



City of Millbrae Millbrae, California

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018



City of Millbrae

Millbrae, California

Comprehensive Annual Financial Report

For the year ended June 30, 2018

Prepared by:
Finance Department

City of Millbrae
Comprehensive Annual Financial Report
For the year ended June 30, 2018

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City of Millbrae

621 Magnolia Avenue, Millbrae, CA 94030

WAYNE J. LEE
Mayor

REUBEN D. HOLOBER
Vice Mayor

ANNE OLIVA
Councilmember

ANN SCHNEIDER
Councilmember

GINA PAPAN
Councilmember

December 24, 2018

**Citizens of the City of Millbrae,
Honorable Mayor, and
Honorable Members of the City Council**

We are pleased to submit the City of Millbrae Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. Through a challenging recession and ongoing economic recovery, the City has continued to take a prudent and proactive approach to secure the city financially including taking drastic cost savings measures to streamline operations and maintain service levels in the community. As a result, the City has maintained a strong financial position. While City is in a strong financial position, deferred maintenance and costs of post-employment benefits (pension and retiree medical insurance) require ongoing prudent management and planning to sustain Millbrae into the future.

California statutes require that the City issue annually a report on the financial position of its government and business-type activities and that this report is audited by independent certified public accountants.

The 2018 audit was performed by Badawi and Associates. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City, for the fiscal year ended June 30, 2018, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The financial statements are presented in conformity with GAAP and audited in accordance with Generally Accepted Auditing Standards. Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Millbrae, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

City Council/City Manager/City Clerk
(650) 259-2334

Fire
(650) 558-7600

Building Division/Permits
(650) 259-2330

Police
(650) 259-2300

Community Development
(650) 259-2341

Public Works/Engineering
(650) 259-2339

Finance
(650) 259-2350

Recreation
(650) 259-2360

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Millbrae

Incorporated in 1948, the City of Millbrae is located adjacent to the San Francisco International Airport and is 15 miles south of the City of San Francisco, in the heart of San Mateo County. The City encompasses 3.3 square miles and serves a largely residential population of approximately 22,800.

The City Council consists of five members, elected directly by the voters residing in the City to staggered terms of four years each. As the legislative branch of the government, the City Council makes final decisions on all major City matters. The Council adopts ordinances and resolutions necessary for efficient governmental operations, approves the budget, and acts as a board of appeals. It appoints the City Manager and City Attorney, as well as the members of the City's committees and commissions. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan.

The City of Millbrae operates under a Council-Manager form of government and provides municipal services that include law enforcement, fire protection, construction and maintenance of highways, streets and other infrastructure, community development; planning, and inspection, and management of recreational activities and cultural events. In addition, the City operates a water system, a sewer system, and flood control utility services (storm water / storm drain) as enterprise (business-type) activities.

This report includes all funds of the City of Millbrae and its blended component unit, the Successor Agency to the Redevelopment Agency for the City of Millbrae, for which the City is financially accountable.

Mission, Values, and Purpose

The City of Millbrae has adopted a Mission Statement, Values, and Purposes.

City of Millbrae Mission Statement

Enhancing the quality of life in our shared community, providing great services, encouraging community engagement, fostering economic growth, and embracing cultural diversity in a safe environment.

City of Millbrae Our Values

We are committed to the following values which are key to achievement of our Mission.

- ***Quality:***

We will produce nothing less than superior, high quality products and services. The public and our colleagues deserve nothing less.

- ***Customer Service:***

Service to people is what we are all about. We will provide products and services which meet the changing needs of the community. We will always provide services with respect, courtesy, warmth, and responsiveness.

- ***Integrity and Honesty:***

Honesty, openness, fair-dealing and the highest ethical behavior are the foundation for our work.

- ***Innovation:***

We encourage our colleagues and the public to suggest new ideas for improving our products and services, and for doing things more efficiently and effectively.

- ***Teamwork:***

Teamwork is each of us working together to reach a common goal. Teamwork is accomplished when each member contributes their unique abilities, actively communicates and supports each other.

- ***Colleagues:***

We recognize, from managers to line workers, we are colleagues working toward a common goal; accomplishment of the City's overall mission. Each of us should share in the City's success which we make possible.

- ***Pride and Enjoyment In Our Work:***

We believe our work should be a source of personal enjoyment and satisfaction. We accept the challenge and promote a work place in which pride, personal enjoyment, and satisfaction can flourish.

- ***Action Orientation:***

We are an organization which is decisive. We will act without delay, after considering alternatives and their implications. We are proud of our ability to respond quickly and effectively to emergencies and changing priorities.

- ***Citizen Participation:***

We are committed to keeping the public informed by using a variety of communication networks. Effective public policy depends on achievement of community consensus.

- ***Cultural Diversity:***

The world in which we live is always changing. We recognize the need to adapt to meet all new challenges within our community and surrounding region. We will be sensitive to the differing cultural and personal needs of our community.

- **Legal Responsibility:**

We accept the challenge to actively participate in legislative activities; supporting that with which we agree and opposing that with which we disagree. We will endeavor to know and comply with all Federal and State mandates.

- **Regional Responsibility:**

Our City is a part of a large, interdependent metropolitan area. We will actively participate in regional planning to serve the best interests of our City and the region.

- **Planning:**

We are a forward-looking organization, continuously assessing trends and developments which will impact our Mission. We seek to satisfy current needs in a manner which helps obtain our long-range goals.

City of Millbrae Our Purposes

The purpose of the City municipal government is to provide the conditions necessary for a high quality of life and prosperity for Millbrae residents, businesses and institutions.

A high quality of life and community prosperity are based upon:

- **Democratic, Local, Self-Government:** determination of needs, priorities, and policies by local residents through democratically elected representatives.
- **Public Health and Safety:** providing an environment free from disease, pollution, crime, fire and conditions injurious to public health and well-being.
- **Physical, Cultural, and Social Well-Being:** providing facilities and programs for our residents to help meet their needs for socialization, recreation, and cultural and spiritual growth.
- **Economic Prosperity:** to create conditions which will promote strong sales and trade in our business sector and a strong tax base to support local government services.
- **Environmental Protection:** to promote conservation of our natural environment and resources, and to promote an attractive, uncluttered, well-maintained and landscaped urban environment.
- **Public Facilities and Infrastructure:** to provide, maintain and operate public facilities and infrastructure essential to serving and supporting the public and private sectors of the City.

Council Goals:

Each year, the City Council holds at least one meeting per year to discuss and organize the yearly goals and priorities for the City of Millbrae.

At the end of Fiscal Year 2018, the top priorities for 2018 were:

- *Make significant progress on the Millbrae Station Area Specific Plan.*
- *Implement downtown economic development plan.*
- *Develop infrastructure process/budget plan.*
- *Improve Public Safety.*
- *Make progress on the General Plan.*
- *Rebuild the Community Center.*

Budget Process

The City Council establishes annual budgets for all funds. The City Council establishes goals each year and uses the annual budget process to assign resources to meet those goals and desired service levels for all programs. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager through the Deputy City Manager / Finance Director. The City Manager and Deputy City Manager / Finance Director prepare an estimate of revenues and prepares recommendations for the next year's budget. The City maintains budgetary controls with the ultimate control by City Council at the fund level. Within a fund, the City Manager has discretion to transfer appropriations between departments in order to achieve City Council goal and policy direction. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code. For Fiscal Year 2016 – 2017 and 2017 – 2018, a two-year budget was adopted and amended during the year as needed for unanticipated projects.

The Local Economy

The City's top three general fund revenue sources are property tax, transient occupancy tax (TOT), and sales tax. In fiscal year 2018, property tax revenues increased 4.5%, TOT increased 5.62%, and sales tax increased 11.27%. TOT and sales tax are economically sensitive revenues and are monitored closely.

The largest revenue source for the City of Millbrae is property tax. Year over year growth has created increases in assessed valuations and, thus, property tax revenues for local agencies. Since 2012 when State action dissolved redevelopment agencies, property values have grown steadily and have reached the levels previously collected before the dissolution of redevelopment. Between 2007 and 2017, the City of Millbrae's Assessment Roll has increased from 3.5 billion in property tax valuation to 5.2 billion. This resulted in an increase of 48% over 10 years and an increase of 5.6% between 2016 and 2017. While property valuations continue to increase, it should be noted that the rate of increase has slowed.

The City's second largest source of revenue is transient occupancy tax (TOT). After a decline between 2016 and 2017, TOT increased from 2017 to 2018 by 5% or \$450,000. In the last 10 years, TOT has more than doubled primarily due to opening of new lodging establishments and growth in the local tourist and business travel sectors.

After a slight decline between 2016 and 2017, sales tax increased from 2017 to 2018 by 11% or over \$300,000. This increase was primarily related to the opening of a new business at a substantial retail

location. Diversification of the City's economic community would help to mitigate sales tax revenue fluctuations. The City's commercial base includes a mix of retail, restaurants, hotels, service businesses, and public services but sales tax is primarily driven by restaurant sales (almost 50%). The City also houses the multimodal transit center including the Millbrae BART Station providing a link to CalTrain, SamTrans, and the San Francisco Airport maximizing regional travel options for passengers in the San Francisco Bay Area.

The City has two significant development projects under review. Both developments are Transit Oriented Developments located near the multi-modal transit center. As the review process continues, staff is monitoring the potential economic impact of these developments.

Current Economic Conditions and Outlook

The California Employment Development Department reports that the City of Millbrae has a labor force of 12,500 and an unemployment rate of 2.0%. This is slightly lower than the San Mateo County unemployment rate of 2.1% and better than the State's rate of 4.0%. All rates are lower than the 2017 averages.

The City's economic development efforts and implementation of the City's financial policies help to promote Millbrae's long-term fiscal stability.

