

City of Burlingame, California

Comprehensive Annual Financial Report



City of Burlingame, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2015

Prepared by

City of Burlingame Finance Department

**CITY OF BURLINGAME, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2015**

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Comprehensive Annual Financial Report

June 30, 2015

INTRODUCTORY SECTION



Comprehensive Annual Financial Report

June 30, 2015



Burlingame Finance Department
501 Primrose Road Burlingame, CA 94010-3997
650-558-7200 Fax: 650-342-8386 www.burlingame.org

January 7, 2016

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

I am pleased to present the City of Burlingame's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This financial report contains a complete set of audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

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

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

The California Government Code requires an annual audit of the basic financial statements of the City. The accounting firm Brown Armstrong performed the audit for the fiscal year ended June 30, 2015. The independent auditor's report on the basic 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, 2015, 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, 2015, 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 is a California general law City incorporated in 1908 that operates under the Council-Manager form of government. A five-member City Council is elected at large to four-year terms and serves as the Board of Directors. The City Council selects a Mayor and Vice Mayor from its members annually. A City Manager is appointed by the City Council and serves as the chief executive officer. The City Manager is responsible for all municipal functions. A City Attorney is appointed by the City Council to serve as chief legal advisor for the governing body and the administration. The City's municipal services include: police and fire protection; public works; community development; parks and recreation; library services;

water, sewer, parking, solid waste and storm drainage. General government activities include finance, human resources, legal services and city administration. The City employs approximately 200 full-time employees. An executive team helps the City Manager lead the City organization. It includes eight department directors, the City Attorney and the City Clerk.

The Burlingame City limits contain approximately six square miles. The City is located in San Mateo County, on the western shore of the San Francisco Bay approximately 10 miles south of San Francisco. According to the State Department of Finance, the population for the City of Burlingame is 29,700. The population has remained fairly level, increasing by 1.2% over the past five years.

Budget Process

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

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

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

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

The City Council encourages all City residents and business community members to participate in the development of the City budget. The City Council holds three public meetings to provide guidance on the budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to City staff.

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

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

Assessment of Economic Condition

Along with most cities along the San Francisco peninsula, the City has fully recovered from the 2008-2010 recession, as evidenced by rebounds in the City's largest revenue sources. In fact, the City's top three revenues streams (from transient occupancy tax, property tax and sales taxes) have far surpassed pre-recessionary amounts, and now constitute over 83% of the City's General Fund revenues. Key indicators of the City's economic health are job growth, real estate values, and retail activity.

Employment

The San Francisco Bay Area continues to lead the state in job expansion; the unemployment rate remains one of the lowest in the State of California, based upon recent Employment Development Department (EDD) data. The unemployment rate in San Mateo County was 3.1% in November 2015, which is below last year's rate of 4.0%. Comparatively, the State of California's unemployment rate also improved; it is now 5.7% as of November 2015, a 1.5 percent decline since last year.

The total number of jobs located in the counties of San Francisco and San Mateo combined rose by 42,200, or 4.1% between November 2014 and November 2015. The highest job growth occurred in professional and business service employment (18,800), followed by the trade, transportation and utilities sector (8,600 jobs). Real personal income growth is also slated to grow by 4.5% by the end of calendar year 2015, with projected growth rates of 4.4% in 2016 and 3.5% in 2017, as reported by the University of California, Los Angeles Anderson School of Business in its June 2015 economic forecast.

Real Estate and Property Taxes

Property taxes, which are based on assessed value, are one of the City's largest revenue sources, accounting for approximately 27% of the City's General Fund revenue. Fiscal year 2014-15 property tax receipts were \$16.7 million, up 7.6% from the prior year.

According to data obtained from the San Mateo County Assessor, the City has 8,670 parcels with a total assessed value of \$8.4 billion, an increase of \$568.4 million, or 7.3% since last year. Residential assessed values grew by 7.9%, while commercial assessed values grew by 9.5%.

According to DataQuick, the median price of homes sold in the City during the month of October 2015, was \$1,928,000, which is a 3.9% increase compared to the same time last year. However, only 30 homes were sold. County-wide, 599 homes were sold, with a median value of \$930,000, a 6.3% year-over-year increase in sales price since October 2014. The area's housing supply shortage is a primary driver of high housing costs. Combined with the increase in real income, it is increasingly apparent that lower income residents are getting priced out of the San Mateo County.

Sales and Use Taxes

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

The City heralded the completion of the Burlingame Avenue Streetscape Improvement Project with a ribbon cutting in November 2014. The project provided significant upgrades to sidewalks, parking, street lights, street furniture, parking meters and landscaping throughout downtown Burlingame.

Sales and use taxes accounted for an additional 18% of General Fund revenue in fiscal year 2014-15. Sales and use tax revenues were \$11.1 million, which is an 8.9% increase over the prior year's receipts of \$10.2 million. The top 25 sales tax producers in Burlingame account for approximately 50% of total sales tax revenue, and include several auto dealers, hotels, and general merchandise stores. Heightened activity in both casual and fine dining also fueled sales tax gains. Other gains were seen in electronics/appliance and specialty stores.

Tourism and Business Travel

The City's 13 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO), with a total of approximately 3,742 rooms available for rental. Hotel occupancy rates are indicative of continued improvement in the economy. As the City's largest revenue source, transient occupancy tax revenues account for over 38% of all General Fund revenues, and grew by \$2.3 million (11%) compared to the prior year. Although combined occupancy rates leveled off to 83.8% (from 85.3% in the prior year), average room rates within the City increased nearly 12%, thanks to the success of many Bay Area sports teams and increased tourism. As reported by SFO, total domestic and international airport passengers increased by 5.7% since fiscal year 2013-14.

Financial Information

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

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

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

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

Risk Management: The City is a member of the 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 of \$5 million, with a self-insured retention of \$500,000 per claim. The City maintains reserves for all claims below its self-insured retention in separate Internal Service Funds, and charges the costs of the program to operating departments. An actuarial study of the current obligations for the General Liability and Worker's Compensation Funds was completed in May 2015, and the related accruals for current and expected claims have been included in the year-end results for these funds. The City has implemented and is in compliance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Debt Administration: The City has an AA+ underlying general obligation credit rating, an AA+ rating for its water and wastewater debt, and an A+ rating for the storm drain debt as issued by Standard & Poor's Rating Service. The AA+ general obligation credit rating was re-affirmed in March 2014. In fiscal year 2013-14, the City had 14 outstanding bonds or loans, including a taxable bond issue for pension obligations, two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant, one capital lease, a loan from the California Energy Commission, and a storm drain revenue bond issued under the Internal Revenue Service's Build America Bond program. The City annually evaluates each outstanding debt obligation that is subject to arbitrage rebate requirements and determined that there was no arbitrage rebate liability as of June 30, 2015.

As of June 30, 2015, the City's general obligation debt limit was \$316.7 million, which represents 3.75% of total assessed valuation based on assessments at 100% of full market value, in accordance with California Government Code Section 43605. With only the 2006 Pension Obligation Bonds (\$17.7 million outstanding) considered to be general obligation debt, the City's legal debt margin was \$299 million.

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 Basic Financial Statements and in the Statistical Section under Legal Debt Margin information.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2014. The City has received the award for 14 consecutive years. To receive the award, a government must publish a readable and well organized annual financial report. The report must satisfy both U.S. GAAP and applicable legal requirements. The certificate is valid for one year. Staff believes that the City's current CAFR continues to meet the Certificate of Achievement Program's requirements.

Acknowledgments

Special thanks go to Amy Bernardo, Senior Accountant, and Sabrina Lee, Accountant, 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 contributions of other members of the Finance Department, 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,

Handwritten signature of Lisa K. Goldman in blue ink.

Lisa K. Goldman
City Manager

Handwritten signature of Carol Augustine in blue ink.

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, 2014

Executive Director/CEO



**CITY OF BURLINGAME, CALIFORNIA
ELECTED AND APPOINTED OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2015**

CITY COUNCIL

Terry Nagel, Mayor.....November 2015
Ann Keighran, Vice MayorNovember 2017
Michael Brownrigg.....November 2017
John Root.....November 2015
Ricardo Ortiz.....November 2017

CITY MANAGER

Lisa K. Goldman

DEPARTMENT DIRECTORS

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

CITY CLERK

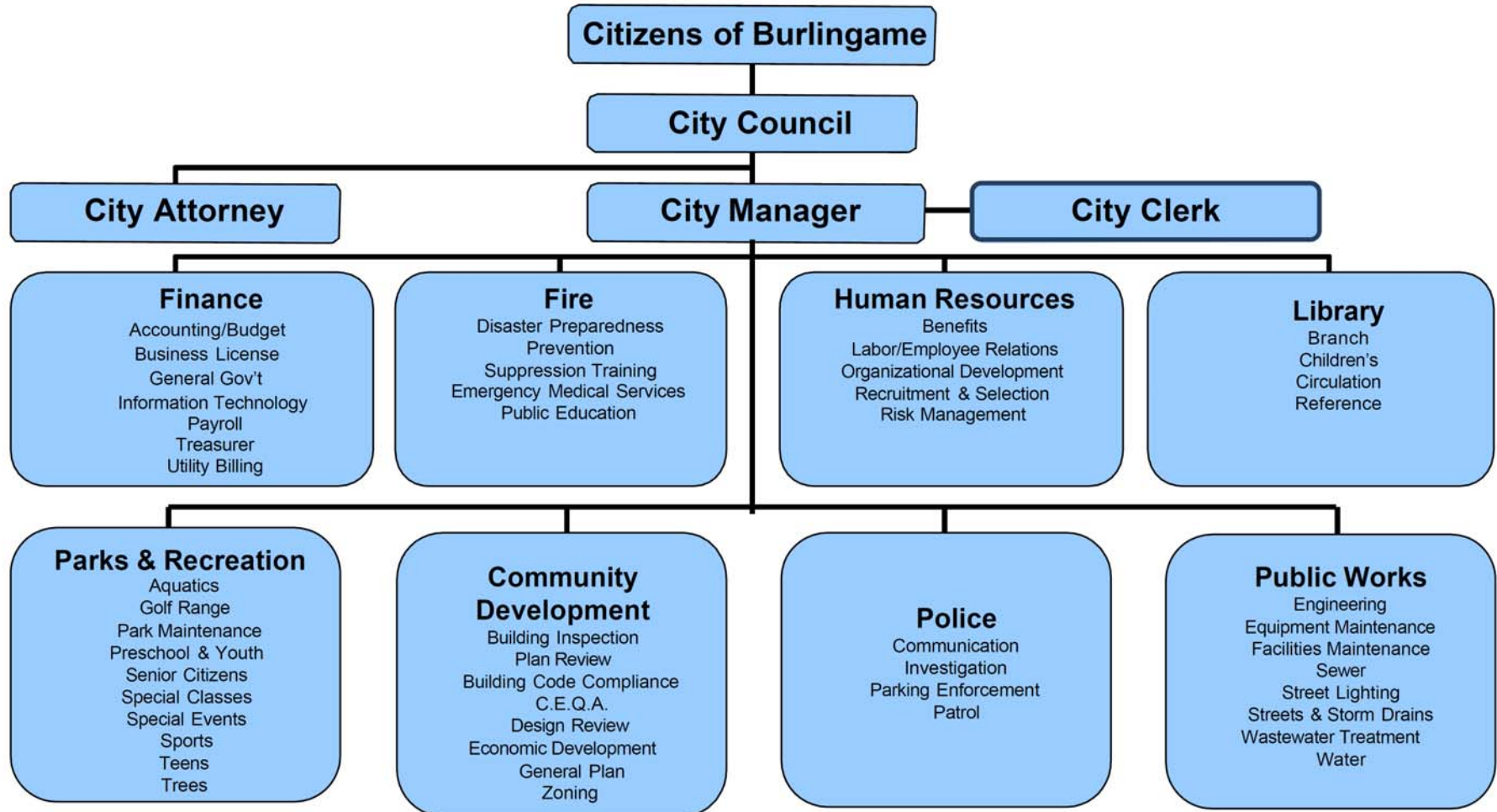
Mary Ellen Kearney

CITY ATTORNEY

Kathleen Kane



**CITY OF BURLINGAME, CALIFORNIA
ORGANIZATIONAL CHART**



CITY ORGANIZATION BY CRITICAL SERVICE AREA

General Government

City Attorney

In-house counsel, risk management, and code enforcement

City Clerk

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

City Manager

Supervision of departments and implementation of City policy and strategy, including sustainability efforts

Finance

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

Human Resources

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

Public Works

Engineering

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

Water & Sewer

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

Streets & Storm Drainage

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

Public Safety

Police

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

Central County Fire Department (JPA)

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

Leisure and Neighborhood Services

Library

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

Parks

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

Recreation

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

Community Development

Building

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

Planning

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

CITY OF BURLINGAME COMMISSIONERS

BEAUTIFICATION COMMISSION Meets 1 st Thursday, Recreation Center, 6:30 pm; Appointed 3-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Anne Hinckle	Dec 2010	Oct 2016	1
Mary Hunt	Feb 2009	Oct 2018	2
Mary Ellen Kearney	Nov 2015	Oct 2018	
Richard Kirchner	Feb 2012	Oct 2018	2
Leslie McQuaide	Dec 2003	Oct 2016	3

LIBRARY BOARD Meets 3 rd Tuesday, Library, 5:30 pm; Appointed 3-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Kerbey Altmann	Aug 2014	Jun 2017	
Debra Donaldson	Jun 2013	Jun 2016	
Randi Murray	Aug 2015	Jun 2018	
Mike Nagler	Aug 2014	Jun 2017	
Lisa Rosenthal	Jul 2010	Jun 2016	1

PARKS & RECREATION COMMISSION Meets 3 rd Thursday, Recreation Center, 7:00 pm; Appointed 3-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Julie Baird	Nov 2013	Oct 2016	
Steven Baum	Dec 2010	Oct 2016	1
Donna Wills Colson	Nov 2013	Oct 2016	
Joseph Dito	Dec 2014	Oct 2017	
Shari Lewis	Dec 2014	Oct 2017	
Claire Schissler	Dec 2014	Oct 2018	
Karen Malekos Smith	Nov 2015	Oct 2018	

PLANNING COMMISSION Meets 2 nd and 4 th Monday, City Hall, 7:00 pm; Appointed 4-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Nirmala Bandrapalli	April 2013	April 2017	
Jeff DeMartini	April 2013	April 2017	
Michael Gaul	April 2015	April 2019	
Peter Gum	April 2014	April 2018	
William Loftis	April 2014	April 2018	
Richard Sargent	May 2012	April 2016	
Richard Terrones	Jan 2006	April 2018	2

TRAFFIC SAFETY PARKING COMMISSION Meets 2 nd Thursday, City Hall, 7:00 pm; Appointed 3-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Nicklas Akers	Feb 2010	Nov 2017	2
Christopher Bush	Nov 2015	Nov 2018	
Jeffrey Londer	Oct 2008	Nov 2017	2
John Martos	Dec 2013	Nov 2016	
Howard Wettan	Dec 2012	Nov 2018	1

MOSQUITO ABATEMENT DISTRICT 1351 Rollins Road, 344-8592, Board Rep. Appointed 2-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Joseph Galligan	Feb 2014	Feb 2016	

STORM DRAINAGE CITIZENS OVERSIGHT COMMITTEE	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Rudy Horak	Jan 2010	Nov 2018	1
Rosalie O'Mahony	Jan 2010	Jan 2015	1
Kevin Osborne	Nov 2014	Nov 2018	



**CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT
FISCAL YEAR ENDED JUNE 30, 2015**

Carol Augustine..... Finance Director and Treasurer

Diana Truong Narahara.....Deputy Finance Director

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

Amy Bernardo.....Senior Accountant

Sabrina Lee..... Accountant

Margaret OnoAccounting Technician

Geeta Nair-Parsons.....Accounting Technician

Lisa RancatoreAccounting Assistant III

Andrea BrownAccounting Assistant I/II

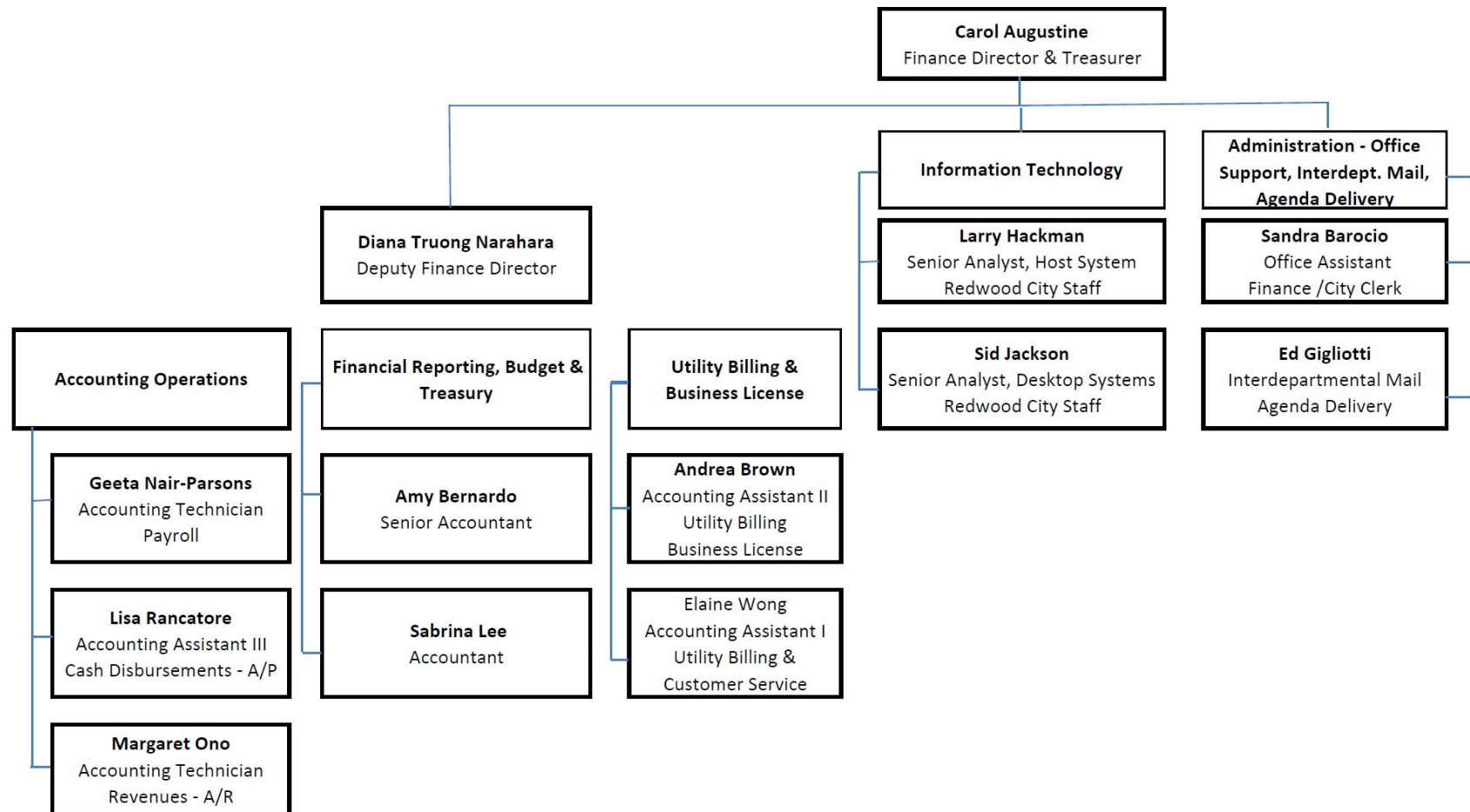
Elaine WongAccounting Assistant I/II

Kirsten Ivazes.....Office Assistant

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



CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT ORGANIZATION CHART FOR FISCAL YEAR 2014-15



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.

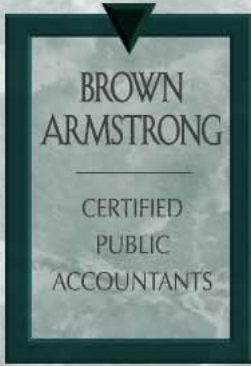
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FINANCIAL SECTION



Comprehensive Annual Financial Report

June 30, 2015



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

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, 2015, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE

260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542
FAX 626.204.6547

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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, 2015, 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, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 28 and the Other Required Supplementary Information on pages 123 to 135 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules 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 nonmajor fund financial statements and schedules are 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 January 7, 2016, 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 style and is positioned below the printed name of the firm.

Bakersfield, California
January 7, 2016



Comprehensive Annual Financial Report

June 30, 2015

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2015. This information should be read together with the transmittal letter, financial statements, and notes to the basic financial statements to better understand the City of Burlingame's (the City) financial position.

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

Financial Highlights for Fiscal Year 2014-15 (ending June 30)

- City assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$157 million, or a \$24.6 million increase compared to beginning (restated) net position.
- Enterprise Fund net position increased by \$7.6 million to nearly \$73.0 million. Of this amount, \$22.0 million was unrestricted net position and available for use at the City's discretion.
- Governmental fund balances increased nearly \$5.3 million, to \$74.7 million. Of this amount, approximately \$10.5 million, or 14%, was unassigned fund balance and available for spending at the City's discretion.
- General Fund revenues increased by \$6.3 million in fiscal year 2014-15, an increase of 11.3% of prior year performance of \$55.6 million. The increase in revenue was driven by a \$2.3 million increase in current year collections of transient occupancy (hotel) taxes and other tax revenues.
- Amendments to various revenue sources in the General Fund budget in the amount of \$4.6 million were authorized by the City Council at mid-year, as these improved revenues became evident early in the fiscal year.
- The General Fund ending fund balance increased from \$22.9 million to \$29.5 million. Of this amount, nearly \$18.8 million has been assigned – intended to be used for specific purposes.

Note that the City's beginning Net Position (as of July 1, 2014) was restated with the implementation of GASB 68 reporting of pension liabilities. City-wide net position was adjusted downward by \$75 million: \$66.4 million in governmental activities and \$8.6 million in the business-type activities. The result of this implementation impacts all governmental agencies that conform to governmental accounting standards, and reflects only a change in accounting principle, not an actual change in financial condition.

Overview of the Financial Statements

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 of resources, as well as liabilities and deferred inflows of resources, with the difference reported as net position. Changes in net position that occur over time may serve as an indicator of the City's financial position.

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

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

Governmental activities include general government administration, public safety (such as police, fire and 911-dispatch), public works, community development, parks, recreation and library, shuttle bus operations, and financing and other activities.

The self-supporting, business-type activities include water, sewer service, parking, waste management, landfill and building inspection.

Fund Financial Statements

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

Governmental Funds

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Notes to the Basic Financial Statements

The notes to the basic 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 Supplementary 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 \$157 million as of June 30, 2015. Net position increased by 18.6% from beginning total net position (as restated) of \$132.4 million. Note, however, that implementation of GASB Statements No. 68 and No. 71, which require recognition of net pension liability and associated deferred inflows and outflows of resources, caused a significant drop (over \$66 million) in the beginning net position. Assets and deferred outflows of resources as of the end of June 30, 2015 were \$355.1 million, reflecting a 1.7% negative change from the prior year. The \$10.4 million decrease in assets was due to the elimination of the prior year's \$25.3 million net pension asset (also the result of GASB Statements No. 68 and No. 71 implementation), offset by an increase in current assets of \$9.7 million and a \$5.2 million growth in capital assets. Liabilities and deferred inflows of resources increased by 28.7% (\$44.2 million), due largely to the recognition of a net pension liability of \$41.8 million, and associated deferred inflows of resources of \$11.6 million. An offsetting decrease in long-term debt (\$7.8 million) is reported, as well as an \$880 thousand decrease in claims payable.

The largest portion of the City's net position is its net investment in capital assets totaling \$124.8 million. Capital assets are the aggregate value of land, buildings, and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources, 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. An additional portion of the City's net position, \$36.9 million (23.5%) represents resources that are subject to restrictions that may only be used for debt service, to construct specified capital projects or within the confines of special revenue programs. These resources include amounts held by the City's trustee (\$4.4 million). The remaining \$32.5 million is restricted for storm drain capital improvements, contributions for improvements to the Burlingame Avenue Special Assessment District, and street repair and maintenance.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. Due to the implementation of GASB Statement No. 68 and the recoding of a net pension liability, the City's unrestricted net position on June 30, 2015 was a negative \$4.7 million. As the net pension liability will likely remain a long term liability for several decades, unrestricted net position will remain negative for quite some time.

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

City of Burlingame's Comparative Statement of Net Position June 30, 2015 and 2014 (Amounts in Millions)						
	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Assets:						
Current and other assets	\$ 116.63	\$ 98.33	\$ 36.80	\$ 39.57	\$ 153.43	\$ 137.90
Capital assets	106.82	110.49	100.46	101.95	207.28	212.44
Total assets:	223.45	208.82	137.26	141.52	360.71	350.34
Deferred outflows:	-	3.44	0.69	1.35	0.69	4.79
Liabilities:						
Current liabilities	13.35	13.59	4.83	4.32	18.18	17.91
Other liabilities	0.93	0.81	0.70	0.86	1.63	1.67
Long-term liabilities	75.62	104.14	58.54	62.82	134.16	166.96
Total liabilities:	89.90	118.54	64.07	68.00	153.97	186.54
Deferred inflows:	-	9.69	-	1.90	-	11.59
Net position:						
Net investment in capital assets	72.96	74.35	46.34	50.48	119.30	124.83
Restricted	45.86	36.45	0.45	0.45	46.31	36.90
Unrestricted	14.73	(26.77)	27.09	22.04	41.82	(4.73)
Total net position	\$ 133.55	\$ 84.03	\$ 73.88	\$ 72.97	* \$ 207.43	\$ 157.00

* Note that net position was restated as of June 30, 2014, for the implementation of GASB Statements No. 68 and No. 71.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

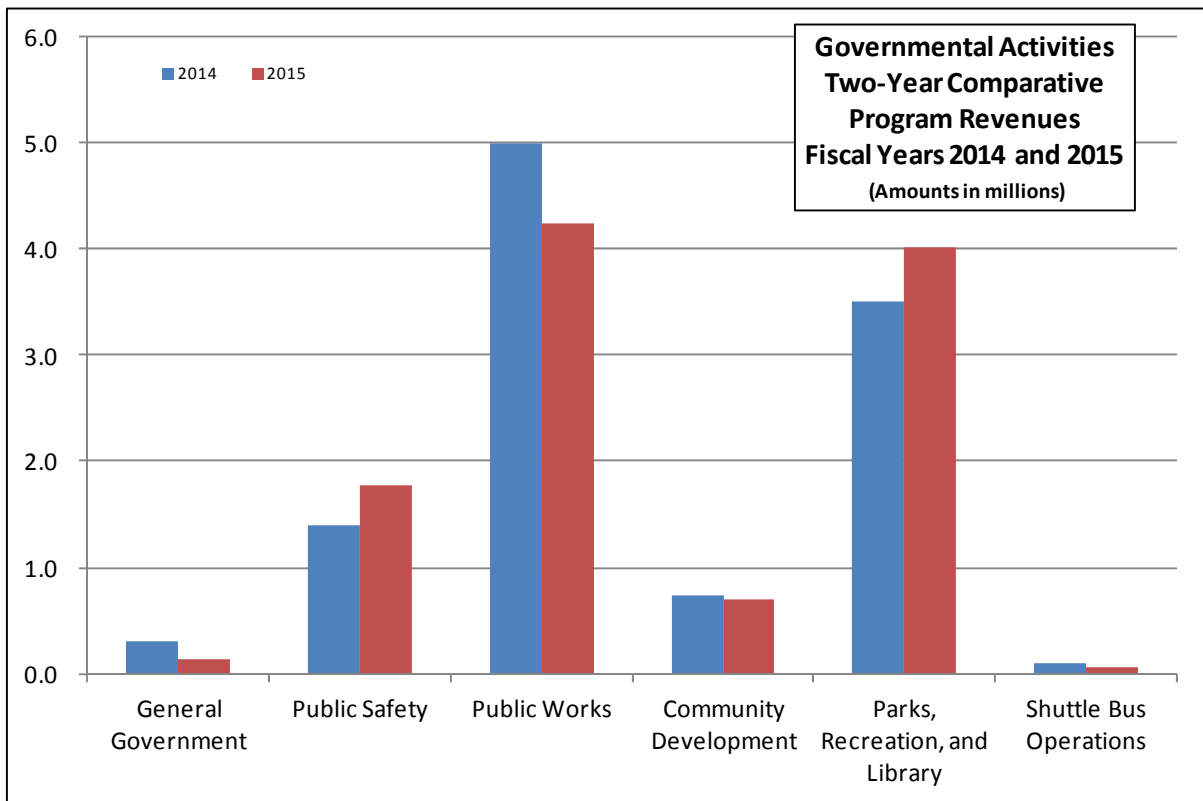
City of Burlingame Statement of Activities For the Fiscal Years Ended June 30, 2015 and 2014 (Amounts in Millions)						
	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	\$ 9.13	\$ 9.08	\$ 39.53	\$ 37.05	\$ 48.66	\$ 46.13
Operating grants and contributions	0.74	1.13	-	-	0.74	1.13
Capital grants and contributions	1.25	0.74	-	-	1.25	0.74
General revenues:						
Property taxes	15.50	16.68	-	-	15.50	16.68
Sales taxes	10.20	11.10	-	-	10.20	11.10
Transient occupancy taxes	21.36	23.70	-	-	21.36	23.70
Other taxes	4.59	4.70	-	-	4.59	4.70
Other general revenue	0.34	1.25	-	-	0.34	1.25
Total revenues:	63.11	68.38	39.53	37.05	102.64	105.43
Expenses:						
Governmental activities						
General government	7.29	4.23	-	-	7.29	4.23
Public safety	19.14	23.01	-	-	19.14	23.01
Public works	12.97	8.27	-	-	12.97	8.27
Community development	1.01	1.15	-	-	1.01	1.15
Parks, recreation, and library	11.16	15.83	-	-	11.16	15.83
Shuttle bus operations	0.19	0.13	-	-	0.19	0.13
Financing and other activities	2.81	2.42	-	-	2.81	2.42
Business-type activities						
Water	-	-	10.75	11.47	10.75	11.47
Sewer service	-	-	9.33	10.14	9.33	10.14
Waste management	-	-	0.47	0.48	0.47	0.48
Landfill	-	-	0.18	0.07	0.18	0.07
Parking	-	-	1.18	1.30	1.18	1.30
Building inspection	-	-	1.25	1.37	1.25	1.37
Total expenses:	54.57	55.04	23.16	24.83	77.73	79.87
Increase/(decrease) in net position before transfers and special item	8.54	13.34	16.37	12.22	24.91	25.56
Investment income (expenses)	0.58	0.48	(1.33)	(1.45)	(0.75)	(0.97)
Special item:						
OPEB pre-funding	(6.60)	-	-	-	(6.60)	-
Transfers	5.77	3.13	(5.77)	(3.13)	-	-
Change in net position	8.29	16.95	9.27	7.64	17.56	24.59
Net position, as restated *	125.26	67.08	64.61	65.33	189.87	132.41
Net position - ending	\$ 133.55	\$ 84.03	\$ 73.88	\$ 72.97	\$ 207.43	\$ 157.00

* Note that net position was restated as of June 30, 2014, for the implementation of GASB Statements No. 68 and No. 71.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

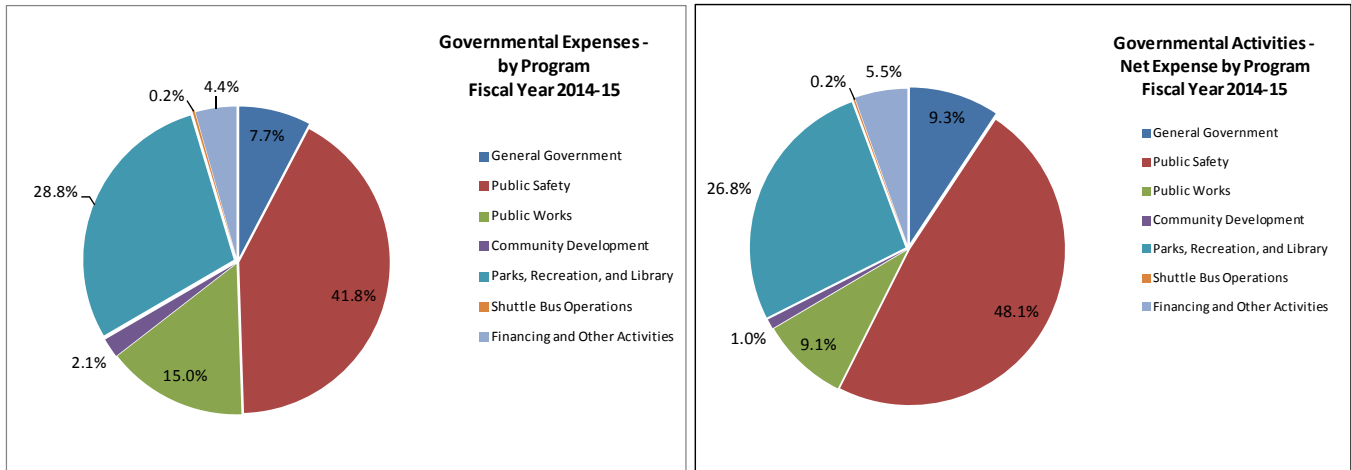
Governmental Activities

Governmental activities increased the City's net position by over \$16.9 million, with a total net position of \$84 million at the end of the fiscal year. The increase was attributable to total governmental revenues that exceeded total expenses by \$13.3 million, prior to net transfers in of \$3.1 million. Program revenues decreased slightly (1.5%), despite a higher level of operating grants and contributions, due to a lesser amount of capital grants than last year and slightly lower volumes of activities in Community Development and Public Works.



