
<b>Total assets</b>	<u>\$ (1,191)</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ (1,126)</u>
<b>Liabilities:</b>				
Due to other governmental units	\$ (1,191)	\$ 65	\$ -	\$ (1,126)
<b>Total liabilities</b>	<u>\$ (1,191)</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ (1,126)</u>
<b>Downtown Business Improvement District</b>				
<b>Assets:</b>				
Cash and investments	\$ 2,683	\$ 83,282	\$ 85,064	\$ 901
Accounts receivable	13,849	83,317	85,318	11,848
<b>Total assets</b>	<u>\$ 16,532</u>	<u>\$ 166,599</u>	<u>\$ 170,382</u>	<u>\$ 12,749</u>
<b>Liabilities:</b>				
Accounts payable	\$ 3,708	\$ 85,964	\$ 88,772	\$ 900
Due to other governmental units	12,824	80,635	81,610	11,849
<b>Total liabilities</b>	<u>\$ 16,532</u>	<u>\$ 166,599</u>	<u>\$ 170,382</u>	<u>\$ 12,749</u>
<b>TOTALS</b>				
<b>Assets:</b>				
Cash and investments	\$ 219,066	\$ 2,338,643	\$ 2,341,362	\$ 216,347
Accounts receivable	976,983	3,390,611	3,428,089	939,505
<b>Total assets</b>	<u>\$ 1,196,049</u>	<u>\$ 5,729,254</u>	<u>\$ 5,769,451</u>	<u>\$ 1,155,852</u>
<b>Liabilities:</b>				
Accounts payable	\$ 192,095	\$ 2,337,305	\$ 2,343,883	\$ 185,517
Due to other governmental units	1,003,954	3,396,610	3,430,229	970,335
<b>Total liabilities</b>	<u>\$ 1,196,049</u>	<u>\$ 5,733,915</u>	<u>\$ 5,774,112</u>	<u>\$ 1,155,852</u>

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## **STATISTICAL SECTION**

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## STATISTICAL SECTION

<u>Contents</u>	<u>Pages</u>
<u><i>Financial Trends</i></u>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	150-157
<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 sales taxes.	158-165
<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.	166-170
<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.	171-174
<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.	175-178

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in fiscal year 2002-2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF BURLINGAME, CALIFORNIA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:					
Net Investment in Capital Assets	\$ 98,042	\$ 97,102	\$ 95,584	\$ 93,700	\$ 92,795
Restricted	1,254	1,892	1,655	1,800	3,299
Unrestricted	<u>15,717</u>	<u>11,811</u>	<u>12,206</u>	<u>12,709</u>	<u>16,265</u>
Total governmental activities net position	<u>\$ 115,013</u>	<u>\$ 110,805</u>	<u>\$ 109,445</u>	<u>\$ 108,209</u>	<u>\$ 112,359</u>
Business-type activities:					
Net Investment in Capital Assets	\$ 25,621	\$ 27,990	\$ 27,651	\$ 27,631	\$ 30,824
Restricted	-	-	-	-	-
Unrestricted	<u>4,167</u>	<u>6,323</u>	<u>8,610</u>	<u>13,540</u>	<u>14,385</u>
Total business-types activities net position	<u>\$ 29,788</u>	<u>\$ 34,313</u>	<u>\$ 36,261</u>	<u>\$ 41,171</u>	<u>\$ 45,209</u>
Primary government:					
Net Investment in Capital Assets	\$ 123,663	\$ 125,092	\$ 123,235	\$ 121,331	\$ 123,619
Restricted	1,254	1,892	1,655	1,800	3,299
Unrestricted	<u>19,884</u>	<u>18,134</u>	<u>20,816</u>	<u>26,249</u>	<u>30,650</u>
Total primary government net position	<u>\$ 144,801</u>	<u>\$ 145,118</u>	<u>\$ 145,706</u>	<u>\$ 149,380</u>	<u>\$ 157,568</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (Continued)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

(1) 2009	(1) 2010	(1) 2011	(2) 2012	2013
\$ 60,967	\$ 59,936	\$ 51,521	\$ 79,343	\$ 64,020
3,575	3,515	8,674	19,307	33,527
<u>41,005</u>	<u>42,298</u>	<u>49,259</u>	<u>20,067</u>	<u>27,714</u>
<u>\$ 105,547</u>	<u>\$ 105,749</u>	<u>\$ 109,454</u>	<u>\$ 118,717</u>	<u>\$ 125,261</u>
\$ 32,014	\$ 30,759	\$ 38,406	\$ 41,048	\$ 42,713
-	-	-	5,015	5,050
<u>18,119</u>	<u>19,260</u>	<u>17,736</u>	<u>14,120</u>	<u>16,849</u>
<u>\$ 50,133</u>	<u>\$ 50,019</u>	<u>\$ 56,142</u>	<u>\$ 60,183</u>	<u>\$ 64,612</u>
\$ 92,981	\$ 90,695	\$ 89,927	\$ 120,391	\$ 106,733
3,575	3,515	8,674	24,322	38,577
<u>59,124</u>	<u>61,558</u>	<u>66,995</u>	<u>34,187</u>	<u>44,563</u>
<u>\$ 155,680</u>	<u>\$ 155,768</u>	<u>\$ 165,596</u>	<u>\$ 178,900</u>	<u>\$ 189,873</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.

