

2016 Comprehensive Annual Financial Report



CITY OF BURLINGAME

Fiscal Year Ended June 30, 2016





Comprehensive Annual Financial Report
June 30, 2016

City of Burlingame, California

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Prepared by

City of Burlingame Finance Department



Comprehensive Annual Financial Report

June 30, 2016

**CITY OF BURLINGAME, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2016**

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Comprehensive Annual Financial Report

June 30, 2016

INTRODUCTORY SECTION



Comprehensive Annual Financial Report

June 30, 2016



The City of Burlingame

City Hall – 501 Primrose Road
Burlingame, California 94010-3997
650-558-7200

December 19, 2016

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

I am pleased to submit the City of Burlingame's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This financial report contains a complete set of audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

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

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

The California Government Code requires an annual audit of the basic financial statements of the City. The accounting firm Maze & Associates performed the audit for the fiscal year ended June 30, 2016. The independent auditor's report on the general purpose financial statements is included in the financial section of this report and states that the City's basic financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2016, 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, 2016, single audits were not required in accordance with the provisions of the Single Audit Act, as threshold expenditure requirements from federal funding were not reached during the fiscal year.

Government Profile

The City of Burlingame is a California general law City incorporated in 1908 that operates under the Council-Manager form of government. A five-member City Council is elected at large to four-year terms and serves as the board of directors. The City Council selects a Mayor and Vice Mayor from its members annually. A City Manager is appointed by the City Council and serves as the chief executive officer. The City Manager is responsible for all municipal functions. A City Attorney is appointed by the City Council to serve as chief legal advisor for the governing body and the administration. 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 205 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 except its Debt Service Funds. Major funds include the General, Capital Projects, Debt Service, Water, Sewer, Parking, Waste Management, Landfill, and Building Funds. Budgets are prepared on the same basis of accounting as the associated financial statements.

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

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

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

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds three public meetings to provide guidance on the budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to 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 (transient occupancy tax, property tax and sales tax) have long surpassed pre-recessionary amounts, and now constitute over 85% of the City's General Fund revenues. Key indicators of the City's economic health are job growth, real estate values, and retail activity.

Employment

The San Francisco Bay Area continued to lead the state in job expansion; the unemployment rate remains one of the lowest in the State of California, based upon recent Employment Development Department (EDD) data. The unemployment rate in San Mateo County held steady at 3.1% in November 2016. Comparatively, the State of California's unemployment rate stood at 5.5%. At these healthy rates, which effectively reflect full employment, the pace of job growth has leveled off somewhat. The region's labor market is showing signs of saturation after years of strong growth in professional, technological, and business service employment. Average salaries are well above the California average, and are expected to remain so in the near future.

Real Estate & Property Taxes

Property taxes, which are based on assessed value, are one of the City's largest revenue sources, accounting for 26.7% of the City's General Fund revenue. Fiscal year 2015-16 property tax receipts were \$17.6 million, up approximately 5.8% from the prior year.

According to data obtained from the San Mateo County Assessor, the City has 8,000 parcels, with a total assessed value of over \$9 billion, an increase of \$568.4 million, or 6.78% since last year. Residential assessed values grew by 7.1%, while commercial assessed values grew by 5.8%.

According to DataQuick, the median price of homes sold in Burlingame during the month of October 2016 was \$2.9 million, which is a 44.9% increase compared to the same time last year. However, only 24 homes were sold. County-wide, 389 homes were sold, with a median value of \$1 million, a 7.5% year-over-year increase in sales price since October 2015. 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 county.

Sales and Use Taxes

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

Sales and use taxes accounted for 19.4% of General Fund revenue in fiscal year 2015-16. Sales and use tax revenues were \$12.8 million, which is nearly 15.6% higher than the prior year's receipts of \$11.1 million. Nearly \$1 million of the tax receipts were the result of a "true up" from the end of the state's decade-long "triple flip" revenue swap; this "true up" is considered a one-time anomaly. The top 25 sales tax producers in Burlingame account for approximately 49.5% of total sales tax revenue, and include several auto dealers, hotels, and general merchandise stores. Although taxable transactions in the city's largest sector – Autos and Transportation - leveled off somewhat toward the end of the fiscal year, all major business groups fared well as a whole. Activity in both casual and fine dining remained particularly strong, while other gains were seen in electronics/appliance and specialty stores. It is interesting to note that the City's share of the countywide use tax pool jumped over 14 percent compared to the same four quarters in fiscal year 2014-15. Use tax is the responsibility of the buyer rather than the seller, and does not involve a California "point of sale". Therefore, the tax is coded to the county of use and then distributed to each jurisdiction in the county on a pro rata share of taxable sales. While these receipts represent only 15-17% of the total sales tax revenues (and are categorized by major industry group along with point-of-sale receipts), the increase reflects a continued acceleration of online shopping for merchandise shipped from out of state.

Tourism and Business Travel

Burlingame's 12 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO), with a total of approximately 3,742 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 39% of all General Fund revenues, and grew by \$2.3 million (10.1%) compared to the prior year. Although combined occupancy rates remained relatively consistent at 84%, average room rates within the city increased approximately 10.1%, thanks to the success of many Bay Area sports teams and increased tourism. As reported by the San Francisco Airport, total domestic and international airport passengers increased by 6.6% since fiscal year 2014-15.

Financial Information

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

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

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

Cash Management: The City pools cash from all operating sources to manage cash flow and invest idle funds. The Finance Director serves as the City's Treasurer and 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 \$0.3 million. The City also maintains workers' compensation coverage to a maximum of \$5 million, with a self-insured retention of \$0.5 million per claim. The City maintains reserves for all claims below its self-insured retention in separate Internal Service Funds, and charges the costs of the program to operating departments. An actuarial study of the current obligations for the General Liability and Workers' Compensation Funds was completed in 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 Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Debt Administration: The City has an AA+ underlying general obligation credit rating, an AA+ rating for its water and wastewater debt, and an A+ rating for the storm drain debt as issued by Standard & Poor's Rating Service. The AA+ general obligation credit rating was re-affirmed in June 2016. In fiscal year 2015-16, 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, 2016.

As of June 30, 2016, the City's general obligation debt limit was \$338.2 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 (\$15 million outstanding) considered to be general obligation debt, the City's legal debt margin was \$323 million.

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The City has received the award for 15 consecutive years. To receive the award, a government must publish a readable and well organized annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for one year. Staff believes that the City's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements.

Acknowledgments

Special thanks go to Fariba Ghahremani for her tireless efforts in overseeing the fiscal year-end close, annual audit, and compilation of these financial reports. Amy Bernardo, Senior Accountant, and Sabrina Lee, Accountant, were also instrumental in ensuring the integrity of the data and its accurate presentation. Their diligent work, as well as the contributions of other members of the Finance Department, ensured 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,



Lisa K. Goldman
City Manager



Carol Augustine
Finance Director & Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Burlingame
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



**CITY OF BURLINGAME, CALIFORNIA
ELECTED AND APPOINTED OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2016**

CITY COUNCIL

Ann Keighran, Mayor.....November 2017
Ricardo Ortiz, Vice MayorNovember 2017
Michael Brownrigg.....November 2017
Emily Beach.....November 2019
Donna Colson.....November 2019

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

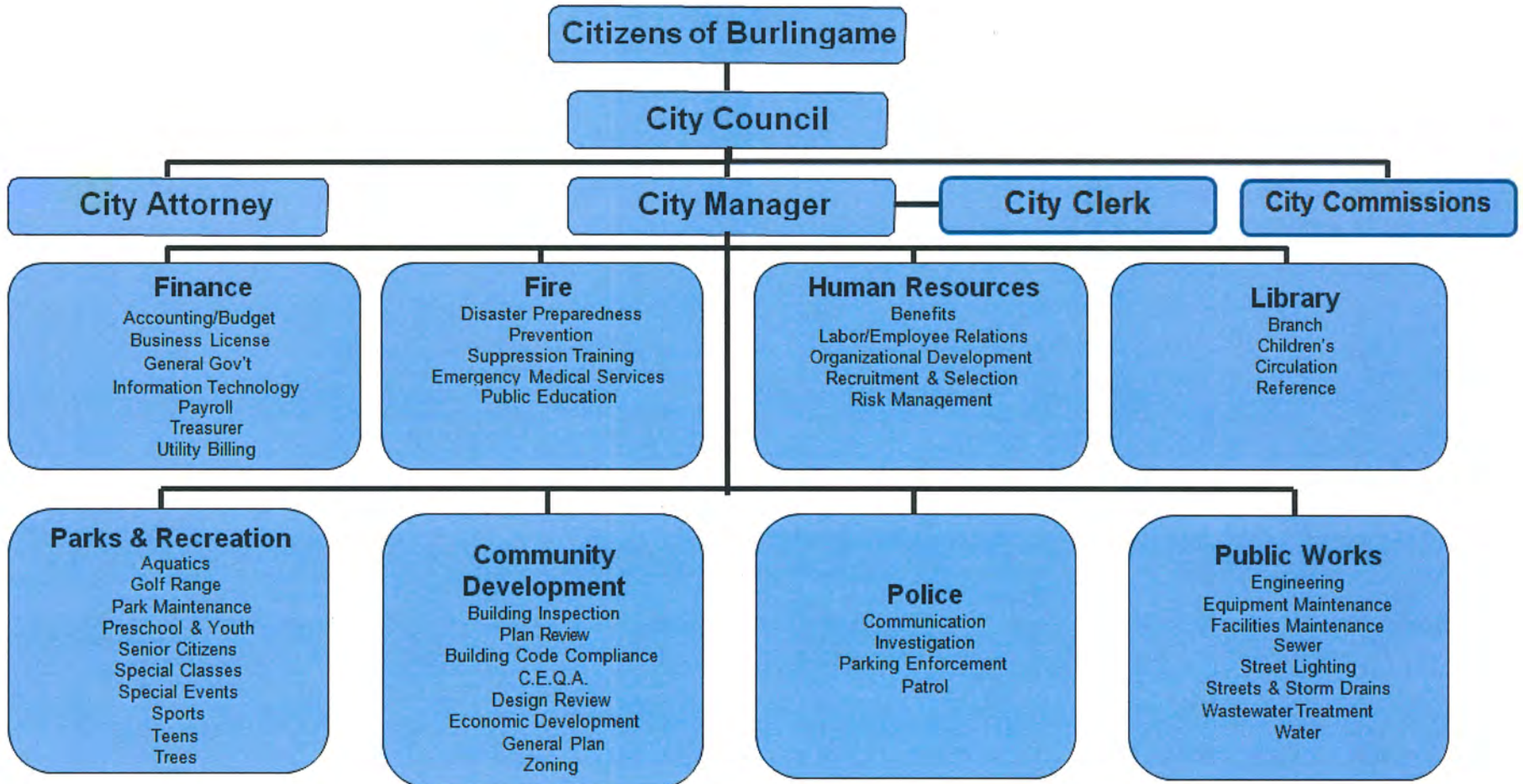
Meaghan Hassel-Shearer

CITY ATTORNEY

Kathleen Kane



CITY OF BURLINGAME, CALIFORNIA
ORGANIZATIONAL CHART



x

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

Finance

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

Human Resources

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

Public Works

Engineering

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

Water & Sewer

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

Streets & Storm Drainage

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

Public Safety

Police

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

Central County Fire Department (JPA)

Fire suppression and prevention, emergency medical services, and disaster preparedness for the 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

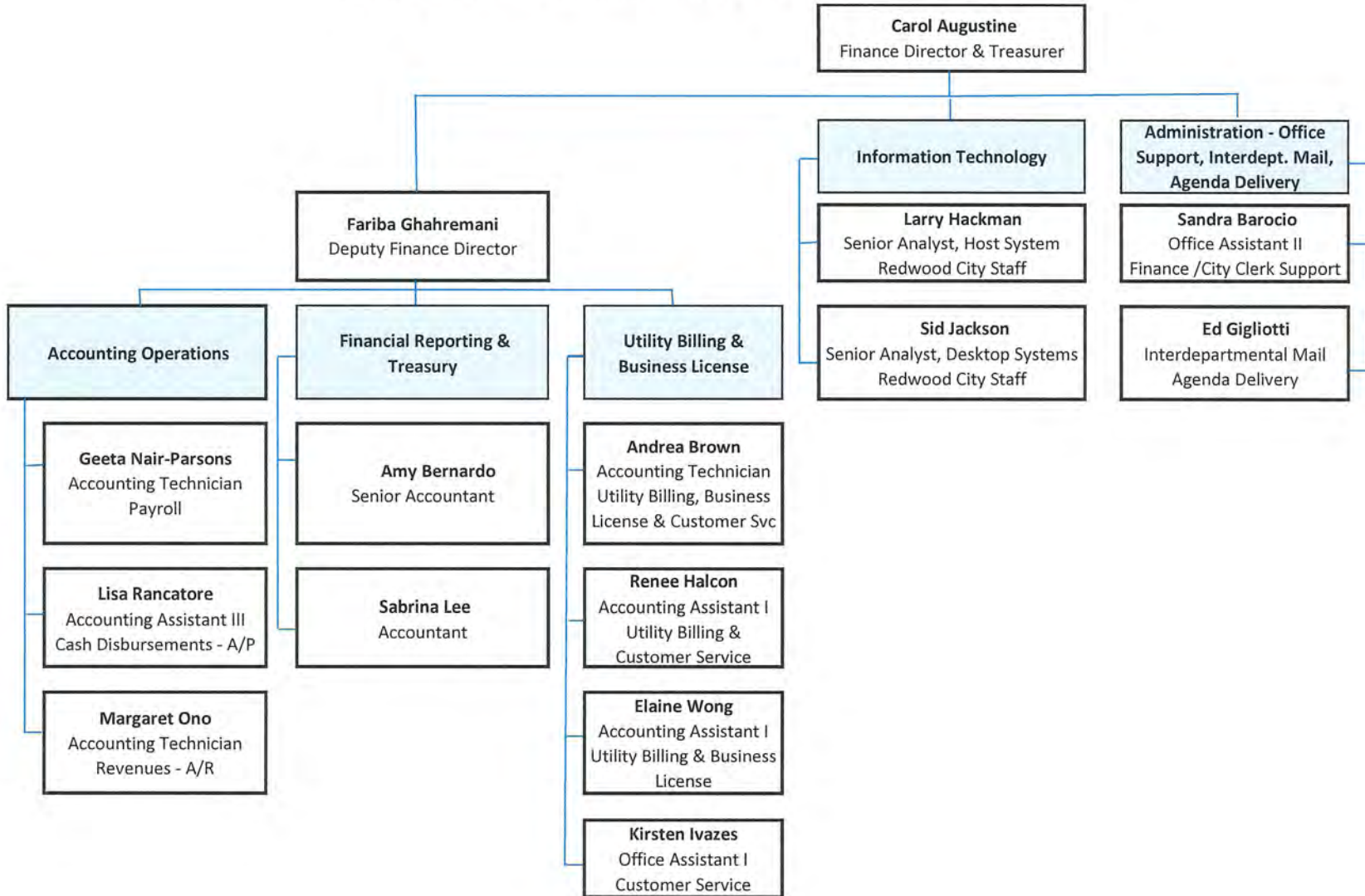
Plan checking, inspection, complaint response, development review and consultation, and building research and development

Planning

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



CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT ORGANIZATION CHART FOR FISCAL YEAR 2015-16



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.



Comprehensive Annual Financial Report

June 30, 2016

FINANCIAL SECTION



Comprehensive Annual Financial Report

June 30, 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2016 as discussed in Note 1C and Note 3B to the financial statements:

Statement No. 72 – Fair Value Measurement and Application

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 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 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.

Mare & Associates

Pleasant Hill, California
December 8, 2016



Comprehensive Annual Financial Report

June 30, 2016

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2016. 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 2015-16 (ending June 30)

Key financial highlights for the year are as follows:

- In total, City assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$184.9 million, or a \$27.9 million increase compared to beginning net position.
- Enterprise Fund net position increased by \$20.0 million to nearly \$93.0 million. Of this amount, \$26.0 million was unrestricted net position and available for use at the City's discretion.
- Governmental fund balances increased \$11.4 million, to nearly \$86.1 million. Of this amount, approximately \$11.1 million, or 12.9%, was unassigned fund balance and available for spending at the City's discretion.
- General Fund revenues increased by \$4.2 million in fiscal year 2015-16, an increase of 6.9% of prior year performance of \$61.9 million. The increase in revenue was driven by a \$2.4 million increase in current year collections of transient occupancy (hotel) taxes, and a \$2.7 million increase in combined property and sales 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 \$29.5 million to nearly \$30 million. Of this amount, over \$18.6 million has been assigned – intended to be used for specific purposes.

Overview of the Financial Statements

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

Government-Wide Statements

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

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 \$184.9 million as of June 30, 2016. Net position increased by 17.7% from beginning total net position of \$157 million. Assets and deferred outflows of resources as of the end of June 30, 2016 were \$384.3 million, reflecting a 8.2% positive change from the prior year due to a \$27 million increase in current assets and deferred outflows of resources as well as a \$2.2 million growth in capital assets. Liabilities and deferred inflows of resources increased only slightly - by 0.7% (\$1.3 million) - despite a \$2.2 increase in long-term debt.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The largest portion of the City's net position is its net investment in capital assets totaling \$133.6 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, \$50.8 million (27.5%) 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 (\$12.7 million). The remaining \$38 million is largely restricted for capital improvements, as well as street repair and maintenance.

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 68 and the recording of a net pension liability beginning as of June 30, 2015, the City's unrestricted net position on June 30, 2016 was less than \$0.5 million. As the net pension liability will likely remain a long term liability for several decades, unrestricted net position is expected to remain at very low levels for quite some time.

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Assets:						
Current and other assets	\$98.33	\$109.17	\$39.57	\$56.08	\$137.90	\$165.25
Capital assets	110.49	111.38	101.95	103.30	212.44	214.68
Total assets:	208.82	220.55	141.52	159.38	350.34	379.93
Deferred Outflows:	3.44	3.04	1.35	1.39	4.79	4.43
Liabilities:						
Current liabilities	13.59	10.16	4.32	5.49	17.91	15.65
Other liabilities	0.81	1.26	0.86	0.98	1.67	2.24
Long term liabilities	104.14	115.68	62.82	60.45	166.96	176.13
Total liabilities:	118.54	127.10	68.00	66.92	186.54	194.02
Deferred Inflows:	9.69	4.57	1.90	0.89	11.59	5.46
Net Position:						
Net investment in capital assets	74.35	79.02	50.48	54.59	124.83	133.61
Restricted	36.45	38.41	0.45	12.37	36.90	50.78
Unrestricted	(26.77)	(25.51)	22.04	26.00	(4.73)	0.49
Total net position:	\$84.03	\$91.92	\$72.97	\$92.96	\$157.00	\$184.88

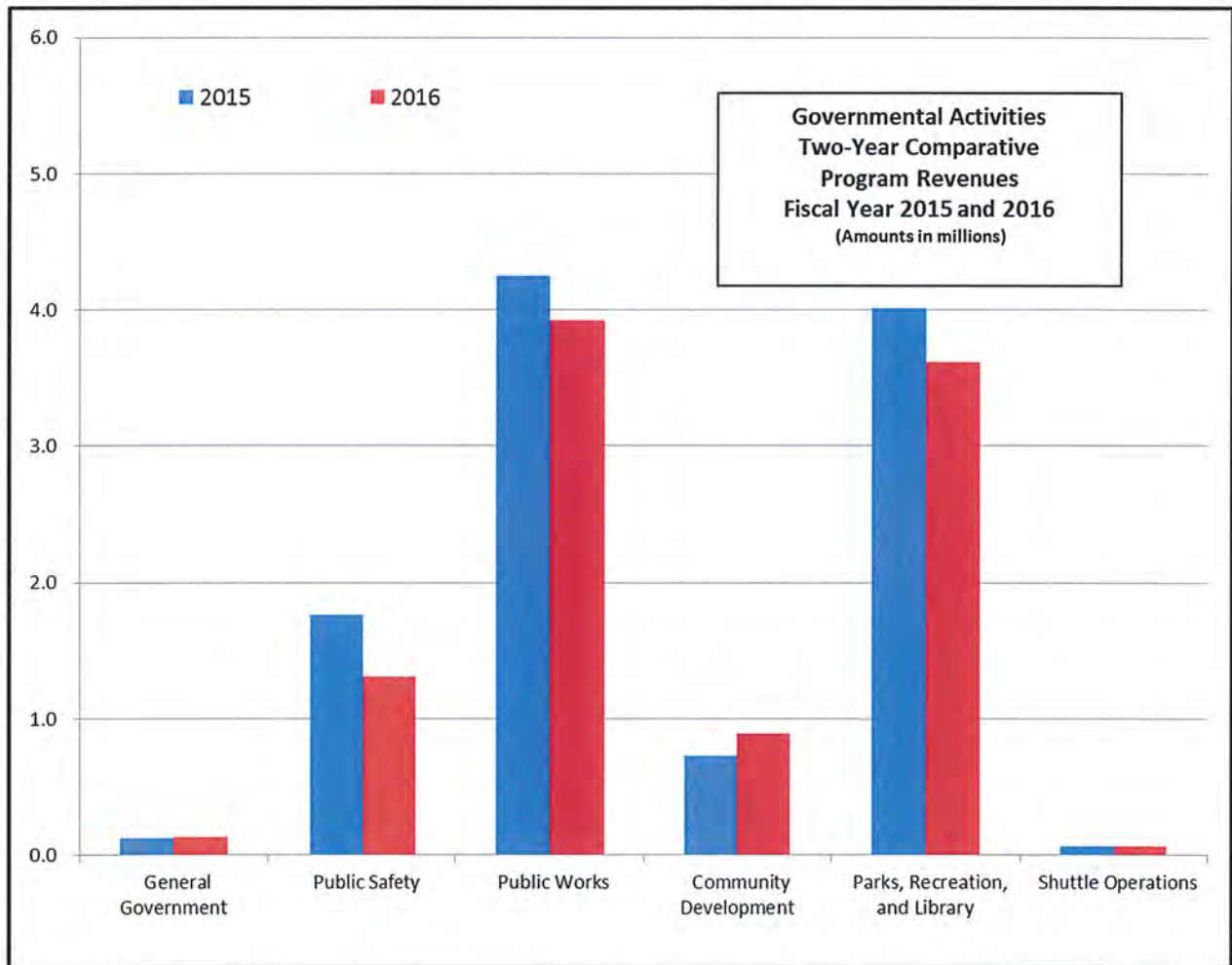
**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

City of Burlingame Statement of Activities For the Fiscal Years Ended June 30, 2016 and 2015 (Amounts in millions)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program revenues:						
Charges for services	\$9.08	\$8.90	\$37.05	\$36.91	\$46.13	\$45.81
Operating grants and contributions	1.13	0.59	-	-	1.13	0.59
Capital grants and contributions	0.74	0.44	-	-	0.74	0.44
General revenues:						
Property taxes	16.68	17.65	-	-	16.68	17.65
Sales taxes	11.10	12.83	-	-	11.10	12.83
Transient occupancy taxes	23.70	26.09	-	-	23.70	26.09
Other taxes	4.70	4.59	-	-	4.70	4.59
Other general revenue	1.25	0.23	-	0.39	1.25	0.62
Total revenues:	68.38	71.32	37.05	37.30	105.43	108.62
Expenses:						
Governmental Activities						
General government	4.23	4.27	-	-	4.23	4.27
Public safety	23.01	26.30	-	-	23.01	26.30
Public works	8.27	8.31	-	-	8.27	8.31
Community development	1.15	1.16	-	-	1.15	1.16
Parks, recreation and library	15.83	13.79	-	-	15.83	13.79
Shuttle operations	0.13	0.14	-	-	0.13	0.14
Financing and other activities	2.42	2.64	-	-	2.42	2.64
Business-Type Activities						
Water	-	-	11.47	12.80	11.47	12.80
Sewer service	-	-	10.14	10.96	10.14	10.96
Waste management	-	-	0.48	0.49	0.48	0.49
Landfill	-	-	0.07	0.06	0.07	0.06
Parking	-	-	1.30	0.45	1.30	0.45
Building inspection	-	-	1.37	1.42	1.37	1.42
Total expenses:	55.04	56.61	24.83	26.18	79.87	82.79
Increase(decrease) in net position before transfers	13.34	14.71	12.22	11.12	25.56	25.83
Investment income (expenses)	0.48	1.29	(1.45)	0.76	(0.97)	2.05
Transfers	3.13	(8.11)	(3.13)	8.11	-	-
Change in net position:	16.95	7.89	7.64	19.99	24.59	27.88
Net position - beginning	67.08	84.03	65.33	72.97	132.41	157.00
Net position - ending	\$84.03	\$91.92	\$72.97	\$92.96	\$157.00	\$184.88

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Activities

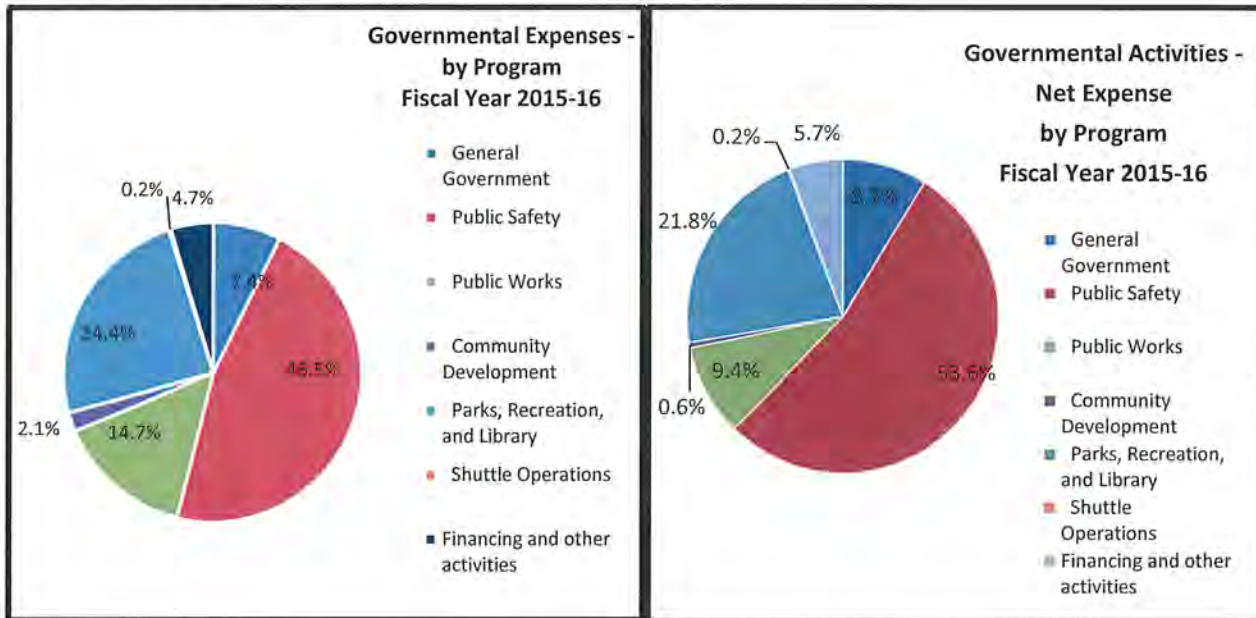
Governmental activities increased the City's net position by nearly \$7.9 million, with a total net position of \$91.9 million at the end of the fiscal year. The increase was attributable to total governmental revenues that exceeded total expenses by \$16 million, prior to net transfers out of \$8.1 million. Program revenues decreased 9.3% due largely to decreased levels in both operating and capital grants and contributions.



