



# 2017 Comprehensive Annual Financial Report

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City of Burlingame, California  
Fiscal Year Ended June 30, 2017



**City of Burlingame, California**

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2017**

**Prepared by**

**City of Burlingame Finance Department**

**CITY OF BURLINGAME, CALIFORNIA**



# Comprehensive Annual Financial Report

June 30, 2017

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2017**

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# Comprehensive Annual Financial Report

June 30, 2017

## **INTRODUCTORY SECTION**





# Comprehensive Annual Financial Report

June 30, 2017



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

October 27, 2017

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, 2017. 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, 2017. 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, 2017, 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, 2017, 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 209 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.

Burlingame, which is approximately six square miles, is located in San Mateo County, on the western shore of the San Francisco Bay approximately 10 miles south of San Francisco. According to the State Department of Finance, the population for the City of Burlingame is 30,148. The population has remained fairly level, increasing by 2.4% over the past five years.

## **Budget Process**

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

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

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

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

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

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**

As with most cities along the San Francisco Peninsula, the City has fully recovered from the 2008-2010 recession, as evidenced by rebounds in the City's largest revenue sources. In fact, the City's top three revenues streams (from transient occupancy tax, property tax, and sales taxes) have long surpassed pre-recessionary amounts, and now constitute over 84% 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 3.2% in August 2017. Comparatively, the State of California's unemployment rate stood at 5.4%. At these healthy rates, which effectively reflect full employment, the pace of job growth has leveled off significantly. The region's labor market is showing signs of saturation after years of strong growth in professional, technological, and business service employment. Average salaries are well above the California average and are expected to remain so in the near future.

### **Real Estate & Property Taxes**

Property taxes, which are based on assessed value, are one of the City's largest revenue sources, accounting for 27.8% of the City's General Fund revenue. Fiscal year 2016-17 property tax receipts were \$18.9 million, up approximately 7.3% from the prior year.

According to data obtained from the San Mateo County Assessor, the City has 8,700 parcels with a net total assessed value of over \$9.7 billion – an increase of \$691.6 million, or 7.67%, since last year. Residential assessed values grew by 6.9%, while commercial assessed values grew by 12.0%.

According to DataQuick, the median price of homes sold in Burlingame during the month of August 2017 was \$2.5 million, which is a 4.8% decrease compared to the same time last year. However, only 44 homes were sold. County-wide, 666 homes were sold, with a median value of \$1.1 million, a 12.2% year-over-year increase in sales price since August 2016. 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 17.8% of General Fund revenue in fiscal year 2016-17. Sales and use tax revenues were \$12.1 million, which is approximately 6% less than the prior year's receipts of \$12.8 million. The decrease was attributable to the one-time receipt in fiscal year 2015-16 of a \$1 million adjustment, which was due to the City upon the conclusion of the State's revenue swap known as the sales tax "triple flip". Actual collections indicated an increase in taxable sales of 2.5%. The top 25 sales tax producers in Burlingame account for approximately 51.1% of total sales tax revenue, and include several auto dealers, hotels, and general merchandise stores. Transactions in the City's Auto and Transportation sector continued to level off, though the slow-down in demand has been experienced nationwide. It is interesting to note that the City's share of the countywide use tax pool increased over 4.4% compared to the same four quarters in 2016. The County distributes these taxes, which do not involve a California "point of sale", to each jurisdiction in the county on a pro rata share of taxable sales. While these receipts represent only 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 3,707 rooms available for rental. Hotel occupancy rates are indicative of continued improvement in the economy. As the City's largest revenue source, transient occupancy tax revenues account for over 39% of all General Fund revenues, and grew by \$0.2 million (0.7%) compared to the prior year. Although combined occupancy rates remained relatively consistent at 84%, average room rates within the city increased approximately 1.6%, thanks to the success of many Bay Area sports teams and increased tourism. As reported by SFO, total domestic and international airport passengers increased by 6.1% in 2016.

## **Financial Information**

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

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

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

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

**Risk Management:** The City is a member of the Association of Bay Area Governments Pooled Liability Assurance Network Corporation (ABAG PLAN), a non-profit public benefit corporation established to provide liability insurance, claims, risk management, and legal defense services to participating members. The program provides the City with liability coverage up to a maximum of \$10 million, with the City maintaining a self-insured retention of \$250,000. The City also maintains workers' compensation coverage to a maximum of \$5 million, with a self-insured retention of \$500,000 per claim. The City maintains reserves for all claims below its self-insured retention in separate Internal Service Funds, and charges the costs of the program to operating departments. An actuarial study of the current obligations for the General Liability and Workers' Compensation Funds was completed in September 2016, 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 2016-17, the City had twelve outstanding bonds or loans, including a taxable bond issue for pension obligations, two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant, and a storm drain revenue bond issued under the Internal Revenue Service's Build America Bond program. The City annually evaluates each outstanding debt obligation that is subject to arbitrage rebate requirements and determined that there was no arbitrage rebate liability as of June 30, 2017.

As of June 30, 2017, the City's general obligation debt limit was \$364.1 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 (\$12.1 million outstanding) considered to be general obligation debt, the City's legal debt margin was \$352 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**

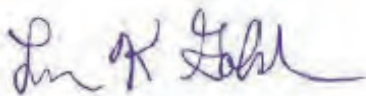
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The City has received the award for 16 consecutive years. To receive the award, a government must publish a readable and well organized annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for one year. Staff believes that the City's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements.

### **Acknowledgments**

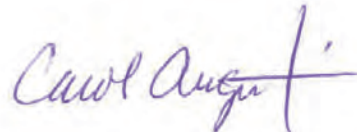
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in furthering the fiscal year-end audit, and for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

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

Respectfully submitted,



Lisa K. Goldman  
City Manager



Carol Augustine  
Finance Director & Treasurer



Government Finance Officers Association

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

Presented to

**City of Burlingame  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO





**CITY OF BURLINGAME, CALIFORNIA  
ELECTED AND APPOINTED OFFICIALS  
FISCAL YEAR ENDED JUNE 30, 2017**

**CITY COUNCIL**

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

**CITY MANAGER**

Lisa K. Goldman

**DEPARTMENT DIRECTORS**

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

**CITY CLERK**

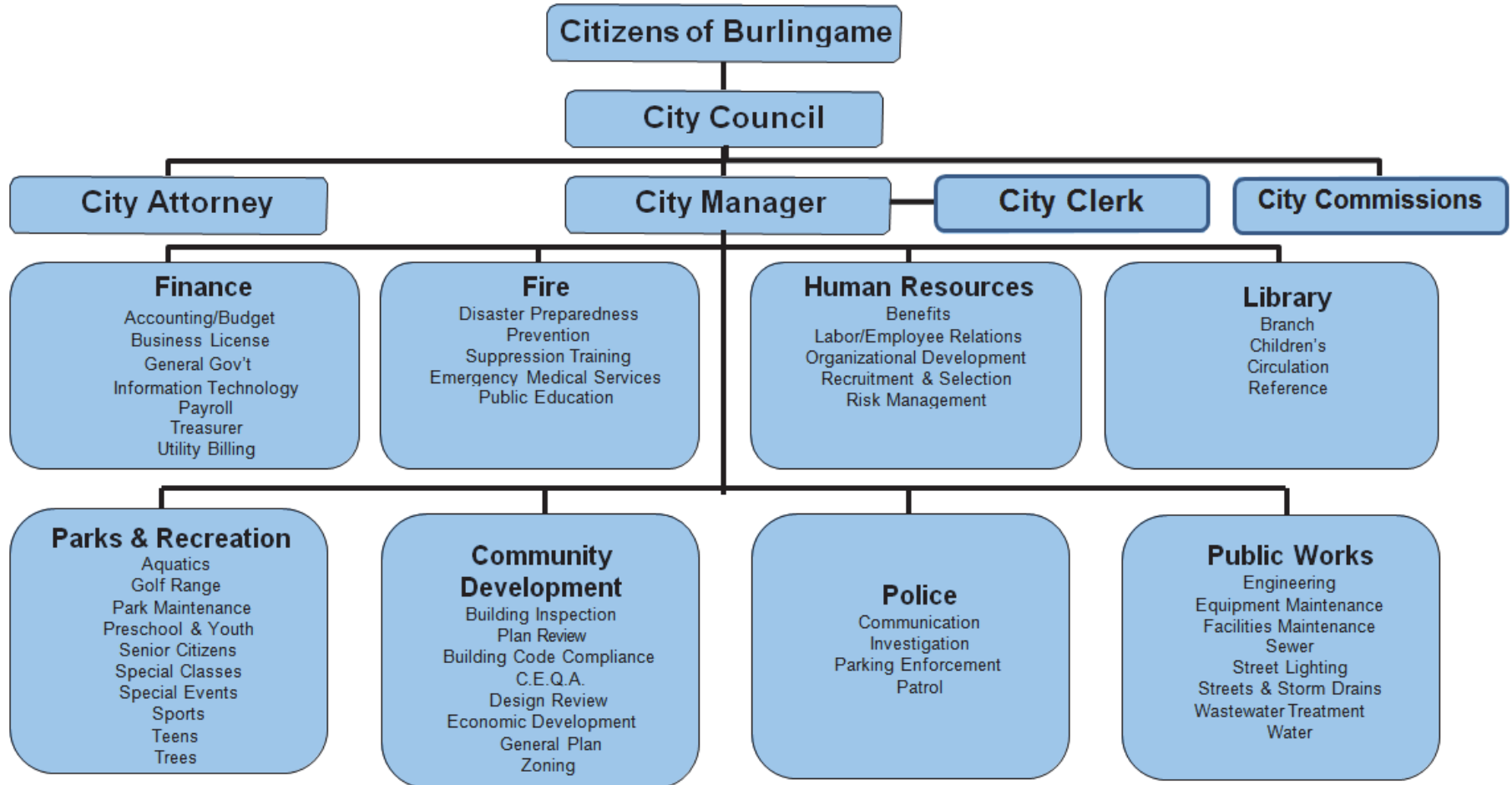
Meaghan Hassel-Shearer

**CITY ATTORNEY**

Kathleen Kane



CITY OF BURLINGAME, CALIFORNIA  
ORGANIZATIONAL CHART



**General Government**

**City Attorney**

In-house counsel, risk management, and code enforcement

**City Clerk**

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

**City Manager**

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

**Finance**

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

**Human Resources**

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

**Public Works**

**Engineering**

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

**Water & Sewer**

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

**Streets & Storm Drainage**

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

**Public Safety**

**Police**

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

**Central County Fire Department (JPA)**

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

**Leisure and Neighborhood Services**

**Library**

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

**Parks**

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

**Recreation**

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

**Community Development**

**Building**

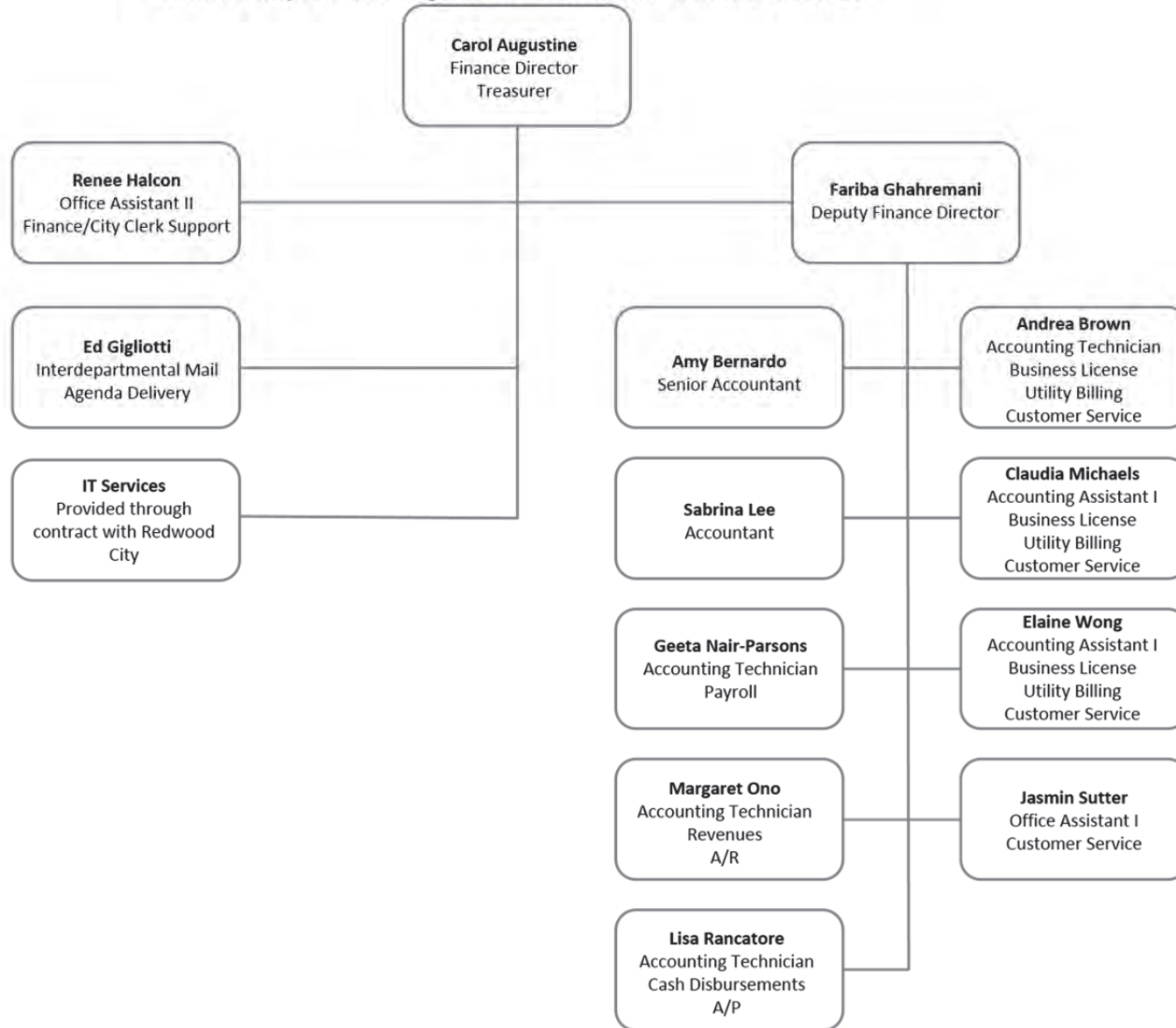
Plan checking, inspection, complaint response, development review and consultation, and building research and development

**Planning**

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



**City of Burlingame**  
**Finance Department Organization Chart for Fiscal Year 2016-17**



# CITY OF BURLINGAME

## ORGANIZATIONAL COMPASS

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

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

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

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

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

### ONE ORGANIZATION THAT FOSTERS POSITIVE RELATIONSHIPS AND TEAMWORK BY:

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

### POSITIVE LEADERSHIP THAT IS NURTURING AND FORWARD-THINKING BY:

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

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

## **FINANCIAL SECTION**



# Comprehensive Annual Financial Report

June 30, 2017



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame as of and for the year ended June 30, 2017, 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, 2017, 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.

## ***Other Matters***

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

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

### ***Other Information***

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
October 27, 2017



# Comprehensive Annual Financial Report

June 30, 2017

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2017. 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 2016-17 (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 \$219.6 million, which is a \$34.7 million increase compared to the beginning net position.
- Enterprise Fund net position increased by \$10.2 million to nearly \$103.2 million. Of this amount, \$30.1 million was unrestricted net position and available for use at the City's discretion.
- Governmental fund balances increased \$15.3 million, to \$101.3 million. Of this amount, approximately \$13.7 million, or 13.5%, was unassigned fund balance and available for spending at the City's discretion.
- General Fund revenues increased by \$1.9 million in fiscal year 2016-17, an increase of 2.9% over the prior year's total of \$66.2 million. The increase in revenue was driven by a \$1.6 million increase in charges for services, and a \$1.3 million increase in property tax. These increases were partially offset by reductions in sales tax and other tax revenues.
- Amendments to various revenue sources in the General Fund budget in the amount of \$1.7 million were authorized by the City Council at mid-year, as the improved revenues became evident early in the fiscal year.
- The General Fund ending fund balance increased from \$30.0 million to \$33.3 million. Of this amount, over \$19.4 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.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Government-Wide Statements**

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

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

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

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

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

**Fund Financial Statements**

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

**Governmental Funds**

Governmental funds account for tax supported functions reported as governmental activities in the 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.

**CITY OF BURLINGAME, CALIFORNIA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

**Proprietary Funds**

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

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

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

**Fiduciary Funds**

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

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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 \$219.6 million as of June 30, 2017. Net position increased by 18.8% from the beginning total net position of \$184.9 million. Assets and deferred outflows of resources as of the end of June 30, 2017 were \$419.5 million, reflecting a 9.1% positive change from the prior year due to a \$30.4 million increase in current assets and deferred outflows of resources as well as a \$4.7 million increase in capital assets. Liabilities and deferred inflows of resources increased slightly - by 0.2% (\$0.44 million) - despite a \$7.9 million decrease in long-term debt. The largest increase is attributed to an increase in net pension liability of \$10.7 million.

The largest portion of the City's net position is its net investment in capital assets totaling \$143.7 million. Capital assets are the aggregate value of land, buildings, and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources - 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, \$55.3 million (25.2%) 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 (\$12.0 million). The remaining \$43.3 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, 2017 was relatively low – approximately \$20.5 million, or 9.4% of total net position.

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

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

City of Burlingame Comparative Statement of Net Position June 30, 2017 and 2016 (Amounts In Millions)						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other assets	\$125.04	\$109.17	\$59.82	\$56.08	\$184.86	\$165.25
Capital assets	112.91	111.38	106.49	103.30	219.40	214.68
<b>Total assets:</b>	<u>237.95</u>	<u>220.55</u>	<u>166.31</u>	<u>159.38</u>	<u>404.26</u>	<u>379.93</u>
<b>Deferred Outflows:</b>	<u>11.61</u>	<u>3.04</u>	<u>3.63</u>	<u>1.39</u>	<u>15.24</u>	<u>4.43</u>
<b>Liabilities:</b>						
Current liabilities	9.34	10.16	5.11	5.49	14.45	15.65
Other liabilities	1.62	1.26	1.09	0.98	2.71	2.24
Long term liabilities	118.82	115.68	59.93	60.45	178.75	176.13
<b>Total liabilities:</b>	<u>129.78</u>	<u>127.10</u>	<u>66.13</u>	<u>66.92</u>	<u>195.91</u>	<u>194.02</u>
<b>Deferred Inflows:</b>	<u>3.36</u>	<u>4.57</u>	<u>0.65</u>	<u>0.89</u>	<u>4.01</u>	<u>5.46</u>
<b>Net Position:</b>						
Net investment in capital assets	82.63	79.02	61.07	54.59	143.70	133.61
Restricted	43.38	38.41	11.96	12.37	55.34	50.78
Unrestricted	(9.58)	(25.51)	30.13	26.00	20.55	0.49
<b>Total net position:</b>	<u>\$116.42</u>	<u>\$91.92</u>	<u>\$103.16</u>	<u>\$92.96</u>	<u>\$219.58</u>	<u>\$184.88</u>



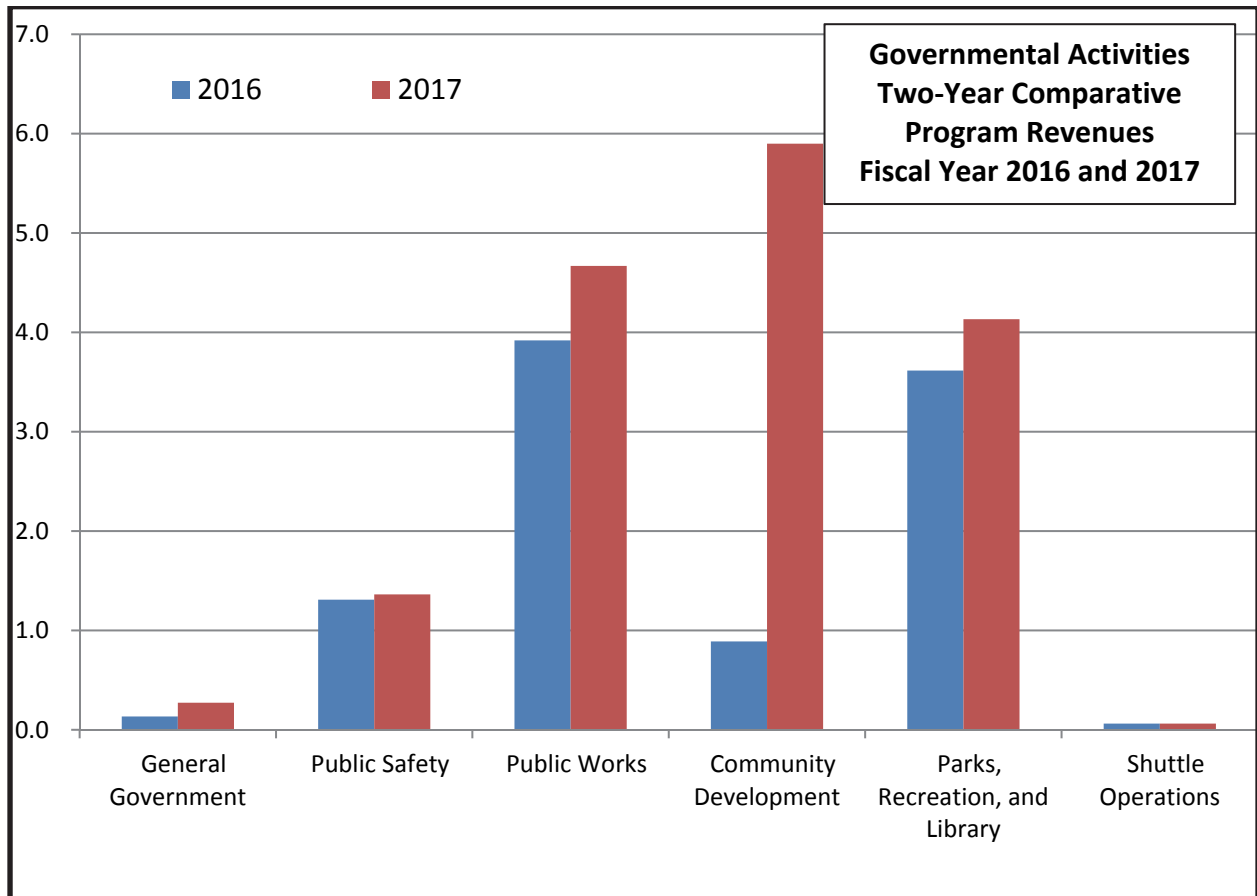
**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

City of Burlingame Statement of Activities For the Fiscal Years Ended June 30, 2017 and 2016 (Amounts in millions)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$15.27	\$8.90	\$40.26	\$36.91	\$55.53	\$45.81
Operating grants and contribution	0.98	0.59	-	-	0.98	0.59
Capital grants and contributions	0.15	0.44	-	-	0.15	0.44
General revenues:						
Property taxes	18.93	17.65	-	-	18.93	17.65
Sales taxes	12.09	12.83	-	-	12.09	12.83
Transient occupancy taxes	26.26	26.09	-	-	26.26	26.09
Other taxes	4.41	4.59	-	-	4.41	4.59
Other general revenue	0.43	0.23	0.14	0.39	0.57	0.62
<b>Total revenues:</b>	<b>78.52</b>	<b>71.32</b>	<b>40.40</b>	<b>37.30</b>	<b>118.92</b>	<b>108.62</b>
<b>Expenses:</b>						
Governmental Activities						
General government	4.76	4.27	-	-	4.76	4.27
Public safety	25.71	26.30	-	-	25.71	26.30
Public works	7.35	8.31	-	-	7.35	8.31
Community development	1.39	1.16	-	-	1.39	1.16
Parks, recreation and library	14.58	13.79	-	-	14.58	13.79
Shuttle operations	0.15	0.14	-	-	0.15	0.14
Financing and other activities	3.08	2.64	-	-	3.08	2.64
Business-Type Activities						
Water	-	-	13.81	12.80	13.81	12.80
Sewer service	-	-	10.35	10.96	10.35	10.96
Waste management	-	-	0.68	0.49	0.68	0.49
Landfill	-	-	0.08	0.06	0.08	0.06
Parking	-	-	0.63	0.45	0.63	0.45
Building inspection	-	-	2.05	1.42	2.05	1.42
<b>Total expenses:</b>	<b>57.02</b>	<b>56.61</b>	<b>27.60</b>	<b>26.18</b>	<b>84.62</b>	<b>82.79</b>
Increase(decrease) in net position before transfers	21.50	14.71	12.80	11.12	34.30	25.83
Investment income (expenses)	0.27	1.29	0.13	0.76	0.40	2.05
Transfers	2.73	(8.11)	(2.73)	8.11	-	-
Change in net position:	24.50	7.89	10.20	19.99	34.70	27.88
<b>Net position - beginning</b>	<b>91.92</b>	<b>84.03</b>	<b>92.96</b>	<b>72.97</b>	<b>184.88</b>	<b>157.00</b>
<b>Net position - ending</b>	<b>\$116.42</b>	<b>\$91.92</b>	<b>\$103.16</b>	<b>\$92.96</b>	<b>\$219.58</b>	<b>\$184.88</b>

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Governmental Activities**

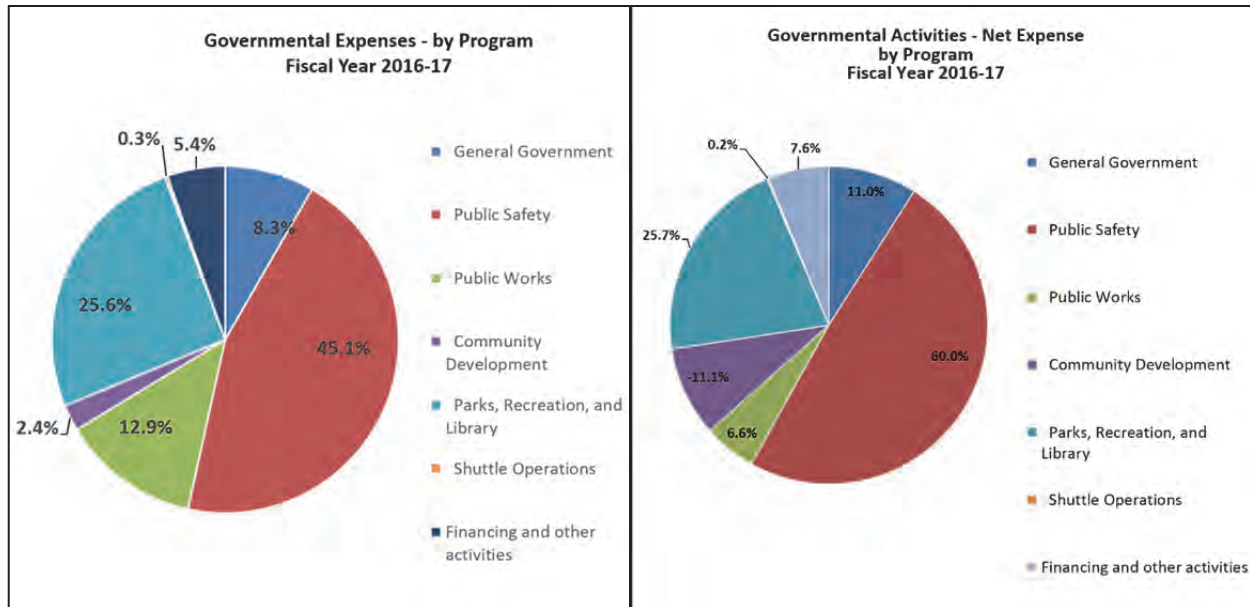
Governmental activities increased the City's net position by \$24.5 million, with a total net position of \$116.4 million at the end of the fiscal year. The increase was attributable to total governmental revenues that exceeded total expenses by \$21.8 million, prior to net transfers out of \$2.7 million. Program revenues increased 65%, largely as a result of community development fees revenue.