Financial Information

During the past fiscal year, there were no changes to the City's financial policies or items which impacted the financial information or presentation. Staff is pleased to have taken a large step forward in implementing a new Enterprise Resource Planning (ERP) system which will ultimately combine finance (including utility billing, business licenses, and payroll) and community development information into one system. Currently, the City uses a number of unique software systems to manage financial information. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the support of the auditing firm of Badawi and Associates.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



DeAnna Hilbrants
Deputy City Manager/Finance Director

CITY OF MILLBRAE

DIRECTORY OF CITY OFFICIALS

MAYOR

Gina Papan

MEMBERS OF THE CITY COUNCIL

Wayne J. Lee

Anne Oliva

Reuben D. Holober

Ann Schneider

COUNCIL APPOINTED OFFICERS

Thomas C. Williams

Interim City Manager

Joan Cassman

City Attorney

AGENCY AND DEPARTMENT DIRECTORS

DeAnna Hilbrants

*Deputy City Manager /
Finance Director*

Elena Suazo

City Clerk

Mackenzie Brady

Recreation Director

Mark Kuykendall

Law Enforcement Services

Khee Lim

*Deputy City Manager /
Public Works Director*

Angela Louis

Administrative Services Director

Community Development Director

John Kammeyer

Fire Chief

CITY OF MILLBRAE
CITYWIDE
ORGANIZATION CHART
UPDATED 2018

KEY
CONTRACTS: -----

CITY COUNCIL (5)

MILLBRAE

CITY MANAGER

CITY ATTORNEY

FIRE
PREVENTION &
INVESTIGATION

POLICE
PATROL

COMMUNITY
DEVELOPMENT

ADMINISTRATIVE
SERVICES

DEPUTY CITY
MANAGER
| FINANCE

DEPUTY CITY
MANAGER
| PUBLIC WORKS

ADMINISTRATIVE/
ENGINEERING

UTILITy BILLING
AND
ACCOUNTS
RECEIVABLE

ACCOUNTS
PAYABLE AND
PAYROLL

SUSTAINABILITY
PROGRAMS

INFORMATION
TECHNOLOGY

UTILITIES/
OPERATIONS

WATER
POLLUTION
CONTROL PLANT

PARKS
MAINTENANCE

CODE
ENFORCEMENT

RISK
MANAGEMENT

RECORDS

SCHOOL
RESOURCES

COMMUNITY
EDUCATION

OPERATIONAL
TRAINING

PERMITS

INVESTIGATIONS

COMMUNITY
EDUCATION

RECORDS

SCHOOL
RESOURCES

COMMUNITY



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Millbrae
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Monill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Millbrae
Millbrae, 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 Millbrae, California (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 entity'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 entity'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.

To the Honorable Mayor and Members of the City Council
of the City of Millbrae
Millbrae, California
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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, and OPEB Plan information on pages 5-20 and 97-103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 108-125 and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 108-125 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 108-125 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Millbrae
Millbrae, California
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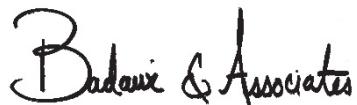
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is fluid and cursive, with "Badawi" on the top line and "& Associates" on the bottom line, with a small flourish at the end.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 24, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Millbrae's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the City's financial activities for the fiscal year ending June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's Financial Statements, the related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- As of June 30, 2018, the City's total net position decreased by \$2.3 million or 2.9% from the prior year to \$78.4 million. The decrease in net position is primarily associated with prior period adjustments to report liabilities associated with Other Post-Employment Benefits (OPEB) in order to implement GASB statement No. 75 (see Note 13).
- The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$78.4 million (net position). The total net position includes \$69.9 million net investment in capital assets (land, building, and equipment), \$28.9 million in restricted net position, and negative \$20.4 million in unrestricted net position.
- Primary government revenues increased \$2.2 million or 4% from the prior year. Primary government expenses increased \$324,000 or 0.6%.
- The City's governmental funds reported a combined ending fund balance of \$51.4 million, a decrease of \$3.1 million or 5.7% from the previous year. Approximately \$20.8 million (40%) of this amount is available for spending at the City Council's discretion (unrestricted fund balance). While these funds are unassigned, in 2018, the City Council has designed \$4.5 million to an emergency reserve and made other commitments including adoption of a five-year capital improvement program requiring use of available fund balance.
- The City's General Fund unrestricted fund balance (total of committed, assigned, and unassigned fund balance) was \$19.3 million which represents 68% of general fund expenditures. As noted above, a significant portion of this amount was set-aside to fund a 5-year capital improvement program.
- The City's net pension liability increased \$6 million or 14% from the prior year. After implementing GASB 75, the City's Net OPEB Liability increased \$5.5 million. In 2017, the City took active steps to reduce post-employment benefit liability by establishing an Other Post Employment Benefit (OPEB) Trust.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. The Government-wide Financial Statements provide a long-term view of all the City's activities, including all the capital assets and long-term liabilities. The Fund Financial Statements report the City's operations in detail and the focus is primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term liabilities. The Notes to the Basic Financial statements provide more details to the

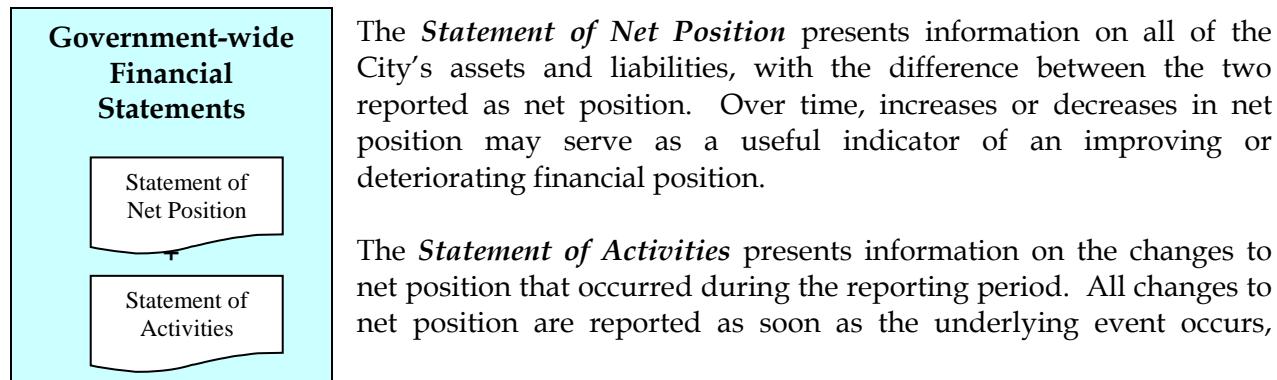
specific components of the City's operations. This report includes the required, supplementary and statistical information.

The diagram below outlines the major features of both the Government-wide and Fund Financial Statements.

	Government-wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Entity	The day to day operating activities of the City for Governmental Services	The day to day operating activities of the City, for Business-type enterprises
Basis of Accounting	Accrual	Modified Accrual	Accrual
Accounting Method	All Revenues and Expenses are recorded, regardless of when the Cash transactions occur	Revenue is recorded when Cash is received, Expenditures are recorded when services or supplies have been received and the liability is due and payable	All Revenues and Expenses are recorded, regardless of when the Cash transactions occur
Measurement Focus	All Economic Resources	Current Financial Resources	All Economic Resources
Type of Asset and Liability Information	All Assets, Capital, Short and Long-term Liabilities	Current Assets and Liabilities due during the year or soon thereafter	All Assets, Capital, Short and Long-term Liabilities

Government-wide Financial Statements

The Government-wide Financial Statements consist of the following two financial statements: 1) Statement of Net Position; and 2) Statement of Activities. Both are designed to provide readers a broad overview of the City's financial activities and position, in a manner similar to the financial statements for a private-sector company.



regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for items that may only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes, and expenses pertaining to earned but unused vacation and sick leave.

Both of the Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The *Governmental Activities* of the City include General Government, Public Safety, Public Works, Recreation and Culture, Community and Economic Development, and Capital Improvements. The *Business-type Activities* of the City include a Municipal Water System, Waste Water Collection and Treatment System, and Storm Drain System.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groups of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives in accordance with special regulations, restrictions, or limitations. A fund is a separate accounting entity with a self-balancing set of accounts. The City, like other State and Local Governments, utilizes fund accounting to ensure and demonstrate finance related legal compliance. The Funds managed by the City can be divided into the following three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

<u>Fund</u>
A separate accounting entity with a self-balancing set of accounts
<u>Fund Categories</u>
Governmental Funds
Proprietary Funds
Fiduciary Funds

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-wide Financial Statements. Most of the City's basic services are reported in Governmental Funds. However, unlike the Government-wide Financial Statements, the Governmental Fund Financial Statements focus on the near-term inflow and outflows of resources, as well as on the balances of resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements.

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance, provide detailed information on Major Funds. The concept and the determination of Major Funds were established by criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, (GASB 34)" and represent the major activities of the City for the year. Major Funds include: the General Fund, and the Low and Moderate Income Housing Asset Fund. Major Funds are presented individually, while the activities of Non-Major Funds are presented in summary. Non-Major Fund detailed activity is provided in the form of combining statements elsewhere in this report. Major Funds may change from year to year as a result of changes in the City's activities.

The focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements; therefore 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 Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City adopts an annual appropriated budget, and a budgetary comparison schedule has been provided in the required supplementary information to demonstrate compliance with the budget.

Proprietary Funds

Proprietary Funds are generally used to account for services for which the City charges customers, or internal departments or agencies of the City. The City maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds.

Enterprise Funds

Enterprise Funds are utilized to report the same functions presented as Business-type Activities in the Government-wide Financial Statements. Enterprise Funds are supported by fees paid by users based on the amount of services received. The City utilizes Enterprise Funds for the following:

Municipal Water System	To account for the activities related to providing water service to Millbrae residents and businesses
Wastewater Collection and Treatment System	To account for the activities related to providing sanitary sewer collection and wastewater treatment services to Millbrae residents and businesses
Storm Drain System	To account for the resources and costs of maintenance and improvements of the City's storm drain system

Internal Service Funds

Internal Service Funds are utilized to account for the financing of services and supplies provided by one department or agency, to other departments or agencies of the City on a cost-reimbursement basis. These services predominantly benefit governmental rather than Business-type functions; therefore they are included within the Governmental Activities in the Government-wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation, in the Proprietary Fund Financial Statements. Internal Service Fund detailed activity is provided in the form of combining statements elsewhere in this report. The City utilizes Internal Service Funds for the following:

Municipal Garage	To account for the purchase and maintenance of all motor vehicles except fire engines
General Liability	To account for the resources, claims, and insurance premiums related to general liability costs
Worker's Compensation	To account for the resources, claims, and payment of Workers' Compensation
Unemployment Insurance	To account for the accumulation, claims and payment of Unemployment Insurance
Compensated Absences (or Leave Accrual)	To account for the accumulation of earned compensation
OPEB	To account for the City's Other Post-Employment Benefits

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, such as the Successor Agency to the former Redevelopment Agency, are not reflected in the government-wide statements because the resources of these funds are not available to support the City's governmental activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provides additional information that is essential to fully understand the data presented in the Government-wide and Fund Financial Statements.