General revenues increased over \$5.4 million, led by a \$2.3 million increase in transient occupancy tax revenues, which totaled \$23.7 million over the year. In addition, property and sales tax revenues were up a combined \$2.1 million over the prior year. The robust growth in these tax revenues was a result of a continued strengthening in tourist demand and improved consumer confidence when compared with the prior year. In total, revenues from governmental activities increased nearly \$5.3 million, approximately 8.3%.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Expenses from governmental activities increased approximately \$470 thousand for a total of \$55 million for the fiscal year. Although expenses in the general government category decreased, most departments showed increased spending as the payments for the City's retiree medical obligations were allocated with each payroll. This is particularly true in Public Safety activities: the Police Department incurred a combined current (normal) cost and amortization of prior year retiree medical costs of nearly \$1.9 million. In the prior year, much of this expense was categorized as a general government activity. Accelerated depreciation of fire vehicles contributed to the \$900 thousand increase in the cost of fire services. The larger increase in parks, recreation and library activities was due to the Millennium Project, a \$3.5 million renovation of the historic Burlingame Public Library's main branch, for which the Library raised \$1 million in donations over the past two years. The overall departmental spending increase across all departments was 1.7%; there was very little year over year change in financing activities, which represents debt service and amortization of premiums and discounts on previously issued debt.

The majority of these governmental activities are financed from City taxes. However, the \$9.1 million collected in charges for services (reported as program revenues) for these various activities served to offset the departmental spending associated with some services. Program revenues overall covered approximately 19.9% of governmental expenses over the fiscal year.

The above charts of expenses and net cost of the City's various governmental activities have been derived from the Statement of Activities. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities (\$55 million in fiscal year 2014-15). This compares with the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$44.1 million in fiscal year 2014-15) 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, 2015**

Business-Type Activities

The net position for business-type activities increased by \$7.6 million, or 11.7%, from a beginning (restated) net position of \$65.3 million. In fiscal year 2014-15, enterprise operations produced total operating revenue (consisting largely of revenues from charges for services) of over \$37 million, a decrease of nearly \$2.5 million or a 6.3% reduction from fiscal year 2013-14 operating revenues of \$39.5 million. The Water and Sewer enterprises experienced the greatest decrease in revenues (\$1.8 million combined) due to a reduction in water consumption and sales in response to the state's severe drought. In addition, revenues in the Solid Waste Fund reflected an adjustment in the prior year of \$1.1 million for operational surpluses since 2012 previously held by the Solid Waste Hauler.

Business-type expenses totaled nearly \$26.3 million and included operating expenses of \$24.8 million. Net non-operating expenses of \$1.8 million consist of interest on long-term debt and amortization of premiums and discounts, net of investment income and expenses. Operating expenses increased by \$1.7 million or 7.2% from prior year expenses of \$23.2 million. This increase was largely attributable to operating expenses of the Water and Sewer activities, which experienced higher water wholesale rates (25%), and increases in personnel costs. The cost of insurance for these enterprises also went up a combined \$325 thousand.

Still, the changes in net position (the year-over-year difference between business-type revenues plus deferred outflows of resources, and expenses plus deferred inflows of resources) reported a healthy increase for these enterprise activities. Unlike the governmental activities, program revenues cover total expenses in the business-type activities, with no contribution from City taxes. The City is able to adjust water, sewer, solid waste, parking rates, and building permit fees to cover expenditures and future liabilities.

Financial Analysis of City Funds

Governmental Funds

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Governmental Funds (Continued)

Total Governmental Funds					
Fund Description	6/30/2015		7/1/2014		Yr-over-Yr Change - Net Position / Fund Balance
	Net Position / Fund Balance	6/30/2015 Nonspendable	Net Position / Fund Balance	7/1/2014 Nonspendable	
General Fund	\$ 29,461,566	\$ 223,936	\$ 22,885,423	\$ 221,217	\$ 6,576,143
Storm Drainage Fund	2,579,720	-	1,571,860	-	1,007,860
Capital Projects Fund	33,096,600	-	31,862,600	-	1,234,000
Debt Service Fund	3,955,447	375,035	8,328,362	383,152	(4,372,915)
Nonmajor Funds	5,576,382	-	4,751,179	-	825,203
Total	\$ 74,669,715	\$ 598,971	\$ 69,399,424	\$ 604,369	\$ 5,270,291

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 \$61.9 million in fiscal year 2014-15, reflecting a \$6.3 million increase from prior year performance of \$55.6 million. Expenditures totaled \$44.4 million, which is \$4.3 million more than prior year. Revenues were sufficient to cover all operating expenditures. Revenues less operating expenditures before transfers were \$17.5 million. The General Fund transferred \$6.3 million out to the Debt Service Fund to pay for governmental debt, and \$7.9 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, 2015, was \$29.5 million, representing an increase of \$6.6 million from the prior year fund balance of \$22.9 million. Only \$0.2 million of the fund balance was categorized as "nonspendable"; the City Council assigned \$18.3 million as reserves for specific purposes as described in Note 1-O of the Notes to the Basic Financial Statements, and approximately \$473 thousand represents contractual obligations which will carry forward to the next fiscal year (encumbrances). The remaining \$10.5 million represents unassigned amounts.

The chart below illustrates the amounts of General Fund balance assigned as various reserves for the past five years. In January 2015, the Council adopted a General Fund Reserve Policy which established reserve levels based on an analysis of risks specific to the City, including vulnerability to extreme events and public safety concerns, revenue source stability, expenditure volatility, liquidity, leverage, and adequacy of infrastructure funding. The policy established targeted levels for an Economic Stability Reserve and a Catastrophic Reserve (24% and 2%-9% of budgeted revenues, respectively), as well as a Contingency Reserve amount of \$500 thousand. The actual reserve levels are adopted by resolution with each annual budget, but may be modified by resolution throughout the year based on recommendations by the Finance Director as economic forecasts or other changes dictate. Each reserve is reported as an assignment of the City's General Fund balance.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

General Fund (Continued)

City of Burlingame					
City Council Assigned General Fund Reserves					
	FY11	FY12	FY13	FY14	FY15
Economic Stability Reserve	\$ 5,000,000	\$ 6,000,000	\$ 5,000,000	\$ 6,000,000	\$ 13,300,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000	2,000,000	4,500,000
OPEB Reserve	2,700,000	3,000,000	4,800,000	-	-
General Plan Reserve	-	-	-	500,000	-
Contingency Reserve	500,000	500,000	500,000	500,000	500,000
Total Assigned					
Fund Balance	10,200,000	11,500,000	12,300,000	9,000,000	18,300,000
Encumbrances	-	-	-	412,941	472,578
Total Assigned					
Fund Balance:	<u>\$ 10,200,000</u>	<u>\$ 11,500,000</u>	<u>\$ 12,300,000</u>	<u>\$ 9,412,941</u>	<u>\$ 18,772,578</u>

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, 2015, the unrestricted fund balance of \$29.2 million (\$29.4 million less non-spendable fund balance of \$224 thousand) represents 65.8% of General Fund operating expenditures of \$44.4 million.

City of Burlingame					
General Fund Balance as a Percentage of Operating Expenditures					
	FY11	FY12	FY13	FY14	FY15
Expenditures:	\$ 34,533,995	\$ 36,683,828	\$ 37,613,343	\$ 40,139,163	\$ 44,405,064
Fund Balance:	11,864,585	15,518,212	19,947,103	22,885,423	29,461,566
% of Expenses:	34.4%	42.3%	53.0%	57.0%	66.3%

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 \$742,486, received in large part from state and local grants (\$328 thousand) including the State-Local Partnership Program (SLPP) and the One Bay Area (Federal) Grants, which funded streetlight upgrades, street resurfacing and repair. Other government entities, such as the Town of Hillsborough, shared in the cost of the Sanchez Area Sewer Rehabilitation effort (\$240 thousand). Private entities participated in the City's 50/50 Sidewalk Program, funding nearly \$175 thousand in sidewalk repairs. Projects were funded mainly by \$22.1 million in transfers from other funds to support ongoing construction costs and to set aside funds for previously appropriated projects. In fiscal year 2014-15, \$4.5 million of bond proceeds were transferred in to the Capital Projects Fund for

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Capital Projects Fund (Continued)

storm drain, facilities, and street projects; the General Fund contributed \$7.9 million; the Measure A and Gas Tax special revenue funds provided a combined total of \$1.3 million; and the Water and Sewer Funds contributed a combined total of \$7.2 million for construction projects.

Capital project expenditures totaled \$13.9 million, an increase of \$2.5 million from expenditures of \$11.4 million in fiscal year 2013-14. The Capital Projects fund balance at the end of the fiscal year was \$33.1 million, or an increase of \$1.2 million from the prior year ending balance. The entire fund balance is assigned for the construction of specific capital projects, plus a \$3 million reserve for Renewal and Replacement.

During fiscal year 2014-15, major governmental capital project expenditures, exceeding \$250,000 in a single project included:

- Library Millennium Project - \$3.0 million
- Burlingame Avenue Streetscape (Streets Improvements) - \$1.9 million
- Laguna Area Storm Drain Improvements - \$1.8 million
- US 101 Broadway Interchange - \$1.7 million
- Annual Street Resurfacing Program 2014 - \$1.5 million
- 2012 Annual Curb Gutter ADA Sidewalk Program - \$0.7 million
- Citywide Neighborhood Storm Drain Improvements - \$0.5 million

During fiscal year 2014-15, major business-type capital project expenses, exceeding \$250,000 in a single project included:

- 2013 Sanchez Area Sewer Rehabilitation Project, Phase 3 - \$1.7 million
- Adeline Dr./Peninsula Ave (Main Replace) - \$0.7 million
- 2014 Sanchez Area Sewer Rehabilitation Project, Phase 4 - \$0.7 million
- Treatment Plant And 33rd Force Main Upgrade - \$0.7 million
- Burlingame Ave West of ECR Main Replace - \$0.5 million
- Burlingame Avenue Streetscape (Water Main and Infrastructure Improvements) - \$0.4 million
- Emergency Water Main Replacement - \$0.3 million
- Large Meter Replacement Program - \$0.3 million
- Burlingame Avenue Streetscape (Sewer Infrastructure Improvements) - \$0.3 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.

Principal payments on outstanding debt reduced general government debt by \$5.1 million for the year. The General Fund contributed nearly \$6.3 million to the Debt Service Fund for governmental debt service payments, and the Storm Drainage Fund contributed \$1.4 million required to meet obligations relating to the Storm Drain Revenue Bonds, Series 2010 and 2012. A significant portion of the 2010 Storm Drain Bonds were taxable Build America Bonds; the Internal Revenue Service provided an interest

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Debt Service Fund (Continued)

subsidy of approximately \$154 thousand for the 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).

Storm Drainage Fund

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

Neighborhood storm drainage improvements continued in fiscal year 2013-14. As in the prior year, the storm drain fee generated \$2.7 million in revenue. The funds are dedicated to debt service on the use of storm drain revenue bonds and to fund improvements on a *pay-as-you-go* basis. Revenue bonds issued with a pledge of storm drain fee revenues are used as a funding source for these projects in the Capital Projects Fund.

With assets and liabilities that now exceed the 10% threshold, the Storm Drainage Fund qualifies as a major governmental fund, and is therefore presented separately in the fund financial statements. The fund balance increased \$1.0 million, to nearly \$2.6 million as revenues from the storm drain fee exceeded combined capital appropriations and debt service expense for the fiscal year.

Non-Major Governmental Funds

The Measure A and Gas Tax Funds are the largest of the City's non-major governmental funds, together constituting approximately 63.5% of non-major fund balance. The revenues for these two funds remained level with the prior year at nearly \$1.7 million, and served to fuel traffic and street improvements in the Capital Projects Fund. Non-major governmental fund balances in total increased \$0.8 million, as revenues received in these funds exceeded the expenditures associated with the legally specified purpose of each of the funds.

Proprietary Funds

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Proprietary Funds (Continued)

Internal Service Funds

The Internal Revenue 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 an increase in net position of \$2.1 million. \$1.9 million of this increase was due to changes in actuarial estimates of current and expected claims for general liability, based on an actuarial study completed in August 2015. The Facilities Services Fund reported a net negative ending position, as the prior year's position was restated to include a \$730 thousand pension liability for the fund.

Total Enterprise Funds					
Fund Description	6/30/2015		7/1/2014		Yr-over-Yr Change - Net Position / Fund Balance
	6/30/2015 Net Position	Net Investment in Capital Assets	7/1/2014 Net Position	Net Investment in Capital Assets	
Water	\$ 18,921,575	\$ 10,002,440	\$ 19,940,248	\$ 8,347,895	\$ (1,018,673)
Sewer	42,059,160	33,551,180	41,055,976	30,980,878	1,003,184
Waste Management	3,728,921	-	3,719,660	-	9,261
Landfill	(2,543,279)	-	(2,916,087)	-	372,808
Parking	8,738,521	6,931,674	9,262,361	7,012,596	(523,840)
Building	2,069,550	-	2,822,529	-	(752,979)
Total	\$ 72,974,448	\$ 50,485,294	\$ 73,884,687	\$ 46,341,369	\$ (910,239)

Water Fund

City of Burlingame					
Historical Water Fund Net Position (excluding net investment in capital assets)					
	FY11	FY12	FY13	FY14	FY15
Net Position, excluding net investment in capital assets:	\$ 12,087,115	\$ 11,318,437	\$ 9,993,644	\$ 11,592,353	\$ 8,919,135
Dollar Change:	(1,231,472)	(768,678)	(1,324,793)	1,598,709	(2,673,218)
Percentage Change:	-9.25%	-6.36%	-11.70%	16.00%	-23.06%

The Water Fund continues to maintain a stable financial position as in the prior year. Despite lower sales volumes due to calls for conservation as a result of drought conditions, the ending net position of the fund including net investment in capital assets increased \$2.0 million (11.8%). Unrestricted net position (which excludes net investment in capital assets) totaled \$8.9 million, a decrease of \$0.3 million from prior year.

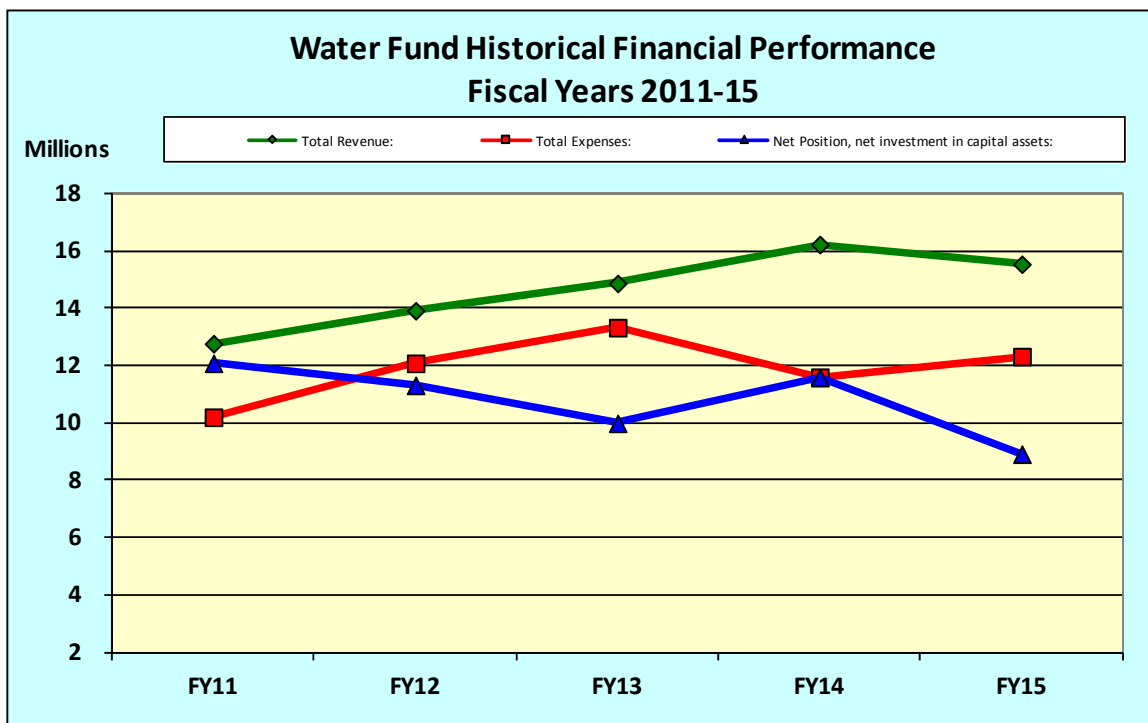
City of Burlingame					
Historical Water Fund Revenues					
	FY11	FY12	FY13	FY14	FY15
Operating Revenue:	\$ 12,734,554	\$ 13,708,448	\$ 14,874,705	\$ 16,023,092	\$ 15,425,237
Nonoperating Revenue:	37,815	213,379	-	209,231	119,103
Total Revenue:	12,772,369	13,921,827	14,874,705	16,232,323	15,544,340
Dollar Change:	1,237,083	1,149,458	952,878	1,357,618	(687,983)
Percentage Change:	10.72%	9.00%	6.84%	9.13%	-4.24%

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Water Fund (Continued)

Water revenues decreased in fiscal year 2014-15 by \$688 thousand, a 4.2% decrease, largely reflective of the decreased sales volumes (approximately 23% - nearly 248 million gallons less than in the prior fiscal year). The decrease volume was offset in part by a 7.8% rate increase that went into effect on January 1, 2015, for all customer classes.

City of Burlingame Historical Water Fund Expenses					
	FY11	FY12	FY13	FY14	FY15
Operating Expenses:	\$ 9,569,097	\$ 11,082,981	\$ 12,127,012	\$ 10,844,723	\$ 11,470,958
Nonoperating Expenses:	637,197	1,003,988	1,204,976	759,558	853,285
Total Expenses:	10,206,294	12,086,969	13,331,988	11,604,281	12,324,243
Dollar Change:	836,239	1,880,675	1,245,019	(1,727,707)	719,962
Percentage Change:	8.92%	18.43%	10.30%	-12.96%	6.20%



**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sewer Fund

The Sewer Fund continues to maintain a stable financial as in the prior year. The fund's overall net position (including capital assets) grew by 9.2% from \$38.5 million to nearly \$42.1 million. Net investment in capital assets increased nearly \$2.6 million as associated debt payable decreased by \$1.5 million, and assets were placed in service from construction in progress (\$4.6 million). The largest portion of net position (\$33.6 million) relates to net investment in capital assets, representing 79.8% of total net position. An unrestricted net position of \$8.1 million reflects an increase of \$1.6 million from the prior year, a reflection of the positive results of operations for the year. Approximately 29% 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 Ending Net Position (excluding net investment in capital assets)					
	FY11	FY12	FY13	FY14	FY15
Net Position, excluding net investment in capital assets:	\$ 4,534,544	\$ 6,858,775	\$ 8,110,977	\$ 10,075,098	\$ 8,507,980
Dollar Change:	(346,630)	2,324,231	1,252,202	1,964,121	(1,567,118)
Percentage Change:	-7.10%	51.26%	18.26%	24.22%	-15.55%

As sewer charges are based largely on water consumption, sewer service revenue decreased by \$1.3 million or 7.6%. Unlike water utility service, there was no annual rate increase for sewer service imposed in calendar years 2013 through 2015.

City of Burlingame Historical Sewer Fund Revenues					
	FY11	FY12	FY13	FY14	FY15
Total Revenue:	\$ 14,566,587	\$ 16,157,287	\$ 16,791,449	\$ 17,088,958	\$ 15,786,250
Dollar Change:	2,028,080	1,590,700	634,162	297,509	(1,302,708)
Percentage Change:	16.17%	10.92%	3.92%	1.77%	-7.62%

Total expenses of the Sewer Fund increased \$770 thousand from the prior fiscal year, due largely to increased maintenance activities performed throughout the year.

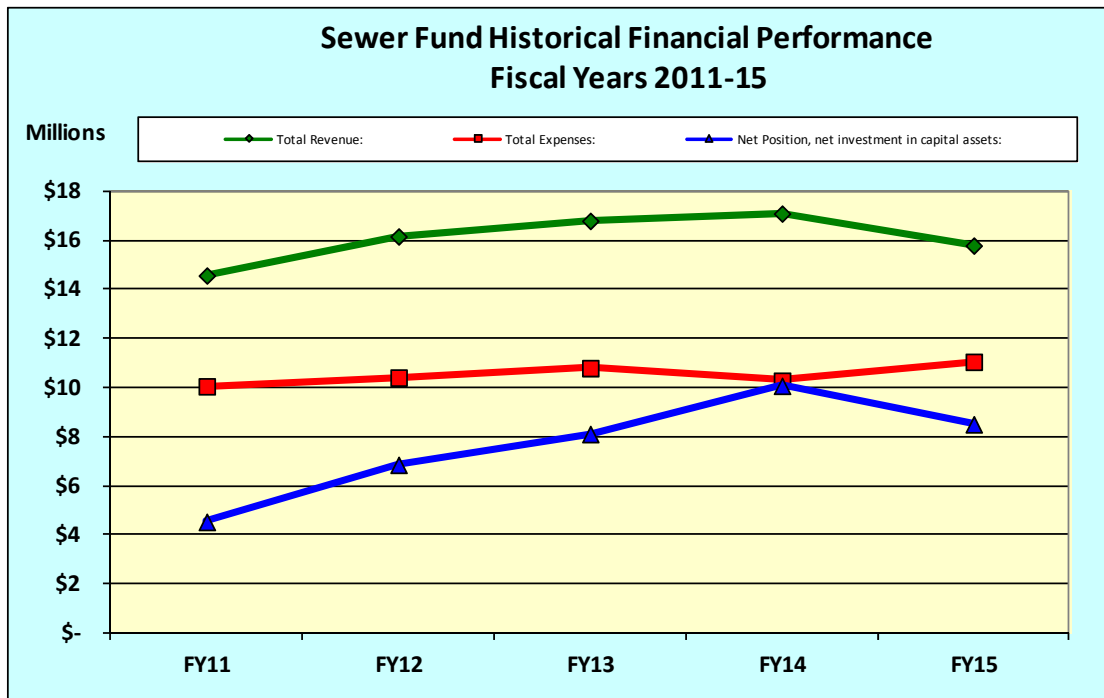
City of Burlingame Historical Sewer Fund Expenses					
	FY11	FY12	FY13	FY14	FY15
Operating Expenses:	\$ 9,508,659	\$ 9,685,877	\$ 9,553,446	\$ 9,332,235	\$ 10,143,891
Nonoperating Expenses:	545,437	724,754	1,242,816	951,292	910,172
Total Expenses:	10,054,096	10,410,631	10,796,262	10,283,527	11,054,063
Dollar Change:	(112,340)	356,535	385,631	(512,735)	770,536
Percentage Change:	-1.11%	3.55%	3.70%	-4.75%	7.49%

As with the Water Fund, the Sewer Fund will also finance future capital improvements on a *pay-as-you-go* basis. The sewer rate structure includes an annual set-aside of \$4.7 million for a capital

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sewer Fund (Continued)

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. The fund’s overall ending net position, including capital assets, increased by 10.9% or \$861 thousand over the prior year ending net position of \$7.9 million. Because much of the fund (\$6.9 million) is invested in capital assets, the increase is reported in unrestricted net position, and largely reflected in higher cash balances.

Revenue in the Parking Fund increased by \$91 thousand (3.6%), due primarily to an increase in parking activity. Largely concentrated in the City’s retail centers, the increase is reflective of continued economic growth as well as the completion of the Burlingame Avenue Streetscape Project.

City of Burlingame Historical Parking Fund Revenues					
	FY11	FY12	FY13	FY14	FY15
Total Revenue:	\$ 1,801,535	\$ 1,950,260	\$ 2,427,521	\$ 2,511,056	\$ 2,601,591
Dollar Change:	156,308	148,725	477,261	83,535	90,535
Percentage Change:	9.50%	8.26%	24.47%	3.44%	3.61%

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Parking Fund (Continued)

City of Burlingame Historical Parking Fund Expenses					
	FY11	FY12	FY13	FY14	FY15
Total Expenses:	\$ 1,453,636	\$ 1,435,069	\$ 1,350,574	\$ 1,182,827	\$ 1,295,741
Dollar Change:	155,577	(18,567)	(84,495)	(167,747)	112,914
Percentage Change:	11.99%	-1.28%	-5.89%	-12.42%	9.55%

Parking expenses increased by 9.5% due to increased due to higher employee benefit costs, which now include contributions to the retiree health liability.

Waste Management and Landfill Funds

The City is a member of the South Bayside Waste Management Authority (SBWMA), a joint powers authority that contracts with external vendors for solid waste collection and disposal as well as collection of inert recyclable materials, yard waste and other organic materials. The Waste Management Fund accounts for certain other services that are provided or paid for directly by the City. The costs of these services, which include the cleaning of sidewalks, parking lots and garbage cans/liners, door-to-door hazardous waste pickup and street sweeping, are built into garbage collection rates for both residential and commercial customers. Operating revenues of the fund totaled \$943 thousand.

In addition, a surcharge on garbage collection rates fund the costs associated with the long-term monitoring requirements of the former city landfill. In fiscal year 2013-14, landfill operations were separated out from other waste management activities and are now accounted for in a separate fund. The Landfill Fund reports a deficit position of \$2.5 million due to the status of the City's obligation to mediate closure and post-closure activities relating to the City's old landfill. On an annual basis, the City reports to CalRecycle (Department of Resources Recycling and Recovery) the estimated costs of post-closure and corrective action as adjusted for inflation and current year expenditures pertaining to mediation. The landfill closure and post closure liability decreased only slightly (\$52 thousand) during the fiscal year, and the ending net position was improved by \$378 thousand.

General Fund Budgetary Highlights

Detailed information on variances can be found in the Budgetary Comparison Schedule – General Fund, Note 6 in the Required Supplementary Information section of this report.