General revenues increased nearly \$4 million (6.9%), led by a \$2.4 million increase in transient occupancy tax revenues, which totaled \$26.1 million over the year. In addition, property and sales tax revenues were up a combined \$2.7 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.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Activities (Continued)



Expenses from governmental activities increased approximately \$1.6 million, for a total of \$56.6 million for the fiscal year. Expenses in most functional areas were only slightly higher than incurred in the prior fiscal year, however, spending in the category of public safety increased by \$3.3 million. The increase was due in part to sick leave balances (approximately \$1 million) that were not previously included in the liability for compensated absences, as well as parking enforcement activities, which were moved to the department's General Fund budget. (Metering and parking meter collection costs were retained by the Parking Enterprise Fund, a business-type activity.) Accelerated depreciation of fire vehicles contributed to a \$0.5 million increase in the cost of fire services. Parks, recreation and library activities experienced the only decrease in the cost of governmental activities when compared to the prior year. The \$2 million decrease in spending was due in large part to the completion of the Millennium Project, a \$3.5 million renovation of the historic Burlingame Public Library's main branch, in fiscal year 2014-15. The overall departmental spending increase across all departments was 2.6%. There was a \$0.2 million (8.9%) year over year increase 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 \$8.9 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 15.7% 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 (\$56.6 million in fiscal year 2015-16). This compares with the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$46.7 million in fiscal year 2015-16) 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, 2016**

Business-Type Activities

The net position for business-type activities increased by nearly \$20 million, or 27.4%, from a beginning net position of \$73.0 million. \$11.9 million of the increase was due to the reporting of capital projects which had been funded but not yet completed by year end, within the appropriate utility. In prior years, these projects were categorized as governmental activities, and transferred to the business activities only upon completion. In fiscal year 2015-16, enterprise operations produced total operating revenue (consisting largely of revenues from charges for services) of nearly \$37 million, a decrease of \$0.1 million, or a 0.3% reduction from fiscal year 2014-15 operating revenues. After experiencing a \$1.8 million combined drop in revenue in the prior year due to a reduction in water consumption and sales in response to the state's severe draught, the Water and Sewer enterprises leveled off somewhat, with revenues only slightly less than in fiscal year 2014-15 (\$0.3 million, or 1 %).

Business-type expenses totaled \$26.2 million. Operating expenses increased by \$1.4 million or 5.4% from prior year expenses of \$24.8 million. Again, this increase was largely attributable to operating expenses of the Water and Sewer activities, which experienced higher water wholesale rates (28%) and increases in personnel costs. Expenses in the Parking enterprise were down due to the reclassification of parking enforcement costs (\$0.5 million) to governmental activities. This change was made to better align these costs to the associated revenues generated from parking violations, a function of public safety.

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, 2016

Governmental Funds (Continued)

Total Governmental Funds (Amounts In Millions)					
Fund Description	6/30/2016 Net Position/Fund Balance	6/30/2016 Nonspendable	7/1/2015 Net Position/Fund Balance	7/1/2015 Nonspendable	Yr-over-Yr Change Net Position/Fund Balance
General Fund	\$29.98	\$0.34	\$29.46	\$0.22	\$0.52
Capital Projects	34.60	-	33.10	-	1.50
Storm Drainage	2.63	-	2.58	-	0.05
Debt Service Fund	12.71	0.57	3.96	0.38	8.75
Non-Major Funds	6.13	-	5.58	-	0.55
Total	\$86.05	\$0.91	\$74.68	\$0.60	\$11.37

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 nearly \$66.2 million in fiscal year 2015-16, reflecting a \$4.2 million increase from the prior year's performance of \$61.9 million. Expenditures totaled \$47.5 million, which is \$3.1 million more than in the prior year. Revenues were sufficient to cover all operating expenditures. Revenues less operating expenditures before transfers were \$18.7 million. The General Fund transferred \$6.4 million out to the Debt Service Fund to pay for governmental debt, and nearly \$14.8 million to the Capital Projects Fund. The large influx for capital spending was approved to pay for project-related expenditures (\$4.3 million), and to bolster the Renewal and Replacement Reserve (\$10.5 million), established in the prior fiscal year in recognition of the City's large backlog of facility needs. Detailed notes on the transfers can be found in the Interfund Transfer section (Note 4 in the Notes to the Basic Financial Statements).

The General Fund balance as of June 30, 2016, was nearly \$30 million, representing an increase of \$0.5 million from the prior year fund balance of \$29.5 million. Only \$0.3 million of the fund balance was categorized as "nonspendable"; the City Council assigned \$18.2 million as reserves for specific purposes as described in Note 12 of the Notes to the Basic Financial Statements, and approximately \$0.4 million represents contractual obligations which will carry forward to the next fiscal year (encumbrances). The remaining \$11 million represents unassigned amounts.

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 (Note 5).

The Capital Projects Fund had revenues of \$0.5 million, received in large part from state and local grants (\$0.4 million) including two Measure A grants for street resurfacing projects. Projects were funded mainly by \$19.1 million in transfers from other funds to support ongoing construction costs and to set aside funds for previously appropriated projects. In fiscal year 2015-16, the General Fund contributed

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Capital Projects Fund *(Continued)*

\$14.8 million, \$10.5 million of which funded the City's Renewal and Replacement Reserve. \$1.6 million of bond proceeds, as well as \$1.4 million from storm drainage fees, were transferred in to the Capital Projects Fund for storm drain, facilities, and street projects. The Measure A and Gas Tax special revenue funds provided a combined total of over \$1.2 million.

Capital project expenditures totaled \$7.2 million, a decrease of \$6.7 million from prior year expenditures of \$13.9 million, as capital projects in the enterprise funds are no longer reported in the City's governmental Capital Project Fund (while under construction) for reporting purposes. The Capital Projects fund balance at the end of the fiscal year was \$34.6 million, or an increase of \$1.5 million from the prior year ending balance. Other than the \$13.5 million reserve for Renewal and Replacement, the entire fund balance is assigned for the construction of specific capital projects.

During fiscal year 2015-16, major governmental capital project expenses, exceeding \$1 million included:

- US 101/Broadway Interchange - \$1.6 million
This project is divided into 5 stages of construction, with the project currently mid-way through Stage 4. Total project construction costs of \$65 million are anticipated, with a total City contribution of \$3 million for construction. The project is scheduled for completion in late summer of 2017.
- Citywide Storm Drain Neighborhood Improvements - \$1.2 million
This project was completed in August 2016.
- 2015 Annual Street Resurfacing Project - \$1.2 million
Funded by State Gas Tax, San Mateo County Measure A, and Measure M funds, this project consisted of performing asphalt base-failure repairs, asphalt overlay, micro-sealing, pavement reconstruction, concrete curb and gutter repairs, and traffic striping improvements on certain City streets and parking lots.

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 \$5.8 million for the year. The General Fund contributed \$6.4 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. A significant portion of the 2010 Storm Drain Bonds were taxable Build America Bonds; the Internal Revenue Service provided an annual interest subsidy of approximately \$0.2 million for this issuance. Debt service expenditures represent principal payments, interest charges, and administrative costs of debt such as fiscal agent fees on existing governmental debt.

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2015-16. As in the prior year, the storm drain fee generated over \$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. In February 2016 the City issued a third round of Storm Drainage Revenue Bonds, for additional capital funding of \$9.9 million.

The fund balance increased only slightly during the fiscal year, as revenues from the storm drain fee and interest earnings were just adequate to fund combined capital appropriations (\$1.4 million) and debt service expense (\$1.4 million) 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 61.7% of non-major fund balance. While Measure A revenues remained level with the prior year at nearly \$0.8 million Gas Tax revenues decreased 20.4% to approximately \$0.7 million. Together, the funds served to fuel traffic and street improvements in the Capital Projects Fund. Non-major governmental fund balances in total increased \$0.6 million, as revenues received in these funds exceeded the expenditures associated with the legally specified purpose of each of the funds.

Proprietary Funds

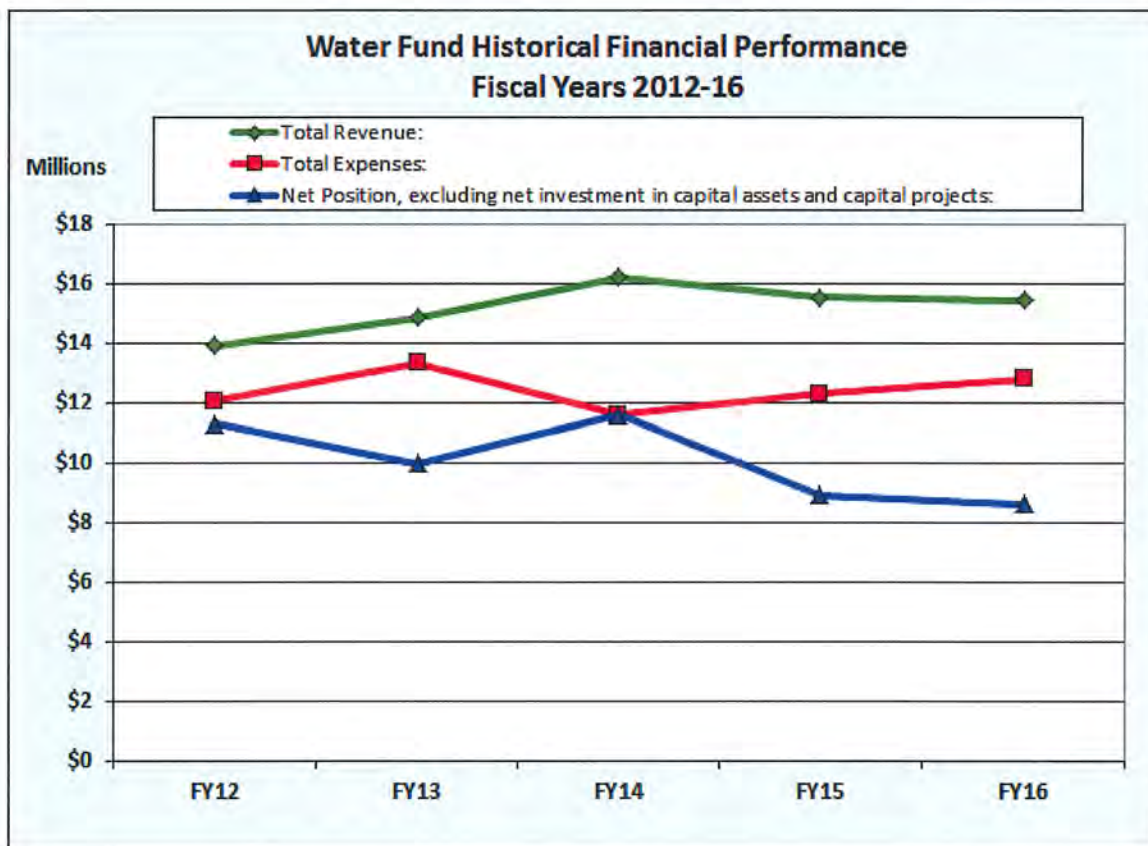
The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. Proprietary funds consist of the City's six enterprise funds (Water, Sewer, Waste Management, Landfill, Parking, and the Building Enterprise funds) and six Internal Service Funds (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.

Total Enterprise Funds (Amounts In Millions)					
Fund Description	6/30/2016 Net Position	6/30/2016 Net Investment in Capital Assets	7/1/2015 Net Position	7/1/2015 Net Investment in Capital Assets	Yr-over-Yr Change Net Position
Water	\$24.29	\$9.97	\$18.92	\$10.00	\$5.37
Sewer	52.29	37.57	42.06	33.55	10.23
Waste Management	4.18	-	3.73	-	0.45
Landfill	(2.16)	-	(2.54)	-	0.38
Parking	11.31	7.04	8.74	6.93	2.57
Building	3.06	-	2.07	-	0.99
Total	\$92.97	\$54.58	\$72.98	\$50.48	\$19.99

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Water Fund

The Water Fund continues to maintain a stable financial position as in the prior year. Revenues decreased by about \$0.2 million or 1.6%, year-over-year, while expenses increased by \$1.4 million. Water revenue decreased due to lower sales volumes, which fell approximately 12% – nearly 130 million gallons less than the prior fiscal year – as a result of continued conservation efforts. The Water Fund revenue includes monthly reimbursements from the City's facilities for the usage of water. Water expenses increased mostly due to a 28% increase in the wholesale water rate. The Water Division had three open staff positions, creating some savings, but not enough to offset the increase in the cost of wholesale water. Net position of the water enterprise increased by \$5.4 million, due largely to the transfer of water capital projects funding that was included in the prior year's Capital Project Fund balance.



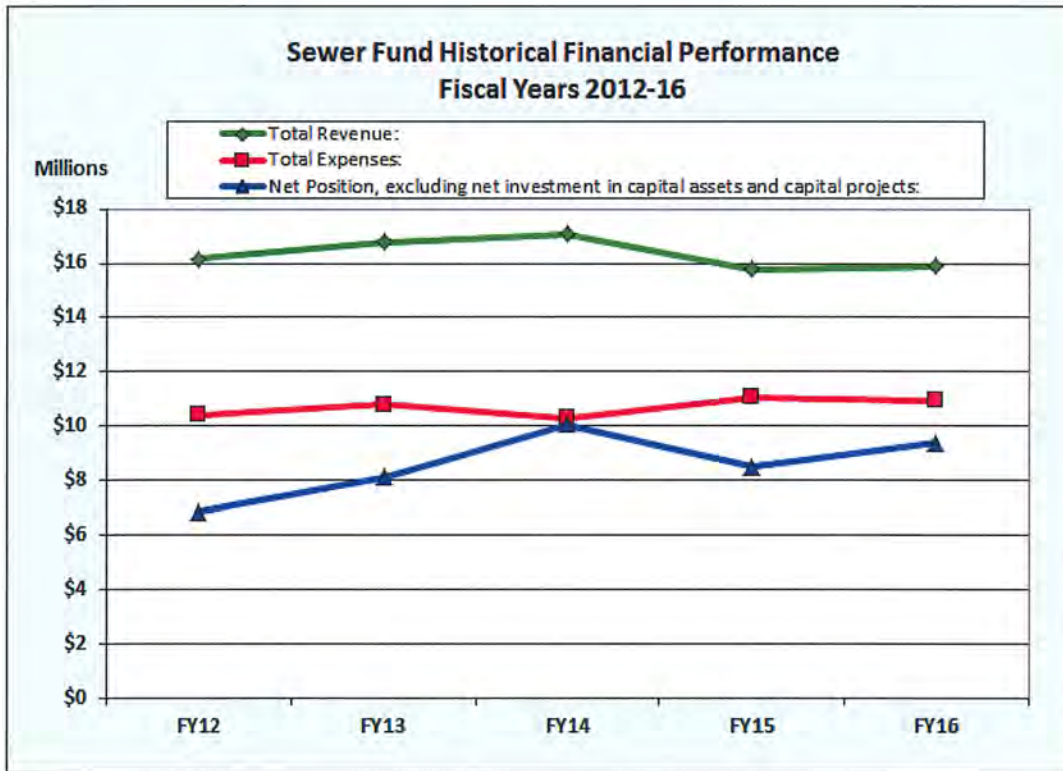
Sewer Fund

The Sewer Fund continues to maintain a stable financial as in the prior year. The fund's overall net position (including capital assets) increased from \$42.1 million to nearly \$52.3 million due largely to the inclusion of \$6.5 million of sewer capital projects funding that was included in the prior year's Capital Project Fund balance. Net investment in capital assets increased slightly over \$4 million as associated debt payable decreased by \$1.6 million, and assets were placed in service from construction in progress (\$2.5 million). The largest portion of net position (\$37.6 million) relates to this net investment in capital assets, representing 71.9% of the utility's total net position. An unrestricted net position of \$8.9 million reflects an increase of \$0.9 million from the prior year, a reflection of the relatively positive results of operations for the year. Approximately 29.3% 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, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

As a large portion of sewer charges are based on water consumption, sewer service revenues remained flat. There has been no annual rate increase for sewer service imposed in calendar years 2013 through 2016. Total expenses of the Sewer Fund were also relatively flat, with a slight decrease in insurance costs for the utility.

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 \$4.2 million 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 produce sufficient revenue to re-invest in the capital assets of the Burlingame and Broadway Avenue shopping districts, which are served by the City's parking lots. The fund's overall ending net position, including capital assets, increased nearly \$2.6 million over the prior year ending net position of \$8.7 million. Because much of the fund (\$7 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 \$0.08 million (nearly 3%), due primarily to an increase in parking activity. Largely concentrated in the City's retail centers, the increase is reflective of continued economic growth. Parking expenses decreased by 65.6% (approximately \$0.9 million). As previously mentioned, parking enforcement activities, which had been included in the Parking Enterprise Fund in the prior year, have been moved to the General Fund (Public Safety) budget. This revenue reclassification, which was approved with the 2015-16 fiscal year budget, allows proper matching of enforcement costs with citation revenues (which are credited to the General Fund). This will allow for a healthier increase in the Parking enterprise, which is needed to fund future parking facilities.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 Waste Management fund totaled \$0.8 million.

In addition, a surcharge on garbage collection rates fund the costs associated with the long-term monitoring requirements of the former city landfill. The Landfill Fund reports a deficit position of \$2.1 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 slightly (\$0.07 million) during the fiscal year, and the ending net position was improved by \$0.4 million.

Internal Service Funds

The Internal Service Funds (ISFs) are allocated among the City's various functions and are therefore considered to account for governmental activities for financial statement purposes. The internal service funds experienced an increase in net position of nearly \$1.4 million. Most of this increase was due to continued improvement in the City's insurance ISFs – the General Liability and Workers' Fund Liability funds experienced decreased claims and litigation liabilities based on an actuarial study completed in September 2016.

General Fund Budgetary Highlights

Detailed information on variances can be found in the General Fund Statement of Revenues, Expenditure and Changes in Fund Balance, Budget and Actual. The adopted fiscal year 2015-16 General Fund budget assumed fairly robust gains in operating revenue, based on the economic recovery evidenced in recent years. Revenue growth of 10.1% was forecast over the revenues anticipated in the prior year's adopted budget. Final collections totaled nearly \$66.2 million, an increase of 6.9% 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 slightly over 1% (\$0.7 million).

City of Burlingame Historical General Fund Revenues (Amounts in Millions)					
	FY12	FY13	FY14	FY15	FY16
Total Revenue	\$46.31	\$51.29	\$55.63	\$61.91	\$66.16
Dollar Change	3.05	4.97	4.34	6.28	4.25
Percentage Change	7.04%	10.74%	8.46%	11.29%	6.86%

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

- Transient occupancy tax revenue performed nearly \$0.9 million better than budget, with an 10.1% growth over prior year results.
- Property tax revenues for the year increased nearly \$1 million (5.8%) over the prior year results, in line with the budget as adjusted at midyear.
- Sales and use tax revenue ended the year at \$12.8 million, due largely to the end of the “triple flip” – a series of revenue swapping procedures by the State which began in 2004 to secure debt service payments for the State’s Economic Recovery Bonds. The final “true-up” process yielded a one-time bump in sales tax revenues of nearly \$1 million.

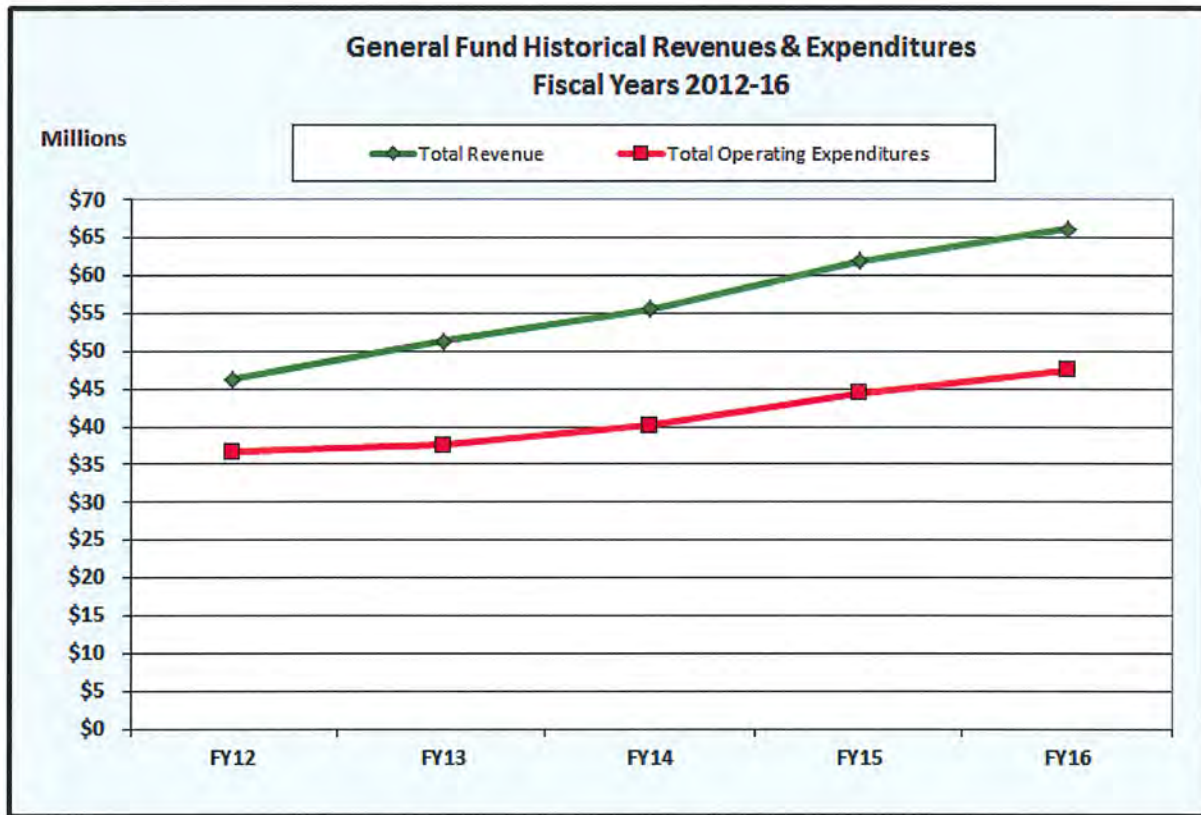
General Fund revenues are expected to continue an upward trend over the next fiscal year as the economy continues to improve, albeit more modestly than in the past few years. Burlingame’s fiscal health relies largely on growth in the travel and tourism industry, and increased consumer confidence.