**CITY OF BURLINGAME, CALIFORNIA**  
**CHANGE IN NET POSITION**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	2004	2005	2006	2007	2008
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,051	\$ 4,201	\$ 4,488	\$ 4,957	\$ 5,199
Public safety	16,142	18,042	19,758	17,804	18,981
Public works	9,954	5,628	7,526	7,685	4,307
City planning	896	771	837	835	4,168
Parks, recreation, and library	10,294	10,803	11,373	11,304	9,465
Shuttle operations	328	250	286	306	304
Financing and other activities	716	1,072	519	2,644	1,401
Total governmental activities expenses	42,381	40,767	44,787	45,535	43,825
Business-type activities:					
Water	5,955	6,363	6,934	7,629	8,662
Sewer	8,664	7,388	8,486	9,323	10,011
Waste management	292	290	318	372	307
Golf	-	-	-	-	-
Parking	710	902	1,127	1,154	1,316
Total business-type activities expenses	15,621	14,943	16,865	18,478	20,296
Total primary governmental expenses	\$ 58,002	\$ 55,710	\$ 61,652	\$ 64,013	\$ 64,121
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 231	\$ 244	\$ 275	\$ 574	\$ 269
Public safety	1,588	1,672	1,892	2,355	1,737
Public works	1,009	1,077	1,393	3,032	1,438
City planning	309	305	317	344	263
Shuttle operations	-	-	-	-	-
Parks, recreation, and library	2,245	2,424	2,514	2,810	2,719
Operating grants and contributions	1,796	1,756	2,080	166	2,730
Capital grants and contributions	1,129	885	1,086	-	105
Total governmental activities program revenues	8,307	8,363	9,557	9,281	9,261
Business-types activities:					
Charges for services:					
Water	7,168	8,095	8,726	10,484	11,119
Sewer	8,952	8,253	9,584	10,825	11,592
Waste management	-	-	-	-	-
Parking	-	1,662	1,644	1,638	1,691
Building	1,283	-	-	-	-
Capital grants and contributions	-	-	-	-	1,105
Total business-type activities program revenues	17,403	18,010	19,954	22,947	25,507
Total primary governmental program revenues	\$ 25,710	\$ 26,373	\$ 29,511	\$ 32,228	\$ 34,768
Net (expenses)/revenue					
Governmental activities	\$ (34,074)	\$ (32,404)	\$ (35,230)	\$ (36,254)	\$ (34,564)
Business-type activities	1,782	3,067	3,089	4,469	5,211
Total primary government net revenues (expenses)	\$ 32,292	\$ 29,337	\$ 32,141	\$ (31,785)	\$ (29,353)
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 7,399	\$ 9,360	\$ 10,390	\$ 11,469	\$ 12,198
Sales tax	8,834	8,508	8,806	9,231	9,458
Transient occupancy tax	7,299	8,067	9,273	10,356	11,265
Franchise taxes	782	777	820	875	908
Business license tax	604	684	637	648	690
Other taxes	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-
Intergovernmental taxes	1,680	708	1,041	567	505
Unrestricted investment income	684	782	716	1,408	1,610
Transfers	(1,420)	(689)	11,039	464	2,080
Total governmental activities	25,862	28,197	42,722	35,018	38,714
Business-type activities:					
Franchise tax	295	401	747	905	906
Investment earnings	184	367	299	-	-
Bond issuance cost	-	-	-	-	-
Transfers	1,420	689	(11,039)	(464)	(2,080)
Total business-type activities	1,899	1,457	(9,993)	441	(1,174)
Total primary government	27,761	29,654	32,729	35,459	37,540
<b>Change in Net Position</b>					
Governmental activities	(8,212)	(4,207)	7,492	(1,236)	4,150
Business-type activities	3,681	4,524	(6,904)	4,910	4,037
Total primary government	\$ (4,531)	\$ 317	\$ 588	\$ 3,674	\$ 8,187



**CITY OF BURLINGAME, CALIFORNIA**  
**CHANGE IN NET POSITION**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (Continued)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

2009	2010	2011	(1) 2012	2013
\$ 5,493	\$ 5,354	\$ 6,803	\$ 6,325	\$ 6,188
21,154	21,050	21,141	20,205	21,163
8,071	8,453	8,514	8,253	9,268
3,263	2,318	1,752	1,259	941
10,868	9,191	10,475	9,914	11,065
318	130	324	145	179
2,093	1,876	2,656	2,305	2,797
51,260	48,372	51,665	48,406	51,601
9,315	9,370	9,569	11,082	12,127
10,442	10,170	9,509	9,686	9,553
1,217	687	936	681	634
1,353	1,298	1,454	1,435	1,350
1,185	1,075	1,141	1,222	1,317
23,512	22,600	22,609	24,106	24,981
\$ 74,772	\$ 70,972	\$ 74,274	\$ 72,512	\$ 76,582
\$ 240	\$ 350	\$ 616	\$ 2	\$ 117
2,104	1,179	2,202	1,053	212
556	314	1,713	560	3,230
300	336	744	319	384
-	-	72	-	-
2,565	2,643	2,744	2,760	2,880
2,590	2,040	2,210	960	987
918	3,407	3,189	4,227	357
9,273	10,269	13,490	9,881	8,167
11,800	11,516	12,734	13,708	14,875
12,467	12,534	14,566	16,157	16,791
7	2	653	465	564
1,640	1,645	1,802	1,950	2,428
2,356	1,479	1,404	1,580	1,707
535	23	-	-	-
28,805	27,199	31,159	33,860	36,365
\$ 38,078	\$ 37,468	\$ 44,649	\$ 43,741	\$ 44,532
\$ (41,987)	\$ (38,103)	\$ (38,175)	\$ (38,525)	\$ (43,434)
5,293	4,599	8,550	9,754	11,384
\$ (36,694)	\$ (33,504)	\$ (29,625)	\$ (28,771)	\$ (32,050)
\$ 12,798	\$ 13,355	\$ 13,310	\$ 13,672	\$ 14,394
8,251	6,276	8,041	8,495	9,199
10,155	10,342	13,404	16,183	18,244
969	994	1,116	1,240	1,572
813	869	955	898	-
-	-	-	-	1,398
-	-	-	-	933
313	404	2,966	2,339	1,408
897	618	805	463	148
980	5,447	1,282	4,513	3,916
35,176	38,305	41,879	47,803	51,212
610	734	-	228	314
-	-	(1,145)	(1,427)	(2,237)
-	-	-	-	(219)
(980)	(5,447)	(1,282)	(4,513)	(3,916)
(370)	(4,713)	(2,427)	(5,712)	(6,058)
34,806	33,592	39,452	42,091	45,154
(6,811)	202	3,704	9,278	7,778
4,923	(114)	6,123	4,042	5,326
\$ (1,888)	\$ 88	\$ 9,827	\$ 13,320	\$ 13,104