The adopted fiscal year 2014-15 General Fund budget assumed fairly robust gains in operating revenue, based on economic recovery evidenced in the prior two years. Revenue growth of 9.4% was forecast over the revenues anticipated in the prior year's adopted budget. Final collections totaled \$61.9 million, an increase of nearly 11.3% over prior year actuals.

Several key revenue budgets were adjusted upward at mid-year to reflect improvements in General Fund receipts. Still, overall revenues exceeded the year's adjusted budget by \$2 million (3.3%).

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

General Fund Budgetary Highlights (Continued)

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

- Transient occupancy tax revenue performed nearly \$1.2 million better than budget, with an 11% growth over prior year results.
- Property tax revenues for the year increased over \$1.2 million (7.6%) over the prior year results, in line with the budget as adjusted at midyear.
- Sales and use tax revenue ended the year at \$11.1 million, also performing slightly better than budget, with an 8.9% growth over prior year results.

City of Burlingame Historical General Fund Revenues						
	FY11	FY12	FY13	FY14	FY15	
Total Revenue	\$ 43,266,203	\$ 46,313,538	\$ 51,287,003	\$ 55,627,628	\$ 61,909,081	
Dollar Change	6,540,468	3,047,335	4,973,465	4,340,625	6,281,453	
Percentage Change	17.81%	7.04%	10.74%	8.46%	11.29%	

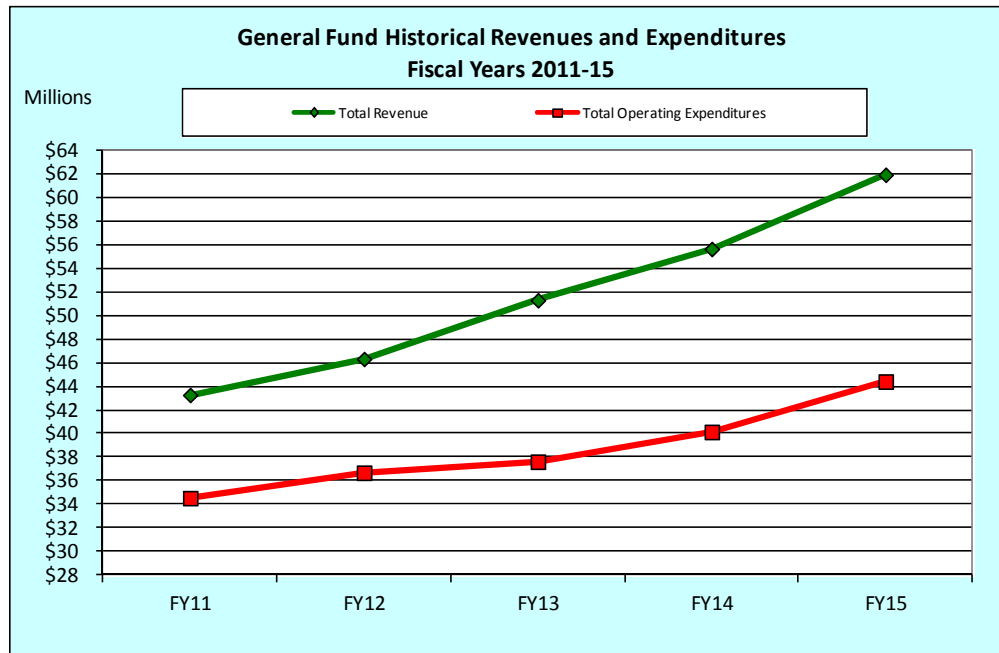
General Fund revenues are expected to continue an upward trend over the next fiscal year as the economy continues to improve, especially through growth in the travel and tourism industry, and increased consumer confidence.

City of Burlingame Historical General Fund Expenditures						
	FY11	FY12	FY13	FY14	FY15	
Total Operating Expenditures	\$ 34,533,995	\$ 36,683,828	\$ 37,613,343	\$ 40,139,163	\$ 44,405,064	
Dollar Change	(1,283,182)	2,149,833	929,515	2,525,820	4,265,901	
Percentage Change	-3.58%	6.23%	2.53%	6.72%	10.63%	

The fiscal year 2014-15 adopted General Fund budget assumed operating expenditures of \$47.9 million, a growth of 12.6% from the prior year budget. The increase was largely due to the inclusion of the full cost of retiree medical benefits in the departmental budgets. During the fiscal year, the City did not have any significant mid-year budget adjustments; budgets were closely monitored City wide, as reflected in positive budget variances in all departments. Total budgetary savings for the fund were approximately \$3.5 million (7.3%).

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

General Fund Budgetary Highlights (Continued)



Capital Assets and Debt Administration

Capital Assets

Improvements that lengthen an asset’s useful life are not capitalized unless the improvements increase its service potential. Furthermore, maintenance costs are expensed in the period incurred. The City maintains an inventory of roads and parking lots and performs periodic assessments to establish the condition levels.

The City uses the modified approach for roads and parking lots as alternative to depreciation. Additional information can be found in the CAFR’s Required Supplementary Information, Note 5 - 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 \$212.4 million on June 30, 2015, net of depreciation. Capital assets increased by 2.5% 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.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Capital Assets (Continued)

Capital Assets, Net of Accumulated Depreciation									
June 30, 2015									
(Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2014	2015	% Change	2014	2015	% Change	2014	2015	% Change
Land and other assets not being depreciated	\$ 40.82	\$ 40.33	-1.2%	\$ 7.30	\$ 6.93	-5.1%	\$ 48.12	\$ 47.26	-1.8%
Facilities, infrastructure, and equipment	66.00	70.16	6.3%	93.16	95.02	2.0%	\$ 159.16	\$ 165.18	3.8%
Total:	\$ 106.82	\$ 110.49	3.4%	\$ 100.46	\$ 101.95	1.5%	\$ 207.28	\$ 212.44	2.5%

All depreciable capital assets were depreciated from their acquisition date to the end of the current fiscal year for the government-wide financial statement presentation. Governmental fund financial statements record capital asset purchases as expenditures during the year. Ongoing projects are accounted for as "construction in progress." Additional information about Capital Assets can be found in the Notes to the Basic Financial Statements under Note 4 – Capital Assets.

Long-Term Obligations

Due to implementation of the (GASB) Governmental Accounting Standards Board's new pension reporting rules, encapsulated in GASB Statements No. 68 and No. 71, the City's Statement of Net Position reflects unfunded pension liabilities. The GASB standards now require the City to compute its unfunded liabilities by ascertaining "net pension liability" or the difference between a plan's total pension liability and the assets available to pay for such liability at a specific time. In implementing this standard and reporting a net pension liability for the first time, a restatement of prior year's net position was required. As of June 30, 2015, the net pension liability for the City was computed to be \$41.8 million.

Outstanding Long-Term Obligations									
June 30, 2015									
(Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2014	2015	% Change	2014	2015	% Change	2014	2015	% Change
Bonds Due in More than One Year	\$ 54.93	\$ 50.01	-9.0%	\$ 52.35	\$ 49.55	-5.4%	\$ 107.28	\$ 99.56	-7.2%
Bonds Due Within One Year	4.87	4.73	-2.9%	2.46	2.55	3.8%	7.33	7.28	-0.8%
Claims and Litigation	7.90	7.02	-11.1%	-	-	0.0%	7.90	7.02	-11.1%
Landfill Closure	-	-	0.0%	3.13	3.08	-1.7%	3.13	3.08	-1.7%
OPEB Obligation	13.27	13.01	-2.0%	3.00	2.95	-1.7%	16.27	15.96	-1.9%
Compensated Absences	1.31	1.36	4.2%	0.29	0.28	-3.0%	1.60	1.64	2.2%
Net Pension Liability ⁽¹⁾	-	34.56	100.0%	-	7.21	100.0%	-	41.77	100.0%
Total:	\$ 82.28	\$ 110.69	34.5%	\$ 61.23	\$ 65.62	7.2%	\$ 143.51	\$ 176.31	22.9%

⁽¹⁾ During fiscal year 2014-15, the City implemented GASB Statements No. 68 and No. 71, which require the recording of net pension liability and pension related deferred inflows and outflows of resources on the financial statements.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Long-Term Obligations (Continued)

As of June 30, 2015, the City had total long-term debt obligations of \$176.3 million, an increase of \$32.8 million from the prior year. The increase was due to the posting of a net pension liability of \$41.8 million. Most other long-term obligations decreased in the fiscal year. Nearly 80% of all long-term obligations relate to long-term debt; approximately half of this is due to loans and revenue bonds previously issued to support various capital projects overseen by the Water and Sewer enterprises. 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, including the annual costs of monitoring and maintaining the former landfill, as the costs are incurred. Funding for this liability is currently provided through a portion of solid waste rates charged to City ratepayers. Although the liability for landfill post-closure care costs increased slightly due to change in anticipated future costs, revenues to the fund were sufficient to offset this increase and provide a slight positive change of net position in fiscal year 2014-15.

Debt Administration

The City has an AA+ underlying general obligation credit rating, an AA+ rating for its water and wastewater debt, and an A+ rating for the storm drain debt as issued by Standard & Poor's Rating Service. The AA+ general obligation credit rating was last re-affirmed in March 2014. In fiscal year 2014-15, the City had fourteen outstanding bonds or loans, including a taxable bond issue for pension obligations, two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant, one capital lease, a loan from the California Energy Commission, and a storm drain revenue bond issued under the Internal Revenue Service's Build America Bond program. The City annually evaluates each outstanding debt obligation that is subject to arbitrage rebate requirements and determined that there was no arbitrage rebate liability as of June 30, 2015.

Burlingame Financing Authority Debt					
	FY11	FY12	FY13	FY14	FY15
Governmental Activities Debt:	\$ 49,690,340	\$ 46,982,203	\$ 64,529,755	\$ 59,799,589	\$ 54,736,489
Business-Type Activities Debt:	60,723,806	58,863,327	57,622,844	54,811,570	52,101,893
Total	<u>\$ 110,414,146</u>	<u>\$ 105,845,530</u>	<u>\$ 122,152,599</u>	<u>\$ 114,611,159</u>	<u>\$ 106,838,382</u>

Because the pension obligation bonds constitute debt to be repaid with general government resources, they are considered to be a form of general obligation debt. As of June 30, 2015, the City's general obligation debt was comprised of only these outstanding bonds, totaling \$17.7 million. The debt limit was calculated to be \$299.0 million, based on total assessed valuation, in accordance with California Government Code Section 43605.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Debt Administration (Continued)

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

Economic Factors and Next Year's Budget and Rates

The following factors were taken into consideration in preparing the fiscal year 2015-16 budget:

Revenue Projections: The City prepared a five-year forecast of revenues and expenditures for the General Fund. The adopted budget for 2015-16 assumed growth of approximately 10.1% in total General Fund revenue before transfers compared to the prior year adopted budget, largely due to positive changes in the economy evident in the 2014-15 fiscal (prior) year to date.

Expenditures: General Fund operating expenditures are expected to grow approximately 3.9%. 2015-16 departmental budgets of \$49.4 million provides for increases in pension costs, health care premiums for active employees, and slight increases in capital outlay. Overall appropriations including transfers (\$59.9 million) reflect a 9.1% increase from the 2014-15 adopted budget, as the City Council also set aside \$3 million to fuel the City's new Renewal & Replacement Reserve in the Capital Projects Fund.

General Fund Capital Improvements: The City Council earmarked \$4.0 million for capital improvements in the Five Year CIP Plan.

Water and Sewer Rate Adjustments: Water and sewer rate adjustments, usually implemented early in the calendar year, are awaiting the completion of rate studies for these utilities. The draught has had significant impact on both water and sewer operations, and increases in the cost of wholesale water would indicate that future rate increases are to be expected to increase. Note that a progressively tiered rate structure is in place for most single-family residential customers. The tiered structure allows for increased volumetric charges for higher water units consumed. Sewer charges are largely based on water consumption.

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. No solid waste rate adjustment is proposed for calendar year 2016.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 81,856,034	\$ 32,678,804	\$ 114,534,838
Receivables (net of uncollectible amounts of \$0 for business-type activities):			
Due from consumers and customer accounts	207,907	4,558,104	4,766,011
Due from other governments	1,631,822	436,584	2,068,406
Other receivables	5,834,288	1,456,983	7,291,271
Inventory	69,297	-	69,297
Prepaid items and deposits	598,971	-	598,971
Cash and investments, restricted	8,122,388	451,212	8,573,600
Internal balance	11,280	(11,280)	-
Capital assets:			
Land and other assets not being depreciated	40,323,499	6,932,984	47,256,483
Facilities, infrastructure, and equipment, net of depreciation	70,162,764	95,018,413	165,181,177
Total assets	208,818,250	141,521,804	350,340,054
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount of bond refunding	-	635,790	635,790
Deferred outflows related to pension	3,442,216	714,028	4,156,244
Total deferred outflows of resources	3,442,216	1,349,818	4,792,034
LIABILITIES			
Accounts payable	3,942,528	823,488	4,766,016
Retentions payable	891,965	-	891,965
Accrued payroll	1,629,614	-	1,629,614
Accrued interest	582,794	695,956	1,278,750
Deposits	772,381	821,368	1,593,749
Unearned revenue	40,625	39,571	80,196
Claims and litigation:			
Due in one year	1,639,000	-	1,639,000
Due in more than one year	5,376,000	-	5,376,000
Compensated absences:			
Due in one year	180,372	44,703	225,075
Due in more than one year	1,184,114	239,085	1,423,199
Landfill closure and post-closure costs:			
Due in one year	-	202,394	202,394
Due in more than one year	-	2,880,533	2,880,533
Net OPEB obligation:			
Due in more than one year	13,008,608	2,945,702	15,954,310
Long-term debt:			
Due in one year	4,725,074	2,552,463	7,277,537
Due in more than one year	50,011,415	49,549,430	99,560,845
Net pension liability	34,555,652	7,206,740	41,762,392
Total liabilities	118,540,142	68,001,433	186,541,575
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources related to pension	9,691,377	1,895,741	11,587,118
NET POSITION			
Net investment in capital assets	74,345,477	50,485,294	124,830,771
Restricted for:			
Restricted cash held with trustee	3,955,447	451,212	4,406,659
Capital projects	28,520,952	-	28,520,952
Burlingame Avenue Special Assessment District	380,509	-	380,509
Public safety and traffic	48,232	-	48,232
Street and sidewalk repair and maintenance	3,541,295	-	3,541,295
Total restricted net assets	36,446,435	451,212	36,897,647
Unrestricted	(26,762,965)	22,037,942	(4,725,023)
Total net position	\$ 84,028,947	\$ 72,974,448	\$ 157,003,395

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 4,230,626	\$ 115,523	\$ 12,165	\$ -	\$ 127,688
Public safety	23,005,178	1,066,158	700,597	-	1,766,755
Public works	8,267,165	3,870,225	130,156	251,383	4,251,764
Community development	1,145,423	657,223	69,413	-	726,636
Parks, recreation, and library	15,832,106	3,372,208	152,503	488,765	4,013,476
Shuttle operations	134,579	-	62,000	-	62,000
Financing and other activities	2,421,899	-	-	-	-
Total governmental activities	55,036,976	9,081,337	1,126,834	740,148	10,948,319
Business-type activities:					
Water	11,470,958	15,425,237	-	-	15,425,237
Sewer	10,143,891	15,679,345	-	-	15,679,345
Waste management	480,844	943,210	-	-	943,210
Landfill	67,200	444,949	-	-	444,949
Parking	1,295,741	2,572,870	-	-	2,572,870
Building	1,367,695	1,979,866	-	-	1,979,866
Total business-type activities	24,826,329	37,045,477	-	-	37,045,477
Total government-wide	\$ 79,863,305	\$ 46,126,814	\$ 1,126,834	\$ 740,148	\$ 47,993,796

General revenues

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Other taxes

Other general revenue

Total general revenues

Investment income (expense)

Transfers

Total general revenues and transfers

Change in net position

Net position beginning, as restated

Net position ending

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (4,102,938)	\$ -	\$ (4,102,938)
(21,238,423)	-	(21,238,423)
(4,015,401)	-	(4,015,401)
(418,787)	-	(418,787)
(11,818,630)	-	(11,818,630)
(72,579)	-	(72,579)
(2,421,899)	-	(2,421,899)
<u>(44,088,657)</u>	<u>-</u>	<u>(44,088,657)</u>
	3,954,279	3,954,279
	5,535,454	5,535,454
-	462,366	462,366
	377,749	377,749
-	1,277,129	1,277,129
-	612,171	612,171
<u>-</u>	<u>12,219,148</u>	<u>12,219,148</u>
<u>(44,088,657)</u>	<u>12,219,148</u>	<u>(31,869,509)</u>
16,677,381	-	16,677,381
11,100,900	-	11,100,900
23,698,396	-	23,698,396
4,696,561	-	4,696,561
1,254,463	-	1,254,463
57,427,701	-	57,427,701
480,859	(1,451,348)	(970,489)
3,127,203	(3,127,203)	-
61,035,763	(4,578,551)	56,457,212
16,947,106	7,640,597	24,587,703
67,081,841	65,333,851	132,415,692
<u>\$ 84,028,947</u>	<u>\$ 72,974,448</u>	<u>\$ 157,003,395</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 **Storm Drainage Fund** – This fund is to account for the storm drainage fees collected due to an assessment approved by the majority of the parcel owners in the City voting at a special election on May 5, 2009.

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

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

**CITY OF BURLINGAME, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Cash and investments	\$ 26,959,258	\$ 6,608,693	\$ 708,528	\$ 25,538,138	\$ 5,504,137	\$ 65,318,754
Receivables (net of allowance for collectibles of \$0)	5,829,015	125,803	-	954,039	695,551	7,604,408
Due from other fund	42,688	-	11,280	9,176,430	-	9,230,398
Prepaid expenditures	223,936	-	375,035	-	-	598,971
Cash and investments, restricted	-	-	7,393,493	697,867	-	8,091,360
Total assets	33,054,897	6,734,496	8,488,336	36,366,474	6,199,688	90,843,891
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 33,054,897	\$ 6,734,496	\$ 8,488,336	\$ 36,366,474	\$ 6,199,688	\$ 90,843,891
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 948,721	\$ -	\$ -	\$ 2,377,909	\$ 91,853	\$ 3,418,483
Due to other funds	-	4,154,776	4,532,889	-	531,453	9,219,118
Retentions payable	-	-	-	891,965	-	891,965
Accrued payroll	1,629,614	-	-	-	-	1,629,614
Deposits	772,381	-	-	-	-	772,381
Advanced from other funds	201,990	-	-	-	-	201,990
Unearned revenue	40,625	-	-	-	-	40,625
Total liabilities	3,593,331	4,154,776	4,532,889	3,269,874	623,306	16,174,176
Deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Nonspendable	223,936	-	375,035	-	-	598,971
Restricted	-	2,579,720	3,580,412	-	4,690,916	10,851,048
Committed	-	-	-	25,220,352	-	25,220,352
Assigned	18,772,578	-	-	7,876,248	885,466	27,534,292
Unassigned	10,465,052	-	-	-	-	10,465,052
Total fund balances	29,461,566	2,579,720	3,955,447	33,096,600	5,576,382	74,669,715
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,054,897	\$ 6,734,496	\$ 8,488,336	\$ 36,366,474	\$ 6,199,688	\$ 90,843,891

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, 2015**

Fund balance – total governmental funds \$ 74,669,715

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. 108,830,036

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	(1,291,486)
Long-term debt	(54,736,489)
Net other post-employment benefits obligation	(13,008,608)
Net pension liability	(33,318,441)

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (582,794)

ALLOCATION OF INTERNAL SERVICES FUND NET POSITION

DEFERRED INFLOWS OF RESOURCES AND OUTFLOWS OF RESOURCES

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

Deferred outflows of resources	3,319,636
Deferred inflows of resources	(9,365,927)

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 statement of net position.

9,513,305

Net position of governmental activities \$ 84,028,947

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 16,677,381	\$ -	\$ -	\$ -	\$ -	\$ 16,677,381
Sales and use taxes	11,100,900	-	-	-	-	11,100,900
Transient occupancy taxes	23,698,396	-	-	-	-	23,698,396
Other taxes	3,048,314	-	-	-	-	3,048,314
Charges for services - fees	4,481,618	2,720,116	-	414,475	460,130	8,076,339
Charges for services - licenses and permits	83,840	-	-	-	-	83,840
Fines, forfeitures, and penalties	837,704	-	-	-	83,454	921,158
Investment income	260,740	67,824	6,659	-	38,430	373,653
Intergovernmental taxes	-	-	-	-	1,648,247	1,648,247
Grant revenue	465,725	-	-	328,011	1,073,246	1,866,982
Other revenue	1,254,463	-	-	-	-	1,254,463
Total revenues	61,909,081	2,787,940	6,659	742,486	3,303,507	68,749,673
EXPENDITURES:						
Current:						
General government	4,121,895	-	28,690	245,073	38,739	4,434,397
Public safety	22,773,494	-	-	84,828	372,198	23,230,520
Public works	4,769,873	-	-	3,490,606	50,673	8,311,152
Community development	1,244,199	-	-	-	-	1,244,199
Parks, recreation, and library	11,495,603	-	-	3,497,513	152,356	15,145,472
Shuttle bus operations	-	-	-	-	134,578	134,578
Capital outlay	-	-	-	6,594,044	-	6,594,044
Debt service:						
Principal	-	-	4,964,284	-	-	4,964,284
Interest	-	-	2,547,939	-	-	2,547,939
Total expenditures	44,405,064	-	7,540,913	13,912,064	748,544	66,606,585
REVENUES OVER (UNDER) EXPENDITURES	17,504,017	2,787,940	(7,534,254)	(13,169,578)	2,554,963	2,143,088
OTHER FINANCING SOURCES (USES):						
Transfers in	3,386,759	-	7,694,228	22,108,576	504,360	33,693,923
Transfer out	(14,314,633)	(1,780,080)	(4,532,889)	(7,704,998)	(2,234,120)	(30,566,720)
Total other financing sources (uses)	(10,927,874)	(1,780,080)	3,161,339	14,403,578	(1,729,760)	3,127,203
Net change in fund balances	6,576,143	1,007,860	(4,372,915)	1,234,000	825,203	5,270,291
FUND BALANCES:						
Beginning of year	22,885,423	1,571,860	8,328,362	31,862,600	4,751,179	69,399,424
End of year	<u>\$ 29,461,566</u>	<u>\$ 2,579,720</u>	<u>\$ 3,955,447</u>	<u>\$ 33,096,600</u>	<u>\$ 5,576,382</u>	<u>\$ 74,669,715</u>

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, 2015**

Net change in fund balances – total governmental funds	\$ 5,270,291
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.	6,594,044
Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance.	
	(2,750,767)
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.	
Accrued interest calculated on bonds payable	27,224
Amortization of bond premium	98,817
Pension Expense - GASB 68	378,230
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	4,964,284
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.	(47,368)
Net other post-employment benefits obligation expense	251,329
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	<u>2,161,022</u>
Change in net position of governmental activities	<u>\$ 16,947,106</u>

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

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

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

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments	\$ 11,807,567	\$ 9,125,762	\$ 2,929,876
Receivables (net of uncollectible amounts of \$0):			
Due from consumers	2,023,103	2,535,001	-
Due from other governments	-	436,584	-
Other receivables	52,168	43,821	1,298,555
Advances to other funds	-	-	-
Inventory	-	-	-
Total current assets	<u>13,882,838</u>	<u>12,141,168</u>	<u>4,228,431</u>
Noncurrent assets:			
Cash and investments, restricted	3,228	447,984	-
Capital assets:			
Land and other assets not being depreciated	287,100	894,036	-
Facilities, infrastructure, and equipment, net of depreciation	32,666,440	61,172,147	-
Total noncurrent assets	<u>32,956,768</u>	<u>62,514,167</u>	<u>-</u>
Total assets	<u>46,839,606</u>	<u>74,655,335</u>	<u>4,228,431</u>
Deferred outflows of resources:			
Deferred amount on bond refunding	421,656	214,134	-
Deferred outflows related to pension	252,175	212,068	34,524
Total deferred outflows of resources	<u>673,831</u>	<u>426,202</u>	<u>34,524</u>
Total assets and deferred outflows of resources	<u>\$ 47,513,437</u>	<u>\$ 75,081,537</u>	<u>\$ 4,262,955</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 596,340	\$ 83,058	\$ 407
Due to other funds	5,640	5,640	-
Accrued interest	229,550	466,406	-
Deposits	9,900	-	-
Unearned revenue	39,571	-	-
Claims and litigation due in one year	-	-	-
Bonds and loans payable due in one year	1,051,694	1,500,769	-
Compensated absences due in one year	19,396	13,998	346
Landfill closure and post-closure liability	-	-	-
Total current liabilities	<u>1,952,091</u>	<u>2,069,871</u>	<u>753</u>
Noncurrent liabilities:			
Bonds payable	22,321,062	27,228,368	-
Landfill closure and post-closure liability	-	-	-
Other post-employment benefits obligation payable	1,002,439	949,635	89,435
Claims and litigation	-	-	-
Compensated absences	101,523	71,038	3,733
Net pension liability	2,545,223	2,140,424	348,452
Total noncurrent liabilities	<u>25,970,247</u>	<u>30,389,465</u>	<u>441,620</u>
Total liabilities	<u>27,922,338</u>	<u>32,459,336</u>	<u>442,373</u>
Deferred inflows of resources	<u>669,524</u>	<u>563,041</u>	<u>91,661</u>
Total liabilities and deferred inflows of resources	<u>28,591,862</u>	<u>33,022,377</u>	<u>534,034</u>
NET POSITION			
Net investment in capital assets	10,002,440	33,551,180	-
Restricted amounts held with trustee	3,228	447,984	-
Unrestricted	8,915,907	8,059,996	3,728,921
Total net position	<u>\$ 18,921,575</u>	<u>\$ 42,059,160</u>	<u>\$ 3,728,921</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
JUNE 30, 2015

Enterprise Funds				Governmental Activities - Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total	
\$ 517,877	\$ 3,692,459	\$ 4,605,263	\$ 32,678,804	\$ 16,537,280
-	-	-	4,558,104	187
-	-	-	436,584	25,425
36,359	12,583	13,497	1,456,983	43,997
-	-	-	-	201,990
-	-	-	-	69,297
<u>554,236</u>	<u>3,705,042</u>	<u>4,618,760</u>	<u>39,130,475</u>	<u>16,878,176</u>
-	-	-	451,212	31,028
-	5,751,848	-	6,932,984	-
-	1,179,826	-	95,018,413	1,656,227
	<u>6,931,674</u>	<u>-</u>	<u>102,402,609</u>	<u>1,687,255</u>
<u>554,236</u>	<u>10,636,716</u>	<u>4,618,760</u>	<u>141,533,084</u>	<u>18,565,431</u>
-	-	-	635,790	-
413	115,605	99,243	714,028	122,580
413	115,605	99,243	1,349,818	122,580
<u>\$ 554,649</u>	<u>\$ 10,752,321</u>	<u>\$ 4,718,003</u>	<u>\$ 142,882,902</u>	<u>\$ 18,688,011</u>
\$ 9,772	\$ 8,065	\$ 125,846	\$ 823,488	\$ 524,045
-	-	-	11,280	-
-	-	-	695,956	-
-	-	811,468	821,368	-
-	-	-	39,571	-
-	-	-	-	1,639,000
-	-	-	2,552,463	-
-	8,455	2,508	44,703	2,462
202,394	-	-	202,394	-
<u>212,166</u>	<u>16,520</u>	<u>939,822</u>	<u>5,191,223</u>	<u>2,165,507</u>
-	-	-	49,549,430	-
2,880,533	-	-	2,880,533	-
(30)	496,215	408,008	2,945,702	-
-	-	-	-	5,376,000
-	27,323	35,468	239,085	70,538
4,164	1,166,811	1,001,666	7,206,740	1,237,211
<u>2,884,667</u>	<u>1,690,349</u>	<u>1,445,142</u>	<u>62,821,490</u>	<u>6,683,749</u>
<u>3,096,833</u>	<u>1,706,869</u>	<u>2,384,964</u>	<u>68,012,713</u>	<u>8,849,256</u>
<u>1,095</u>	<u>306,931</u>	<u>263,489</u>	<u>1,895,741</u>	<u>325,450</u>
<u>3,097,928</u>	<u>2,013,800</u>	<u>2,648,453</u>	<u>69,908,454</u>	<u>9,174,706</u>
-	6,931,674	-	50,485,294	1,656,227
-	-	-	451,212	-
<u>(2,543,279)</u>	<u>1,806,847</u>	<u>2,069,550</u>	<u>22,037,942</u>	<u>7,857,078</u>
<u>\$ (2,543,279)</u>	<u>\$ 8,738,521</u>	<u>\$ 2,069,550</u>	<u>\$ 72,974,448</u>	<u>\$ 9,513,305</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, 2015**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
OPERATING REVENUES:			
Water sales	\$ 15,204,649	\$ -	\$ -
Sewer service charges:			
City of Burlingame users	-	14,610,336	-
Other agencies	-	1,069,009	-
Special surcharges	-	-	786,644
Parking fee	-	-	-
Charges for services	206,580	-	-
Other revenue	14,008	-	156,566
Total operating revenues	<u>15,425,237</u>	<u>15,679,345</u>	<u>943,210</u>
OPERATING EXPENSES:			
Salaries and benefits	2,461,786	2,112,956	339,347
Supplies and services	1,130,286	4,614,666	138,824
Water purchase	5,818,386	-	-
Depreciation	1,963,125	3,071,920	-
Insurance claims and expenses	97,375	344,349	2,673
Total operating expenses	<u>11,470,958</u>	<u>10,143,891</u>	<u>480,844</u>
Operating income	<u>3,954,279</u>	<u>5,535,454</u>	<u>462,366</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	119,103	106,905	24,228
Interest expense	(853,285)	(910,172)	-
Net nonoperating revenues (expenses)	<u>(734,182)</u>	<u>(803,267)</u>	<u>24,228</u>
Income before transfers	3,220,097	4,732,187	486,594
Transfers in	2,562,126	4,561,386	67,030
Transfers out	(3,780,975)	(5,750,764)	(130,923)
Net change in net position	2,001,248	3,542,809	422,701
NET POSITION:			
Net position - beginning (deficit), as restated	16,920,327	38,516,351	3,306,220
Net position - end of year (deficit)	<u>\$ 18,921,575</u>	<u>\$ 42,059,160</u>	<u>\$ 3,728,921</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, 2015**