City of Burlingame Historical General Fund Expenditures (Amounts In Millions)					
	FY12	FY13	FY14	FY15	FY16
Total Operating Expenditures	\$36.68	\$37.61	\$40.14	\$44.41	\$47.46
Dollar Change	2.15	0.93	2.53	4.27	3.05
Percentage Change	6.23%	2.53%	6.72%	10.63%	6.88%

The fiscal year 2015-16 adopted General Fund budget assumed operating expenditures of \$49.4 million, a growth of 3.3% from the prior year budget. During the fiscal year, the City had few significant budget adjustments; budgets were closely monitored City wide, as reflected in positive budget variances in all functional areas. Total budgetary (expenditure) savings for the fund were approximately \$2.8 million (5.6%).

CITY OF BURLINGAME, CALIFORNIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund Budgetary Highlights (Continued)



General Fund Reserve Policy

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

General Fund Reserve Policy (Continued)

City of Burlingame					
City Council Assigned General Fund Reserves					
(Amounts In Millions)					
	FY12	FY13	FY14	FY15	FY16
Economic Stability Reserve	\$6.00	\$5.00	\$6.00	\$13.30	\$15.70
Catastrophic Reserve	2.00	2.00	2.00	4.50	2.00
OPEB Reserve	3.00	4.80	-	-	-
General Plan Reserve	-	-	0.50	-	-
Contingency Reserve	0.50	0.50	0.50	0.50	0.50
Total Reserves	11.50	12.30	9.00	18.30	18.20
Encumbrances	0.16	0.16	0.41	0.47	0.44
Total Assigned Fund Balance	\$11.66	\$12.46	\$9.41	\$18.77	\$18.64

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, 2016, the unrestricted fund balance of \$29.6 million (\$30 million less non-spendable fund balance of \$0.3 million) represents 62.5% of General Fund operating expenditures of \$47.5 million.

City of Burlingame					
General Fund Balance as a Percentage of Operating Expenditures					
(Amounts In Millions)					
	FY12	FY13	FY14	FY15	FY16
Expenditures:	\$36.68	\$37.61	\$40.14	\$44.41	\$47.46
Fund Balance:	15.52	19.95	22.89	29.46	29.98
% of Expenses:	42.3%	53.0%	57.0%	66.3%	63.2%

Capital Assets and Debt Administration

Capital Assets

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

The City uses the modified approach for roads and parking lots as alternative to depreciation. Additional information can be found in the CAFR's Required Supplementary Information, Note 4 - Modified Approach for the City's Infrastructure.

As reported in the Statement of Net Position, capital assets for the governmental and business-type activities totaled \$214.7 million on June 30, 2016, net of depreciation. Capital assets increased by 1.1% from prior fiscal year. The investments in capital assets include: land, construction in progress, buildings, improvements, machinery and equipment, facilities, roads, streets, utilities infrastructure, and storm drains.

CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Assets (Continued)

Capital Assets, Net of Accumulated Depreciation									
June 30, 2016									
(Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2015	2016	% Change	2015	2016	% Change	2015	2016	% Change
Land and other assets not being depreciated	\$40.33	\$40.94	1.5%	\$6.93	\$7.59	9.5%	\$47.26	\$48.53	2.7%
Facilities, infrastructure and equipment	\$70.16	\$70.44	0.4%	\$95.02	\$95.71	0.7%	\$165.18	\$166.15	0.6%
Total	\$110.49	\$111.38	0.8%	\$101.95	\$103.30	1.3%	\$212.44	\$214.68	1.1%

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

Long-Term Obligations

Due to last year's implementation of the (GASB) Governmental Accounting Standards Board's new pension reporting rules encapsulated in GASB Statements and 68 and 71, the City's Statement of Net Position now reflects unfunded pension liabilities. The GASB standards require the City to compute its unfunded liabilities by ascertaining "net pension liability" or the difference between a plan's total pension liability and the assets available to pay for such liability at a specific time. As of June 30, 2016, the net pension liability for the City was computed to be \$47 million.

Outstanding Long-Term Obligations									
June 30, 2016									
(Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2015	2016	% Change	2015	2016	% Change	2015	2016	% Change
Bonds Due in More than One Year	\$50.01	\$55.44	10.8%	\$49.55	\$46.67	-5.8%	\$99.56	\$102.11	2.6%
Bonds Due Within One Year	4.73	4.26	-9.7%	2.55	2.63	2.9%	7.28	6.89	-5.3%
Claims and Litigation	7.02	6.42	-8.5%	-	-	0.0%	7.02	6.42	-8.5%
Landfill Closure	-	-	0.0%	3.08	3.02	-2.1%	3.08	3.02	-2.1%
OPEB Obligation	13.01	13.03	0.1%	2.95	2.95	0.1%	15.96	15.98	0.1%
Net Pension Liability ⁽¹⁾	34.56	39.15	13.3%	7.21	7.83	8.7%	41.77	46.98	12.5%
Compensated Absences	1.36	2.49	82.8%	0.28	0.25	-12.1%	1.64	2.74	67.5%
Total:	\$110.69	\$120.79	9.1%	\$65.62	\$63.35	-3.5%	\$176.31	\$184.14	4.4%

(1) During fiscal year 2014-15, the City implemented GASB Statements 68 and 71, which require the recording of net pension liability and pension related deferred inflows and outflows on the financial statements.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

As of June 30, 2016, the City had total long-term obligations of 184.1 million, an increase of \$7.8 million from the prior year. Bonded debt outstanding grew by 2.2 million due to the issuance of 9.8 million in Storm Drainage Revenue Bonds in February of 2016. More than half (\$59.7 million) of the City's total long-term outstanding debt relates to storm drain revenue bond financing and other governmental activities; the remainder (\$49.3 million) is comprised of loans and revenue bonds previously issued to support various capital projects overseen by the Water and Sewer enterprises. In the fiscal year ended June 30, 2016, the City paid nearly \$8.5 million in principal payments on long term debt. 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. The liability for landfill post-closure care costs decreased slightly, and revenues to the fund were sufficient to provide a \$0.4 million increase of net position in fiscal year 2015-16.

Economic Factors and Next Year's Budget and Rates

The following factors were taken into consideration in preparing the fiscal year 2016-17 budget:

Revenue Projections: The City prepared a five-year forecast of revenues and expenditures for the General Fund. The adopted budget for 2016-17 assumed growth of approximately 8.2% 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 2015-16 fiscal (prior) year to date.

Expenditures: General Fund operating expenditures are expected to grow approximately 5.8%. Fiscal year 2016-17 departmental budgets of \$52.3 million provide 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 5% increase from the 2015-16 adopted budget; the City Council again 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 nearly \$4.7 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, were awaiting the completion of rate studies for these utilities as of fiscal year end. The drought had a significant impact on both water and sewer operations, and increases in the cost of wholesale water would indicate that future rate increases are needed. 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 2017.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 87,984,067	\$ 50,020,314	\$ 138,004,381
Receivables (net of uncollectible amounts)			
Due from consumers	188,827	4,631,281	4,820,108
Due from other governments	782,392	747,779	1,530,171
Other receivables	7,045,179	232,488	7,277,667
Inventory	57,189		57,189
Prepaid items and deposits	809,907	8,571	818,478
Cash and investments, restricted	12,291,592	447,984	12,739,576
Internal balance	9,250	(9,250)	
Capital assets:			
Land and other assets not being depreciated	40,940,812	7,589,833	48,530,645
Facilities, infrastructure, and equipment, net of depreciation	70,438,569	95,707,044	166,145,613
Total assets	<u>220,547,784</u>	<u>159,376,044</u>	<u>379,923,828</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount of bond refunding		587,851	587,851
Deferred outflows related to pension	3,036,923	802,770	3,839,693
Total deferred outflows of resources	<u>3,036,923</u>	<u>1,390,621</u>	<u>4,427,544</u>
LIABILITIES			
Accounts payable	2,290,343	1,927,881	4,218,224
Retentions payable	272,126	5,104	277,230
Accrued payroll	1,785,500		1,785,500
Accrued interest	690,934	661,965	1,352,899
Deposits	1,113,294	714,160	1,827,454
Unearned revenue	151,008	263,395	414,403
Claims and litigation			
Due in one year	597,000		597,000
Due in more than one year	5,821,000		5,821,000
Compensated absences			
Due in one year	247,899	66,292	314,191
Due in more than one year	2,246,602	183,288	2,429,890
Landfill closure and post closure costs			
Due in one year		201,153	201,153
Due in more than one year		2,816,146	2,816,146
Net OPEB obligation			
Due in more than one year	13,025,134	2,948,952	15,974,086
Long-term debt			
Due in one year	4,264,835	2,627,331	6,892,166
Due in more than one year	55,436,869	46,670,282	102,107,151
Net pension liability, due in more than one year	39,153,198	7,833,882	46,987,080
Total liabilities	<u>127,095,742</u>	<u>66,919,831</u>	<u>194,015,573</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	4,567,357	890,856	5,458,213
NET POSITION			
Net investment in capital assets	79,019,269	54,587,115	133,606,384
Restricted for:			
Restricted amounts held with trustee	12,291,592	447,984	12,739,576
Capital projects	21,919,904	11,918,928	33,838,832
Burlingame Avenue Special Assessment District	418,403		418,403
Street and sidewalk repair and maintenance	3,783,908		3,783,908
Total restricted net position	<u>38,413,807</u>	<u>12,366,912</u>	<u>50,780,719</u>
Unrestricted	<u>(25,511,468)</u>	<u>26,001,951</u>	<u>490,483</u>
Total net position	<u>\$ 91,921,608</u>	<u>\$ 92,955,978</u>	<u>\$ 184,877,586</u>

See accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
Statement of Activities
For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 4,275,344	\$ 122,718	\$ 12,060		\$ 134,778
Public safety	26,295,760	1,009,389	300,503		1,309,892
Public works	8,312,031	3,477,170	4,141	\$ 438,506	3,919,817
Community development	1,161,617	890,008			890,008
Parks, recreation, and library	13,786,264	3,405,576	210,674		3,616,250
Shuttle operations	137,321		63,200		63,200
Financing	2,638,217				
Total governmental activities	56,606,554	8,904,861	590,578	438,506	9,933,945
Business-type activities:					
Water	12,822,471	15,157,780			15,157,780
Sewer	10,959,647	15,634,340			15,634,340
Waste management	486,634	778,490			778,490
Landfill	55,631	437,212			437,212
Parking	445,326	2,649,256			2,649,256
Building	1,420,031	2,255,825			2,255,825
Total business-type activities	26,189,740	36,912,903			36,912,903
Total government-wide	\$ 82,796,294	\$ 45,817,764	\$ 590,578	\$ 438,506	\$ 46,846,848

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Other taxes

Other general revenue

Total general revenues

Investment income (expense)

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,140,566)		\$ (4,140,566)
(24,985,868)		(24,985,868)
(4,392,214)		(4,392,214)
(271,609)		(271,609)
(10,170,014)		(10,170,014)
(74,121)		(74,121)
(2,638,217)		(2,638,217)
<u>(46,672,609)</u>		<u>(46,672,609)</u>
	\$ 2,335,309	2,335,309
	4,674,693	4,674,693
	291,856	291,856
	381,581	381,581
	2,203,930	2,203,930
	835,794	835,794
	<u>10,723,163</u>	<u>10,723,163</u>
<u>(46,672,609)</u>	<u>10,723,163</u>	<u>(35,949,446)</u>
17,645,289		17,645,289
12,827,673		12,827,673
26,092,240		26,092,240
4,588,489		4,588,489
233,464	382,251	615,715
61,387,155	382,251	61,769,406
1,291,892	762,339	2,054,231
(8,113,777)	8,113,777	
<u>54,565,270</u>	<u>9,258,367</u>	<u>63,823,637</u>
7,892,661	19,981,530	27,874,191
84,028,947	72,974,448	157,003,395
<u>\$ 91,921,608</u>	<u>\$ 92,955,978</u>	<u>\$ 184,877,586</u>



Comprehensive Annual Financial Report

June 30, 2016

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, 2016**

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and investments	\$ 26,809,634	\$ 2,515,816	\$ 231,700	\$ 35,023,288	\$ 6,091,221	\$ 70,671,659
Accounts receivable	7,186,554	142,508		267,959	299,872	7,896,893
Due from other funds	44,059		9,250	81,298		134,607
Prepays and deposits	235,317		574,590			809,907
Cash and investments, restricted			11,980,065	224,122		12,204,187
Total assets	\$ 34,275,564	\$ 2,658,324	\$ 12,795,605	\$ 35,596,667	\$ 6,391,093	\$ 91,717,253
Liabilities:						
Accounts payable	\$ 954,209			\$ 721,526	\$ 87,517	\$ 1,763,252
Due to other funds			\$ 81,298		44,059	125,357
Retentions payable				272,126		272,126
Accrued payroll	1,785,500					1,785,500
Deposits	1,113,294					1,113,294
Advance from other funds	101,497					101,497
Unearned revenue	151,008					151,008
Total liabilities	4,105,508		81,298	993,652	131,576	5,312,034
Deferred Inflows						
Unavailable Revenues	191,908	\$ 23,593		4,462	126,605	346,568
Total deferred inflows	191,908	23,593		4,462	126,605	346,568
Fund Balances:						
Nonspendable	336,814		574,590			911,404
Restricted		2,634,731	11,980,065	224,122	6,195,291	21,034,209
Committed				20,874,431		20,874,431
Assigned	18,637,867			13,500,000		32,137,867
Unassigned	11,003,467		159,652		(62,379)	11,100,740
Total fund balances	29,978,148	2,634,731	12,714,307	34,598,553	6,132,912	86,058,651
Total liabilities, deferred inflows and fund balances	\$ 34,275,564	\$ 2,658,324	\$ 12,795,605	\$ 35,596,667	\$ 6,391,093	\$ 91,717,253

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, 2016

Fund balance – total governmental funds \$ 86,058,651

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

CAPITAL ASSETS

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 109,777,084

LONG TERM LIABILITIES

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

Compensated absences	(2,424,969)
Long-term debt	(59,701,704)
Net OPEB obligation	(13,025,134)
Net Pension Liability	(37,808,323)

Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. (690,934)

DEFERRED INFLOWS AND OUTFLOWS

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

Deferred Outflows	2,899,109
Deferred Inflows	(4,414,420)
Unavailable Revenues	346,568

ALLOCATION OF INTERNAL SERVICES FUND NET ASSETS

Internal service funds are used by management to charge the costs of fleet management, building maintenance, information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statements of net assets. 10,905,680

Net assets of governmental activities \$ 91,921,608

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 17,645,289					\$ 17,645,289
Sales and use taxes	12,827,673					12,827,673
Transient occupancy taxes	26,092,240					26,092,240
Other taxes	3,153,550					3,153,550
Charges for services - fees	4,470,276	\$ 2,712,328			\$ 736,224	7,918,828
Charges for services - licenses and permits	86,154					86,154
Fines, forfeitures, and penalties	864,393					864,393
Investment income	757,153	172,362	\$ 17,985		88,210	1,035,710
Intergovernmental taxes					1,434,939	1,434,939
Grant revenue	22,230			\$ 478,665	574,121	1,075,016
Other revenue	236,185		154,612			390,797
Total revenues	66,155,143	2,884,690	172,597	478,665	2,833,494	72,524,589
EXPENDITURES:						
Current:						
General government	4,477,403		27,281	372,877	39,088	4,916,649
Public safety	24,625,068			72,603	359,707	25,057,378
Public works	4,662,203			2,667,342		7,329,545
Community development	1,405,793					1,405,793
Parks, recreation, and library	12,234,914			287,177	203,079	12,725,170
Shuttle operations					137,321	137,321
Capital Outlay	53,994			3,831,164		3,885,158
Debt service:						
Principal			5,832,447			5,832,447
Interest			2,632,548			2,632,548
Total expenditures	47,459,375		8,492,276	7,231,163	739,195	63,922,009
REVENUES OVER (UNDER) EXPENDITURES	18,695,768	2,884,690	(8,319,679)	(6,752,498)	2,094,299	8,602,580
OTHER FINANCING SOURCES (USES):						
Transfers in	3,106,045		7,819,410	19,129,254	95,500	30,150,209
Transfer out	(21,285,231)	(2,829,679)	(1,641,004)	(10,874,803)	(1,633,269)	(38,263,986)
Issuance of bonds			9,855,000			9,855,000
Premium of bonds			1,045,133			1,045,133
Total other financing (uses) sources	(18,179,186)	(2,829,679)	17,078,539	8,254,451	(1,537,769)	2,786,356
Net change in fund balances	516,582	55,011	8,758,860	1,501,953	556,530	11,388,936
FUND BALANCES:						
Beginning of year	29,461,566	2,579,720	3,955,447	33,096,600	5,576,382	74,669,715
End of year	\$ 29,978,148	\$ 2,634,731	\$ 12,714,307	\$ 34,598,553	\$ 6,132,912	\$ 86,058,651

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, 2016**

Net change in fund balances – total governmental funds \$ 11,388,936

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 3,885,158

Expenses being added due to difference in capital outlay and capital asset additions (123,683)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance. (2,814,427)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Accrued interest calculated on bonds payable (108,140)

Amortization of bond premium 102,471

Proceeds from issuance of long-term debt (9,855,000)

Premium on refunding bonds (1,045,133)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets:
Principal payments 5,832,447

ACCRUAL OF NON-CURRENT ITEMS

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

This change reflects a increase in compensated absences that occurred during the year (1,133,483)

Pension Expense 41,098

Net other post-employment benefits obligation expense (16,526)

Unavailable revenues recognized as revenue 346,568

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in net position - All Internal Service Funds 1,392,375

Change in net position of governmental activities \$ 7,892,661

See accompanying Notes to the Basic Financial Statements



Comprehensive Annual Financial Report

June 30, 2016

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, 2016

Enterprise Funds

	Water Fund	Sewer Fund	Waste Management Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments	\$ 17,242,605	\$ 15,804,685	\$ 4,625,442
Receivables (net of uncollectible amounts):			
Due from consumers	2,030,773	2,600,508	
Due from other governments		747,779	
Other receivables	45,689	42,225	78,689
Prepays and deposits			
Inventory			
Total current assets	<u>19,319,067</u>	<u>19,195,197</u>	<u>4,704,131</u>
Noncurrent assets:			
Cash and investments, restricted		447,984	
Advances to other funds			
Capital assets:			
Land and other assets not being depreciated	583,549	1,254,436	
Facilities, infrastructure, and equipment, net of depreciation	31,153,437	63,262,498	
Total noncurrent assets	<u>31,736,986</u>	<u>64,964,918</u>	
Total assets	<u>51,056,053</u>	<u>84,160,115</u>	<u>4,704,131</u>
Deferred outflows of resources:			
Deferred amount on bond refunding	389,871	197,980	
Deferred outflows related to pensions	283,516	238,425	38,815
Total deferred outflows of resources	<u>673,387</u>	<u>436,405</u>	<u>38,815</u>
Total assets and deferred outflows of resources	<u>\$ 51,729,440</u>	<u>\$ 84,596,520</u>	<u>\$ 4,742,946</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 828,469	\$ 845,705	\$ 49,433
Due to other funds	4,625	4,625	
Accrued interest	220,403	441,562	
Retentions payable		5,104	
Deposits	11,400		
Unearned revenue	36,630	226,765	
Claims and litigation due in one year			
Bonds payable due in one year	1,086,694	1,540,637	
Compensated absences due in one year	32,933	20,239	346
Landfill closure and post-closure liability due in one year			
Total current liabilities	<u>2,221,154</u>	<u>3,084,637</u>	<u>49,779</u>
Noncurrent liabilities:			
Advances from other funds			
Bonds payable	21,067,757	25,602,525	
Landfill closure and post closure liability			
Other post-employment benefits obligation payable	1,003,617	950,574	89,605
Claims and litigation			
Compensated absences	69,758	80,219	3,407
Net pension liability	2,766,712	2,326,687	378,775
Total noncurrent liabilities	<u>24,907,844</u>	<u>28,960,005</u>	<u>471,787</u>
Total liabilities	<u>27,128,998</u>	<u>32,044,642</u>	<u>521,566</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	314,626	264,587	43,074
Total liabilities and deferred inflows of resources	<u>\$ 27,443,624</u>	<u>\$ 32,309,229</u>	<u>\$ 564,640</u>
NET POSITION			
Net investment in capital assets	\$ 9,972,406	\$ 37,571,752	
Restricted for capital projects	5,678,697	5,326,767	
Restricted amounts held with trustee		447,984	
Restricted for advances			
Unrestricted	8,634,713	8,940,788	\$ 4,178,306
Total net position	<u>\$ 24,285,816</u>	<u>\$ 52,287,291</u>	<u>\$ 4,178,306</u>

See accompanying Notes to the Basic Financial Statements

Enterprise Funds

Landfill Fund	Parking Fund	Building Fund	Total	Governmental Activities- Internal Service Funds
\$ 829,753	\$ 6,067,437	\$ 5,450,392	\$ 50,020,314	\$ 17,312,408
			4,631,281	
			747,779	76,008
37,567	15,089	13,229	232,488	43,497
	8,571		8,571	
				57,189
<u>867,320</u>	<u>6,091,097</u>	<u>5,463,621</u>	<u>55,640,433</u>	<u>17,489,102</u>
			447,984	87,405
				101,497
	5,751,848		7,589,833	
	1,291,109		95,707,044	1,602,297
	7,042,957		103,744,861	1,791,199
<u>867,320</u>	<u>13,134,054</u>	<u>5,463,621</u>	<u>159,385,294</u>	<u>19,280,301</u>
			587,851	
464	129,973	111,577	802,770	137,814
464	129,973	111,577	1,390,621	137,814
<u>\$ 867,784</u>	<u>\$ 13,264,027</u>	<u>\$ 5,575,198</u>	<u>\$ 160,775,915</u>	<u>\$ 19,418,115</u>
\$ 7,143	\$ 27,579	\$ 169,552	\$ 1,927,881	\$ 527,091
			9,250	
			661,965	
			5,104	
		702,760	714,160	
			263,395	597,000
			2,627,331	
	1,128	11,646	66,292	3,327
<u>201,153</u>			<u>201,153</u>	
<u>208,296</u>	<u>28,707</u>	<u>883,958</u>	<u>6,476,531</u>	<u>1,127,418</u>
			46,670,282	
2,816,146			2,816,146	
	496,698	408,458	2,948,952	5,821,000
	18,621	11,283	183,288	66,205
4,526	1,268,349	1,088,833	7,833,882	1,344,875
<u>2,820,672</u>	<u>1,783,668</u>	<u>1,508,574</u>	<u>60,452,550</u>	<u>7,232,080</u>
<u>3,028,968</u>	<u>1,812,375</u>	<u>2,392,532</u>	<u>66,929,081</u>	<u>8,359,498</u>
514	144,235	123,820	890,856	152,937
<u>\$ 3,029,482</u>	<u>\$ 1,956,610</u>	<u>\$ 2,516,352</u>	<u>\$ 67,819,937</u>	<u>\$ 8,512,435</u>
	\$ 7,042,957		\$ 54,587,115	\$ 1,602,297
	913,464		11,918,928	
			447,984	87,405
				101,497
<u>\$ (2,161,698)</u>	<u>3,350,996</u>	<u>\$ 3,058,846</u>	<u>26,001,951</u>	<u>9,114,481</u>
<u>\$ (2,161,698)</u>	<u>\$ 11,307,417</u>	<u>\$ 3,058,846</u>	<u>\$ 92,955,978</u>	<u>\$ 10,905,680</u>