(1) 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.

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**CITY OF BURLINGAME, CALIFORNIA**  
**FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	2004	2005	2006	2007	2008	2009
General Fund:						
Reserved	\$ -	\$ -	\$ -	\$ 88	\$ 669	\$ 109
Unreserved	8,635	8,994	8,747	9,802	8,881	7,236
Subtotal General Fund	<u>\$ 8,635</u>	<u>\$ 8,994</u>	<u>\$ 8,747</u>	<u>\$ 9,890</u>	<u>\$ 9,550</u>	<u>\$ 7,345</u>
All other governmental funds:						
Reserved	\$ 1,820	\$ 1,841	\$ 1,666	\$ 1,398	\$ 2,351	\$ 2,654
Unreserved, reported in:						
Debt service funds	-	-	-	401	987	986
Special revenue funds	288	293	481	517	605	757
Capital projects funds	8,620	2,708	2,643	2,709	4,387	2,467
Subtotal all other governmental funds	<u>\$ 10,728</u>	<u>\$ 4,842</u>	<u>\$ 4,790</u>	<u>\$ 5,025</u>	<u>\$ 8,330</u>	<u>\$ 6,864</u>
	2010	2011	2012	2013		
General Fund:						
Nonspendable	\$ 4,752	\$ 2,799	\$ 553	\$ 217		
Assigned	7,200	10,200	11,927	12,300		
Unassigned	(349)	1,665	3,591	7,430		
Subtotal General Fund	<u>11,603</u>	<u>14,664</u>	<u>16,071</u>	<u>19,947</u>		
All other governmental funds:						
Nonspendable	987	475	204	396		
Restricted	4,435	5,756	11,898	26,004		
Committed	-	-	-	19,412		
Assigned	4,342	16,140	13,246	1,166		
Subtotal all other governmental funds	<u>9,764</u>	<u>22,371</u>	<u>25,348</u>	<u>46,978</u>		
Total governmental fund balance	<u>\$ 21,367</u>	<u>\$ 37,035</u>	<u>\$ 41,419</u>	<u>\$ 66,925</u>		

**CITY OF BURLINGAME, CALIFORNIA**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	2004	2005	2006	2007	2008
<b>REVENUES:</b>					
Property taxes	\$ 7,400	\$ 11,726	\$ 10,390	\$ 11,469	\$ 12,198
Sales and use taxes	8,834	13,229	8,806	9,231	9,459
Transient occupancy taxes	7,299	8,067	9,273	10,355	11,264
Other taxes	1,728	1,861	1,843	1,900	1,981
Licenses and permits	758	816	927	967	1,221
Fines, forfeitures, and penalties	1,120	1,070	984	1,184	1,178
Investment income	742	809	773	1,491	1,677
Motor vehicle in lieu tax	1,289	308	655	190	122
Intergovernmental	1,147	1,186	1,390	1,515	1,829
Charges for services	3,316	3,637	4,237	4,145	3,797
Grant revenue	637	502	613	577	319
Other revenue	1,312	1,099	1,306	777	823
<b>Total revenues</b>	<b>35,582</b>	<b>44,310</b>	<b>41,197</b>	<b>43,801</b>	<b>45,868</b>
<b>EXPENDITURES:</b>					
General government	3,841	3,965	4,306	4,686	4,987
Public safety	15,983	17,734	18,949	16,550	18,846
Public works	6,366	6,158	6,881	6,204	4,723
City planning	756	739	841	780	1,697
Parks, recreation, and library	7,785	8,388	9,028	8,784	9,505
Shuttle operations	205	250	286	306	304
Capital outlay	2,677	3,253	2,050	1,456	6,680
Debt service:					
Principal	683	267	803	2,405	2,547
Interest	721	1,158	540	2,297	1,543
<b>Total expenditures</b>	<b>39,017</b>	<b>41,912</b>	<b>43,684</b>	<b>43,468</b>	<b>50,832</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,435)</b>	<b>2,398</b>	<b>(2,487)</b>	<b>333</b>	<b>(4,964)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	16,652	11,880	15,455	16,935	15,532
Transfers out	(14,543)	(12,569)	(13,268)	(16,471)	(7,605)
Pension obligation bonds issued	-	-	-	32,975	-
Payment to CalPERS retirement	-	-	-	(32,393)	-
Refund bond issued	-	6,705	-	-	-
Premium on refinancing bonds issued	-	197	-	-	-
Proceeds from issuance of debt	-	-	-	-	-
Payments to refunded bond escrow agent	-	(7,050)	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,109</b>	<b>(837)</b>	<b>2,187</b>	<b>1,046</b>	<b>7,927</b>
<b>Net change in fund balances</b>	<b>\$ (1,326)</b>	<b>\$ 1,561</b>	<b>\$ (300)</b>	<b>\$ 1,379</b>	<b>\$ 2,963</b>
Debt service as a percentage of noncapital expenditures	4%	4%	3%	11%	9%