Enterprise Funds				Governmental Activities - Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total	
\$ -	\$ -	\$ -	\$ 15,204,649	\$ -
-	-	-	14,610,336	-
-	-	-	1,069,009	-
444,949	-	-	1,231,593	-
-	2,572,870	-	2,572,870	-
-	-	1,835,564	2,042,144	11,145,963
-	-	144,302	314,876	13,468
<u>444,949</u>	<u>2,572,870</u>	<u>1,979,866</u>	<u>37,045,477</u>	<u>11,159,431</u>
3,136	977,866	836,945	6,732,036	5,966,457
64,064	231,960	525,652	6,705,452	1,620,046
-	-	-	5,818,386	-
-	80,922	-	5,115,967	600,273
-	4,993	5,098	454,488	918,839
<u>67,200</u>	<u>1,295,741</u>	<u>1,367,695</u>	<u>24,826,329</u>	<u>9,105,615</u>
<u>377,749</u>	<u>1,277,129</u>	<u>612,171</u>	<u>12,219,148</u>	<u>2,053,816</u>
-	28,721	33,152	312,109	107,206
-	-	-	(1,763,457)	-
-	<u>28,721</u>	<u>33,152</u>	<u>(1,451,348)</u>	<u>107,206</u>
<u>377,749</u>	<u>1,305,850</u>	<u>645,323</u>	<u>10,767,800</u>	<u>2,161,022</u>
-	-	-	7,190,542	-
-	(445,263)	(209,820)	(10,317,745)	-
<u>377,749</u>	<u>860,587</u>	<u>435,503</u>	<u>7,640,597</u>	<u>2,161,022</u>
<u>(2,921,028)</u>	<u>7,877,934</u>	<u>1,634,047</u>	<u>65,333,851</u>	<u>7,352,283</u>
<u>\$ (2,543,279)</u>	<u>\$ 8,738,521</u>	<u>\$ 2,069,550</u>	<u>\$ 72,974,448</u>	<u>\$ 9,513,305</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, 2015**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from consumers	\$ 15,536,077	\$ 15,469,970	\$ 831,356
Payment to suppliers	(7,506,322)	(5,126,458)	(141,158)
Payment to employees for services	(2,500,099)	(2,152,661)	(351,910)
Payment for interfund services provided	(394,314)	(364,843)	(63,893)
Net cash provided by operating activities	5,135,342	7,826,008	274,395
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	-	-	-
Transfers to/from other funds	(825,508)	(825,508)	-
Net cash provided by (used in) noncapital financing activities	(825,508)	(825,508)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest expense	(862,073)	(934,685)	-
Principal paid on long-term debt	(1,178,007)	(1,531,670)	-
Capital expenditures	(2,475,168)	(4,128,677)	-
Gain (Loss) on disposal of asset	-	-	-
Net cash used in capital and related financing activities	(4,515,248)	(6,595,032)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment and rental income received	119,103	106,905	24,228
Net cash provided by investing activities	119,103	106,905	24,228
Net increase (decrease) in cash and cash equivalents	(86,311)	512,373	298,623
CASH AND CASH EQUIVALENTS:			
Beginning of year	11,897,106	9,061,373	2,631,253
End of year	<u>\$ 11,810,795</u>	<u>\$ 9,573,746</u>	<u>\$ 2,929,876</u>
RECONCILIATION OF OPERATING INCOME TO THE NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 3,954,279	\$ 5,535,454	\$ 462,366
Adjustments to Reconcile Operating Income to net cash provided by operating activities			
Depreciation and amortization	1,963,125	3,071,920	-
Changes in assets and liabilities			
(Increase) Decrease in receivables	107,997	(209,375)	(111,854)
(Increase) Decrease in inventory	-	-	-
(Increase) in Deferred Outflows	(216,669)	(193,943)	(34,524)
Increase (Decrease) in landfill liability	-	-	-
Increase (Decrease) in claims and litigation	-	-	-
Increase (Decrease) in OPEB	(18,502)	(14,759)	(2,672)
Increase (Decrease) in accounts payable	(460,275)	(167,443)	339
Increase (Decrease) in deposits	(2,275)	-	-
Increase in Deferred Inflows	669,524	563,041	91,661
Increase (Decrease) in net pension liability	(474,698)	(399,201)	(64,988)
Increase (Decrease) in compensated absences	2,033	5,157	(2,040)
Increase (Decrease) in unearned revenue	5,117	-	-
Increase (Decrease) in interfund transfers	(394,314)	(364,843)	(63,893)
Total adjustments	1,181,063	2,290,554	(187,971)
Net cash provided by operating activities	\$ 5,135,342	\$ 7,826,008	\$ 274,395
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:			
Cash and investments – current	\$ 11,807,567	\$ 9,125,762	\$ 2,929,876
Cash and investments – restricted	3,228	447,984	-
Cash and cash equivalents on the statement of cash flows	\$ 11,810,795	\$ 9,573,746	\$ 2,929,876

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, 2015

Enterprise Funds				
Landfill Fund	Parking Fund	Building Fund	Total	Governmental Activities - Internal Services
\$ 445,021 (115,387) (3,261) -	\$ 2,563,744 (240,970) (1,018,092) (167,219)	\$ 2,125,629 (474,120) (874,185) (209,820)	\$ 36,971,797 (13,604,415) (6,900,208) (1,200,089)	\$ 11,145,802 (2,264,848) (6,869,305) -
<u>326,373</u>	<u>1,137,463</u>	<u>567,504</u>	<u>15,267,085</u>	<u>2,011,649</u>
-	-	-	-	99,498
-	(278,044)	-	(1,929,060)	-
-	(278,044)	-	(1,929,060)	99,498
-	-	-	(1,796,758)	-
-	-	-	(2,709,677)	-
-	-	-	(6,603,845)	(446,990)
-	-	-	-	16,337
-	-	-	(11,110,280)	(430,653)
-	28,721	33,152	312,109	107,206
-	28,721	33,152	312,109	107,206
326,373	888,140	600,656	2,539,854	1,787,700
<u>191,504</u>	<u>2,804,319</u>	<u>4,004,607</u>	<u>30,590,162</u>	<u>14,780,608</u>
<u>\$ 517,877</u>	<u>\$ 3,692,459</u>	<u>\$ 4,605,263</u>	<u>\$ 33,130,016</u>	<u>\$ 16,568,308</u>
\$ 377,749	\$ 1,277,129	\$ 612,171	\$ 12,219,148	\$ 2,053,816
-	80,922	-	5,115,967	600,273
72	(9,126)	(8,771)	(231,057)	(13,628)
-	-	-	-	(7,904)
(413)	(115,605)	(99,243)	(660,397)	(122,580)
(52,057)	-	-	(52,057)	-
-	-	-	-	(880,000)
(30)	(7,591)	(7,077)	(50,631)	-
734	(4,017)	56,630	(574,032)	281,940
-	-	154,534	152,259	-
1,095	306,931	263,489	1,895,741	325,450
(777)	(217,616)	(186,816)	(1,344,096)	(230,746)
-	(6,345)	(7,593)	(8,788)	5,028
-	-	-	5,117	-
-	(167,219)	(209,820)	(1,200,089)	-
<u>(51,376)</u>	<u>(139,666)</u>	<u>(44,667)</u>	<u>3,047,937</u>	<u>(42,167)</u>
<u>\$ 326,373</u>	<u>\$ 1,137,463</u>	<u>\$ 567,504</u>	<u>\$ 15,267,085</u>	<u>\$ 2,011,649</u>
\$ 517,877	\$ 3,692,459	\$ 4,605,263	\$ 32,678,804	\$ 16,537,280
-	-	-	451,212	31,028
<u>\$ 517,877</u>	<u>\$ 3,692,459</u>	<u>\$ 4,605,263</u>	<u>\$ 33,130,016</u>	<u>\$ 16,568,308</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds
ASSETS	
Cash and investments	\$ 223,677
Accounts receivable	791,636
	\$ 1,015,313
LIABILITIES	
Accounts payable	\$ 188,373
Due to other governments	824,373
Deposit	2,567
	\$ 1,015,313

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
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JUNE 30, 2015**

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**CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Definition of the Reporting Entity

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

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

Blended Component Units

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

Burlingame Financing Authority

In November 1995, the City formed an authority known as the Burlingame Financing Authority (Authority). The Authority provides services entirely to the City. The purpose of this Authority is to issue bonds to finance the construction of public capital improvements through the lease of certain land and existing improvements or a pledge of revenue. Facilities 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, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Definition of the Reporting Entity (Continued)

Non-Disclosed Organizations

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

Agency Funds

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

Central County Fire Department

Effective July 1, 2010, City fire employees became employees of Central County Fire Department (CCFD). CCFD is a Joint Powers Authority (JPA) which provides fire, emergency medical, and disaster preparedness services to the City and the Town of Hillsborough. 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 the California Public Employees' Retirement System (CalPERS).

B. Basis of Accounting, Measurement Focus, and Presentation

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

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, 2015

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 unearned 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.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the qualifications for major fund reporting.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements (Continued)

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Financial Statements (Continued)

The Landfill Fund is used to account for the landfill closure costs and post-closure monitoring services. The Landfill Fund was created in 2014 by separating landfill activities from the Waste Management Fund. \$3,088,654 of the Waste Management Fund beginning fund balance was moved to the Landfill Fund in the year it was created.

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

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

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. 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, garbage and recycling collection surcharges, building inspections, parking fees and permits, information technology support, vehicle and facilities maintenance, and risk management activities provided to the various departments in the City. All other revenues are reported as 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 Internal Service Funds are used to account for the servicing of self-insurance, allocation of funding for the retiree medical benefit trust fund, vehicle maintenance and acquisition, facilities maintenance, and information technology maintenance and acquisitions made for City departments or agencies on a cost-reimbursement basis.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Financial Statements

The Fiduciary Funds are used to account for the resources held by the City in a custodial capacity or as an agent for individuals, private organizations, other government units such as the State of California, and/or other funds. The City maintains agency funds for the Library Trustees, the State of California for seismic fees, Hotel and Broadway Business Improvement Districts (BIDs) fees, building standards administration, the elementary and high school districts, Emergency Medical Services for County-wide training, Quality of Work Life Committee and for the Downtown Business Improvement District, and unclaimed property from the police department and City. Fiduciary Fund Financial Statements include a Statement of Net Position and represent the related activity for the City's Agency Funds.

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 special revenue funds where appropriate. Consistent with most governmental entities, the City's budget is based on a modified accrual basis of accounting under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the related liability is incurred.

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

Budget amendments that increase a fund's appropriations require majority approval by the City Council. Certain budgetary re-allocations within departments require approval by the Finance Director and department heads. Budget amendments between departments are approved by the Finance Director and City Manager. A mid-year budget status report and 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 and Storm Drainage Fund. Final budgetary data excludes the amount reserved for encumbrances in order to properly compare these amounts to actual expenditures.

**CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Budgeting (Continued)

Budget Development and Adoption

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds three public meetings to provide guidance on the budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to City staff.

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

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

Expenditures exceeded budgetary appropriations for the year ended June 30, 2015, as follows:

Nonmajor Governmental Funds	
Local Grants Fund	\$ 153,061

The City does not include an estimated revenue assumption in the budget for local grants because these amounts represent one-time revenues. As such, the related expenses are treated as one-time in nature. Therefore, no annual appropriation is assumed.

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 (State) 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, 2015

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) Pooled Investment Fund 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 Statement No. 3)*, certain disclosure requirements, if applicable, for deposits and investment risks such as interest rate risk and custodial credit risk are required to be disclosed in the financial statements.

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Valuation (Continued)

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.

Please refer to Note 2 for additional information about the City's cash and investments.

E. Accounts Receivable

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 of the City to seek collection of delinquent service charges as a special assessment lien.

Please refer to Note 3 for additional information about the City's accounts receivable.

F. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, 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.

Please refer to Notes 7, 8, and 11 for additional information about the City's deferred outflows and inflows of resources.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Please refer to Note 10 for additional information about interfund transfers.

H. Interfund Receivables and Payables (Due to and Due from Other Funds)

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

Please refer to Note 10 for additional information about interfund receivables and payables.

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 activities columns in the government-wide financial statements. The City capitalizes equipment and improvements having an estimated useful life in excess of one year and acquisition cost of at least \$5,000.

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

**CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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

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

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

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

Please refer to Note 4 for additional information about capital assets.

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, 2015, the City does not have intangible assets.

**CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Employee Absences

The City permits its employees to accumulate vacation hours up to a maximum of two years of entitlement. Sick leave had been 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.

At retirement, vacation is compensated at 100% of accumulated hours. 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.

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.

Please refer to Note 6 which includes information about the City's liability for compensated absences for governmental and business-type activities.

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes (Continued)

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

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

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

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

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.

Governmental Fund Financial Statements

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Debt (Continued)

Governmental Fund Financial Statements (Continued)

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

Please refer to Note 5 for additional information about the City's long-term debt.

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.
- 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 party 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 costs relating to the activities of the Landfill 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance – Governmental Fund Statements (Continued)

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.
 - 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 \$10,465,052 as of June 30, 2015.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance – Governmental Fund Statements (Continued)

Committed and Assigned Fund Balance

In January 2015, the City Council adopted a General Fund Reserve Policy by resolution. The policy, based on an analysis of risks specific to the City, establishes targeted levels for an Economic Stability Reserve and a Catastrophic Reserve (24% and 2%-9% of budgeted revenues, respectively), as well as a Contingency Reserve amount of \$500,000. The actual reserve levels are adopted by resolution with each annual budget, or as recommended by the Finance Director based upon an update of the City's fiscal needs or forecasts during the year. As the City Council and management can only use reserves for purposes consistent with the purposes described in the policy, these reserve amounts are reported as assignments of the General Fund's balance.

The aggregate balance of the General Fund's assigned fund balance was \$18,772,578 as of June 30, 2015. 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, 2015, was \$13,300,000.
- The Catastrophic Reserve is available to make repairs and reconstruct City buildings and facilities that may be damaged by natural disasters or acts of war and terrorism. The balance at June 30, 2015, was \$4,500,000.
- 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, 2015, was \$500,000.
- Encumbrances represent amounts set aside for purchase requisitions and related vendors. The balance at June 30, 2015, was \$472,578.

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.
- Unrestricted – This amount consists of 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.

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 estimated liability for claims and contingencies stated in the General Liability and Workers' Compensation Internal Service Funds 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Use of Estimates and Reclassifications (Continued)

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. New GASB Pronouncements Implemented in the Financial Statements

The following GASB Statements have been implemented in the current 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 implemented the provisions of Statement No. 68 in the current year. Refer to Notes 7 and 8 for the expanded pension disclosures for the City's cost-sharing and multi-employer pension plans and Note 13 for detailed discussion of the effects on the City's current and prior period financial statements as a result of the adoption of this standard.
- 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. There was no effect on the City's accounting or financial reporting as a result of implementing this standard.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, was issued in November 2013. This statement addresses an issue related to the application of the transition provision of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The City implemented the provisions of Statement No. 71 along with GASB Statement No. 68.

T. Future GASB Pronouncements

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

- **GASB Statement No. 72 – *Fair Value Measurement and Application***. The statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. The City does not anticipate significant effects of the implementation of GASB Statement No. 72 as of the date of the basic financial statements.
- **GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68***. The provisions of this statement are effective for fiscal years beginning after June 15, 2015. As the City recently implemented GASB Statement No. 68 with no interpretive issues, the City does not anticipate significant effects from the implementation of GASB Statement No. 73 as of the date of the basic financial statements.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Future GASB Pronouncements (Continued)

- **GASB Statement No. 74** – *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. This statement focuses primarily on enhanced note disclosures and schedules of required supplementary information. The City has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.
- **GASB Statement No. 75** – *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. This statement replaces GASB Statement No. 45, implemented by the City in 2009, and focuses primarily on enhanced note disclosures and schedules of required supplementary information. The City has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.
- **GASB Statement No. 76** – *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for fiscal years beginning after June 15, 2015. This statement identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with accounting principles generally accepted in the United States of America and lists the order of priority for these sources. The City has not fully judged the effect of the implementation of GASB Statement No. 76 as of the date of the basic financial statements.
- **GASB Statement No. 77** – *Tax Abatement Disclosures*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. This statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting governments tax revenues. The City has not fully judged the effect of the implementation of GASB Statement No. 77 as of the date of the basic financial statements.
- **GASB Statement No. 78** – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. This statement addresses certain issues regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The City has not fully judged the effect of implementation of GASB Statement No. 78 as of the date of the basic financial statements.

U. Pensions

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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			Fund Financial Statements	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	
Cash and investments held with Treasury	\$ 81,856,034	\$ 32,678,804	\$ 114,534,838	\$ 223,677	\$ 114,758,515
Restricted cash held with Treasury	\$ -	\$ 447,984	\$ 447,984	\$ -	\$ 447,984
Restricted cash held by fiscal agent	\$ 8,122,388	\$ 3,228	\$ 8,125,616	\$ -	\$ 8,125,616
Total cash and investments	\$ 89,978,422	\$ 33,130,016	\$ 123,108,438	\$ 223,677	\$ 123,332,115

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

	Fair Value
City Treasury:	
<i>Deposits:</i>	
Deposits - unrestricted	\$ 5,347,411
Deposits - restricted	447,984
Total deposits	<u>5,795,395</u>
<i>Investments:</i>	
U.S. Government Securities	46,277,067
Certificates of Deposit	3,026,931
Corporate Notes	21,345,891
BNY Short-Term Investment Cash	237,436
San Mateo County Pooled Investment Fund LAIF	3,500,522
	<u>35,023,257</u>
Total investments	<u>109,411,104</u>
Total City Treasury	<u>115,206,499</u>
Restricted Cash and Investments:	
Cash held by fiscal agent (Bank of New York)	7,207,446
Cash held by fiscal agent (Deutsche Bank)	189,276
Cash held by fiscal agent (First Republic Bank)	96,109
Cash held by fiscal agent (J.P. Morgan Chase)	31,029
Cash held by fiscal agent (Bank of Sacramento)	601,756
	<u>8,125,616</u>
Total restricted cash and investments	<u>8,125,616</u>
Total cash and investments (including fiduciary funds)	<u>\$ 123,332,115</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Deposits

Custodial Credit Risk

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

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

The fair value of pledged securities must equal at least 110% of the City's cash deposits. State law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The carrying amounts of the City's cash deposits were \$5,795,395 at June 30. Bank balances before reconciling items were \$7,202,657 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed above.

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments

Interest Rate Risk

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

	Investment Maturities in Years					
	Fair Value	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years
U.S. Agencies						
Federal Home Loan Bank	\$ 8,213,368	\$ -	\$ 3,215,818	\$ 4,997,550	\$ -	\$ -
Federal Home Loan Mortgage Corp	5,638,745	-	1,640,185	2,987,680	1,010,880	-
Federal National Mortgage Association (Fannie Mae)	19,223,038	996,383	4,058,663	6,980,820	3,036,300	4,150,872
Federal Farm Credit Bank	4,995,180	-	3,998,700	996,480	-	-
U.S. Treasury Bond/Note						
United States Treasury	8,206,736	-	502,930	1,996,560	2,663,256	3,043,990
Certificates of Deposit						
American Express Co	255,027	-	-	-	255,027	-
BMW Financial Services	252,587	-	-	252,587	-	-
CIT Group LLC	252,550	-	-	252,550	-	-
Compass Bank	254,243	-	-	-	254,243	-
Discover Financial Services	254,531	-	254,531	-	-	-
First Bancorp of Puerto Rico	250,657	-	250,657	-	-	-
General Electric Co	506,335	251,791	254,544	-	-	-
Goldman Sachs Group Inc	254,531	-	254,531	-	-	-
JP Morgan Chase & Co	246,170	-	-	-	246,170	-
Safra National Bank	250,233	250,233	-	-	-	-
Waupaca Bancorp Inc	250,067	250,067	-	-	-	-
Corporate Notes						
American Express Co	1,766,811	1,766,811	-	-	-	-
Bank of New York Co	1,783,804	-	-	-	-	1,783,804
Caterpillar Inc	1,735,677	-	-	1,735,677	-	-
Exxon Mobil Corp	939,239	-	-	939,239	-	-
General Electric Co	1,704,503	-	-	1,704,503	-	-
Glaxosmithkline PLC	1,718,779	-	-	1,718,779	-	-
IBM Corp	846,468	-	846,468	-	-	-
Johnson & Johnson	1,733,363	-	-	-	1,733,363	-
JP Morgan Chase & Co	1,145,620	-	-	-	1,145,620	-
Texas Instruments Inc	1,601,221	-	1,601,221	-	-	-
Toyota Motor Co	1,794,009	-	998,540	795,469	-	-
US Bankcorp	1,778,445	-	-	-	1,778,445	-
Wells Fargo Co	2,797,952	-	1,016,960	-	1,780,992	-
External Pool						
Bank of New York Investment Cash	237,436	237,436	-	-	-	-
State of California - LAIF	35,023,257	35,023,257	-	-	-	-
San Mateo County Pooled Investment Fund	3,500,522	3,500,522	-	-	-	-
Total	\$ 109,411,104	\$ 42,276,500	\$ 18,893,748	\$ 25,357,894	\$ 13,904,296	\$ 8,978,666

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk (Continued)

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 is 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, 2015, was a decrease of \$335,801.

Credit Risk

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk (Continued)

The City's investments are rated by Moody's as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Federal Home Loan Bank	\$ 8,213,368	Aaa
Federal Home Loan Mortgage Corp	5,638,745	Aaa
Federal National Mortgage Association (Fannie Mae)	19,223,038	Aaa
Federal Farm Credit Bank	4,995,180	Aaa
U.S. Treasury Bond/Notes	8,206,736	Aaa
Certificates of Deposit	3,026,931	FDIC Insured
Corporate Notes - American Express Co	1,766,811	A2
Corporate Notes - Bank of New York Co	1,783,804	A1
Corporate Notes - Caterpillar Inc	1,735,677	A2
Corporate Notes - Exxon Mobil Corp	939,239	Aaa
Corporate Notes - General Electric Co	1,704,503	A1
Corporate Notes - Glaxosmithkline PLC	1,718,779	A2
Corporate Notes - IBM Corp	846,468	Aa3
Corporate Notes - Johnson & Johnson	1,733,363	Aaa
Corporate Notes - JP Morgan Chase & Co	1,145,620	A3
Corporate Notes - Texas Instruments Inc	1,601,221	A1
Corporate Notes - Toyota Mtr Cr Corp	1,794,009	Aa3
Corporate Notes - US Bankcorp	1,778,445	A1
Corporate Notes - Wells Fargo Co	2,797,952	A2
State of California - LAIF	35,023,257	Not Rated
San Mateo County Pooled Investment Fund	3,500,522	Aaa
BNY Investment Cash Balance	<u>237,436</u>	
Total	<u>\$ 109,411,104</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, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Investments in 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 \$35,023,257 invested in LAIF. The LAIF fair value factor of 1.000375979 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.

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 \$3,500,522 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 0.99990. The financial statements for the San Mateo County are available in the San Mateo County website at www.co.sanmateo.ca.us.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 3 – RECEIVABLES

Government-Wide

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 Activities				Business-Type Activities							Totals
	General Fund	Storm Drainage Fund	Capital Projects Fund	Nonmajor Funds	Water Fund	Sewer Fund	Building Fund	Parking Fund	Landfill Fund	Waste Management Fund	Internal Service Funds	
Receivables:												
Customer accounts	\$ 202,455	\$ -	\$ -	\$ 5,265	\$ 2,023,103	\$ 2,535,001	\$ -	\$ -	\$ -	\$ -	\$ 187	\$ 4,766,011
Transient occupancy tax	2,926,282	-	-	-	-	-	-	-	-	-	-	2,926,282
Sales tax	1,496,433	-	-	-	-	-	-	-	-	-	-	1,496,433
Property tax	237,472	-	-	-	-	-	-	-	-	-	-	237,472
Real property transfer tax	77,095	-	-	-	-	-	-	-	-	-	-	77,095
Public safety sales tax	11,090	-	-	-	-	-	-	-	-	-	-	11,090
Interest	109,755	27,654	-	16,864	49,038	43,821	13,497	11,555	-	9,776	43,997	325,957
Franchise taxes	200,235	-	-	-	-	-	-	-	-	-	-	200,235
Intergovernmental	396,628	98,149	954,039	183,006	-	436,584	-	-	36,359	65,028	25,425	2,195,218
Business taxes	104,370	-	-	-	-	-	-	-	-	-	-	104,370
Other receivables	67,200	-	-	490,416	3,130	-	-	1,028	-	-	-	561,774
Net total receivables	\$ 5,829,015	\$ 125,803	\$ 954,039	\$ 695,551	\$ 2,075,271	\$ 3,015,406	\$ 13,497	12,583	\$ 36,359	\$ 74,804	\$ 69,609	\$ 12,901,937

Waste Management Fund – Rate Year Surplus and Shortfalls

The City is a member of the South Bayside Waste Management Authority, a joint powers authority having oversight over a service agreement with Recology for garbage and recycling collections. The City will have a receivable due from Recology if there is an excess of revenues collected over expenses (a rate year surplus) or a liability if expenses exceed revenues collected (a rate year shortfall). As of June 30, 2015, the City had a receivable of \$1,223,751 due from Recology for rate years 2011 through 2015.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

A. Capital Asset Activity from Governmental Activities

Capital asset activity for the year ended June 30, 2015, relating to governmental activities was as follows:

	Governmental Activities				Balance June 30, 2015
	Balance July 1, 2014	Increases	Decreases	Transfers In/Out	
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	1,467,371	6,456,817	-	(6,955,874)	968,314
Total capital assets, not being depreciated	40,822,556	6,456,817	-	(6,955,874)	40,323,499
Capital assets, being depreciated:					
Buildings and structures	39,101,311	-	-	2,746,796	41,848,107
Improvements other than buildings	31,659,409	-	-	78,626	31,738,035
Machinery and equipment	16,980,791	584,217	(183,334)	1,290,417	18,672,091
Infrastructure	50,522,856	-	-	2,840,035	53,362,891
Total capital assets, being depreciated	138,264,367	584,217	(183,334)	6,955,874	145,621,124
Less accumulated depreciation for:					
Buildings and structures	14,961,920	834,644	-	-	15,796,564
Improvements other than buildings	27,043,911	460,526	-	-	27,504,437
Machinery and equipment	13,524,972	1,205,147	(160,460)	-	14,569,659
Infrastructure	16,736,977	850,723	-	-	17,587,700
Total accumulated depreciation	72,267,780	3,351,040	(160,460)	-	75,458,360
Total capital assets, being depreciated, net	65,996,587	(2,766,823)	(22,874)	6,955,874	70,162,764
Governmental activities capital assets, net	\$ 106,819,143	3,689,994	\$ (22,874)	\$ -	\$ 110,486,263

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS (Continued)

B. Capital Asset Activity from Business-Type Activities

Capital asset activity for the year ended June 30, 2015, relating to business-type activities was as shown below. Assets completed in the Capital Projects Fund for the Water and Sewer Funds were previously funded by those proprietary funds, and are therefore not true capital contributions. Capital assets completed (from Construction in Progress) for the Water and Sewer Funds totaled \$2,465,745 and \$4,293,174, respectively, and are included in operating transfers.