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
OPERATING REVENUES:			
Water sales	\$ 14,966,780		
Sewer service charges:			
City of Burlingame users		\$ 14,328,706	
Other agencies		1,305,634	
Special surcharges			\$ 778,490
Parking fees			
Charges for services	191,000		
Other revenue	20,659		32,742
Total operating revenues	<u>15,178,439</u>	<u>15,634,340</u>	<u>811,232</u>
OPERATING EXPENSES:			
Salaries and benefits	2,331,853	2,114,077	307,216
Supplies and services	1,037,427	4,662,219	178,516
Water purchases	6,524,393		
Depreciation	1,977,771	3,089,579	
Insurance claims and expenses	51,803	197,249	902
Total operating expenses	<u>11,923,247</u>	<u>10,063,124</u>	<u>486,634</u>
Operating income	<u>3,255,192</u>	<u>5,571,216</u>	<u>324,598</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income (expense)	271,269	250,656	77,914
Interest expense	(899,224)	(896,523)	
Net nonoperating revenues (expenses)	<u>(627,955)</u>	<u>(645,867)</u>	<u>77,914</u>
Income before transfers	2,627,237	4,925,349	402,512
Transfers in	3,904,112	6,334,306	162,073
Transfers out	(1,167,108)	(1,031,524)	(115,200)
Net change in net position	5,364,241	10,228,131	449,385
NET POSITION:			
Net position - beginning (deficit)	18,921,575	42,059,160	3,728,921
Net position - end of year (deficit)	<u>\$ 24,285,816</u>	<u>\$ 52,287,291</u>	<u>\$ 4,178,306</u>

See accompanying Notes to the Basic Financial Statements

Enterprise Funds

Landfill Fund	Parking Fund	Building Fund	Total	Governmental Activities- Internal Service Funds
			\$ 14,966,780	
			14,328,706	
			1,305,634	
\$ 437,212			1,215,702	
	\$ 2,649,256		2,649,256	
		\$ 2,255,825	2,446,825	\$ 10,187,487
		328,850	382,251	613,842
437,212	2,649,256	2,584,675	37,295,154	10,801,329
16,260	145,482	889,414	5,804,302	6,377,773
39,371	212,659	528,232	6,658,424	2,049,054
			6,524,393	
	86,638		5,153,988	588,831
	547	2,385	252,886	651,461
55,631	445,326	1,420,031	24,393,993	9,667,119
381,581	2,203,930	1,164,644	12,901,161	1,134,210
	83,975	78,525	762,339	258,165
			(1,795,747)	
	83,975	78,525	(1,033,408)	258,165
381,581	2,287,905	1,243,169	11,867,753	1,392,375
	636,385		11,036,876	
	(355,394)	(253,873)	(2,923,099)	
381,581	2,568,896	989,296	19,981,530	1,392,375
(2,543,279)	8,738,521	2,069,550	72,974,448	9,513,305
\$ (2,161,698)	\$ 11,307,417	\$ 3,058,846	\$ 92,955,978	\$ 10,905,680

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 15,175,807	\$ 15,485,999	\$ 2,031,098
Receipts from other funds			
Payments to other funds	(1,015)	(1,015)	
Payments to suppliers	(7,381,494)	(4,091,717)	(130,392)
Payment to employees for services	(2,481,868)	(2,220,110)	(329,927)
Net cash provided by (used in) operating activities	<u>5,311,430</u>	<u>9,173,157</u>	<u>1,570,779</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (to)/from other funds	2,737,004	5,302,782	46,873
Net cash provided by (used in) noncapital financing activities	<u>2,737,004</u>	<u>5,302,782</u>	<u>46,873</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(761,217)	(5,540,330)	
Principal paid on long-term debt	(1,218,305)	(1,585,975)	
Interest paid on long-term debt	(908,371)	(921,367)	
Net cash provided by (used in) capital and related financing activities	<u>(2,887,893)</u>	<u>(8,047,672)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	271,269	250,656	77,914
Net cash provided by (used in) investing activities	<u>271,269</u>	<u>250,656</u>	<u>77,914</u>
Net increase (decrease) in cash and equivalents	5,431,810	6,678,923	1,695,566
CASH AND CASH EQUIVALENTS:			
Beginning of year	11,810,795	9,573,746	2,929,876
End of year	<u>\$ 17,242,605</u>	<u>\$ 16,252,669</u>	<u>\$ 4,625,442</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	\$ 3,255,192	\$ 5,571,216	\$ 324,598
Adjustments for noncash activities:			
Depreciation and amortization	1,977,771	3,089,579	
Changes in assets and liabilities:			
Receivables	(1,191)	(375,106)	1,219,866
Prepaid / Inventories			
Deferred outflows	444	(10,203)	(4,291)
Due to other funds	(1,015)	(1,015)	
Accounts payable	232,129	762,647	49,026
Deposits	1,500		
Retentions payable		5,104	
Unearned revenue	(2,941)	226,765	
Compensated absences	(18,228)	15,422	(326)
Claims and litigations liabilities			
Net pension liabilities	221,489	186,263	30,323
Other post-employment benefits obligation	1,178	939	170
Deferred inflows	(354,898)	(298,454)	(48,587)
Total adjustments	<u>2,056,238</u>	<u>3,601,941</u>	<u>1,246,181</u>
Net cash provided by (used in) operating activities	<u>\$ 5,311,430</u>	<u>\$ 9,173,157</u>	<u>\$ 1,570,779</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
Cash and investments – current	\$ 17,242,605	\$ 15,804,685	\$ 4,625,442
Cash and investments, restricted		447,984	
Cash and cash equivalents on statement of cash flows	<u>\$ 17,242,605</u>	<u>\$ 16,252,669</u>	<u>\$ 4,625,442</u>

See accompanying Notes to the Basic Financial Statements

Enterprise Funds

Landfill Fund	Parking Fund	Building Fund	Total	Governmental Activities- Internal Service Funds
\$ 436,004	\$ 2,646,750	\$ 2,476,235	\$ 38,251,893	\$ 10,751,433
			(2,030)	
(42,000)	(202,263)	(486,911)	(12,334,777)	(2,685,361)
(16,500)	(236,554)	(968,847)	(6,253,806)	(7,058,324)
<u>377,504</u>	<u>2,207,933</u>	<u>1,020,477</u>	<u>19,661,280</u>	<u>1,007,748</u>
	280,991	(253,873)	8,113,777	100,493
	<u>280,991</u>	<u>(253,873)</u>	<u>8,113,777</u>	<u>100,493</u>
	(197,921)		(6,499,468)	(534,901)
(65,628)			(2,869,908)	
			(1,829,738)	
<u>(65,628)</u>	<u>(197,921)</u>		<u>(11,199,114)</u>	<u>(534,901)</u>
	83,975	78,525	762,339	258,165
	<u>83,975</u>	<u>78,525</u>	<u>762,339</u>	<u>258,165</u>
311,876	2,374,978	845,129	17,338,282	831,505
517,877	3,692,459	4,605,263	33,130,016	16,568,308
<u>\$ 829,753</u>	<u>\$ 6,067,437</u>	<u>\$ 5,450,392</u>	<u>\$ 50,468,298</u>	<u>\$ 17,399,813</u>
\$ 381,581	\$ 2,203,930	\$ 1,164,644	\$ 12,901,161	\$ 1,134,210
	86,638		5,153,988	588,831
(1,208)	(2,506)	268	840,123	(49,896)
	(8,571)		(8,571)	12,108
(51)	(14,368)	(12,334)	(40,803)	(15,234)
			(2,030)	
(2,629)	19,514	43,706	1,104,393	3,046
		(108,708)	(107,208)	
			5,104	
			223,824	
	(16,029)	(15,047)	(34,208)	(3,467)
				(597,000)
362	101,538	87,167	627,142	107,663
30	483	450	3,250	
(581)	(162,696)	(139,669)	(1,004,885)	(172,513)
(4,077)	4,003	(144,167)	6,760,119	(126,462)
<u>\$ 377,504</u>	<u>\$ 2,207,933</u>	<u>\$ 1,020,477</u>	<u>\$ 19,661,280</u>	<u>\$ 1,007,748</u>
\$ 829,753	\$ 6,067,437	\$ 5,450,392	\$ 50,020,314	\$ 17,312,408
			447,984	87,405
<u>\$ 829,753</u>	<u>\$ 6,067,437</u>	<u>\$ 5,450,392</u>	<u>\$ 50,468,298</u>	<u>\$ 17,399,813</u>

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Agency Funds
ASSETS	
Cash and investments	\$ 144,080
Accounts receivable	887,989
Total assets	\$ 1,032,069
LIABILITIES	
Accounts payable	\$ 153,709
Due to other governmental units	878,360
Total liabilities	\$ 1,032,069

See accompanying Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Definition of the Reporting Entity

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

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

Blended Component Units

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

Burlingame Financing Authority

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Definition of the Reporting Entity (Continued)

Non-Disclosed Organizations

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

Agency Funds

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

Central County Fire Department

Effective July 1, 2010, City fire employees became employees of Central County Fire Department (CCFD). CCFD is a Joint Powers Authority (JPA) which provides fire, emergency medical, and disaster preparedness services to the City and the Town of Hillsborough. CCFDS also provide fire and emergency medical services to the City of Millbrae through a contract. CCFD is governed by a four member board of directors and a Chief Administrative Officer. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Government-Wide Financial Statements

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities, and represent a consolidation of all financial activities for the entire City. Fiduciary activities of the City are not included in these statements.

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

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

Governmental Fund Financial Statements

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

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.

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.

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.

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.

Fiduciary Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fair Value Hierarchy

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

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

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

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

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

D. Deferred Outflows and Inflows of Resources

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

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

E. Capital Assets

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Employee Absences

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

At retirement or termination, employees receive compensation for any unused vacation leave balance, any accrued compensatory time, and administrative leave for management employees. Such cash payments are recognized as expenditures of the government-wide and proprietary funds.

	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
Balance on June 30, 2015	\$ 1,364,486	\$ 283,788	\$ 1,648,274
Additions	2,017,222	415,892	2,433,114
Payments	<u>(887,207)</u>	<u>(450,100)</u>	<u>(1,337,307)</u>
Balance on June 30, 2016	<u>\$ 2,494,501</u>	<u>\$ 249,580</u>	<u>\$ 2,744,081</u>
Due Within One Year	<u>\$ 247,899</u>	<u>\$ 66,292</u>	<u>\$ 314,191</u>
Noncurrent Portion	<u>\$ 2,246,602</u>	<u>\$ 183,288</u>	<u>\$ 2,429,890</u>

G. Inventories and Prepaid Items

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Taxes

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

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

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

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

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

I. Use of Estimates and Reclassifications

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

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Basis of Budgeting

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

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

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

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

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

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.

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

A. Basis of Budgeting (Continued)

Budget Development and Adoption (Continued)

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.

Expenditures exceeded budgetary appropriations for the year ended June 30, 2016, as follows:

<u>Fund</u>	<u>Expenditures Excess of Appropriation</u>
Local Grant Fund	\$ 171,852

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. The City also does not budget annually for its Debt Service Funds.

NOTE 3 – CASH AND INVESTMENTS

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

The City has the following cash and investments at June 30, 2016:

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 87,984,067	\$ 50,020,314	\$ 144,080	\$ 138,148,461
Cash and investments, restricted	12,291,592	447,984		12,739,576
Total cash and investments	<u>\$ 100,275,659</u>	<u>\$ 50,468,298</u>	<u>\$ 144,080</u>	<u>\$ 150,888,037</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

The City’s cash and investments at June 30, 2016 in more detail:

	<u>Fair Value</u>
<u>Cash and Investments Held with Treasury</u>	
Deposits	
Deposits - unrestricted	\$ 13,093,381
Deposits - restricted	<u>12,291,592</u>
Total deposits	<u>25,384,973</u>
Investments -unrestricted	
U.S. Treasury Bond/Note	18,707,131
Federal Agency Obligations	32,215,372
Certificates of Deposit	2,021,292
Commercial paper	2,993,645
Corporate notes	20,671,755
San Mateo County Investment Pool	714,370
California Local Agency Investment Funds	<u>48,179,499</u>
Total investments	<u>125,503,064</u>
Unrestricted, held with Treasury	136,902,852
Restricted, held with Treasury	<u>1,693,593</u>
Total Cash and Investments Held With Treasury	<u>138,596,445</u>
<u>Restricted Cash Held with Fiscal Agent</u>	
Cash held by fiscal agent - Bank of New York	11,843,299
Cash held by fiscal agent - Deutsche Bank	136,766
Cash held by fiscal agent - J. P. Morgan Chase	87,405
Cash held by fiscal agent - Bank of Sacramento	<u>224,122</u>
Total restricted cash and investments held with fiscal agent	<u>12,291,592</u>
Total Cash and Investments	<u>\$ 150,888,037</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

A. Deposits

Custodial Credit Risk

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

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

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

The carrying amounts of the City's cash deposits were \$13,014,506 at June 30, 2016. Bank balances before reconciling items were \$14,101,566 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed above.

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

B. Investments

Pooled Investments and Investment by City Treasury

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (continued)

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

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.

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

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (continued)

- Fair Value Hierarchy
- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

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

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

Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:			
U.S. Treasury Bond/Note	\$ 18,707,131		\$ 18,707,131
Federal Agency Obligations		\$ 32,215,372	32,215,372
Commercial paper		2,993,645	2,993,645
Corporate notes		20,671,755	20,671,755
California Local Agency Investment Fund		48,179,499	48,179,499
San Mateo County Investment Pool		714,370	714,370
Subtotal	<u>\$ 18,707,131</u>	<u>\$ 104,774,641</u>	
Investments measured at Amortized Cost:			
Certificates of Deposit			2,021,292
Total Investments			<u>\$ 125,503,064</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Federal agency securities, Certificates of Deposit, Commercial paper totaling and Corporate notes classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The California Local Agency Investment Fund and the San Mateo County Investment Pool, classified in Level 2 of the fair value hierarchy, are valued based on the fair value factor provided by the Treasurer of the State of California and the San Mateo County, which are calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

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 Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total	Percentage of Portfolio
U.S. Treasury Bond/Note		\$ 4,006,640	\$ 14,700,491	\$ 18,707,131	14.91%
Federal Agency Obligations	\$ 4,002,030	2,158,130	26,055,212	32,215,372	25.67%
Certificates of Deposit	1,007,603	504,220	509,469	2,021,292	1.61%
Commercial paper	2,993,645			2,993,645	2.39%
Corporate notes	2,368,535	6,754,248	11,548,972	20,671,755	16.47%
California Local Agency Investment Fund	48,179,499			48,179,499	38.39%
San Mateo County Investment Pool	714,370			714,370	0.57%
Total Investments	<u>\$ 59,265,682</u>	<u>\$ 13,423,238</u>	<u>\$ 52,814,144</u>	<u>\$125,503,064</u>	<u>100.00%</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk

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

<u>Investment Type:</u>	<u>Fair Value:</u>	<u>Moody's Rating</u>
U.S. Treasury Bond/Note	\$ 18,707,131	Aaa
Federal Agency Obligations	32,215,372	Aaa
Corporate Notes:		
IBM Corp Global Notes	841,873	Aa3
Texas Instrument Corp Note	1,526,662	A1
Caterpillar Financial SE Group Corp Note	1,665,652	A2
Toyota Motors Credit Corp	800,573	Aa3
Exxon Mobil Corp Notes	947,332	Aaa
General Electric Cap Corp Notes	1,669,514	A1
GlaxoSmithKline Cap Inc. Notes	1,671,177	A2
Johnson & Johnson Corporate Note	1,693,786	Aaa
American Express Crd Crp Note (Callable)	1,775,611	A2
Wells Fargo & company Notes	1,807,028	A2
JP Morgan Securities	1,124,120	A3
US Bancorp (Callable) Corporate Notes	1,805,056	A1
Band of New York Mellon NT (Callable)	1,821,396	A1
Branch Banking & Trust Corp Note	1,521,975	A2
Certificates of Deposit	2,021,292	FDIC Insured
Commercial paper	2,993,645	Not Rated
California - Local Agency Investment Fund	48,179,499	Not Rated
San Mateo County Investment Pool	714,370	Not Rated
	<u>\$ 125,503,064</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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments in LAIF

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by the State, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, floating rate Securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills and corporations. As of June 30, 2016, these investments have an average maturity of 167 days.

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.

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 0.92210. 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, 2016

NOTE 4 – INTERFUND TRANSFERS AND TRANSACTIONS

A. Transfers Between Funds

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

Transfers between funds for the year ending June 30, 2016, are as follows:

Transfers Out	Transfer In							Total Out	
	General Fund	Debt Service Fund	Capital Projects Fund	Non Major	Water Fund	Sewer Fund	Solid Waste Fund		Parking Fund
General Fund		\$ 6,404,731	\$ 14,785,000	\$ 95,500					\$ 21,285,231
Storm Drain Fund	15,000	1,414,679	1,400,000						2,829,679
Debt Service Fund			1,641,004						1,641,004
Capital Projects Fund					\$ 3,904,112	\$ 6,334,306		\$ 636,385	10,874,803
Non Major	\$ 330,019		1,303,250						1,633,269
Water Fund	1,167,108								1,167,108
Sewer Fund	1,031,524								1,031,524
Solid Waste Fund	115,200								115,200
Parking Fund	355,394								355,394
Building Enterprise Fund	91,800						\$ 162,073		253,873
Total In	\$ 3,106,045	\$ 7,819,410	\$ 19,129,254	\$ 95,500	\$ 3,904,112	\$ 6,334,306	\$ 162,073	\$ 636,385	\$ 41,187,085

B. Advances Between Funds

The funds below had made advances, which were not expected to be repaid within the next fiscal year. These long-term interfund advances were used for capital improvement project funding and are expected to be repaid out of future revenues. The balances outstanding as of June 30, 2016 are as follows (dollars in thousands):

Advances To	Advances From	
	Equipment Services Fund	Total Advances To
General Fund	\$ 101,497	\$ 101,497
Total Advances From	\$ 101,497	\$ 101,497

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.

NOTE 4 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

C. Interfund Receivables and Payables

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

D. Internal Balances

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

Due To	Due From				
	Debt Service Fund	Non-major Funds	Water Fund	Sewer Fund	Total Due From
Capital Projects Fund	\$ 81,298				\$ 81,298
Debt Service Fund			\$ 4,625	\$ 4,625	9,250
General Fund		\$ 44,059			44,059
Totals	\$ 81,298	\$ 44,059	\$ 4,625	\$ 4,625	\$ 134,607

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS

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.

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

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

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued)

Intangible Assets

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

Artwork and historical artifacts of the City held for public exhibition or promotion of education and public service rather than financial gain are not capitalized and are expensed when incurred. As of June 30, 2016, the City does not have intangible assets.

A. Capital Asset Activity from Governmental Activities

Capital asset activity for the year ended June 30, 2016, relating to governmental activities was as follows:

Total Governmental Activities	Balance July 01, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
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	968,314	\$ 3,685,296		\$ (3,067,983)	1,585,627
Total capital assets, not being depreciated	40,323,499	3,685,296		(3,067,983)	40,940,812
Capital assets being depreciated:					
Buildings and structures	41,848,107	7,025	\$ (7,180)	152,942	42,000,894
Improvements other than buildings	31,738,035	7,182		1,378,465	33,123,682
Machinery and equipment	18,672,091	596,873	(167,350)	114,487	19,216,101
Infrastructure	53,362,891			1,422,089	54,784,980
Total capital assets, being depreciated	145,621,124	611,080	(174,530)	3,067,983	149,125,657
Less accumulated depreciation for:					
Buildings and structures	15,796,564	842,842	(7,180)		16,632,226
Improvements other than buildings	27,504,437	475,442			27,979,879
Machinery and equipment	14,569,659	1,237,201	(167,350)		15,639,510
Infrastructure	17,587,700	847,773			18,435,473
Total accumulated depreciation	75,458,360	3,403,258	(174,530)		78,687,088
Total capital assets, being depreciated, net	70,162,764	(2,792,178)		3,067,983	70,438,569
Governmental activities capital assets, net	\$ 110,486,263	\$ 893,118			\$ 111,379,381

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued)

B. Capital Asset Activity from Business-Type Activities

Capital asset activity for the year ended June 30, 2016, relating to business-type activities was as shown below.

Total Business-type Activities

	Balance July 01, 2015	Increases	Transfers	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 6,357,188			\$ 6,357,188
Construction in progress	575,796	\$ 6,224,617	\$ (5,567,768)	1,232,645
Total capital assets, not being depreciated	6,932,984	6,224,617	(5,567,768)	7,589,833
Capital assets being depreciated:				
Buildings and structures	2,949,994			2,949,994
Improvements other than buildings	155,735,179	214,297	5,281,012	161,230,488
Machinery and equipment	6,300,028	60,554	286,756	6,647,338
Total capital assets, being depreciated	164,985,201	274,851	5,567,768	170,827,820
Less accumulated depreciation for:				
Buildings and structures	1,279,122	61,212		1,340,334
Improvements other than buildings	64,137,417	4,748,663		68,886,080
Machinery and equipment	4,550,249	344,113		4,894,362
Total accumulated depreciation	69,966,788	5,153,988		75,120,776
Total capital assets, being depreciated, net	95,018,413	(4,879,137)	5,567,768	95,707,044
Business-type activities capital assets, net	<u>\$ 101,951,397</u>	<u>\$ 1,345,480</u>		<u>\$ 103,296,877</u>

C. Depreciation Expense

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

	Depreciation	Less: Internal Service Fund	Net
Governmental activities:			
General government	\$ 149,652		\$ 149,652
Public safety	431,744		431,744
Public works	1,665,883	\$ (588,831)	1,077,052
Parks, recreation, and library	1,155,979		1,155,979
Total depreciation expense - governmental activities	<u>\$ 3,403,258</u>	<u>\$ (588,831)</u>	<u>\$ 2,814,427</u>
Business-type activities:			
Water	\$ 1,977,771		
Sewer	3,089,579		
Waste Management			
Parking	86,638		
Total depreciation expense - business-type activities	<u>\$ 5,153,988</u>		

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt related to governmental and business-type activities during the fiscal year ended June 30, 2016:

Description	Beginning Balance June 30, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Lease Revenue Refunding Bonds, Series 2004	\$ 730,000		\$ (730,000)		
- Unamortized Premium	1,495		(1,495)		
Pension Obligation Bonds, Series 2006	17,695,000		(2,645,000)	\$ 15,050,000	\$ 2,905,000
Storm Drainage Revenue Bonds, Series 2010	8,715,000		(230,000)	8,485,000	
- Unamortized Premium	173,030		(7,790)	165,240	(7,790)
Storm Drainage Revenue Bonds, Series 2012	9,945,000		(280,000)	9,665,000	
- Unamortized Premium	250,447		(10,657)	239,790	(10,657)
Lease Revenue Refunding Bonds, Series 2010	6,225,000		(955,000)	5,270,000	990,000
- Unamortized Premium	326,189		(54,365)	271,824	(54,365)
Lease Revenue Bonds, Series 2012	9,495,000		(210,000)	9,285,000	215,000
- Unamortized Premium	221,805		(8,066)	213,739	(8,066)
Master Equipment Lease Purchase Agreement, 2011	683,639		(220,773)	462,866	227,805
California Energy Commission, 2012	274,884		(46,674)	228,210	48,105
Storm Drainage Revenue Bonds, Series 2016		\$ 9,855,000	(515,000)	9,340,000	
- Unamortized Premium		1,045,133	(20,099)	1,025,034	(40,197)
Total Governmental Activities	\$ 54,736,489	\$ 10,900,133	\$ (5,934,918)	\$ 59,701,704	\$ 4,264,835
Business-Type Activities:					
State Water Resource Loan - 2003	\$ 7,324,822		\$ (530,955)	\$ 6,793,867	\$ 544,229
State Water Resource Loan - 2010	5,021,158		(227,416)	4,793,742	234,011
Water and Wastewater Revenue Bonds, Series 2007	20,445,000		(920,000)	19,525,000	950,000
- Unamortized Premium	20,307		(1,194)	19,113	(1,194)
- Unamortized Discount	(3,801)		224	(3,577)	224
Water and Wastewater Refunding Bonds, Series 2011	4,790,000		(290,000)	4,500,000	290,000
- Unamortized Premium	451,380		(34,722)	416,658	(34,722)
Water and Wastewater Refunding Bonds, Series 2013	12,790,000		(710,000)	12,080,000	735,000
- Unamortized Premium	1,263,027		(90,216)	1,172,811	(90,216)
Total Business-Type Activities	\$ 52,101,893		\$ (2,804,280)	\$ 49,297,613	\$ 2,627,331

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – 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 was amortized over the life of the bonds. During fiscal year 2015-16, the City paid off the bond with final principal payment amount of \$730,000.