**CITY OF BURLINGAME, CALIFORNIA**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS (Continued)**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	2009	2010	2011	2012	2013
\$	12,798	\$ 12,209	\$ 13,310	\$ 13,672	\$ 15,539 *
	8,251	6,276	8,041	8,495	9,199
	10,155	10,342	13,404	16,183	18,244
	2,012	2,159	2,416	2,582	2,970
	298	92	97	-	3,142
	1,298	467	1,025	889	933
	959	694	803	472	148
	83	108	148	-	-
	1,898	1,506	1,500	1,895	2,115
	3,986	3,955	3,618	3,808	3,681
	824	1,146	662	1,216	267
	877	2,990	3,347	3,466	370
	<u>43,439</u>	<u>41,944</u>	<u>48,371</u>	<u>52,678</u>	<u>56,608</u>
	5,111	4,842	5,458	5,945	5,699
	19,097	18,830	17,378	18,380	18,895
	6,839	7,231	5,713	6,269	7,835
	890	780	731	763	854
	10,319	8,500	8,620	9,172	9,328
	318	130	139	145	179
	1,269	5,028	4,023	4,957	6,447
	2,138	2,212	7,526	3,034	3,527
	<u>2,104</u>	<u>1,922</u>	<u>2,425</u>	<u>2,304</u>	<u>2,337</u>
	<u>48,085</u>	<u>49,475</u>	<u>52,030</u>	<u>50,969</u>	<u>55,101</u>
	<u>(4,646)</u>	<u>(7,531)</u>	<u>(3,659)</u>	<u>1,709</u>	<u>1,507</u>
	17,398	16,797	26,312	29,276	33,209
	(16,418)	(6,861)	(25,029)	(24,763)	(29,293)
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	20,300	405	20,636
	-	-	(305)	-	-
	<u>980</u>	<u>9,936</u>	<u>21,278</u>	<u>4,918</u>	<u>24,552</u>
\$	<u>(3,666)</u>	<u>\$ 2,405</u>	<u>\$ 17,619</u>	<u>\$ 6,627</u>	<u>\$ 26,059</u>
	9%	9%	21%	12%	12%

\* Property tax revenues include reimbursement of \$1.1 million plus interest in fiscal year 2012-13 from the State of California which borrowed 8% of local property tax revenues in 2009 to balance the state deficit.

**CITY OF BURLINGAME, CALIFORNIA  
ASSESSED VALUES OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b>Category</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Residential	\$ 3,192,699,192	\$ 3,460,465,971	\$ 3,768,862,689	\$ 4,092,575,618
Commercial	890,698,125	951,146,122	1,050,922,639	1,111,613,900
Industrial	305,433,159	304,397,652	340,313,166	367,137,642
Government	1,558,582	1,587,678	1,619,429	1,651,816
Institutional	30,448,555	30,439,591	30,906,932	31,826,071
Miscellaneous	2,164,816	2,205,229	2,249,331	2,294,312
Recreational	10,737,135	11,316,394	11,499,783	12,299,913
Vacant Land	88,831,363	88,019,922	10,209,748	11,497,891
SBE Nonunitary	1,348,677	1,682,882	1,569,728	1,290,599
Unsecured	293,708,468	293,279,512	272,414,954	324,100,493
Unknown	-	-	-	4,241,980
<b>TOTALS</b>	<b>\$ 4,817,628,072</b>	<b>\$ 5,144,540,953</b>	<b>\$ 5,490,568,399</b>	<b>\$ 5,960,530,235</b>
Total Direct Rate	1.0471	1.0475	1.0443	1.0523

Source: San Mateo County Assessor 2003/04 - 2012/13 combined tax rolls

Notes:

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.

**CITY OF BURLINGAME, CALIFORNIA**  
**ASSESSED VALUES OF TAXABLE PROPERTY (Continued)**  
**LAST TEN FISCAL YEARS**

<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
\$ 4,423,442,635	\$ 4,752,146,688	\$ 4,919,338,207	\$ 4,971,745,975	\$ 5,074,351,496	\$ 5,291,478,208
1,218,274,542	1,199,478,175	1,230,658,965	1,234,655,169	1,244,640,144	1,288,894,261
386,532,903	403,343,837	417,397,081	450,526,896	449,409,192	469,569,724
1,684,851	1,718,546	1,752,914	477,622	481,217	490,841
32,449,526	27,466,494	23,302,586	51,559,497	48,329,329	52,737,501
2,340,192	2,386,992	2,430,829	47,625,930	46,149,474	46,256,445
12,527,505	20,570,100	21,085,577	21,392,656	21,565,053	21,330,221
10,038,189	43,750,096	46,892,067	50,379,786	44,684,470	47,312,741
3,837,425	3,837,425	3,837,425	3,680,597	2,560,452	2,560,452
291,377,516	300,758,515	299,902,769	447,177,839	949,159,576	559,193,785
2,345,079	6,570,105	-	-	-	42,028,516
<b>\$ 6,384,850,363</b>	<b>\$ 6,762,026,973</b>	<b>\$ 6,966,598,420</b>	<b>\$ 7,279,221,967</b>	<b>\$ 7,881,330,403</b>	<b>\$ 7,821,852,695</b>
1.0523	1.0931	1.1775	1.2023	0.0000	1.2023