Required Supplemental Information

This section contains the information about the City budget process including Budget versus Actual Statements for the General Fund as well as information about the City's defined benefit pension plan and OPEB funding information.

Supplementary Information

In addition to the Financial Statements and accompanying notes, this section presents the combining statements and schedules for Non-Major Governmental Funds, Special Revenue Funds, Debt Service Funds, and the Internal Service Funds.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position may serve over time as a useful indicator of the Government's financial position. As shown on the following table, the City's net position was \$78.4 million as of June 30, 2018 compared to \$80.6 million at June 30, 2017. In order to implement GASB 75 related to reporting of liabilities associated with OPEB, the beginning Net Position was restated from \$80.7 million to \$71.6 million government-wide. For governmental activities, beginning net position was restated from \$57.9 million to \$50.2 million. Overall, Government-wide Net Position declined \$2.3 million and Net Position for Governmental Activities declined \$5.6 million.

The largest portion of the City's net position is \$70 million invested in capital assets (e.g. land, buildings, and equipment) less any related outstanding debt used to acquire those assets. The City utilizes capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although, the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

The restricted portion of net position is \$28.8 million (37%) and represents resources that are subject to external restrictions on use such as funds collected for a specific purpose. Examples include Gas Tax funds, Housing Related Funds, and Measure A Taxes.

Governmental Activities has a large unrestricted deficit net position due to the implementation of GASB 68 and GASB 75. This includes the City's net pension liability of \$39.2 million and net OPEB liability of \$5.7 million. The total net pension liability increased \$6 million from the prior year and the total net OPEB liability increased \$5.5 million. Further information about the impact of the implementation of GASB 68 and GASB 75 can be found in Notes 12 and 13 to the Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION
6/30/2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 63,372,047	\$ 67,809,174	\$ 31,091,059	\$ 16,157,751	\$ 94,463,106	\$ 83,966,925
Capital assets	58,525,391	55,578,579	60,159,824	51,427,178	118,685,215	107,005,757
Total assets	121,897,438	123,387,753	91,250,883	67,584,929	213,148,321	190,972,682
Deferred outflows	9,798,155	4,841,720	2,343,873	2,019,177	12,142,028	6,860,897
Liabilities						
Short-Term Liabilities	2,104,510	2,199,988	1,832,756	1,600,568	3,937,266	3,800,556
Long-Term Liabilities	69,530,612	60,702,814	61,187,590	42,030,948	130,718,202	102,733,762
Other liabilities	3,317,647	3,376,858	3,987,427	2,822,337	7,305,074	6,199,195
Total liabilities	74,952,769	66,279,660	67,007,773	46,453,853	141,960,542	112,733,513
Deferred inflows	4,550,834	4,055,264	421,546	358,355	4,972,380	4,413,619
Net position:						
Net investments in capital assets	48,029,365	47,536,401	21,908,628	18,842,250	69,937,993	66,378,651
Restricted					-	-
Debt service	1,160,351	1,093,505	-	-	1,160,351	1,093,505
Gas tax	409,306	1,198,842	-	-	409,306	1,198,842
Developer fee - operating	3,279,059	3,256,337	-	-	3,279,059	3,256,337
Housing activities	13,795,315	12,452,580	-	-	13,795,315	12,452,580
Other special programs	7,049,466	8,744,787	-	-	7,049,466	8,744,787
Measure A	3,168,710	3,057,969	-	-	3,168,710	3,057,969
Unrestricted	(24,699,582)	(19,445,872)	4,256,809	3,949,648	(20,442,773)	(15,496,224)
Total net position	\$ 52,191,990	\$ 57,894,549	\$ 26,165,437	\$ 22,791,898	\$ 78,357,427	\$ 80,686,447

The variance in net position from the previous year is depicted in the following table. Factors contributing to the variance from the prior year include:

- Revenue from Governmental Activities revenues decreased \$1.3 million from \$37.7 million to \$36.4 million. Most revenue categories increased between 2017 and 2018 but, in 2017, the City received a significant one-time settlement from its insurer related to the Millbrae Community Center Fire.
- Increases in expenses are primarily associated with recreation services as the City invested in new and rebuilding programs after the Community Center Fire and in public works as the City increased staffing to focus on a robust capital improvement program.

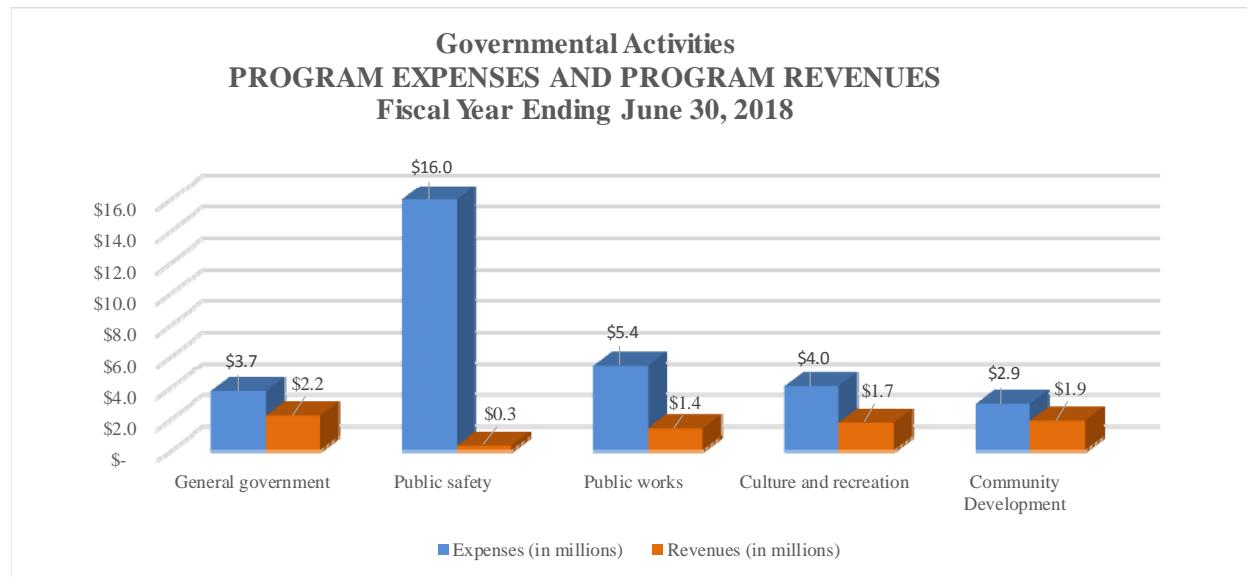
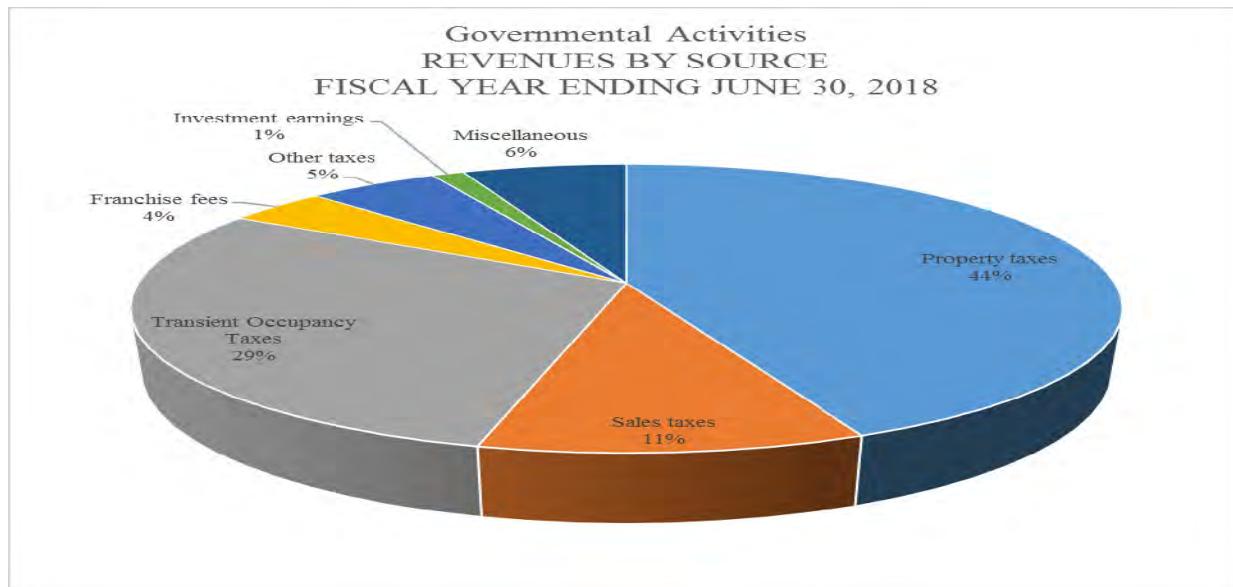
Analysis of the Changes in Net Position