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 2015-16, the City made principal and interest payments totaling \$2,645,000 and \$972,057, 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%.

For The Year Ending June 30	Principal	Interest	Total
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	555,000	443,891	998,891
2022-2026	3,085,000	1,699,162	4,784,162
2027-2031	1,795,000	1,027,490	2,822,490
2032-2036	2,570,000	448,244	3,018,244
	<u>\$ 15,050,000</u>	<u>\$ 6,086,202</u>	<u>\$ 21,136,202</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

In 2010, the Authority issued \$8,205,000 of Lease Revenue Refunding Bonds, Series 2010 to refund and defease all of the Authority’s outstanding Lease Revenue Bonds, Series 2001, which financed certain improvements to the City’s Corporation Yard and paid the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues, consisting primarily of base rental payments to be made by the City, and amounts on deposit in certain funds and accounts on deposit in certain funds and accounts held under the trust agreement. A premium of \$579,892 was paid and will be amortized over the life of the bonds. The transaction resulted in an economic gain of \$1,150,926 and a reduction of \$2,575,952 in future debt service payments. Principal is due annually on June 1, commencing on June 1, 2007. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2010. During fiscal year 2015-16, the City made principal and interest payments totaling \$955,000 and \$212,175, 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%.

For The Year Ending June 30	Principal	Interest	Total
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>5,270,000</u>	<u>555,275</u>	<u>5,825,275</u>
Plus: Unamortized premium	<u>271,824</u>		<u>271,824</u>
	<u>\$ 5,541,824</u>	<u>\$ 555,275</u>	<u>\$ 6,097,099</u>

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

The Authority issued Storm Drainage Revenue Bonds, Series 2010 to provide funds to the City to finance certain improvements to the City's Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. The installment payments are special obligations of the City under the 2010 Installment Sale Agreement and are separately secured by a pledge of the system revenues of the Storm Drainage System. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. The bonds include \$2,635,000 in tax-exempt bonds and \$7,170,000 in taxable Build America Bonds under the American Recovery and Reinvestment Act of 2009 (Recovery Act). Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury up to 35% of the interest payable on the Series 2010A-2 bonds on or about each interest payment date. The Refundable Credits received by the City constitute system revenues and are pledged to the payment of installment payments under the Installment Sale Agreement. The tax-exempt series was issued at a premium of \$210,326, which will be amortized over the life of the bonds. Principal is due annually on July 1, commencing July 1, 2011. Interest on the bonds is payable semiannually on January 1 and July 1, commencing on January 1, 2011. During fiscal year 2015-16, the City made principal and interest payments on the tax-exempt series totaling \$230,000 and \$67,825, respectively. Principal and interest payments on the taxable series totaled \$0 and \$388,874, 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, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

Storm Drainage Revenue Bonds, Series 2010 (continued)

Storm Drainage - Series 2010A-1 - Tax Exempt			
Governmental			
For The Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 56,325	\$ 56,325
2018	240,000	46,725	286,725
2019	250,000	34,225	284,225
2020	265,000	20,975	285,975
2021	275,000	9,975	284,975
2022	285,000		285,000
	1,315,000	168,225	1,483,225
Plus: Unamortized premium	165,240		165,240
	<u>\$ 1,480,240</u>	<u>\$ 168,225</u>	<u>\$ 1,648,465</u>

Storm Drainage - Series 2010B Taxable - Build America Bonds				
Governmental				
For The Year Ending June 30	Principal	Interest	Subsidy	Total
2017		\$ 475,245	\$ (155,025)	\$ 320,220
2018		475,245	(155,025)	320,220
2019		475,245	(155,025)	320,220
2020		475,245	(155,025)	320,220
2021		475,245	(155,025)	320,220
2022-2026	\$ 1,260,000	2,189,367	(714,172)	2,735,195
2027-2031	1,890,000	1,628,662	(531,270)	2,987,392
2032-2036	2,350,000	900,735	(293,820)	2,956,915
2037-2039	1,670,000	116,585	(38,030)	1,748,555
	<u>\$ 7,170,000</u>	<u>\$ 7,211,574</u>	<u>\$ (2,352,417)</u>	<u>\$ 12,029,157</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – 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 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 2015-16, the City made principal and interest payments totaling \$220,773 and \$19,873, respectively.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 227,805	\$ 12,841	\$ 240,646
2018	235,061	5,585	240,646
	<u>\$ 462,866</u>	<u>\$ 18,426</u>	<u>\$ 481,292</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 2015-16, the City made principal and interest payments totaling \$46,674 and \$7,921, respectively.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 228,210</u>	<u>\$ 17,465</u>	<u>\$ 245,675</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

In December 2012, the Authority issued the Lease Revenue Bonds, Series 2012 to finance certain improvements to Downtown Burlingame Avenue in accordance with the City’s Downtown Burlingame Avenue Streetscape Project and to pay the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues, consisting primarily of base rental payments to be made by the City, pursuant to a facilities sublease dated October 2, 2012. The bonds were issued at a premium of \$237,936, which will be amortized over the life of the bonds. Principal and interest are due annually on June 1, commencing on June 1, 2013. During fiscal year 2015-16, the City made principal and interest payments totaling \$210,000 and \$341,888, respectively. The bonds mature on June 1, 2042, and the underlying serial and term bonds carry an interest rate that varies from 2.0% to 5.0%.

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	250,000	296,688	546,688
2022-2026	1,440,000	1,306,290	2,746,290
2027-2031	1,725,000	1,019,655	2,744,655
2032-2036	2,020,000	727,800	2,747,800
2037-2041	2,400,000	350,700	2,750,700
2042	530,000	18,550	548,550
	<u>9,285,000</u>	<u>5,000,435</u>	<u>14,285,435</u>
Plus: Unamortized premium	<u>213,739</u>		<u>213,739</u>
	<u>\$ 9,498,739</u>	<u>\$ 5,000,435</u>	<u>\$ 14,499,174</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

In December 2012, the Authority issued Storm Drainage Revenue Bonds, Series 2012 to provide funds to the City to finance certain improvements to the City’s Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. The installment payments are special obligations of the City under the 2012 Installment Sale Agreement and are separately secured by a pledge of the system revenues of the Storm Drainage System. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. Principal is due annually on July 1, commencing July 1, 2013. Interest on bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2013. During fiscal year 2015-16, the City made principal and interest payments totaling \$280,000 and \$346,344, respectively, which represent prepaid amounts due on July 1, 2016. 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%.

For The Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 167,572	\$ 167,572
2018	290,000	329,344	619,344
2019	300,000	317,544	617,544
2020	310,000	305,344	615,344
2021	325,000	292,644	617,644
2022-2026	1,875,000	1,210,220	3,085,220
2027-2031	2,230,000	860,547	3,090,547
2032-2036	2,580,000	497,531	3,077,531
2037-2039	1,755,000	86,855	1,841,855
	<u>9,665,000</u>	<u>4,067,601</u>	<u>13,732,601</u>
Plus: Unamortized premium	<u>239,790</u>		<u>239,790</u>
	<u>\$ 9,904,790</u>	<u>\$ 4,067,601</u>	<u>\$ 13,972,391</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

In February, the Authority issued Storm Drainage Revenue Bonds, Series 2016 to provide funds to the City to finance certain improvements to the City’s Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. The Installment Payments are special obligations of the City under the 2016 Installment Sale Agreement and are secured by a pledge of the System Revenues of the Storm Drainage System on a parity with the installment payments under the 2010 Installment Sale Agreement and the 2012 Installment Sale Agreement. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. Principal is due annually on July 1, commencing July 1, 2016. Interest on bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2016. During fiscal year 2015-16, the City made principal and interest payments totaling \$515,000 and \$129,884, respectively, which represent prepaid amounts due on July 1, 2016. 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%.

For The Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 191,313	\$ 191,313
2018	265,000	379,975	644,975
2019	275,000	373,200	648,200
2020	280,000	363,475	643,475
2021	295,000	351,975	646,975
2022-2026	1,660,000	1,544,350	3,204,350
2027-2031	2,130,000	1,083,700	3,213,700
2032-2036	2,625,000	608,550	3,233,550
2037-2039	1,810,000	132,813	1,942,813
	<u>9,340,000</u>	<u>5,029,351</u>	<u>14,369,351</u>
Plus: Unamortized premium	<u>1,025,034</u>	<u>-</u>	<u>1,025,034</u>
	<u>\$ 10,365,034</u>	<u>\$ 5,029,351</u>	<u>\$ 15,394,385</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities

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

In 2003, the City entered into an agreement with the State of California Water Resources Control Board (CWRCB) to receive financial assistance for the improvement of the wastewater treatment plant which consists of upgrading the performance of several unit processes and increasing their reliability to help the plant meet discharge requirements. The loan is due in annual installment payments at an interest of 1.5%. Installment payments will start August 2007 and shall be fully amortized August 2026. The City is required to maintain compliance with all provisions of the loan. During fiscal year 2015-16, the City made principal and interest payments of \$530,955 and \$183,121, respectively.

For The Year Ending June 30	Principal	Interest	Total
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	600,727	113,349	714,076
2022-2026	3,236,561	333,819	3,570,380
2027	696,659	17,417	714,076
	\$ 6,793,867	\$ 1,060,969	\$ 7,854,836

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – 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 \$920,000 and \$889,383, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$480,000 and \$464,400. Principal and interest payments made by the Sewer Enterprise Fund were \$440,000 and \$424,983.

For The Year Ending June 30	Principal	Interest	Total
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	1,130,000	674,183	1,804,183
2022-2026	6,400,000	2,616,165	9,016,165
2027-2031	7,910,000	1,107,225	9,017,225
	<u>19,525,000</u>	<u>7,542,155</u>	<u>27,067,155</u>
Plus: Unamortized premium	19,113		19,113
Less unamortized discount	(3,577)		(3,577)
	<u>\$ 19,540,535</u>	<u>\$ 7,542,155</u>	<u>\$ 27,082,690</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

In 2010, the City entered into an agreement with CWRCB to receive financial assistance for the Influent Storm Water Retention Basin project at the City’s wastewater treatment facility, which involves the construction of an influent storm water retention basin and associated pumping system, commencing in July 2011. The loan is due in annual installments payments at an interest of 2.9%, and the net revenues of the Sewer Fund are pledged for the prompt payment of debt service on the loan. Installment payments commenced July 2012 and shall be fully amortized in July 2031. The City is required to maintain compliance with all provisions of the loan. During fiscal year 2015-16, the City made principal and interest payments of \$227,416 and \$145,614, respectively.

For The Year Ending June 30	Principal	Interest	Total
2017	\$ 234,011	\$ 139,018	\$ 373,029
2018	240,797	132,232	373,029
2019	247,780	125,249	373,029
2020	254,966	118,064	373,030
2021	262,360	110,670	373,030
2022-2026	1,430,436	434,712	1,865,148
2027-2031	1,650,234	214,914	1,865,148
2032	473,158	13,718	486,876
	<u>\$ 4,793,742</u>	<u>\$ 1,288,577</u>	<u>\$ 6,082,319</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

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

The bonds mature on April 1, 2028, with an interest rate that varies from 4.00 to 4.75%. A premium of \$575,800 was paid and will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$450,734 and a reduction of \$1,429,732 in future debt service payments. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2011 were \$290,000 and \$214,151, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$185,000 and \$136,363. Principal and interest payments made by the Sewer Enterprise Fund were \$105,000 and \$77,788.

For The Year Ending June 30	Principal	Interest	Total
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	345,000	155,751	500,751
2022-2026	1,990,000	506,905	2,496,905
2027-2028	935,000	63,552	998,552
	4,500,000	1,491,312	5,991,312
Plus: Unamortized premium	416,658		416,658
	\$ 4,916,658	\$ 1,491,312	\$ 6,407,970

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

In 2013, the Authority issued \$14,260,000 of Water and Wastewater Revenue Refunding Bonds, Series 2013 to advance refund the Authority’s outstanding Water and Wastewater Revenue Bonds, Series 2004, which financed certain improvements to the City’s water and wastewater system, and to pay the costs of issuance of the bonds. The bonds are a limited obligation of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system, wastewater system, and from amounts on deposit in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year, and net system revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Principal is payable annually on April 1, commencing April 1, 2013. Interest on the bonds is payable semi-annually on April 1 and October 1, commencing October 1, 2013. During fiscal year 2015-16, the City made principal and interest payments of \$710,000 and \$493,251, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$470,000 and \$327,838. Principal and interest payments made by the Sewer Enterprise Fund were \$240,000 and \$165,413. 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).

For The Year Ending June 30	Principal	Interest	Total
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	845,000	359,776	1,204,776
2022-2026	4,780,000	1,235,930	6,015,930
2027-2029	3,365,000	246,678	3,611,678
	<u>12,080,000</u>	<u>3,572,238</u>	<u>15,652,238</u>
Plus unamortized premium	1,172,811		1,172,811
	<u>\$ 13,252,811</u>	<u>\$ 3,572,238</u>	<u>\$ 16,825,049</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

C. Future Debt Requirements

The future outstanding debt of the City, net of amortized costs as of June 30, 2016, for governmental activities is as follows:

For The Year Ending June 30	Principal	Interest	Total
2017	\$ 4,385,910	\$ 2,091,265	\$ 6,477,175
2018	5,499,620	2,226,872	7,726,492
2019	2,621,057	1,975,537	4,596,594
2020	2,742,596	1,872,776	4,615,372
2021	2,851,893	1,755,173	4,607,066
2022-2026	9,605,000	7,235,217	16,840,217
2027-2031	9,770,000	5,088,784	14,858,784
2032-2036	12,145,000	2,889,040	15,034,040
2037-2041	7,635,000	648,923	8,283,923
2042	530,000	18,550	548,550
	<u>57,786,076</u>	<u>25,802,137</u>	<u>83,588,213</u>
Plus: Unamortized premium	1,915,628	-	1,915,628
	<u>\$ 59,701,704</u>	<u>\$ 25,802,137</u>	<u>\$ 85,503,841</u>

The future outstanding debt of the City, net of amortized costs as of June 30, 2016, for business-type activities is as follows:

For The Year Ending June 30	Principal	Interest	Total
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	1,524,200	4,595,241
2021	3,183,087	1,413,729	4,596,816
2022-2026	17,836,997	5,127,531	22,964,528
2027-2031	14,556,893	1,649,786	16,206,679
2032	473,158	13,718	486,876
	<u>47,692,609</u>	<u>14,955,251</u>	<u>62,647,860</u>
Plus unamortized premium	1,608,582		1,608,582
Less unamortized discount	(3,577)		(3,577)
	<u>\$ 49,297,613</u>	<u>\$ 14,955,251</u>	<u>\$ 64,252,864</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

D. Legal Debt Limit and Debt Margin

As of June 30, 2016, the City's debt limit was \$338,188,325. 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 \$15,050,000. The resulting legal debt margin was \$323,138,325.

E. Arbitrage Rebate Liability

Under U.S. Treasury Department regulations, all government tax – exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the excess of earnings from the investment of tax-exempt bond proceeds over related interest expenditure on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The city has valued each outstanding debt obligation that is subjected to arbitrage rebate requirement and has determined that there is no arbitrage rebate liability as of June 30, 2016.

F. Credit Rating

As of June 30, 2016, 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

G. Revenue Pledge (Continued)

Under the provisions of GASB Statement No. 48, the City’s net revenue for the year ended June 30, 2016, 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	\$ 28,350,535	\$ 34,297,279
Principal and interest paid during the year	2,063,601	2,540,290
Net revenue, excluding depreciation and amortization	5,232,963	8,660,795
Percentage of revenue pledged	39.43%	29.33%
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, 2016, 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, 2016, the Storm Drainage Fund had sufficient net revenues to satisfy the requirements of the Indenture.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

H. Debt Service Coverage (Continued)

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

The following table summarizes debt service coverage levels for the Water Fund for the fiscal year ending June 30, 2016:

<u>Water Fund</u>	
Gross operating revenue	\$ 15,178,439
Less: Operating expenses, except depreciation and amortization	<u>(9,945,476)</u>
Net revenue	5,232,963
Debt Service	
Water Revenue Bonds, Series 2007	\$ 944,400
Water Refunding Bonds, Series 2011	321,363
Water Refunding Bonds, Series 2013	<u>797,838</u>
Parity Debt Service	2,063,601
Lease Revenue Bonds, Series 2010	385,168
Pension Obligation Bond, Series 2006	<u>452,132</u>
Total Debt Service	<u>\$ 2,900,901</u>
Parity Debt Service Coverage	2.54
Total Debt Service Coverage	1.80

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 6 – LONG-TERM DEBT (Continued)

H. Debt Service Coverage (Continued)

The following table summarizes debt service coverage levels for the Sewer Fund for the fiscal year ending June 30, 2016:

<u>Sewer Fund</u>	
Gross operating revenue	\$ 15,634,340
Less: Operating expenses, except depreciation and amortization	<u>(6,973,545)</u>
Net revenue	8,660,795
Debt Service	
State Water Resource Board Loan, 2003	\$ 714,076
Wastewater Revenue Bond, Series 2007	864,983
State Water Resource Board Loan, 2010	373,030
Wastewater Refunding Bonds, Series 2011	182,788
Wastewater Refunding Bonds, Series 2013	<u>405,413</u>
Parity Debt Service	2,540,290
Lease Revenue Bonds, Series 2010	385,168
Pension Obligation Bond, Series 2006	<u>452,132</u>
Total Debt Service	<u>\$ 3,377,590</u>
Parity Debt Service Coverage	3.41
Total Debt Service Coverage	2.56

The following table summarizes debt service coverage levels for the Storm Drainage Fund for the fiscal year ending June 30, 2016:

<u>Storm Drainage Fund</u>	
Net Revenue, Excluding Depreciation and Amortization	\$ 2,884,689
Debt Service	
Storm Drain Revenue Bond, Series 2010	\$ 686,699
Storm Drain Revenue Bond, Series 2012	626,344
Storm Drain Revenue Bond, Series 2016	<u>644,884</u>
Parity Debt Service	<u>\$ 1,957,927</u>
Parity Debt Service Coverage	1.47

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 7 – OTHER LONG-TERM LIABILITIES

A. Compensated Absences

The City's compensated absences consist of accumulated vacation, compensatory time, and administrative leave for management employees. The estimated unpaid compensated absences at June 30, 2016 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).

Description	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due One Year
Government Activities:					
Compensated Absences	\$ 1,364,486	\$ 2,017,222	\$ 887,207	\$ 2,494,501	\$ 247,899
	<u>\$ 1,364,486</u>	<u>\$ 2,017,222</u>	<u>\$ 887,207</u>	<u>\$ 2,494,501</u>	<u>\$ 247,899</u>
Business-Type Activities:					
Compensated Absences	\$ 283,788	\$ 415,892	\$ 450,100	\$ 249,580	\$ 66,292
Total Business-Type Activities	<u>\$ 283,788</u>	<u>\$ 415,892</u>	<u>\$ 450,100</u>	<u>\$ 249,580</u>	<u>\$ 66,292</u>

B. Pollution Remediation Obligation

Landfill Closure and Post-Closure Costs

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

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

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, 2016, the City's outstanding future post-closure and corrective action costs were estimated at \$3,017,299. 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 7 – OTHER LONG-TERM LIABILITIES (Continued)

Landfill Closure and Post-Closure Costs (Continued)

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

NOTE 8 – RISK MANAGEMENT

A. Self-Insurance and Contingent Liabilities

Effective July 1, 1976, and December 2, 1976, respectively, the City implemented a self-insurance program for workers' compensation and general liability. The City is a member of the 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.

The workers' compensation program is administered by a third-party administrator (TPA), LWP Claims Solutions. 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE 8 – RISK MANAGEMENT (Continued)

A. Self-Insurance and Contingent Liabilities (Continued)

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

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

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.

In September 2016, an actuarial review 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 \$687,000 as of June 30, 2016. 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, 2016, the City has funded the general liability program at the 90% confidence level noted in the actuarial report or \$687,000.

In September 2016, an actuarial review 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, 2016. The study estimated that the outstanding claims at June 30, 2016, were \$5,731,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2016, the City has funded the workers’ compensation program at the 70% confidence level noted in the actuarial report or \$5,731,000.

NOTE 9 – PENSION PLANS – COST-SHARING

A. General information about the Safety Pension Plan

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

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

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

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3%	2.0 % - 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	20.230%	11.923%

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

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

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$775,593 in fiscal year 2016.

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Safety - Police</u>	<u>Safety - PEPR</u>
Contributions - employer	\$ 860,979	\$ 49,488

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety	<u>\$ 18,401,988</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The City's proportion of the net pension liability was based on a projection of City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

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

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

The City’s proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015, was as follows:

	<u>Safety</u>
Proportion - June 30, 2015	0.24850%
Proportion - June 30, 2016	0.44660%
Change - Increase (Decrease)	<u>0.19810%</u>

For the year ended June 30, 2016, the City recognized a pension expense of \$1,312,251 for the Safety Plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Safety Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 910,467	
Differences between actual and expected experience		\$ (169,469)
Changes in assumptions		(779,449)
Net differences between projected and actual earnings on plan investments		(395,030)
Change in proportion		(89,829)
Change in proportion and differences between actual contributions and proportionate share of contributions		<u>(683,789)</u>
Total	<u>\$ 910,467</u>	<u>\$ (2,117,566)</u>

\$910,467 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2017	\$ (875,014)
2018	(893,772)
2019	(833,704)
2020	484,924

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

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

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

The following presents the City’s proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	Safety	
1% Decrease		6.65%
Net Pension Liability	\$	29,856,630
Current Discount Rate		7.65%
Net Pension Liability	\$	18,401,988
1% Increase		8.65%
Net Pension Liability	\$	9,009,392

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

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

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial assumptions:

	Miscellaneous	
Valuation Date	June 30, 2014	
Measurement Date	June 30, 2015	
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate		7.65%
Inflation		2.75%
Projected Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return		7.65% (1)
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds (2)	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

(1) Net of pension plan investment expenses, including inflation

(2) 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

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

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found in the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%
Private Equity	19%	0.99%	2.43%
Global Fixed Income	6%	0.45%	3.36%
Liquidity	10%	6.83%	6.95%
Real Assets	10%	4.50%	5.13%
Inflation Sensitive Assets	2%	4.50%	5.09%
Absolute Return Strategy (ARS)	2%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

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

E. Payable to the Safety Pension Plan

At June 30, 2016, the City reported a payable of \$52,736 for the outstanding amount of employer and member contributions to the Safety pension plan required for the year ended June 30, 2016.

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER

A. General information about the Miscellaneous Pension Plan

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

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

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

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

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.0%	6.75%
Required employer contribution rates	21.17%	21.17%

Employees Covered – As of the June 30, 2014 actuarial valuation date, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	249
Inactive employees entitled to but not yet receiving benefits	131
Active employees	169
Total	<u>549</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.

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

B. Net Pension Liability

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown in Note 9D above.

C. Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	<u>\$ 126,588,733</u>	<u>\$ 100,292,022</u>	<u>\$ 26,296,711</u>
Changes in the year:			
Service cost	2,374,018		2,374,018
Interest on the total pension liability	9,244,742		9,244,742
Changes of benefit terms			
Changes in assumptions	(2,208,472)		(2,208,472)
Differences between actual and expected experience	(1,273,339)		(1,273,339)
Plan to plan resource movement		40,946	(40,946)
Contribution - employer		2,605,414	(2,605,414)
Contribution - employee		1,064,874	(1,064,874)
Net investment income		2,248,984	(2,248,984)
Benefit payments, including refunds of employee contributions	(6,895,260)	(6,895,260)	
Administrative expenses		(111,650)	111,650
Net changes	<u>1,241,689</u>	<u>(1,046,692)</u>	<u>2,288,381</u>
Balance at June 30, 2015	<u>\$ 127,830,422</u>	<u>\$ 99,245,330</u>	<u>\$ 28,585,092</u>

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

C. Changes in the Net Pension Liability

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

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 45,205,864
Current Discount Rate	7.65%
Net Pension Liability	\$ 28,585,092
1% Increase	8.65%
Net Pension Liability	\$ 14,835,384

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

For the year ended June 30, 2016, the City recognized a pension expense of \$2,012,901. At June 30, 2016, 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	\$ 2,929,226	
Differences between actual and expected experience		\$ (834,257)
Changes in assumptions		(1,446,930)
Net differences between projected and actual earnings on plan investments		<u>(1,059,460)</u>
Total	<u>\$ 2,929,226</u>	<u>\$ (3,340,647)</u>

NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)

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

\$2,929,226 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, 2017. 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	Annual Amortization
2017	\$ (1,875,325)
2018	(1,755,264)
2019	(674,702)
2020	964,644

E. Payable to the Miscellaneous Pension Plan

At June 30, 2016, the City reported a payable of \$161,041 for the outstanding amount of employer and member contributions to the Safety pension plan required for the year ended June 30, 2016.

NOTE 11 – OTHER -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, 2016

NOTE 11 – OTHER - 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 pre-fund 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 2015-16, the City made deposits of \$1,782,098 to the trust. As of June 30, 2016, the cash balance was \$11,284,358.

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 20-year amortization of the unfunded actuarial liability at June 30, 2016.

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 following table, based on the City's actuarial valuation as of January 30, 2015, 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>2016</u>
Annual Required Contribution	\$ 5,130,000
Interest on net OPEB obligation	1,157,000
Adjustment to annual required contribution	<u>(1,179,000)</u>
Annual OPEB cost (expense)	5,108,000
Trust Pre-funding	(1,782,098)
Contributions (Pay-go)	<u>(3,306,126)</u>
Increase in net OPEB Obligation	19,776
Net OPEB - beginning year	<u>15,954,310</u>
Net OPEB obligation - end of year	<u>\$ 15,974,086</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

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

D. Funded Status and Funding Progress

A schedule of funding progress for the last three years is presented below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 5,390,703	166%	\$ 16,265,025
6/30/2015	5,083,214	106%	15,954,310
6/30/2016	5,108,000	100%	15,974,086

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.

As of June 30, 2015, the latest actuarial valuation date, the funded status was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liabilities</u>	<u>Actuarial Actuarial Assets</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/2015	\$ 58,440,000	\$ 9,557,000	\$ 48,883,000	16.4%	\$ 18,255,000	267.8%

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.

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

E. Actuarial Methods and Assumptions

In the June 30, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return, based on the City pre-funding through the CERBT. An annual pre-Medicare and post-Medicare medical cost trend of 7.0% and 7.2% is assumed for HMOs and PPOs applied to actual 2016 premiums, with annual cost escalations decreasing to 5.0% over 4 years. The initial UAAL is being amortized as a level percentage of payroll over 19.5 years on a closed basis.

NOTE 12 – NET POSITION AND FUND BALANCES

A. Net Position

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

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

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

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

B. Fund Balances

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

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

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances(Continued)

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as inventories and prepaids, the long-term amounts of loans and notes receivable and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

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

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

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance. This category includes nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

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.

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances (Continued)

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 \$18,637,867 as of June 30, 2016. 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, 2016, was \$15,700,000.
- 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, 2016, was \$2,000,000.
- The Contingency Reserve is available to cover unexpected expenses that may arise during the course of the fiscal year that were not considered during budget planning. The balance at June 30, 2016, was \$500,000.
- Encumbrances represent amounts set aside for purchase requisitions and related vendors. The balance at June 30, 2016, was \$437,867.

CITY OF BURLINGAME, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances (Continued)

Detailed classifications of the City's fund balances, as of June 30, 2016, are below:

Fund Balance Classifications	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendables:						
Items not in spendable form:						
Prepays	\$ 235,317		\$ 574,590			\$ 809,907
Advances	101,497					101,497
Total Nonspendable Fund Balances	<u>336,814</u>		<u>574,590</u>			<u>911,404</u>
Restricted for:						
Special Revenue Programs					\$ 6,195,291	6,195,291
Capital Projects		\$ 2,634,731		\$ 224,122		2,858,853
Debt service			11,980,065			11,980,065
Total Restricted Fund Balances		<u>2,634,731</u>	<u>11,980,065</u>	<u>224,122</u>	<u>6,195,291</u>	<u>21,034,209</u>
Committed to:						
Capital Projects				20,874,431		20,874,431
Total Committed Fund Balances				<u>20,874,431</u>		<u>20,874,431</u>
Assigned to:						
Encumbrances	437,867					437,867
Contingency reserve	500,000					500,000
Economic stability reserve	15,700,000					15,700,000
Catastrophic event reserve	2,000,000					2,000,000
Capital Projects				13,500,000		13,500,000
Total Assigned Fund Balances	<u>18,637,867</u>			<u>13,500,000</u>		<u>32,137,867</u>
Unassigned:	<u>11,003,467</u>		<u>159,652</u>		<u>(62,379)</u>	<u>11,100,740</u>
Total Fund Balances	<u>\$ 29,978,148</u>	<u>\$ 2,634,731</u>	<u>\$ 12,714,307</u>	<u>\$ 34,598,553</u>	<u>\$ 6,132,912</u>	<u>\$ 86,058,651</u>

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

A. Grant Programs

The City may, from time to time, participate in Federal and State grant programs. No cost allowances were proposed as a result of the City's financial audit. As of June 30, 2016, the City has not made an allowance for expenditures which may be disallowed by the granting agencies. Any disallowance for expenditures is expected to be immaterial.

B. Litigation

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

NOTE 14 – SUBSEQUENT EVENTS

On July 12, 2016, the City, via the Burlingame Financing Authority, issued the \$17,585,000 Water and Wastewater Revenue Refunding Bonds, Series 2016. The Bonds are being issued to refund the Water and Wastewater Revenue Bonds, Series 2007 and to pay the costs of issuance of the Bonds. Interest, ranging from 2% to 5%, on the Bonds is payable semiannually on April 1 and October 1, commencing October 1, 2016. Principal on the Bonds is due on April 1, commencing April 1, 2016.



Comprehensive Annual Financial Report
June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BURLINGAME, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Prepared for City of Burlingame, a Cost-Sharing Multiple-Employer Defined Pension Plan
 As of fiscal year ending June 30, 2016
 Last 10 Years*

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>Safety Plan</u>	<u>Safety Plan</u>
	<u>6/30/2015</u>	<u>6/30/2016</u>
Plan's Proportion of the Net Pension Liability/Asset	0.24850%	0.44660%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 15,465,681	\$ 18,401,988
Plan's Covered-Employee Payroll	\$ 4,343,279	\$ 3,991,262
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered-Employee Payroll	356.08%	461.06%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	18.58%	22.03%

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

**CITY OF BURLINGAME, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

As of fiscal year ending June 30, 2016
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	<u>Safety Plan</u>		<u>Safety Plan</u>	
	<u>6/30/2015</u>		<u>6/30/2016</u>	
Actuarially determined contribution	\$	1,217,044	\$	910,465
Contributions in relation to the actuarially determined contributions		(1,217,044)		(910,465)
Contribution deficiency (excess)	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
Covered-employee payroll	\$	4,343,279	\$	3,991,262
Contributions as a percentage of covered-employee payroll		28.02%		22.81%

Notes to Schedule

Valuation date: 6/30/2012 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Age, Service and Type of Employment
Investment rate of return	inflation

Retirement age The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007

Mortality The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.

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

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 – AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Prepared for City of Burlingame, an Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	Fiscal year Ended June 30, 2015	Fiscal year Ended June 30, 2016
Total Pension Liability		
Service Cost	\$ 2,451,356	\$ 2,374,018
Interest	8,964,159	9,244,742
Changes of benefit terms		
Differences between expected and actual experience		(1,273,339)
Changes in assumptions		(2,208,472)
Benefit payments, including refunds of employee contributions	(6,246,453)	(6,895,260)
Net change in total pension liability	5,169,062	1,241,689
Total pension liability - beginning	121,419,671	126,588,733
Total pension liability - ending (a)	<u>\$ 126,588,733</u>	<u>\$ 127,830,422</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,214,366	\$ 2,605,414
Contributions - employee	1,203,540	1,064,874
Net investment income	15,116,451	2,248,984
Benefit payments, including refunds of employee contributions	(6,246,453)	(6,895,260)
Plan to plan resource movement		40,946
Administration expense		(111,650)
Net change in plan fiduciary net position	12,287,904	(1,046,692)
Plan fiduciary net position - beginning	88,004,118	100,292,022
Plan fiduciary net position - ending (b)	<u>\$ 100,292,022</u>	<u>\$ 99,245,330</u>
Net pension liability - ending (a)-(b)	<u>\$ 26,296,711</u>	<u>\$ 28,585,092</u>
Plan fiduciary net position as a percentage of the total pension liability	79.23%	77.64%
Covered - employee payroll	\$ 13,078,081	\$ 13,191,923
Net pension liability as percentage of covered-employee payroll	201.07%	216.69%

Notes to Schedule:

Benefit changes. In 2016, the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2016, the discount rate was changed from 7.5% (net of administrative expenses) to 7.65%.

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

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Prepared for City of Burlingame, an Agent Multiple-Employer Defined Pension Plan
As of Fiscal Year ending June 30, 2016
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	2015	2016
Actuarially determined contribution	\$ 1,031,238	\$ 2,929,226
Contributions in relation to the actuarially determined contributions	(1,031,238)	(2,929,226)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 13,078,081	\$ 13,191,923
Contributions as a percentage of covered-employee payroll	7.89%	22.20%
Notes to Schedule		
Valuation date:	6/30/2012	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service and type of employment
Investment rate of return	7.5%, net of pension plan investment and administrative expenses, including inflation

Retirement age

The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

Mortality

The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.

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

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

<u>Fiscal Year End Date</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liabilities</u>	<u>Actuarial Actuarial Assets</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
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%
6/30/2016	6/30/2015	58,440	9,557	48,883	16.4%	18,255	267.8%

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE

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

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

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

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

**CITY OF BURLINGAME, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The following conditions were defined:

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

The City’s policy is to achieve an average rating of 65 for all streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2016, the City’s street system was rated at a PCI index of 77 on a 100-point scale. The overall condition of the street pavement is in the lower range of MTC’s designation ‘Very Good’.

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

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

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

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, 2016**

NOTE 4 – 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	Other	NCE	Total
Excellent/Very Good (I)	70-100	22.40%	22.00%	32.70%	2.00%	0.00%	78.90%
Good/Fair (II/III)	50-69	5.60%	3.30%	8.50%	0%	0.00%	18.21%
Poor (IV)	25-49	0.40%	0.60%	0.70%	1.00%	0.00%	2.31%
Very Poor (V)	0-24	0.00%	0.20%	0.10%	0.40%	0.10%	0.58%
Totals		28.40%	26.10%	42.00%	3.40%	0.10%	100.00%

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

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

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

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

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

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

The projected pavement budget for fiscal year 2011-12 through fiscal year 2016-17 is approximately \$1,200,000 per year or \$6.0 million. This investment maintains the current PCI of 77. 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, 2016**

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

	2016	2017	2018	2019	2020	Total
Budget	\$ 1,400,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 6,600,000
Rehabilitation	4,441,000	1,167,000	2,114,000	986,000	420,000	9,128,000
Preventative Maintenance	614,000	4,000	12,000	104,000	6,000	740,000
Deferred Maintenance	3,655,000	129,000	826,000	(210,000)	(874,000)	3,526,000
PCI	76	74	73	71	69	-

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
2013-2014	\$ 1,200,000	980,218	76
2014-2015	\$ 1,200,000	1,479,349	76
2015-2016	\$ 1,200,000	1,151,003	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 2015-16 which resulted in over 290,312 square feet of street repair.

**CITY OF BURLINGAME, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 16,900,000	\$ 17,716,400	\$ 17,645,289	\$ (71,111)
Sales and use taxes	11,585,000	13,244,000	12,827,673	(416,327)
Transient occupancy taxes	23,100,000	25,200,000	26,092,240	892,240
Other taxes	3,009,000	3,113,000	3,153,550	40,550
Licenses and permits	85,000	87,000	86,154	(846)
Fines, forfeitures and penalties	965,000	836,000	864,393	28,393
Charges for services	4,403,500	4,574,200	4,470,276	(103,924)
Other revenue	236,000	237,000	236,185	(815)
Grants and subventions	175,000	157,000	22,230	(134,770)
Investment income	400,000	323,000	757,153	434,153
Total revenues	<u>60,858,500</u>	<u>65,487,600</u>	<u>66,155,143</u>	<u>667,543</u>
Expenditures				
Current:				
General Government				
City Attorney	714,722	726,687	495,646	231,041
City Clerk	313,665	313,665	296,685	16,980
City Council	331,393	331,393	291,779	39,614
City Manager	770,312	782,812	657,684	125,128
Elections	50,000	50,000	23,381	26,619
Human Resources	861,970	861,970	792,452	69,518
Finance	2,117,690	2,058,481	1,919,776	138,705
Total General Government	<u>5,159,752</u>	<u>5,125,008</u>	<u>4,477,403</u>	<u>647,605</u>
Public safety:				
Fire	10,734,319	10,734,319	10,547,008	187,311
Fire - Disaster Preparedness	411,026	411,026	419,689	(8,663)
Police Communications Dispatch	1,399,579	1,408,907	1,330,446	78,461
Police - Parking Enforcement	614,702	614,702	457,774	156,928
Police	11,411,382	11,835,070	11,870,151	(35,081)
Total Public Safety	<u>24,571,008</u>	<u>25,004,024</u>	<u>24,625,068</u>	<u>378,956</u>
Public Works	<u>4,865,055</u>	<u>4,890,816</u>	<u>4,662,203</u>	<u>228,613</u>
Community Development	<u>1,563,474</u>	<u>1,806,184</u>	<u>1,405,793</u>	<u>400,391</u>
Parks, recreation, and library				
Library	4,840,685	4,843,126	4,376,007	467,119
Parks	4,099,382	4,112,244	3,730,477	381,767
Recreation	4,207,134	4,380,589	4,128,430	252,159
Total Leisure & Cultural Services	<u>13,147,201</u>	<u>13,335,959</u>	<u>12,234,914</u>	<u>1,101,045</u>
Capital outlay	<u>128,232</u>	<u>120,231</u>	<u>53,994</u>	<u>66,237</u>
Total Expenditures	<u>49,434,722</u>	<u>50,282,222</u>	<u>47,459,375</u>	<u>2,822,847</u>
Excess (deficiency) of revenues over expenditures	<u>11,423,778</u>	<u>15,205,378</u>	<u>18,695,768</u>	<u>(2,155,304)</u>
Other financing sources (uses)				
Transfers in	3,194,770	3,194,770	3,106,045	(88,725)
Transfers out	(13,637,743)	(21,387,743)	(21,285,231)	102,512
Total other financing sources (uses)	<u>(10,442,973)</u>	<u>(18,192,973)</u>	<u>(18,179,186)</u>	<u>13,787</u>
Net change in fund balance	<u>\$ 980,805</u>	<u>\$ (2,987,595)</u>	<u>516,582</u>	<u>\$ 3,504,177</u>
FUND BALANCE				
Beginning of year			29,461,566	
End of year			<u>\$ 29,978,148</u>	

See accompanying notes to financial statements

**CITY OF BURLINGAME, CALIFORNIA
STORM DRAINAGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 2,740,000	\$ 2,740,000	\$ 2,712,328	\$ (27,672)
Investment income	100,000	78,000	172,362	94,362
Total revenues	<u>2,840,000</u>	<u>2,818,000</u>	<u>2,884,690</u>	<u>66,690</u>
Other financing sources (uses)				
Transfers out	<u>(2,829,679)</u>	<u>(2,829,679)</u>	<u>(2,829,679)</u>	
Total other financing sources (uses)	<u>(2,829,679)</u>	<u>(2,829,679)</u>	<u>(2,829,679)</u>	
Net change in fund balance	<u>\$ 10,321</u>	<u>\$ (11,679)</u>	55,011	<u>\$ 66,690</u>
FUND BALANCE				
Beginning of year			<u>2,579,720</u>	
End of year			<u>\$ 2,634,731</u>	

See accompanying notes to financial statements

**COMBINING FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTARY INFORMATION**



Comprehensive Annual Financial Report

June 30, 2016

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, 2016

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Special Assessment District	Traffic Safety Fund
ASSETS				
Cash and investments	\$ 1,947,032	\$ 1,709,204	\$ 417,252	
Cash and investments, restricted				
Receivables (net of uncollectible amount of \$0):				
Accounts and other receivables	122,743	4,929	1,151	
Due from other governments				
Total assets	\$ 2,069,775	\$ 1,714,133	\$ 418,403	
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
DEFERRED INFLOWS				
Unavailable Revenues				
Total deferred inflows				
Liabilities:				
Accounts payable				
Unearned revenue				
Due to other funds				
Total liabilities				
Fund Balances:				
Restricted	\$ 2,069,775	\$ 1,714,133	\$ 418,403	
Committed				
Assigned				
Unassigned				
Total fund balances	2,069,775	1,714,133	418,403	
Total liabilities, deferred inflows and fund balances	\$ 2,069,775	\$ 1,714,133	\$ 418,403	

Special Revenue Funds

Train Shuttle Fund	State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Total Nonmajor Governmental Funds
\$ 67,177		\$ 499,738	\$ 1,043,151	\$ 407,667	\$ 6,091,221
63,200	\$74,717	1,551	2,322	29,259	299,872
<u>\$ 130,377</u>	<u>\$ 74,717</u>	<u>\$ 501,289</u>	<u>\$ 1,045,473</u>	<u>\$ 436,926</u>	<u>\$ 6,391,093</u>
<u>\$ 63,200</u>	<u>\$ 63,405</u>				<u>\$ 126,605</u>
<u>63,200</u>	<u>63,405</u>				<u>126,605</u>
39,973	29,632	\$ 14,212		\$ 3,700	87,517
	44,059				44,059
<u>39,973</u>	<u>73,691</u>	<u>14,212</u>		<u>3,700</u>	<u>131,576</u>
27,204		487,077	\$ 1,045,473	433,226	6,195,291
	(62,379)				(62,379)
<u>27,204</u>	<u>(62,379)</u>	<u>487,077</u>	<u>1,045,473</u>	<u>433,226</u>	<u>6,132,912</u>
<u>\$ 130,377</u>	<u>\$ 74,717</u>	<u>\$ 501,289</u>	<u>\$ 1,045,473</u>	<u>\$ 436,926</u>	<u>\$ 6,391,093</u>

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2016

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Special Assessment District	Traffic Safety Fund
REVENUES:				
Fines, forfeitures and penalties				
Investment income	\$ 32,347	\$ 29,327	\$ 6,844	
Intergovernmental taxes	767,021	667,918		
Charges for services			310,094	
Grants and subventions				
Total revenues	<u>799,368</u>	<u>697,245</u>	<u>316,938</u>	
EXPENDITURES:				
Current:				
General government				
Public safety				
Public works				
Community development				
Parks, recreation, and library				
Shuttle operations				
Capital outlay				
Total expenditures				
REVENUES OVER (UNDER) EXPENDITURES	<u>799,368</u>	<u>697,245</u>	<u>316,938</u>	
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfer out	<u>(600,000)</u>	<u>(654,000)</u>	<u>(279,044)</u>	<u>\$ (43,201)</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>(654,000)</u>	<u>(279,044)</u>	<u>(43,201)</u>
Net change in fund balance	<u>199,368</u>	<u>43,245</u>	<u>37,894</u>	<u>(43,201)</u>
FUND BALANCE:				
Beginning of year	<u>1,870,407</u>	<u>1,670,888</u>	<u>380,509</u>	<u>43,201</u>
End of year	<u>\$ 2,069,775</u>	<u>\$ 1,714,133</u>	<u>\$ 418,403</u>	

Special Revenue Funds

Train Shuttle Fund	State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Total Nonmajor Governmental Funds
			\$ 13,772	\$ 5,920	\$ 88,210
			312,595	113,535	1,434,939
	\$ 301,716	\$ 272,405			736,224
	301,716	272,405	326,367	119,455	574,121
				39,088	39,088
	357,228	2,479			359,707
	11,898	191,181			203,079
\$ 137,321					137,321
137,321	369,126	193,660		39,088	739,195
(137,321)	(67,410)	78,745	326,367	80,367	2,094,299
85,500		10,000			95,500
		(55,250)	(1,774)		(1,633,269)
85,500		(45,250)	(1,774)		(1,537,769)
(51,821)	(67,410)	33,495	324,593	80,367	556,530
79,025	5,031	453,582	720,880	352,859	5,576,382
\$ 27,204	\$ (62,379)	\$ 487,077	\$ 1,045,473	\$ 433,226	\$ 6,132,912

CITY OF BURLINGAME, CALIFORNIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Nonmajor Governmental Funds
For the year ended June 30, 2016

	Special Revenue Funds					
	Measure A Fund			Gas Tax Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Fines, forfeitures and penalties						
Investment income	\$ 13,000	\$ 32,347	\$ 19,347	\$ 20,000	\$ 29,327	\$ 9,327
Intergovernmental	824,000	767,021	(56,979)	673,000	667,918	(5,082)
Charges for services						
Grants revenue						
Total revenues	837,000	799,368	(37,632)	693,000	697,245	4,245
EXPENDITURES:						
Current:						
General government						
Public safety						
Public works						
Parks, recreation, and library						
Shuttle operations						
Total expenditures						
REVENUES OVER (UNDER) EXPENDITURES	837,000	799,368	(37,632)	693,000	697,245	4,245
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(600,000)	(600,000)		(654,000)	(654,000)	
Total other financing sources (uses)	(600,000)	(600,000)		(654,000)	(654,000)	
Net change in fund balance	\$ 237,000	199,368	\$ (37,632)	\$ 39,000	43,245	\$ 4,245
FUND BALANCE:						
Beginning of year		1,870,407			1,670,888	
End of year		<u>\$ 2,069,775</u>			<u>\$ 1,714,133</u>	

Special Revenue Funds

Special Assessment District			Traffic Safety Fund			Train Shuttle Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$ 96,000		\$ (96,000)			
\$ 4,000	\$ 6,844	\$ 2,844						
310,157	310,094	(63)				\$ 62,000		\$ (62,000)
314,157	316,938	2,781	96,000		(96,000)	62,000		(62,000)
25,000		25,000						
						147,500	\$ 137,321	10,179
25,000		25,000				147,500	137,321	10,179
289,157	316,938	(22,219)	96,000		(96,000)	(85,500)	(137,321)	(51,821)
						85,500	85,500	
(279,044)	(279,044)		(133,700)	\$ (43,201)	90,499			
(279,044)	(279,044)		(133,700)	(43,201)	90,499	85,500	85,500	
\$ 10,113	37,894	\$ (22,219)	\$ (37,700)	(43,201)	\$ (5,501)		(51,821)	\$ (51,821)
	380,509			43,201			79,025	
	\$ 418,403						\$ 27,204	

(Continued)

CITY OF BURLINGAME, CALIFORNIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Nonmajor Governmental Funds
For the year ended June 30, 2016

	Special Revenue Funds					
	State/Federal Grants Fund			Local Grant Funds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Fines, forfeitures and penalties						
Investment income						
Intergovernmental						
Charges for services						
Grants revenue	\$ 370,598	\$ 301,716	\$ (68,882)		\$ 272,405	\$ 272,405
Total revenues	<u>370,598</u>	<u>301,716</u>	<u>(68,882)</u>		<u>272,405</u>	<u>272,405</u>
EXPENDITURES:						
Current:						
General government						
Public safety	462,750	357,228	105,522		2,479	(2,479)
Public works						
Parks, recreation, and library	11,898	11,898		\$ 21,808	191,181	(169,373)
Shuttle operations						
Total expenditures	<u>474,648</u>	<u>369,126</u>	<u>105,522</u>	<u>21,808</u>	<u>193,660</u>	<u>(171,852)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(104,050)</u>	<u>(67,410)</u>	<u>36,640</u>	<u>(21,808)</u>	<u>78,745</u>	<u>100,553</u>
OTHER FINANCING SOURCES (USES):						
Transfers in				10,000	10,000	
Transfers out					(55,250)	(55,250)
Total other financing sources (uses)				<u>10,000</u>	<u>(45,250)</u>	<u>(55,250)</u>
Net change in fund balance	<u>\$ (104,050)</u>	<u>(67,410)</u>	<u>\$ 36,640</u>	<u>\$ (11,808)</u>	<u>33,495</u>	<u>\$ 45,303</u>
FUND BALANCE:						
Beginning of year		<u>5,031</u>			<u>453,582</u>	
End of year		<u>\$ (62,379)</u>			<u>\$ 487,077</u>	

Special Revenue Funds

Development Fees Fund			Public TV Access Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$ 13,772	\$ 13,772		\$ 5,920	\$ 5,920
	312,595	312,595	\$ 110,000	113,535	3,535
	<u>326,367</u>	<u>326,367</u>	<u>110,000</u>	<u>119,455</u>	<u>9,455</u>
			78,000	39,088	38,912
			<u>78,000</u>	<u>39,088</u>	<u>38,912</u>
	<u>326,367</u>	<u>326,367</u>	<u>32,000</u>	<u>80,367</u>	<u>(48,367)</u>
	(1,774)	(1,774)			
	(1,774)	(1,774)			
	<u>324,593</u>	<u>\$ 324,593</u>	<u>\$ 32,000</u>	<u>80,367</u>	<u>\$ (48,367)</u>
	<u>720,880</u>			<u>352,859</u>	
	<u>\$ 1,045,473</u>			<u>\$ 433,226</u>	



Comprehensive Annual Financial Report

June 30, 2016

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 building and custodial services on a cost reimbursement basis.