**CITY OF BURLINGAME, CALIFORNIA  
NET TAXABLE ASSESSED VALUE HISTORY  
LAST TEN FISCAL YEARS**

**TAXABLE PROPERTY VALUES**

<b>LIEN YEAR</b>	<b>SECURED</b>	<b>UNSECURED</b>	<b>SBE NONUNITARY</b>	<b>NET TOTAL ASSESSED VALUE</b>	<b>% CHANGE</b>
2003/04	\$ 4,522,570,927	\$ 293,708,468	\$ 1,348,677	\$ 4,817,628,072	3.31%
2004/05	4,849,578,559	293,279,512	1,682,882	5,144,540,953	6.79%
2005/06	5,216,583,717	272,414,954	1,569,728	5,490,568,399	6.73%
2006/07	5,635,157,143	324,100,493	1,290,599	5,960,548,235	8.56%
2007/08	6,089,635,422	291,377,516	3,837,425	6,384,850,363	7.12%
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	2.08%
2012/13	7,154,664,973	275,840,943	2,560,452	7,433,066,368	4.52%

Source: San Mateo County Assessor 2003/04 - 2012/13 combined tax rolls



**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	
	\$	\$	\$	\$	\$	\$	\$	\$
2004	1.0000	0.0000	0.0000	0.0000	0.0065	0.0245	0.0161	1.0471
2005	1.0000	0.0000	0.0000	0.0000	0.0065	0.0236	0.0174	1.0475
2006	1.0000	0.0000	0.0000	0.0000	0.0065	0.0204	0.0174	1.0443
2007	1.0000	0.0000	0.0000	0.0000	0.0184	0.0183	0.0156	1.0523
2008	1.0000	0.0000	0.0000	0.0000	0.0171	0.0197	0.0150	1.0518
2009	1.0000	0.0000	0.0000	0.0000	0.0165	0.0468	0.0298	1.0931
2010	1.0000	0.0000	0.0000	0.0000	0.0182	0.1274	0.0319	1.1775
2011	1.0000	0.0000	0.0000	0.0000	0.0193	0.1323	0.0322	1.1838
2012	1.0000	0.0000	0.0000	0.0000	0.0199	0.1388	0.0383	1.1970
2013	1.0000	0.0000	0.0000	0.0000	0.0194	0.1448	0.0381	1.2023
City's Share of 1% Levy Per Proposition 13 (3)								0.1707
General Obligation Debt Rate								0.0000
Redevelopment Rate (4)								0.0000
Total Direct Rate								0.1452

**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. 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 (RDA) 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 Burlingame Redevelopment Agency is currently dissolved.

Source: HDL Coren & Cone

**CITY OF BURLINGAME, CALIFORNIA  
TOP TEN PROPERTY TAXPAYERS  
JUNE 30, 2013  
(AMOUNTS EXPRESSED IN THOUSANDS)**

Taxpayer	2013			2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)
EQR-Northpark LP	\$ 112,200,000	1	1.51%	\$ 110,000,000	1	1.55%
HMC Burlingame Hotel LLC	88,569,898	2	1.19%	81,841,514	2	1.15%
Inland American Lodging Burlingame	79,569,725	3	1.07%	72,000,000	3	1.01%
Mills Peninsula Health Services	61,086,976	4	0.82%	47,137,708	5	0.66%
Bay Park Plaza Associates	53,405,499	5	0.72%	51,900,000	4	0.73%
Felcor CCS Holdings LP 9520	44,109,547	6	0.59%	44,771,063	6	0.63%
EQR Skyline Terrace LP	43,450,534	7	0.58%	42,599,563	7	0.60%
One Bay Plaza Associates LLC	38,419,758	8	0.52%	33,700,000	9	0.47%
DCT Rollins Road LLC	35,150,000	9	0.47%	34,256,020	8	0.48%
Harbour View Hotels, Inc	28,570,152	10	0.38%	27,926,707	10	0.39%
	<u>\$ 584,532,089</u>		<u>7.86%</u>	<u>\$ 546,132,575</u>		<u>7.68%</u>

(1) 2012-13 Local Secured Assessed Valuation \$ 7,433,066,368

Source: San Mateo County Assessor, HDL Coren & Cone

**CITY OF BURLINGAME, CALIFORNIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections to Net Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2004	\$ 7,988,685	\$ 7,384,578	92.44%	\$ -	\$ 7,384,578	92.44%
2005	8,539,731	8,596,528	100.67%	-	8,596,528	100.67%
2006	9,141,651	9,278,777	101.50%	-	9,278,777	101.50%
2007	9,939,398	8,799,467	88.53%	-	8,799,467	88.53%
2008	10,661,563	9,371,585	87.90%	-	9,371,585	87.90%
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%

**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 reminds 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 - General Fund

**CITY OF BURLINGAME, CALIFORNIA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
(ACCRUAL BASIS OF ACCOUNTING)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Other Taxes	Inter- governmental Revenues	Total
2004	\$ 7,399	\$ 8,834	\$ 7,299	\$ 1,728	\$ 3,072	\$ 28,332
2005	9,360	8,508	8,066	1,861	1,996	29,791
2006	10,390	8,806	9,273	2,204	1,041	31,714
2007	11,469	9,231	10,356	1,523	567	33,146
2008	12,198	9,459	11,265	1,981	505	35,408
2009	12,798	8,251	10,155	1,782	313	33,299
2010	13,355	6,276	10,342	1,857	403	32,233
2011	13,310	8,041	13,404	2,070	2,966	39,791
2012	13,672	8,495	16,183	2,582	1,896	42,828
2013	15,539	9,199	18,244	2,970	2,115	48,067