STATEMENT OF ACTIVITIES
CHANGE IN NET POSITION
6/30/2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 5,027,376	\$ 5,198,588	\$ 20,658,821	\$ 17,182,925	\$ 25,686,197	\$ 22,381,513
Capital Grants and Contributions	250,000	-	-	-	250,000	-
Operating contributions and grants	2,219,819	5,055,129	10,891	15,095	2,230,710	5,070,224
	<u>7,497,195</u>	<u>10,253,717</u>	<u>20,669,712</u>	<u>17,198,020</u>	<u>28,166,907</u>	<u>27,451,737</u>
General revenues						
Property taxes	12,528,778	12,010,916	-	-	12,528,778	12,010,916
Sales taxes	3,093,164	2,779,906	-	-	3,093,164	2,779,906
Transient Occupancy Taxes	8,483,124	8,031,917	-	-	8,483,124	8,031,917
Franchise fees	1,125,422	1,186,264	-	-	1,125,422	1,186,264
Other taxes	1,477,282	1,270,512	-	-	1,477,282	1,270,512
Investment earnings	358,903	249,080	177,227	110,470	536,130	359,550
Miscellaneous	1,829,265	1,952,410	-	-	1,829,265	1,952,410
General revenues subtotal	<u>28,895,938</u>	<u>27,481,005</u>	<u>177,227</u>	<u>110,470</u>	<u>29,073,165</u>	<u>27,591,475</u>
Total Revenues	<u>36,393,133</u>	<u>37,734,722</u>	<u>20,846,939</u>	<u>17,308,490</u>	<u>57,240,072</u>	<u>55,043,212</u>
Expenses by activity						
General government	3,659,939	4,271,410	-	-	3,659,939	4,271,410
Public safety	15,813,651	16,341,547	-	-	15,813,651	16,341,547
Public works	5,471,749	4,325,335	-	-	5,471,749	4,325,335
Culture and recreation	4,022,707	3,311,888	-	-	4,022,707	3,311,888
Community development	2,908,676	3,009,200	-	-	2,908,676	3,009,200
Interest on long term debt	1,351,454	1,373,461	-	-	1,351,454	1,373,461
Municipal water system	-	-	7,327,317	8,395,381	7,327,317	8,395,381
Wastewater Collection and Treatment System	-	-	9,041,724	8,351,671	9,041,724	8,351,671
Storm drain system	-	-	886,446	779,906	886,446	779,906
Total expenses	<u>33,228,176</u>	<u>32,632,841</u>	<u>17,255,487</u>	<u>17,526,958</u>	<u>50,483,663</u>	<u>50,159,799</u>
Increase (decrease) before transfers	3,164,957	5,101,881	3,591,452	(218,468)	6,756,409	4,883,413
Special Item: Transfer of property from Successor Agency Private Purpose Trust	-	1,324,591	-	-	-	1,324,591
Transfers	<u>(1,151,960)</u>	<u>(618,000)</u>	<u>1,151,960</u>	<u>618,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>2,012,997</u>	<u>5,808,472</u>	<u>4,743,412</u>	<u>399,532</u>	<u>6,756,409</u>	<u>6,208,004</u>
Beginning Net Position, as restated	<u>50,178,993</u>	<u>52,086,077</u>	<u>21,422,025</u>	<u>22,392,366</u>	<u>71,601,018</u>	<u>74,478,443</u>
Ending Net Position (June 30)	<u><u>\$ 52,191,990</u></u>	<u><u>\$ 57,894,549</u></u>	<u><u>\$ 26,165,437</u></u>	<u><u>\$ 22,791,898</u></u>	<u><u>\$ 78,357,427</u></u>	<u><u>\$ 80,686,447</u></u>

Governmental Activities

The following charts illustrate the Revenues by Source and City's Expenses and Revenues by Program, for Governmental Activities.



Before accounting for restatements required implementing GASB 75, governmental activities increased the City's total net position by \$2 million. This increase was driven by the following factors:

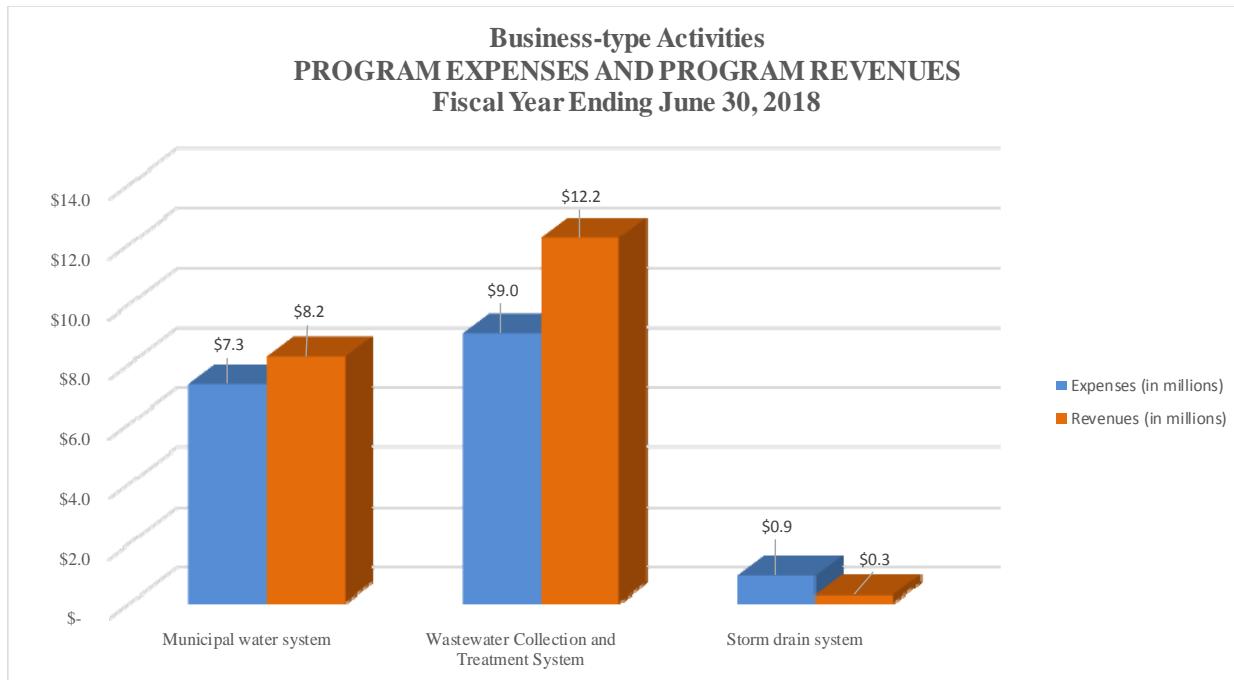
- Revenues from government activities totaled \$36.4 million, a decrease of \$1.3 million from the prior year. Collections from most general revenue sources (Property Tax, Sales Tax, Transient Occupancy Taxes, Other Taxes) increased from 2017 but these increases were offset by the change resulting from a one-time insurance settlement in Fiscal Year 2017

which will be used towards recovery and rebuild of the Millbrae Recreation Center after the 2016 fire at the Millbrae Community Center.

- Governmental activities revenues exceeded expenses by \$2 million which offset the decrease in net position resulting from the one time funds received in 2017.
- The total cost of governmental activities in fiscal year 2018 was \$33.2 million. Of this amount, \$7.5 million was funded by charges for services and operating contributions and grants. Remaining “public benefit” expenses were funded by taxes (property tax, TOT, sales tax, franchise fees, business license tax, and other taxes) and use of property including rent and investment earnings. In some cases, taxes are restricted for use in certain programs.

Business-type Activities

The following chart illustrates the City’s Expenses and Revenues by Program, for Business-type Activities.



The City’s net position of business activities increased \$4.7 million to \$26 million during fiscal year 2017 - 2018. Almost all revenues in these funds are based on fees and service charges. Key factors contributing to the decrease from the prior year are as follows:

- Operating revenues in the Wastewater Collection and Treatment System Fund increased due the annual increases in wastewater rates adopted in 2015. At the same time, operating expenses increased due to activities required to meet provisions of the Baykeeper Consent Decree, a court action requiring certain actions on the part of the City to reduce overflows of the sanitary sewer system during significant wet weather events.
- In Fiscal Year 2018, the City completed a water rate study which will recover increased costs of wholesale water and provide funding for capital projects. As the result of updated water rates adopted in 2017, operating revenues in the Water Enterprise Fund

increased nearly \$2.5 million. At the same time, operational costs of the system declined due to deferral of capital projects as well as budgetary controls in operations which offset increasing wholesale water costs.

- Business-type activities are intended to be self-sustaining wherein rate-based revenues charged to customers support the operating and capital activities associated with the funds. While the Storm Drain fund is classified as a business-type activity, the fund is not self-sustaining and requires transfers from the General Fund. This is a common problem among municipalities in San Mateo County, as tax revenues for storm drains are capped by the State Constitution under the provisions of Proposition 218. Because storm drain related expenses are increasing due to increased environmental regulations designed to keep the bay clean, it is expected that the General Fund contribution towards storm drains will grow over time. For Fiscal Year 2018, the transfer from the General Fund to the Storm Drain Fund increased to over \$2 million.

GOVERNMENTAL AND PROPRIETARY FUND ANALYSIS

As noted earlier, the City utilizes fund accounting to ensure and demonstrate legal compliance and to aid financial management by segregating transactions related to specific governmental activities, functions or objectives.

Governmental Funds

The focus of the City's Governmental Funds Statement is to provide information on near-term inflows, outflows, and balance of spendable resources available. This type of information is useful in assessing the City's near-term financing requirements. In particular, Unassigned Fund Balance may serve as a useful measure of a Government's net resources available at the end of the fiscal year.

The types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

At the end of fiscal year 2017 - 2018 the City's Governmental Funds reported a combined ending Fund Balance (including restricted funds and funds set aside for emergencies or economic downturn) of \$51.4 million. This represents a decrease of \$3.1 million (6%) over the prior year ending balance of \$54.5 million.

The General Fund is the chief operating fund of the City. The total General Fund balance including amounts set aside for emergencies and economic downturn is \$21 Million. As a measure of liquidity, both unassigned and assigned fund balance can be compared to total fund expenditures. Unassigned fund balance totals \$18.1 million or 64% of total general fund expenditures. Of this amount, \$4.5 million was designated for reserves and the remainder was allocated in the 2018 - 2019 budget primarily to fund a capital improvement program to replace aging infrastructure. In 2018, the City Council adopted a five year capital plan requiring a total of \$47.5 million to fund. Of this amount, \$30.1 million is unfunded.