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

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

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	General Liability Fund	Worker's Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
ASSETS							
Current assets:							
Cash and investments	\$ 3,581,921	\$ 6,276,320	\$ 341,386	\$ 364,893	\$ 6,054,255	\$ 693,633	\$ 17,312,408
Receivable (net of uncollectible amounts of \$0):							
Due from consumers							
Due from other governments	56,514				9,539	9,955	76,008
Other receivables	7,771	16,380	336	988	16,130	1,892	43,497
Inventory					57,189		57,189
Total current assets	<u>3,646,206</u>	<u>6,292,700</u>	<u>341,722</u>	<u>365,881</u>	<u>6,137,113</u>	<u>705,480</u>	<u>17,489,102</u>
Non-Current assets:							
Cash and investments, restricted		87,405					87,405
Advances to other funds					101,497		101,497
Capital assets:							
Facilities, infrastructure, and equipment, net of depreciation				80,102	1,460,524	61,671	1,602,297
Total noncurrent assets		<u>87,405</u>		<u>80,102</u>	<u>1,562,021</u>	<u>61,671</u>	<u>1,791,199</u>
Total assets	<u>3,646,206</u>	<u>6,380,105</u>	<u>341,722</u>	<u>445,983</u>	<u>7,699,134</u>	<u>767,151</u>	<u>19,280,301</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total deferred outflows of resources				81,328	52,756	3,730	137,814
LIABILITIES							
Current liabilities:							
Accounts payable	9,868	237	347,906	33,316	32,985	102,779	527,091
Compensated absences due in one year					3,327		3,327
Claims and litigation due in one year	165,000	432,000					597,000
Total current liabilities	<u>174,868</u>	<u>432,237</u>	<u>347,906</u>	<u>33,316</u>	<u>36,312</u>	<u>102,779</u>	<u>1,127,418</u>
Noncurrent liabilities:							
Compensated absences				40,530	25,675		66,205
Claims and litigation	522,000	5,299,000					5,821,000
Net pension liability				793,649	514,820	36,406	1,344,875
Total noncurrent liabilities	<u>522,000</u>	<u>5,299,000</u>		<u>834,179</u>	<u>540,495</u>	<u>36,406</u>	<u>7,232,080</u>
Total liabilities	<u>696,868</u>	<u>5,731,237</u>	<u>347,906</u>	<u>867,495</u>	<u>576,807</u>	<u>139,185</u>	<u>8,359,498</u>
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources				90,252	58,545	4,140	152,937
NET POSITION							
Net investment in capital assets				80,102	1,460,524	61,671	1,602,297
Restricted		87,405			101,497		188,902
Unrestricted (deficit)	2,949,338	561,463	(6,184)	(510,538)	5,554,517	565,885	9,114,481
Total net position	<u>\$ 2,949,338</u>	<u>\$ 648,868</u>	<u>\$ (6,184)</u>	<u>\$ (430,436)</u>	<u>\$ 7,116,538</u>	<u>\$ 627,556</u>	<u>\$ 10,905,680</u>

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2016

	General Liability Fund	Worker's Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
OPERATING REVENUES:							
Charges for services	\$ 1,175,000	\$ 884,489	\$ 4,611,579	\$ 1,362,481	\$ 1,195,440	\$ 958,498	\$ 10,187,487
Other revenue	165,000	432,100		92	16,650		613,842
Total operating revenue	<u>1,340,000</u>	<u>1,316,589</u>	<u>4,611,579</u>	<u>1,362,573</u>	<u>1,212,090</u>	<u>958,498</u>	<u>10,801,329</u>
OPERATING EXPENSES:							
Salaries and benefits		656,214	4,591,224	687,380	379,837	63,118	6,377,773
Supplies and services	150,880	92,274	24,503	637,418	223,477	920,502	2,049,054
Depreciation				14,838	545,796	28,197	588,831
Insurance claims and expenses	448,401	160,190		1,635	41,235		651,461
Total operating expenses	<u>599,281</u>	<u>908,678</u>	<u>4,615,727</u>	<u>1,341,271</u>	<u>1,190,345</u>	<u>1,011,817</u>	<u>9,667,119</u>
Operating income (loss)	<u>740,719</u>	<u>407,911</u>	<u>(4,148)</u>	<u>21,302</u>	<u>21,745</u>	<u>(53,319)</u>	<u>1,134,210</u>
NONOPERATING REVENUES (EXPENSES):							
Investment income (expense)	46,086	97,252	1,984	5,867	95,742	11,234	258,165
Net nonoperating revenues (expenses)	<u>46,086</u>	<u>97,252</u>	<u>1,984</u>	<u>5,867</u>	<u>95,742</u>	<u>11,234</u>	<u>258,165</u>
Net change in net position	786,805	505,163	(2,164)	27,169	117,487	(42,085)	1,392,375
NET POSITION:							
Total net position, beginning	2,162,533	143,705	(4,020)	(457,605)	6,999,051	669,641	9,513,305
Total net position, ending	<u>\$ 2,949,338</u>	<u>\$ 648,868</u>	<u>\$ (6,184)</u>	<u>\$ (430,436)</u>	<u>\$ 7,116,538</u>	<u>\$ 627,556</u>	<u>\$ 10,905,680</u>

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2016

	General Liability Fund	Workers' Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers for service charges	\$ 1,284,886	\$ 1,317,936	\$ 4,611,243	\$ 1,362,672	\$ 1,206,898	\$ 967,798	\$ 10,751,433
Payments to suppliers	(640,225)	(252,675)	7,135	(641,234)	(289,284)	(869,078)	(2,685,361)
Payments to employees	(165,000)	(1,088,214)	(4,591,224)	(734,617)	(413,982)	(65,287)	(7,058,324)
Net cash provided by (used in) operating activities	479,661	(22,953)	27,154	(13,179)	503,632	33,433	1,007,748
CASH FLOWS FROM							
NONCAPITAL FINANCING ACTIVITIES:							
Interfund loans received (paid)					100,493		100,493
					100,493		100,493
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets				(7,025)	(462,792)	(65,084)	(534,901)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received on investments	46,086	97,252	1,984	5,867	95,742	11,234	258,165
	46,086	97,252	1,984	5,867	95,742	11,234	258,165
Net increase (decrease) in cash and cash equivalents	525,747	74,299	29,138	(14,337)	237,075	(20,417)	831,505
CASH AND CASH EQUIVALENTS:							
Beginning of year	3,056,174	6,289,426	312,248	379,230	5,817,180	714,050	16,568,308
End of year	\$ 3,581,921	\$ 6,363,725	\$ 341,386	\$ 364,893	\$ 6,054,255	\$ 693,633	\$ 17,399,813
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating (loss) income	740,719	407,911	(4,148)	21,302	21,745	(53,319)	1,134,210
Adjustments for noncash activities:							
Depreciation and amortization				14,838	545,796	28,197	588,831
Claims and litigation							
Changes in assets and liabilities:							
Receivables	(55,114)	1,347	(336)	99	(5,192)	9,300	(49,896)
Inventories					12,108		12,108
Deferred outflows				(8,990)	(5,832)	(412)	(15,234)
Accounts payable	(40,944)	(211)	31,638	(2,181)	(36,680)	51,424	3,046
Compensated absences				22	(3,489)		(3,467)
Claims and litigations liabilities	(165,000)	(432,000)					(597,000)
Deferred inflows				(101,805)	(66,038)	(4,670)	(172,513)
Net pension liabilities				63,536	41,214	2,913	107,663
Total adjustments	(261,058)	(430,864)	31,302	(34,481)	481,887	86,752	(126,462)
Net cash provided by (used in) operating activities	\$ 479,661	\$ (22,953)	\$ 27,154	\$ (13,179)	\$ 503,632	\$ 33,433	\$ 1,007,748
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION							
Cash and investments – current	\$ 3,581,921	\$ 6,276,320	\$ 341,386	\$ 364,893	\$ 6,054,255	\$ 693,633	\$ 17,312,408
Cash and investments, restricted		87,405					87,405
Total cash and investments per Statement of Net Position	\$ 3,581,921	\$ 6,363,725	\$ 341,386	\$ 364,893	\$ 6,054,255	\$ 693,633	\$ 17,399,813

FIDUCIARY FUNDS

Agency Funds

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.

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.

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

CITY OF BURLINGAME
AGENCY FUNDS
COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Seismic Education Fees				
Assets:				
Cash and investments	\$ 34,790		\$ (33,017)	\$ 1,773
Total assets	\$ 34,790		\$ (33,017)	\$ 1,773
Liabilities:				
Accounts payable	\$ 1,666	\$ 107		\$ 1,773
Due to other governmental units	33,124		\$ (33,124)	
Total liabilities	\$ 34,790	\$ 107	\$ (33,124)	\$ 1,773
Hotel BID Fees				
Assets:				
Cash and investments	\$ 77,236	\$ 6,446		\$ 83,682
Accounts receivable	778,905	88,348		867,253
Total assets	\$ 856,141	\$ 94,794		\$ 950,935
Liabilities:				
Accounts payable	\$ 103,426		\$ (11,780)	\$ 91,646
Due to other governmental units	752,715	\$ 106,574		859,289
Total liabilities	\$ 856,141	\$ 106,574	\$ (11,780)	\$ 950,935
Elementary School Development Fees				
Assets:				
Cash and investments	\$ 43,132		\$ (13,162)	\$ 29,970
Total assets	\$ 43,132		\$ (13,162)	\$ 29,970
Liabilities:				
Accounts payable	\$ 43,132		\$ (13,162)	\$ 29,970
Total liabilities	\$ 43,132		\$ (13,162)	\$ 29,970
High School Development Fees				
Assets:				
Cash and investments	\$ 32,244		\$ (9,682)	\$ 22,562
Total assets	\$ 32,244		\$ (9,682)	\$ 22,562
Liabilities:				
Accounts payable	\$ 32,244		\$ (9,682)	\$ 22,562
Total liabilities	\$ 32,244		\$ (9,682)	\$ 22,562

(continued)

CITY OF BURLINGAME
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Unclaimed Property - PD				
Assets:				
Cash and investments	\$ 22,241		\$ (22,241)	
Accounts receivable		\$ 946		\$ 946
Total assets	\$ 22,241	\$ 946	\$ (22,241)	\$ 946
Liabilities;				
Due to other governmental units	\$ 22,241	\$ 946	\$ (22,241)	\$ 946
Total liabilities	\$ 22,241	\$ 946	\$ (22,241)	\$ 946
EMS Training Fund				
Assets:				
Cash and investments	\$ (3,871)	\$ 3,871		
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	\$ 1,613	\$ 582		\$ 2,195
Total assets	\$ 1,613	\$ 582		\$ 2,195
Liabilities;				
Accounts payable	\$ 1,613	\$ 582		\$ 2,195
Total liabilities	\$ 1,613	\$ 582		\$ 2,195
Library Foundation Account Fund				
Assets:				
Cash and investments	\$ 3,316		\$ (1,532)	\$ 1,784
Total assets	\$ 3,316		\$ (1,532)	\$ 1,784
Liabilities;				
Accounts payable	\$ 1,482	\$ 302		\$ 1,784
Due to other governmental units	1,834		\$ (1,834)	
Total liabilities	\$ 3,316	\$ 302	\$ (1,834)	\$ 1,784

(continued)

CITY OF BURLINGAME
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Building Standards Administration				
Assets:				
Cash and investments	\$ 4,865		\$ (3,251)	\$ 1,614
Total assets	\$ 4,865		\$ (3,251)	\$ 1,614
Liabilities:				
Accounts payable	\$ 556	\$ 1,423		\$ 1,979
Due to other governmental units	4,309		\$ (4,309)	
Total liabilities	\$ 4,865	\$ 1,423	\$ (4,309)	\$ 1,979
QWL Committee				
Assets:				
Cash and investments	\$ (165)	\$ 165		
Total assets	\$ (165)	\$ 165		
Liabilities:				
Due to other governmental units	\$ (165)	\$ 165		
Total liabilities	\$ (165)	\$ 165		
Unclaimed - General Accounts				
Assets:				
Cash and investments	\$ 2,567	\$ 500	\$ (2,567)	\$ 500
Total assets	\$ 2,567	\$ 500	\$ (2,567)	\$ 500
Liabilities:				
Accounts payable		\$ 500		\$ 500
Deposit	\$ 2,567		\$ (2,567)	
Total liabilities	\$ 2,567	\$ 500	\$ (2,567)	\$ 500
Downtown Business Improvement District				
Assets:				
Cash and investments	\$ 5,709	\$ 1,872	\$ (7,581)	
Accounts receivable	12,731	7,059		\$ 19,790
Total assets	\$ 18,440	\$ 8,931	\$ (7,581)	\$ 19,790
Liabilities:				
Accounts payable	\$ 4,254		\$ (2,954)	\$ 1,300
Due to other governmental units	14,186	\$ 3,939		18,125
Total liabilities	\$ 18,440	\$ 3,939	\$ (2,954)	\$ 19,425

CITY OF BURLINGAME
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 223,677	\$ 13,436	\$ (93,033)	\$ 144,080
Accounts receivable	791,636	96,353		887,989
Total assets	\$ 1,015,313	\$ 109,789	\$ (93,033)	\$ 1,032,069
Liabilities:				
Accounts payable	\$ 188,373	\$ 2,914	\$ (37,578)	\$ 153,709
Due to other governmental units	824,373	115,495	(61,508)	878,360
Deposit	2,567		(2,567)	
Total liabilities	\$ 1,015,313	\$ 118,409	\$ (101,653)	\$ 1,032,069



Comprehensive Annual Financial Report

June 30, 2016

STATISTICAL SECTION



Comprehensive Annual Financial Report

June 30, 2016

STATISTICAL SECTION

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<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.	160-167
<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.	168-175
<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.	176-180
<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.	181-183
<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.	185-188

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>(1)</u> <u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 93,700	\$ 92,795	\$ 60,967	\$ 59,936
Restricted	1,800	3,299	3,575	3,515
Unrestricted - restated per GASB 68	<u>12,709</u>	<u>16,265</u>	<u>41,005</u>	<u>42,298</u>
Total governmental activities net position	<u>\$ 108,209</u>	<u>\$ 112,359</u>	<u>\$ 105,547</u>	<u>\$ 105,749</u>
Business-type activities:				
Net investment in capital assets	\$ 27,631	\$ 30,824	\$ 32,014	\$ 30,759
Restricted	-	-	-	-
Unrestricted - restated per GASB 68	<u>13,540</u>	<u>14,385</u>	<u>18,119</u>	<u>19,260</u>
Total business-type activities net position	<u>\$ 41,171</u>	<u>\$ 45,209</u>	<u>\$ 50,133</u>	<u>\$ 50,019</u>
Primary government:				
Net investment in capital assets	\$ 121,331	\$ 123,619	\$ 92,981	\$ 90,695
Restricted	1,800	3,299	3,575	3,515
Unrestricted	<u>26,249</u>	<u>30,650</u>	<u>59,124</u>	<u>61,558</u>
Total primary government net position	<u>\$ 149,380</u>	<u>\$ 157,568</u>	<u>\$ 155,680</u>	<u>\$ 155,768</u>

- (1) Reclassifications in the categories were made to stay consistent and comparable with the presentation in the current year.
- (2) 2012 reflects net position as originally stated and does not include the effect of implementation of GASB Statement No. 65 in 2013 which restated beginning net position.

Fiscal Year	(1)	(2)			
(1)	(1)	(2)	2014	2015	2016
2011	2012	2013			
\$ 51,521	\$ 78,903	\$ 64,020	\$ 72,956	\$ 74,346	\$ 79,019
8,674	12,102	26,400	45,863	36,446	38,414
49,259	27,234	34,841	14,732	(26,763)	(25,511)
<u>\$ 109,454</u>	<u>\$ 118,239</u>	<u>\$ 125,261</u>	<u>\$ 133,551</u>	<u>\$ 84,029</u>	<u>\$ 91,922</u>
\$ 38,406	\$ 40,381	\$ 43,469	\$ 46,341	\$ 50,485	\$ 54,587
-	5,014	5,050	451	451	12,367
17,736	14,788	16,093	27,092	22,038	26,002
<u>\$ 56,142</u>	<u>\$ 60,183</u>	<u>\$ 64,612</u>	<u>\$ 73,884</u>	<u>\$ 72,974</u>	<u>\$ 92,956</u>
\$ 89,927	\$ 119,284	\$ 107,489	\$ 119,297	\$ 124,831	\$ 133,606
8,674	17,116	31,450	46,314	36,897	50,781
66,995	42,022	50,934	41,824	(4,725)	491
<u>\$ 165,596</u>	<u>\$ 178,422</u>	<u>\$ 189,873</u>	<u>\$ 207,436</u>	<u>\$ 157,003</u>	<u>\$ 184,878</u>

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

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

2011	2012	2013	2014	2015	2016
\$ 6,803	\$ 6,358	\$ 6,188	\$ 7,295	\$ 4,231	\$ 4,275
21,141	20,265	21,163	19,141	23,005	26,296
8,514	8,248	9,268	12,961	8,267	8,312
1,752	1,245	941	1,007	1,145	1,162
10,475	9,828	11,065	11,162	15,832	13,786
324	249	179	188	135	137
2,656	2,215	3,552	2,812	2,422	2,639
<u>51,665</u>	<u>48,408</u>	<u>52,356</u>	<u>54,567</u>	<u>55,037</u>	<u>56,607</u>
9,569	11,082	12,127	10,745	11,471	12,822
9,509	9,686	9,553	9,332	10,144	10,960
936	681	634	467	481	487
-	-	-	177	67	56
1,454	1,435	1,350	1,183	1,296	445
1,141	1,222	1,317	1,254	1,368	1,420
<u>22,608</u>	<u>24,107</u>	<u>24,980</u>	<u>23,158</u>	<u>24,827</u>	<u>26,190</u>
<u>\$ 74,273</u>	<u>\$ 72,516</u>	<u>\$ 77,336</u>	<u>\$ 77,725</u>	<u>\$ 79,864</u>	<u>\$ 82,797</u>
\$ 616	\$ 2	\$ 117	\$ 302	\$ 116	\$ 123
2,202	1,053	212	1,097	1,066	1,009
1,713	560	3,230	4,075	3,870	3,477
744	319	384	738	657	890
2,744	2,760	2,880	2,919	3,372	3,405
72	-	-	-	-	-
2,210	1,165	987	738	1,127	591
3,189	3,520	357	1,249	740	439
<u>13,490</u>	<u>9,379</u>	<u>8,167</u>	<u>11,118</u>	<u>10,948</u>	<u>9,934</u>
12,734	13,708	14,875	16,023	15,425	15,158
14,566	16,157	16,791	16,931	15,679	15,634
653	465	564	1,694	943	778
-	-	-	350	445	437
1,802	1,950	2,428	2,477	2,573	2,649
1,404	1,580	1,707	2,057	1,980	2,257
-	-	-	-	-	-
<u>31,159</u>	<u>33,860</u>	<u>36,365</u>	<u>39,532</u>	<u>37,045</u>	<u>36,913</u>
<u>\$ 44,649</u>	<u>\$ 43,239</u>	<u>\$ 44,532</u>	<u>\$ 50,651</u>	<u>\$ 47,993</u>	<u>\$ 46,847</u>
\$ (38,175)	\$ (39,029)	\$ (44,189)	\$ (43,449)	\$ (44,089)	\$ (46,673)
8,551	9,753	11,385	16,374	12,218	10,723
<u>\$ (29,624)</u>	<u>\$ (29,277)</u>	<u>\$ (32,804)</u>	<u>\$ (27,075)</u>	<u>\$ (31,871)</u>	<u>\$ (35,950)</u>
\$ 13,310	\$ 13,672	\$ 14,394	\$ 15,497	\$ 16,677	\$ 17,645
8,041	8,495	9,199	10,196	11,101	12,828
13,404	16,183	18,244	21,357	23,698	26,092
5,037	4,478	5,311	4,595	4,697	4,589
-	-	-	344	1,254	233
-	-	-	(6,600)	-	-
805	472	148	576	481	1,292
1,282	4,513	3,916	5,774	3,127	(8,114)
<u>41,879</u>	<u>47,813</u>	<u>51,212</u>	<u>45,139</u>	<u>61,037</u>	<u>54,565</u>
-	228	314	-	-	-
(1,145)	(1,427)	(3,353)	(1,329)	(1,451)	382
(1,282)	(4,513)	(3,916)	(5,774)	(3,127)	762
<u>(2,427)</u>	<u>(5,712)</u>	<u>(6,955)</u>	<u>(7,103)</u>	<u>(4,578)</u>	<u>8,114</u>
3,704	8,784	7,023	1,690	16,947.11	7,893
6,124	4,041	4,430	9,271	7,640	19,982
<u>\$ 9,828</u>	<u>\$ 12,825</u>	<u>\$ 11,453</u>	<u>\$ 10,962</u>	<u>\$ 24,587</u>	<u>\$ 27,875</u>



Comprehensive Annual Financial Report

June 30, 2016

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

	2007	2008	2009	2010
General Fund:				
Reserved	\$ 88	\$ 669	\$ 670	\$ 580
Unreserved	9,802	8,881	6,676	6,276
Total general fund	<u>\$ 9,890</u>	<u>\$ 9,550</u>	<u>\$ 7,346</u>	<u>\$ 6,856</u>
All other governmental funds:				
Reserved	\$ 4,509	\$ 7,724	\$ 6,111	\$ 9,024
Unreserved, reported in:				
Debt service funds	-	-	-	-
Special revenue funds	517	605	757	739
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 5,026</u>	<u>\$ 8,329</u>	<u>\$ 6,868</u>	<u>\$ 9,763</u>