	Business-Type Activities				Balance June 30, 2015
	Balance July 1, 2014	Increases	Decreases	Transfer In/Out	
Capital assets not being depreciated:					
Land	\$ 6,357,188	\$ -	\$ -	\$ -	\$ 6,357,188
Construction in progress	947,590	6,387,125	-	(6,758,919)	575,796
Total capital assets, not being depreciated	7,304,778	6,387,125	-	(6,758,919)	6,932,984
Capital assets, being depreciated:					
Buildings and structures	2,949,994	-	-	-	2,949,994
Improvements other than buildings	149,604,381	195,174	-	5,935,624	155,735,179
Machinery and equipment	5,455,186	21,547	-	823,295	6,300,028
Total capital assets, being depreciated	158,009,561	216,721	-	6,758,919	164,985,201
Less accumulated depreciation for:					
Buildings and structures	1,218,467	60,655	-	-	1,279,122
Improvements other than buildings	59,408,301	4,729,116	-	-	64,137,417
Machinery and equipment	4,224,053	326,196	-	-	4,550,249
Total accumulated depreciation	64,850,821	5,115,967	-	-	69,966,788
Total capital assets, being depreciated, net	93,158,740	(4,899,246)	-	6,758,919	95,018,413
Business-type activities capital assets, net	\$ 100,463,518	\$ 1,487,879	\$ -	\$ -	\$ 101,951,397

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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 Current Year</u>
Governmental activities:	
General government	\$ 118,883
Public safety	446,908
Public works	1,605,747
Parks, recreation, and library	<u>1,179,502</u>
Total depreciation expense – governmental activities	<u>\$ 3,351,040</u>
Business-type activities:	
Water	\$ 1,963,125
Sewer	3,071,920
Parking	<u>80,922</u>
Total depreciation expense – business-type activities	<u>\$ 5,115,967</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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, 2015:

Description	Beginning Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Lease Revenue Refunding Bonds, Series 2004	\$ 1,425,000	\$ -	\$ (695,000)	\$ 730,000	\$ 730,000
- Unamortized Premium	19,434	-	(17,939)	1,495	(1,495)
Pension Obligation Bonds, 2006 Series A Bond	20,095,000	-	(2,400,000)	17,695,000	2,645,000
Storm Drainage Revenue Bonds, Series 2010	8,940,000	-	(225,000)	8,715,000	-
- Unamortized Premium	180,820	-	(7,790)	173,030	(7,790)
Storm Drainage Revenue Bonds, Series 2012	10,215,000	-	(270,000)	9,945,000	-
- Unamortized Premium	261,104	-	(10,657)	250,447	(10,657)
Lease Revenue Refunding Bonds, Series 2010	7,140,000	-	(915,000)	6,225,000	955,000
- Unamortized Premium	380,554	-	(54,365)	326,189	(54,365)
Lease Revenue Bonds, Series 2012	9,695,000	-	(200,000)	9,495,000	210,000
- Unamortized Premium	229,871	-	(8,066)	221,805	(8,066)
Master Equipment Lease Purchase Agreement, February 2011	897,598	-	(213,959)	683,639	220,773
California Energy Commission LED Streetlight Turnkey, 2012	320,209	-	(45,325)	274,884	46,674
Total Governmental Activities	\$ 59,799,590	\$ -	\$ (5,063,101)	\$ 54,736,489	\$ 4,725,074
Business-Type Activities:					
State Water Resource Control Board Loan - 2003	\$ 7,842,827	\$ -	\$ (518,005)	\$ 7,324,822	\$ 530,955
State Water Resource Control Board Loan - 2010	5,242,165	-	(221,007)	5,021,158	227,416
Water and Wastewater Revenue Bonds, Series 2007	21,315,000	-	(870,000)	20,445,000	920,000
- Unamortized Premium	21,201	-	(894)	20,307	(1,194)
- Unamortized Discount	(3,968)	167	-	(3,801)	224
Water and Wastewater Refunding Revenue Bonds, Series 2011	5,070,000	-	(280,000)	4,790,000	290,000
- Unamortized Premium	486,102	-	(34,722)	451,380	(34,722)
Water and Wastewater Revenue Refunding Bonds, Series 2013	13,485,000	-	(695,000)	12,790,000	710,000
- Unamortized Premium	1,353,243	-	(90,216)	1,263,027	(90,216)
Total Business-Type Activities	\$ 54,811,570	\$ 167	\$ (2,709,844)	\$ 52,101,893	\$ 2,552,463

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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. 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 2014-15, principal and interest payments totaled \$695,000 and \$53,875, respectively. The bonds mature on December 1, 2015, and the underlying serial and term bonds carry an interest rate that varies from 2.5% to 5.0%.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	<u>\$ 730,000</u>	<u>\$ 18,250</u>	<u>\$ 748,250</u>
	730,000	18,250	748,250
Plus unamortized premium	<u>1,495</u>	<u>-</u>	<u>1,495</u>
	<u><u>\$ 731,495</u></u>	<u><u>\$ 18,250</u></u>	<u><u>\$ 749,745</u></u>

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

In September 2006, the City issued \$32,975,000 in taxable pension obligation bonds. The City is obligated to make payments to the California Public Employees’ Retirement System (CalPERS) as a result of retirement benefits accruing to members of CalPERS. The City’s statutory obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability (UAAL) and to make contributions with respect to such retirement benefits. The proceeds of the bonds were used to provide funds to allow the City to refund its current UAAL with respect to retirement benefits accruing to members of CalPERS and to prepay a portion of its contribution to CalPERS for the fiscal year ended June 30, 2007. The obligation of the City to make payments with respect to the bond is an absolute and unconditional obligation of the City, and payment of principal and of interest is not limited to any special source of funds. Principal on the bonds is payable annually on June 1. Interest on the bonds is payable semi-annually June 1 and December 1. During fiscal year 2014-15, the City made principal and interest payments totaling \$2,400,000 and \$1,101,345, respectively. The bonds mature on June 1, 2036, and the underlying serial and term bonds carry an interest rate that varies from 5.2% to 5.5%.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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)

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	460,000	496,648	956,648
2020	505,000	471,500	976,500
2021-2025	3,335,000	1,883,821	5,218,821
2026-2030	1,685,000	1,121,024	2,806,024
2031-2035	2,395,000	581,190	2,976,190
2036	590,000	32,750	622,750
	<u>\$ 17,695,000</u>	<u>\$ 7,058,256</u>	<u>\$ 24,753,256</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 paid the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues, consisting primarily of base rental payments to be made by the City, and amounts on deposit in certain funds and accounts on deposit in certain funds and accounts held under the trust agreement. A premium of \$579,892 was paid and will be amortized over the life of the bonds. The transaction resulted in an economic gain of \$1,150,926 and a reduction of \$2,575,952 in future debt service payments. Principal is due annually on June 1, commencing on June 1, 2007. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2010. During fiscal year 2014-15, the City made principal and interest payments totaling \$915,000 and \$248,775, 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, 2015

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)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,050,000	114,275	1,164,275
2020	1,085,000	82,775	1,167,775
2021	1,125,000	39,375	1,164,375
	<u>6,225,000</u>	<u>767,450</u>	<u>6,992,450</u>
Plus unamortized premium	<u>326,189</u>	<u>-</u>	<u>326,189</u>
	<u>\$ 6,551,189</u>	<u>\$ 767,450</u>	<u>\$ 7,318,639</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. 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 2014-15, the City made principal and interest payments on the tax-exempt series totaling \$225,000 and \$74,575, respectively. Principal and interest payments on the taxable series totaled \$0 and \$479,545, 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, 2015

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			Total
	Principal	Interest	Interest	
2016	\$ -	\$ 67,825		\$ 67,825
2017	230,000	56,325		286,325
2018	240,000	46,725		286,725
2019	250,000	34,225		284,225
2020	265,000	20,975		285,975
2021-2022	560,000	9,975		569,975
	1,545,000	236,050		1,781,050
Plus unamortized premium	173,030	-		173,030
	<u>\$ 1,718,030</u>	<u>\$ 236,050</u>		<u>\$ 1,954,080</u>

Storm Drainage - Series 2010B Taxable - Build America Bonds				
Year Ending June 30	Principal	Governmental		Total
		Interest	Subsidy	
2016	\$ -	\$ 475,245	\$ (166,336)	\$ 308,909
2017	-	475,245	(166,336)	308,909
2018	-	475,245	(166,336)	308,909
2019	-	475,245	(166,336)	308,909
2020	-	475,245	(166,336)	308,909
2021-2025	925,000	2,265,685	(792,990)	2,397,695
2026-2030	1,815,000	1,754,309	(614,008)	2,955,301
2031-2035	2,250,000	1,060,488	(371,171)	2,939,317
2036-2039	2,180,000	230,112	(80,539)	2,329,573
	<u>\$ 7,170,000</u>	<u>\$ 7,686,819</u>	<u>\$ (2,690,388)</u>	<u>\$ 12,166,431</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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 of the City Council, for replacement of existing technology infrastructure that had 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 2014-15, the City made principal and interest payments totaling \$213,959 and \$26,687, respectively.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 220,773	\$ 19,873	\$ 240,646
2017	227,805	12,841	240,646
2018	235,061	5,585	240,646
	<u>\$ 683,639</u>	<u>\$ 38,299</u>	<u>\$ 721,938</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 are payable in semi-annual installments in December and June, commencing December 2012 and ending in December 2020. During fiscal year 2014-15, the City made principal and interest payments totaling \$45,325 and \$9,267, respectively.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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)

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 46,674	\$ 7,921	\$ 54,595
2017	48,105	6,489	54,594
2018	49,559	5,035	54,594
2019	51,057	3,537	54,594
2020	52,596	1,999	54,595
2021	26,893	405	27,298
	<u>\$ 274,884</u>	<u>\$ 25,386</u>	<u>\$ 300,270</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, pursuant to a facilities sublease dated October 2, 2012. The bonds were issued at a premium of \$237,936, which will be amortized over the life of the bonds. Principal and interest are due annually on June 1, commencing on June 1, 2013. During fiscal year 2014-15, the City made principal and interest payments totaling \$200,000 and \$349,888, respectively. The bonds mature on June 1, 2042, and the underlying serial and term bonds carry an interest rate that varies from 2.0% to 5.0%.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 210,000	\$ 341,888	\$ 551,888
2017	215,000	333,488	548,488
2018	225,000	324,888	549,888
2019	235,000	315,888	550,888
2020	245,000	306,488	551,488
2021-2025	1,375,000	1,369,888	2,744,888
2026-2030	1,675,000	1,069,513	2,744,513
2031-2035	1,955,000	793,431	2,748,431
2036-2040	2,315,000	431,725	2,746,725
2041-2042	1,045,000	55,122	1,100,122
	9,495,000	5,342,319	14,837,319
Plus: Unamortized premium	221,805	-	221,805
	<u>\$ 9,716,805</u>	<u>\$ 5,342,319</u>	<u>\$ 15,059,124</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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 is due annually on July 1, commencing July 1, 2013. Interest on bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2013. During fiscal year 2014-15, the City made principal and interest payments totaling \$270,000 and \$358,344, respectively, which represent prepaid amounts due on July 1, 2015. 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 Activities		
	Principal	Interest	Total
2016	\$ -	\$ 173,172	\$ 173,172
2017	280,000	340,744	620,744
2018	290,000	329,344	619,344
2019	300,000	317,544	617,544
2020	310,000	305,344	615,344
2021-2025	1,790,000	1,295,094	3,085,094
2026-2030	2,165,000	922,766	3,087,766
2031-2035	2,505,000	577,106	3,082,106
2036-2039	2,305,000	152,831	2,457,831
	9,945,000	4,413,945	14,358,945
Plus: Unamortized premium	250,447	-	250,447
	<u>\$ 10,195,447</u>	<u>\$ 4,413,945</u>	<u>\$ 14,609,392</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities

State Water Resources Control Board Loan, 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 1.5%. Installment payments will start August 2007 and shall be fully amortized August 2026. The City is required to maintain compliance with all provisions of the loan. During fiscal year 2014-15, the City made principal and interest payments of \$518,005 and \$196,071, respectively.

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 530,955	\$ 183,121	\$ 714,076
2017	544,229	169,847	714,076
2018	557,835	156,241	714,076
2019	571,781	142,295	714,076
2020	586,075	128,001	714,076
2021-2025	3,157,620	412,760	3,570,380
2026-2027	<u>1,376,327</u>	<u>51,825</u>	<u>1,428,152</u>
	<u>\$ 7,324,822</u>	<u>\$ 1,244,090</u>	<u>\$ 8,568,912</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (Continued)

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

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 \$870,000 and \$932,883, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$455,000 and \$487,150. Principal and interest payments made by the Sewer Enterprise Fund were \$415,000 and \$445,733.

Year Ending June 30	Business-Type Activities		Total
	Principal	Interest	
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	1,050,000	762,208	1,812,208
2020	1,085,000	717,583	1,802,583
2021-2025	6,140,000	2,875,701	9,015,701
2026-2030	7,575,000	1,443,388	9,018,388
2031	1,725,000	78,484	1,803,484
	20,445,000	8,431,538	28,876,538
Plus unamortized premium	20,307	-	20,307
Less unamortized discount	(3,801)	-	(3,801)
	<u>\$ 20,461,506</u>	<u>\$ 8,431,538</u>	<u>\$ 28,893,044</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (Continued)

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

State Water Resources Control Board Loan, 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 commenced July 2012 and shall be fully amortized in July 2031. The City is required to maintain compliance with all provisions of the loan. During fiscal year 2014-15, the City made principal and interest payments of \$221,007 and \$152,023, respectively.

Year Ending June 30	Business-Type Activities		Total
	Principal	Interest	
2016	\$ 227,416	\$ 145,614	\$ 373,030
2017	234,011	139,019	373,030
2018	240,797	132,232	373,029
2019	247,780	125,249	373,029
2020	254,966	118,063	373,029
2021-2025	1,390,123	475,024	1,865,147
2026-2030	1,603,726	261,421	1,865,147
2031-2032	822,339	37,569	859,908
	<u>\$ 5,021,158</u>	<u>\$ 1,434,191</u>	<u>\$ 6,455,349</u>

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

In 2011, the Authority issued \$5,935,000 of Water and Wastewater Refunding Revenue Bonds, Series 2011 to refund and defease all of the Authority’s outstanding Water and Wastewater Revenue Bonds, Series 2003, which financed certain improvements to the City’s water and wastewater system, and to pay the costs of issuance of the bonds. The bonds are a limited obligation of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system, wastewater system, and from amounts on deposits in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year, and net system revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Principal is payable annually on April 1, commencing April 1, 2012. Interest on the bonds is payable semiannually on April 1 and October 1, commencing April 1, 2012. The bonds mature on April 1, 2028, with an interest rate that varies from 4.00 to 4.75%. A premium of \$575,800 was paid and will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$450,734 and a reduction of \$1,429,732 in future debt service payments. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2011 were \$280,000 and \$219,750, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$180,000 and \$139,962. Principal and interest payments made by the Sewer Enterprise Fund were \$100,000 and \$79,788.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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 Activities		
	Principal	Interest	Total
2016	\$ 290,000	\$ 214,151	\$ 504,151
2017	290,000	208,351	498,351
2018	300,000	196,751	496,751
2019	310,000	187,751	497,751
2020	330,000	172,251	502,251
2021-2025	1,900,000	597,751	2,497,751
2026-2028	1,370,000	128,445	1,498,445
	4,790,000	1,705,451	6,495,451
Plus: Unamortized Premium	451,380	-	451,380
	<u>\$ 5,241,380</u>	<u>\$ 1,705,451</u>	<u>\$ 6,946,831</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 net system revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Principal is payable annually on April 1, commencing April 1, 2013. Interest on the bonds is payable semi-annually on April 1 and October 1, commencing October 1, 2013. During fiscal year 2014-15, the City made principal and interest payments of \$695,000 and \$507,150, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$460,000 and \$337,038. Principal and interest payments made by the Sewer Enterprise Fund were \$235,000 and \$170,112. The bonds mature on April 1, 2029, with underlying serial and term bonds carrying an interest rate that varies from 2.00% to 5.00%. The bond was issued a premium of \$1,533,676 which will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$584,903 (\$389,501 for the Water Enterprise Fund and \$195,402 for the Sewer Enterprise Fund).

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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 Activities		Total
	Principal	Interest	
2016	\$ 710,000	\$ 493,251	\$ 1,203,251
2017	735,000	471,951	1,206,951
2018	755,000	449,901	1,204,901
2019	785,000	419,701	1,204,701
2020	815,000	388,301	1,203,301
2021-2025	4,575,000	1,438,376	6,013,376
2026-2029	4,415,000	403,994	4,818,994
	12,790,000	4,065,475	16,855,475
Plus unamortized premium	1,263,027	-	1,263,027
	<u>\$ 14,053,027</u>	<u>\$ 4,065,475</u>	<u>\$ 18,118,502</u>

C. Future Debt Requirements

The future outstanding debt of the City, net of amortized costs as of June 30, 2015, for governmental activities is as follows:

Year Ending June 30	Governmental Activities			Total
	Principal	Interest	Subsidies	
2016	\$ 4,807,447	\$ 2,288,404	\$ (166,336)	\$ 6,929,515
2017	4,895,910	2,228,148	(166,336)	6,957,722
2018	5,234,620	2,001,921	(166,336)	7,070,205
2019	2,346,057	1,757,362	(166,336)	3,937,083
2020	2,462,596	1,664,325	(166,336)	3,960,585
2021-2025	9,136,893	6,864,241	(792,990)	15,208,144
2026-2030	7,340,000	4,867,611	(614,008)	11,593,603
2031-2035	9,105,000	3,012,215	(371,171)	11,746,044
2036-2040	7,390,000	847,418	(80,539)	8,156,879
2041-2042	1,045,000	55,122	-	1,100,122
Less: premiums/discounts	972,966	-	-	972,966
	<u>\$ 54,736,489</u>	<u>\$ 25,586,767</u>	<u>\$ (2,690,388)</u>	<u>\$ 77,632,868</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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, 2015, for business-type activities is as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,678,371	\$ 1,925,519	\$ 4,603,890
2017	2,753,240	1,841,750	4,594,990
2018	2,853,632	1,747,333	4,600,965
2019	2,964,561	1,637,204	4,601,765
2020	3,071,041	1,524,199	4,595,240
2021-2025	17,162,743	5,799,612	22,962,355
2026-2030	16,340,053	2,289,073	18,629,126
2031-2032	2,547,339	116,053	2,663,392
	50,370,980	16,880,743	67,251,723
Less: premiums/discounts, net	1,730,913	-	1,730,913
	<u>\$ 52,101,893</u>	<u>\$ 16,880,743</u>	<u>\$ 68,982,636</u>

D. Legal Debt Limit and Debt Margin

As of June 30, the City's debt limit was \$316,704,685. 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, or outstanding general obligation debt, was \$17,695,000. The resulting legal debt margin was \$299,009,685.

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, 2015.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (Continued)

F. Credit Rating

As of June 30, 2015, the City carried underlying ratings of AA+ for the Water and Sewer Funds, A+ for the Storm Drainage 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.

Under the provisions of GASB Statement No. 48, the City’s net revenue for the year ended June 30, 2015, 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	\$ 30,414,135	\$ 36,837,588
Principal and interest paid during the year	2,059,149	2,532,738
Net revenue, excluding depreciation and amortization	5,917,401	8,607,374
Percentage of revenue pledged	34.80%	29.43%
Term of commitment	2031	2031

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, 2015, the Water and Sewer Funds had sufficient net revenues to satisfy the requirements of the Indenture.

Under the terms of the City’s Indenture, the Storm Drainage Fund is required to collect sufficient net revenues each fiscal year, which may include any other unappropriated funds available for expenditure on debt service. The Indenture requires that net revenues are, at minimum, equal to 1.10 times annual debt service for the applicable fiscal year. For the year ended June 30, 2015, the Storm Drainage Fund had sufficient net revenues to satisfy the requirements of the Indenture.

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

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, 2015:

Water Fund	
	2015
Gross operating revenue	\$ 15,425,234
Less: Operating expenses, except depreciation and amortization	<u>(9,507,833)</u>
Net revenue	5,917,401
Debt Service	
Water Revenue Bond, Series 2007	942,150
Water Refunding Bonds, Series 2011	319,961
Water Refunding Bonds, Series 2013	<u>797,038</u>
Parity Debt Service	2,059,149
Lease Revenue Bonds, Series 2010	384,046
Pension Obligation Bonds, 2006	<u>437,668</u>
Total Debt Service	<u>\$ 2,880,863</u>
Parity Debt Service Coverage	2.87
Total Debt Service Coverage	2.05

The following table summarizes debt service coverage levels for the Sewer Fund for the fiscal year ending June 30, 2015:

Sewer Fund	
	2015
Gross operating revenue	\$ 15,679,345
Less: Operating expenses, except depreciation and amortization	<u>(7,071,971)</u>
Net revenue	8,607,374
Debt Service	
State Water Resource Control Board Loan, 2003	714,076
Wastewater Revenue Bond, Series 2007	860,733
State Water Resource Control Board Loan, 2010	373,029
Wastewater Refunding Bonds, Series 2011	179,788
Wastewater Refunding Bonds, Series 2013	<u>405,113</u>
Parity Debt Service	2,532,739
Lease Revenue Bonds, Series 2010	384,046
Pension Obligation Bonds, Series 2006	<u>437,668</u>
Total Debt Service	<u>\$ 3,354,453</u>
Parity Debt Service Coverage	3.40
Total Debt Service Coverage	2.57

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (Continued)

H. Debt Service Coverage (Continued)

The following table summarizes debt service coverage levels for the Storm Drainage Fund for the fiscal year ending June 30, 2015:

Storm Drainage Fund	
	2015
Net Revenue, Excluding Depreciation and Amortization Debt Service	\$ 2,787,940
Storm Drain Revenue Bond, Series 2010	779,120
Storm Drain Revenue Bond, Series 2012	628,344
Parity Debt Service	<u>\$ 1,407,464</u>
Parity Debt Service Coverage	1.98

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, 2015:

Description	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Self-Insurance and Contingent Liabilities	\$ 7,895,000	\$ 911,838	\$ (1,791,838)	\$ 7,015,000	\$ 1,639,000
Compensated Absences	1,309,871	1,291,038	(1,236,423)	1,364,486	180,372
Total Governmental Activities	<u>\$ 9,204,871</u>	<u>\$ 2,202,876</u>	<u>\$ (3,028,261)</u>	<u>\$ 8,379,486</u>	<u>\$ 1,819,372</u>
Business-Type Activities:					
Compensated Absences	\$ 292,576	\$ 452,734	\$ (461,522)	\$ 283,788	\$ 44,703
Landfill Post-Closure Care Costs	3,134,984	47,024	(99,081)	3,082,927	202,394
Total Business-Type Activities	<u>\$ 3,427,560</u>	<u>\$ 499,758</u>	<u>\$ (560,603)</u>	<u>\$ 3,366,715</u>	<u>\$ 247,097</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, 2015

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 July 1	Current Year Claims and Changes in Estimates	Payments for Current and Prior Fiscal Years	Balance June 30
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	1,516,265	(1,085,000)	7,071,265
2012-13	7,071,000	1,595,000	(1,892,000)	6,774,000
2013-14	6,774,000	2,813,959	(1,692,959)	7,895,000
2014-15	7,895,000	911,838	(1,791,838)	7,015,000

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 six fiscal years.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 6 – OTHER LONG-TERM LIABILITIES (Continued)

A. Self-Insurance and Contingent Liabilities (Continued)

In August 2015, 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 as determine the various funding confidence levels to cover that liability. The study estimated the expected liability for outstanding claims to be \$852,000 as of June 30, 2015. 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, 2015, the City has funded the general liability program at the 90% confidence level noted in the actuarial report or \$852,000.

In August 2015, 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 as determine the various funding confidence levels to cover that liability as of June 30, 2015. The study estimated that the outstanding claims at June 30, 2015, were \$6,163,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2015, the City has funded the workers' compensation program at the 70% confidence level noted in the actuarial report or \$6,163,000.

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 6 – OTHER LONG-TERM LIABILITIES (Continued)

C. Pollution Remediation Obligation (Continued)

Landfill Closure and Post-Closure Costs (Continued)

In 1997, the City developed a post-closure plan that met all regulatory requirements. The post-closure estimate was \$3,660,000. In 2008, the City recognized an additional liability, as required by the State, for corrective action. The corrective action cost estimate was \$733,100. Consequently, the City recorded 100% of its closure and post-closure costs based upon these estimates. At June 30, 2015, the City's outstanding future post-closure and corrective action costs were estimated at \$3,082,927. This estimate is based upon the original estimates for post-closure and corrective action costs as reported to the California Department of Resources Recycling and Recovery (CalRecycle) as adjusted, based on changes in the implicit price deflator for the gross national product in accordance with Title 27 of the California Code of Regulations, reduced by any permitted 15 year amortization of post-closure costs, and adjusted for incurred costs and expected costs of remediation.

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

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, 2015, 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.

**CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2015**

NOTE 7 – PENSION PLANS – COST-SHARING

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and the City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

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

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Safety - Police</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit Formula	3.0% @ 50	3.0% @ 50
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	50
Monthly Benefits, as a Percentage of Eligible Compensation	3.00%	3.00%
Required Employee Contribution Rates	9.00%	9.00%
Required Employer Contribution Rates	N/A	29.6%

	<u>Safety - PEPRA</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit Formula	N/A	2.7% @ 57
Benefit Vesting Schedule	N/A	5 Years Service
Benefit Payments	N/A	Monthly for life
Retirement Age	N/A	57
Monthly Benefits, as a Percentage of Eligible Compensation	N/A	2.70%
Required Employee Contribution Rates	N/A	12.25%
Required Employer Contribution Rates	N/A	0.0%

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 7 – PENSION PLANS – COST-SHARING (Continued)

A. General Information about the Pension Plans (Continued)

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Safety - Police</u>	<u>Safety - PEPRA</u>
Contributions - Employer	\$ 1,918,542	\$ 9
Contributions - Employee (Paid by Employer)	-	-

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety	\$ 15,465,610
Safety - PEPRA	<u>71</u>
Total Net Pension Liability	<u><u>\$ 15,465,681</u></u>

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 7 – PENSION PLANS – COST-SHARING (Continued)

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

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014, was as follows:

	<u>Safety - Police</u>	<u>Safety - PEPRRA</u>
Proportion - June 30, 2013	\$ 20,479,026	\$ 94
Proportion - June 30, 2014	<u>15,465,610</u>	<u>71</u>
Change - Increase (Decrease)	<u>\$ 5,013,416</u>	<u>\$ 23</u>

For the year ended June 30, 2015, the City recognized a pension expense of \$1,312,251. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 1,288,226	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Change in Employer's Proportion and Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	(4,669,741)
Adjustments due to Differences in Proportions	<u>262,602</u>	<u>-</u>
Total	<u>\$ 1,550,828</u>	<u>\$ (4,669,741)</u>

\$1,288,226 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Pension Expense to be Recognized</u>
2015	\$ 1,073,665
2016	1,073,665
2017	1,092,409
2018	1,167,400
2019	-
2020	-
Thereafter	-
Total	<u>\$ 4,407,139</u>

**CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015**

NOTE 7 – PENSION PLANS – COST-SHARING (Continued)

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Safety</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase ⁽¹⁾	Varies by Entry Age and Service ⁽¹⁾
Investment Rate of Return ⁽²⁾	7.5% ⁽²⁾
Mortality	Derived using CalPERS' membership data for all funds ⁽³⁾

⁽¹⁾ Depending on age, service, and type of employment.

⁽²⁾ Net of pension plan investment expenses, including inflation.

⁽³⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 7 – PENSION PLANS – COST-SHARING (Continued)

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

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 7 – PENSION PLANS – COST-SHARING (Continued)

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 ^(a)</u>	<u>Real Return Years 11+ ^(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99	2.43
Inflation Sensitive	6.0%	0.45	3.36
Private Equity	12.0%	6.83	6.95
Real Estate	11.0%	4.50	5.13
Infrastructure and Forestland	3.0%	4.50	5.09
Liquidity	<u>2.0%</u>	(0.55)	(1.05)
Total	<u><u>100.0%</u></u>		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	<u>Safety - Police</u>	<u>Safety - PEPR</u>
1% Decrease Net Pension Liability	\$ 26,614,311	\$ 122
Current Discount Rate Net Pension Liability	\$ 15,465,610	\$ 71
1% Increase Net Pension Liability	\$ 6,279,561	\$ 29

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

**CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015**

NOTE 7 – PENSION PLANS – COST-SHARING (Continued)

C. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$63,865 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 8 – PENSION PLANS – MULTIPLE EMPLOYER

A. General Information about the Pension Plans

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

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

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5%@55	2.5%@55
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	55
Monthly Benefits, as a Percentage of Eligible Compensation	2.50%	2.50%
Required Employee Contribution Rates	8.00%	8.00%
Required Employer Contribution Rates	N/A	19.91%

**CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015**

NOTE 8 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

A. General Information about the Pension Plans (Continued)

	<u>Miscellaneous PEPRAs</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
Benefit Formula	N/A	2.0% @ 62
Benefit Vesting Schedule	N/A	5 years service
Benefit Payments	N/A	Monthly for life
Retirement Age	N/A	62
Monthly Benefits, as a Percentage of Eligible Compensation	N/A	2.00%
Required Employee Contribution Rates	N/A	6.75%
Required Employer Contribution Rates	N/A	N/A

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	192
Inactive Employees Entitled to but not yet Receiving Benefits	-
Active Employees	<u>164</u>
Total	<u><u>356</u></u>

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

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2015**

NOTE 8 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase ⁽¹⁾	Varies by Entry Age and Service ⁽¹⁾
Investment Rate of Return ⁽²⁾	7.5% ⁽²⁾
	Derived using CalPERS' Membership ⁽³⁾
Mortality	Data for all Funds

⁽¹⁾ Depending on age, service, and type of employment.

⁽²⁾ Net of pension plan investment expenses, including inflation.

⁽³⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

B. Net Pension Liability (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99	2.43
Inflation Sensitive	6.0%	0.45	3.36
Private Equity	12.0%	6.83	6.95
Real Estate	11.0%	4.50	5.13
Infrastructure and Forestland	3.0%	4.50	5.09
Liquidity	2.0%	(0.55)	(1.05)
Total	100.0%		

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

C. Changes in the Net Pension Liability

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

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013 (VD) ⁽¹⁾	\$ 121,419,671	\$ 88,004,118	\$ 33,415,553
Changes in the year:			
Service Cost	2,451,356	-	2,451,356
Interest on the Total Pension Liability	8,964,159	-	8,964,159
Differences between Actual and Expected Experience	-	-	-
Changes in Assumptions	-	-	-
Changes in Benefit Terms	-	-	-
Contribution - Employer		2,214,366	(2,214,366)
Contribution - Employee (Paid by Employer)	-	-	-
Contribution - Employee	-	1,203,540	(1,203,540)
Net Investment Income ⁽²⁾	-	15,116,451	(15,116,451)
Administrative Expenses	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(6,246,453)	(6,246,453)	-
Net Changes	5,169,062	12,287,904	(7,118,842)
Balance at June 30, 2014 (MD) ⁽¹⁾	\$ 126,588,733	\$ 100,292,022	\$ 26,296,711

⁽¹⁾ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

⁽²⁾ Net of administrative expenses.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 8 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

C. Changes in the Net Pension Liability (Continued)

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

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	\$ 42,428,027
Current Discount Rate Net Pension Liability	\$ 26,296,711
1% Increase Net Pension Liability	\$ 12,892,464

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

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

For the year ended June 30, 2015, the City recognized a pension expense of \$2,012,901. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 2,605,416	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	(6,917,377)
Total	<u>\$ 2,605,416</u>	<u>\$ (6,917,377)</u>

**CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2015**

NOTE 8 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

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

\$2,605,414 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2016	\$	1,729,344
2017		1,729,344
2018		1,729,344
2019		1,729,345
2020		-
Thereafter		-
Total	\$	<u>6,917,377</u>

E. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$142,490 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 9 – 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 Plan does not issue a financial report.