Comparative Analysis of Changes in Governmental Fund Balances

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FISCAL YEAR ENDING 6/30/2018

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Net Fund Balances		Ending Fund Balances	
	2018		2017		2018		2017	
	\$ 30,078,698	\$ 29,743,375	\$ 33,641,468	\$ 27,315,224	\$ (3,562,770)	\$ 2,428,151	\$ 20,983,246	\$ 24,546,016
General Fund								
Low and Moderate Income Housing	18,144	21,116	-	-	18,144	21,116	13,795,315	12,452,580
Other Governmental Funds	8,633,592	9,878,711	9,529,912	6,131,805	(896,320)	3,746,906	16,623,099	17,519,419
Total	\$ 38,730,434	\$ 39,643,202	\$ 43,171,380	\$ 33,447,029	\$ (4,440,946)	\$ 6,196,173	\$ 51,401,660	\$ 54,518,015

Revenue and Expense Comparison

The Fund Balance in the General Fund decreased by \$3.6 million. Before transfers, General Fund revenue exceeded expenditures by \$1.9 million. Transfers from the general fund totaling \$5.4 million were related to debt service payments, capital program costs, operating deficits in other funds and internal service funds.

The Low and Moderate Income Housing Asset Fund accounts for activities related to affordable housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes. The beginning balance of the fund was restated to account for the transfer of an asset into the fund. The fund had an ending fund balance of \$13.8 million, increasing by \$18,144 during the current fiscal year, primarily resulting from investments (interest earnings). The fund balance reflects funds loaned in the past for affordable housing projects.

Non-Major Government Funds: Other Governmental Funds have a combined ending fund balance of \$16.6 million, a decrease of \$896,000 over the prior year ending balance. This decrease is primarily related to an increase in capital expenses especially related to streets projects.

The following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund Balance for fiscal year 2017 - 2018 compared to the previous fiscal year. Primary drivers for increases in expenses were increased public safety contract costs, increased costs for salaries and retirement benefits, and costs associated with the Millbrae Community Center Fire. Most of the costs associated with the community center fire have been recovered from insurance proceeds.

The following table presents a summary of actual revenues and other financing sources, expenditures, and the results of operations for the 2017 - 2018 fiscal year compared to the prior fiscal year.

GENERAL FUND
REVENUE AND EXPENDITURE COMPARISON
6/30/2018

	General Fund		Dollar Variance	Percentage Variance
	2018	2017		
REVENUES				
Property Taxes	\$ 11,887,259	\$ 11,378,840	\$ 508,419	4.47%
Sales Tax	3,093,164	2,779,906	313,258	11.27%
Transient Occupancy Tax	8,483,124	8,031,917	451,207	5.62%
Franchise Fees	1,125,422	1,186,264	(60,842)	-5.13%
Other Taxes	891,911	727,870	164,041	22.54%
Licenses and Permits	608,737	571,875	36,862	6.45%
Charges for Services	754,109	807,500	(53,391)	-6.61%
Fines and Forfeitures	1,296,068	1,550,814	(254,746)	-16.43%
Use of Money and Property	954,713	837,728	116,985	13.96%
Grants and Intergovernmental	243,433	812,825	(569,392)	-70.05%
Miscellaneous	737,758	624,343	113,415	18.17%
Total Revenues	30,075,698	29,309,882	765,816	2.61%
EXPENDITURES				
General government	4,709,193	3,744,848	964,345	25.75%
Public Safety	15,683,208	13,759,054	1,924,154	13.98%
Public Works	3,388,752	2,603,344	785,408	30.17%
Culture and Recreation	1,790,129	1,646,587	143,542	8.72%
Community Development	1,940,714	2,278,617	(337,903)	-14.83%
Capital Outlay	686,741	1,461,952	(775,211)	-53.03%
Total Expenditures	28,198,737	25,494,402	2,704,335	10.61%
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	3,000	-	3,000	
Transfers In	-	433,493	(433,493)	
Transfers Out	(5,442,731)	(1,820,822)	(3,621,909)	
Total Other Financing Sources (Uses)	(5,439,731)	(1,387,329)	(4,052,402)	
NET CHANGE IN FUND BALANCE	(3,562,770)	2,428,151		
BEGINNING FUND BALANCE	24,546,016	22,117,865		
ENDING FUND BALANCE	\$ 20,983,246	\$ 24,546,016		

Proprietary Funds

Proprietary Funds are comprised of enterprise funds and internal service funds. The City's Proprietary Fund Statements provide the same type of information found in the Government-wide Financial Statements under *Business-type Activities* column, but include greater details into the nature and extent of various revenue and expense categories.

The City operates three enterprise (business-type) activities: municipal water system, wastewater collection and treatment system, and storm drain system. After restatement due to implementation of GASB 75 and correction to allocation of pension liabilities, the total enterprise net position at the end of Fiscal Year 2018 was \$27.6 million, an increase of \$5.2 million from Fiscal Year 2017 (as restated).

The following table shows actual revenues, expenses and results of operations (change in net position) for the fiscal year 2017 - 2018.

PROPRIETARY FUND						
6/30/2018						
	Operating Revenues	Operating Expenses	Income (Loss)	Non-Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Position
Municipal Water System Fund	\$ 8,194,178	\$ 7,100,628	\$ 1,093,550	\$ (1,792)	\$ (155,000)	\$ 936,758
Wastewater Collection and Treatment System Fund	12,205,704	7,730,155	4,475,549	(872,279)	(436,000)	3,167,270
Storm Drain System Fund	258,939	828,869	(569,930)	(1,490)	1,742,960	1,171,540
Internal Service Funds	2,691,061	4,536,903	(1,845,842)	67,220	1,992,510	213,888
Total	<u>\$ 23,349,882</u>	<u>\$ 20,196,555</u>	<u>\$ 3,153,327</u>	<u>\$ (808,341)</u>	<u>\$ 3,144,470</u>	<u>\$ 5,489,456</u>

Primary reasons for the changes in net position are discussed in the previous section under Analysis of the Change in Net Position. Changes in net position associated with Internal Service Funds are primarily associated with corrections made to realign the Equipment Replacement Fund associated with the Municipal Garage.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual revenues exceeded budget projections by \$2.3 million. Expenditures were below budget by \$3.8 million. Expenses below budget were related to deferred spending on special and capital projects and operational savings such as salary savings from vacant positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets include land, buildings and improvements, furniture, fixtures and equipment, automobiles and trucks, and infrastructure. Capital Assets for Governmental and Business-type Activities are presented below.

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2018, increased \$11.7 million due to addition of capital assets during the year offset by the retirements and disposals of capital assets in both governmental and business-type activities during the year. Additional information about the City's capital assets can be found in Note 5 to the Financial Statements.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION
YEAR ENDING 6/30/2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 14,298,260	\$ 14,298,260	\$ 1,500,500	\$ 1,500,500	\$ 15,798,760	\$ 15,798,760
Construction in Progress	2,710,368	1,367,435	-	386,897	2,710,368	1,754,332
Buildings and Improvements	13,366,863	13,809,841	34,277,048	35,140,508	47,643,911	48,950,349
Furniture, Fixtures and Equipment	1,332,244	1,470,256	2,609,577	2,924,626	3,941,821	4,394,882
Automobiles and Trucks	1,146,721	1,146,919	-	-	1,146,721	1,146,919
Infrastructure	25,670,935	23,485,867	21,772,699	11,474,647	47,443,634	34,960,514
Total	\$ 58,525,391	\$ 55,578,578	\$ 60,159,824	\$ 51,427,178	\$ 118,685,215	\$ 107,005,756

Debt Administration

As of June 30, 2018, the City had total long-term debt outstanding of \$75.9 million. This includes \$24.2 million related to Governmental Activities and \$51.7 million related to Business-type Activities. During the fiscal year, the City issued the 2018 Wastewater Revenue Bonds to finance the acquisition and construction of improvements to the wastewater system.

The City obligations are in the form of Certificates of Participation (COP), General Obligation Bonds (GOB), Capital Appreciation Bonds, and Direct Lender Tax Exempt Loans.

The following table summarizes the City's outstanding long-term debt at June 30, 2018 in comparison to the prior year. Additional information about the City's Long Term Debt can be found in Note 7 to the Financial Statements.

LONG-TERM LIABILITIES
YEAR ENDING 6/30/2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
2004 Pension Obligation Bonds	\$ 13,725,187	\$ 13,880,379	\$ -	\$ -	\$ 13,725,187	\$ 13,880,379
2011 Police Remodel Lease Revenue Refunding Bonds (Direct Lender Tax Exempt Lease)	1,359,000	1,556,000	-	-	1,359,000	1,556,000
2013 General Obligation Refunding Bonds	8,780,000	8,990,000	-	-	8,780,000	8,990,000
Premium, net of amortization	357,026	376,768	-	-	357,026	376,768
2009 State Water Resources Board Water Pollution Control Plant	-	-	20,603,903	21,968,680	20,603,903	21,968,680
2009A Certificate of Participation:						
Wastewater Plant	-	-	5,560,000	5,560,000	5,560,000	5,560,000
2009B Wastewater Revenue Certificate of Participation	-	-	6,035,000	6,215,000	6,035,000	6,215,000
Premium, net of amortization	-	-	88,361	92,487	88,361	92,487
2018 Wastewater Revenue Bond	-	-	18,630,000	-	18,630,000	-
Premium, net of amortization	-	-	739,077	-	739,077	-
Total	\$ 24,221,213	\$ 24,803,147	\$ 51,656,341	\$ 33,836,167	\$ 75,877,554	\$ 58,639,314

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As discussed in the transmittal letter accompanying this report, the local economy continues to be driven by low unemployment and a robust real estate market. The City's average unemployment rate for calendar year 2017 was 1.9% which is lower than that of San Mateo County (2.1%) and the State of California (4.0%). The local job market fuels demand for real estate and property values continue to climb. The economy of the City is further discussed in the accompanying Transmittal Letter.

This robust economy continues to contribute to an increased revenue base for the General Fund. While revenues continue to improve, the City's financial status is challenged by rising costs especially labor, healthcare, and pension costs. The City is also actively working to fund long term liabilities including infrastructure and facility needs as well as unfunded post-employment benefit liabilities (retirement benefits and medical costs for retirees).