General revenues rose by \$0.7 million (1.2%). The increase was the result of property tax revenues which were \$1.3 million higher than in the prior year. This increase was offset by a \$0.7 million reduction in sales tax, largely due to a one-time adjustment in the prior fiscal year. Local taxable sales activity remained strong. Transient occupancy tax receipts also remained strong, increasing a modest 0.7%.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Governmental Activities (Continued)**



Expenses from governmental activities increased approximately \$0.4 million, for a total of \$57.0 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 parks, recreation, and library increased by \$0.79 million. The need for additional tree pruning and removal services, new turf, a tractor and equipment purchases all contributed to the 5.8% increase. The recreation program offered additional programs during the year, further increasing these expenses. However, the additional costs were offset by an increase in fees collected. Note that City departments' cost of water usage, other services such as computers and facilities, and credit card fees were fully captured in the fiscal year. In addition, there was a \$0.4 million (17%) year over year increase in financing activities, which represents debt service and the amortization of premiums and discounts on previously issued debt.

The majority of these governmental activities are financed from City taxes. However, the \$15.3 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 28.8% 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 (\$57 million in fiscal year 2016-17). This compares with the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$40.6 million in fiscal year 2016-17) 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; Community Development; 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  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Business-Type Activities**

The net position for business-type activities increased by \$10.2 million, or 11%, from a beginning net position of nearly \$93.0 million. The increase is largely a result of an increase in revenues needed to fuel future utility infrastructure and improvements. In fiscal year 2016-17, enterprise operations produced total operating revenue (consisting largely of revenues from charges for services) of \$40.4 million, an increase of \$3.1 million, or a 8.3% increase from fiscal year 2015-16 operating revenues.

Business-type expenses totaled \$27.6 million. Operating expenses for these activities increased by \$1.4 million or 5.4% from prior year expenses of \$26.2 million. This increase was largely attributable to expenses of the Water operations, which experienced higher water wholesale rates resulting in water purchases that were \$0.9 million (14%) higher than in the prior year. Sewer activity expenses decreased (approximately \$0.6 million) due to a drop in depreciation expense, the result of certain assets reaching full depreciation. Current capital investments in water and sewer infrastructure will increase depreciation charges to these activities in the future.

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

**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.

<b>Total Governmental Funds (Amounts In Millions)</b>					
<b>Fund Description</b>	<b>6/30/2017 Net Position/Fund Balance</b>	<b>6/30/2017 Nonspendable</b>	<b>7/1/2016 Net Position/Fund Balance</b>	<b>7/1/2016 Nonspendable</b>	<b>Yr-over-Yr Change - Net Position/Fund Balance</b>
<b>General Fund</b>	\$33.27	\$0.21	\$29.98	\$0.34	\$3.29
<b>Capital Projects</b>	42.86	-	34.60	-	8.26
<b>Storm Drainage</b>	3.21	-	2.63	-	0.58
<b>Debt Service Fund</b>	11.43	-	12.71	0.57	(1.28)
<b>Non-Major Funds</b>	10.55	-	6.13	-	4.42
<b>Total</b>	<b>\$101.32</b>	<b>\$0.21</b>	<b>\$86.05</b>	<b>\$0.91</b>	<b>\$15.27</b>

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

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 just over \$68 million in fiscal year 2016-17, reflecting a \$1.9 million (2.8%) increase from the prior year's performance of \$66.2 million. Expenditures totaled \$49.7 million, which is \$2.2 million more than in the prior year. Revenues less operating expenditures before transfers were \$18.3 million. The General Fund transferred \$5.8 million out to the Debt Service Fund to pay for governmental debt, and \$12.2 million to the Capital Projects Fund. The large contribution for capital spending was approved to pay for project-related expenditures (\$5.2 million), and to bolster the Renewal and Replacement Reserve (\$7.0 million), established in past fiscal years in recognition of the City's large backlog of facility needs. Detailed notes on the transfers can be found in the Interfund Transfer section (Note 4) in the Notes to the Basic Financial Statements.

The General Fund balance as of June 30, 2017, was \$33.3 million, representing an increase of \$3.3 million from the prior year fund balance of nearly \$30 million. Only \$0.2 million of the fund balance was categorized as "nonspendable"; the City Council assigned \$19.4 million as reserves for specific purposes as described in Note 12 of the Notes to the Basic Financial Statements, and approximately \$0.7 million represents contractual obligations which will carry forward to the next fiscal year (encumbrances). The remaining \$13.7 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 for governmental activities. The City capitalizes equipment with a cost basis of at least \$5,000 and has an estimated useful life in excess of one year. Structures, improvements, and infrastructure with a value of at least \$250,000 are also capitalized. All capital assets are valued at historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. For more information on capital assets, please refer to the Notes to the Basic Financial Statements under Capital Assets (Note 5).

The Capital Projects Fund had revenues of less than \$0.1million, which is \$0.4 million lower than the prior year. The higher amount in fiscal year 2015-16 was due to the receipt of state and local grants (\$0.4 million) including two Measure A grants for street resurfacing projects. In fiscal year 2016-17 projects were funded mainly by \$15.1 million in transfers from other funds to support ongoing construction costs and to set aside funds for previously appropriated projects. In addition to the General Fund contribution of \$12.2 million, \$0.7 million of bond proceeds, and \$2.2 million from the Measure A and Gas Tax special revenue funds were transferred into the Capital Projects Fund.

Capital project expenditures totaled almost \$7.0 million, a decrease of \$0.2 million from prior year expenditures. The Capital Projects fund balance at the end of the fiscal year was \$42.9 million, an increase of \$8.3 million from the prior year ending balance. Other than the \$20.5 million reserve for Renewal and Replacement, the entire fund balance is assigned for the construction of specific capital projects.

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During fiscal year 2016-17, major governmental capital project expenses, exceeding \$1 million included:

- US 101/Broadway Interchange - \$1.2 million  
This project is divided into 5 stages of construction, with Stage 5 well underway at June 30, 2017. 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 the fall of 2017.
- 2015-16 Sidewalk, ADA, Curb and Gutter Project - \$1.0 million  
This project was mostly funded by the General Fund and 50/50 sidewalk program revenues; it was completed in June 2017.
- 2016 Annual Street Resurfacing Project - \$1.3 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 \$5.6 million. The General Fund contributed \$5.8 million to the Debt Service Fund for governmental debt service payments, and the Storm Drainage Fund contributed the \$2.3 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).

**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.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Neighborhood storm drainage improvements continued in fiscal year 2016-17. As in the prior year, the storm drain fee generated about \$2.8 million in revenue. The funds are dedicated to debt service on the use of storm drain revenue bonds and to fund improvements on a *pay-as-you-go* basis. Revenue bonds issued with a pledge of storm drain fee revenues are used as a funding source for these projects in the Capital Projects Fund. 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 by \$0.6 million during the fiscal year, as revenues from storm drain fees and interest earnings were adequate to fund combined capital appropriations (\$0.5 million) and debt service expense (\$2.3 million) for the fiscal year.

**Non-Major Governmental Funds**

With approximately \$5 million in public benefit charges in fiscal year 2016-17, the Development Fees Special Revenue Fund is now the largest of the City's non-major governmental funds. Development fees from two large projects (\$3.2 million) will contribute toward future parking facilities in the downtown area, while a \$1.8 million receipt will advance improvements in the City's Bayfront area. The Measure A and Gas Tax Funds together constitute nearly \$3 million of the City's non-major funds' balance. While Measure A revenues remained level with the prior year at nearly \$0.8 million Gas Tax revenues decreased 12.6% to approximately \$0.6 million. Together, the funds served to fuel traffic and street improvements in the Capital Projects Fund. Non-major governmental fund balances in total increased \$4.4 million, as revenues received in these funds exceeded the expenditures associated with the legally specified purpose of each of the funds.

**Proprietary Funds**

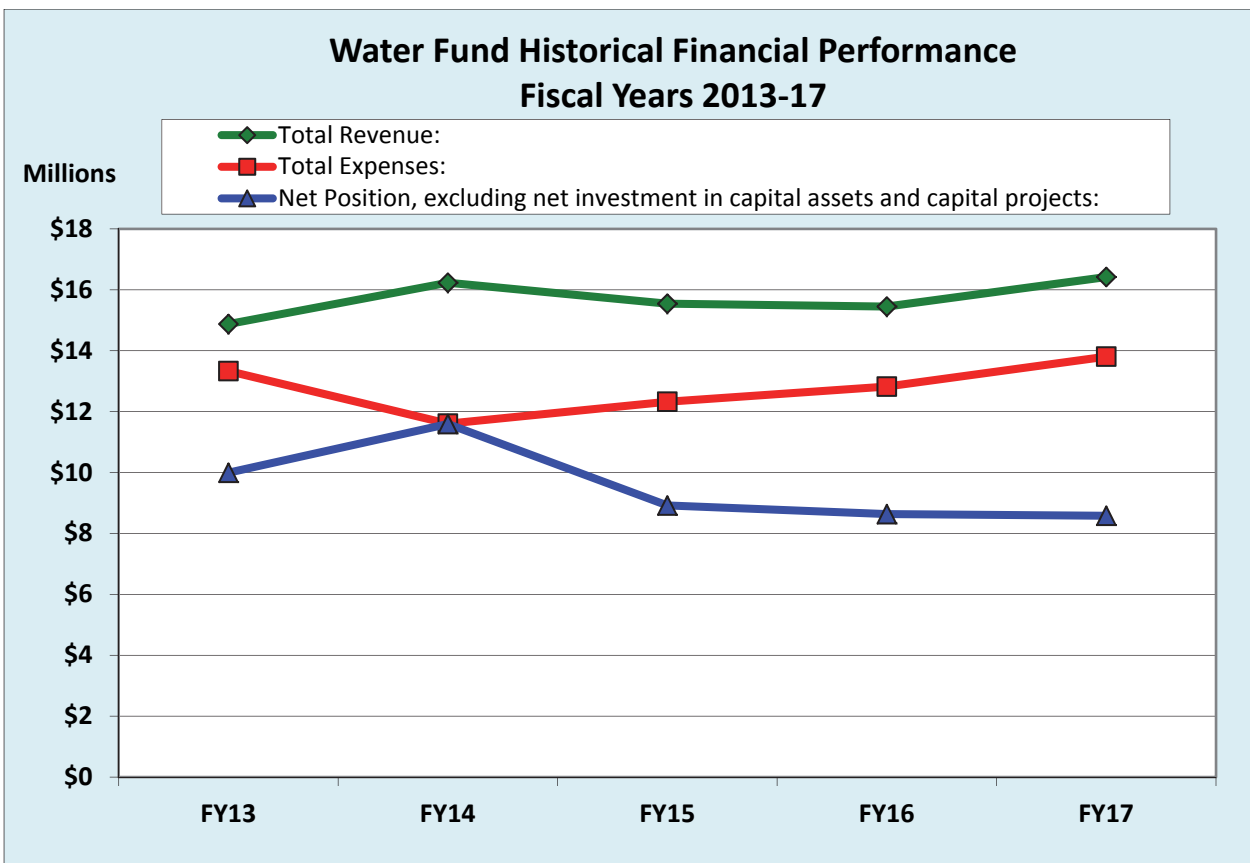
The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. Proprietary funds consist of the City's six enterprise funds (Water, Sewer, Waste Management, Landfill, Parking, and the Building Enterprise funds) and six Internal Service Funds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

<b>Total Enterprise Funds (Amounts In Millions)</b>					
<b>Fund Description</b>	<b>6/30/2017 Net Position</b>	<b>6/30/2017 Net Investment in Capital Assets</b>	<b>7/1/2016 Net Position</b>	<b>7/1/2016 Net Investment in Capital Assets</b>	<b>Yr-over-Yr Change Net Position</b>
<b>Water</b>	\$25.72	\$12.42	\$24.29	\$9.97	\$1.43
<b>Sewer</b>	56.75	41.35	52.29	37.57	4.46
<b>Waste Management</b>	4.18	-	4.18	-	-
<b>Landfill</b>	(1.79)	-	(2.16)	-	0.37
<b>Parking</b>	13.14	7.30	11.31	7.04	1.83
<b>Building</b>	5.15	-	3.06	-	2.09
<b>Total</b>	<b>\$103.15</b>	<b>\$61.07</b>	<b>\$92.97</b>	<b>\$54.58</b>	<b>\$10.18</b>

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Water Fund**

The Water Fund continues to maintain a stable financial position despite considerable variability in water consumption and wholesale costs over recent years. As a result of five consecutive years of drought, a significant reduction in water consumption and sales had been experienced in the prior two fiscal years. Compounding these revenue losses was the rising cost of wholesale water from the San Francisco Public Utilities Commission (SFPUC), which had increased rates by 37.3% during that time. In order to be able to update and maintain the aging water system, the City increased water rates by approximately 9% on January 1, 2017; the rate will increase by another 7.5% in each of the next two years. Water fund revenues reflect this mid-year rate increase, accompanied by slightly higher sales volumes as conservation efforts were eased from winter rains. Revenues increased by about \$1.2 million or 8.1% over the prior year. Expenses of the fund increased by \$1.1 million, largely due to the higher cost of wholesale water. Note that Water Fund revenues include monthly reimbursements from the City's facilities for water. The net position of the water enterprise fund increased by \$1.4 million.





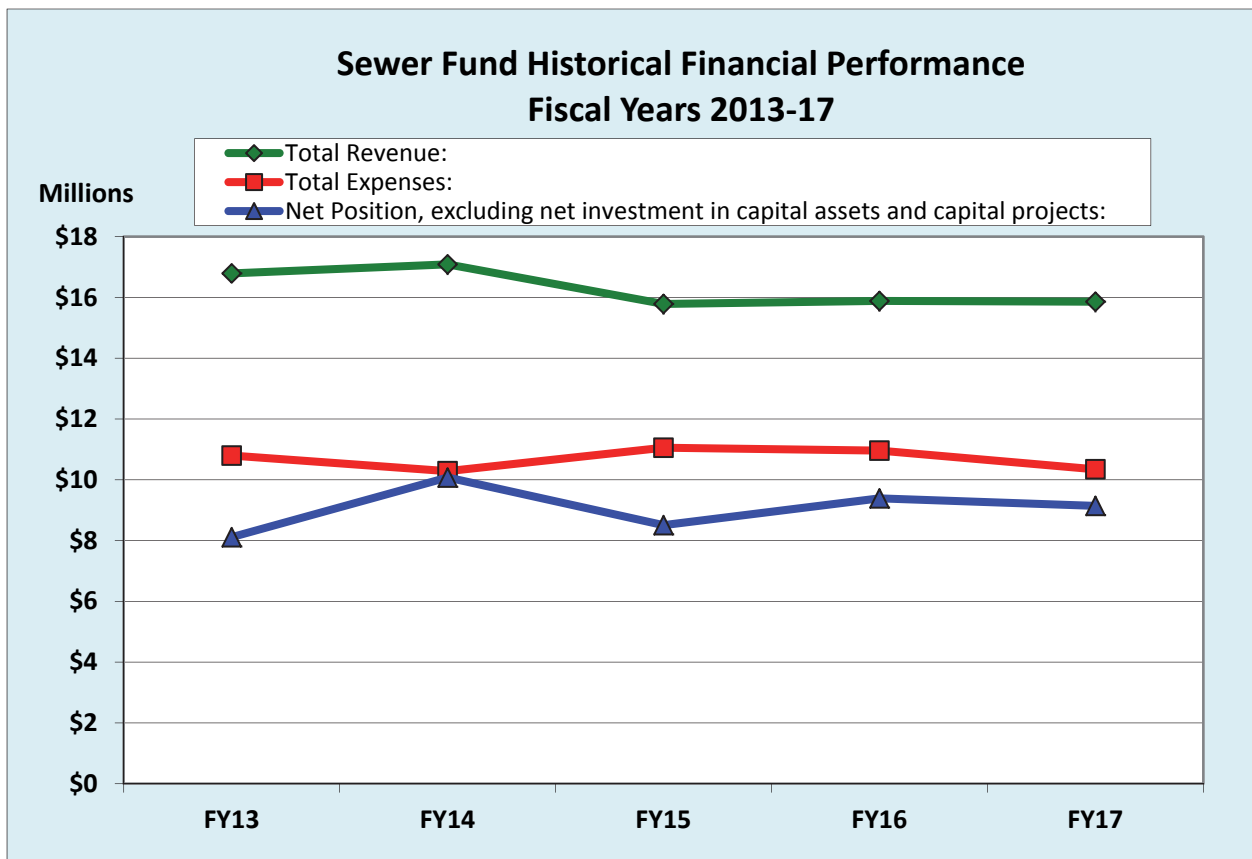
**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Sewer Fund**

The Sewer Fund continues to be financially stable as in the prior year. The fund's overall net position (including capital assets) increased from \$52.3 million to nearly \$56.8 million due largely to operating income. A concerted effort to increase the fund's net investment in capital assets through improvements to the City's waste water collection system and the treatment plant will advance the fund's position further in the near future. Note that the largest portion of net position (\$41.3 million) relates to this net investment in capital assets, representing 72.9% of the utility's total net position. Approximately 27.8% 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.

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 2012 through 2017. Total expenses of the Sewer Fund were also relatively flat, with decreases in depreciation and 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 \$4.7 million to pay for capital improvements to the Burlingame Wastewater Treatment Plant and repair and maintenance of the sewer collection system.



**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Parking Fund**

The objectives of the Parking Fund are to cover the costs of operating and improving the City's parking districts and to produce sufficient revenue to re-invest in the capital assets of the Burlingame and Broadway Avenue shopping districts, which are served by the City's parking lots. The fund's overall ending net position, including capital assets, increased nearly \$1.8 million over the prior year ending net position of \$11.3 million. Because much of the fund (\$7.3 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 \$0.1 million (nearly 4.4%), due primarily to an increase in parking activity. Largely concentrated in the City's retail centers, the increase is reflective of continued economic growth. Conversion of most coin meters to smart meters in the summer of 2016 is also believed to have contributed to the increased revenues. Parking expenses increased by 42.5% (approximately \$0.2 million) due to a change in revenue classification. In prior years, credit card fees and the armored car services costs were offset against revenues. Starting in fiscal year 2016-17, these costs are now properly classified as an expense of the fund.

**Waste Management and Landfill Funds**

The City is a member of the South Bayside Waste Management Authority (SBWMA), a joint powers authority that contracts with external vendors for solid waste collection and disposal as well as collection of inert recyclable materials, yard waste and other organic materials. The Waste Management Fund accounts for certain other services that are provided or paid for directly by the City. The costs of these services, which include the cleaning of sidewalks, parking lots and garbage cans/liners, hazardous waste disposal and street sweeping, are built into garbage collection rates for both residential and commercial customers. Operating revenues of the Waste Management fund totaled \$0.8 million.

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 \$1.8 million due to the status of the City's obligation to mediate closure and post-closure activities relating to the City's old landfill. On an annual basis, the City reports to CalRecycle (Department of Resources Recycling and Recovery) the estimated costs of post-closure and corrective action as adjusted for inflation and current year expenditures pertaining to mediation. The landfill closure and post closure liability decreased slightly (\$0.06 million) during the fiscal year, and the ending net position was improved by approximately \$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 a slight increase in net position of nearly \$0.8 million. Most of this increase was due to continued improvement in the net position of the City's insurance ISFs – the General Liability and Workers' Compensation funds. Claims and litigation liabilities were adjusted based on an actuarial study completed in September 2016, with only modest increases in liabilities when compared to the prior year, and no large claims pay-outs.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**General Fund Budgetary Highlights**

Detailed information on budget variances can be found in the General Fund Statement of Revenues, Expenditure and Changes in Fund Balance, Budget and Actual. The adopted fiscal year 2016-17 General Fund budget assumed fairly robust gains in operating revenue, based on the economic recovery evidenced in recent years. Revenue growth of 8.2% was forecast over the revenues anticipated in the prior year's adopted budget. Final collections totaled slightly over \$68 million, an increase of 2.9% over prior year actual revenues.

Several key revenue budgets were adjusted upward at mid-year to reflect improvements in General Fund receipts. Still, overall revenues exceeded the year's adjusted budget by 0.8% (\$0.5 million).