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. The plan is closed to new employees.

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 2.0% 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 9 – POST-EMPLOYMENT HEALTHCARE PLAN (Continued)

B. Funding Policy

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

In September 2013, the City established an irrevocable trust to prefund its unfunded actuarially accrued liability for retiree health care benefits. The California Benefit Trust Fund (CERBT), a multi-employer trust, is administered by CalPERS which also invests trust fund deposits made by the City on behalf of retirees. The City pre-funds the Plan by contributing the City’s ARC every year to the CERBT. During fiscal year 2014-15, the City made deposits of \$2,026,518 to the trust. As of June 30, 2015, the cash balance was \$9,358,499.

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

The 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 23-year amortization of the unfunded actuarial liability at June 30, 2015.

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement No. 45. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information in aggregate with all CERBT participants. That report may be obtained by contacting CalPERS.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 6,730,531	36%	\$ 19,844,179
6/30/2014	5,390,703	166%	16,265,025
6/30/2015	5,083,214	106%	15,954,310

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 9 – 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, 2013, 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 7.25% discount rate:

	<u>2015</u>
Annual required contribution	\$ 5,045,000
Interest on net OPEB obligation	1,179,214
Adjustment to annual required contribution	<u>(1,141,000)</u>
Annual OPEB cost (expense)	5,083,214
Trust Pre-funding	(2,026,518)
Benefits paid to retirees	<u>(3,367,411)</u>
Increase in net OPEB obligation	(310,715)
Net OPEB obligation - beginning of year	<u>16,265,025</u>
Net OPEB obligation - end of year	<u>\$ 15,954,310</u>

D. Funded Status and Funding Progress

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

<u>Fiscal</u> <u>Year End</u> <u>Date</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Accrued</u> <u>Liabilities</u>	<u>Actuarial</u> <u>Assets</u>	<u>Unfunded</u> <u>Liabilities</u> <u>(UL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>UL as a %</u> <u>of Annual</u> <u>Covered</u> <u>Payroll</u>
6/30/2013	1/1/2011	\$ 76,402	\$ -	\$ 76,402	0.0%	\$ 16,961	450.5%
6/30/2014	1/1/2013	53,049	7,335	45,714	14.0%	15,269	299.4%
6/30/2015	1/1/2013	53,049	9,358	43,691	17.6%	18,462	236.7%

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 ARC 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 Basic 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, 2015

NOTE 9 – POST-EMPLOYMENT HEALTHCARE PLAN (Continued)

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, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return, pre-funding through the CERBT, as well as ARC. An annual pre-Medicare and Medicare medical cost trend of 8.0% and 8.3% is assumed for HMOs and PPOs applied to actual 2014 premiums, with annual cost escalations decreasing to 5% over 6 years. The UAAL is being amortized as a level dollar amount over 22 years on a closed basis, starting June 30, 2012.

NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS

A. Transfers

Transfers between funds for the year ending June 30, 2015, are as follows:

	Transfers In							Total Out
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Sewer Fund	Waste Management Fund	Water Fund	
General Fund	\$ -	\$ 6,283,924	\$ 7,940,209	\$ 90,500	\$ -	\$ -	\$ -	\$ 14,314,633
Debt Service Fund	-	-	4,532,889	-	-	-	-	4,532,889
Capital Projects Fund	-	-	167,626	413,860	4,561,386	-	2,562,126	7,704,998
Storm Drainage Fund	15,000	1,410,304	354,776	-	-	-	-	1,780,080
Nonmajor Governmental Funds	371,044	-	1,863,076	-	-	-	-	2,234,120
Water Fund	1,280,975	-	2,500,000	-	-	-	-	3,780,975
Sewer Fund	1,050,764	-	4,700,000	-	-	-	-	5,750,764
Solid Waste Fund	130,923	-	-	-	-	-	-	130,923
Parking Fund	395,263	-	50,000	-	-	-	-	445,263
Building Fund	142,790	-	-	-	-	67,030	-	209,820
Total in	\$ 3,386,759	\$ 7,694,228	\$ 22,108,576	\$ 504,360	\$ 4,561,386	\$ 67,030	\$ 2,562,126	\$ 40,884,465

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

A. Transfers (Continued)

The \$14.3 million General Fund transfer out includes \$6.3 million for the payment of debt service, and \$7.9 million in contributions to fund capital improvement projects. A total of \$85,000 was transferred out to the Train Shuttle Fund in support of local transportation programming.

The \$4.5 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. Significant withdrawals include \$1.7 million from the Lease Revenue Bond, Series 2012 to fund the Burlingame Avenue Streetscape Project and \$2.7 million from previously issued taxable and tax-exempt storm drain bonds for storm drain capital improvements.

The \$7.7 million transfer out of the Capital Projects Fund relates to major repairs, replacements, and/or construction projects under the City's capital improvement program. Due to the nature of these efforts, accounting rules require that these amounts be capitalized as either capital assets or construction in progress (CIP) in the applicable fund. Approximately \$4.6 million and \$2.6 million relate to capital transfers 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. Other transfers out of the Capital Projects Fund are the result of deappropriation of excess funding and return of the funds to the initial funding source.

The nonmajor funds had \$2.2 million in total transfers out. Total transfers out to the Capital Projects Fund totaled \$1.9 million, consisting of \$1.3 million from the Measure A and Gas Tax Funds to support ongoing streets and traffic capital improvement projects. Transfers totaling \$523 thousand reflect donations and the application of impact fees to the Library Millennium Project. Transfers to the General Fund totaled \$371 thousand and relate to reimbursements for debt service (\$278 thousand) from the Burlingame Avenue Assessment District and administrative services from the Gas Tax Fund and Traffic Safety Fund.

The Water Fund had \$3.8 million in transfers out, consisting of \$1.3 million to the General Fund and \$2.5 million to the Capital Projects Fund. The Sewer Fund also had transfers out of \$5.8 million, consisting of \$1.1 million to the General Fund and \$4.7 million to the Capital Projects Fund. In addition to funding administration and other services provided by the General Fund, transfers to the General Fund from each of the Water and Sewer operating funds relate to reimbursements for each fund's proportionate share of debt service due on the previously issued Pension Obligation Bonds, Series 2006 and the Lease Revenue Refunding Bonds, Series 2010 which was issued to construct the Public Works Corporation Yard.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

A. Transfers (Continued)

The Parking Fund had a transfer out of \$395 thousand; \$278 thousand to reimburse the General Fund for 50% of the debt service payments due on the Lease Revenue Bond, Series 2012 (which funded the Burlingame Avenue Streetscape Project); and \$117 thousand for administration and tree maintenance of parking lots.

The Building Fund transferred \$67 thousand to the Waste Management Fund in a 50/50 split of revenues related to construction and demolition permitting activity. In addition, a \$143 thousand transfer to the General Fund was made to reimburse administrative costs.

B. Advances Between Funds

Advances between funds for the year ending June 30, 2015, are as follows:

Advances To	Advances From	
	Equipment Services Fund	Total Advances To
General Fund	\$ 201,990	\$ 201,990
Total Advances From	\$ 201,990	\$ 201,990

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 was provided by 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. During fiscal year 2014-15, the General Fund made a payment to the Equipment Services Fund in the amount of \$99,500, resulting in an outstanding balance of \$201,990.

C. Interfund Receivables and Payables (Due To and Due From Other Funds)

Due To	Due From					
	Debt Service Fund	Storm Drainage Fund	Nonmajor Funds	Water Fund	Sewer Fund	Total Due From
Capital Projects Fund	\$ 4,532,889	\$ 4,154,776	\$ 488,765	\$ -	\$ -	\$ 9,176,430
Debt Service Fund	-	-	-	5,640	5,640	11,280
General Fund	-	-	42,688	-	-	42,688
Total Advances From	\$ 4,532,889	\$ 4,154,776	\$ 531,453	\$ 5,640	\$ 5,640	\$ 9,230,398

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

C. Interfund Receivables and Payables (Due To and Due From Other Funds) (Continued)

At June 30, 2015, the Capital Projects Fund had interfund receivables outstanding from the Debt Service Fund (\$4.5 million), the Storm Drainage Fund (\$4.2 million), and \$489 thousand from the Local Grants Fund. The receivable from the Debt Service Fund relates to pending reimbursements for CIP costs from capital improvement project proceeds from previously issued debt which are held by the City’s trustee, including the tax-exempt and taxable storm drain bonds, Master Equipment Lease as well as the Lease Revenue Bond, Series 2012. The receivable from the Storm Drainage Fund relates to reimbursements for CIP costs and/or appropriations for scheduled projects as approved by the City Council. The receivable from the Nonmajor Funds reflects donations collected by the Burlingame Library Foundation as well as local grants obtained for the Library Millennium project.

The Debt Service Fund had a total of \$6 thousand each in interfund receivables from the Water and Sewer Funds, which relate to accrued interest on the Lease Revenue Refunding Bonds, Series 2010.

The General Fund had a total of \$43 thousand in interfund receivables from the State/Federal Grants Fund representing amounts that were advanced to fulfill obligations to vendors, pending public safety grant reimbursements from the State of California.

NOTE 11 – DEFERRED INFLOWS (OUTFLOWS) OF RESOURCES

Deferred inflows of resources consisted of the following at June 30, 2015:

<u>Deferred Outflows of Resources</u>	<u>Governmental Activities</u>							<u>Total Business-Type Activities</u>	
Deferred outflows related to pensions-GASB 68 Implementation	<u>\$ (3,442,216)</u>								
Total deferred outflows of resources	<u>\$ (3,442,216)</u>								
<u>Deferred Outflows of Resources</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Waste Management Fund</u>		<u>Landfill Fund</u>	<u>Parking Fund</u>	<u>Building Fund</u>	<u>Total Business-Type Activities</u>	
Deferred amount on refunding - Water and Wastewater Revenue Bonds, Series 2011	\$ (93,014)	\$ (49,264)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (142,278)	
Deferred amount on refunding - Water and Wastewater Revenue Bonds, Series 2013	(328,642)	(164,870)	-	-	-	-	-	(493,512)	
Deferred outflows related to pensions-GASB 68 Implementation	<u>(252,175)</u>	<u>(212,068)</u>	<u>(34,524)</u>	<u>(413)</u>	<u>(115,605)</u>	<u>(99,243)</u>	<u>(714,028)</u>		
Total deferred outflows of resources	<u>\$ (673,831)</u>	<u>\$ (426,202)</u>	<u>\$ (34,524)</u>	<u>\$ (413)</u>	<u>\$ (115,605)</u>	<u>\$ (99,243)</u>	<u>\$ (1,349,818)</u>		
<u>Deferred Inflows of Resources</u>	<u>Governmental Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Waste Management Fund</u>		<u>Landfill Fund</u>	<u>Parking Fund</u>	<u>Building Fund</u>	<u>Total Business-Type Activities</u>
Deferred inflows related to pensions-GASB 68 Implementation	<u>\$ 9,691,377</u>	<u>\$ 669,524</u>	<u>\$ 563,041</u>	<u>\$ 91,661</u>	<u>\$ 1,095</u>	<u>\$ 306,931</u>	<u>\$ 263,489</u>	<u>\$ 1,895,741</u>	

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2015

NOTE 12 – LANDFILL FUND DEFICIT BALANCE

As of June 30, 2015, the Landfill Fund, an Enterprise Fund, had a deficit of \$2,543,279. The Landfill Fund deficit relates to the landfill closure and post-closure liability relating to the City landfill located on Airport Boulevard. The City expects to finance these costs with fees derived from surcharges on the City's franchise solid waste collection activities.

For additional information regarding the City's landfill closure and post-closure liability, please refer to Note 6C.

NOTE 13 – RESTATEMENT OF BEGINNING NET POSITION

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net position of the Governmental Activities and Business-Type Activities. The adjustments occurred due to a change in accounting principles. Refer to Note 1S – 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, 2014, resulting from implementation of GASB Statement No. 68:

	<u>Governmental Activities</u>			<u>Waste Management Fund</u>				
		<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Parking Fund</u>	<u>Building Fund</u>	
Net Position at July 1, 2014	\$ 133,551,482	\$ 73,884,687	\$ 19,940,248	\$ 41,055,976	\$ 3,719,660	\$ (2,916,087)	\$ 9,262,361	\$ 2,822,529
Cumulative Effect of Change in Accounting Principle (1)	<u>(66,469,641)</u>	<u>(8,550,836)</u>	<u>(3,019,921)</u>	<u>(2,539,625)</u>	<u>(413,440)</u>	<u>(4,941)</u>	<u>(1,384,427)</u>	<u>(1,188,482)</u>
Net Position at July 1, 2014, as restated	<u>\$ 67,081,841</u>	<u>\$ 65,333,851</u>	<u>\$ 16,920,327</u>	<u>\$ 38,516,351</u>	<u>\$ 3,306,220</u>	<u>\$ (2,921,028)</u>	<u>\$ 7,877,934</u>	<u>\$ 1,634,047</u>

⁽¹⁾ Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, the City restated the beginning balances to reflect the beginning net pension liability. In addition, the adjustment to the governmental activities includes the elimination of a net pension asset, which as of June 30, 2014 had a balance of \$25,258,721 and followed GASB Statement No. 27. The total adjustments resulted in the Net Position of the Governmental Activities and Business-Type Activities to decrease by \$66,469,641 and \$8,550,836, respectively.

NOTE 14 – SUBSEQUENT EVENTS

There were no subsequent events to disclose. Subsequent events were evaluated through January 7, 2016, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



Comprehensive Annual Financial Report

June 30, 2015

**CITY OF BURLINGAME, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 – COST-SHARING DEFINED BENEFIT PENSION PLAN

**CITY OF BURLINGAME
 A COST-SHARING DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF THE CITY OF BURLINGAME’S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 AS OF JUNE 30, 2015
 LAST 10 YEARS***

	<u>Safety - Police</u>	<u>Safety - PEPRA</u>
Proportion of the Net Pension Liability	0.2485%	0.0000%
Proportionate Share of the Net Pension Liability	\$ 15,465,610	\$ 71
Covered-Employee Payroll	\$ 4,262,272	\$ 81,007
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	362.85%	0.09%
Plan's Fiduciary Net Position	\$ 67,766,252	\$ 310
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	438.17%	436.62%

* Fiscal year 2015 was the 1st year of implementation of GASB Statement No. 68; therefore, only one year is shown.

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**CITY OF BURLINGAME, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**CITY OF BURLINGAME
 A COST-SHARING DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF CONTRIBUTIONS
 AS OF JUNE 30, 2015
 LAST 10 YEARS***

	<u>Safety - Police</u>	<u>Safety - PEPRA</u>
Contractually Required Contribution (Actuarially Determined)	\$ 1,196,259	\$ 20,785
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,196,259)</u>	<u>(20,785)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 4,262,272	\$ 81,007
Contributions as a Percentage of Covered-Employee Payroll	28.07%	25.66%

* Fiscal year 2015 was the 1st year of implementation of GASB Statement No. 68; therefore, only one year is shown.

Notes to Schedule:

Valuation date June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5%, net of pension plan investment and administrative expense, including inflation
Mortality	Derived using CalPERS Membership Data for all Funds

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 – MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN

**CITY OF BURLINGAME
AN AGENT MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2015
LAST 10 YEARS***

	<u>June 30, 2015</u>
Total Pension Liability	
Service Cost	\$ 2,451,356
Interest on Total Pension Liability	8,964,159
Differences between Expected and Actual Experience	-
Changes in Assumptions	-
Changes in Benefits	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(6,246,453)</u>
Net Change in Total Pension Liability	5,169,062
Total Pension Liability - Beginning	<u>121,419,671</u>
Total Pension Liability - Ending (a)	<u><u>\$ 126,588,733</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 2,214,366
Contributions - Employee	1,203,540
Net Investment Income	15,116,451
Benefit Payments	<u>(6,246,453)</u>
Net Change in Plan Fiduciary Net Position	12,287,904
Plan Fiduciary Net Position - Beginning	<u>88,004,118</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 100,292,022</u></u>
Net Pension Liability - Ending [(a) - (b)]	<u><u>\$ 26,296,711</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.23%
Covered-Employee Payroll	\$ 13,078,081
Net Pension Liability as a Percentage of Covered-Employee Payroll	201.07%

* Fiscal year 2015 was the 1st year of implementation; therefore, only one year is shown.

**CITY OF BURLINGAME, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Notes to Schedule:

Benefit changes. In 2015, there were no benefit changes.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of miscellaneous employees.

**CITY OF BURLINGAME
 AN AGENT MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF CONTRIBUTIONS
 AS OF JUNE 30, 2015
 LAST 10 YEARS***

	Fiscal Year 2013-14
Actuarially Determined Contributions	\$ 2,214,366
Contributions in Relation to the Actuarially Determined Contributions	(2,214,366)
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ 13,078,081
Contributions as a Percentage of Covered-Employee Payroll	16.93%

* Fiscal year 2015 was the 1st year of implementation; therefore, only one year is shown.

Notes to Schedule:

Valuation date June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization method/period	For details, see June 30, 2011 Funding Valuation Report
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by Entry Age and Service

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Notes to Schedule (Continued):

Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality(1)	Derived using CalPERS' membership data for all Funds

(1) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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 City does not issue a separate financial report on the Plan, but additional information can be found at Note 9 in the Notes to the Basic Financial Statements.

The City provides eligible retirees 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. The Plan is closed to new employees.

In September 2013, the City established an irrevocable trust to prefund its unfunded actuarially accrued liability for retiree health care benefits. The California Benefit Trust Fund (CERBT), a multi-employer trust, is administered by CalPERS which also invests trust fund deposits made by the City on behalf of retirees. The CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in Governmental Accounting Standards Board (GASB) Statement No. 45. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information in aggregate with all CERBT participants. That report may be obtained by contacting CalPERS. During fiscal year 2014-15, the City made contributions of \$5,393,929 to the trust. As of June 30, 2015, the cash balance was \$9,358,499.

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

**Schedule of Funding Progress
(dollars 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%	\$ 22,394	301.5%
1/1/2011	76,402	-	76,402	0%	16,961	450.5%
1/1/2013	53,049	9,358	43,691	17.6%	18,462	236.7%

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 2.0% 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.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 – BUDGET AND BUDGETARY ACCOUNTING

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 special revenue funds where appropriate. Consistent with most governmental entities, the City's budget is based on a modified accrual basis of accounting under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the related liability is incurred.

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

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

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

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds three public meetings to provide guidance on the budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to City staff.

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

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

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

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE

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

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

In December 2013, the City’s consultant completed a study to update the physical condition assessment of the streets. The next assessment will be complete by April 2016. The streets, primarily asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: (1) arterial/major, (2) collector, (3) residential, and (4) other (such as alleys and parking lots).

This condition assessment will be performed approximately every two years. For this inspection update, all the paved streets in the City’s system were re-inspected. A visual survey of approximately 83.87 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, 2015**

NOTE 5 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)

The following conditions were defined:

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

The City’s policy is to achieve an average rating of 65 for all streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2015, the City’s street system was rated at a PCI index of 76 on a 100-point scale. The overall condition of the street pavement is in the lower range of MTC’s designation ‘Very Good’.

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

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

<u>Functional Class</u>	<u>Centerline Miles</u>	<u>Lane Miles</u>	<u># of Sections</u>	<u>% of Network</u>	<u>Average PCI</u>
Arterial	25.06	53.84	94	29.9%	79
Residential	33.71	60.32	209	40.2%	78
Collector	20.48	39.95	120	24.4%	75
Other	4.62	8.10	69	5.5%	66
Totals	83.87	162.21	492	-	76

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, 2015**

NOTE 5 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)

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

Condition Class	PCI Range	Arterial	Collector	Residential	Total
Excellent/Very Good (I)	70-100	26.00%	20.30%	27.30%	76.90%
Good/Fair (II/III)	50-69	4.10%	4.40%	8.40%	17.70%
Poor (IV)	25-49	0.50%	1.80%	2.30%	5.10%
Very Poor (V)	0-24	0.00%	0.30%	-	0.30%
Totals	-	30.60%	26.80%	38.00%	100.00%

The City’s street network replacement value is estimated at \$155 million. Replacement value is calculated as the current cost to reconstruct each street in the network.

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

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

Approximately 17.7% of the City’s street network is considered in ‘good’ condition. Pavements in this range require more than a life-extending treatment. At this point, a well designed pavement will have served at least 75 percent of its life with the quality of the pavement dropping approximately 40%.

The remaining 5.4% of the City’s street network falls into the ‘poor’ or ‘very poor’ PCI ranges. These pavements are near the end of their service lives and often exhibit major forms of distress. At this stage a street usually requires either a thick overlay or reconstruction.

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

The projected pavement budget for fiscal year 2011-12 through fiscal year 2015-16 is approximately \$1,200,000 per year or \$6.0 million. This investment maintains the current PCI of 76. Furthermore, under this investment level, the projected deferred maintenance backlog decreased from \$2.9 million in 2014 to \$680,000 in 2018.

**CITY OF BURLINGAME, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 5 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)

	2014	2015	2016	2017	2018	Total
Budget	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$ 6,000,000
Rehabilitation	-	487,414	1,367,876	2,259,922	3,326,858	7,442,070
Preventative Maintenance	-	526,182	105,883	9,186	585	641,836
Deferred Maintenance	2,876,007	2,658,243	2,053,360	2,207,335	681,351	10,476,296
PCI	76	76	76	76	76	-

The study determined that there was approximately a \$2.9 million deferred maintenance backlog in 2014. To maintain an appropriate overall PCI level and address critical areas of deferred maintenance, a cost-effective funding and maintenance and rehabilitation strategy was 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.

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Rating
2012-2013	\$1,200,000	\$ 703,887	76
2013-2014	\$1,200,000	\$ 950,218	76
2014-2015	\$1,200,000	\$ 1,479,349	76

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. For example, a major street re-surfacing project was completed in fiscal year 2014-15 which resulted in over 360,000 square feet of street repair.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 6 – BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 15,250,000	\$ 16,610,000	\$ 16,677,381	\$ 67,381
Sales and use taxes	10,460,000	10,950,000	11,100,900	150,900
Transient occupancy taxes	21,100,000	22,500,000	23,698,396	1,198,396
Other taxes	2,992,400	2,987,400	3,048,314	60,914
Licenses and permits	86,000	81,000	83,840	2,840
Fines, forfeitures, and penalties	780,000	794,000	837,704	43,704
Charges for services	4,087,020	4,332,720	4,481,618	148,898
Other revenue	221,000	1,246,000	1,254,463	8,463
Grant revenue	100,000	186,000	465,725	279,725
Investment income	200,000	230,000	260,740	30,740
Total revenues	55,276,420	59,917,120	61,909,081	1,991,961
Expenditures				
Current:				
General government:				
City attorney	655,368	645,368	525,684	119,684
City clerk	318,258	318,258	272,178	46,080
City council	321,095	321,095	287,788	33,307
City manager	667,903	684,903	554,126	130,777
Human resources	833,466	808,466	693,568	114,898
Finance	1,985,232	1,940,232	1,788,551	151,681
Total general government	4,781,322	4,718,322	4,121,895	596,427
Public safety:				
Fire	10,140,511	10,222,711	9,848,829	373,882
Fire - Disaster Preparedness	625,638	625,638	621,547	4,091
Police Communications Dispatch	1,353,906	1,362,906	1,185,815	177,091
Police	11,437,445	11,458,447	11,117,303	341,144
Total public safety	23,557,500	23,669,702	22,773,494	896,208
Public works	5,421,167	5,421,167	4,769,873	651,294
Community development	1,742,497	1,682,497	1,244,199	438,298
Parks, recreation, and library:				
Library	4,658,794	4,662,294	4,392,438	269,856
Parks	3,526,799	3,546,799	3,247,927	298,872
Recreation	4,186,560	4,238,034	3,855,238	382,796
Total parks, recreation, and library	12,372,153	12,447,127	11,495,603	951,524
Capital outlay	-	-	-	-
Total expenditures	47,874,639	47,938,815	44,405,064	3,533,751
Excess of revenues over expenditures	7,401,781	11,978,305	17,504,017	(1,541,790)
Other financing sources (uses)				
Transfers in	3,386,759	3,386,759	3,386,759	-
Transfers out	(10,824,424)	(14,314,633)	(14,314,633)	-
Total other financing sources (uses)	(7,437,665)	(10,927,874)	(10,927,874)	-
Net change in fund balance	\$ (35,884)	\$ 1,050,431	6,576,143	\$ 5,525,712
FUND BALANCE				
Beginning of year			22,885,423	
End of year			<u>\$ 29,461,566</u>	

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 – BUDGETARY COMPARISON SCHEDULE – STORM DRAINAGE FUND

	Storm Drainage Fund		
	Budget	Actual	Variance with Final Budget
REVENUES:			
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -
Charges for services	2,690,393	2,720,116	29,723
Investment income	90,000	67,824	(22,176)
Intergovernmental	-	-	-
Grants and subventions	-	-	-
Total revenues	2,780,393	2,787,940	7,547
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Parks, recreation, and library	-	-	-
Shuttle bus operations	-	-	-
Capital outlay	-	-	-
Total expenditures	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	2,780,393	2,787,940	7,547
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(1,425,304)	(1,780,080)	(354,776)
Total other financing sources (uses)	(1,425,304)	(1,780,080)	(354,776)
Net change in fund balance	\$ 1,355,089	1,007,860	\$ (347,229)
FUND BALANCE:			
Beginning of year		1,571,860	
End of year		<u>\$ 2,579,720</u>	

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**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.

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

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

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

Development Fees Fund – This fund is to account for developers’ fees that may be used for improvements on the bay front area and streetscape improvements in the North Burlingame area of the City, as well as Bayfront facilities impact fees and parking in lieu fees.