For 2018 - 2019, the City is in the first year of a two year budget cycle. For Fiscal Year 2019, a balanced operating budget was adopted. In order to fund a robust capital improvement program, the City budgeted the use of unassigned fund balance, a prudent use of funds available from increases in economically sensitive revenues and one time savings. For 2020, the operating budget includes a deficit of \$2 Million. During 2019, staff will be working to identify solutions to this budget gap. Planned actions include: update of City fee schedule, revenue enhancement study, review of revenue projections and review of contract costs. The Council will continue to evaluate options to maintain financial security into the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances.

Please direct any questions or comments you may have or requests for additional information regarding this report to:

City of Millbrae
Finance Department
Attn: Deputy City Manager / Finance Director
621 Magnolia Avenue
Millbrae, CA 94030

**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Millbrae
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 43,774,374	\$ 7,348,651	\$ 51,123,025
Cash with fiscal agent	13,976	20,305,145	20,319,121
Receivables:			
Taxes	1,636,789	-	1,636,789
Accounts - net	902,051	4,808,368	5,710,419
Accrued interest	260,843	31,000	291,843
Due from other governmental agencies	100,740	-	100,740
Internal balances	1,402,105	(1,402,105)	-
Prepaid items	1,724,735	-	1,724,735
Total current assets	49,815,613	31,091,059	80,906,672
Noncurrent assets:			
Land held for resale	1,911,814	-	1,911,814
Loans and notes receivable	11,644,620	-	11,644,620
Capital assets:			
Non-depreciable	17,008,628	1,500,500	18,509,128
Depreciable, net	41,516,763	58,659,324	100,176,087
Total capital asset	58,525,391	60,159,824	118,685,215
Total noncurrent assets	72,081,825	60,159,824	132,241,649
Total assets	121,897,438	91,250,883	213,148,321
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	2,581,737	731,195	3,312,932
Deferred outflows of resources - OPEB	75,515	17,246	92,761
Deferred outflows of resources - pension	7,140,903	1,595,432	8,736,335
Total deferred outflows of resources	9,798,155	2,343,873	12,142,028
LIABILITIES			
Current liabilities:			
Accounts payable	2,306,320	2,983,307	5,289,627
Interest payable	178,331	239,721	418,052
Deposits payable	542,931	764,399	1,307,330
Unearned revenue	290,065	-	290,065
Compensated absences - due within one year	49,520	49,331	98,851
Accrued self-insurance - due within one year	511,990	-	511,990
Long-term debt - due within one year	1,543,000	1,783,425	3,326,425
Total current liabilities	5,422,157	5,820,183	11,242,340
Noncurrent liabilities:			
Compensated absences - due in more than one year	445,683	443,976	889,659
Accrued self-insurance - due in more than one year	1,519,000	-	1,519,000
Net OPEB obligation	5,713,690	1,304,819	7,018,509
Net pension liability	39,174,026	9,565,879	48,739,905
Long-term debt - due in more than one year	22,678,213	49,872,916	72,551,129
Total noncurrent liabilities	69,530,612	61,187,590	130,718,202
Total liabilities	74,952,769	67,007,773	141,960,542
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	4,550,834	421,546	4,972,380
Total deferred inflows of resources	4,550,834	421,546	4,972,380
NET POSITION			
Net investment in capital assets	48,029,365	21,908,628	69,937,993
Restricted for:			
Debt service	1,160,351	-	1,160,351
Gas tax	409,306	-	409,306
Developer fee (Millbrae station area development projects)	3,279,059	-	3,279,059
Housing activities	13,795,315	-	13,795,315
Other special programs	7,049,466	-	7,049,466
Measure A	3,168,710	-	3,168,710
Total restricted	28,862,207	-	28,862,207
Unrestricted	(24,699,582)	4,256,809	(20,442,773)
Total net position	\$ 52,191,990	\$ 26,165,437	\$ 78,357,427

City of Millbrae
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 3,659,939	\$ 1,906,004	\$ 291,900	\$ -	
Public safety	15,813,651	295,057	-	-	
Public works	5,471,749	711,996	672,173	-	
Culture and recreation	4,022,707	543,501	1,202,745	-	
Community Development	2,908,676	1,570,817	53,001	250,000	
Interest on long-term debt	1,351,454	-	-	-	
Total governmental activities	33,228,176	5,027,376	2,219,819	250,000	
Business-type activities:					
Municipal water system	7,327,317	8,194,178	10,891	-	
Wastewater collection and treatment system	9,041,724	12,205,704	-	-	
Storm drain system	886,446	258,939	-	-	
Total business-type activities	17,255,487	20,658,821	10,891	-	
Total primary government	\$ 50,483,663	\$ 25,686,197	\$ 2,230,710	\$ 250,000	

General Revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise fees

Other taxes

Miscellaneous

Total taxes

Investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net (Expense) Revenue and Changes in Net Position

Total	Governmental Activities	Business-Type Activities	Total
\$ 2,197,905	\$ (1,462,034)	\$ -	\$ -
295,057	(15,518,594)	-	-
1,384,169	(4,087,580)	-	-
1,746,246	(2,276,461)	-	-
1,873,818	(1,034,858)	-	-
-	(1,351,454)	-	-
7,497,195	(25,730,981)	-	-
8,205,069	-	877,752	877,752
12,205,704	-	3,163,980	3,163,980
258,939	-	(627,507)	(627,507)
20,669,712	-	3,414,225	3,414,225
\$ 28,166,907	(25,730,981)	3,414,225	(22,316,756)
12,528,778	-	12,528,778	
3,093,164	-	3,093,164	
8,483,124	-	8,483,124	
1,125,422	-	1,125,422	
1,477,282	-	1,477,282	
1,829,265	-	1,829,265	
28,537,035		-	28,537,035
358,903	177,227	536,130	
(1,151,960)	1,151,960	-	
27,743,978	1,329,187	29,073,165	
2,012,997	4,743,412	6,756,409	
50,178,993	21,422,025	71,601,018	
\$ 52,191,990	\$ 26,165,437	\$ 78,357,427	

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund was established to account for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, highway and street, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

Low and Moderate Income Housing Assets Fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes. The main source of revenues for this fund is the repayment of restricted housing loans.

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

City of Millbrae

Balance Sheet

Governmental Funds

June 30, 2018

	Major Funds						
	General	Low and Moderate Income Housing Asset Fund	Non-Major Governmental Funds		Total Governmental Funds		
ASSETS							
Cash and investments	\$ 19,354,262	\$ 238,927	\$ 16,730,771	\$ 36,323,960			
Cash with fiscal agent				13,976		13,976	
Receivables:							
Taxes	1,535,885	-	100,904	1,636,789			
Accounts - net	262,347	331	639,373	902,051			
Accrued interest	260,843	-	-	260,843			
Due from other governmental agencies	85,168	-	15,572	100,740			
Loans	-	11,644,620	-	11,644,620			
Prepaid items	1,724,735	-	-	1,724,735			
Land held for resale	-	1,911,814	-	1,911,814			
Total assets	\$ 23,223,240	\$ 13,795,692	\$ 17,500,596	\$ 54,519,528			
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued payroll	\$ 1,761,884	\$ -	\$ 522,988	\$ 2,284,872			
Deposits	312,685	-	230,246	542,931			
Unearned revenue	165,425	377	124,263	290,065			
Total liabilities	2,239,994	377	877,497	3,117,868			
Fund Balances:							
Nonspendable	1,724,735	-	-	1,724,735			
Restricted	-	13,795,315	15,066,892	28,862,207			
Assigned	1,191,686	-	1,556,207	2,747,893			
Unassigned	18,066,825	-	-	18,066,825			
Total fund balances	20,983,246	13,795,315	16,623,099	51,401,660			
Total liabilities and fund balances	\$ 23,223,240	\$ 13,795,692	\$ 17,500,596	\$ 54,519,528			

City of Millbrae

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

June 30, 2018

Total Fund Balances - Total Governmental Funds \$ 51,401,660

Amounts reported for Governmental Activities in the Statement of Net Position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Non-depreciable (net of real estate held for resale in special revenue funds)	17,008,628
Depreciable, net of accumulated depreciation (and net of internal service fund capital assets of \$1,463,265)	40,053,498

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (178,331)

Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds (5,713,690)

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. The amount of deferred contribution, net of internal service fund amount is: 2,533,507

In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension and OPEB are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. The following are the amount, net of internal service funds amount:

Deferred outflows of resources - pension	7,035,665
Deferred outflows of resources - OPEB	75,515
Deferred inflows of resources - pension	(4,523,028)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Long-term liabilities - due within one year:	
Long-term debt	(1,543,000)
Long-term liabilities - due in more than one year:	
Net pension liability, net of internal service fund amount	(38,543,041)
Long-term debt	(22,678,213)

Internal service funds are used to charge the costs of certain services such as risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position. 7,262,820

Net Position of Governmental Activities \$ 52,191,990

City of Millbrae

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2018

	Major Funds				Total Governmental Funds	
	General Fund	Low and Moderate Income Housing Asset Fund	Non-Major Governmental Funds			
REVENUES:						
Property tax	\$ 11,887,259	\$ -	\$ 641,520	\$ 12,528,779		
Sales tax	3,093,164	-	-	3,093,164		
Transient occupancy tax	8,483,124	-	-	8,483,124		
Franchise fees	1,125,422	-	-	1,125,422		
Other taxes	891,911	-	1,196,613	2,088,524		
Licenses and permits	608,737	-	42,395	651,132		
Charges for services	754,109	-	1,549,857	2,303,966		
Fines and forfeitures	1,296,068	-	-	1,296,068		
Use of money and property	954,713	17,745	109,692	1,082,150		
Grants and intergovernmental	243,433	-	412,399	655,832		
Miscellaneous	737,758	399	1,076,850	1,815,007		
Total revenues	30,075,698	18,144	5,029,326	35,123,168		
EXPENDITURES:						
Current:						
General government	4,709,193	-	-	4,709,193		
Public safety	15,683,208	-	-	15,683,208		
Public works	3,388,752	-	949,390	4,338,142		
Culture and recreation	1,790,129	-	2,013,589	3,803,718		
Community development	1,940,714	-	684,362	2,625,076		
Capital outlay	686,741	-	3,839,632	4,526,373		
Debt service:						
Principal	-	-	1,477,000	1,477,000		
Interest, and fiscal charges	-	-	462,679	462,679		
Total expenditures	28,198,737	-	9,426,652	37,625,389		
REVENUES OVER (UNDER) EXPENDITURES	1,876,961	18,144	(4,397,326)	(2,502,221)		
OTHER FINANCING SOURCES (USES):						
Proceeds from insurance	-	-	1,202,745	1,202,745		
Proceeds from sale of assets	3,000	-	-	3,000		
Transfers in	-	-	2,401,521	2,401,521		
Transfers out	(5,442,731)	-	(103,260)	(5,545,991)		
Total other financing sources (uses)	(5,439,731)	-	3,501,006	(1,938,725)		
Net change in fund balances	(3,562,770)	18,144	(896,320)	(4,440,946)		
FUND BALANCES:						
Beginning of year, as restated	24,546,016	13,777,171	17,519,419	55,842,606		
End of year	\$ 20,983,246	\$ 13,795,315	\$ 16,623,099	\$ 51,401,660		