Source: Audited City financial records - Statement of Activities

**CITY OF BURLINGAME, CALIFORNIA  
GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Other Taxes	Inter- governmental Revenues	Total
2004	\$ 7,399	\$ 8,834	\$ 7,299	\$ 1,728	\$ 3,072	\$ 28,332
2005	9,360	8,508	8,066	1,861	1,996	29,791
2006	10,390	8,806	9,273	2,204	1,041	31,714
2007	11,469	9,231	10,356	1,523	567	33,146
2008	12,198	9,459	11,265	1,981	505	35,408
2009	12,798	8,251	10,155	1,782	313	33,299
2010	12,209	6,276	10,342	1,857	403	31,087
2011	13,310	8,041	13,404	2,416	1,500	38,671
2012	13,672	8,495	16,183	2,582	1,896	42,828
2013	15,539	9,199	18,244	2,970	2,115	48,067

Source: Audited City financial records - General Fund

**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 and Loans			
2004	\$ 14,045,000	\$ -	\$ -	\$ -	\$ -	\$ 24,532,500	\$ 22,577,500	\$ 61,155,000	4.41%	\$ 2,171
2005	13,613,386	-	-	-	-	29,234,189	21,775,826	64,623,401	4.38%	2,293
2006	12,792,946	-	-	-	-	30,920,099	21,304,310	65,017,355	4.04%	2,299
2007	11,950,007	-	31,395,000	-	-	41,192,796	34,268,223	118,806,026	6.96%	4,176
2008	11,082,068	-	30,280,000	-	-	39,106,563	33,188,846	113,657,477	6.51%	3,952
2009	10,186,629	-	29,020,000	-	-	36,984,561	32,353,546	108,544,736	6.38%	3,736
2010	7,522,857	-	27,605,000	-	-	36,064,336	32,110,553	103,302,746	8.11%	3,521
2011	11,555,000	9,805,000	26,010,000	-	1,500,000	33,125,227	27,598,579	109,593,806	6.45%	3,773
2012	11,479,596	9,556,400	24,235,000	405,300	1,305,907	32,665,775	26,197,552	105,845,530	8.31%	4,863
2013	20,695,228	20,090,371	22,275,000	364,204	1,104,952	31,549,261	25,317,946	121,396,962	9.53%	4,137

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

(1) See the schedule of Demographic and Economic Statistics for personal income and per capita data. Data not available for 2012. In order to present a useful estimate, personal income data for 2011 has been used.

**CITY OF BURLINGAME, CALIFORNIA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ -	\$ -	\$ -	0.00%	\$ -
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2010	-	-	-	0.00%	-
2011	-	-	-	0.00%	-
2012	-	-	-	0.00%	-
2013					

Note: The City has had no general bonded debt in the last ten years.

**CITY OF BURLINGAME, CALIFORNIA  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT\*  
JUNE 30, 2013**

2012-13 Assessed Valuation\*\* : \$ 7,433,066,368

	Total Debt June 30, 2013	Percent Applicable (1)	City's Share of Debt June 30, 2013
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
San Mateo Community College District	\$ 580,659,994	5.016%	\$ 29,125,905
San Mateo Union High School District	453,412,289	14.525%	65,858,135
Burlingame Elementary School District	87,067,486	94.396%	82,188,224
Hillsborough School District	56,921,434	0.100%	56,921
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 1,178,061,203</b>		<b>\$ 177,229,185</b>
<b><u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u></b>			
San Mateo County General Fund Obligations	\$ 311,729,816	5.016%	\$ 15,636,368
San Mateo County Board of Education Certificates of Participation	11,455,000	5.016%	574,583
<b>Subtotal</b>	<b>323,184,816</b>		<b>16,210,951</b>
<b>City of Burlingame General Fund Obligations</b>	<b>19,985,000</b>	100.000%	19,985,000
<b>City of Burlingame Pension Obligation Bond</b>	<b>22,275,000</b>	100.000%	22,275,000
<b>Subtotal</b>	<b>42,260,000</b>		<b>42,260,000</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT</b>	<b>\$ 365,444,816</b>		<b>58,470,951</b>
<b>Less: City of Burlingame General Fund Obligations Supported from Enterprise Revenues</b>			<b>4,002,500</b>
<b>Less: City of Burlingame Pension Obligations Supported by Enterprise Revenues</b>			<b>5,568,750</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>\$ 48,899,701</b>
<b>TOTAL GROSS DIRECT DEBT</b>			<b>\$ 42,260,000</b>
<b>TOTAL NET DIRECT DEBT</b>			<b>\$ 32,688,750</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$ 193,440,136</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$ 235,700,136</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 226,128,886</b>

**Ratios to 2012-13 Assessed Valuation:**

Gross Combined Direct (\$35,170,000).....	2.38%	* Source: California Municipal Statistics, Inc.
Net Combined Direct Debt (\$25,008,750).....	0.44%	** Total assessed valuation less other exemptions
Gross Combined Total Debt .....	3.17%	
Net Combined Total Debt .....	3.04%	

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/13:** \$0

Source: California Municipal Statistics

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 tax allocation bonds and non-bonded capital lease obligations.