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

**CITY OF BURLINGAME, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Special Assessment District Fund	Traffic Safety Fund
ASSETS				
Cash and investments	\$ 1,738,791	\$ 1,663,567	\$ 376,594	\$ 37,682
Receivables (net of uncollectible amount of \$0):				
Accounts receivable	4,238	7,321	3,915	5,519
Due from other governments	127,378	-	-	-
Total assets	\$ 1,870,407	\$ 1,670,888	\$ 380,509	\$ 43,201
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Restricted	1,870,407	1,670,888	380,509	43,201
Assigned	-	-	-	-
Total fund balances	1,870,407	1,670,888	380,509	43,201
Total liabilities and fund balances	\$ 1,870,407	\$ 1,670,888	\$ 380,509	\$ 43,201

**CITY OF BURLINGAME, CALIFORNIA
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

Special Revenue Funds					Total
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Nonmajor Governmental Funds
\$ 99,776	\$ 4,005	\$ 536,505	\$ 718,798	\$ 328,419	\$ 5,504,137
-	70,060	446,073	2,082	28,965	568,173
-	-	-	-	-	127,378
<u>\$ 99,776</u>	<u>\$ 74,065</u>	<u>\$ 982,578</u>	<u>\$ 720,880</u>	<u>\$ 357,384</u>	<u>\$ 6,199,688</u>
\$ 20,751	\$ 26,346	\$ 40,231	\$ -	\$ 4,525	\$ 91,853
-	42,688	488,765	-	-	531,453
<u>20,751</u>	<u>69,034</u>	<u>528,996</u>	<u>-</u>	<u>4,525</u>	<u>623,306</u>
-	5,031	-	720,880	-	4,690,916
79,025	-	453,582	-	352,859	885,466
<u>79,025</u>	<u>5,031</u>	<u>453,582</u>	<u>720,880</u>	<u>352,859</u>	<u>5,576,382</u>
<u>\$ 99,776</u>	<u>\$ 74,065</u>	<u>\$ 982,578</u>	<u>\$ 720,880</u>	<u>\$ 357,384</u>	<u>\$ 6,199,688</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, 2015**

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Special Assessment District Fund	Traffic Safety Fund
REVENUES:				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ 83,454
Investment income	11,271	17,268	3,676	-
Intergovernmental taxes	789,049	859,198	-	-
Charges for services	-	-	310,097	-
Grant revenue	-	-	-	-
Total revenues	800,320	876,466	313,773	83,454
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	50,673	-
Parks, recreation, and library	-	-	-	-
Shuttle bus operations	-	-	-	-
Total expenditures	-	-	50,673	-
REVENUES OVER (UNDER) EXPENDITURES	800,320	876,466	263,100	83,454
OTHER FINANCING SOURCES (USES):				
Transfers in	-	265,848	-	-
Transfer out	(600,000)	(746,000)	(278,044)	(87,000)
Total other financing sources (uses)	(600,000)	(480,152)	(278,044)	(87,000)
Net change in fund balances	200,320	396,314	(14,944)	(3,546)
FUND BALANCES:				
Beginning of year	1,670,087	1,274,574	395,453	46,747
End of year	<u>\$ 1,870,407</u>	<u>\$ 1,670,888</u>	<u>\$ 380,509</u>	<u>\$ 43,201</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, 2015**

Special Revenue Funds					
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,454
-	-	(195)	5,100	1,310	38,430
-	-	-	-	-	1,648,247
-	-	-	39,936	110,097	460,130
<u>62,000</u>	<u>373,536</u>	<u>637,710</u>	<u>-</u>	<u>-</u>	<u>1,073,246</u>
<u>62,000</u>	<u>373,536</u>	<u>637,515</u>	<u>45,036</u>	<u>111,407</u>	<u>3,303,507</u>
-	-	-	-	38,739	38,739
-	371,493	705	-	-	372,198
-	-	-	-	-	50,673
-	-	152,356	-	-	152,356
<u>134,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,578</u>
<u>134,578</u>	<u>371,493</u>	<u>153,061</u>	<u>-</u>	<u>38,739</u>	<u>748,544</u>
<u>(72,578)</u>	<u>2,043</u>	<u>484,454</u>	<u>45,036</u>	<u>72,668</u>	<u>2,554,963</u>
85,500	-	5,000	-	148,012	504,360
<u>-</u>	<u>-</u>	<u>(488,765)</u>	<u>(34,311)</u>	<u>-</u>	<u>(2,234,120)</u>
<u>85,500</u>	<u>-</u>	<u>(483,765)</u>	<u>(34,311)</u>	<u>148,012</u>	<u>(1,729,760)</u>
<u>12,922</u>	<u>2,043</u>	<u>689</u>	<u>10,725</u>	<u>220,680</u>	<u>825,203</u>
<u>66,103</u>	<u>2,988</u>	<u>452,893</u>	<u>710,155</u>	<u>132,179</u>	<u>4,751,179</u>
<u>\$ 79,025</u>	<u>\$ 5,031</u>	<u>\$ 453,582</u>	<u>\$ 720,880</u>	<u>\$ 352,859</u>	<u>\$ 5,576,382</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, 2015**

	Special Revenue Funds					Variance with Final Budget
	Measure A Fund			Gas Tax Fund		
	Budget	Actual	Budget	Budget	Actual	
REVENUES:						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	-	11,271	11,271	24,000	17,268	(6,732)
Intergovernmental	760,000	789,049	29,049	848,402	859,198	10,796
Charges for services	-	-	-	-	-	-
Grants revenue	-	-	-	-	-	-
Total revenues	760,000	800,320	40,320	872,402	876,466	4,064
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-	-
Shuttle bus operations	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	760,000	800,320	40,320	872,402	876,466	4,064
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	265,848	265,848
Transfers out	(600,000)	(600,000)	-	(746,000)	(746,000)	-
Total other financing sources (uses)	(600,000)	(600,000)	-	(746,000)	(480,152)	265,848
Net change in fund balances	\$ 160,000	200,320	\$ 40,320	\$ 126,402	396,314	\$ 269,912
FUND BALANCES:						
Beginning of year		<u>1,670,087</u>			<u>1,274,574</u>	
End of year		<u>\$ 1,870,407</u>			<u>\$ 1,670,888</u>	

¹ 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, 2015**

Special Assessment District Fund			Special Revenue Funds			Train Shuttle Fund		
Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ 96,000	\$ 83,454	\$ (12,546)	\$ -	\$ -	\$ -
4,000	3,676	(324)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
310,157	310,097	(60)	-	-	-	-	-	-
-	-	-	-	-	-	62,000	62,000	-
<u>314,157</u>	<u>313,773</u>	<u>(384)</u>	<u>96,000</u>	<u>83,454</u>	<u>(12,546)</u>	<u>62,000</u>	<u>62,000</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
64,340	50,673	13,667	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	147,500	134,578	12,922
<u>64,340</u>	<u>50,673</u>	<u>13,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,500</u>	<u>134,578</u>	<u>12,922</u>
249,817	263,100	13,283	96,000	83,454	(12,546)	(85,500)	(72,578)	12,922
-	-	-	-	-	-	85,500	85,500	-
<u>(278,044)</u>	<u>(278,044)</u>	<u>-</u>	<u>(87,000)</u>	<u>(87,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(278,044)</u>	<u>(278,044)</u>	<u>-</u>	<u>(87,000)</u>	<u>(87,000)</u>	<u>-</u>	<u>85,500</u>	<u>85,500</u>	<u>-</u>
<u>\$ (28,227)</u>	<u>(14,944)</u>	<u>\$ 13,283</u>	<u>\$ 9,000</u>	<u>(3,546)</u>	<u>\$ (12,546)</u>	<u>\$ -</u>	<u>12,922</u>	<u>\$ 12,922</u>
	<u>395,453</u>			<u>46,747</u>			<u>66,103</u>	
	<u>\$ 380,509</u>			<u>\$ 43,201</u>			<u>\$ 79,025</u>	

¹ 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, 2015**

	Special Revenue Funds					
	State/Federal Grants Funds			Local Grants Fund		
	Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
REVENUES:						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-	(195)	(195)
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Grants and subventions	506,696	373,536	(133,160)	-	637,710	637,710
Total revenues	<u>506,696</u>	<u>373,536</u>	<u>(133,160)</u>	<u>-</u>	<u>637,515</u>	<u>637,515</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	506,696	371,493	135,203	-	705	(705)
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	152,356	(152,356)
Shuttle bus operations	-	-	-	-	-	-
Total expenditures	<u>506,696</u>	<u>371,493</u>	<u>135,203</u>	<u>-</u>	<u>153,061</u>	<u>(153,061)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>2,043</u>	<u>(2,043)</u>	<u>-</u>	<u>484,454</u>	<u>484,454</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	5,000	5,000	-
Transfers out	-	-	-	-	(488,765)	(488,765)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>(483,765)</u>	<u>(488,765)</u>
Net change in fund balances	<u>\$ -</u>	<u>2,043</u>	<u>\$ (2,043)</u>	<u>\$ 5,000</u>	<u>689</u>	<u>\$ (4,311)</u>
FUND BALANCES:						
Beginning of year		<u>2,988</u>			<u>452,893</u>	
End of year		<u>\$ 5,031</u>			<u>\$ 453,582</u>	

¹ 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, 2015**

Special Revenue Funds								
Development Fees Fund			Public TV Access Fund			Totals		
Budget ¹	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,000	\$ 83,454	\$ (12,546)
-	5,100	5,100	-	1,310	1,310	28,000	38,430	10,430
-	-	-	-	-	-	1,608,402	1,648,247	39,845
-	39,936	39,936	110,000	110,097	97	420,157	460,130	39,973
-	-	-	-	-	-	568,696	1,073,246	504,550
-	45,036	45,036	110,000	111,407	1,407	2,721,255	3,303,507	582,252
-	-	-	80,000	38,739	41,261	80,000	38,739	41,261
-	-	-	-	-	-	506,696	372,198	134,498
-	-	-	-	-	-	64,340	50,673	13,667
-	-	-	-	-	-	-	152,356	(152,356)
-	-	-	-	-	-	147,500	134,578	12,922
-	-	-	80,000	38,739	41,261	798,536	748,544	49,992
-	45,036	45,036	30,000	72,668	(39,854)	1,922,719	2,554,963	632,244
-	-	-	148,012	148,012	-	238,512	504,360	265,848
(34,311)	(34,311)	-	-	-	-	(1,745,355)	(2,234,120)	(488,765)
(34,311)	(34,311)	-	148,012	148,012	-	(1,506,843)	(1,729,760)	(222,917)
<u>\$ (34,311)</u>	<u>10,725</u>	<u>\$ 45,036</u>	<u>\$ 178,012</u>	<u>220,680</u>	<u>\$ (39,854)</u>	<u>\$ 415,876</u>	<u>825,203</u>	<u>\$ 409,327</u>
	<u>710,155</u>			<u>132,179</u>			<u>4,751,179</u>	
	<u>\$ 720,880</u>			<u>\$ 352,859</u>			<u>\$ 5,576,382</u>	

¹ The City does not budget for this fund.

INTERNAL SERVICE FUNDS

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

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

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

Facilities Services Fund – This fund accounts for the costs of operation of the City's maintenance and repair of 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 the various departments. Such costs are billed to the consuming departments at a rate that includes operation and maintenance, and an amount necessary to provide replacement of the equipment at a future date.

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

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	General Liability Fund	Workers' Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
ASSETS							
Current assets:							
Cash and investments	\$ 3,056,174	\$ 6,258,398	\$ 312,248	\$ 379,230	\$ 5,817,180	\$ 714,050	\$ 16,537,280
Receivables (net of uncollectible amounts of \$0):							
Due from consumers	-	98	-	-	89	-	187
Due from other governments	2,500	-	-	-	3,921	19,004	25,425
Other receivables	6,671	17,629	-	1,087	16,467	2,143	43,997
Advances from other funds	-	-	-	-	201,990	-	201,990
Inventory	-	-	-	-	69,297	-	69,297
Total current assets	3,065,345	6,276,125	312,248	380,317	6,108,944	735,197	16,878,176
Noncurrent assets:							
Cash and investments, restricted	-	31,028	-	-	-	-	31,028
Capital assets:							
Facilities, infrastructure, and equipment, net of depreciation	-	-	-	87,916	1,543,528	24,783	1,656,227
Total noncurrent assets	-	31,028	-	87,916	1,543,528	24,783	1,687,255
Total assets	3,065,345	6,307,153	312,248	468,233	7,652,472	759,980	18,565,431
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pension	-	-	-	72,338	46,924	3,318	122,580
Total deferred outflows of resources	-	-	-	72,338	46,924	3,318	122,580
LIABILITIES							
Current liabilities:							
Accounts payable	50,812	448	316,268	35,497	69,665	51,355	524,045
Compensated absences due in one year	-	-	-	-	2,462	-	2,462
Claims and litigation due in one year	459,000	1,180,000	-	-	-	-	1,639,000
Total current liabilities	509,812	1,180,448	316,268	35,497	72,127	51,355	2,165,507
Noncurrent liabilities:							
Compensated absences	-	-	-	40,509	30,029	-	70,538
Claims and litigation	393,000	4,983,000	-	-	-	-	5,376,000
Net pension liability	-	-	-	730,113	473,606	33,492	1,237,211
Total noncurrent liabilities	393,000	4,983,000	-	770,622	503,635	33,492	6,683,749
Total liabilities	902,812	6,163,448	316,268	806,119	575,762	84,847	8,849,256
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	-	-	-	192,057	124,583	8,810	325,450
Total deferred inflows of resources	-	-	-	192,057	124,583	8,810	325,450
NET POSITION							
Net investment in capital assets	-	-	-	87,916	1,543,528	24,783	1,656,227
Unrestricted (deficit)	2,162,533	143,705	(4,020)	(545,521)	5,455,523	644,858	7,857,078
Total net position	\$ 2,162,533	\$ 143,705	\$ (4,020)	\$ (457,605)	\$ 6,999,051	\$ 669,641	\$ 9,513,305

**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, 2015**

	General Liability Fund	Workers' Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
OPERATING REVENUES:							
Charges for services	\$ 1,877,206	\$ 931,075	\$ 4,781,861	\$ 1,366,507	\$ 1,138,915	\$ 1,050,399	\$ 11,145,963
Other revenue	9,541	655	-	345	2,927	-	13,468
Total operating revenues	1,886,747	931,730	4,781,861	1,366,852	1,141,842	1,050,399	11,159,431
OPERATING EXPENSES:							
Salaries and benefits	-	-	4,769,929	726,906	407,434	62,188	5,966,457
Supplies and services	-	645	15,952	569,951	144,572	888,926	1,620,046
Depreciation	-	-	-	16,173	562,652	21,448	600,273
Insurance claims and expenses	(31,765)	942,956	-	3,568	4,080	-	918,839
Total operating expenses	(31,765)	943,601	4,785,881	1,316,598	1,118,738	972,562	9,105,615
Operating income (loss)	1,918,512	(11,871)	(4,020)	50,254	23,104	77,837	2,053,816
NONOPERATING REVENUES:							
Investment income	17,409	41,656	-	2,656	40,196	5,289	107,206
Net nonoperating revenues	17,409	41,656	-	2,656	40,196	5,289	107,206
Net change in net position	1,935,921	29,785	(4,020)	52,910	63,300	83,126	2,161,022
NET POSITION:							
Total net position, beginning, as restated	226,612	113,920	-	(510,515)	6,935,751	586,515	7,352,283
Total net position, ending	\$ 2,162,533	\$ 143,705	\$ (4,020)	\$ (457,605)	\$ 6,999,051	\$ 669,641	\$ 9,513,305

**CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Liability Fund	Workers' Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from consumers	\$ 1,888,521	\$ 923,108	\$ 4,781,861	\$ 1,366,170	\$ 1,134,729	\$ 1,051,413	\$ 11,145,802
Payments to suppliers	60,610	(943,153)	300,316	(586,864)	(154,554)	(941,203)	(2,264,848)
Payments to employees for services	(755,000)	(125,000)	(4,769,929)	(741,229)	(415,205)	(62,942)	(6,869,305)
Net cash provided by (used in) operating activities	1,194,131	(145,045)	312,248	38,077	564,970	47,268	2,011,649
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Advances from other funds	-	-	-	-	99,498	-	99,498
Net cash provided by noncapital financing activities	-	-	-	-	99,498	-	99,498
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital expenditures	-	-	-	-	(446,990)	-	(446,990)
Gain on disposal of asset	-	-	-	-	16,337	-	16,337
Net cash used in capital and related financing activities	-	-	-	-	(430,653)	-	(430,653)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment and rental income received	17,409	41,656	-	2,656	40,196	5,289	107,206
Net cash provided by investing activities	17,409	41,656	-	2,656	40,196	5,289	107,206
Net increase (decrease) in cash and cash equivalents	1,211,540	(103,389)	312,248	40,733	274,011	52,557	1,787,700
CASH AND CASH EQUIVALENTS:							
Beginning of year	1,844,634	6,392,815	-	338,497	5,543,169	661,493	14,780,608
End of year	\$ 3,056,174	\$ 6,289,426	\$ 312,248	\$ 379,230	\$ 5,817,180	\$ 714,050	\$ 16,568,308
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss)	\$ 1,918,512	\$ (11,871)	\$ (4,020)	\$ 50,254	\$ 23,104	\$ 77,837	\$ 2,053,816
Adjustments to Reconcile Operating Income (Loss) to net cash provided by (used in) operating activities							
Depreciation and Amortization	-	-	-	16,173	562,652	21,448	600,273
Changes in Assets and Liabilities							
(Increase) Decrease in Receivables	1,774	(8,622)	-	(682)	(7,113)	1,015	(13,628)
(Increase) in Inventory	-	-	-	-	(7,904)	-	(7,904)
(Increase) in Deferred Outflows	-	-	-	(72,338)	(46,924)	(3,318)	(122,580)
(Decrease) in Claims in Litigation	(755,000)	(125,000)	-	-	-	-	(880,000)
Increase (Decrease) in Accounts Payable	28,845	448	316,268	(13,345)	2,002	(52,278)	281,940
Increase in Deferred Inflows	-	-	-	192,057	124,583	8,810	325,450
(Decrease) in net pension liability	-	-	-	(136,170)	(88,330)	(6,246)	(230,746)
Increase in Compensated Absences	-	-	-	2,128	2,900	-	5,028
Net cash provided by (used in) operating activities	\$ 1,194,131	\$ (145,045)	\$ 312,248	\$ 38,077	\$ 564,970	\$ 47,268	\$ 2,011,649
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:							
Cash and investments – current	\$ 3,056,174	\$ 6,258,398	\$ 312,248	\$ 379,230	\$ 5,817,180	\$ 714,050	\$ 16,537,280
Cash and investments – restricted	-	31,028	-	-	-	-	31,028
Cash and cash equivalents on the statement of cash flows	\$ 3,056,174	\$ 6,289,426	\$ 312,248	\$ 379,230	\$ 5,817,180	\$ 714,050	\$ 16,568,308

FIDUCIARY FUNDS

Agency Funds

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) Fund – 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.

Unclaimed – General Accounts – This fund accounts for unclaimed property and collections received by the City.

Downtown Business Improvement District Fund – 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, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Seismic Education Fees				
Assets:				
Cash and investments	\$ 33,607	\$ 1,183	\$ -	\$ 34,790
Total assets	\$ 33,607	\$ 1,183	\$ -	\$ 34,790
Liabilities:				
Accounts payable	\$ 3,371	\$ -	\$ 1,705	\$ 1,666
Due to other governmental units	30,236	2,888	-	33,124
Total liabilities	\$ 33,607	\$ 2,888	\$ 1,705	\$ 34,790
Hotel BID Fees				
Assets:				
Cash and investments	\$ 122,871	\$ -	\$ 45,635	\$ 77,236
Accounts receivable	855,513	-	76,608	778,905
Total assets	\$ 978,384	\$ -	\$ 122,243	\$ 856,141
Liabilities:				
Accounts payable	\$ 132,787	\$ -	\$ 29,361	\$ 103,426
Due to other governmental units	845,597	-	92,882	752,715
Total liabilities	\$ 978,384	\$ -	\$ 122,243	\$ 856,141
Elementary School Development Fees				
Assets:				
Cash and investments	\$ 34,840	\$ 8,292	\$ -	\$ 43,132
Total assets	\$ 34,840	\$ 8,292	\$ -	\$ 43,132
Liabilities:				
Accounts payable	\$ 34,840	\$ 8,292	\$ -	\$ 43,132
Total liabilities	\$ 34,840	\$ 8,292	\$ -	\$ 43,132
High School Development Fees				
Assets:				
Cash and investments	\$ 25,528	\$ 6,716	\$ -	\$ 32,244
Total assets	\$ 25,528	\$ 6,716	\$ -	\$ 32,244
Liabilities:				
Accounts payable	\$ 25,528	\$ 6,716	\$ -	\$ 32,244
Total liabilities	\$ 25,528	\$ 6,716	\$ -	\$ 32,244
Unclaimed Property - PD				
Assets:				
Cash and investments	\$ 12,891	\$ 9,350	\$ -	\$ 22,241
Total assets	\$ 12,891	\$ 9,350	\$ -	\$ 22,241
Liabilities:				
Due to other governmental units	\$ 12,891	\$ 9,350	\$ -	\$ 22,241
Total liabilities	\$ 12,891	\$ 9,350	\$ -	\$ 22,241

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
ALL AGENCY FUNDS
JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
EMS Training Fund				
Assets:				
Cash and investments	\$ (3,871)	\$ -	\$ -	\$ (3,871)
Accounts receivable	-	-	-	-
Total assets	\$ (3,871)	\$ -	\$ -	\$ (3,871)
Liabilities:				
Due to other governmental units	\$ (3,871)			\$ (3,871)
Total liabilities	\$ (3,871)	\$ -	\$ -	\$ (3,871)
BID - Broadway				
Assets:				
Cash and investments	\$ 8,859	\$ 1,613	\$ 8,859	\$ 1,613
Total assets	\$ 8,859	\$ 1,613	\$ 8,859	\$ 1,613
Liabilities:				
Accounts payable	\$ 8,859	\$ 1,613	\$ 8,859	\$ 1,613
Total liabilities	\$ 8,859	\$ 1,613	\$ 8,859	\$ 1,613
Library Foundation Account Fund				
Assets:				
Cash and investments	\$ 1,834	\$ 1,482	\$ -	\$ 3,316
Total assets	\$ 1,834	\$ 1,482	\$ -	\$ 3,316
Liabilities:				
Accounts payable	\$ 1,097	\$ 385		\$ 1,482
Due to other governmental units	737	1,097	-	1,834
Total liabilities	\$ 1,834	\$ 1,482	\$ -	\$ 3,316
Building Standards Administration				
Assets:				
Cash and investments	\$ 4,309	\$ 556	\$ -	\$ 4,865
Total assets	\$ 4,309	\$ 556	\$ -	\$ 4,865
Liabilities:				
Accounts payable	\$ 908	\$ -	\$ 352	\$ 556
Due to other governmental units	3,401	908	-	4,309
Total liabilities	\$ 4,309	\$ 908	\$ 352	\$ 4,865
QWL Committee				
Assets:				
Cash and investments	\$ (165)	\$ -	\$ -	\$ (165)
Total assets	\$ (165)	\$ -	\$ -	\$ (165)
Liabilities:				
Due to other governmental units	\$ (165)	\$ -	\$ -	\$ (165)
Total liabilities	\$ (165)	\$ -	\$ -	\$ (165)

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
ALL AGENCY FUNDS
JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Unclaimed - General Accounts				
Assets:				
Cash and investments	\$ 2,417	\$ 150	\$ -	\$ 2,567
Total assets	\$ 2,417	\$ 150	\$ -	\$ 2,567
Liabilities:				
Due to other governmental units	\$ -	\$ -	\$ -	\$ -
Deposit	2,417	150	-	2,567
Total liabilities	\$ 2,417	\$ 150	\$ -	\$ 2,567
Downtown Business Improvement District				
Assets:				
Cash and investments	\$ 3,899	\$ 1,810	\$ -	\$ 5,709
Accounts receivable	11,550	1,181	-	12,731
Total assets	\$ 15,449	\$ 2,991	\$ -	\$ 18,440
Liabilities:				
Accounts payable	\$ 3,600	\$ 654	\$ -	\$ 4,254
Due to other governmental units	11,849	2,337	-	14,186
Total liabilities	\$ 15,449	\$ 2,991	\$ -	\$ 18,440
TOTALS				
Assets:				
Cash and investments	\$ 247,019	\$ 31,152	\$ 54,494	\$ 223,677
Accounts receivable	867,063	1,181	76,608	791,636
Total assets	\$ 1,114,082	\$ 32,333	\$ 131,102	\$ 1,015,313
Liabilities:				
Accounts payable	\$ 210,990	\$ 17,660	\$ 40,277	\$ 188,373
Deposit	2,417	150	-	2,567
Due to other governmental units	900,675	16,580	92,882	824,373
Total liabilities	\$ 1,114,082	\$ 34,390	\$ 133,159	\$ 1,015,313

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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.	158-165
<u><i>Revenue Capacity</i></u>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and other taxes.	166-173
<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.	174-178
<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.	179-181
<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.	183-186

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

	2006	2007	2008	(1) 2009
Governmental activities:				
Net investment in capital assets	\$ 95,584	\$ 93,700	\$ 92,795	\$ 60,967
Restricted	1,655	1,800	3,299	3,575
Unrestricted	<u>12,206</u>	<u>12,709</u>	<u>16,265</u>	<u>41,005</u>
Total governmental activities net position	<u>\$ 109,445</u>	<u>\$ 108,209</u>	<u>\$ 112,359</u>	<u>\$ 105,547</u>
Business-type activities:				
Net investment in capital assets	\$ 27,651	\$ 27,631	\$ 30,824	\$ 32,014
Restricted	-	-	-	-
Unrestricted	<u>8,610</u>	<u>13,540</u>	<u>14,385</u>	<u>18,119</u>
Total business-type activities net position	<u>\$ 36,261</u>	<u>\$ 41,171</u>	<u>\$ 45,209</u>	<u>\$ 50,133</u>
Primary government:				
Net investment in capital assets	\$ 123,235	\$ 121,331	\$ 123,619	\$ 92,981
Restricted	1,655	1,800	3,299	3,575
Unrestricted	<u>20,816</u>	<u>26,249</u>	<u>30,650</u>	<u>59,124</u>
Total primary government net position	<u>\$ 145,706</u>	<u>\$ 149,380</u>	<u>\$ 157,568</u>	<u>\$ 155,680</u>

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

(1) 2010	(1) 2011	(2) 2012	2013	2014	2015
\$ 59,936	\$ 51,521	\$ 78,903	\$ 64,020	\$ 72,956	\$ 74,345
3,515	8,674	12,102	26,400	45,863	36,446
<u>42,298</u>	<u>49,259</u>	<u>27,234</u>	<u>34,841</u>	<u>14,732</u>	<u>(26,763)</u>
<u>\$ 105,749</u>	<u>\$ 109,454</u>	<u>\$ 118,239</u>	<u>\$ 125,261</u>	<u>\$ 133,551</u>	<u>\$ 84,028</u>
\$ 30,759	\$ 38,406	\$ 40,381	\$ 43,469	\$ 46,341	\$ 50,485
-	-	5,014	5,050	451	451
<u>19,260</u>	<u>17,736</u>	<u>14,788</u>	<u>16,093</u>	<u>27,092</u>	<u>22,038</u>
<u>\$ 50,019</u>	<u>\$ 56,142</u>	<u>\$ 60,183</u>	<u>\$ 64,612</u>	<u>\$ 73,884</u>	<u>\$ 72,974</u>
\$ 90,695	\$ 89,927	\$ 119,284	\$ 107,489	\$ 119,297	\$ 124,830
3,515	8,674	17,116	31,450	46,314	36,897
<u>61,558</u>	<u>66,995</u>	<u>42,022</u>	<u>50,934</u>	<u>41,824</u>	<u>(4,725)</u>
<u>\$ 155,768</u>	<u>\$ 165,596</u>	<u>\$ 178,422</u>	<u>\$ 189,873</u>	<u>\$ 207,436</u>	<u>\$ 157,003</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)

	2006	2007	2008	2009	2010
Expenses					
Governmental activities:					
General government	\$ 4,488	\$ 4,957	\$ 5,199	\$ 5,493	\$ 5,354
Public safety	19,758	17,804	18,981	21,154	21,050
Public works	7,526	7,685	4,307	8,071	8,453
Community development	837	835	4,168	3,263	2,318
Parks, recreation, and library	11,373	11,304	9,465	10,868	9,191
Shuttle bus operations	286	306	304	318	130
Financing and other activities	519	2,644	1,401	2,093	1,876
Total governmental activities expenses	44,787	45,535	43,825	51,261	48,372
Business-type activities:					
Water	6,934	7,629	8,662	9,315	9,370
Sewer	8,486	9,323	10,011	10,442	10,170
Waste management	318	372	307	1,217	687
Landfill	-	-	-	-	-
Parking	1,127	1,154	1,315	1,353	1,298
Building	-	-	-	1,185	1,075
Total business-type activities expenses	16,865	18,478	20,295	23,512	22,600
Total primary governmental expenses	\$ 61,652	\$ 64,013	\$ 64,120	\$ 74,773	\$ 70,972
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 275	\$ 574	\$ 269	\$ 240	\$ 350
Public safety	1,892	2,355	1,737	2,104	1,179
Public works	1,393	3,032	1,438	556	314
Community development	317	344	263	300	336
Parks, recreation, and library	2,514	2,810	2,719	2,565	2,643
Operating grants and contributions	2,080	166	2,730	2,590	2,040
Capital grants and contributions	1,086	-	105	918	3,407
Total governmental activities program revenues	9,557	9,281	9,261	9,273	10,269
Business-type activities:					
Charges for services:					
Water	8,726	10,484	11,119	11,800	11,516
Sewer	9,584	10,825	11,592	12,467	12,534
Waste management	-	-	-	7	294
Landfill	-	-	-	-	-
Parking	1,644	1,638	1,691	1,640	1,645
Building	-	-	-	2,356	1,479
Capital grants and contributions	-	-	1,105	535	23
Total business-type activities program revenues	19,954	22,947	25,507	28,805	27,491
Total primary governmental program revenues	\$ 29,511	\$ 32,228	\$ 34,768	\$ 38,078	\$ 37,760
Net (expenses)/revenue					
Governmental activities	\$ (35,230)	\$ (36,254)	\$ (34,564)	\$ (41,988)	\$ (38,103)
Business-type activities	3,089	4,469	5,212	5,293	4,891
Total primary government net revenues (expenses)	\$ 32,141	\$ (31,785)	\$ (29,352)	\$ (36,695)	\$ (33,212)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 10,390	\$ 11,469	\$ 12,198	\$ 12,798	\$ 13,355
Sales tax	8,806	9,231	9,458	8,251	6,276
Transient occupancy tax	9,273	10,356	11,265	10,155	10,342
Other taxes	2,498	2,090	2,103	2,095	2,267
Other general revenue	-	-	-	-	-
Special item - OPEB pre-funding	-	-	-	-	-
Investment earnings (expense)	716	1,408	1,610	897	618
Transfers	11,039	464	2,080	980	5,447
Total governmental activities	42,722	35,018	38,714	35,176	38,305
Business-type activities:					
Other taxes	747	905	906	610	442
Investment earnings (expense)	299	-	-	-	-
Transfers	(11,039)	(464)	(2,080)	(980)	(5,447)
Total business-type activities	(9,993)	441	(1,174)	(370)	(5,005)
Total primary government	32,729	35,459	37,540	34,806	33,300
Change in Net Position					
Governmental activities	7,492	(1,236)	4,149	(6,811)	202
Business-type activities	(6,904)	4,910	4,038	4,923	(114)
Total primary government	\$ 588	\$ 3,674	\$ 8,187	\$ (1,887)	\$ 88

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

2011	2012	2013	2014	2015
\$ 6,803	\$ 6,358	\$ 6,188	\$ 7,295	\$ 4,231
21,141	20,265	21,163	19,141	23,005
8,514	8,248	9,268	12,961	8,267
1,752	1,245	941	1,007	1,145
10,475	9,828	11,065	11,162	15,832
324	249	179	188	135
<u>2,656</u>	<u>2,215</u>	<u>3,552</u>	<u>2,812</u>	<u>2,422</u>
<u>51,665</u>	<u>48,408</u>	<u>52,356</u>	<u>54,567</u>	<u>55,037</u>
9,569	11,082	12,127	10,745	11,471
9,509	9,686	9,553	9,332	10,144
936	681	634	467	481
-	-	-	177	67
1,454	1,435	1,350	1,183	1,296
<u>1,141</u>	<u>1,222</u>	<u>1,317</u>	<u>1,254</u>	<u>1,368</u>
<u>22,608</u>	<u>24,107</u>	<u>24,980</u>	<u>23,158</u>	<u>24,827</u>
<u>\$ 74,273</u>	<u>\$ 72,516</u>	<u>\$ 77,336</u>	<u>\$ 77,725</u>	<u>\$ 79,864</u>
\$ 616	\$ 2	\$ 117	\$ 302	\$ 116
2,202	1,053	212	1,097	1,066
1,713	560	3,230	4,075	3,870
744	319	384	738	657
2,744	2,760	2,880	2,919	3,372
2,210	1,165	987	738	1,127
<u>3,189</u>	<u>3,520</u>	<u>357</u>	<u>1,249</u>	<u>740</u>
<u>13,418</u>	<u>9,379</u>	<u>8,167</u>	<u>11,118</u>	<u>10,948</u>
12,734	13,708	14,875	16,023	15,425
14,566	16,157	16,791	16,931	15,679
653	465	564	1,694	943
-	-	-	350	445
1,802	1,950	2,428	2,477	2,573
1,404	1,580	1,707	2,057	1,980
-	-	-	-	-
<u>31,159</u>	<u>33,860</u>	<u>36,365</u>	<u>39,532</u>	<u>37,045</u>
<u>\$ 44,577</u>	<u>\$ 43,239</u>	<u>\$ 44,532</u>	<u>\$ 50,651</u>	<u>\$ 47,993</u>
\$ (38,247)	\$ (39,029)	\$ (44,189)	\$ (43,449)	\$ (44,089)
8,551	9,753	11,385	16,374	12,218
<u>\$ (29,696)</u>	<u>\$ (29,277)</u>	<u>\$ (32,804)</u>	<u>\$ (27,075)</u>	<u>\$ (31,871)</u>
\$ 13,310	\$ 13,672	\$ 14,394	\$ 15,497	\$ 16,677
8,041	8,495	9,199	10,196	11,101
13,404	16,183	18,244	21,357	23,698
5,037	4,478	5,311	4,595	4,697
-	-	-	344	1,254
-	-	-	(6,600)	-
805	472	148	576	481
<u>1,282</u>	<u>4,513</u>	<u>3,916</u>	<u>5,774</u>	<u>3,128</u>
<u>41,879</u>	<u>47,813</u>	<u>51,212</u>	<u>51,739</u>	<u>61,036</u>
-	228	314	-	-
(1,145)	(1,427)	(3,353)	(1,329)	(1,451)
<u>(1,282)</u>	<u>(4,513)</u>	<u>(3,916)</u>	<u>(5,774)</u>	<u>(3,127)</u>
<u>(2,427)</u>	<u>(5,712)</u>	<u>(6,955)</u>	<u>(7,103)</u>	<u>(4,578)</u>
<u>39,452</u>	<u>42,101</u>	<u>44,257</u>	<u>44,636</u>	<u>56,458</u>
3,704	8,784	7,023	8,290	16,947
6,124	4,041	4,430	9,271	7,640
<u>\$ 9,828</u>	<u>\$ 12,825</u>	<u>\$ 11,453</u>	<u>\$ 17,562</u>	<u>\$ 24,588</u>