<b>City of Burlingame Historical General Fund Revenues (Amounts In Millions)</b>					
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Total Revenue</b>	\$51.29	\$55.63	\$61.91	\$66.16	\$68.04
<b>Dollar Change</b>	4.97	4.34	6.28	4.25	1.89
<b>Percentage Change</b>	10.74%	8.46%	11.29%	6.86%	2.85%

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

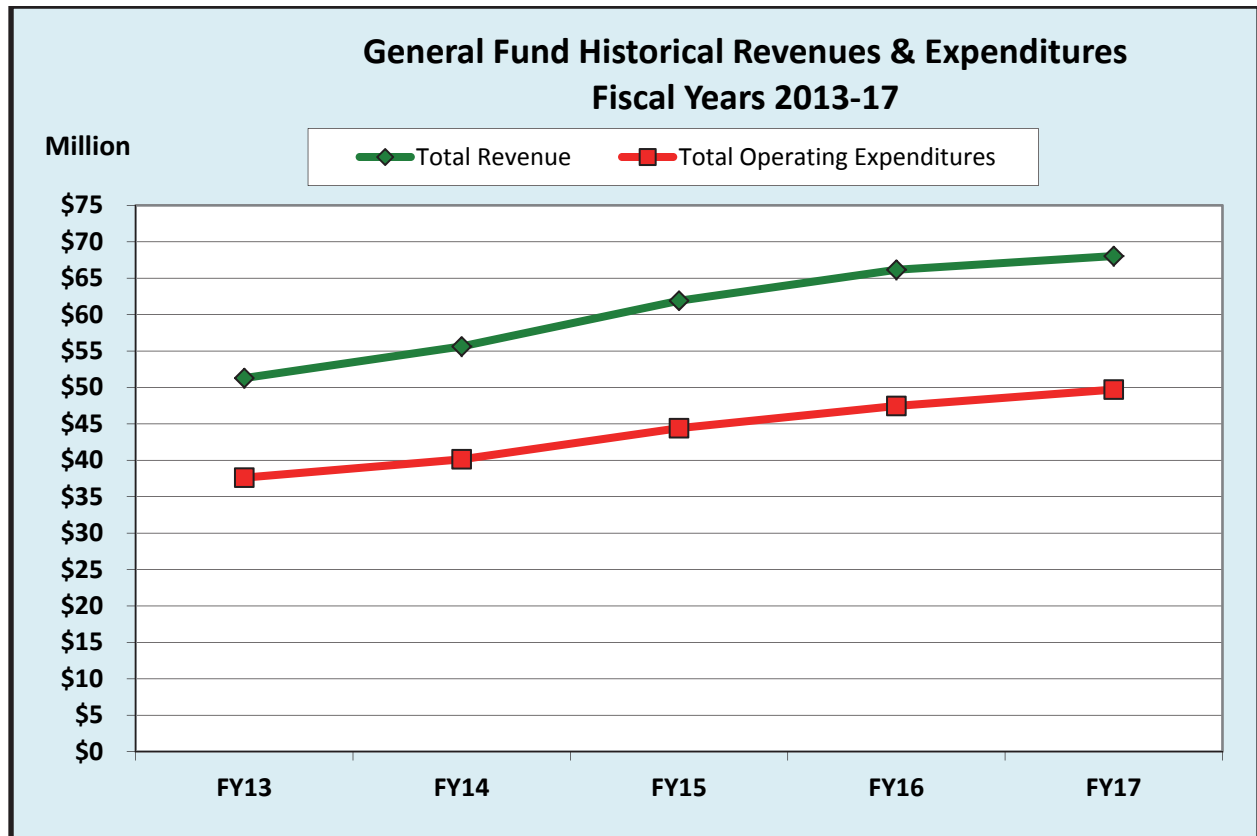
- Transient occupancy tax revenue for the year increased only slightly (0.7%) over prior year results, in line with the budget as adjusted at midyear.
- Property tax revenues also came in on budget, a 7.3% growth over prior year results.
- Sales and use tax revenue ended the year at \$12.1 million, in line with the budget as adjusted at midyear. These revenues are decreased from the prior year due only to a one-time adjustment as the State's "Triple Flip" revenue swap came to an end. Actual receipts reflected a 6% growth in taxable sales over the fiscal year.

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

<b>City of Burlingame Historical General Fund Expenditures (Amounts In Millions)</b>					
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Total Operating Expenditures</b>	\$37.61	\$40.14	\$44.41	\$47.46	\$49.71
<b>Dollar Change</b>	0.93	2.53	4.27	3.05	2.25
<b>Percentage Change</b>	2.53%	6.72%	10.63%	6.88%	4.74%

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The fiscal year 2016-17 adopted General Fund budget assumed operating expenditures of \$52.1 million, a growth of 5.5% 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 nearly \$3.2 million, or 6.1%.



**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, 2017**

City of Burlingame City Council Assigned General Fund Reserves (Amounts In Millions)					
	FY13	FY14	FY15	FY16	FY17
Economic Stability Reserve	\$5.00	\$6.00	\$13.30	\$15.70	\$16.20
Catastrophic Reserve	2.00	2.00	4.50	2.00	2.00
OPEB Reserve	4.80	-	-	-	-
General Plan Reserve	-	0.50	-	-	-
Contingency Reserve	0.50	0.50	0.50	0.50	0.50
Total Reserves	<b>12.30</b>	<b>9.00</b>	<b>18.30</b>	<b>18.20</b>	<b>18.70</b>
Encumbrances	0.16	0.41	0.47	0.44	0.69
Total Assigned Fund Balance	<b>\$12.46</b>	<b>\$9.41</b>	<b>\$18.77</b>	<b>\$18.64</b>	<b>\$19.39</b>

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, 2017, the unrestricted fund balance of \$33.0 million (\$33.3 million less non-spendable and restricted fund balance of \$0.2 million) represents 66.5% of General Fund operating expenditures of \$49.7 million.

City of Burlingame General Fund Balance as a Percentage of Operating Expenditures (Amounts In Millions)					
	FY13	FY14	FY15	FY16	FY17
<b>Expenditures:</b>	\$37.61	\$40.14	\$44.41	\$47.46	\$49.71
<b>Fund Balance:</b>	19.95	22.89	29.46	29.98	33.27
<b>% of Expenses:</b>	53.0%	57.0%	66.3%	63.2%	66.9%

**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 \$219.4 million on June 30, 2017, net of depreciation. Capital assets increased by 2.2% 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, 2017**

Capital Assets, Net of Accumulated Depreciation									
June 30, 2017									
(Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2017	2016	% Change	2017	2016	% Change	2017	2016	% Change
Land and other assets not being depreciated	\$42.03	\$40.94	2.7%	\$7.24	\$7.59	-4.6%	\$49.27	\$48.53	1.5%
Facilities, infrastructure and equipment	\$70.88	\$70.44	0.6%	\$99.25	\$95.71	3.7%	\$170.13	\$166.15	2.4%
<b>Total</b>	<b>\$112.91</b>	<b>\$111.38</b>	<b>1.4%</b>	<b>\$106.49</b>	<b>\$103.30</b>	<b>3.1%</b>	<b>\$219.40</b>	<b>\$214.68</b>	<b>2.2%</b>

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 the 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, 2017, the net pension liability for the City was computed to be \$57.7 million.

Outstanding Long-Term Obligations									
June 30, 2017									
(Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2017	2016	% Change	2017	2016	% Change	2017	2016	% Change
Bonds Due in More than One Year	\$48.86	\$55.44	-11.9%	\$44.67	\$46.67	-4.3%	\$93.53	\$102.11	-8.4%
Bonds Due Within One Year	5.12	4.26	20.0%	2.45	2.63	-6.8%	7.57	6.89	9.8%
Claims and Litigation	6.54	6.42	1.8%	-	-	0.0%	6.54	6.42	1.8%
Landfill Closure	-	-	0.0%	2.95	3.02	-2.2%	2.95	3.02	-2.2%
OPEB Obligation	12.98	13.03	-0.3%	2.94	2.95	-0.3%	15.92	15.98	-0.4%
Net Pension Liability <sup>(1)</sup>	48.36	39.15	23.5%	9.33	7.83	19.1%	57.69	46.98	22.8%
Compensated Absences	2.51	2.49	0.7%	0.31	0.25	25.8%	2.82	2.74	2.6%
<b>Total:</b>	<b>\$124.37</b>	<b>\$120.79</b>	<b>3.0%</b>	<b>\$62.65</b>	<b>\$63.35</b>	<b>-1.1%</b>	<b>\$187.02</b>	<b>\$184.14</b>	<b>1.6%</b>

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

As of June 30, 2017, the City had total long-term obligations of \$187.02 million, an increase of \$2.9 million from the prior year. Bonded debt outstanding was reduced by \$7.9 million due largely to regular debt service payments. In addition, two smaller loans, a Master Equipment Lease Purchase Agreement for \$0.5 million and a California Energy Commission loan for \$0.2 million were paid off as of June 30, 2017. More than half (\$54.0 million) of the City's total long-term outstanding debt relates to storm drain revenue bond financing and other governmental activities; the remainder (\$47.1 million) is comprised of loans and revenue bonds previously issued to support various capital projects overseen by the Water and Sewer enterprises. Taking advantage of historically low interest rates for municipal bonds, the City refinanced the 2007 Series water and wastewater bonds early in the fiscal year. The net present value savings from the 2016 refinancing was about \$3 million – approximately \$224,000 annual savings over the remaining 15 years of the original bonds. Short of additional debt financings, bonded debt obligations will decrease over time as principal amounts are paid off.

In addition, the City has several other long-term obligations. Landfill closure and post-closure liabilities are determined in order to capture the estimated cost of municipal solid waste landfill closure and post-closure care as required by federal and state regulations. Funds are then set aside to ensure adequate funding for the post-closure costs of the former Burlingame landfill, including the annual costs of monitoring and maintaining the former landfill, as the costs are incurred. Funding for this liability is currently provided through a portion of solid waste rates charged to City ratepayers. 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 2016-17. Additional information about Long Term Debt can be found in the Notes to the Basic Financial Statements under Note 6 – Long Term Debt.

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

The following factors were taken into consideration in preparing the fiscal year 2017-18 budget:

**Revenue Projections:** Each Year, City staff prepares a five-year forecast of revenues and expenditures for the General Fund early in the budget process. The adopted budget for 2017-18 assumed growth of approximately 4.7% in total General Fund revenue before transfers compared to the prior year adopted budget, largely due to positive changes in the economy evident in the 2016-17 fiscal (prior) year to date.

**Expenditures:** General Fund operating expenditures are expected to grow approximately 6.6%. Fiscal year 2017-18 departmental budgets of \$55.6 million provide for increases in pension costs, health care premiums for active employees, and slight increases in capital outlay. Overall appropriations including transfers (\$67.4 million) reflect a 7.5% increase from the 2016-17 adopted budget. Concerned over growing pension liabilities and in response to the sharply increasing employer rates to support the pensions provided by CalPERS (projected by the City's actuary), the Council directed that additional funding should be set aside annually in a 115 trust, at a rate that would smooth the projected increased employer contributions to CalPERS over the next 10-15 years. The amount of contributions for 2017-18 was determined to be \$3.7 million City wide. The General Fund contribution to this additional funding is \$3.1 million. The City Council also approved a set aside of \$3 million to fuel the City's Capital Investment Reserve within the Capital Projects Fund.

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

For the fiscal year ended June 30, 2018, the City will be implementing GASB 75 rules for post-employment benefits other than pensions (OPEB). This standard requires that OPEB liabilities such as retiree healthcare benefits be included in the Statement of Net Position, as opposed to disclosure in the notes to the financial statements. Although the City utilizes a trust mechanism to systematically fund these liabilities, similar to the accounting and reporting standards for pension obligations, this presentation will significantly decrease the City's net position. However, the implementation of this accounting standard does not reflect an actual change in financial condition, and will not impact the City's budgeted expenditures.

**General Fund Capital Improvements:** The City Council earmarked nearly \$6.3 million for capital improvements in the Five Year CIP Plan.

**Water and Sewer Rate Adjustments:** Upon completion of a rate study for the water utility in the fall of 2016, the City approved water rates increases for each of three years beginning January 1, 2017. The new rates were necessary to pay for the increased cost of water purchased from the San Francisco Public Utility Commission (SFPUC), and to upgrade and maintain the aging water system. The draught had a significant impact on both water and sewer operations, and a rate study for the sewer utility is planned.

**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 2018.

**Requests for Information**

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

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





# Comprehensive Annual Financial Report

June 30, 2017

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 106,573,165	\$ 53,856,266	\$ 160,429,431
Receivables (net of uncollectible amounts)			
Due from consumers	84,921	4,862,867	4,947,788
Due from other governments	1,721,668	385,080	2,106,748
Other receivables	4,855,710	265,719	5,121,429
Inventory	37,188		37,188
Prepaid items and deposits	214,992	8,571	223,563
Cash and investments, restricted	11,551,688	447,984	11,999,672
Internal balance	7,702	(7,702)	
Capital assets:			
Land and other assets not being depreciated	42,034,832	7,237,518	49,272,350
Facilities, infrastructure, and equipment, net of depreciation	70,870,911	99,248,909	170,119,820
<b>Total assets</b>	<b>237,952,777</b>	<b>166,305,212</b>	<b>404,257,989</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount of bond refunding		1,259,436	1,259,436
Deferred outflows related to pension	11,608,981	2,370,594	13,979,575
<b>Total deferred outflows of resources</b>	<b>11,608,981</b>	<b>3,630,030</b>	<b>15,239,011</b>
<b>LIABILITIES</b>			
Accounts payable	2,442,926	1,548,476	3,991,402
Retentions payable	130,149	254,123	384,272
Accrued payroll	496,738		496,738
Accrued interest	712,998	589,147	1,302,145
Deposits	1,515,294	1,047,980	2,563,274
Unearned revenue	107,393	39,531	146,924
Claims and litigation			
Due in one year	117,000		117,000
Due in more than one year	6,418,000		6,418,000
Compensated absences			
Due in one year	313,665	72,092	385,757
Due in more than one year	2,198,770	231,779	2,430,549
Landfill closure and post closure costs			
Due in one year		196,765	196,765
Due in more than one year		2,754,715	2,754,715
Net OPEB obligation			
Due in more than one year	12,984,116	2,941,013	15,925,129
Long-term debt			
Due in one year	5,117,529	2,449,091	7,566,620
Due in more than one year	48,860,628	44,674,244	93,534,872
Net pension liability, due in more than one year	48,363,098	9,330,409	57,693,507
<b>Total liabilities</b>	<b>129,778,304</b>	<b>66,129,365</b>	<b>195,907,669</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	3,358,829	647,962	4,006,791
<b>NET POSITION</b>			
Net investment in capital assets	82,624,274	61,070,512	143,694,786
Restricted for:			
Restricted amounts held with trustee	11,551,688	447,984	11,999,672
Capital projects	28,447,175	11,514,707	39,961,882
Burlingame Avenue Special Assessment District	419,344		419,344
Street and sidewalk repair and maintenance	2,965,225		2,965,225
Total restricted net position	43,383,432	11,962,691	55,346,123
Unrestricted	(9,583,081)	30,124,712	20,541,631
<b>Total net position</b>	<b>\$ 116,424,625</b>	<b>\$ 103,157,915</b>	<b>\$ 219,582,540</b>

See accompanying Notes to the Basic Financial Statements

**CITY OF BURLINGAME, CALIFORNIA**  
**Statement of Activities**  
**For the year ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 4,757,473	\$ 122,213	\$ 150,833		\$ 273,046
Public safety	25,710,443	1,074,370	289,088		1,363,458
Public works	7,352,541	4,315,616	202,963	\$ 150,400	4,668,979
Community development	1,385,533	5,899,669			5,899,669
Parks, recreation, and library	14,580,517	3,861,200	271,463		4,132,663
Shuttle operations	150,089		63,200		63,200
Interest	3,076,397				
<b>Total governmental activities</b>	<b>57,012,993</b>	<b>15,273,068</b>	<b>977,547</b>	<b>150,400</b>	<b>16,401,015</b>
<b>Business-type activities:</b>					
Water	13,805,918	16,374,763			16,374,763
Sewer	10,345,258	15,798,126			15,798,126
Waste management	675,468	779,922			779,922
Landfill	77,056	446,993			446,993
Parking	634,760	2,766,330			2,766,330
Building	2,054,352	4,086,789			4,086,789
<b>Total business-type activities</b>	<b>27,592,812</b>	<b>40,252,923</b>			<b>40,252,923</b>
<b>Total government-wide</b>	<b>\$ 84,605,805</b>	<b>\$ 55,525,991</b>	<b>\$ 977,547</b>	<b>\$ 150,400</b>	<b>\$ 56,653,938</b>

**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
\$ (4,484,427)		\$ (4,484,427)
(24,346,985)		(24,346,985)
(2,683,562)		(2,683,562)
4,514,136		4,514,136
(10,447,854)		(10,447,854)
(86,889)		(86,889)
(3,076,397)		(3,076,397)
<u>(40,611,978)</u>		<u>(40,611,978)</u>
	\$ 2,568,845	2,568,845
	5,452,868	5,452,868
	104,454	104,454
	369,937	369,937
	2,131,570	2,131,570
	2,032,437	2,032,437
	<u>12,660,111</u>	<u>12,660,111</u>
<u>(40,611,978)</u>	<u>12,660,111</u>	<u>(27,951,867)</u>
18,932,794		18,932,794
12,089,288		12,089,288
26,262,930		26,262,930
4,407,260		4,407,260
426,928	143,879	570,807
62,119,200	143,879	62,263,079
265,572	128,170	393,742
2,730,223	(2,730,223)	
<u>65,114,995</u>	<u>(2,458,174)</u>	<u>62,656,821</u>
24,503,017	10,201,937	34,704,954
91,921,608	92,955,978	184,877,586
<u>\$ 116,424,625</u>	<u>\$ 103,157,915</u>	<u>\$ 219,582,540</u>



# Comprehensive Annual Financial Report

June 30, 2017

## **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, 2017**

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and investments	\$ 30,151,721	\$ 3,126,209	\$ 102,119	\$ 44,472,655	\$ 10,437,627	\$ 88,290,331
Accounts receivable	5,447,684	85,270		554,130	263,282	6,350,366
Due from other governments	120,548					120,548
Due from other funds	103,778		7,702	109,821		221,301
Prepays and deposits	214,992					214,992
Cash and investments, restricted	11,725		11,426,971			11,438,696
<b>Total assets</b>	<b>\$ 36,050,448</b>	<b>\$ 3,211,479</b>	<b>\$ 11,536,792</b>	<b>\$ 45,136,606</b>	<b>\$ 10,700,909</b>	<b>\$ 106,636,234</b>
<b>Liabilities:</b>						
Accounts payable	\$ 559,391			\$ 1,626,307	\$ 55,141	\$ 2,240,839
Due to other funds			\$ 109,821		14,603	124,424
Retentions payable				130,149		130,149
Accrued payroll	496,738					496,738
Deposits	1,515,294					1,515,294
Unearned revenue	107,393					107,393
<b>Total liabilities</b>	<b>2,678,816</b>		<b>109,821</b>	<b>1,756,456</b>	<b>69,744</b>	<b>4,614,837</b>
<b>Deferred Inflows:</b>						
Unavailable revenue	99,232			521,079	78,865	699,176
<b>Total deferred inflows</b>	<b>99,232</b>			<b>521,079</b>	<b>78,865</b>	<b>699,176</b>
<b>Fund Balances:</b>						
Nonspendable	214,992					214,992
Restricted	11,725	\$ 3,211,479	11,426,971		10,557,532	25,207,707
Committed				22,359,071		22,359,071
Assigned	19,386,210			20,500,000		39,886,210
Unassigned	13,659,473				(5,232)	13,654,241
<b>Total fund balances</b>	<b>33,272,400</b>	<b>3,211,479</b>	<b>11,426,971</b>	<b>42,859,071</b>	<b>10,552,300</b>	<b>101,322,221</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 36,050,448</b>	<b>\$ 3,211,479</b>	<b>\$ 11,536,792</b>	<b>\$ 45,136,606</b>	<b>\$ 10,700,909</b>	<b>\$ 106,636,234</b>

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, 2017**

<b>Fund balance – total governmental funds</b>	\$ 101,322,221
Amounts reported for governmental activities in the statement of net assets are different because:	
<b>CAPITAL ASSETS</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	111,663,210
<b>LONG TERM LIABILITIES</b>	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(2,457,657)
Long-term debt	(53,978,157)
Net OPEB obligation	(12,984,116)
Net Pension Liability	(46,761,308)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(712,998)
<b>DEFERRED INFLOWS AND OUTFLOWS</b>	
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	11,202,011
Deferred Inflows	(3,247,591)
Unavailable revenues	699,176
<b>ALLOCATION OF INTERNAL SERVICES FUND NET ASSETS</b>	
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.	<u>11,679,834</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 116,424,625</u></u>

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, 2017**

	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Property taxes	\$ 18,932,794					\$ 18,932,794
Sales and use taxes	12,089,288					12,089,288
Transient occupancy taxes	26,262,930					26,262,930
Other taxes	3,024,388					3,024,388
Charges for services - fees	6,023,354	\$ 2,795,522		\$ 17,581	\$ 5,447,038	14,283,495
Charges for services - licenses and permits	88,069					88,069
Fines, forfeitures, and penalties	898,184					898,184
Investment income	184,900	48,636	\$ 50,757		24,996	309,289
Intergovernmental taxes					1,382,872	1,382,872
Grant revenue	281,915			62,248	434,496	778,659
Other revenue	256,928		168,664	1,336		426,928
<b>Total revenues</b>	<b>68,042,750</b>	<b>2,844,158</b>	<b>219,421</b>	<b>81,165</b>	<b>7,289,402</b>	<b>78,476,896</b>
<b>EXPENDITURES:</b>						
Current:						
General government	4,874,250		24,590	211,477	37,579	5,147,896
Public safety	25,517,278			39,156	89,257	25,645,691
Public works	4,456,524			1,781,053		6,237,577
Community development	1,530,975					1,530,975
Parks, recreation, and library	13,228,912			163,746	197,582	13,590,240
Shuttle operations					150,089	150,089
Capital Outlay	99,544			4,763,657		4,863,201
Debt service:						
Principal			5,596,076			5,596,076
Interest			3,181,804			3,181,804
<b>Total expenditures</b>	<b>49,707,483</b>		<b>8,802,470</b>	<b>6,959,089</b>	<b>474,507</b>	<b>65,943,549</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>18,335,267</b>	<b>2,844,158</b>	<b>(8,583,049)</b>	<b>(6,877,924)</b>	<b>6,814,895</b>	<b>12,533,347</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	3,110,347		8,009,155	15,138,442	120,500	26,378,444
Transfer out	(18,151,362)	(2,267,410)	(713,442)		(2,516,007)	(23,648,221)
<b>Total other financing (uses) sources</b>	<b>(15,041,015)</b>	<b>(2,267,410)</b>	<b>7,295,713</b>	<b>15,138,442</b>	<b>(2,395,507)</b>	<b>2,730,223</b>
<b>Net change in fund balances</b>	<b>3,294,252</b>	<b>576,748</b>	<b>(1,287,336)</b>	<b>8,260,518</b>	<b>4,419,388</b>	<b>15,263,570</b>
<b>FUND BALANCES:</b>						
Beginning of year	29,978,148	2,634,731	12,714,307	34,598,553	6,132,912	86,058,651
End of year	\$ 33,272,400	\$ 3,211,479	\$ 11,426,971	\$ 42,859,071	\$ 10,552,300	\$ 101,322,221

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, 2017**

**Net change in fund balances – total governmental funds** \$ 15,263,570

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	4,863,201
Expenses being added due to difference in capital outlay and capital asset additions	(74,111)

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.	(2,902,964)
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**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	(22,064)
Amortization of bond premium	127,471
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets:	
Principal payments	5,596,076

**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	(32,688)
Pension Expense	516,746
Net other post-employment benefits obligation expense	41,018
Unavailable revenues recognized as revenue in prior year	352,608

**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	774,154
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<b>Change in net position of governmental activities</b>	<b>\$ 24,503,017</b>
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See accompanying Notes to the Basic Financial Statements



# Comprehensive Annual Financial Report

June 30, 2017

## **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  
6/30/2017**

	<b>Enterprise Funds</b>		
	Water Fund	Sewer Fund	Waste Management Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets:			
Cash and investments	\$ 15,906,062	\$ 16,776,287	\$ 4,626,709
Receivables (net of uncollectible amounts):			
Due from other governments	10,102	367,246	7,732
Due from consumers	2,432,585	2,430,282	
Other receivables	50,965	51,136	79,627
Prepays and deposits			
Inventory			
Total current assets	<u>18,399,714</u>	<u>19,624,951</u>	<u>4,714,068</u>
Noncurrent assets:			
Cash and investments, restricted		447,984	
Capital assets:			
Land and other assets not being depreciated	348,333	1,119,826	
Facilities, infrastructure, and equipment, net of depreciation	<u>32,613,996</u>	<u>65,103,983</u>	
Total noncurrent assets	<u>32,962,329</u>	<u>66,671,793</u>	
Total assets	<u>51,362,043</u>	<u>86,296,744</u>	<u>4,714,068</u>
Deferred outflows of resources:			
Deferred amount on bond refunding	723,541	535,895	
Deferred outflows related to pensions	<u>837,229</u>	<u>704,074</u>	<u>114,620</u>
Total deferred outflows of resources	<u>1,560,770</u>	<u>1,239,969</u>	<u>114,620</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 52,922,813</u>	<u>\$ 87,536,713</u>	<u>\$ 4,828,688</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Current liabilities:			
Accounts payable	\$ 906,437	\$ 376,126	\$ 69,689
Due to other funds	3,851	3,851	
Accrued interest	191,024	398,123	
Retentions payable	124,054	130,069	
Deposits	13,837		
Unearned revenue	39,531		
Claims and litigation due in one year			
Bonds payable due in one year	993,672	1,455,419	
Compensated absences due in one year	38,649	20,090	800
Landfill closure and post-closure liability due in one year			
Total current liabilities	<u>2,311,055</u>	<u>2,383,678</u>	<u>70,489</u>
Noncurrent liabilities:			
Advances from other funds			
Bonds payable	20,268,571	24,405,673	
Landfill closure and post closure liability			
Other post-employment benefits obligation payable	1,000,702	948,282	89,184
Claims and litigation			
Compensated absences	103,234	82,604	4,750
Net pension liability	<u>3,295,244</u>	<u>2,771,161</u>	<u>451,133</u>
Total noncurrent liabilities	<u>24,667,751</u>	<u>28,207,720</u>	<u>545,067</u>
Total liabilities	<u>26,978,806</u>	<u>30,591,398</u>	<u>615,556</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	228,842	192,447	31,330
<b>Total liabilities and deferred inflows of resources</b>	<u>\$ 27,207,648</u>	<u>\$ 30,783,845</u>	<u>\$ 646,886</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 12,423,627	\$ 41,346,596	
Restricted for capital projects	4,710,352	6,265,073	
Restricted amounts held with trustee		447,984	
Unrestricted	<u>8,581,186</u>	<u>8,693,215</u>	<u>\$ 4,181,802</u>
<b>Total net position</b>	<u>\$ 25,715,165</u>	<u>\$ 56,752,868</u>	<u>\$ 4,181,802</u>