**CITY OF BURLINGAME, CALIFORNIA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 722,620	\$ 766,012	\$ 780,344	\$ 888,627	\$ 239,432	\$ 253,576	\$ 261,247	\$ 266,684	\$ 295,550	\$ 295,550
Total net debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 722,620</u>	<u>\$ 766,012</u>	<u>\$ 780,344</u>	<u>\$ 888,627</u>	<u>\$ 239,432</u>	<u>\$ 253,576</u>	<u>\$ 261,247</u>	<u>\$ 266,684</u>	<u>\$ 295,550</u>	<u>\$ 295,550</u>
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Legal Debt Margin Calculation for Fiscal Year 2013

Gross Assessed Valuation	\$ 7,433,066,368
Multiplied by: (1)	3.75%
Debt Margin	278,739,989
Less: Outstanding Debt	<u>\$ -</u>
Debt limit	<u>\$ 295,550</u>

(1) The legal debt limit represents 3.75% of total assessed valuation based on assessments at 100% of full market value, in accordance with California Government Code Section 43605.

**CITY OF BURLINGAME, CALIFORNIA  
PLEDGED REVENUE COVERAGE  
LAST EIGHT FISCAL YEARS**

Fiscal Year	Water Revenue Bonds					
	Less:	Net				
	Water Charges	Operating Expenses	Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ 8,726,049	\$ 5,348,313	\$ 3,377,736	\$ 520,000	\$ 727,618	2.71
2007	10,131,904	6,132,961	3,998,943	540,000	714,618	3.19
2008	11,119,428	6,426,513	4,692,915	940,000	1,264,786	2.13
2009	11,800,380	6,801,139	4,999,241	950,000	1,254,174	2.27
2010	11,515,884	6,874,120	4,641,764	950,000	1,249,996	2.11
2011	12,772,369	8,433,059	4,339,310	975,000	1,218,998	1.98
2012	13,708,448	9,112,553	4,595,895	5,490,000	1,131,762	0.69
2013	14,874,705	9,577,242	5,297,463	10,954,310	1,101,342	0.44

Fiscal Year	Wastewater Revenue Bonds					
	Wastewater Charges	Less: Operating Expenses	Net Available Revenue			
			Debt Service		Coverage	
	Principal	Interest				
2006	\$ 9,584,286	\$ 5,852,880	\$ 3,731,406	\$ 270,000	\$ 373,090	5.80
2007	10,663,634	5,972,961	4,690,673	275,000	366,340	7.31
2008	11,591,922	5,997,898	5,594,024	778,684	1,094,019	2.99
2009	12,466,935	6,763,470	5,703,465	797,258	1,112,615	2.99
2010	12,534,507	6,578,950	5,955,557	822,841	1,102,540	3.09
2011	14,597,505	7,544,144	7,053,361	1,930,000	936,823	2.46
2012	16,157,287	6,932,146	9,225,141	4,390,000	1,041,949	1.70
2013	16,791,449	6,297,799	10,493,650	5,710,690	1,001,998	1.56

Source: City financial statements

**Notes:**

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Operating expenses do not include interest, depreciation, or amortization expenses.

The City did not have any revenue bond debt service prior to fiscal year 2003-04.

**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)	% Population 25+ with High School Enrollment (3)	Unemployment Rate (4)
2004	28,168	\$ 1,387,298	\$ 49,251	N/A	3.5%
2005	28,180	1,475,381	52,356	N/A	3.1%
2006	28,277	1,610,910	56,969	N/A	2.6%
2007	28,453	1,708,173	60,035	N/A	2.7%
2008	28,762	1,747,107	60,744	N/A	3.5%
2009	29,050	1,700,088	58,523	95.3%	6.2%
2010	29,342	1,274,382	43,432	94.4%	6.5%
2011	29,106	1,396,972	47,996	94.1%	5.8%
2012	29,426	1,500,785	51,002	95.2%	3.7%

Sources:

(1) California State Department of Finance

(2) Income Data: ESRI provided by HDL, Coren & Cone

(3) For 2003-2008, 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 THREE YEARS (HISTORICAL DATA NOT AVAILABLE)**

Employer	2013		
	Employee	Rank	Percentage of Total City Employment
United Natural Foods	1,157	1	4.22%
Sysco San Francisco, Inc.	545	2	1.99%
ECC Remediation Services Corp.	500	3	1.82%
Berkeley Farms	404	4	1.47%
LSG/Sky Chefs, Inc.	325	5	1.19%
Interior Architects	300	6	1.09%
Flying Good Group	280	7	1.02%
Birite Food Service Distributors	254	8	0.93%
Robert A. Bothman	251	9	0.92%
Clover Stornetta Farms	220	10	0.80%
Virgin America, Inc			
Wright Medical Technology Inc			
Critchfield Mechanical, Inc			
California Teachers Association			
Getinge USA			
Wine Warehouse			
Hyatt Regency San Francisco Airport			

Sources: City of Burlingame Business License Data

Note: Historical data is not available since this information is voluntarily disclosed by businesses.