City of Millbrae

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the year ended June 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	(4,440,946)
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental Funds reported acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities, the cost of those assets will be allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period net of \$330,676 capital asset additions recorded in the internal service funds.	4,432,133	
Proceeds from sale of assets are recognized as revenue in the governmental funds, however, only gain or loss on disposal assets is recognized in the government-wide		(3,000)
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount was recorded as depreciation expense in the current year net of \$182,573 that was recorded in the internal service funds.		(1,633,163)
Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, it was not reported as expenditures in the Governmental Funds.		(66,780)
Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position. The amount of pension contribution, net of internal service fund amount is:	2,533,507	
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		(3,142,698)
Current year employer OPEB contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a reduction to Net OPEB Liability in the Government-Wide Statement of Net Position. The amount of OPEB contribution, net of internal service fund amount is:		3,625,878
OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		(626,203)
Expenses to accrue for the unpaid interest to long-term debt are reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, these expenses are not reported in the Governmental Funds.		
Unpaid interest added to long-term debt		(914,809)
Bond proceeds provided current financial resources to Governmental Funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. Long-term debt repayments	1,477,000	
Proceeds and premiums/discounts on issuance of debt are recorded as revenues/expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and reported as long-term debt and the premium/discounts are amortized over the life of the debt.		19,743
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from the prior year.		6,291
Internal service funds are used to charge the costs of certain services such as risk management to individual funds. The net revenue of the internal service funds is reported with governmental activities.		746,044
Change in Net Position of Governmental Activities	\$	2,012,997

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PROPRIETARY FUND FINANCIAL STATEMENTS

Municipal Water System Fund accounts for activities related to providing water service to Millbrae residents and businesses.

Wastewater Collection and Treatment System Fund accounts for activities related to providing sanitary sewer collection and wastewater treatment services to Millbrae residents and businesses.

Storm Drain System Fund accounts for resources and costs of maintenance and improvements of the City's storm drain system

Internal Service Funds account for the City operations financing and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services to other City funds be financed through user charges to those funds.

City of Millbrae
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Municipal Water System	Wastewater Collection and Treatment System	Non-major Storm Drain System	Total	
ASSETS					
Current assets:					
Cash and investments	\$ 196,410	\$ 6,532,492	\$ 619,749	\$ 7,348,651	\$ 7,450,414
Cash with fiscal agents	-	20,305,145	-	20,305,145	-
Receivables:					
Accounts - net	2,180,923	2,619,904	7,541	4,808,368	-
Accrued interest	-	31,000	-	31,000	-
Total current assets	2,377,333	29,488,541	627,290	32,493,164	7,450,414
Noncurrent assets:					
Capital assets:					
Non-depreciable capital assets	-	1,500,500	-	1,500,500	-
Depreciable capital assets, net	9,507,192	47,527,690	1,624,442	58,659,324	1,463,265
Total capital assets	9,507,192	49,028,190	1,624,442	60,159,824	1,463,265
Total noncurrent assets	9,507,192	49,028,190	1,624,442	60,159,824	1,463,265
Total assets	11,884,525	78,516,731	2,251,732	92,652,988	8,913,679
DEFERRED OUTFLOWS OF RESOURCES					
Deferred employer pension contributions	165,891	521,912	43,392	731,195	48,230
Deferred outflows of resources - OPEB	3,466	12,650	1,130	17,246	-
Deferred outflows of resources - pension	361,966	1,138,787	94,679	1,595,432	105,238
Total deferred outflows of resources	531,323	1,673,349	139,201	2,343,873	153,468
LIABILITIES					
Current liabilities:					
Accounts payable and accrued payroll	588,562	2,329,357	65,388	2,983,307	21,448
Interest payable	-	239,721	-	239,721	-
Deposits	647,553	115,346	1,500	764,399	-
Compensated absences - due within one year	11,685	34,596	3,050	49,331	49,520
Accrued self insurance - due within one year	-	-	-	-	511,990
Long-term debt - due within one year	-	1,783,425	-	1,783,425	-
Total current liabilities	1,247,800	4,502,445	69,938	5,820,183	582,958
Noncurrent liabilities:					
Compensated absences - due in more than one year	105,167	311,360	27,449	443,976	445,683
Accrued self-insurance - due in more than one year	-	-	-	-	1,519,000
Net pension liability	2,170,275	6,827,927	567,677	9,565,879	630,985
Net OPEB liability	262,219	957,107	85,493	1,304,819	-
Long-term debt - due in more than one year	-	49,872,916	-	49,872,916	-
Total noncurrent liabilities	2,537,661	57,969,310	680,619	61,187,590	2,595,668
Total liabilities	3,785,461	62,471,755	750,557	67,007,773	3,178,626
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	95,639	300,891	25,016	421,546	27,806
Total deferred inflows of resources	95,639	300,891	25,016	421,546	27,806
NET POSITION					
Net investment in capital assets	9,507,192	10,776,994	1,624,442	21,908,628	1,463,265
Unrestricted	(972,444)	6,640,440	(9,082)	5,658,914	4,397,450
Total net position	\$ 8,534,748	\$ 17,417,434	\$ 1,615,360	\$ 27,567,542	\$ 5,860,715
Some amounts reported for business-type activities in the Statement of Net Position are different because of certain internal service fund assets and liabilities are included with business-type activities					
Net position business-type activities					\$ 26,165,437

City of Millbrae

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the year ended June 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
	Municipal Water System	Wastewater Collection and Treatment System	Non-Major Storm Drain System	Total	
OPERATING REVENUES:					
Water Sales	\$ 8,189,547	\$ -	\$ -	\$ 8,189,547	\$ -
Sewer service fees	-	12,205,704	-	12,205,704	-
Interdepartmental charges	-	-	-	-	2,618,535
Storm drain fees	-	-	243,857	243,857	-
Miscellaneous	4,631	-	15,082	19,713	72,526
Total operating revenues	8,194,178	12,205,704	258,939	20,658,821	2,691,061
OPERATING EXPENSES:					
Personnel services	1,208,343	3,760,315	368,832	5,337,490	404,260
Contractual services	92,771	1,244,144	300,412	1,637,327	3,680,705
Materials, supplies and other services	564,691	1,209,513	104,955	1,879,159	131,804
Water purchases	4,822,003	-	-	4,822,003	-
Depreciation	308,603	1,086,139	37,059	1,431,801	280,877
Utilities	59,217	300,492	6,061	365,770	-
Insurance premiums and claims	45,000	129,552	11,550	186,102	39,257
Total operating expenses	7,100,628	7,730,155	828,869	15,659,652	4,536,903
OPERATING INCOME	1,093,550	4,475,549	(569,930)	4,999,169	(1,845,842)
NONOPERATING REVENUES (EXPENSES):					
Interest revenue	1,143	173,212	2,871	177,226	52,964
Interest expense and fiscal charges	-	(976,939)	-	(976,939)	-
Gain (loss) on sale	(13,826)	(68,552)	(4,361)	(86,739)	14,256
Grants	10,891	-	-	10,891	-
Total nonoperating revenues (expenses)	(1,792)	(872,279)	(1,490)	(875,561)	67,220
INCOME (LOSS) BEFORE TRANSFERS	1,091,758	3,603,270	(571,420)	4,123,608	(1,778,622)
Contribution	-	-	-	-	-
Transfers in	-	-	2,104,960	2,104,960	2,765,510
Transfers out	(155,000)	(436,000)	(362,000)	(953,000)	(773,000)
Total transfers	(155,000)	(436,000)	1,742,960	1,151,960	1,992,510
Change in net position	936,758	3,167,270	1,171,540	5,275,568	213,888
NET POSITION					
Beginning of year, as restated	7,597,990	14,250,164	443,820		5,646,827
End of year	\$ 8,534,748	\$ 17,417,434	\$ 1,615,360		\$ 5,860,715
Some amounts are reported for business-type activities in the Statement of Activities are different because a portion of the net income of certain internal service funds is reported with the business-type activities which those funds service				(532,156)	
Change in net position of business-type activities				\$ 4,743,412	