See accompanying Notes to the Basic Financial Statements

**Enterprise Funds**

Landfill Fund	Parking Fund	Building Fund	Total	Governmental Activities- Internal Service Funds
\$ 1,148,920	\$ 7,585,211	\$ 7,813,077	\$ 53,856,266	\$ 18,282,834
			385,080	45,935
41,289	22,462	20,240	4,862,867	145,450
	8,571		265,719	
			8,571	
<u>1,190,209</u>	<u>7,616,244</u>	<u>7,833,317</u>	<u>59,378,503</u>	<u>37,188</u>
				<u>18,511,407</u>
			447,984	112,992
	5,769,359		7,237,518	
	1,530,930		99,248,909	1,242,533
	7,300,289		106,934,411	1,355,525
<u>1,190,209</u>	<u>14,916,533</u>	<u>7,833,317</u>	<u>166,312,914</u>	<u>19,866,932</u>
			1,259,436	
1,370	383,812	329,489	2,370,594	406,970
1,370	383,812	329,489	3,630,030	406,970
<u>\$ 1,191,579</u>	<u>\$ 15,300,345</u>	<u>\$ 8,162,806</u>	<u>\$ 169,942,944</u>	<u>\$ 20,273,902</u>
\$ 20,006	\$ 29,434	\$ 146,784	\$ 1,548,476	\$ 202,087
			7,702	89,175
			589,147	
			254,123	
		1,034,143	1,047,980	
			39,531	
				117,000
			2,449,091	
	907	11,646	72,092	8,130
<u>196,765</u>	<u>907</u>	<u>11,646</u>	<u>196,765</u>	<u>8,130</u>
<u>216,771</u>	<u>30,341</u>	<u>1,192,573</u>	<u>6,204,907</u>	<u>416,392</u>
			44,674,244	
2,754,715			2,754,715	
	495,502	407,343	2,941,013	6,418,000
	18,606	22,585	231,779	46,648
<u>5,391</u>	<u>1,510,645</u>	<u>1,296,835</u>	<u>9,330,409</u>	<u>1,601,790</u>
<u>2,760,106</u>	<u>2,024,753</u>	<u>1,726,763</u>	<u>59,932,160</u>	<u>8,066,438</u>
<u>2,976,877</u>	<u>2,055,094</u>	<u>2,919,336</u>	<u>66,137,067</u>	<u>8,482,830</u>
			647,962	111,238
374	104,909	90,060		
<u>\$ 2,977,251</u>	<u>\$ 2,160,003</u>	<u>\$ 3,009,396</u>	<u>\$ 66,785,029</u>	<u>\$ 8,594,068</u>
	\$ 7,300,289		\$ 61,070,512	\$ 1,242,533
	539,282		11,514,707	
			447,984	112,992
<u>\$ (1,785,672)</u>	<u>5,300,771</u>	<u>\$ 5,153,410</u>	<u>30,124,712</u>	<u>10,324,309</u>
<u>\$ (1,785,672)</u>	<u>\$ 13,140,342</u>	<u>\$ 5,153,410</u>	<u>\$ 103,157,915</u>	<u>\$ 11,679,834</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>OPERATING REVENUES:</b>			
Water sales	\$ 16,179,963		
Sewer service charges:			
City of Burlingame users		\$ 14,214,516	
Other agencies		1,356,845	
Special surcharges			\$ 779,922
Parking fees			
Charges for services	194,800	226,765	
Other revenue	10,473	23,780	38,915
<b>Total operating revenues</b>	<u>16,385,236</u>	<u>15,821,906</u>	<u>818,837</u>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	2,285,150	2,375,411	324,039
Retiree medical benefit			
Supplies and services	1,141,541	4,510,080	350,590
Water purchases	7,443,456		
Depreciation	2,059,658	2,405,022	
Insurance claims and expenses	63,453	196,173	839
<b>Total operating expenses</b>	<u>12,993,258</u>	<u>9,486,686</u>	<u>675,468</u>
<b>Operating income</b>	<u>3,391,978</u>	<u>6,335,220</u>	<u>143,369</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	33,969	37,283	9,163
Interest expense	(812,660)	(858,572)	
<b>Net nonoperating revenues (expenses)</b>	<u>(778,691)</u>	<u>(821,289)</u>	<u>9,163</u>
<b>Income before transfers</b>	2,613,287	5,513,931	152,532
Transfers in	49,117		35,356
Transfers out	(1,233,055)	(1,048,354)	(184,392)
<b>Net change in net position</b>	1,429,349	4,465,577	3,496
<b>NET POSITION:</b>			
Net position - beginning (deficit)	24,285,816	52,287,291	4,178,306
Net position - end of year (deficit)	<u>\$ 25,715,165</u>	<u>\$ 56,752,868</u>	<u>\$ 4,181,802</u>

See accompanying Notes to the Basic Financial Statements

Enterprise Funds				Governmental Activities- Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total	
			\$ 16,179,963	
			14,214,516	
\$ 446,993			1,356,845	
	\$ 2,766,330		1,226,915	
		\$ 4,086,789	2,766,330	
		70,711	4,508,354	\$ 10,231,173
			143,879	145,718
<u>446,993</u>	<u>2,766,330</u>	<u>4,157,500</u>	<u>40,396,802</u>	<u>10,376,891</u>
29,053	193,526	926,546	6,133,725	1,400,682
48,003	323,994	1,125,340	7,499,548	4,402,957
	116,665		7,443,456	2,212,115
	575	2,466	4,581,345	582,339
			263,506	1,048,361
<u>77,056</u>	<u>634,760</u>	<u>2,054,352</u>	<u>25,921,580</u>	<u>9,646,454</u>
<u>369,937</u>	<u>2,131,570</u>	<u>2,103,148</u>	<u>14,475,222</u>	<u>730,437</u>
6,089	20,886	20,780	128,170	43,717
			(1,671,232)	
<u>6,089</u>	<u>20,886</u>	<u>20,780</u>	<u>(1,543,062)</u>	<u>43,717</u>
376,026	2,152,456	2,123,928	12,932,160	774,154
		97,792	182,265	
	(319,531)	(127,156)	(2,912,488)	
<u>376,026</u>	<u>1,832,925</u>	<u>2,094,564</u>	<u>10,201,937</u>	<u>774,154</u>
(2,161,698)	11,307,417	3,058,846	92,955,978	10,905,680
<u>\$ (1,785,672)</u>	<u>\$ 13,140,342</u>	<u>\$ 5,153,410</u>	<u>\$ 103,157,915</u>	<u>\$ 11,679,834</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 15,973,384	\$ 16,136,989	\$ 810,167
Receipts from other funds			
Payments to other funds	(774)	(774)	
Payments to suppliers	(8,651,869)	(5,185,502)	(331,173)
Payments to retirees			
Receipts from claims and litigation			
Payments to employees for services	(2,693,508)	(2,806,697)	(337,854)
<b>Net cash provided by (used in) operating activities</b>	<u>4,627,233</u>	<u>8,144,016</u>	<u>141,140</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds	49,117		35,356
Transfers to other funds	(1,233,055)	(1,048,354)	(184,392)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(1,183,938)</u>	<u>(1,048,354)</u>	<u>(149,036)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(3,285,001)	(4,111,897)	
Proceeds from issuance of debt	10,748,233	9,830,805	
Principal paid on long-term debt	(11,435,000)	(10,978,240)	
Interest paid on long-term debt	(842,039)	(902,011)	
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(4,813,807)</u>	<u>(6,161,343)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest paid on investments			
Interest received on investments	33,969	37,283	9,163
<b>Net cash provided by (used in) investing activities</b>	<u>33,969</u>	<u>37,283</u>	<u>9,163</u>
<b>Net increase (decrease) in cash and equivalents</b>	(1,336,543)	971,602	1,267
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	17,242,605	16,252,669	4,625,442
End of year	<u>\$ 15,906,062</u>	<u>\$ 17,224,271</u>	<u>\$ 4,626,709</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income	\$ 3,186,537	\$ 6,200,585	\$ 143,369
Adjustments for noncash activities:			
Depreciation and amortization	2,059,658	2,405,022	
Changes in assets and liabilities:			
Receivables	(417,190)	541,848	(8,670)
Prepaid / Inventories			
Deferred outflows	(887,383)	(803,564)	(75,805)
Due to other funds	(774)	(774)	
Accounts payable	77,968	(469,579)	20,256
Deposits	2,437		
Retentions payable	124,054	124,965	
Unearned revenue	2,901	(226,765)	
Compensated absences	39,192	2,236	1,797
Claims and litigations liabilities			
Net pension liabilities	528,532	444,474	72,358
Other post-employment benefits obligation	(2,915)	(2,292)	(421)
Deferred inflows	(85,784)	(72,140)	(11,744)
Total adjustments	<u>1,440,696</u>	<u>1,943,431</u>	<u>(2,229)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 4,627,233</u>	<u>\$ 8,144,016</u>	<u>\$ 141,140</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>			
Cash and investments – current	\$ 15,906,062	\$ 16,776,287	\$ 4,626,709
Cash and investments, restricted		447,984	
<b>Cash and cash equivalents on statement of cash flows</b>	<u>\$ 15,906,062</u>	<u>\$ 17,224,271</u>	<u>\$ 4,626,709</u>
Non-cash transactions			
Amortization of Bond Premiums	\$ 205,441	\$ 138,212	
Amortization of Bond Discounts		(3,577)	
	<u>\$ 205,441</u>	<u>\$ 134,635</u>	

See accompanying Notes to the Basic Financial Statements

Enterprise Funds

Landfill Fund	Parking Fund	Building Fund	Total	Governmental Activities- Internal Service Funds
\$ 443,271	\$ 2,758,957	\$ 4,481,872	\$ 40,604,640	\$ 10,305,011
(35,140)	(322,714)	(1,150,574)	(1,548)	(3,565,479)
(29,234)	(245,827)	(960,029)	(7,073,149)	(4,402,957)
378,897	2,190,416	2,371,269	17,852,971	86,000
				(1,438,376)
				984,199
		97,792	182,265	190,672
	(319,531)	(127,156)	(2,912,488)	
	(319,531)	(29,364)	(2,730,223)	190,672
	(373,997)		(7,770,895)	(222,575)
(65,819)			20,579,038	
			(22,479,059)	
			(1,744,050)	
(65,819)	(373,997)		(11,414,966)	(222,575)
				(501)
6,089	20,886	20,780	128,170	44,218
6,089	20,886	20,780	128,170	43,717
319,167	1,517,774	2,362,685	3,835,952	996,013
829,753	6,067,437	5,450,392	50,468,298	17,399,813
\$ 1,148,920	\$ 7,585,211	\$ 7,813,077	\$ 54,304,250	\$ 18,395,826
\$ 369,937	\$ 2,131,570	\$ 2,103,148	\$ 14,135,146	\$ 730,437
	116,665		4,581,345	582,339
(3,722)	(7,373)	(7,011)	97,882	(71,880)
(906)	(253,839)	(217,912)	(2,239,409)	20,001
12,863	1,855	(22,768)	(1,548)	(269,156)
		331,383	(379,405)	(325,004)
			333,820	
			249,019	
			(223,864)	
	(236)	11,302	54,291	(14,754)
865	242,296	208,002	1,496,527	117,000
	(1,196)	(1,115)	(7,939)	256,915
(140)	(39,326)	(33,760)	(242,894)	(41,699)
8,960	58,846	268,121	3,717,825	253,762
\$ 378,897	\$ 2,190,416	\$ 2,371,269	\$ 17,852,971	\$ 984,199
\$ 1,148,920	\$ 7,585,211	\$ 7,813,077	\$ 53,856,266	\$ 18,282,834
\$ 1,148,920	\$ 7,585,211	\$ 7,813,077	447,984	112,992
			\$ 343,653	
			(3,577)	
			\$ 340,076	

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**6/30/2017**

	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 242,281
Accounts receivable	760,834
Prepays	3,806
<b>Total assets</b>	<b><u>\$ 1,006,921</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 237,623
Due to other governmental units	769,298
<b>Total liabilities</b>	<b><u>\$ 1,006,921</u></b>

See accompanying Notes to the Basic Financial Statements

**CITY OF BURLINGAME, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Definition of the Reporting Entity**

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

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

**Blended Component Units**

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

**Burlingame Financing Authority**

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

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

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

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

**Government-Wide Financial Statements**

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

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

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

**Governmental Fund Financial Statements**

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

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

*Governmental Fund Financial Statements (Continued)*

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

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

*Governmental Fund Financial Statements (Continued)*

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

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

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

*Proprietary Fund Financial Statements*

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

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

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

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

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



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

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

*Proprietary Fund Financial Statements (Continued)*

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

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

The Building Fund is used to account for 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, 2017**

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

**F. Inventories and Prepaid Items**

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

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

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

**G. Property Taxes**

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

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

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

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

**H. Use of Estimates and Reclassifications**

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

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

**A. Basis of Budgeting**

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

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

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

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

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

*Budget Development and Adoption*

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

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

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

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

Expenditures did not exceed budgetary appropriations for the year ended June 30, 2017 except for the Local Grants Special Revenue Fund. However, 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.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017:

	Government-Wide			Total
	Statement of Net Position		Fiduciary Funds	
	Governmental Activities	Business-Type Activities		
Cash and investments	\$ 106,573,165	\$ 53,856,266	\$ 242,281	\$ 160,671,712
Cash and investments, restricted		447,984		447,984
Cash and investments, restricted, held with fiscal agents	11,551,688			11,551,688
Total cash and investments	<u>\$ 118,124,853</u>	<u>\$ 54,304,250</u>	<u>\$ 242,281</u>	<u>\$ 172,671,384</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

The City's cash and investments at June 30, 2017 in more detail:

	<u>Fair Value</u>
<u>Cash and Investments Held with Treasury</u>	
Deposits	
Deposits - unrestricted	\$ 15,077,343
Deposits - restricted	<u>11,551,688</u>
Total deposits	<u>26,629,031</u>
Investments -unrestricted	
U.S. Treasury Bond/Note	21,968,967
Federal Agency Obligations	35,776,434
Certificates of Deposit	11,438,763
Commercial paper	4,383,302
Corporate notes	19,056,019
California Local Agency Investment Funds	<u>53,418,868</u>
Total investments	<u>146,042,353</u>
Unrestricted, held with Treasury	160,671,713
Restricted, held with Treasury	<u>447,983</u>
Total Cash and Investments Held With Treasury	<u>161,119,696</u>
<u>Restricted Cash Held with Fiscal Agent</u>	
Cash held by fiscal agent - Bank of New York	11,426,971
Cash held by fiscal agent - J. P. Morgan Chase	112,992
Cash held by fiscal agent - Bank of America	<u>11,725</u>
Total restricted cash and investments held with fiscal agent	<u>11,551,688</u>
Total Cash and Investments	<u>\$ 172,671,384</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 \$15,011,522 at June 30, 2017. Bank balances before reconciling items were \$17,153,283. 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.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

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

Valuation

For the purposes of the Statement of Cash Flows, the City considers cash and cash equivalents to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest income from investment of pooled cash is allocated to the funds based on monthly cash balances.

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>Investments by Fair Value Level:</b>			
U.S. Treasury Bond/Note	\$ 21,968,967		\$ 21,968,967
Federal Agency Obligations		\$ 35,776,434	35,776,434
Commercial paper		4,383,302	4,383,302
Corporate notes		19,056,019	19,056,019
<b>Subtotal</b>	<u>\$ 21,968,967</u>	<u>\$ 59,215,755</u>	
<b>Investments measured at Amortized Cost:</b>			
California Local Agency Investment Fund			53,418,868
Certificates of Deposit			<u>11,438,763</u>
<b>Total Investments</b>			<u>\$ 146,042,353</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

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

Concentration of Credit Risk

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

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 6,594,497
Federal National Mortgage Association	Federal Agency Securities	17,868,675
Federal Home Loan Bank	Federal Agency Securities	11,313,262

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			\$ 21,968,967	\$ 21,968,967	15.04%
Federal Agency Obligations		\$ 3,018,331	32,758,103	35,776,434	24.50%
Certificates of Deposit		11,438,763		11,438,763	7.83%
Commercial paper	\$ 4,383,302			4,383,302	3.00%
Corporate notes	9,505,068	4,856,118	4,694,833	19,056,019	13.05%
California Local Agency Investment Fund	53,418,868			53,418,868	36.58%
Total Investments	<u>\$ 67,307,238</u>	<u>\$ 19,313,212</u>	<u>\$ 59,421,903</u>	<u>\$ 146,042,353</u>	<u>100.00%</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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	\$ 21,968,967	Aaa
Federal Agency Obligations	35,776,434	Aaa
Corporate Notes:		
General Electric Cap Corp Notes	1,592,483	A1
GlaxoSmithKline Cap Inc. Notes	1,593,777	A2
American Express Crd Crp Note (Callable)	1,760,422	A2
Toyota Motors Credit Corp	2,000,980	Aa3
Wells Fargo & Company Notes	1,778,868	A2
JP Morgan Securities	1,076,270	A3
US Bancorp (Callable) Corporate Notes	1,774,661	A1
Bank of New York Mellon NT (Callable)	1,802,600	A1
John Deere Capital Securities	220,574	A2
JP Morgan Chase Securities (Callable)	981,125	A3
Well Fargo Corp Notes	968,339	A2
Branch Banking & Trust Corp Note	1,488,300	A2
IBM Corp Global Notes	2,017,620	A1
Certificates of Deposit	11,438,763	FDIC Insured
Commercial paper	4,383,302	Not Rated
California - Local Agency Investment Fund	53,418,868	Not Rated
	<u>\$ 146,042,353</u>	

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the City’s investments in securities are held in the name of the City. The City’s custody agreement policy prohibits counterparties holding securities not in the City’s name.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017, these investments have an average maturity of 194 days.

**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, 2017, are as follows:

Transfers Out	Transfer In							Total Out	
	General Fund	Debt Service Fund	Capital Projects Fund	Non Major	Water Fund	Waste Management Fund	Building Fund		
General Fund		\$ 5,756,745	\$ 12,225,000	\$ 120,500	\$ 49,117			\$ 18,151,362	(c)
Storm Drain Fund	\$ 15,000	2,252,410						2,267,410	(d)
Debt Service Fund			713,442					713,442	(b)
Non Major	316,007		2,200,000					2,516,007	(b)
Water Fund	1,233,055							1,233,055	(a)
Sewer Fund	1,048,354							1,048,354	(a)
Waste Management Fund	86,600						\$ 97,792	184,392	(a)
Parking Fund	319,531							319,531	(a)
Building Enterprise Fund	91,800					\$ 35,356		127,156	(a)
Total In	\$ 3,110,347	\$ 8,009,155	\$ 15,138,442	\$ 120,500	\$ 49,117	\$ 35,356	\$ 97,792	\$ 26,560,709	

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

**B. Advances Between Funds**

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. In fiscal year 2017, the General Fund paid off the Equipment Services Fund.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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.

<b>Due To</b>	<b>Due From</b>					
	Debt Service Fund	Non-major Funds	Water Fund	Sewer Fund	Internal Service Funds	Total Due From
Capital Projects Fund	\$ 109,821					\$ 109,821
Debt Service Fund			\$ 3,851	\$ 3,851		7,702
General Fund		\$ 14,603			\$ 89,175	103,778
Totals	\$ 109,821	\$ 14,603	\$ 3,851	\$ 3,851	\$ 89,175	\$ 221,301

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 5 – CAPITAL ASSETS**

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

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

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

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017, the City does not have intangible assets.

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

Capital asset activity for the year ended June 30, 2017, relating to governmental activities was as follows:

<b>Total Governmental Activities</b>	Balance July 01, 2016	Increases	Decreases	Transfers	Balance June 30, 2017
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	<u>1,585,627</u>	<u>\$ 4,689,547</u>		<u>\$ (3,595,527)</u>	<u>2,679,647</u>
Total capital assets, not being depreciated	40,940,812	4,689,547		(3,595,527)	42,034,832
Capital assets being depreciated:					
Buildings and structures	42,000,894	49,038			42,049,932
Improvements other than buildings	33,123,682			3,370,828	36,494,510
Machinery and equipment	19,216,101	273,080	\$ (153,203)	160,581	19,496,559
Infrastructure	<u>54,784,980</u>			<u>64,118</u>	<u>54,849,098</u>
Total capital assets, being depreciated	149,125,657	322,118	(153,203)	3,595,527	152,890,099
Less accumulated depreciation for:					
Buildings and structures	16,632,226	826,090			17,458,316
Improvements other than buildings	27,979,879	577,064			28,556,943
Machinery and equipment	15,639,510	1,231,171	(153,203)		16,717,478
Infrastructure	<u>18,435,473</u>	<u>850,978</u>			<u>19,286,451</u>
Total accumulated depreciation	78,687,088	3,485,303	(153,203)		82,019,188
Total capital assets, being depreciated, net	<u>70,438,569</u>	<u>(3,163,185)</u>		<u>3,595,527</u>	<u>70,870,911</u>
Governmental activities capital assets, net	<u>\$ 111,379,381</u>	<u>\$ 1,526,362</u>			<u>\$ 112,905,743</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 5 – CAPITAL ASSETS (Continued)**

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

Capital asset activity for the year ended June 30, 2017, relating to business-type activities was as shown below.

Total Business-type Activities	Balance	Increases	Decreases	Transfers	Balance
	July 01, 2016				June 30, 2017
Capital assets not being depreciated:					
Land	\$ 6,357,188				\$ 6,357,188
Construction in progress	<u>1,232,645</u>	<u>\$ 7,543,479</u>		<u>\$ (7,895,794)</u>	<u>880,330</u>
Total capital assets, not being depreciated	7,589,833	7,543,479		(7,895,794)	7,237,518
Capital assets being depreciated:					
Buildings and structures	2,949,994			974,057	3,924,051
Improvements other than buildings	<u>161,230,488</u>	<u>207,722</u>		<u>6,277,821</u>	<u>167,716,031</u>
Machinery and equipment	<u>6,647,338</u>	<u>19,694</u>	<u>\$ (11,539)</u>	<u>643,916</u>	<u>7,299,409</u>
Total capital assets, being depreciated	170,827,820	227,416	(11,539)	7,895,794	178,939,491
Less accumulated depreciation for:					
Buildings and structures	1,340,334	80,137			1,420,471
Improvements other than buildings	<u>68,886,080</u>	<u>4,129,276</u>			<u>73,015,356</u>
Machinery and equipment	<u>4,894,362</u>	<u>371,932</u>	<u>(11,539)</u>		<u>5,254,755</u>
Total accumulated depreciation	75,120,776	4,581,345	(11,539)		79,690,582
Total capital assets, being depreciated, net	<u>95,707,044</u>	<u>(4,353,929)</u>		<u>7,895,794</u>	<u>99,248,909</u>
Business-type activities capital assets, net	<u>\$ 103,296,877</u>	<u>\$ 3,189,550</u>			<u>\$ 106,486,427</u>

**C. Depreciation Expense**

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

	Depreciation	Less: ISF	Net
Governmental activities:			
General government	\$ 121,192		\$ 121,192
Public safety	427,487		427,487
Public works	1,782,111	\$ (582,339)	1,199,772
Parks, recreation, and library	<u>1,154,513</u>		<u>1,154,513</u>
Total depreciation expense - governmental activities	<u>\$ 3,485,303</u>	<u>\$ (582,339)</u>	<u>\$ 2,902,964</u>
Business-type activities:			
Water	\$ 2,059,658		
Sewer	2,405,022		
Parking	<u>116,665</u>		
Total depreciation expense - business-type activities	<u>\$ 4,581,345</u>		

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017**

**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, 2017:

Description	Beginning Balance June 30, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Pension Obligation Bonds, Series 2006	\$ 15,050,000		\$ (2,905,000)	\$12,145,000	\$ 3,175,000
Storm Drainage Revenue Bonds, Series 2010	8,485,000		(240,000)	8,245,000	250,000
- Unamortized Premium	165,240		(7,790)	157,450	(7,790)
Storm Drainage Revenue Bonds, Series 2012	9,665,000		(290,000)	9,375,000	300,000
- Unamortized Premium	239,790		(10,657)	229,133	(10,657)
Lease Revenue Refunding Bonds, Series 2010	5,270,000		(990,000)	4,280,000	1,020,000
- Unamortized Premium	271,824		(54,365)	217,459	(54,365)
Lease Revenue Bonds, Series 2012	9,285,000		(215,000)	9,070,000	225,000
- Unamortized Premium	213,739		(8,066)	205,673	(8,066)
Master Equipment Lease Purchase Agreement, 2011	462,866		(462,866)		
California Energy Commission, 2012	228,210		(228,210)		
Storm Drainage Revenue Bonds, Series 2016	9,340,000		(265,000)	9,075,000	275,000
- Unamortized Premium	1,025,035		(46,593)	978,442	(46,593)
<b>Total Governmental Activities</b>	<b>\$ 59,701,704</b>		<b>\$ (5,723,547)</b>	<b>\$53,978,157</b>	<b>\$ 5,117,529</b>
<b>Business-Type Activities:</b>					
State Water Resource Loan - 2003	\$ 6,793,867		\$ (544,229)	\$ 6,249,638	\$ 557,835
State Water Resource Loan - 2010	4,793,742		(234,011)	4,559,731	240,797
Water and Wastewater Revenue Bonds, Series 2007	19,525,000		(19,525,000)		
- Unamortized Premium	19,113		(19,113)		
- Unamortized Discount	(3,577)		3,577		
Water and Wastewater Refunding Bonds, Series 2011	4,500,000		(290,000)	4,210,000	300,000
- Unamortized Premium	416,658		(34,721)	381,937	(34,721)
Water and Wastewater Refunding Bonds, Series 2013	12,080,000		(735,000)	11,345,000	755,000
- Unamortized Premium	1,172,811		(90,216)	1,082,595	(90,216)
Water and Wastewater Refunding Bonds, Series 2016		\$ 17,585,000	(1,085,000)	16,500,000	920,000
- Unamortized Premium		2,994,038	(199,604)	2,794,434	(199,604)
<b>Total Business-Type Activities</b>	<b>\$ 49,297,614</b>	<b>\$ 20,579,038</b>	<b>\$ (22,753,317)</b>	<b>\$47,123,335</b>	<b>\$ 2,449,091</b>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 6 – LONG-TERM DEBT (Continued)**

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

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

In September 2006, the City issued \$32,975,000 in taxable pension obligation bonds. The City is obligated to make payments to the California Public Employees’ Retirement System (CalPERS) as a result of retirement benefits accruing to members of CalPERS. The City’s statutory obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability (UAAL) and to make contributions with respect to such retirement benefits. The proceeds of the bonds were used to provide funds to allow the City to refund its current UAAL with respect to retirement benefits accruing to members of CalPERS and to prepay a portion of its contribution to CalPERS for the fiscal year ended June 30, 2007. The obligation of the City to make payments with respect to the bond is an absolute and unconditional obligation of the City, and payment of principal and of interest is not limited to any special source of funds. Principal on the bonds is payable annually on June 1. Interest on the bonds is payable semi-annually June 1 and December 1. During fiscal year 2016-17, the City made principal and interest payments totaling \$3,175,000 and \$670,225, respectively. The bonds mature on June 1, 2036, and the underlying serial and term bonds carry an interest rate that varies from 5.2% to 5.5%.