**CITY OF BURLINGAME, CALIFORNIA  
PRINCIPAL EMPLOYERS (Continued)  
LAST THREE YEARS (HISTORICAL DATA NOT AVAILABLE)**

2012			2011		
Employee	Rank	Percentage of Total City Employment	Employee	Rank	Percentage of Total City Employment
555	3	2.02%	555	3	2.02%
460	10	1.68%	460	10	1.68%
463	9	1.69%	463	9	1.69%
2,056	1	7.50%	2,056	1	7.50%
1,200	2	4.38%	1,200	2	4.38%
517	4	1.89%	517	4	1.89%
500	5	1.82%	500	5	1.82%
500	6	1.82%	500	6	1.82%
483	7	1.76%	483	7	1.76%
467	8	1.70%	467	8	1.70%

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**CITY OF BURLINGAME, CALIFORNIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Function</b>										
General government	19.09	18.13	18.13	19.13	19.13	19.13	19.00	18.00	18.00	18.00
Public safety										
Police:										
Officers	43.00	43.00	42.00	42.00	42.00	42.00	39.00	37.00	37.00	37.00
Civilians	20.50	20.75	20.00	20.00	20.00	20.00	19.00	19.00	18.25	17.25
Fire:										
Firefighters and officers	45.60	44.00	44.00	44.00	44.00	44.00	43.00	-	-	-
Civilians	1.00	1.00	1.00	1.00	1.75	1.75	1.75	-	-	-
Public works	35.05	34.55	27.74	25.30	24.80	24.80	27.55	28.98	28.98	28.98
Community development	11.00	11.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00	10.00
Leisure and culture	58.26	54.53	54.02	55.14	55.42	55.42	52.29	49.77	49.77	49.52
Water	14.60	14.00	14.78	16.75	16.75	16.75	17.00	17.09	17.09	17.08
Sewer	12.00	11.00	12.78	14.50	14.75	14.75	15.00	15.08	15.08	15.08

Source: City budget document

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 Basic 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.

**CITY OF BURLINGAME, CALIFORNIA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

	2004	2005	2006	2007	2008
<b>Function</b>					
Police					
Calls for service	21,931	21,520	22,825	26,275	30,337
Physical arrests	553	548	602	537	541
Crimes reported	2,347	2,399	2,476	2,155	2,053
Traffic violations	2,996	1,384	2,438	2,893	4,128
Fire					
Number of calls answered	- (2)	1,880	4,306	4,233	4,374
Inspections	- (2)	1,681	1,725	2,259	2,089
Public works					
Street repair (sq. ft.)	14,000	8,000	12,000	17,204	15,000
Sidewalk and curb repair (sq. ft.)	9,169	5,992	4,800	5,618	6,000
City planning					
Plans checked	518	518	547	560	548
Planning applications reviewed	125	121	127	144	140
Leisure and culture					
Recreation class participants	16,111	15,651	17,927	15,323	16,303
Library circulation	535,616	607,878	624,000	599,833	600,000
Tree plantings	165	240	266	334	229
Tree trimmings	1,041	1,307	1,532	1,350	1,574
Water					
New connections	390	356	273	4	8
Main and valve repairs	89	10	14	20	20
Millions of gallons purchased (millions of gallons)	1,746	1,650	1,635	1,652	1,700
Wastewater					
Average daily sewage treatment (millions of gallons)	4.10	4.12	4.50	4.50	4.10
Preventive maintenance, main cleaning (feet)	440,882	347,355	389,490	314,497	385,293



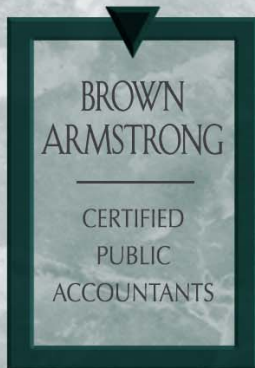
**CITY OF BURLINGAME, CALIFORNIA**  
**OPERATING INDICATORS BY FUNCTION (Continued)**  
**LAST TEN FISCAL YEARS**

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
28,481	29,124	30,865	39,724	41,651
343	438	348	410	581
2,296	1,797	1,516	1,681	1,926
6,354	5,255	3,683	3,836	4,656
4,205	4,267	4,152	N/A	-
1,299	1,414	4,195	5,700	5,662
15,529	10,000	5,270	4,270	6,586
8,278	4,000	5,468	4,898	2,630
500	364	355	362	443
187	131	58	75	71
14,318	13,607	13,821	13,657	12,082
698,558	713,394	696,096	721,132	761,795
466	222	205	193	270
1,576	1,831	1,093	766	984
17	50	37	20	10
61	15	19	19	20
1,561	1,600	1,474	1,494	1,520
3.82	3.30	3.59	3.14	3.05
450,937	450,000	404,488	408,437	338,333

**CITY OF BURLINGAME, CALIFORNIA  
CAPITAL ASSET STATISTICS BY FUNCTION  
CURRENT FISCAL YEAR**

	<u>2013</u>
<b>Function</b>	
Public safety	
Police:	
Stations	1
Parking lots	26
Fire stations	3
Public works	
Streets (miles)	152
Streetlights	1,800
Traffic signals	17
Culture and recreation	
Parks	16
Community garden	1
Swimming pools	-
Tennis courts	8
Community centers	1
Baseball/softball fields	13
Bocce ball courts	1
Golf range	1
Water	
Water mains (miles)	107
Fire hydrants	822
Sewer	
Sanitary sewers (miles)	98
Storm sewers (miles)	42.0
Storm drain pump station	5

Source: Various City department records



# BROWN ARMSTRONG

*Certified Public Accountants*

## **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  
City of Burlingame, California

### **MAIN OFFICE**

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### **5250 CLAREMONT AVENUE**

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STOCKTON, CA 95207

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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 24, 2013.

### **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 over financial reporting.

*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.



REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

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 noted certain matters that we reported to management of the City in a separate letter dated December 24, 2013.

### **Purpose of this Report**

This report is intended 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 report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
December 24, 2013