	2011 ⁽¹⁾	2012	2013	2014	2015	2016
General Fund:						
Nonspendable	\$ 3	\$ 1	\$ 217	\$ 221	\$ 224	\$ 337
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	10,200	11,927	12,300	9,413	18,773	18,638
Unassigned	1,665	3,591	7,430	13,251	10,465	11,003
Subtotal General Fund	<u>\$ 11,868</u>	<u>\$ 15,519</u>	<u>\$ 19,947</u>	<u>\$ 22,885</u>	<u>\$ 29,462</u>	<u>\$ 29,978</u>
All other governmental funds:						
Nonspendable	\$ 475	\$ 204	\$ 396	\$ 383	\$ 375	\$ 575
Restricted	5,756	11,898	26,004	17,417	10,851	21,034
Committed	-	-	19,412	28,063	25,220	20,874
Assigned	16,140	13,246	1,166	651	8,762	13,500
Unassigned	-	-	-	-	-	97
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>	<u>\$ 56,080</u>
Total governmental fund balance	<u>\$ 34,238</u>	<u>\$ 40,867</u>	<u>\$ 66,925</u>	<u>\$ 69,399</u>	<u>\$ 74,670</u>	<u>\$ 86,058</u>

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

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

	Fiscal Year			
	2007	2008	2009	2010
REVENUES:				
Property taxes	\$ 11,469	\$ 12,198	\$ 12,798	\$ 12,209
Sales and use taxes	9,231	9,459	8,251	6,276
Transient occupancy taxes	10,355	11,265	10,155	10,342
Other taxes	1,900	1,981	2,012	2,159
Licenses and permits	967	1,221	298	92
Fines, forfeitures, and penalties	1,184	1,178	1,298	467
Investment income	1,491	1,677	959	695
Motor vehicle in lieu tax	190	122	83	108
Charges for services	4,145	3,797	3,986	6,392
Intergovernmental				
Grant and governmental revenues	2,091	2,148	2,722	2,652
Other revenue	777	823	877	552
Total revenues	43,801	45,869	43,440	41,945
EXPENDITURES:				
Current				
General government	4,686	4,987	5,111	4,842
Public safety	16,550	18,846	19,097	18,830
Public works	6,204	4,723	6,839	7,231
Community development	780	1,697	890	780
Parks, recreation and library	8,784	9,505	10,319	8,500
Shuttle operations	306	304	318	130
Other	-	-	-	-
Capital Outlay	1,456	6,680	11,001	5,028
Debt service:				
Principal	2,405	2,547	2,138	2,212
Interest	2,297	1,543	2,104	1,922
Total expenditures	43,468	50,832	57,817	49,475
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	333	(4,963)	(14,377)	(7,530)
OTHER FINANCING SOURCES (USES):				
Transfer in	16,935	15,532	17,398	16,797
Transfer out	(16,471)	(7,605)	(6,686)	(6,861)
Pension obligation bonds issued	32,975	-	-	-
Payment to PERS retirement	(32,393)	-	-	-
Refund bond issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from issuance of debt	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	1,046	7,927	10,712	9,936
Net change in fund balances	\$ 1,379	\$ 2,964	\$ (3,665)	\$ 2,405
Debt service as a percentage of noncapital expenditures	11%	9%	9%	9%

		Fiscal Year									
		2011	2012	2013	2014	2015	2016				
\$	13,310	\$	13,672	\$	15,539	\$	15,497	\$	16,677	\$	17,645
	8,041		8,495		9,199		10,196		11,101		12,828
	13,404		16,183		18,244		21,357		23,698		26,092
	2,416		2,582		2,970		4,595		4,697		3,154
	97		100		102		112		84		-
	1,025		889		933		874		921		864
	803		472		148		391		374		1,036
	148		-		-		-		-		-
	6,121		6,270		6,721		7,704		8,076		8,005
											1,435
	2,162		3,112		2,383		1,987		1,867		1,075
	845		904		370		345		1,254		391
	<u>48,372</u>		<u>52,679</u>		<u>56,608</u>		<u>63,058</u>		<u>68,750</u>		<u>72,525</u>
	5,458		6,669		5,699		5,989		4,434		4,917
	17,378		18,392		18,895		20,082		23,231		25,057
	5,713		9,790		7,834		11,280		8,311		7,330
	731		1,172		854		1,041		1,244		1,406
	8,620		9,463		9,328		10,485		15,145		12,725
	139		145		179		188		135		137
	17		-		-		-		-		-
	4,023		-		6,447		3,205		6,594		3,885
	7,526		3,034		3,527		4,631		4,964		5,832
	2,425		2,304		2,337		2,752		2,548		2,633
	<u>52,031</u>		<u>50,969</u>		<u>55,101</u>		<u>59,654</u>		<u>66,607</u>		<u>63,922</u>
	<u>(3,659)</u>		<u>1,710</u>		<u>1,507</u>		<u>3,405</u>		<u>2,143</u>		<u>8,603</u>
	26,312		29,276		33,209		33,520		33,694		30,150
	(25,029)		(24,763)		(29,293)		(34,448)		(30,567)		(38,264)
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		1,045
	20,300		405		20,637		-		-		9,855
	(305)		-		-		-		-		-
	<u>21,278</u>		<u>4,918</u>		<u>24,553</u>		<u>(929)</u>		<u>3,127</u>		<u>2,786</u>
\$	<u>17,619</u>	\$	<u>6,629</u>	\$	<u>26,058</u>	\$	<u>2,474</u>	\$	<u>5,270</u>	\$	<u>11,389</u>
	21%		10%		12%		13%		13%		14%

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

Category	2006-07	2007-08	2008-09	2009-10
Residential	\$ 4,097,648,898	\$ 4,425,787,714	\$ 4,752,698,976	\$ 4,919,813,993
Commercial	1,111,631,900	1,218,274,542	1,205,209,020	1,229,890,648
Industrial	367,137,642	386,532,903	403,343,837	417,397,081
Government	1,651,816	1,684,851	1,718,546	1,752,914
Institutional	31,826,071	32,449,526	27,466,494	23,302,586
Miscellaneous	2,294,312	2,340,192	2,386,992	6,116,146
Recreational	12,299,913	12,527,505	20,570,100	17,974,577
Vacant Land	10,666,591	10,038,189	43,891,543	46,610,281
SBE Nonunitary	1,290,599	3,837,425	3,837,425	3,837,425
Unsecured	324,100,493	291,377,516	300,758,515	299,902,769
Unknown	-	-	145,525	-
TOTALS	\$ 5,960,548,235	\$ 6,384,850,363	\$ 6,762,026,973	\$ 6,966,598,420
Total Direct Rate	0.14531	0.14525	0.14522	0.14521

Note:

Exempt values are not included in the total.

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

Source: San Mateo County Assessor 2006/07 - 2015/16 Combined Tax Rolls

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$4,964,900,673	\$5,067,435,558	\$5,292,630,080	\$5,657,587,039	\$6,106,922,682	\$6,543,165,637
1,197,204,546	1,203,204,597	1,264,338,491	1,304,028,690	1,406,432,281	1,487,657,043
445,945,589	449,409,192	469,569,724	487,612,064	491,904,917	500,290,183
477,622	481,217	490,841	1,131,741	1,136,878	16,859,592
5,108,197	5,179,683	5,313,527	5,686,994	6,739,774	5,545,746
47,603,695	46,149,474	47,731,445	52,216,889	52,541,265	63,818,615
21,392,656	21,565,053	21,330,221	21,756,820	27,696,881	30,269,253
50,379,786	44,684,470	53,260,644	61,242,201	42,238,634	43,082,544
3,680,597	2,560,452	2,560,452	2,560,452	2,560,452	2,763,435
274,429,627	270,906,684	275,840,943	302,712,785	307,284,506	324,903,282
-	-	-	45,233,193	-	-
\$7,011,122,988	\$7,111,576,380	\$7,433,066,368	\$7,941,768,868	\$8,445,458,270	\$9,018,355,330
0.14520	0.14519	0.14209	0.14205	0.14235	0.14250

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
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%
2015/16	8,690,688,613	324,903,282	2,763,435	9,018,355,330	6.78%

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
	\$	\$	\$	\$	\$	\$	\$	
2005	1.000000	0.000000	0.000000	0.000000	0.006500	0.086500	0.017400	1.110400
2006	1.000000	0.000000	0.000000	0.000000	0.006500	0.085100	0.017400	1.109000
2007	1.000000	0.000000	0.000000	0.000000	0.018400	0.081500	0.015600	1.115500
2008	1.000000	0.000000	0.000000	0.000000	0.017100	0.083000	0.015000	1.115100
2009	1.000000	0.000000	0.000000	0.000000	0.016500	0.108300	0.029800	1.154600
2010	1.000000	0.000000	0.000000	0.000000	0.018200	0.127400	0.031900	1.177500
2011	1.000000	0.000000	0.000000	0.000000	0.019300	0.132300	0.032200	1.183800
2012	1.000000	0.000000	0.000000	0.000000	0.019900	0.138800	0.038300	1.197000
2013	1.000000	0.000000	0.000000	0.000000	0.019400	0.144800	0.038100	1.202300
2014	1.000000	0.000000	0.000000	0.000000	0.019400	0.177200	0.035500	1.232100
2015	1.000000	0.000000	0.000000	0.000000	0.019000	0.101500	0.047500	1.168000
2016	1.000000	0.000000	0.000000	0.000000	0.025000	0.090000	0.046600	1.161600
City's Share of 1% Levy Per Prop 13 ⁽³⁾								0.1707
Redevelopment Rate ⁽⁴⁾								0.0000
Total Direct Rate								0.1425

Note:

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

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

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

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

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

CITY OF BURLINGAME, CALIFORNIA

TOP TEN PROPERTY TAXPAYERS

June 30, 2016

(amounts expressed in thousands)

Taxpayer	2016				2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)
EQR-Northpark LP	\$ 118,730	1	1.32%	HMC Burlingame Hotel LLC	\$ 108,699	1	1.75%
HMC Burlingame Hotel LLC	117,946	2	1.31%	HMH SFO Inc.	73,134	2	1.17%
Inland American Lodging Burlin	108,795	3	1.21%	Bay Park Plaza Associates	48,809	3	0.78%
Burlingame Bay LLC	72,125	4	0.80%	Felcor CCS Holdings LP 9520	41,673	4	0.67%
Felcor CCS Holdings LP 9520	56,642	5	0.63%	One Bay Plaza Associates LLC	33,500	5	0.54%
MNCVAD-Harvest One Bay LLC	49,607	6	0.55%	Glenborough Properties LP	29,100	6	0.47%
EQR Skyline Terrace LP	45,395	7	0.50%	Northpark Properties	28,668	7	0.46%
DCT Rollins Road LLC	36,735	8	0.41%	Airport Blvd Hotel LLC	28,464	8	0.46%
100-198 California Drive LLC	30,616	9	0.34%	Are809 863 mitten Road LLC	24,793	9	0.40%
Harbour View Hotels, Inc	29,090	10	0.32%	Harbour View Hotels, Inc	24,568	10	0.41%
	<u>\$ 665,681</u>		<u>7.38%</u>		<u>\$ 441,408</u>		<u>7.11%</u>

(1) 2015-16 Local Combined Assessed Valuation \$ 9,018,355

Source: San Mateo County Assessor 2015/16 Combined Tax Rolls and the SBE Non Unitary Tax Roll

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

Fiscal Year	Total Tax Levy	Collected Within Year of Levy		Delinquent Tax Collections	Total Collections	
		Current Tax Collections	% of Levy		Total Tax Collections	% of Levy
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%
2016	15,144,338	14,512,541	95.83%	-	14,512,541	95.83%

Notes:

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

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

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

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



Comprehensive Annual Financial Report

June 30, 2016

CITY OF BURLINGAME, CALIFORNIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 (accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal year	Property Tax	Sales Tax	Transient Occupancy Tax	Other Taxes	Inter-governmental Revenues	Total
2005	\$ 9,360	\$ 8,508	\$ 8,066	\$ 1,861	\$ 1,996	\$ 29,791
2006	10,390	8,806	9,273	2,204	1,041	31,714
2007	11,469	9,231	10,356	1,523	567	33,146
2008	12,198	9,459	11,265	1,981	505	35,408
2009	12,798	8,251	10,155	1,782	313	33,299
2010	13,355	6,276	10,342	1,857	403	32,233
2011	13,310	8,041	13,404	2,070	2,966	39,791
2012	13,672	8,495	16,183	2,582	1,896	42,828
2013	14,394	9,199	18,244	4,217	1,408	47,462
2014	15,497	10,196	21,357	2,970	1,625	51,645
2015	16,677	11,101	23,698	3,048	1,648	56,172
2016	17,645	12,828	26,092	3,154	1,435	61,154

Source: Audited City Financial records - Governmental Funds

CITY OF BURLINGAME, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Lease Revenue Bond	Storm Drainage	Pension Obligation Bonds	State Loans	Lease Purchase	Sewer Bonds	Water Bonds			
2007	\$ 5,645,000	\$ -	\$ 31,395,000	\$ 11,056,020	\$ -	\$ 16,435,000	\$ 17,540,000	\$ 82,071,020	4.70%	2,853
2008	5,095,000	-	30,280,000	10,696,649	-	26,025,000	30,475,000	102,571,649	6.03%	3,531
2009	4,530,000	-	29,020,000	10,249,390	-	24,250,000	29,550,000	97,599,390	7.66%	3,326
2010	3,950,000	-	27,605,000	9,791,549	-	22,400,000	28,600,000	92,346,549	6.61%	3,173
2011	11,555,000	9,805,000	26,010,000	11,776,097	1,500,000	20,470,000	27,625,000	108,741,097	7.78%	3,736
2012	10,935,000	9,560,000	24,235,000	13,466,890	1,305,907	18,225,000	25,925,000	103,652,797	6.91%	3,522
2013	19,985,000	19,630,000	22,275,000	364,204	1,104,952	17,525,000	24,895,000	105,779,156	7.14%	3,563
2014	18,889,859	19,596,924	20,095,000	320,209	897,598	30,260,807	24,550,763	114,611,160	7.74%	3,861
2015	16,999,489	19,083,477	17,695,000	274,884	683,639	28,729,137	23,372,756	106,838,382	6.41%	3,597
2016	15,040,564	28,920,064	15,050,000	228,210	462,866	27,143,163	22,154,450	108,999,317	6.03%	3,667

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 2016 is not available. Therefore, in order to present a useful estimate, personal income data for calendar year 2015 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
2016	15,050,000	9,018,355,330	0.17%	29,724	506

Note:

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

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

2015-16 Assessed Valuation** : \$ 9,018,355,330

	Total Debt June 30, 2016	Percent Applicable (1)	City's share of Debt June 30, 2016
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 644,384,027	5.056%	\$ 32,580,056
San Mateo Union High School District	544,823,660	14.420%	78,563,572
Burlingame Elementary School District	103,322,486	94.638%	97,782,334
Hillsborough School District	53,799,726	0.119%	64,022
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 1,346,329,899</u>		<u>\$ 208,989,984</u>
<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>			
San Mateo County General Fund Obligations	\$ 432,359,816	5.056%	\$ 21,860,112
San Mateo County Board of Education Certificates of Participation	9,890,000	5.056%	500,038
City of Burlingame General Fund Obligations (Net)	15,040,564	100.000%	15,040,564
City of Burlingame Pension Obligation Bond	15,050,000	100.000%	15,050,000
City of Burlingame - Storm Drainage Revenue Bonds, Series 2010 (Net)	8,650,241	100.000%	8,650,241
City of Burlingame - Storm Drainage Revenue Bonds, Series 2012 (Net)	9,904,789	100.000%	9,904,789
City of Burlingame - Storm Drainage Revenue Bonds, Series 2016 (Net)	10,365,034	100.000%	10,365,034
City of Burlingame - Master Equipment Lease Purchase Agreement, 2011	462,866	100.000%	462,866
City of Burlingame - California Energy Commission, 2012	228,210	100.000%	228,210
TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT	\$ 501,951,520		\$ 82,061,855
Less: City of Burlingame General Fund Obligations supported from enterprise revenues			2,635,000
Less: City of Burlingame Pension Obligations supported by enterprise revenues			3,762,500
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 75,664,355
TOTAL GROSS DIRECT DEBT			\$ 59,701,704
TOTAL NET DIRECT DEBT			\$ 53,304,204
TOTAL OVERLAPPING DEBT			\$ 231,350,135
GROSS COMBINED TOTAL DEBT			\$ 291,051,839
NET COMBINED TOTAL DEBT (2)			\$ 284,654,339

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.32%	* Source: California Municipal Statistics, Inc.
Total Gross Direct Debt (\$54,736,489).....	0.66%	** Total assessed valuation less other exemptions
Total Net Direct Debt (\$47,200,239).....	0.59%	
Gross Combined Total Debt	3.23%	
Net Combined Total Debt	3.16%	

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Burlingame. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore responsible for repaying the debt of each overlapping government.

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics

CITY OF BURLINGAME, CALIFORNIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(amount expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 888,627	\$ 239,432	\$ 253,576	\$ 261,247	\$ 266,684	\$ 295,550	\$ 295,550	\$ 297,816	\$ 323,138	\$ 323,138
Pension Obligation Bond	\$ 31,395	\$ 30,280	\$ 29,020	\$ 27,605	\$ 26,010	\$ 24,235	\$ 22,275	\$ 20,095	\$ 17,695	\$ 15,050
Total net debt applicable to the limit as a percentage of debt limit	3.5%	12.6%	11.4%	10.6%	9.8%	8.2%	7.5%	6.7%	5.5%	4.7%

Legal Debt Margin Calculation for Fiscal Year 2015

Gross Assessed Valuation	\$ 9,018,355,330
Multiplied by: (1)	0.0375
	<u>338,188,325</u>
Less: Outstanding Debt	\$ 15,050,000
Legal Debt Margin	<u>\$ 323,138,325</u>

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

CITY OF BURLINGAME, CALIFORNIA
PLEGGED REVENUE COVERAGE
Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Water Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2016	15,178,439	9,945,476	5,232,963	1,135,000	928,601	2.54

Wastewater Revenue Bonds						
Fiscal Year	Wastewater Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2016	15,634,340	6,973,545	8,660,795	1,543,371	996,919	3.41

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)	% of Population 25+ with High School Degree (3)	% of Population 25+ with Bachelor's Degree (3)	Unemployment Rate (4)
2006	28,277	\$ 1,610,910	\$ 56,969	N/A	N/A	2.6%
2007	28,453	1,708,173	60,035	N/A	N/A	2.7%
2008	28,762	1,747,107	60,744	N/A	N/A	3.5%
2009	29,050	1,700,088	58,523	95.3%	53.6%	6.2%
2010	29,342	1,274,382	43,432	94.4%	51.8%	6.5%
2011	29,106	1,396,972	47,996	94.1%	53.4%	5.8%
2012	29,426	1,500,785	51,002	95.2%	54.1%	3.7%
2013	29,685	1,480,747	49,882	95.2%	54.6%	3.0%
2014	29,700	1,667,596	56,148	95.5%	58.3%	3.3%
2015	29,724	1,808,528	60,844	95.8%	58.0%	2.6%

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
Last Fiscal Year and Five Years Ago

Employer Name	Rank	2015-16		2010-11 (1)	
		Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Mills Peninsula Health Services	1	1,594	8.96%		
Lufthansa Service Holdings Group Sky Chefs Inc	2	468	2.63%		
Hyatt Regency San Francisco Airport*	3	410	2.30%	467	2.97%
Burlingame Long Term Care	4	354	1.99%		
Flying Food Group	5	340	1.91%		
Burlingame School District	6	326	1.83%		
San Francisco Airport Marriott	7	300	1.69%		
Putnam Auto	8	253	1.42%		
Guittard Chocolate Co.*	9	250	1.40%		
American Medical Response*	10	232	1.30%		
Virgin America, Inc				2,056	13.10%
Wright Medical Technology Inc				1,200	7.64%
United Natural Foods				555	3.54%
Critchfield Mechanical, Inc				517	3.29%
California Teachers Association				500	3.18%
Getinge USA				500	3.18%
Wine Warehouse				483	3.08%
Berkeley Farms				463	2.95%
ECC Remediation Services Corp.				460	2.93%
		<u>4,527</u>	<u>25.43%</u>	<u>7,201</u>	<u>45.87%</u>
Total City Labor Force (2)		17,800		15,700	

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.

CITY OF BURLINGAME, CA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	19.13	19.13	19.13	19.00	18.00	18.00	18.00	18.00	19.00	20.38
Public safety										
Police:										
Officers	42.00	42.00	42.00	39.00	37.00	37.00	37.00	37.00	37.00	37.00
Civilians	20.00	20.00	20.00	19.00	18.25	18.25	17.25	19.25	19.25	20.00
Fire:										
Firefighters and officers	44.00	44.00	44.00	43.00	-	-	-	-	-	-
Civilians	1.00	1.75	1.75	1.75	-	-	-	-	-	-
Public works	56.55	56.30	56.30	59.55	61.15	61.15	61.14	61.75	62.74	62.99
Community development	12.00	12.00	12.00	12.00	10.00	10.00	10.00	11.00	11.00	11.00
Leisure and culture	55.14	55.42	55.42	52.29	49.77	49.77	49.52	51.67	52.18	53.93

Note:

The Central County Fire Department (CCFD) is a Joint Powers Authority shared by the Town of Hillsborough and City of Burlingame.

Please refer to the Notes to the Financial Statements which define the reporting entity. CCFD is a non-disclosed organization, independently governed, and therefore, no longer a reporting unit of the City.

Source: City of Burlingame

CITY OF BURLINGAME, CALIFORNIA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Function					
Police					
Calls for Service	26,275	30,337	28,481	29,124	30,865
Physical arrests	537	541	343	438	348
Crimes Reported	2,155	2,053	2,296	1,797	1,516
Traffic violations	2,893	4,128	6,354	5,255	3,683
Fire					
Number of calls answered	4,233	4,374	4,205	4,267	4,152
Inspections	2,259	2,089	1,299	1,414	4,195
Public works					
Street repair (sq. ft.)	17,204	15,000	15,529	10,000	14,154
Sidewalk & curb repair (sq. ft.)	5,618	6,000	8,278	4,000	5,468
City planning					
Plans checked	560	548	500	364	355
Planning applications reviewed	144	140	187	131	144
Permit applications received	N/A	N/A	N/A	N/A	N/A
Inspections conducted	N/A	N/A	N/A	N/A	N/A
Leisure and culture					
Recreation Class Participants	15,323	16,303	14,318	13,607	13,821
Library circulation	599,833	600,000	698,558	713,394	696,096
Tree plantings	334	229	466	222	229
Tree trimmings	1,350	1,574	1,576	1,831	1,785
Water					
New connections	4	8	17	50	37
Main and valve repairs	20	20	61	15	19
Millions of gallons purchased (millions of gallons)	1,652	1,700	1,561	1,600	1,474
Wastewater					
Average daily sewage treatment (millions of gallons)	4.50	4.10	3.82	3.30	2.60
Preventive Maintenance, main cleaning (Feet)	314,497	385,293	450,937	450,000	404,488

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.

2012	2013	2014	2015	2016
38724	31,706	33,969	36,427	38,773
410	508	560	634	586
1,681	1,879	1,799	1,787	1,878
3,836	5,692	8,057	9,455	6,506
N/A	N/A	N/A	N/A	N/A
5,700	5,662	N/A	N/A	N/A
10,678	15,560	12,600	13,650	12,545
2,539	1,985	2,100	3,789	2,557
366	499	554	500	494
134	125	94	120	86
1,075	1,229	1,185	1,230	1,251
5,161	5,662	5,280	5,600	6,000
13,657	11,982	13,428	13,424	13,331
721,132	761,795	753,694	647,128	720,000
164	271	230	198	235
1,712	1,621	1,943	2,866	1,398
20	10	21	16	20
19	15	17	26	16
1,190	1,519	1,497	1,340	1,164
2.60	2.60	2.60	2.80	2.92
299,212	330,586	270,000	366,779	220,192

**CITY OF BURLINGAME, CALIFORNIA
 CAPITAL ASSET STATISTICS BY FUNCTION
 FOR FISCAL YEAR 2015-16 (COMPARED TO 5 YEARS AGO)**

Function	2011	2016
Public works		
Streets (miles)	152	152
Streetlights (City-owned)	1,700	1,700
Traffic signals	16	17
Water		
Water mains (miles)	94	100
Fire hydrants	822	826
Maximum daily capacity (thousands of gallons)	2,850	2,850
Sewer		
Sanitary sewers (miles)	84	100
Storm sewers (miles)	38.6	50
Maximum daily treatment capacity (thousands of gallons)	4,100	4,100
Storm drain pump station	5	5

Note:

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

Source: City of Burlingame

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 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 December 8, 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.

Maze & Associates

Pleasant Hill, California
December 8, 2016