For The Year Ending June 30	Principal	Interest	Total
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	605,000	413,550	1,018,550
2023-2027	2,785,000	1,527,913	4,312,913
2028-2032	1,935,000	927,850	2,862,850
2033-2036	2,125,000	305,583	2,430,583
	<u>\$ 12,145,000</u>	<u>\$ 5,257,160</u>	<u>\$ 17,402,160</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal and interest payments totaling \$990,000 and \$173,975, respectively. The bonds mature on June 1, 2021, and the underlying serial and term bonds carry an interest rate that varies from 2.5% to 4.0%.

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>1,125,000</u>	<u>39,375</u>	<u>1,164,375</u>
	<u>4,280,000</u>	<u>381,300</u>	<u>4,661,300</u>
Plus: Unamortized premium	<u>217,459</u>	_____	<u>217,459</u>
	<u>\$ 4,497,459</u>	<u>\$ 381,300</u>	<u>\$ 4,878,759</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal and interest payments on the tax-exempt series totaling \$240,000 and \$90,237 respectively. Principal and interest payments on the taxable series totaled \$0 and \$712,868 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, 2017**

**NOTE 6 – LONG-TERM DEBT (Continued)**

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

*Storm Drainage Revenue Bonds, Series 2010 (continued)*

**2010 Storm Drainage Revenue Bonds**

Storm Drainage - Series 2010A-1 - Tax Exempt			
Governmental			
For The Year Ending June 30	Principal	Interest	Total
2018	\$ 250,000	\$ 46,725	\$ 296,725
2019	265,000	34,225	299,225
2020	275,000	20,975	295,975
2021	285,000	9,975	294,975
	1,075,000	111,900	1,186,900
Plus: Unamortized premium	157,450		157,450
	<u>\$ 1,232,450</u>	<u>\$ 111,900</u>	<u>\$ 1,344,350</u>

Storm Drainage - Series 2010B Taxable - Build America Bonds				
Governmental				
For The Year Ending June 30	Principal	Interest	Subsidy	Total
2018		\$ 475,245	\$ (155,358)	\$ 319,887
2019		475,245	(155,358)	319,887
2020		475,245	(155,358)	319,887
2021		475,245	(155,358)	319,887
2022	\$ 295,000	475,245	(155,358)	614,887
2023-2027	1,670,000	2,090,113	(683,256)	3,076,857
2028-2032	2,065,000	1,496,718	(489,277)	3,072,441
2033-2037	2,560,000	733,844	(239,894)	3,053,950
2038-2039	580,000	39,428	(12,889)	606,539
	<u>\$ 7,170,000</u>	<u>\$ 6,736,328</u>	<u>\$ (2,202,106)</u>	<u>\$ 11,704,222</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal payments totaling \$462,866 and repaid the capital lease in full.

*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. During fiscal year 2016-17, the City made principal payments totaling \$228,210 and repaid the loan in full.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal and interest payments totaling \$215,000 and \$333,488, 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%.

For The Year Ending June 30	Principal	Interest	Total
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	265,000	286,688	551,688
2023-2027	1,500,000	1,243,633	2,743,633
2028-2032	1,780,000	967,449	2,747,449
2033-2037	2,085,000	658,525	2,743,525
2038-2042	2,485,000	266,700	2,751,700
	<u>9,070,000</u>	<u>4,666,947</u>	<u>13,736,947</u>
Plus: Unamortized premium	<u>205,673</u>		<u>205,673</u>
	<u>\$ 9,275,673</u>	<u>\$ 4,666,947</u>	<u>\$ 13,942,620</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal and interest payments totaling \$290,000 and \$508,316 respectively. The bonds mature on July 1, 2038, and the underlying serial and term bonds carry interest rates which vary from 2.0% to 5.0%.

For The Year Ending June 30	Principal	Interest	Total
2018	\$ 300,000	\$ 323,544	\$ 623,544
2019	310,000	311,544	621,544
2020	325,000	299,144	624,144
2021	340,000	286,144	626,144
2022	360,000	269,144	629,144
2023-2027	2,035,000	1,090,814	3,125,814
2028-2032	2,355,000	760,825	3,115,825
2033-2037	2,745,000	371,639	3,116,639
2038-2039	605,000	19,663	624,663
	<u>9,375,000</u>	<u>3,732,461</u>	<u>13,107,461</u>
Plus: Unamortized premium	<u>229,133</u>		<u>229,133</u>
	<u>\$ 9,604,133</u>	<u>\$ 3,732,461</u>	<u>\$ 13,336,594</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 6 – LONG-TERM DEBT (Continued)**

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

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

In February 2016, the Authority issued Storm Drainage Revenue Bonds, Series 2016 to provide funds to the City to finance certain improvements to the City’s Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. The Installment Payments are special obligations of the City under the 2016 Installment Sale Agreement and are secured by a pledge of the System Revenues of the Storm Drainage System on a parity with the installment payments under the 2010 Installment Sale Agreement and the 2012 Installment Sale Agreement. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. Principal is due annually on July 1, commencing July 1, 2016. Interest on bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2017. During fiscal year 2016-17, the City made principal and interest payments totaling \$265,000 and \$512,509, 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
2018	\$ 275,000	\$ 377,325	\$ 652,325
2019	280,000	369,075	649,075
2020	295,000	357,875	652,875
2021	305,000	346,075	651,075
2022	310,000	333,875	643,875
2023-2027	1,835,000	1,417,375	3,252,375
2028-2032	2,335,000	932,675	3,267,675
2033-2037	2,810,000	480,950	3,290,950
2038-2039	630,000	31,500	661,500
	<u>9,075,000</u>	<u>4,646,725</u>	<u>13,721,725</u>
Plus: Unamortized premium	<u>978,442</u>		<u>978,442</u>
	<u>\$ 10,053,442</u>	<u>\$ 4,646,725</u>	<u>\$ 14,700,167</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal and interest payments of \$557,835 and \$156,241 respectively.

For The Year Ending June 30	Principal	Interest	Total
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	615,745	98,331	714,076
2023-2027	<u>3,317,475</u>	<u>252,905</u>	<u>3,570,380</u>
	<u>\$ 6,249,638</u>	<u>\$ 891,122</u>	<u>\$ 7,140,760</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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%. During the fiscal year 2016-17, the City paid off the bond with the issuance of the Water and Wastewater Revenue Bonds, Series 2016, advance refunded. As a result, the Series 2007 bonds are considered defeased, and the liability for those bonds has been removed from the Statement of Net Position.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal and interest payments of \$234,011 and \$139,018, respectively.

For The Year Ending June 30	Principal	Interest	Total
2018	\$ 240,797	\$ 132,232	\$ 373,029
2019	247,780	125,249	373,029
2020	254,966	118,063	373,029
2021	262,360	110,670	373,030
2022	269,968	103,062	373,030
2023-2027	1,471,919	393,228	1,865,147
2028-2032	1,811,941	167,054	1,978,995
	<u>\$ 4,559,731</u>	<u>\$ 1,149,558</u>	<u>\$ 5,709,289</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 \$208,351, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$185,000 and \$132,663. Principal and interest payments made by the Sewer Enterprise Fund were \$105,000 and \$75,688.

For The Year Ending June 30	Principal	Interest	Total
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	360,000	138,501	498,501
2023-2027	2,085,000	411,555	2,496,555
2028	480,000	20,401	500,401
	4,210,000	1,282,961	5,492,961
Plus: Unamortized premium	381,937		381,937
	\$ 4,591,937	\$ 1,282,961	\$ 5,874,898

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 2016-17, the City made principal and interest payments of \$735,000 and \$471,951, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$490,000 and \$313,738. Principal and interest payments made by the Sewer Enterprise Fund were \$245,000 and \$158,213. The bonds mature on April 1, 2029, with underlying serial and term bonds carrying an interest rate that varies from 2.00% to 5.00%. The bond was issued a premium of \$1,533,676 which will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$584,903.

For The Year Ending June 30	Principal	Interest	Total
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	875,000	325,976	1,200,976
2023-2027	4,980,000	1,035,780	6,015,780
2028-2029	2,290,000	120,852	2,410,852
	<u>11,345,000</u>	<u>3,100,287</u>	<u>14,445,287</u>
Plus unamortized premium	1,082,595		1,082,595
	<u>\$ 12,427,595</u>	<u>\$ 3,100,287</u>	<u>\$ 15,527,882</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 6 – LONG-TERM DEBT (Continued)**

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

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

In July 2016, the Authority issued \$17,585,000 of Water and Wastewater Revenue Refunding Bonds, Series 2016 to advance refund the Authority’s outstanding Water and Wastewater Revenue Bonds, Series 2007, which financed certain improvements to the City’s water and wastewater system, and to pay the costs of issuance of the bonds. The bonds are a limited obligation of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system, wastewater system, and from amounts on deposit in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year, and net system revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Principal is payable annually on April 1, commencing April 1, 2017. Interest on the bonds is payable semi-annually on April 1 and October 1, commencing October 1, 2016. During fiscal year 2016-17, the City made principal and interest payments of \$1,085,000 and \$495,625, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$565,000 and \$258,820. Principal and interest payments made by the Sewer Enterprise Fund were \$520,000 and \$236,805. The bonds mature on April 1, 2031, with underlying serial and term bonds carrying an interest rate that varies from 2.00% to 5.00%. The bond was issued a premium of \$2,994,038 which will be amortized over the life of the bond. The refunding transaction resulted in a deferred charge of \$770,918. The transaction also resulted in an overall debt service savings of \$3,360,080 and an economic gain of \$2,981,376.

For The Year Ending June 30	Principal	Interest	Total
2018	\$ 920,000	\$ 667,200	\$ 1,587,200
2019	935,000	648,800	1,583,800
2020	950,000	630,100	1,580,100
2021	985,000	592,100	1,577,100
2022	1,035,000	552,700	1,587,700
2023-2027	5,940,000	1,950,750	7,890,750
2028-2031	5,735,000	584,800	6,319,800
	<u>16,500,000</u>	<u>5,626,450</u>	<u>22,126,450</u>
Plus: Unamortized premium	2,794,434		2,794,434
	<u>\$ 19,294,434</u>	<u>\$ 5,626,450</u>	<u>\$ 24,920,884</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017, for governmental activities is as follows:

<b>TOTAL FUTURE DEBT REQUIREMENTS</b>			
<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,245,000	\$ 2,207,469	\$ 7,452,469
2019	2,600,000	1,961,542	4,561,542
2020	2,730,000	1,858,644	4,588,644
2021	2,860,000	1,742,035	4,602,035
2022	1,835,000	1,623,144	3,458,144
2023-2027	9,825,000	6,686,592	16,511,592
2028-2032	10,470,000	4,596,240	15,066,240
2033-2037	12,325,000	2,310,647	14,635,647
2038-2042	4,300,000	344,402	4,644,402
	<u>52,190,000</u>	<u>23,330,715</u>	<u>75,520,715</u>
Plus: Unamortized premium	<u>1,788,157</u>		<u>1,788,157</u>
	<u>\$ 53,978,157</u>	<u>\$ 23,330,715</u>	<u>\$ 77,308,872</u>

The future outstanding debt of the City, net of amortized costs as of June 30, 2017, for business-type activities is as follows:

<b>TOTAL FUTURE DEBT REPAYMENTS</b>			
<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,773,632	\$ 1,602,325	\$ 4,375,957
2019	2,849,561	1,523,796	4,373,357
2020	2,936,041	1,436,716	4,372,757
2021	3,038,087	1,331,646	4,369,733
2022	3,155,713	1,218,570	4,374,283
2023-2027	17,794,394	4,044,218	21,838,612
2028-2032	10,316,941	893,107	11,210,048
	<u>42,864,369</u>	<u>12,050,378</u>	<u>54,914,747</u>
Plus unamortized premium	<u>4,258,966</u>		<u>4,258,966</u>
	<u>\$ 47,123,335</u>	<u>\$ 12,050,378</u>	<u>\$ 59,173,713</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**D. Arbitrage Rebate Liability**

Under U.S. Treasury Department regulations, all government tax – exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the excess of earnings from the investment of tax-exempt bond proceeds over related interest expenditure on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The city has valuated 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, 2017.

**E. Credit Rating**

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

**F. Revenue Pledge**

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

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

**G. Revenue Pledge**

Under the provisions of GASB Statement No. 48, the City’s net revenue for the year ended June 30, 2017, 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	\$ 24,654,249	\$ 30,260,498
Principal and interest paid during the year	1,945,221	2,427,811
Net revenue, excluding depreciation and amortization	5,451,636	8,740,242
Percentage of revenue pledged	35.68%	27.78%
Term of commitment	2031	2031

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**H. Debt Service Coverage**

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

For the year ended June 30, 2017, 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, 2017, the Storm Drainage Fund had sufficient net revenues to satisfy the requirements of the Indenture.

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

The following table summarizes debt service coverage levels for the Water Fund for the fiscal year ending June 30, 2017:

Water Fund	
Gross operating revenue	\$ 16,385,236
Less: Operating expenses, except depreciation and amortization	<u>(10,933,600)</u>
Net revenue	5,451,636
Debt Service	
Water Refunding Bonds, Series 2016	823,820
Water Refunding Bonds, Series 2011	317,663
Water Refunding Bonds, Series 2013	<u>803,738</u>
Parity Debt Service	1,945,221
Lease Revenue Bonds, Series 2010	384,112
Pension Obligation Bond, Series 2006	<u>466,755</u>
Total Debt Service	<u><u>\$ 2,796,088</u></u>
Parity Debt Service Coverage	2.80
Total Debt Service Coverage	1.95

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017:

<u>Sewer Fund</u>	
Gross operating revenue	\$ 15,821,906
Less: Operating expenses, except depreciation and amortization	<u>(7,081,664)</u>
Net revenue	8,740,242
Debt Service	
State Water Resource Board Loan, 2003	\$ 714,076
Wastewater Refunding Bonds, Series 2016	756,805
State Water Resource Board Loan, 2010	373,029
Wastewater Refunding Bonds, Series 2011	180,688
Wastewater Refunding Bonds, Series 2013	<u>403,213</u>
Parity Debt Service	2,427,811
Lease Revenue Bonds, Series 2010	384,112
Pension Obligation Bond, Series 2006	<u>466,755</u>
Total Debt Service	<u>\$ 3,278,678</u>
Parity Debt Service Coverage	3.60
Total Debt Service Coverage	2.67

The following table summarizes debt service coverage levels for the Storm Drainage Fund for the fiscal year ending June 30, 2017:

<u>Storm Drainage Fund</u>	
Net Revenue, Excluding Depreciation and Amortization	\$ 2,844,158
Debt Service	
Storm Drain Revenue Bond, Series 2010	1,043,105
Storm Drain Revenue Bond, Series 2012	798,316
Storm Drain Revenue Bond, Series 2016	<u>777,509</u>
Parity Debt Service	<u>\$ 2,618,930</u>
Parity Debt Service Coverage	1.09

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2017 are recorded in the government-wide and proprietary fund financial statements.

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

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

	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
Balance on June 30, 2016	\$ 2,494,501	\$ 249,580	\$ 2,744,081
Additions	2,268,715	411,547	2,680,262
Payments	<u>(2,250,781)</u>	<u>(357,256)</u>	<u>(2,608,037)</u>
Balance on June 30, 2017	<u>\$ 2,512,435</u>	<u>\$ 303,871</u>	<u>\$ 2,816,306</u>
Due Within One Year	<u>\$ 313,665</u>	<u>\$ 72,092</u>	<u>\$ 385,757</u>
Noncurrent Portion	<u>\$ 2,198,770</u>	<u>\$ 231,779</u>	<u>\$ 2,430,549</u>

**B. Pollution Remediation Obligation**

*Landfill Closure and Post-Closure Costs*

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 7 – OTHER LONG-TERM LIABILITIES (Continued)**

In 1997, the City developed a post-closure plan that met all regulatory requirements. The post-closure estimate was \$3,660,000. In 2008, the City recognized an additional liability, as required by the State, for corrective action. The corrective action cost estimate was \$733,100. Consequently, the City recorded 100% of its closure and post-closure costs based upon these estimates. At June 30, 2017, the City's outstanding future post-closure and corrective action costs were estimated at \$2,951,480. This estimate is based upon the original estimates for post-closure and corrective action costs as reported to the California Department of Resources Recycling and Recovery (CalRecycle) as adjusted, based on changes in the implicit price deflator for the gross national product in accordance with Title 27 of the California Code of Regulations, reduced by any permitted 15 year amortization of post-closure costs, and adjusted for incurred costs and expected costs of remediation.

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

**NOTE 8 – RISK MANAGEMENT**

**A. Self-Insurance and Contingent Liabilities**

Effective July 1, 1976, and December 2, 1976, respectively, the City implemented a self-insurance program for workers' compensation and general liability. The City is a member of the 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. The ABAG PLAN claim administrators set the reserve levels for known liability claims. 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). The TPA sets reserve levels for reported claims. Excess workers' compensation insurance has been purchased by the City for losses exceeding \$500,000 up to the maximum statutory limit.

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 8 – RISK MANAGEMENT (Continued)**

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

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

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

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 seven fiscal years.

In September 2016, an actuarial review was conducted and completed to identify the estimated liability for the City’s Self-Insured General Liability Program as well as determine the various funding confidence levels to cover that liability. The study estimated the expected liability for outstanding claims to be \$773,000 as of June 30, 2017. 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, 2017, the City has funded the general liability program at the 90% confidence level noted in the actuarial report, or \$773,000.

In September 2016, an actuarial review was conducted and completed to identify the estimated liability for the City’s Self-Insured Workers’ Compensation Program as well as determine the various funding confidence levels to cover that liability as of June 30, 2016. The study estimated that the outstanding claims at June 30, 2017, were \$5,762,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2017, the City has funded the workers’ compensation program at the 70% confidence level noted in the actuarial report, or \$5,762,000.



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 9 – PENSION PLANS – COST-SHARING**

**A. General information about the Safety Pension Plan**

The City’s Safety Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan, which is administered by CalPERS. The Plan consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors two rate plans (Police Classic tier and Police 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, 2017, are summarized as follows:

	<b>Safety</b>	
	<u>Classic</u>	<u>PEPRA</u>
Hire date	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3%	2.0% - 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	21.230%	12.821%

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

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

Beginning in fiscal year 2017, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$924,352 in fiscal year 2017.

**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, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Safety - Police</u>	<u>Safety - PEPRA</u>
Contributions - employer	\$ 1,848,544	\$ 75,263

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share</u>
	<u>of Net Pension Liability</u>
Safety	<u>\$ 23,647,731</u>

The net pension liability of the Plan is measured as of June 30, 2016, 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, 2015, rolled forward to June 30, 2016, 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, 2017**

**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, 2016 and 2017, was as follows:

	<u>Safety</u>
Proportion - June 30, 2016	0.44660%
Proportion - June 30, 2017	<u>0.45659%</u>
Change - Increase (Decrease)	<u>0.00999%</u>

For the year ended June 30, 2017, the City recognized a pension expense of \$3,211,394 for the Safety Plan. At June 30, 2017, 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	\$ 1,923,807	
Differences between actual and expected experience		\$ (132,875)
Changes in assumptions		(579,344)
Net differences between projected and actual earnings on plan investments	2,846,290	
Change in proportion	559,408	(152,027)
Change in proportion and differences between actual contributions and proportionate share of contributions		<u>(778,193)</u>
Total	<u>\$ 5,329,505</u>	<u>\$ (1,642,439)</u>

\$1,923,807 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2018	\$ (200,129)
2019	(129,472)
2020	1,337,642
2021	740,973

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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:

		<u>Safety</u>
1% Decrease		6.65%
Net Pension Liability	\$	35,304,542
Current Discount Rate		7.65%
Net Pension Liability	\$	23,647,731
1% Increase		8.65%
Net Pension Liability	\$	14,078,684

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, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial assumptions:

	<u>Miscellaneous and Safety Plans</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
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	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. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2015 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 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

***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.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-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.

**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, 2017**

**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, 2017, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date	2.5% @ 55	2.0% @ 62
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 55	52 - 67
Retirement age	2.0% to 2.5%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	8.0%	6.75%
Required employee contribution rates	22.89%	13.30%
Required employer contribution rates		

**Employees Covered** – As of the June 30, 2015 actuarial valuation date, the following employees were covered by the benefit terms for the Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	257
Inactive employees entitled to but not yet receiving benefits	132
Active employees	<u>166</u>
Total	<u><u>555</u></u>

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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)
<b>Balance at June 30, 2015</b>	\$ 127,830,422	\$ 99,245,330	\$ 28,585,092
<b>Changes in the year:</b>			
Service cost	2,440,538		2,440,538
Interest on the total pension liability	9,456,322		9,456,322
Changes of benefit terms			
Changes in assumptions			
Differences between actual and expected experience	(1,959,467)		(1,959,467)
Plan to plan resource movement		(98)	98
Contribution - employer		2,936,966	(2,936,966)
Contribution - employee		1,112,768	(1,112,768)
Net investment income		487,558	(487,558)
Benefit payments, including refunds of employee contributions	(6,958,358)	(6,958,358)	
Administrative expenses		(60,485)	60,485
<b>Net changes</b>	<u>2,979,035</u>	<u>(2,481,649)</u>	<u>5,460,684</u>
<b>Balance at June 30, 2016</b>	<u>\$ 130,809,457</u>	<u>\$ 96,763,681</u>	<u>\$ 34,045,776</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)**

**C. Changes in the Net Pension Liability (Continued)**

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

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 50,746,482
Current Discount Rate	7.65%
Net Pension Liability	\$ 34,045,776
1% Increase	8.65%
Net Pension Liability	\$ 20,201,886

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

For the year ended June 30, 2017, the City recognized a pension expense of \$7,933,982. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,370,189	
Differences between actual and expected experience		\$ (1,678,964)
Changes in assumptions		(685,388)
Net differences between projected and actual earnings on plan investments	<u>5,279,881</u>	
Total	<u>\$ 8,650,070</u>	<u>\$ (2,364,352)</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLANS – MULTIPLE EMPLOYER (Continued)**

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

\$3,370,189 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Annual
<u>June 30</u>	<u>Amortization</u>
2017	\$ (1,037,282)
2018	110,847
2019	2,448,304
2020	1,393,660

**E. Payable to the Miscellaneous Pension Plan**

At June 30, 2017, the City reported no payable for the outstanding amount of employer and member contributions to the Safety pension plan required for the year ended June 30, 2017.