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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)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund:					
Reserved	\$ 40	\$ 88	\$ 669	\$ 670	\$ 580
Unreserved	<u>8,707</u>	<u>9,802</u>	<u>8,881</u>	<u>6,676</u>	<u>6,276</u>
Subtotal General Fund	<u>\$ 8,747</u>	<u>\$ 9,890</u>	<u>\$ 9,550</u>	<u>\$ 7,346</u>	<u>\$ 6,856</u>
All other governmental funds:					
Reserved	\$ 1,666	\$ 4,509	\$ 7,724	\$ 6,111	\$ 9,024
Unreserved, reported in:					
Debt service funds	-	-	-	-	-
Special revenue funds	481	517	605	757	739
Capital projects funds	<u>2,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal all other governmental funds	<u>\$ 4,790</u>	<u>\$ 5,026</u>	<u>\$ 8,329</u>	<u>\$ 6,868</u>	<u>\$ 9,763</u>
	<u>2011⁽¹⁾</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund:					
Nonspendable	\$ 3	\$ 1	\$ 217	\$ 221	\$ 224
Assigned	10,200	11,927	12,300	9,413	18,773
Unassigned	<u>1,665</u>	<u>3,591</u>	<u>7,430</u>	<u>13,251</u>	<u>10,465</u>
Subtotal General Fund	<u>11,868</u>	<u>15,519</u>	<u>19,947</u>	<u>22,885</u>	<u>29,462</u>
All other governmental funds:					
Nonspendable	\$ 475	\$ 204	\$ 396	\$ 383	\$ 375
Restricted	5,756	11,898	26,004	13,617	10,851
Committed	-	-	19,412	31,863	25,220
Assigned	<u>16,140</u>	<u>13,246</u>	<u>1,166</u>	<u>651</u>	<u>8,762</u>
Subtotal all other governmental funds	<u>22,370</u>	<u>25,348</u>	<u>46,978</u>	<u>46,514</u>	<u>45,208</u>
Total governmental fund balance	<u>\$ 34,238</u>	<u>\$ 40,867</u>	<u>\$ 66,925</u>	<u>\$ 69,400</u>	<u>\$ 74,670</u>

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

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

	2006	2007	2008	2009
REVENUES:				
Property taxes	\$ 10,390	\$ 11,469	\$ 12,198	\$ 12,798
Sales and use taxes	8,806	9,231	9,459	8,251
Transient occupancy taxes	9,273	10,355	11,265	10,155
Other taxes	1,843	1,900	1,981	2,012
Licenses and permits	927	967	1,221	298
Fines, forfeitures, and penalties	984	1,184	1,178	1,298
Investment income	773	1,491	1,677	959
Motor vehicle in lieu tax	655	190	122	83
Charges for services	4,237	4,145	3,797	3,986
Grant and governmental revenue	2,003	2,091	2,148	2,722
Other revenue	1,306	777	823	877
Total revenues	41,197	43,801	45,869	43,440
EXPENDITURES:				
General government	4,306	4,686	4,987	5,111
Public safety	18,949	16,550	18,846	19,097
Public works	6,881	6,204	4,723	6,839
Community development	841	780	1,697	890
Parks, recreation, and library	9,028	8,784	9,505	10,319
Shuttle bus operations	286	306	304	318
Other	-	-	-	-
Capital outlay	2,050	1,456	6,680	11,001
Debt service:				
Principal	803	2,405	2,547	2,138
Interest	540	2,297	1,543	2,104
Total expenditures	43,684	43,468	50,832	57,817
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,487)	333	(4,963)	(14,377)
OTHER FINANCING SOURCES (USES):				
Transfers in	15,455	16,935	15,532	17,398
Transfers out	(13,268)	(16,471)	(7,605)	(6,686)
Pension obligation bonds issued	-	32,975	-	-
Payment to CalPERS retirement	-	(32,393)	-	-
Proceeds from issuance of debt	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	2,187	1,046	7,927	10,712
Net change in fund balances	\$ (300)	\$ 1,379	\$ 2,964	\$ (3,665)
Debt service as a percentage of noncapital expenditures	3%	11%	9%	9%

Certain reclassifications have been made to facilitate comparability between prior year CAFRs.

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)

	2010	2011	2012	2013	2014	2015
\$	12,209	\$ 13,310	\$ 13,672	\$ 15,539	\$ 15,497	\$ 16,677
	6,276	8,041	8,495	9,199	10,196	11,101
	10,342	13,404	16,183	18,244	21,357	23,698
	2,159	2,416	2,582	2,970	4,595	4,697
	92	97	100	102	112	84
	467	1,025	889	933	874	921
	695	803	472	148	391	374
	108	148	-	-	-	-
	6,392	6,121	6,270	6,721	7,704	8,076
	2,652	2,162	3,112	2,383	1,987	1,867
	552	845	904	370	345	1,255
	<u>41,945</u>	<u>48,372</u>	<u>52,679</u>	<u>56,608</u>	<u>63,058</u>	<u>68,750</u>
	4,842	5,458	6,669	5,699	5,989	4,434
	18,830	17,378	18,392	18,895	20,082	23,230
	7,231	5,713	9,790	7,834	11,280	8,311
	780	731	1,172	854	1,041	1,244
	8,500	8,620	9,463	9,328	10,485	15,145
	130	139	145	179	188	135
	-	17	-	-	-	-
	5,028	4,023	-	6,447	3,206	6,594
	2,212	7,526	3,034	3,527	4,631	4,964
	1,922	2,425	2,304	2,337	2,752	2,548
	<u>49,475</u>	<u>52,030</u>	<u>50,969</u>	<u>55,100</u>	<u>59,655</u>	<u>66,605</u>
	<u>(7,530)</u>	<u>(3,658)</u>	<u>1,710</u>	<u>1,508</u>	<u>3,404</u>	<u>2,145</u>
	16,797	26,312	29,276	33,209	37,320	33,694
	(6,861)	(25,029)	(24,763)	(29,293)	(38,248)	(30,567)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	20,300	405	20,637	-	-
	-	(305)	-	-	-	-
	<u>9,936</u>	<u>21,278</u>	<u>4,918</u>	<u>24,553</u>	<u>(928)</u>	<u>3,127</u>
\$	<u>2,405</u>	<u>\$ 17,620</u>	<u>\$ 6,629</u>	<u>\$ 26,059</u>	<u>\$ 2,474</u>	<u>\$ 5,270</u>
	9%	21%	10%	12%	13%	13%

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

<u>Category</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Residential	\$ 3,770,638,803	\$ 4,097,648,898	\$ 4,425,787,714	\$ 4,752,698,976
Commercial	1,050,922,639	1,111,631,900	1,218,274,542	1,205,209,020
Industrial	340,313,166	367,137,642	386,532,903	403,343,837
Government	1,619,429	1,651,816	1,684,851	1,718,546
Institutional	30,906,932	31,826,071	32,449,526	27,466,494
Miscellaneous	2,249,331	2,294,312	2,340,192	2,386,992
Recreational	11,499,783	12,299,913	12,527,505	20,570,100
Vacant Land	8,433,634	10,666,591	10,038,189	43,891,543
SBE Nonunitary	1,569,728	1,290,599	3,837,425	3,837,425
Unsecured	272,414,954	324,100,493	291,377,516	300,758,515
Unknown	-	-	-	145,525
TOTALS	<u>\$ 5,490,568,395</u>	<u>\$ 5,960,548,240</u>	<u>\$ 6,384,850,362</u>	<u>\$ 6,762,026,973</u>
Total Direct Rate	0.14536	0.14531	0.14525	0.14522

Source: San Mateo County Assessor 2004/05 - 2013/14 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**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
\$	4,919,813,993	\$ 4,964,900,673	\$ 5,067,435,558	\$ 5,292,630,080	\$ 5,657,587,039	\$ 6,106,922,682
	1,229,890,648	1,197,204,546	1,203,204,597	1,264,338,491	1,304,028,690	1,406,432,281
	417,397,081	445,945,589	449,409,192	469,569,724	487,612,064	491,904,917
	1,752,914	477,622	481,217	490,841	1,131,741	1,136,878
	23,302,586	5,108,197	5,179,683	5,313,527	5,686,994	6,739,774
	6,116,146	47,603,695	46,149,474	47,731,445	52,216,889	52,541,265
	17,974,577	21,392,656	21,565,053	21,330,221	21,756,820	27,696,881
	46,610,281	50,379,786	44,684,470	53,260,644	61,242,201	42,238,634
	3,837,425	3,680,597	2,560,452	2,560,452	2,560,452	2,560,452
	299,902,769	274,429,627	270,906,684	275,840,943	302,712,785	307,284,506
	-	-	-	-	45,233,193	-
\$	6,966,598,420	\$ 7,011,122,988	\$ 7,111,576,380	\$ 7,433,066,368	\$ 7,941,768,868	\$ 8,445,458,270
	0.14521	0.14520	0.14519	0.14209	0.14205	0.14235

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

TAXABLE PROPERTY VALUES

LIEN YEAR	SECURED	UNSECURED	SBE NONUNITARY	NET TOTAL ASSESSED VALUE	% CHANGE
2005/06	\$ 5,216,583,717	\$ 272,414,954	\$ 1,569,728	\$ 5,490,568,399	13.97%
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	1.43%
2012/13	7,154,664,973	275,840,943	2,560,452	7,433,066,368	4.52%
2013/14	7,636,495,631	302,712,785	2,560,452	7,941,768,868	6.84%
2014/15	8,135,613,312	307,284,506	2,560,452	8,445,458,270	6.34%

Source: San Mateo County Assessor

CITY OF BURLINGAME, CALIFORNIA
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(PER \$100 OF ASSESSED VALUE)

Fiscal Year	General County, City, and Schools (1)(2)	DEBT AND/OR SPECIAL ASSESSMENTS						Total Tax Rate
		City	County	Peninsula Hospital	Community College District	Elementary School District	High School District	
	\$	\$	\$	\$	\$	\$	\$	\$
2006	1.0000	0.0000	0.0000	0.0000	0.0065	0.0851	0.0174	1.1090
2007	1.0000	0.0000	0.0000	0.0000	0.0184	0.0815	0.0156	1.1155
2008	1.0000	0.0000	0.0000	0.0000	0.0171	0.0830	0.0150	1.1151
2009	1.0000	0.0000	0.0000	0.0000	0.0165	0.1083	0.0298	1.1546
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
2014	1.0000	0.0000	0.0000	0.0000	0.0194	0.1772	0.0355	1.2321
2015	1.0000	0.0000	0.0000	0.0000	0.0190	0.1015	0.0475	1.1680
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 (5)								0.1424

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 are not 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 approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

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

**CITY OF BURLINGAME, CALIFORNIA
TOP TEN PROPERTY TAXPAYERS
JUNE 30, 2015
(AMOUNTS EXPRESSED IN THOUSANDS)**

Taxpayer	2015				2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)
Hudson Bay Park Plaza LLC	\$ 119,348,786	1	1.41%	EQR-Northpark LP	\$ 115,209,000	1	1.45%
EQR-Northpark LP	116,405,575	2	1.38%	Inland American Lodging Burlin	106,182,000	2	1.34%
Inland American Lodging Burlin	106,664,065	3	1.26%	HMC Burlingame Hotel LLC	92,818,651	3	1.17%
HMC Burlingame Hotel LLC	104,623,505	4	1.24%	Bay Park Plaza Associates	66,200,000	4	0.83%
Felcor CCS Holdings LP 9520	54,817,896	5	0.65%	Felcor CCS Holdings LP 9520	49,367,791	5	0.62%
EQR Skyline Terrace LP	44,506,579	6	0.53%	EQR Skyline Terrace LP	44,305,434	6	0.56%
DCT Rollins Road LLC	36,015,772	7	0.43%	One Bay Plaza Associates LLC	43,000,000	7	0.54%
Upsky International Holdings Limited	29,141,520	8	0.35%	DCT Rollins Road LLC	35,853,000	8	0.45%
100-198 California Drive LLC	28,480,858	9	0.34%	Harbour View Hotels, Inc	29,603,244	9	0.37%
Harbour View Hotels, Inc	28,474,038	10	0.34%	Upsky International Holdings Limited	29,008,443	10	0.37%
	<u>\$ 668,478,594</u>		<u>7.92%</u>		<u>\$ 611,547,563</u>		<u>7.70%</u>

(1) 2014-15 Local Secured Assessed Valuation \$ 8,445,458,270

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 Total Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
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%
2014	13,312,310	12,745,227	95.74%	-	12,745,227	95.74%
2015	14,167,158	13,744,014	97.01%	-	13,744,014	97.01%

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 Proposition 1A loan in three years with 2% interest. These amounts were fully reimbursed by the State of California as of June 30, 2013.

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

(3) The City participates in the Teeter Plan under California State law. Under the Teeter Plan, the County remits the entire tax levy and manages delinquent tax collections with the associated interest and penalties.

Source: San Mateo County Controller's Office; Audited City financial records - General Fund

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**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
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	4,217	1,408	48,607
2014	15,497	10,196	21,357	2,970	1,625	51,645
2015	16,677	11,101	23,698	3,048	1,648	56,172

Source: Audited City financial records - Governmental Funds

**CITY OF BURLINGAME, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Lease Revenue Bond	Storm Drainage Bond	Pension Obligation Bonds	State Loans	Lease Purchase	Sewer Bonds	Water Bonds and Loans			
2006	\$ 6,180,000	\$ -	\$ -	\$ 10,521,750	\$ -	\$ 18,025,000	\$ 18,080,000	\$ 52,806,750	3.28%	\$ 1,867
2007	5,645,000	-	31,395,000	11,056,020	-	16,435,000	17,540,000	82,071,020	4.80%	2,884
2008	5,095,000	-	30,280,000	10,696,649	-	26,025,000	30,475,000	102,571,649	5.87%	3,566
2009	4,530,000	-	29,020,000	10,249,390	-	24,250,000	29,550,000	97,599,390	5.74%	3,360
2010	3,950,000	-	27,605,000	9,791,549	-	22,400,000	28,600,000	92,346,549	7.25%	3,147
2011	11,555,000	9,805,000	26,010,000	11,776,097	1,500,000	20,470,000	27,625,000	108,741,097	7.78%	3,736
2012	10,935,000	9,560,000	24,235,000	13,466,890	1,305,907	18,225,000	25,925,000	103,652,797	6.91%	3,522
2013	19,985,000	19,630,000	22,275,000	364,204	1,104,952	17,525,000	24,895,000	105,779,156	7.14%	3,563
2014	18,889,859	19,596,924	20,095,000	320,209	897,598	30,260,807	24,550,763	114,611,160	7.74%	3,861
2015	16,999,489	19,083,477	17,695,000	274,884	683,639	28,729,137	23,372,756	106,838,382	6.41%	3,597

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Furthermore, please reference the schedule of Demographic and Economic Statistics for personal income and per capita data. Data for calendar year 2015 is not available. Therefore, in order to present a useful estimate, personal income data for calendar year 2014 has been used.

**CITY OF BURLINGAME, CALIFORNIA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Net Total Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Burlingame Population	Per Capita
2006	\$ -	\$ 5,490,568,399	0.00%	28,180	-
2007	31,395,000	5,960,548,235	0.53%	28,277	1,110
2008	30,280,000	6,384,850,363	0.47%	28,453	1,064
2009	29,020,000	6,762,026,973	0.43%	28,762	1,009
2010	27,605,000	6,966,598,420	0.40%	29,050	950
2011	26,010,000	7,011,122,988	0.37%	29,342	886
2012	24,235,000	7,111,576,380	0.34%	29,106	833
2013	22,275,000	7,433,066,368	0.30%	29,426	757
2014	20,095,000	7,941,768,868	0.25%	29,685	677
2015	17,695,000	8,445,458,270	0.21%	29,700	596

Note: The City has had no general obligation bonds outstanding over the last ten years. However, because the 2006 Pension Obligation Bonds are to be repaid with general government resources, they are shown as general obligation bonds included in this table.

**CITY OF BURLINGAME, CALIFORNIA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT*
JUNE 30, 2015**

2014-15 Assessed Valuation** : \$ 8,445,458,270

	Total Debt June 30, 2015	Percent Applicable (1)	City's Share of Debt June 30, 2015
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 664,859,994	5.095%	\$ 33,874,617
San Mateo Union High School District	557,523,058	14.553%	81,136,331
Burlingame Elementary School District	82,462,486	94.589%	78,000,441
Hillsborough School District	55,001,434	0.127%	69,852
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,359,846,972		\$ 193,081,240
<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>			
San Mateo County General Fund Obligations	\$ 460,064,816	5.095%	\$ 23,440,302
San Mateo County Board of Education Certificates of Participation	10,430,000	5.095%	531,409
City of Burlingame General Fund Obligations (Net)	16,999,489	100.000%	16,999,489
City of Burlingame Pension Obligation Bond	17,695,000	100.000%	17,695,000
City of Burlingame - Storm Drainage Revenue Bonds, Series 2010 (Net)	8,888,030	100.000%	8,888,030
City of Burlingame - Storm Drainage Revenue Bonds, Series 2012 (Net)	10,195,447	100.000%	10,195,447
City of Burlingame - Master Equipment Lease Purchase Agreement, 2011	683,639	100.000%	683,639
City of Burlingame - California Energy Commission, 2012	274,884	100.000%	274,884
TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT	\$ 525,231,305		\$ 78,708,200
Less: City of Burlingame General Fund Obligations Supported from Enterprise Revenues			\$ 3,112,500
Less: City of Burlingame Pension Obligations Supported by Enterprise Revenues			4,423,750
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 71,171,950
TOTAL GROSS DIRECT DEBT			\$ 54,736,489
TOTAL NET DIRECT DEBT			\$ 47,200,239
TOTAL OVERLAPPING DEBT			\$ 217,052,951
GROSS COMBINED TOTAL DEBT			\$ 271,789,440
NET COMBINED TOTAL DEBT			\$ 264,253,190

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.29%	* Source: California Municipal Statistics, Inc.
Gross Combined Direct Debt (\$54,736,489).....	0.65%	** Total assessed valuation less other exemptions
Net Combined Direct Debt (\$47,200,239).....	0.56%	
Gross Combined Total Debt	3.22%	
Net Combined Total Debt	3.13%	

Source: California Municipal Statistics, Inc.

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)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 780,344	\$ 888,627	\$ 239,432	\$ 253,576	\$ 261,247	\$ 266,684	\$ 295,550	\$ 295,550	\$ 297,816	\$ 299,010
Pension Obligation Bond	-	31,395	30,280	29,020	27,605	26,010	24,235	22,275	20,095	17,695
Total net debt applicable to the limit as a percentage of debt limit	0.0%	3.5%	12.6%	11.4%	10.6%	9.8%	8.2%	7.5%	6.7%	5.9%

Legal Debt Margin Calculation for Fiscal Year 2015

Gross Assessed Valuation	\$	8,445,458,270
Multiplied by: (1)		<u>3.75%</u>
		316,704,685
Less: Outstanding Debt	\$	<u>(17,695,000)</u>
Legal Debt Margin		299,009,685

(1) California Government, Code Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% (one-fourth the limit of 15%).

**CITY OF BURLINGAME, CALIFORNIA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Water Revenue Bonds			Debt Service		Coverage
	Water Charges	Less:	Net	Principal	Interest	
		Operating Expenses	Available Revenue			
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	925,000	1,279,173	2.27
2010	11,515,884	6,874,120	4,641,764	950,000	1,249,998	2.11
2011	12,734,554	7,747,436	4,987,118	975,000	1,218,998	2.27
2012	13,708,448	9,112,553	4,595,895	1,225,000	1,232,332	1.87
2013	14,874,705	9,577,242	5,297,463	1,220,000	1,295,085	2.11
2014	16,023,092	8,955,437	7,067,655	1,125,000	942,966	3.42
2015	15,425,234	9,507,833	5,917,401	1,095,000	964,149	2.87

Fiscal Year	Wastewater Revenue Bonds			Debt Service		Coverage
	Wastewater Charges	Less:	Net	Principal	Interest	
		Operating Expenses	Available Revenue			
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	1,091,957	3.11
2011	14,566,587	6,927,346	7,639,241	844,287	1,069,436	3.99
2012	16,157,287	6,932,146	9,225,141	981,019	1,072,772	4.49
2013	16,791,449	6,297,799	10,493,650	1,483,648	1,221,156	3.88
2014	16,931,432	6,448,667	10,482,765	1,470,149	1,060,938	4.14
2015	15,679,343	7,071,969	8,607,374	1,489,012	1,043,726	3.40

Source: City financial statements

Notes:

Details regarding the City's outstanding debt can be found in Note 5 in the Notes to the Basic Financial Statements. Operating expenses, for purposes of calculating debt service coverage, do not include depreciation and amortization. The above reference debt service only includes parity debt.

**CITY OF BURLINGAME, CALIFORNIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Calendar Year	Population (1)	Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (2)	% Population 25+ with High School Enrollment (3)	% Population 25+ with Bachelor's Degree (3)
2005	28,180	\$ 1,475,381	\$ 52,356	N/A	N/A
2006	28,277	1,610,910	56,969	N/A	N/A
2007	28,453	1,708,173	60,035	N/A	N/A
2008	28,762	1,747,107	60,744	N/A	N/A
2009	29,050	1,700,088	58,523	95.3%	53.6%
2010	29,342	1,274,382	43,432	94.4%	51.8%
2011	29,106	1,396,972	47,996	94.1%	53.4%
2012	29,426	1,500,785	51,002	95.2%	54.1%
2013	29,685	1,480,747	49,882	95.2%	54.6%
2014	29,700	1,667,596	56,148	95.5%	58.3%

Sources:

(1) California State Department of Finance

(2) Income Data: ESRI provided by HDL, Coren & Cone

(3) For 2006-2008, 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
FISCAL YEAR 2014-15 AND 2009-10**

Employer	2014-15	
	Employee	Percentage of Total City Employment
Mills Peninsula Health Services	1,594	8.96%
San Francisco Airport Marriott	600	3.37%
Flying Food Group	515	2.89%
Lufthansa Service Holdings Group Sky Chefs Inc	441	2.48%
Hyatt Regency San Francisco Airport*	420	2.36%
Burlingame School District	302	1.70%
Guittard Chocolate Co.*	242	1.36%
American Medical Response*	223	1.25%
Putnam Auto	222	1.25%
Lohlouh Inc	220	1.24%
Burlingame Millbrae Yellow Cab	-	0.00%
COIT Services	-	0.00%
Classic Party Rental	-	0.00%
PR O Unlimited	-	0.00%
Total Top 10 Employers	4,779	26.85%
Total City Labor Force (2)	17,800	

Source : MuniServices, LLC

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

(1) Prior year data provided by previous CAFR.

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

* Includes full and part-time employees.

**CITY OF BURLINGAME, CALIFORNIA
 PRINCIPAL EMPLOYERS (Continued)
 FISCAL YEAR 2014-15 AND 2009-10**

2009-10 (1)	
Employee	Percentage of Total City Employment
2,000	0.00%
600	0.00%
-	0.00%
-	0.00%
550	0.00%
270	0.00%
-	0.00%
300	0.00%
-	0.00%
250	0.00%
800	0.00%
400	0.00%
250	0.00%
250	0.00%
<u>5,670</u>	<u>0.00%</u>
15,700	

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CITY OF BURLINGAME, CALIFORNIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	18.13	19.13	19.13	19.13	19.00	18.00	18.00	18.00	18.00	19.00
Public safety										
Police:										
Officers	42.00	42.00	42.00	42.00	39.00	37.00	37.00	37.00	37.00	37.00
Civilians	20.00	20.00	20.00	20.00	19.00	18.25	18.25	17.25	19.25	19.25
Fire:										
Firefighters and officers	44.00	44.00	44.00	44.00	43.00	-	-	-	-	-
Civilians	1.00	1.00	1.75	1.75	1.75	-	-	-	-	-
Public works	55.30	56.55	56.30	56.30	59.55	61.15	61.15	61.14	61.75	62.74
Community development	12.00	12.00	12.00	12.00	12.00	10.00	10.00	10.00	11.00	11.00
Leisure and culture	54.02	55.14	55.42	55.42	52.29	49.77	49.77	49.52	51.67	52.18

Source: City of Burlingame

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**

Function	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police				
Calls for service	22,825	26,275	30,337	28,481
Physical arrests	602	537	541	343
Crimes reported	2,476	2,155	2,053	2,296
Traffic violations	2,438	2,893	4,128	6,354
Fire				
Number of calls answered	4,306	4,233	4,374	4,205
Inspections	1,725	2,259	2,089	1,299
Public works				
Street repair (sq. ft.)	12,000	17,204	15,000	15,529
Sidewalk and curb repair (sq. ft.)	4,800	5,618	6,000	8,278
City planning				
Plans checked	547	560	548	500
Planning applications reviewed	127	144	140	187
Permit applications received		N/A	N/A	N/A
Inspections conducted		N/A	N/A	N/A
Parks, recreation, and library				
Recreation class participants	17,927	15,323	16,303	14,318
Library circulation	624,000	599,833	600,000	698,558
Tree plantings	266	334	229	466
Tree trimmings	1,532	1,350	1,574	1,576
Water				
New connections	273	4	8	17
Main and valve repairs	14	20	20	61
Millions of gallons purchased (millions of gallons)	1,635	1,652	1,700	1,561
Wastewater				
Average daily sewage treatment (millions of gallons)	4.50	4.50	4.10	3.82
Preventive maintenance, main cleaning (feet)	389,490	314,497	385,293	450,937

Source: Various City department records.

Aquatic Center registrations are not included in fiscal year 2013, due to the transition of programming responsibility from the City of Burlingame to the Burlingame Aquatics Club.

Police statistical data has been presented on a calendar year basis.

Central County Fire Department data is now reported with the Central County Fire Department CAFR.

**CITY OF BURLINGAME, CALIFORNIA
OPERATING INDICATORS BY FUNCTION (Continued)
LAST TEN FISCAL YEARS**

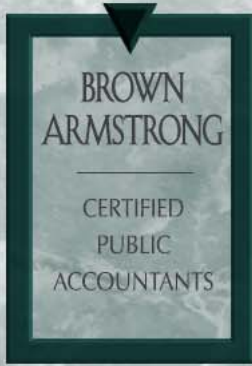
2010	2011	2012	2013	2014	2015
29,124	30,865	39,724	41,651	40,773	45,659
438	348	410	581	641	598
1,797	1,516	1,681	1,926	1,738	1,354
5,255	3,683	3,836	4,656	7,073	6,632
4,267	4,152	N/A	N/A	N/A	N/A
1,414	4,195	5,700	5,662	N/A	N/A
10,000	5,270	4,270	6,586	5,095	6,915
4,000	5,468	4,898	2,630	2,465	5,529
364	355	362	443	537	573
131	58	75	71	110	77
N/A	N/A	N/A	N/A	N/A	1,193
N/A	N/A	N/A	N/A	N/A	6,117
13,607	13,821	13,657	11,982	13,428	13,424
713,394	696,096	721,132	761,795	753,694	647,128
222	205	193	270	230	198
1,831	1,093	766	948	1,806	3,018
50	37	20	10	21	22
15	19	19	20	25	42
1,600	1,474	1,494	1,520	1,500	1,340
3.30	3.59	3.14	3.05	2.75	2.80
450,000	404,488	408,437	338,333	317,464	383,233

**CITY OF BURLINGAME, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION
FOR FISCAL YEAR 2014-15
(COMPARED TO 5 YEARS AGO)**

Function	<u>2010</u>	<u>2015</u>
Public works		
Streets (miles)	152	152
Streetlights (City-owned)	1,700	1,800
Traffic signals	16	14
Water		
Water mains (miles)	94	107
Fire hydrants	822	826
Maximum daily capacity (thousands of gallons)	2,850	2,850
Sewer		
Sanitary sewers (miles)	84	88
Storm sewers (miles)	38.6	42.0
Maximum daily treatment capacity (thousands of gallons)	4,100	4,100
Storm drain pump station	5	5

Source: Various City department records

Note: Historical data is not available.
Includes Hillside Fire Station which is currently closed.



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
Burlingame, California

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated January 7, 2016.

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 style and is positioned below the printed name of the firm.

Bakersfield, California
January 7, 2016