**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, 2017**

**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 2016-17, the City made deposits of \$1,623,776 to the trust. As of June 30, 2017, the cash balance was \$14,139,077.

**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 19.5-year amortization of the unfunded actuarial liability at June 30, 2017.

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 June 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>2017</u>
Annual Required Contribution	\$ 4,965,000
Interest on net OPEB obligation	1,158,000
Adjustment to annual required contribution	<u>(1,217,000)</u>
Annual OPEB cost (expense)	4,906,000
Trust Pre-funding	(1,623,777)
Contributions (Pay-go)	<u>(3,331,180)</u>
Decrease in net OPEB Obligation	(48,957)
Net OPEB - beginning year	<u>15,974,086</u>
Net OPEB obligation - end of year	<u><u>\$ 15,925,129</u></u>

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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>
6/30/2015	\$ 5,083,214	106%	\$ 15,954,310
6/30/2016	5,108,000	100%	15,974,086
6/30/2017	4,906,000	101%	15,925,129

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 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.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

**E. Actuarial Methods and Assumptions (Continued)**

In the June 30, 2017 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 2017 premiums, with annual cost escalations decreasing to 5.0% over 5 years. The initial UAAL is being amortized as a level percentage of payroll over 18.5 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:

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balances (Continued)**

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

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

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

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

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

**Committed and Assigned Fund Balance**

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

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**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 \$19,386,210 as of June 30, 2017. 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, 2017, was \$16,200,000.
- 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, 2017, 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, 2017, was \$500,000.
- Encumbrances represent amounts set aside for purchase requisitions and related vendors. The balance at June 30, 2017, was \$686,210.

**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balances (Continued)**

Detailed classifications of the City’s fund balances, as of June 30, 2017, are below:

Fund Balance Classifications	General Fund	Storm Drainage Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>						
Items not in spendable form:						
Prepays	\$ 214,992					\$ 214,992
<b>Total Nonspendable Fund Balances</b>	214,992					214,992
<b>Restricted for:</b>						
Employee Benefits	11,725					11,725
Special Revenue Programs:						
Development Fees					\$ 6,088,104	6,088,104
Local Grants					514,387	514,387
Measure A and Gas Tax					2,965,225	2,965,225
Special Assessment District					419,344	419,344
Other					570,472	570,472
Capital Projects		\$ 3,211,479				3,211,479
Debt service			\$ 11,426,971			11,426,971
<b>Total Restricted Fund Balances</b>	11,725	3,211,479	11,426,971		10,557,532	25,207,707
<b>Committed to:</b>						
Capital Projects				\$22,359,071		22,359,071
<b>Total Committed Fund Balances</b>				22,359,071		22,359,071
<b>Assigned to:</b>						
Encumbrances	686,210					686,210
Contingency reserve	500,000					500,000
Economic stability reserve	16,200,000					16,200,000
Catastrophic event reserve	2,000,000					2,000,000
Capital Projects				20,500,000		20,500,000
<b>Total Assigned Fund Balances</b>	19,386,210			20,500,000		39,886,210
<b>Unassigned:</b>	13,659,473				(5,232)	13,654,241
<b>Total Fund Balances</b>	\$33,272,400	\$ 3,211,479	\$ 11,426,971	\$42,859,071	\$ 10,552,300	\$ 101,322,221



**CITY OF BURLINGAME, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

**C. Deficit Fund Balance/Net Position**

The following funds had a deficit fund balance/net position at June 30, 2017:

<u>Funds</u>	<u>Deficit Fund Balances/ Net Position</u>
<b>Enterprise Funds:</b>	
Landfill	\$ 1,785,672
<b>Non-Major Governmental Funds:</b>	
State/Federal Grants Fund	5,232
<b>Internal Service Fund:</b>	
Facilities Services	388,499

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

**NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES**

**A. Grant Programs**

The City may, from time to time, participate in Federal and State grant programs. No cost allowances were proposed as a result of the City’s financial audit. As of June 30, 2017, the City has not made an allowance for expenditures which may be disallowed by the granting agencies. Any disallowance for expenditures is expected to be immaterial.

**B. Litigation**

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

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

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

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

**NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

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

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

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

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

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

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

The City paid its surcharge of \$717,942 during fiscal year 2017, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2018 is estimated to be \$684,444.



# Comprehensive Annual Financial Report

June 30, 2017

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BURLINGAME, CALIFORNIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Safety Plan, Cost-Sharing Multiple-Employer Defined Pension Plan  
 Last 10 Years\*

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

<b>Measurement Date</b>	<b>Safety Plan</b>		
	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
Plan's Proportion of the Net Pension Liability/Asset	0.24850%	0.44660%	0.45659%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 15,465,681	\$ 18,401,988	\$ 23,647,731
Plan's Covered Payroll	\$ 3,851,471	\$ 3,819,142	\$ 3,991,262
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of it's Covered Payroll	401.55%	481.84%	592.49%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	18.58%	22.03%	27.54%

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

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

As of fiscal year ending June 30, 2017  
Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended June 30	Safety Plan		
	2015	2016	2017
Actuarially determined contribution	\$ 1,217,044	\$ 910,465	\$ 1,923,807
Contributions in relation to the actuarially determined contributions	(1,217,044)	(910,465)	(1,923,807)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,819,142	\$ 3,991,262	\$ 4,142,627
Contributions as a percentage of covered payroll	31.87%	22.81%	46.44%
<b>Notes to Schedule</b>			
Valuation date:	6/30/2012	6/30/2013	6/30/2014
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		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	
		The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	
		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 5 years of mortality improvements using the Society of Actuaries Scale AA.	
		The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	
Mortality			

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

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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, 2017  
Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Measurement Date	6/30/2014	6/30/2015	6/30/2016
<b>Total Pension Liability</b>			
Service Cost	\$ 2,451,356	\$ 2,374,018	\$ 2,440,538
Interest	8,964,159	9,244,742	9,456,322
Changes of benefit terms			
Differences between expected and actual experience		(1,273,339)	(1,959,467)
Changes in assumptions		(2,208,472)	
Benefit payments, including refunds of employee contributions	(6,246,453)	(6,895,260)	(6,958,358)
<b>Net change in total pension liability</b>	5,169,062	1,241,689	2,979,035
<b>Total pension liability - beginning</b>	121,419,671	126,588,733	127,830,422
<b>Total pension liability - ending (a)</b>	<u>\$ 126,588,733</u>	<u>\$ 127,830,422</u>	<u>\$ 130,809,457</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 2,214,366	\$ 2,605,414	\$ 2,936,966
Contributions - employee	1,203,540	1,064,874	1,112,768
Net investment income	15,116,451	2,248,984	487,558
Benefit payments, including refunds of employee contributions	(6,246,453)	(6,895,260)	(6,958,358)
Plan to plan resource movement		40,946	(98)
Administration expense		(111,650)	(60,485)
<b>Net change in plan fiduciary net position</b>	12,287,904	(1,046,692)	(2,481,649)
<b>Plan fiduciary net position - beginning</b>	88,004,118	100,292,022	99,245,330
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 100,292,022</u>	<u>\$ 99,245,330</u>	<u>\$ 96,763,681</u>
Net pension liability - ending (a)-(b)	<u>\$ 26,296,711</u>	<u>\$ 28,585,092</u>	<u>\$ 34,045,776</u>
Plan fiduciary net position as a percentage of the total pension liability	79.23%	77.64%	73.97%
Covered payroll	\$ 12,562,811	\$ 12,894,188	\$ 13,662,463
Net pension liability as percentage of covered-employee payroll	209.32%	221.69%	249.19%

**Notes to Schedule:**

**Benefit changes.** Figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015. 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, there were no changes. In 2015, the discount rate was changed from 7.5% (net of administrative expenses) to 7.65%.

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

**CITY OF BURLINGAME, CALIFORNIA  
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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, 2017  
 Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended June 30	2015	2016	2017
Actuarially determined contribution	\$ 1,031,238	\$ 2,929,226	\$ 3,370,189
Contributions in relation to the actuarially determined contributions	(1,031,238)	(2,929,226)	(3,370,189)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,894,188	\$ 13,662,463	\$ 14,474,410
Contributions as a percentage of covered payroll	8.00%	21.44%	23.28%
<b>Notes to Schedule</b>			
Valuation date:	6/30/2012	6/30/2013	6/30/2014
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			
Mortality	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	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 5 years of mortality improvements using the Society of Actuaries Scale AA.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

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



**CITY OF BURLINGAME, CALIFORNIA  
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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 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	13.8%	\$ 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%

**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, 2017**

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

The following conditions were defined:

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

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

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

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

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

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, 2017**

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

**CITY OF BURLINGAME, CALIFORNIA  
 REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

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

The City’s ongoing street rehabilitation program is funded in the Capital Improvement Program. For example, a major street re-surfacing project was completed in fiscal year 2016-17 which resulted in over 372,880 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, 2017**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 18,026,000	\$ 18,851,000	\$ 18,932,794	\$ 81,794
Sales and use taxes	11,969,000	12,150,000	12,089,288	(60,712)
Transient occupancy taxes	26,000,000	26,216,000	26,262,930	46,930
Other taxes	3,131,000	2,958,000	3,024,388	66,388
Licenses and permits	88,000	88,000	88,069	69
Fines, forfeitures and penalties	942,000	942,000	898,184	(43,816)
Charges for services	4,795,200	5,247,200	6,023,354	776,154
Other revenue	236,500	191,500	256,928	65,428
Grants and subventions	254,000	234,000	281,915	47,915
Investment income	389,000	630,000	184,900	(445,100)
<b>Total revenues</b>	<u>65,830,700</u>	<u>67,507,700</u>	<u>68,042,750</u>	<u>535,050</u>
<b>Expenditures</b>				
Current:				
General Government				
City Attorney	746,424	813,936	577,890	236,046
City Clerk	296,493	296,493	282,246	14,247
City Council	360,513	377,779	359,692	18,087
City Manager	791,092	755,626	735,829	19,797
Elections	-	76,000	74,466	1,534
Human Resources	894,810	924,810	780,163	144,647
Finance	2,092,939	2,120,709	2,063,964	56,745
Total General Government	<u>5,182,271</u>	<u>5,365,353</u>	<u>4,874,250</u>	<u>491,103</u>
Public safety:				
Fire	10,410,782	10,410,782	10,249,748	161,034
Fire - Disaster Preparedness	485,473	485,473	476,413	9,060
Police Communications Dispatch	1,463,615	1,488,615	1,442,093	46,522
Police - Parking Enforcement	617,823	617,823	585,108	32,715
Police	13,285,611	13,285,611	12,763,916	521,695
Total Public Safety	<u>26,263,304</u>	<u>26,288,304</u>	<u>25,517,278</u>	<u>771,026</u>
Public Works	5,054,823	5,094,577	4,456,524	638,053
Community Development	1,658,233	1,977,916	1,530,975	446,941
Parks, recreation, and library				
Library	5,016,939	5,004,939	4,710,029	294,910
Parks	4,194,964	4,345,061	4,143,637	201,424
Recreation and Aquatics	4,531,294	4,578,045	4,375,246	202,799
Total Leisure & Cultural Services	<u>13,743,197</u>	<u>13,928,045</u>	<u>13,228,912</u>	<u>699,133</u>
Capital outlay	229,500	229,500	99,544	129,956
Total Expenditures	<u>52,131,328</u>	<u>52,883,695</u>	<u>49,707,483</u>	<u>3,176,212</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>13,699,372</u>	<u>14,624,005</u>	<u>18,335,267</u>	<u>3,711,262</u>
<b>Other financing sources (uses)</b>				
Transfers in	3,138,947	3,110,347	3,110,347	
Transfers out	(13,713,874)	(18,151,362)	(18,151,362)	
<b>Total other financing sources (uses)</b>	<u>(10,574,927)</u>	<u>(15,041,015)</u>	<u>(15,041,015)</u>	
<b>Net change in fund balance</b>	<u>\$ 3,124,445</u>	<u>\$ (417,010)</u>	<u>3,294,252</u>	<u>\$ 3,711,262</u>
<b>FUND BALANCE</b>				
Beginning of year			29,978,148	
End of year			<u>\$ 33,272,400</u>	

**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, 2017**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 2,830,000	\$ 2,830,000	\$ 2,795,522	\$ (34,478)
Investment income	79,000	157,000	48,636	(108,364)
<b>Total revenues</b>	2,909,000	2,987,000	2,844,158	(142,842)
<b>Other financing sources (uses)</b>				
Transfers out	(2,267,410)	(2,267,410)	(2,267,410)	
<b>Total other financing sources (uses)</b>	(2,267,410)	(2,267,410)	(2,267,410)	
<b>Net change in fund balance</b>	\$ 641,590	\$ 719,590	576,748	\$ (142,842)
<b>FUND BALANCE</b>				
Beginning of year			2,634,731	
End of year			\$ 3,211,479	



# Comprehensive Annual Financial Report

June 30, 2017

**COMBINING FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**





# Comprehensive Annual Financial Report

June 30, 2017

## **NONMAJOR GOVERNMENTAL FUNDS**

### Special Revenue Funds

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

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

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

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

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

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

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

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

**CITY OF BURLINGAME, CALIFORNIA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

**Special Revenue Funds**

	Measure A Fund	Gas Tax Fund	Special Assessment District	Train Shuttle Fund
<b>ASSETS</b>				
Cash and investments	\$ 1,633,559	\$ 1,189,016	\$ 418,060	\$ 95,341
Receivables (net of uncollectible amount of \$0):				
Accounts and other receivables	138,196	4,454	1,284	63,200
<b>Total assets</b>	<b>\$ 1,771,755</b>	<b>\$ 1,193,470</b>	<b>\$ 419,344</b>	<b>\$ 158,541</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable				\$ 34,526
Unearned revenue				
Due to other funds				
<b>Total liabilities</b>				34,526
<b>Deferred inflows:</b>				
Unavailable revenue				63,200
<b>Total deferred inflows</b>				63,200
<b>Fund Balances:</b>				
Restricted	\$ 1,771,755	\$ 1,193,470	\$ 419,344	60,815
Unassigned				
<b>Total fund balances</b>	1,771,755	1,193,470	419,344	60,815
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 1,771,755</b>	<b>\$ 1,193,470</b>	<b>\$ 419,344</b>	<b>\$ 158,541</b>

**Special Revenue Funds**

State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Total Nonmajor Governmental Funds
\$ 9,371	\$ 531,941	\$ 6,077,154	\$ 483,185	\$ 10,437,627
<u>15,665</u>	<u>896</u>	<u>10,950</u>	<u>28,637</u>	<u>263,282</u>
<u><u>\$ 25,036</u></u>	<u><u>\$ 532,837</u></u>	<u><u>\$ 6,088,104</u></u>	<u><u>\$ 511,822</u></u>	<u><u>\$ 10,700,909</u></u>
	\$ 18,450		\$ 2,165	\$ 55,141
<u>\$ 14,603</u>				<u>14,603</u>
<u>14,603</u>	<u>18,450</u>		<u>2,165</u>	<u>69,744</u>
<u>15,665</u>				<u>78,865</u>
<u>15,665</u>				<u>78,865</u>
	514,387	\$ 6,088,104	509,657	10,557,532
<u>(5,232)</u>				<u>(5,232)</u>
<u>(5,232)</u>	<u>514,387</u>	<u>6,088,104</u>	<u>509,657</u>	<u>10,552,300</u>
<u><u>\$ 25,036</u></u>	<u><u>\$ 532,837</u></u>	<u><u>\$ 6,088,104</u></u>	<u><u>\$ 511,822</u></u>	<u><u>\$ 10,700,909</u></u>

**CITY OF BURLINGAME, CALIFORNIA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2017**

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Special Assessment District	Train Shuttle Fund
<b>REVENUES:</b>				
Investment income	\$ 2,879	\$ 1,566	\$ 854	
Intergovernmental taxes	799,101	583,771		
Charges for services			310,094	
Grants and subventions				\$ 63,200
<b>Total revenues</b>	<u>801,980</u>	<u>585,337</u>	<u>310,948</u>	<u>63,200</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
Public safety				
Parks, recreation, and library				
Shuttle operations				150,089
<b>Total expenditures</b>				<u>150,089</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>801,980</u>	<u>585,337</u>	<u>310,948</u>	<u>(86,889)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in				120,500
Transfer out	(1,100,000)	(1,106,000)	(310,007)	
<b>Total other financing sources (uses)</b>	<u>(1,100,000)</u>	<u>(1,106,000)</u>	<u>(310,007)</u>	<u>120,500</u>
<b>Net change in fund balance</b>	<u>(298,020)</u>	<u>(520,663)</u>	941	<u>33,611</u>
<b>FUND BALANCE:</b>				
Beginning of year	<u>2,069,775</u>	<u>1,714,133</u>	<u>418,403</u>	<u>27,204</u>
End of year	<u>\$ 1,771,755</u>	<u>\$ 1,193,470</u>	<u>\$ 419,344</u>	<u>\$ 60,815</u>

Special Revenue Funds

State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Total Nonmajor Governmental Funds
		\$ 18,447	\$ 1,250	\$ 24,996
				1,382,872
		5,024,184	112,760	5,447,038
\$ 143,678	\$ 227,618			434,496
<u>143,678</u>	<u>227,618</u>	<u>5,042,631</u>	<u>114,010</u>	<u>7,289,402</u>
			37,579	37,579
86,531	2,726			89,257
	197,582			197,582
				150,089
<u>86,531</u>	<u>200,308</u>		<u>37,579</u>	<u>474,507</u>
<u>57,147</u>	<u>27,310</u>	<u>5,042,631</u>	<u>76,431</u>	<u>6,814,895</u>
				120,500
				(2,516,007)
				(2,395,507)
<u>57,147</u>	<u>27,310</u>	<u>5,042,631</u>	<u>76,431</u>	<u>4,419,388</u>
(62,379)	487,077	1,045,473	433,226	6,132,912
<u>\$ (5,232)</u>	<u>\$ 514,387</u>	<u>\$ 6,088,104</u>	<u>\$ 509,657</u>	<u>\$ 10,552,300</u>

**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, 2017**

	<b>Special Revenue Funds</b>					
	<b>Measure A Fund</b>			<b>Gas Tax Fund</b>		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>						
Investment income	\$ 29,500	\$ 2,879	\$ (26,621)	\$ 26,700	\$ 1,566	\$ (25,134)
Intergovernmental	824,000	799,101	(24,899)	592,000	583,771	(8,229)
Charges for services						
Grants revenue						
<b>Total revenues</b>	<u>853,500</u>	<u>801,980</u>	<u>(51,520)</u>	<u>618,700</u>	<u>585,337</u>	<u>(33,363)</u>
<b>EXPENDITURES:</b>						
Current:						
General government						
Public safety						
Parks, recreation, and library						
Shuttle operations						
<b>Total expenditures</b>						
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>853,500</u>	<u>801,980</u>	<u>(51,520)</u>	<u>618,700</u>	<u>585,337</u>	<u>(33,363)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in						
Transfers out	<u>(1,100,000)</u>	<u>(1,100,000)</u>		<u>(1,106,000)</u>	<u>(1,106,000)</u>	
<b>Total other financing sources (uses)</b>	<u>(1,100,000)</u>	<u>(1,100,000)</u>		<u>(1,106,000)</u>	<u>(1,106,000)</u>	
<b>Net change in fund balance</b>	<u>\$ (246,500)</u>	<u>(298,020)</u>	<u>\$ (51,520)</u>	<u>\$ (487,300)</u>	<u>(520,663)</u>	<u>\$ (33,363)</u>
<b>FUND BALANCE:</b>						
Beginning of year		<u>2,069,775</u>			<u>1,714,133</u>	
End of year		<u>\$ 1,771,755</u>			<u>\$ 1,193,470</u>	

**Special Revenue Funds**

Special Assessment District			Train Shuttle Fund			State/Federal Grants Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ 6,000	\$ 854	\$ (5,146)						
310,116	310,094	(22)	\$ 63,200	\$ 63,200		\$ 80,000	\$ 143,678	\$ 63,678
316,116	310,948	(5,168)	63,200	63,200		80,000	143,678	63,678
						169,244	86,531	82,713
			183,700	150,089	\$ 33,611			
			183,700	150,089	33,611	169,244	86,531	82,713
316,116	310,948	(5,168)	(120,500)	(86,889)	33,611	(89,244)	57,147	146,391
(310,007)	(310,007)		120,500	120,500				
(310,007)	(310,007)		120,500	120,500				
<u>\$ 6,109</u>	941	<u>\$ (5,168)</u>		33,611	<u>\$ 33,611</u>	<u>\$ (89,244)</u>	57,147	<u>\$ 146,391</u>
	<u>418,403</u>			<u>27,204</u>			<u>(62,379)</u>	
	<u>\$ 419,344</u>			<u>\$ 60,815</u>			<u>\$ (5,232)</u>	

(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, 2017**

	<b>Special Revenue Funds</b>					
	<u>Local Grant Funds</u>			<u>Development Fees Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>						
Investment income	\$ 4,000		\$ (4,000)	\$ 12,600	\$ 18,447	\$ 5,847
Intergovernmental						
Charges for services					5,024,184	5,024,184
Grants revenue	10,000	\$ 227,618	217,618			
<b>Total revenues</b>	<u>14,000</u>	<u>227,618</u>	<u>213,618</u>	<u>12,600</u>	<u>5,042,631</u>	<u>5,030,031</u>
<b>EXPENDITURES:</b>						
Current:						
General government						
Public safety		2,726	(2,726)			
Parks, recreation, and library		197,582	(197,582)			
Shuttle operations						
<b>Total expenditures</b>		<u>200,308</u>	<u>(200,308)</u>			
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>14,000</u>	<u>27,310</u>	<u>13,310</u>	<u>12,600</u>	<u>5,042,631</u>	<u>5,030,031</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in						
Transfers out						
<b>Total other financing sources (uses)</b>						
<b>Net change in fund balance</b>	<u>\$ 14,000</u>	<u>27,310</u>	<u>\$ 13,310</u>	<u>\$ 12,600</u>	<u>5,042,631</u>	<u>\$ 5,030,031</u>
<b>FUND BALANCE:</b>						
Beginning of year		<u>487,077</u>			<u>1,045,473</u>	
End of year		<u>\$ 514,387</u>			<u>\$ 6,088,104</u>	

**Special Revenue Funds**

**Public TV Access Fund**

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 5,000	\$ 1,250	\$ (3,750)
110,000	112,760	2,760
<u>115,000</u>	<u>114,010</u>	<u>(990)</u>
60,000	37,579	22,421
<u>60,000</u>	<u>37,579</u>	<u>22,421</u>
<u>55,000</u>	<u>76,431</u>	<u>(21,431)</u>
<u>\$ 55,000</u>	<u>76,431</u>	<u>\$ (21,431)</u>
	<u>433,226</u>	
	<u>\$ 509,657</u>	



# Comprehensive Annual Financial Report

June 30, 2017

## **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, 2017**

	General Liability Fund	Worker's Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 3,982,314	\$ 6,605,013		\$ 370,969	\$ 6,609,947	\$ 714,591	\$ 18,282,834
Receivable (net of uncollectible amounts of \$0):							
Accounts	34,076			333	11,526		45,935
Other receivables	11,629	19,800	\$ 91,200	1,131	19,525	2,165	145,450
Inventory					37,188		37,188
Total current assets	<u>4,028,019</u>	<u>6,624,813</u>	<u>91,200</u>	<u>372,433</u>	<u>6,678,186</u>	<u>716,756</u>	<u>18,511,407</u>
Non-Current assets:							
Cash and investments, restricted		112,992					112,992
Capital assets:							
Facilities, infrastructure, and equipment, net of depreciation				113,440	1,086,736	42,357	1,242,533
Total noncurrent assets		<u>112,992</u>		<u>113,440</u>	<u>1,086,736</u>	<u>42,357</u>	<u>1,355,525</u>
Total assets	<u>4,028,019</u>	<u>6,737,805</u>	<u>91,200</u>	<u>485,873</u>	<u>7,764,922</u>	<u>759,113</u>	<u>19,866,932</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Total deferred outflows of resources				240,164	155,789	11,017	406,970
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	68		2,025	58,797	10,959	130,238	202,087
Due to other funds			89,175				89,175
Compensated absences due in one year					8,130		8,130
Claims and litigation due in one year	86,000	31,000					117,000
Total current liabilities	<u>86,068</u>	<u>31,000</u>	<u>91,200</u>	<u>58,797</u>	<u>19,089</u>	<u>130,238</u>	<u>416,392</u>
Noncurrent liabilities:							
Compensated absences				44,833	1,815		46,648
Claims and litigation	687,000	5,731,000					6,418,000
Net pension liability				945,261	613,168	43,361	1,601,790
Total noncurrent liabilities	<u>687,000</u>	<u>5,731,000</u>		<u>990,094</u>	<u>614,983</u>	<u>43,361</u>	<u>8,066,438</u>
<b>Total liabilities</b>	<u>773,068</u>	<u>5,762,000</u>	<u>91,200</u>	<u>1,048,891</u>	<u>634,072</u>	<u>173,599</u>	<u>8,482,830</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Total deferred inflows of resources				65,645	42,582	3,011	111,238
<b>NET POSITION</b>							
Net investment in capital assets				113,440	1,086,736	42,357	1,242,533
Restricted		112,992					112,992
Unrestricted (deficit)	3,254,951	862,813		(501,939)	6,157,321	551,163	10,324,309
<b>Total net position</b>	<u>\$ 3,254,951</u>	<u>\$ 975,805</u>		<u>\$ (388,499)</u>	<u>\$ 7,244,057</u>	<u>\$ 593,520</u>	<u>\$ 11,679,834</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the year ended June 30, 2017**

	General Liability Fund	Worker's Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>OPERATING REVENUES:</b>							
Charges for services	\$ 1,210,000	\$ 825,000	\$ 4,432,547	\$ 1,443,639	\$ 1,273,917	\$ 1,046,070	\$ 10,231,173
Other revenue	129,076			37	16,605		145,718
<b>Total operating revenue</b>	<u>1,339,076</u>	<u>825,000</u>	<u>4,432,547</u>	<u>1,443,676</u>	<u>1,290,522</u>	<u>1,046,070</u>	<u>10,376,891</u>
<b>OPERATING EXPENSES:</b>							
Salaries and benefits		237,989		725,758	355,458	81,477	1,400,682
Retiree medical benefit			4,402,957				4,402,957
Supplies and services	218,219	94,928	22,905	659,347	235,889	980,827	2,212,115
Depreciation				15,701	547,324	19,314	582,339
Insurance claims and expenses	826,929	180,350		1,724	39,358		1,048,361
<b>Total operating expenses</b>	<u>1,045,148</u>	<u>513,267</u>	<u>4,425,862</u>	<u>1,402,530</u>	<u>1,178,029</u>	<u>1,081,618</u>	<u>9,646,454</u>
<b>Operating income (loss)</b>	<u>293,928</u>	<u>311,733</u>	<u>6,685</u>	<u>41,146</u>	<u>112,493</u>	<u>(35,548)</u>	<u>730,437</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment income (expense)	11,685	15,204	(501)	791	15,026	1,512	43,717
<b>Net nonoperating revenues (expenses)</b>	<u>11,685</u>	<u>15,204</u>	<u>(501)</u>	<u>791</u>	<u>15,026</u>	<u>1,512</u>	<u>43,717</u>
<b>Net change in net position</b>	305,613	326,937	6,184	41,937	127,519	(34,036)	774,154
<b>NET POSITION:</b>							
Total net position, beginning	2,949,338	648,868	(6,184)	(430,436)	7,116,538	627,556	10,905,680
Total net position, ending	<u>\$ 3,254,951</u>	<u>\$ 975,805</u>	<u>\$ (6,184)</u>	<u>\$ (388,499)</u>	<u>\$ 7,244,057</u>	<u>\$ 593,520</u>	<u>\$ 11,679,834</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2017**

	General Liability Fund	Workers' Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers for service charges	\$ 1,357,656	\$ 821,580	\$ 4,341,683	\$ 1,443,200	\$ 1,285,140	\$ 1,055,752	\$ 10,305,011
Payments to suppliers	(1,054,948)	(275,515)	(368,786)	(635,590)	(277,272)	(953,368)	(3,565,479)
Receipts from claims and litigation	86,000						86,000
Payments to retirees			(4,402,957)				(4,402,957)
Payments to employees		(206,989)		(753,286)	(395,163)	(82,938)	(1,438,376)
<b>Net cash provided by (used in) operating activities</b>	<b>388,708</b>	<b>339,076</b>	<b>(430,060)</b>	<b>54,324</b>	<b>612,705</b>	<b>19,446</b>	<b>984,199</b>
<b>CASH FLOWS FROM</b>							
<b>NONCAPITAL FINANCING ACTIVITIES:</b>							
Interfund loans received (paid)			89,175		101,497		190,672
			89,175		101,497		190,672
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets				(49,039)	(173,536)		(222,575)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Interest expense			(501)				(501)
Interest received on investments	11,685	15,204		791	15,026	1,512	44,218
	11,685	15,204	(501)	791	15,026	1,512	43,717
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>400,393</b>	<b>354,280</b>	<b>(341,386)</b>	<b>6,076</b>	<b>555,692</b>	<b>20,958</b>	<b>996,013</b>
<b>CASH AND CASH EQUIVALENTS:</b>							
Beginning of year	3,581,921	6,363,725	341,386	364,893	6,054,255	693,633	17,399,813
End of year	\$ 3,982,314	\$ 6,718,005	\$ -	\$ 370,969	\$ 6,609,947	\$ 714,591	\$ 18,395,826
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>							
Operating (loss) income	293,928	311,733	6,685	41,146	112,493	(35,548)	730,437
Adjustments for noncash activities:							
Depreciation and amortization				15,701	547,324	19,314	582,339
Changes in assets and liabilities:							
Receivables	18,580	(3,420)	(90,864)	(476)	(5,382)	9,682	(71,880)
Inventories					20,001		20,001
Deferred outflows				(158,836)	(103,033)	(7,287)	(269,156)
Accounts payable	(9,800)	(237)	(345,881)	25,481	(22,026)	27,459	(325,004)
Compensated absences				4,303	(19,057)		(14,754)
Claims and litigations liabilities	86,000	31,000					117,000
Deferred inflows				(24,607)	(15,963)	(1,129)	(41,699)
Net pension liabilities				151,612	98,348	6,955	256,915
Total adjustments	94,780	27,343	(436,745)	13,178	500,212	54,994	253,762
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 388,708</b>	<b>\$ 339,076</b>	<b>\$ (430,060)</b>	<b>\$ 54,324</b>	<b>\$ 612,705</b>	<b>\$ 19,446</b>	<b>\$ 984,199</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>							
Cash and investments – current	\$ 3,982,314	\$ 6,605,013		\$ 370,969	\$ 6,609,947	\$ 714,591	\$ 18,282,834
Cash and investments, restricted		112,992					112,992
Total cash and investments per Statement of Net Position	\$ 3,982,314	\$ 6,718,005		\$ 370,969	\$ 6,609,947	\$ 714,591	\$ 18,395,826

## **FIDUCIARY FUNDS**

### Agency Funds

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

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

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

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

**Unclaimed Property – PD Fund** – This fund tracks unclaimed property received by the Burlingame Police department.

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

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

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

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

**Unclaimed – General Accounts Fund** – This fund records unclaimed property and collections received by the City.

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

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

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



CITY OF BURLINGAME  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<b>Seismic Education Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,773	\$ 4,583		\$ 6,356
<b>Total assets</b>	<b>\$ 1,773</b>	<b>\$ 4,583</b>		<b>\$ 6,356</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,773	\$ 3,022		\$ 4,795
Due to other governmental units		1,561		1,561
<b>Total liabilities</b>	<b>\$ 1,773</b>	<b>\$ 4,583</b>		<b>\$ 6,356</b>
<b>Hotel BID Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 83,682	\$ 67,879		\$ 151,561
Accounts receivable	867,253		\$ (117,354)	749,899
<b>Total assets</b>	<b>\$ 950,935</b>	<b>\$ 67,879</b>	<b>\$ (117,354)</b>	<b>\$ 901,460</b>
<b>Liabilities:</b>				
Accounts payable	\$ 91,646	\$ 67,928		\$ 159,574
Due to other governmental units	859,289		\$ (117,403)	741,886
<b>Total liabilities</b>	<b>\$ 950,935</b>	<b>\$ 67,928</b>	<b>\$ (117,403)</b>	<b>\$ 901,460</b>
<b>Elementary School Development Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 29,970		\$ (650)	\$ 29,320
<b>Total assets</b>	<b>\$ 29,970</b>		<b>\$ (650)</b>	<b>\$ 29,320</b>
<b>Liabilities:</b>				
Accounts payable	\$ 29,970		\$ (650)	\$ 29,320
<b>Total liabilities</b>	<b>\$ 29,970</b>		<b>\$ (650)</b>	<b>\$ 29,320</b>
<b>High School Development Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 22,562	\$ 351		\$ 22,913
<b>Total assets</b>	<b>\$ 22,562</b>	<b>\$ 351</b>		<b>\$ 22,913</b>
<b>Liabilities:</b>				
Accounts payable	\$ 22,562	\$ 351		\$ 22,913
<b>Total liabilities</b>	<b>\$ 22,562</b>	<b>\$ 351</b>		<b>\$ 22,913</b>

(continued)

CITY OF BURLINGAME  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<b>Unclaimed Property - PD</b>				
<b>Assets:</b>				
Cash and investments				
Accounts receivable	\$ 946		\$ (946)	
<b>Total assets</b>	<b>\$ 946</b>		<b>\$ (946)</b>	
<b>Liabilities;</b>				
Due to other governmental units	\$ 946		\$ (946)	
<b>Total liabilities</b>	<b>\$ 946</b>		<b>\$ (946)</b>	
<b>Council Cities</b>				
<b>Assets:</b>				
Cash and investments		\$ 1,050		\$ 1,050
Accounts receivable		550		550
<b>Total assets</b>		<b>\$ 1,600</b>		<b>\$1,600</b>
<b>Liabilities:</b>				
Accounts payable		\$ 1,300		\$ 1,300
Due to other governmental units		300		300
<b>Total liabilities</b>		<b>\$ 1,600</b>		<b>\$ 1,600</b>
<b>BID - Broadway</b>				
<b>Assets:</b>				
Cash and investments	\$ 2,195		\$ (1,933)	\$ 262
<b>Total assets</b>	<b>\$ 2,195</b>		<b>\$ (1,933)</b>	<b>\$ 262</b>
<b>Liabilities;</b>				
Accounts payable	\$ 2,195		\$ (1,933)	\$ 262
<b>Total liabilities</b>	<b>\$ 2,195</b>		<b>\$ (1,933)</b>	<b>\$ 262</b>
<b>Library Foundation Account Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,784	\$ 562		\$ 2,346
<b>Total assets</b>	<b>\$ 1,784</b>	<b>\$ 562</b>		<b>\$ 2,346</b>
<b>Liabilities;</b>				
Accounts payable	\$ 1,784	\$ 562		\$ 2,346
<b>Total liabilities</b>	<b>\$ 1,784</b>	<b>\$ 562</b>		<b>\$ 2,346</b>

(continued)

CITY OF BURLINGAME  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<b>Building Standards Administration</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,614	\$ 147		\$ 1,761
<b>Total assets</b>	<b>\$ 1,614</b>	<b>\$ 147</b>		<b>\$ 1,761</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,979		\$ (974)	\$ 1,005
Due to other governmental units		\$ 756		756
<b>Total liabilities</b>	<b>\$ 1,979</b>	<b>\$ 756</b>	<b>\$ (974)</b>	<b>\$ 1,761</b>
<b>Unclaimed - General Accounts</b>				
<b>Assets:</b>				
Cash and investments	\$ 500		\$ (500)	
<b>Total assets</b>	<b>\$ 500</b>		<b>\$ (500)</b>	
<b>Liabilities:</b>				
Accounts payable	\$ 500		\$ (500)	
<b>Total liabilities</b>	<b>\$ 500</b>		<b>\$ (500)</b>	
<b>Downtown Business Improvement District</b>				
<b>Assets:</b>				
Cash and investments		\$ 2,363		\$ 2,363
Accounts receivable	\$ 19,790		\$ (9,405)	10,385
<b>Total assets</b>	<b>\$ 19,790</b>	<b>\$ 2,363</b>	<b>\$ (9,405)</b>	<b>\$ 12,748</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,300	\$ 2,808		\$ 4,108
Due to other governmental units	18,125		\$ (9,485)	8,640
<b>Total liabilities</b>	<b>\$ 19,425</b>	<b>\$ 2,808</b>	<b>\$ (9,485)</b>	<b>\$ 12,748</b>
<b>Deferred Comp - Retirees</b>				
<b>Assets:</b>				
Cash and investments		\$ 6,428		\$ 6,428
<b>Total assets</b>		<b>\$ 6,428</b>		<b>\$ 6,428</b>
<b>Liabilities:</b>				
Due to other governmental units		\$ 6,428		\$ 6,428
<b>Total liabilities</b>		<b>\$ 6,428</b>		<b>\$ 6,428</b>

(continued)

CITY OF BURLINGAME  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<b>Deferred Comp - Admin. Services</b>				
<b>Assets:</b>				
Cash and investments		\$ 26,630	\$ (8,709)	\$ 17,921
Prepays		3,806		3,806
<b>Total assets</b>		<b>\$ 30,436</b>	<b>\$ (8,709)</b>	<b>\$ 21,727</b>
<b>Liabilities:</b>				
Accounts payable		\$ 12,000		\$ 12,000
Due to other governmental units		9,727		9,727
<b>Total liabilities</b>		<b>\$ 21,727</b>		<b>\$ 21,727</b>
<b>Totals - All Agency Funds</b>				
<b>Assets:</b>				
Cash and investments	\$ 144,080	\$ 109,993	\$ (11,792)	\$ 242,281
Accounts receivable	887,989	550	(127,705)	760,834
Prepaid and deposit		3,806		3,806
<b>Total assets</b>	<b>\$ 1,032,069</b>	<b>\$ 114,349</b>	<b>\$ (139,497)</b>	<b>\$ 1,006,921</b>
<b>Liabilities:</b>				
Accounts payable	\$ 153,709	\$ 87,971	\$ (4,057)	\$ 237,623
Due to other governmental units	878,360	18,772	(127,834)	769,298
<b>Total liabilities</b>	<b>\$ 1,032,069</b>	<b>\$ 106,743</b>	<b>\$ (131,891)</b>	<b>\$ 1,006,921</b>



# Comprehensive Annual Financial Report

June 30, 2017

**STATISTICAL SECTION**



Comprehensive Annual Financial Report

June 30, 2017

## 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.	146-153
<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.	154-160
<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.	161-165
<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.	166-168
<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.	170-172



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

	Fiscal Year			
	2008	2009	(1) 2010	(1) 2011
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 92,795	\$ 60,967	\$ 59,936	\$ 51,521
Restricted	3,299	3,575	3,515	8,674
Unrestricted - restated per GASB 68	<u>16,265</u>	<u>41,005</u>	<u>42,298</u>	<u>49,259</u>
Total governmental activities net position	<u>\$ 112,359</u>	<u>\$ 105,547</u>	<u>\$ 105,749</u>	<u>\$ 109,454</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 30,824	\$ 32,014	\$ 30,759	\$ 38,406
Restricted	-	-	-	-
Unrestricted - restated per GASB 68	<u>14,385</u>	<u>18,119</u>	<u>19,260</u>	<u>17,736</u>
Total business-type activities net position	<u>\$ 45,209</u>	<u>\$ 50,133</u>	<u>\$ 50,019</u>	<u>\$ 56,142</u>
<b>Primary government:</b>				
Net investment in capital assets	\$ 123,619	\$ 92,981	\$ 90,695	\$ 89,927
Restricted	3,299	3,575	3,515	8,674
Unrestricted	<u>30,650</u>	<u>59,124</u>	<u>61,558</u>	<u>66,995</u>
Total primary government net position	<u>\$ 157,568</u>	<u>\$ 155,680</u>	<u>\$ 155,768</u>	<u>\$ 165,596</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.

(1)	(2)	Fiscal Year			
		2012	2013	2014	2015
\$ 78,903	\$ 64,020	\$ 72,956	\$ 74,346	\$ 79,019	\$ 82,624
12,102	26,400	45,863	36,446	38,414	43,383
27,234	34,841	14,732	(26,763)	(25,511)	(9,583)
<u>\$ 118,239</u>	<u>\$ 125,261</u>	<u>\$ 133,551</u>	<u>\$ 84,029</u>	<u>\$ 91,922</u>	<u>\$ 116,424</u>
\$ 40,381	\$ 43,469	\$ 46,341	\$ 50,485	\$ 54,587	\$ 61,071
5,014	5,050	451	451	12,367	11,963
14,788	16,093	27,092	22,038	26,002	30,125
<u>\$ 60,183</u>	<u>\$ 64,612</u>	<u>\$ 73,884</u>	<u>\$ 72,974</u>	<u>\$ 92,956</u>	<u>\$ 103,159</u>
\$ 119,284	\$ 107,489	\$ 119,297	\$ 124,831	\$ 133,606	\$ 143,695
17,116	31,450	46,314	36,897	50,781	55,346
42,022	50,934	41,824	(4,725)	491	20,542
<u>\$ 178,422</u>	<u>\$ 189,873</u>	<u>\$ 207,436</u>	<u>\$ 157,003</u>	<u>\$ 184,878</u>	<u>\$ 219,583</u>

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

	2008	2009	2010	2011
<b>Expenses</b>				
Governmental activities:				
General government	\$ 5,199	\$ 5,493	\$ 5,354	\$ 6,803
Public safety	18,981	21,154	21,050	21,141
Public works	4,307	8,071	8,453	8,514
Community development	4,168	3,263	2,318	1,752
Parks, recreation and library	9,465	10,868	9,191	10,475
Shuttle operations	304	318	130	324
Financing and other activities	1,401	2,093	1,876	2,656
Total governmental activities expenses	<u>43,825</u>	<u>51,261</u>	<u>48,372</u>	<u>51,665</u>
Business-type activities:				
Water	8,662	9,315	9,370	9,569
Sewer	10,011	10,442	10,170	9,509
Waste management	307	1,217	687	936
Landfill	-	-	-	-
Parking	1,315	1,353	1,298	1,454
Building	-	1,185	1,075	1,141
Total business-type activities expenses	<u>20,295</u>	<u>23,512</u>	<u>22,600</u>	<u>22,608</u>
Total primary government expenses	<u>\$ 64,120</u>	<u>\$ 74,773</u>	<u>\$ 70,972</u>	<u>\$ 74,273</u>
<b>Program Revenue</b>				
Governmental activities:				
Charges for services:				
General government	\$ 269	\$ 240	\$ 350	\$ 616
Public safety	1,737	2,104	1,179	2,202
Public works	1,438	556	314	1,713
Community development	263	300	336	744
Parks, recreation and library	2,719	2,565	2,643	2,744
Shuttle operations	-	-	-	72
Operating grants and contributions	2,730	2,590	2,040	2,210
Capital grants and contributions	105	918	3,407	3,189
Total governmental activities program revenues	<u>9,261</u>	<u>9,273</u>	<u>10,269</u>	<u>13,490</u>
Business-types activities:				
Charges for services:				
Water	11,119	11,800	11,516	12,734
Sewer	11,592	12,467	12,534	14,566
Waste management	-	7	294	653
Landfill	-	-	-	-
Parking	1,691	1,640	1,645	1,802
Building	-	2,356	1,479	1,404
Capital grants and contributions	1,105	535	23	-
Total business-type activities program revenues	<u>25,507</u>	<u>28,805</u>	<u>27,491</u>	<u>31,159</u>
Total primary governmental program revenues	<u>\$ 34,768</u>	<u>\$ 38,078</u>	<u>\$ 37,760</u>	<u>\$ 44,649</u>
<b>Net (expenses)/revenue</b>				
Government activities	\$ (34,564)	\$ (41,988)	\$ (38,103)	\$ (38,175)
Business-type activities	5,212	5,293	4,891	8,551
Total primary government net expenses	<u>\$ (29,352)</u>	<u>\$ (36,695)</u>	<u>\$ (33,212)</u>	<u>\$ (29,624)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 12,198	\$ 12,798	\$ 13,355	\$ 13,310
Sales tax	9,458	8,251	6,276	8,041
Transient occupancy tax	11,265	10,155	10,342	13,404
Other taxes	2,103	2,095	2,267	5,037
Other general revenue	-	-	-	-
Special Item - OPEB pre-funding	-	-	-	-
Investment earnings (expense)	1,610	897	618	805
Transfers	2,080	980	5,447	1,282
Total governmental activities	<u>38,714</u>	<u>35,176</u>	<u>38,305</u>	<u>41,879</u>
Business-type activities:				
Other taxes	906	610	442	-
Other general revenue	-	-	-	-
Investment earnings (expense)	-	-	-	(1,145)
Transfers	(2,080)	(980)	(5,447)	(1,282)
Total primary government	<u>(1,174)</u>	<u>(370)</u>	<u>(5,005)</u>	<u>(2,427)</u>
<b>Change in Net Position</b>				
Government activities	4,149	(6,811)	202	3,704
Business-type activities	4,038	4,923	(114)	6,124
Total primary government	<u>\$ 8,187</u>	<u>\$ (1,887)</u>	<u>\$ 88</u>	<u>\$ 9,828</u>

2012	2013	2014	2015	2016	2017
\$ 6,358	\$ 6,188	\$ 7,295	\$ 4,231	\$ 4,275	\$ 4,757
20,265	21,163	19,141	23,005	26,296	25,710
8,248	9,268	12,961	8,267	8,312	7,353
1,245	941	1,007	1,145	1,162	1,386
9,828	11,065	11,162	15,832	13,786	14,581
249	179	188	135	137	150
2,215	3,552	2,812	2,422	2,639	3,075
<u>48,408</u>	<u>52,356</u>	<u>54,567</u>	<u>55,037</u>	<u>56,607</u>	<u>57,012</u>
11,082	12,127	10,745	11,471	12,822	13,806
9,686	9,553	9,332	10,144	10,960	10,345
681	634	467	481	487	676
-	-	177	67	56	77
1,435	1,350	1,183	1,296	445	635
1,222	1,317	1,254	1,368	1,420	2,054
<u>24,107</u>	<u>24,980</u>	<u>23,158</u>	<u>24,827</u>	<u>26,190</u>	<u>27,593</u>
<u>\$ 72,516</u>	<u>\$ 77,336</u>	<u>\$ 77,725</u>	<u>\$ 79,864</u>	<u>\$ 82,797</u>	<u>\$ 84,605</u>
\$ 2	\$ 117	\$ 302	\$ 116	\$ 123	\$ 122
1,053	212	1,097	1,066	1,009	1,075
560	3,230	4,075	3,870	3,477	4,316
319	384	738	657	890	5,900
2,760	2,880	2,919	3,372	3,405	3,860
-	-	-	-	150	-
1,165	987	738	1,127	591	978
3,520	357	1,249	740	439	150
<u>9,379</u>	<u>8,167</u>	<u>11,118</u>	<u>10,948</u>	<u>10,084</u>	<u>16,401</u>
13,708	14,875	16,023	15,425	15,158	16,375
16,157	16,791	16,931	15,679	15,634	15,798
465	564	1,694	943	778	780
-	-	350	445	437	447
1,950	2,428	2,477	2,573	2,649	2,766
1,580	1,707	2,057	1,980	2,257	4,087
-	-	-	-	-	-
<u>33,860</u>	<u>36,365</u>	<u>39,532</u>	<u>37,045</u>	<u>36,913</u>	<u>40,253</u>
<u>\$ 43,239</u>	<u>\$ 44,532</u>	<u>\$ 50,651</u>	<u>\$ 47,993</u>	<u>\$ 46,997</u>	<u>\$ 56,654</u>
\$ (39,029)	\$ (44,189)	\$ (43,449)	\$ (44,089)	\$ (46,523)	\$ (40,611)
9,753	11,385	16,374	12,218	10,723	12,660
<u>\$ (29,277)</u>	<u>\$ (32,804)</u>	<u>\$ (27,075)</u>	<u>\$ (31,871)</u>	<u>\$ (35,800)</u>	<u>\$ (27,951)</u>
\$ 13,672	\$ 14,394	\$ 15,497	\$ 16,677	\$ 17,645	\$ 18,933
8,495	9,199	10,196	11,101	12,828	12,089
16,183	18,244	21,357	23,698	26,092	26,263
4,478	5,311	4,595	4,697	4,589	4,407
-	-	344	1,254	233	427
-	-	(6,600)	-	-	-
472	148	576	481	1,292	266
4,513	3,916	5,774	3,127	(8,114)	2,730
<u>47,813</u>	<u>51,212</u>	<u>51,739</u>	<u>61,037</u>	<u>54,565</u>	<u>65,115</u>
228	314	-	-	382	-
(1,427)	(3,353)	(1,329)	(1,451)	762	144
(4,513)	(3,916)	(5,774)	(3,127)	8,114	(2,730)
<u>(5,712)</u>	<u>(6,955)</u>	<u>(7,103)</u>	<u>(4,578)</u>	<u>9,258</u>	<u>(2,458)</u>
8,784	7,023	8,290	16,947	7,893	24,503
4,041	4,430	9,271	7,640	19,982	10,202
<u>\$ 12,825</u>	<u>\$ 11,453</u>	<u>\$ 17,562</u>	<u>\$ 24,587</u>	<u>\$ 27,875</u>	<u>\$ 34,705</u>



# Comprehensive Annual Financial Report

June 30, 2017

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011<sup>(1)</sup></u>	<u>2012</u>
General Fund:					
Nonspendable				\$ 3	\$ 1
Restricted				-	-
Committed				-	-
Assigned				10,200	11,927
Unassigned				<u>1,665</u>	<u>3,591</u>
Reserved	\$ 669	\$ 670	\$ 580		
Unreserved	<u>8,881</u>	<u>6,676</u>	<u>6,276</u>		
Total general fund	<u>\$ 9,550</u>	<u>\$ 7,346</u>	<u>\$ 6,856</u>	<u>\$ 11,868</u>	<u>\$ 15,519</u>
All other governmental funds:					
Nonspendable				\$ 475	\$ 204
Restricted				5,756	11,898
Committed				-	-
Assigned				16,140	13,246
Unassigned				<u>-</u>	<u>-</u>
Subtotal all other governmental funds				<u>\$ 22,370</u>	<u>\$ 25,348</u>
Reserved	\$ 7,724	\$ 6,111	\$ 9,024		
Unreserved, reported in:					
Debt service funds	-	-	-		
Special revenue funds	605	757	739		
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>		
Total all other governmental funds	<u>\$ 8,329</u>	<u>\$ 6,868</u>	<u>\$ 9,763</u>	<u>\$ 34,238</u>	<u>\$ 40,867</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund:					
Nonspendable	\$ 217	\$ 221	\$ 224	\$ 337	\$ 215
Restricted	-	-	-	-	12
Committed	-	-	-	-	-
Assigned	12,300	9,413	18,773	18,638	19,386
Unassigned	<u>7,430</u>	<u>13,251</u>	<u>10,465</u>	<u>11,003</u>	<u>13,659</u>
Subtotal General Fund	<u>\$ 19,947</u>	<u>\$ 22,885</u>	<u>\$ 29,462</u>	<u>\$ 29,978</u>	<u>\$ 33,272</u>
All other governmental funds:					
Nonspendable	\$ 396	\$ 383	\$ 375	\$ 575	\$ -
Restricted	26,004	17,417	10,851	21,034	25,196
Committed	19,412	28,063	25,220	20,874	22,359
Assigned	1,166	651	8,762	13,500	20,500
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>97</u>	<u>(5)</u>
Subtotal all other governmental funds	<u>\$ 46,978</u>	<u>\$ 46,514</u>	<u>\$ 45,208</u>	<u>\$ 56,080</u>	<u>\$ 68,050</u>
Total governmental fund balance	<u>\$ 66,925</u>	<u>\$ 69,399</u>	<u>\$ 74,670</u>	<u>\$ 86,058</u>	<u>\$ 101,322</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)**

	2008	2009	2010	2011
<b>REVENUES:</b>				
Property taxes	\$ 12,198	\$ 12,798	\$ 12,209	\$ 13,310
Sales and use taxes	9,459	8,251	6,276	8,041
Transient occupancy taxes	11,265	10,155	10,342	13,404
Other taxes	1,981	2,012	2,159	2,416
Licenses and permits	1,221	298	92	97
Fines, forfeitures, and penalties	1,178	1,298	467	1,025
Investment income	1,677	959	695	803
Motor vehicle in lieu tax	122	83	108	148
Intergovernmental	1,829	1,898	1,506	1,500
Charges for services	3,797	3,986	6,393	6,121
Grant and governmental revenues	319	824	1,146	662
Other revenue	823	877	552	845
<b>Total revenues</b>	<b>45,869</b>	<b>43,440</b>	<b>41,945</b>	<b>48,371</b>
<b>EXPENDITURES:</b>				
Current				
General government	4,987	5,111	4,842	5,458
Public safety	18,846	19,097	18,830	17,378
Public works	4,723	6,839	7,231	5,713
Community development	1,697	890	780	731
Parks, recreation and library	9,505	10,319	8,500	8,620
Shuttle operations	304	318	130	139
Other	-	-	-	17
Capital Outlay	6,680	11,001	5,028	4,023
Debt service:				
Principal	2,547	2,138	2,212	7,526
Interest	1,543	2,104	1,922	2,425
<b>Total expenditures</b>	<b>50,832</b>	<b>57,817</b>	<b>49,475</b>	<b>52,031</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,963)</b>	<b>(14,377)</b>	<b>(7,530)</b>	<b>(3,660)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	15,532	17,398	16,797	26,312
Transfer out	(7,605)	(6,686)	(6,861)	(25,029)
Pension obligation bonds issued	-	-	-	-
Payment to PERS retirement	-	-	-	-
Refund bond issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from issuance of debt	-	-	-	20,300
Payments to refunded bond escrow agent	-	-	-	(305)
<b>Total other financing sources (uses)</b>	<b>7,927</b>	<b>10,712</b>	<b>9,936</b>	<b>21,278</b>
<b>Net change in fund balances</b>	<b>\$ 2,964</b>	<b>\$ (3,665)</b>	<b>\$ 2,405</b>	<b>\$ 17,618</b>
Debt service as a percentage of noncapital expenditures	9%	9%	9%	21%

		Fiscal Year									
		2012	2013	2014	2015	2016	2017				
\$	13,672	\$	15,539	\$	15,497	\$	16,677	\$	17,645	\$	18,933
	8,495		9,199		10,196		11,101		12,828		12,089
	16,183		18,244		21,357		23,698		26,092		26,263
	2,582		2,970		2,970		3,048		3,154		3,024
	100		102		112		84		86		88
	889		933		874		921		864		898
	472		148		391		374		1,036		309
	-		-		-		-		-		-
	1,896		2,115		1,625		1,648		1,435		1,383
	6,270		6,721		7,704		8,076		7,919		14,284
	1,216		267		1,987		1,867		1,075		779
	904		370		345		1,255		391		427
	<u>52,680</u>		<u>56,608</u>		<u>63,058</u>		<u>68,749</u>		<u>72,525</u>		<u>78,477</u>
	6,669		5,699		5,989		4,434		4,917		5,148
	18,392		18,895		20,082		23,231		25,057		25,646
	9,790		7,834		11,280		8,311		7,330		6,238
	1,172		854		1,041		1,244		1,406		1,531
	9,463		9,328		10,485		15,145		12,725		13,590
	145		179		188		135		137		150
	-		-		-		-		-		-
	-		6,447		3,205		6,594		3,885		4,863
	3,034		3,527		4,631		4,964		5,832		5,596
	2,304		2,337		2,752		2,548		2,633		3,182
	<u>50,969</u>		<u>55,101</u>		<u>59,654</u>		<u>66,607</u>		<u>63,922</u>		<u>65,944</u>
	<u>1,711</u>		<u>1,507</u>		<u>3,404</u>		<u>2,142</u>		<u>8,603</u>		<u>12,533</u>
	29,276		33,209		33,520		33,694		30,150		26,378
	(24,763)		(29,293)		(34,448)		(30,567)		(38,264)		(23,648)
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		1,045		-
	405		20,637		-		-		9,855		-
	-		-		-		-		-		-
	<u>4,918</u>		<u>24,553</u>		<u>(929)</u>		<u>3,127</u>		<u>2,786</u>		<u>2,730</u>
\$	<u>6,630</u>	\$	<u>26,058</u>	\$	<u>2,473</u>	\$	<u>5,270</u>	\$	<u>11,389</u>	\$	<u>15,263</u>
	10%		12%		13%		13%		14%		14%



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

<b>Category</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Residential	\$ 4,425,787,714	\$ 4,752,698,976	\$ 4,919,813,993	\$ 4,964,900,673	\$ 5,067,435,558	\$ 5,292,630,080
Commercial	1,218,274,542	1,205,209,020	1,229,890,648	1,197,204,546	1,203,204,597	1,264,338,491
Industrial	386,532,903	403,343,837	417,397,081	445,945,589	449,409,192	469,569,724
Government	1,684,851	1,718,546	1,752,914	477,622	481,217	490,841
Institutional	32,449,526	27,466,494	23,302,586	5,108,197	5,179,683	5,313,527
Miscellaneous	2,340,192	2,386,992	6,116,146	47,603,695	46,149,474	47,731,445
Recreational	12,527,505	20,570,100	17,974,577	21,392,656	21,565,053	21,330,221
Vacant Land	10,038,189	43,891,543	46,610,281	50,379,786	44,684,470	53,260,644
SBE Nonunitary	3,837,425	3,837,425	3,837,425	3,680,597	2,560,452	2,560,452
Unsecured	291,377,516	300,758,515	299,902,769	274,429,627	270,906,684	275,840,943
Unknown	-	145,525	-	-	-	-
<b>TOTALS</b>	<b>\$ 6,384,850,363</b>	<b>\$ 6,762,026,973</b>	<b>\$ 6,966,598,420</b>	<b>\$ 7,011,122,988</b>	<b>\$ 7,111,576,380</b>	<b>\$ 7,433,066,368</b>
Total Direct Rate	0.14525	0.14522	0.14521	0.14520	0.14519	0.14209

Note:

Exempt values are not included in the total.

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

Source: San Mateo County Assessor 2007/08 - 2016/17 Combined Tax Rolls

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

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

**TAXABLE PROPERTY VALUES**

<b>LIEN YEAR</b>	<b>SECURED</b>	<b>UNSECURED</b>	<b>SBE NONUNITARY</b>	<b>NET TOTAL ASSESSED VALUE</b>	<b>% CHANGE</b>
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%
2016/17	9,378,077,970	329,134,973	2,763,435	9,709,976,378	7.67%

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 <sup>(1)(2)</sup>	DEBT AND/OR SPECIAL ASSESSMENTS						Total Tax Rate
		City	County	Peninsula Hospital	Community College District	Elementary School District	High School District	
	\$	\$	\$	\$	\$	\$	\$	\$
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
2017	1.000000	0.000000	0.000000	0.000000	0.024700	0.082400	0.041500	1.148600

City's Share of 1% Levy Per Prop 13 <sup>(3)</sup> 0.17065

Redevelopment Rate <sup>(4)</sup> 0.0000

Total Direct Rate <sup>(5)</sup> 0.14246

**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, 2017**  
**(amounts expressed in thousands)**

Taxpayer	2017				2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)
HMC Burlingame Hotel LLC	\$ 142,596	1	1.47%	HMC Burlingame Hotel LLC	\$ 110,236	1	1.73%
EQR-NorthPark LP	120,541	2	1.24%	Bay Park Plaza Associates	89,193	2	1.40%
Inland American Lodging Burlingame LLC	110,454	3	1.14%	HMH SFO Inc.	74,597	3	1.17%
Burlingame Bay LLC	90,307	4	0.93%	One Bay Plaza Associates LLC	57,359	4	0.90%
MNCVAD-Harvest One Bay LLC	64,976	5	0.67%	Felcor CCS Holdings LP 6952	43,750	5	0.69%
Felcor CSS Holdings LP	61,300	6	0.63%	CRP BAHF SFO LLC	36,970	6	0.58%
Burlingame Point LLC	48,465	7	0.50%	NorthPark LP	29,230	7	0.46%
EQR Skyline Terrace LP	46,088	8	0.47%	350 Beach Road LLC	25,500	8	0.40%
Romel Chicago LLC	40,575	9	0.42%	ARE-819 863 Mitten Road LLC	25,289	9	0.40%
Green Banker LLC	37,682	10	0.39%	Harbor View Hotels, Inc.	24,642	10	0.39%
	<u>\$ 762,984</u>		<u>7.86%</u>		<u>\$ 516,766</u>		<u>8.09%</u>

(1) 2016-17 Local Combined Assessed Valuation \$ 9,709,976

Source: San Mateo County Assessor 2016/17 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
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%
2017	16,321,692	15,570,855	95.40%	-	15,570,855	95.40%

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

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

<u>Fiscal year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Transient Occupancy Tax</u>	<u>Other Taxes</u>	<u>Inter-governmental Revenues</u>	<u>Total</u>
2008	\$ 12,198	\$ 9,459	\$ 11,265	\$ 1,981	\$ 1,829	\$ 36,732
2009	12,798	8,251	10,155	1,782	1,898	34,884
2010	13,355	6,276	10,342	1,857	1,506	33,336
2011	13,310	8,041	13,404	2,070	1,500	38,325
2012	13,672	8,495	16,183	2,582	1,896	42,828
2013	14,394	9,199	18,244	4,217	2,115	48,169
2014	15,497	10,196	21,357	2,970	1,625	51,645
2015	16,677	11,101	23,698	3,048	1,648	56,172
2016	17,645	12,828	26,092	3,154	1,435	61,154
2017	18,933	12,089	26,263	3,024	1,383	61,692

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			
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
2017	13,773,132	28,060,025	12,145,000	-	-	25,861,091	21,262,244	101,101,492	5.44%	3,353

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 2017 is not available. Therefore, in order to present a useful estimate, personal income data for calendar year 2016 has been used.



**CITY OF BURLINGAME, CALIFORNIA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Net Total Assessed Value	Percentage of Estimated Actual Taxable Value of Property	Burlingame Population	Per Capita
2008	\$ 30,280,000	\$ 6,384,850,363	0.47%	\$ 28,453	\$ 1,064
2009	29,020,000	6,762,026,973	0.43%	28,762	1,009
2010	27,605,000	6,966,598,420	0.40%	29,050	950
2011	26,010,000	7,011,122,988	0.37%	29,342	886
2012	24,235,000	7,111,576,380	0.34%	29,106	833
2013	22,275,000	7,433,066,368	0.30%	29,426	757
2014	20,095,000	7,941,768,868	0.25%	29,685	677
2015	17,695,000	8,445,458,270	0.21%	29,700	596
2016	15,050,000	9,018,355,330	0.17%	29,724	506
2017	12,145,000	9,709,976,378	0.13%	30,148	403

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, 2017**

2016-17 Assessed Valuation\*\* : \$ 9,709,985,564

	<b>Total Debt June 30, 2017</b>	<b>Percent Applicable (1)</b>	<b>City's share of Debt June 30, 2017</b>
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
San Mateo Community College District	\$ 611,812,998	5.061%	\$ 30,963,856
San Mateo Union High School District	532,761,586	14.432%	76,888,152
Burlingame School District	127,787,486	94.621%	120,913,797
Hillsborough School District	71,060,550	0.158%	112,276
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$ 1,343,422,620</b>		<b>\$ 228,878,081</b>
<b><u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u></b>			
San Mateo County General Fund Obligations	\$ 399,389,816	5.061%	\$ 20,213,119
San Mateo County Board of Education Certificates of Participation	9,330,000	5.061%	\$ 472,191
Burlingame School District Certificates of Participation	7,353,821	94.621%	\$ 6,958,259
City of Burlingame General Fund Obligations (Net)	13,773,132	100.000%	13,773,132
City of Burlingame Pension Obligation Bond	12,145,000	100.000%	12,145,000
City of Burlingame - Storm Drainage Revenue Bonds, Series 2010 (Net)	8,402,450	100.000%	8,402,450
City of Burlingame - Storm Drainage Revenue Bonds, Series 2012 (Net)	9,604,133	100.000%	9,604,133
City of Burlingame - Storm Drainage Revenue Bonds, Series 2016 (Net)	10,053,442	100.000%	10,053,442
City of Burlingame - Master Equipment Lease Purchase Agreement, 2011	-	100.000%	-
City of Burlingame - California Energy Commission, 2012	-	100.000%	-
<b>TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT</b>	<b>\$ 470,051,794</b>		<b>\$ 81,621,726</b>
<b>Less: City of Burlingame General Fund Obligations supported from enterprise revenues</b>			<b>\$ 2,824,800</b>
<b>Less: City of Burlingame Pension Obligations supported by enterprise revenues</b>			<b>\$ 3,036,250</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>\$ 75,760,676</b>
<b>TOTAL GROSS DIRECT DEBT</b>			<b>\$ 53,978,157</b>
<b>TOTAL NET DIRECT DEBT</b>			<b>\$ 48,117,107</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$ 256,521,650</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$ 310,499,807</b>
<b>NET COMBINED TOTAL DEBT (2)</b>			<b>\$ 304,638,757</b>

**Ratios to 2016-17 Assessed Valuation:**

Total Overlapping Tax and Assessment Debt	2.36%	* Source: California Municipal Statistics, Inc.
Total Gross Direct Debt (\$25,495,000)	0.26%	** Total assessed valuation less other exemptions
Total Net Direct Debt (\$19,633,950)	0.20%	Source: San Mateo County Assessor
Gross Combined Total Debt	2.90%	
Net Combined Total Debt	2.84%	

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 239,432	\$ 253,576	\$ 261,247	\$ 266,684	\$ 295,550	\$ 295,550	\$ 297,816	\$ 299,010	\$ 323,138	\$ 351,979
Pension Obligation Bond	\$ 30,280	\$ 29,020	\$ 27,605	\$ 26,010	\$ 24,235	\$ 22,275	\$ 20,095	\$ 17,695	\$ 15,050	\$ 12,145
Total net debt applicable to the limit as a percentage of debt limit	12.6%	11.4%	10.6%	9.8%	8.2%	7.5%	6.7%	5.9%	4.7%	3.5%

Legal Debt Margin Calculation for Fiscal Year 2017

Gross Assessed Valuation	\$ 9,709,976,378
Multiplied by: (1)	<u>0.0375</u>
	364,124,114
Less: Outstanding Debt	\$ <u>12,145,000</u>
Legal Debt Margin	<u>\$ 351,979,114</u>

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

**CITY OF BURLINGAME, CALIFORNIA**

**PLEDGED REVENUE COVERAGE**

**Last Ten Fiscal Years**



Water Revenue Bonds						
Fiscal Year	Water Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2017	16,393,729	11,184,796	5,208,933	1,240,000	705,221	2.68

Wastewater Revenue Bonds						
Fiscal Year	Wastewater Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 11,591,922	\$ 5,997,898	\$ 5,594,024	\$ 345,000	\$ 820,259	4.80
2009	12,466,935	6,763,470	5,703,465	350,000	845,798	4.77
2010	12,534,507	6,578,950	5,955,557	365,000	835,723	4.96
2011	14,566,587	6,927,346	7,639,241	375,000	824,648	6.37
2012	16,157,287	6,932,146	9,225,141	405,000	786,381	7.74
2013	16,791,449	6,297,799	10,493,650	700,000	780,966	7.09
2014	16,931,432	6,448,667	10,482,765	750,000	693,981	7.26
2015	15,679,343	7,071,969	8,607,374	750,000	695,633	5.95
2016	15,634,340	6,973,545	8,660,795	785,000	668,183	5.96
2017	15,826,248	7,204,843	8,621,405	870,000	470,705	6.43

Notes:

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

**CITY OF BURLINGAME, CALIFORNIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

Calendar Year	Population (1)	Personal Income (amounts expressed in thousands)(2)	Per Capita Personal Income (2)	% of Population 25+ with High School Degree (3)	% of Population 25+ with Bachelor's Degree (3)	Unemployment Rate (4)
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%
2016	30,148	1,856,902	61,592	96.6%	58.5%	2.3%

Sources:

- (1) California State Department of Finance
- (2) Income Data: ESRI provided by HDL, Coren & Cone
- (3) For 2007-2008, education level attained for population 25 years of age and over was not available.
- (4) State of California Employment Development Department for San Mateo County

**CITY OF BURLINGAME, CALIFORNIA**  
**PRINCIPAL EMPLOYERS**  
**Last Fiscal Year and Eight Years Ago**

Employer Name	Rank	2016-17		2008-09 (1)	
		Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Mills-Peninsula Medical Center - Sutter Health	1	2,140	11.82%		
Lufthansa Service Holding Group Sky Chefs Inc	2	488	2.70%	281	1.93%
Hyatt Regency SF Airport*	3	420	2.32%	467	3.21%
Flying Food Group**	4	350	1.93%	236	1.62%
Lahlouh Inc.	5	350	1.93%	218	1.50%
Burlingame Long Term Care	6	340	1.88%		
Burlingame School District	7	315	1.74%		
Guittard Chocolate CO*	8	267	1.48%		
American Medical response*	9	232	1.28%		
Hilton-San Francisco Airport	10	176	0.97%		
Classic Party Rentals				521	3.58%
ECC Remediation Services Corp				460	3.16%
Critchfield Mechanical, Inc				371	2.55%
SF Airport Marriott				350	2.40%
Virgin America				257	1.77%
Goldberg & Solovy Foods, Inc				244	1.68%
<b>Total Top 10 Employers</b>		<b>5,078</b>	<b>28.06%</b>	<b>3,405</b>	<b>21.46%</b>
<b>Total City Labor Force (2)</b>		<b>18,100</b>		<b>14,556</b>	

Source: MuniServices, LLC

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

<b>Function</b>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	19.13	19.13	19.00	18.00	18.00	18.00	18.00	19.00	19.63	19.88
Public safety										
Police:										
Officers	42.00	42.00	39.00	37.00	37.00	37.00	37.00	37.00	37.00	39.00
Civilians	20.00	20.00	19.00	18.25	18.25	17.25	19.25	19.25	20.00	20.00
Fire:										
Firefighters and officers	44.00	44.00	43.00	-	-	-	-	-	-	-
Civilians	1.75	1.75	1.75	-	-	-	-	-	-	-
Public works	56.30	56.30	59.55	61.15	61.15	61.14	61.75	62.74	62.99	62.99
Community development	12.00	12.00	12.00	10.00	10.00	10.00	11.00	11.00	11.75	12.75
Leisure and culture	55.42	55.42	52.29	49.77	49.77	49.52	51.67	52.18	53.93	54.38

**Note:**

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

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

Source: City of Burlingame



# Comprehensive Annual Financial Report

June 30, 2017



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

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Police</b>					
Calls for Service	30,337	28,481	29,124	30,865	39,724
Physical arrests	541	343	438	348	508
Crimes Reported	2,053	2,296	1,797	1,516	1,879
Traffic violations	4,128	6,354	5,255	3,683	5,692
<b>Fire</b>					
Number of calls answered	4,374	4,205	4,267	4,152	N/A
Inspections	2,089	1,299	1,414	4,195	5,700
<b>Public works</b>					
Street repair (sq. ft.)	15,000	15,529	10,000	14,154	10,678
Sidewalk & curb repair (sq. ft.)	6,000	8,278	4,000	5,468	2,539
<b>City planning</b>					
Plans checked	548	500	364	355	366
Planning applications reviewed	140	187	131	144	134
Permit applications received	N/A	N/A	N/A	N/A	1,075
Inspections conducted	N/A	N/A	N/A	N/A	5,161
<b>Leisure and culture</b>					
Recreation Class Participants	16,303	14,318	13,607	13,821	13,657
Library circulation	600,000	698,558	713,394	696,096	721,132
Tree plantings	229	466	222	229	164
Tree trimmings	1,574	1,576	1,831	1,785	1,712
<b>Water</b>					
New connections	8	17	50	37	20
Main and valve repairs	20	61	15	19	19
Millions of gallons purchased (millions of gallons)	1,700	1,561	1,600	1,474	1,190
<b>Wastewater</b>					
Average daily sewage treatment (millions of gallons)	4.10	3.82	3.30	2.60	2.60
Preventive Maintenance, main cleaning (Feet)	385,293	450,937	450,000	404,488	299,212

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.

2013	2014	2015	2016	2017
41,651	40,773	40,854	41,553	45,430
560	634	586	770	772
1,799	1,787	1,878	2,222	2,096
8,057	9,455	6,506	4,812	5,504
N/A	N/A	N/A	N/A	N/A
5,662	N/A	N/A	N/A	N/A
15,560	12,600	13,650	12,545	13,704
1,985	2,100	43,789	2,557	52,557
499	554	500	494	418
125	94	120	86	112
1,229	1,185	1,230	1,280	1,226
5,662	5,280	5,600	6,135	5,722
11,982	13,428	13,424	13,331	13,787
761,795	753,694	647,128	720,000	704,000
271	230	198	271	240
1,621	1,943	2,866	1,520	1,830
10	21	16	20	4
15	17	26	16	22
1,519	1,497	1,340	1,164	1,058
2.60	2.60	3.00	2.81	3.55
330,586	270,000	366,774	220,192	202,812

**CITY OF BURLINGAME, CALIFORNIA  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 FOR FISCAL YEAR 2016-17 (COMPARED TO 5 YEARS AGO)**

Function	2012	2017
Public works		
Streets (miles)	152	152
Streetlights (City-owned)	1,700	1,700
Traffic signals	16	18
Water		
Water mains (miles)	94	105
Fire hydrants	822	826
Maximum daily capacity (thousands of gallons)	2,850	2,850
Sewer		
Sanitary sewers (miles)	84	130
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, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Burlingame, California, as of and for the year ended June 30, 2017, and have issued our report thereon dated October 27, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We have also issued a separate Memorandum on Internal Control dated October 27, 2017 which is an integral part of our audit and should be read in conjunction with this report.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Maze & Associates". The signature is written in black ink and is positioned above the printed text of the firm's name and address.

Pleasant Hill, California  
October, 27, 2017