City of Millbrae
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund	
	Municipal Water System	Wastewater Collection and Treatment System	Non-Major Storm Drain System	Total		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from others	\$ 4,631	\$ -	\$ -	\$ 4,631	\$ 86,752	
Receipts from customers/ other funds	7,609,351	11,966,378	256,669	19,832,398	2,637,860	
Payments to suppliers	(6,331,731)	(1,017,210)	(365,195)	(7,714,136)	(3,856,899)	
Payments to employees	(1,279,245)	(3,742,139)	(378,828)	(5,400,212)	(403,967)	
Claims paid	(45,000)	(129,552)	(11,550)	(186,102)	(511,232)	
Cash Flows from Operating Activities	(41,994)	7,077,477	(498,904)	6,536,579	(2,047,486)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Cash receipts from operating grants	10,891	-	-	10,891	-	
Transfers in	-	-	2,104,960	2,104,960	2,765,510	
Transfers out	(155,000)	(436,000)	(362,000)	(953,000)	(773,000)	
Cash Flows from Noncapital Financing Activities	(144,109)	(436,000)	1,742,960	1,162,851	1,992,510	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net	(338,165)	(8,680,797)	(1,232,224)	(10,251,186)	(499,814)	
Proceeds from sale of capital assets	-	-	-	-	15,570	
Proceeds from issuance of debt		19,375,358		19,375,358		
Principal payments on debt	-	(1,544,778)	-	(1,544,778)	-	
Interest paid	-	(936,225)	-	(936,225)	-	
Cash Flows from Noncapital Financing Activities	(338,165)	8,213,558	(1,232,224)	6,643,169	(484,244)	
CASH FLOWS FROM INVESTMENT ACTIVITIES FINANCING ACTIVITIES						
Interest	1,143	146,871	2,871	150,885	52,964	
Cash Flows from Noncapital Financing Activities	1,143	146,871	2,871	150,885	52,964	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(523,125)	15,001,906	14,703	14,493,484	(486,256)	
CASH AND CASH EQUIVALENTS - Beginning of year	719,535	11,835,731	605,046	13,160,312	7,936,670	
CASH AND CASH EQUIVALENTS - End of year	\$ 196,410	\$ 26,837,637	\$ 619,749	\$ 27,653,796	\$ 7,450,414	
FINANCIAL STATEMENT PRESENTATION:						
Cash and investments	\$ 196,410	\$ 6,532,492	\$ 619,749	\$ 7,348,651	\$ 7,450,414	
Cash with fiscal agents	-	20,305,145	-	20,305,145	-	
Total	\$ 196,410	\$ 26,837,637	\$ 619,749	\$ 27,653,796	\$ 7,450,414	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income	\$ 1,093,550	\$ 4,475,549	\$ (569,930)	\$ 4,999,169	\$ (1,845,842)	
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	308,603	1,086,139	37,059	1,431,801	280,877	
Changes in assets and liabilities:						
Accounts receivable	(678,993)	(262,876)	(3,770)	(945,639)	32,864	
Deferred outflows - pension	284,727	(486,704)	(105,473)	(307,450)	(55,675)	
Deferred outflows - OPEB	(3,466)	(12,650)	(1,130)	(17,246)	-	
Accounts payable and accrued payroll	(793,049)	1,736,939	46,233	990,123	(43,703)	
Deposits payable	98,797	23,550	1,500	123,847	-	
Compensated absences	(89,081)	30,359	(5,878)	(64,600)	(45,016)	
Accrued self-insurance	-	-	-	-	(471,975)	
Net OPEB Liability	(134,198)	(489,829)	(43,753)	(667,780)	-	
Net pension liability	(80,309)	884,465	127,007	931,163	90,535	
Deferred inflows - pension	(48,575)	92,535	19,231	63,191	10,449	
Total adjustments	(1,135,544)	2,601,928	71,026	1,537,410	(201,644)	
Net cash provided by operating activities	\$ (41,994)	\$ 7,077,477	\$ (498,904)	\$ 6,536,579	\$ (2,047,486)	

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds

Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the activities of the Successor Agency to the former Redevelopment Agency of the City of Millbrae

OPEB Trust Fund accounts for contributions made to the City's established IRC section 115 irrevocable trust fund with Benefit Trust Company and created as part of the City's OPEB (Other Post Employment Benefits) funding strategy.

City of Millbrae

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Successor Agency to the Redevelopment Agency Private- Trust Fund	OPEB Trust Fund
ASSETS		
Current assets		
Cash and investments	\$ 610,905	\$ -
Cash with fiscal agents	47	6,895,622
Total assets	610,952	6,895,622
LIABILITIES		
Liabilities:		
Current liabilities		
Payable to broker	-	10,431
Interest payable	103,969	-
Long-term debt		
Portion due within one year	230,000	-
Portion due in more than one year	6,077,977	-
Total liabilities	6,411,946	10,431
NET POSITION		
Restricted for OPEB	-	6,885,191
Restricted for other purposes	(5,800,994)	-
Total net position	\$ (5,800,994)	\$ 6,885,191

City of Millbrae

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the year ended June 30, 2018

	Successor Agency to the Redevelopment Agency Private- Trust Fund	OPEB Trust Fund
ADDITIONS:		
Property Tax	\$ 768,487	\$ -
Investment income:		
Interest and dividends	141	-
Net increase in fair value of investments		145,224
Contribution from the City of Millbrae	-	3,500,000
Total additions	768,628	3,645,224
DEDUCTIONS:		
Community Development	325,331	-
Loss on sale of assets	58,981	-
Interest and fiscal charges	241,413	-
Total deductions	625,725	-
Change in net position	142,903	3,645,224
NET POSITION:		
Beginning of year	(5,943,897)	3,239,967
End of year	\$ (5,800,994)	\$ 6,885,191

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Millbrae, California (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Millbrae (City) was incorporated as a general law city in 1948. The City operates under the Council-Manager form of government and provides the following services: public safety (fire), highways and streets, wastewater collection and treatment, water, recreation, public improvements, planning and zoning, building inspections, and general administration services.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's 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 for the City accompanied by a total column.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in 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 liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

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 non-major 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 meet specific qualifications.

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 sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The City reports the following funds as major governmental funds of the City.

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Low and Moderate Income Housing Asset Capital Projects Fund accounts for revenues and expenditures related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency.

Governmental Fund Financial Statements

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following funds as proprietary funds of the City.

Municipal Water System Fund accounts for activities related to providing water service to Millbrae residents and businesses.

Wastewater Collection and Treatment System Fund accounts for activities related to providing sanitary sewer collection and wastewater treatment services to Millbrae residents and businesses.

Storm Drain System Fund accounts for the resources and costs of maintenance and improvements of the City's storm drain systems.

Proprietary Fund Financial Statements

Internal service fund balances and activities have been combined with governmental activities in the Government-Wide Financial Statements. These funds account for municipal garage (fleet) services, workers' compensation, general liability, unemployment insurance, compensated absences, and other postemployment benefits funding; all of which are provided to other departments on a cost-reimbursement basis.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has one fiduciary fund which is a private-purpose trust fund. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary fund:

Successor Agency to the Redevelopment Agency Private Purpose Trust Fund - The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

OPEB Trust Fund - OPEB Trust Fund accounts for contributions made to the City's established IRC section 115 irrevocable trust fund with Benefit Trust Company and created as part of the City's OPEB (other post-employment benefits) funding strategy.

C. Cash, Cash Equivalents and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

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

- 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.

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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt, for acquisition and construction of capital projects, and to meet bond indenture debt reserve requirements. Cash and investments are also restricted for deposits held for others within the enterprise funds.

E. Prepays and Supplies

Certain payments to vendors reflect costs applicable to future accounting periods. Supplies are valued at cost on a first-in first-out basis. Supplies in the General Fund consist of expendable supplies held for consumption by all departments of the City. The cost is recorded as expenditure at the time individual inventory items are withdrawn for use (consumption method). The General Fund supplies amount is equally offset by non-spendable fund balance, which indicates that it does not constitute expendable available financial resources. Supplies in the enterprise funds consist principally of materials and supplies for utility operations and are expensed as consumed.

F. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. The City defines capital assets as those assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years.

During the fiscal year ended June 30, 2018 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of those assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost 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:

Water and Wastewater Mains, Lines and Trunks	15–20 years
Buildings and Improvements	7 – 50 years
Furniture, Fixtures and Equipment	5 – 20 years
Automobiles and Trucks	2 – 10 years
Infrastructure	25–65 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

G. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the Fund Financial Statements, proprietary fund types recognize the interest payable when the liability is incurred.

H. Unearned revenue

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are prepaid charges for services.

I. Claims and Judgments

The short-term and long-term workers' compensation claims liability is reported in the Workers' Compensation Service Fund. The short-term and long-term general claims liability is reported in the General Liability Internal Service Fund. The short-term liability which will be liquidated with current financial resources is the amount of settlement reached, but unpaid, related to claims and judgments entered.

J. Long-Term Debt

Government-Wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Long-Term Debt, Continued

Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount. Bond issuance costs are reported as an asset and amortized over the term of the related debt.

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

Bond premiums and discounts, as well as issuance costs, are recognized during the current period as other financing sources or uses. Bond proceeds are reported as other financing sources.

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

K. Property Taxes

State Constitution Article 13 provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. At the time of transfer of ownership, assessed value is calculated at 100% of market value as defined by the above-referenced Articles 13; with limited exceptions, otherwise assessed value is calculated as the lesser of full cash value at the time of acquisition or 2% over the prior year assessed value. The State Legislature has determined the method of distribution of receipts from a \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to repay voter-approved debt.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	On or before November 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

L. Revenue Recognition for Water and Wastewater Enterprise Funds

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of a fiscal period are accrued.

M. Deferred Outflows/Inflows of Resources

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Deferred Outflows/Inflows of Resources, Continued

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

N. Pension

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

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

P. Net Position

Net Position is the excess of all the City's assets and deferred outflow of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions under GASB Statement 34. These captions apply only to Net Position, which is determined only at the Government-wide and proprietary funds level, and are described below:

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 redevelopment funds restricted to low and moderate-income purposes.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Net Position, Continued

Unrestricted describes the portion of Net Position which is not restricted to use.

Q. 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 Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based 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. The City Council, through resolution, is able to restrict funds for specific purposes, thus creating assigned balances. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment 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 formal action of the City Council which may be altered only by formal action 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. The City Council expressed its intent to classify certain fund balances "assigned" through resolutions.

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Use of Estimates

The accompanying basic financial statements have been prepared on the modified accrual basis of accounting in accordance with GAAP. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

S. New Pronouncements

In 2018, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The City restated its beginning net position as part of implementation of this statement.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* – The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* – The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* – The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeated in substance. The requirements of this statement did not apply to the City for the current fiscal year.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

The City maintains a cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

The following is a summary of cash and investments at June 30, 2018:

Government-Wide Statement of Net Position				Fiduciary Funds Statement of Net Position	Total
	Governmental Activities	Business-Type Activities			
Cash and investments	\$ 43,774,374	\$ 7,348,651		\$ 610,905	\$ 51,733,930
Restricted cash and investments	13,976	20,305,145		47	20,319,168
OPEB trust investment pool				6,895,622	6,895,622
Total cash and investment	\$ 43,788,350	\$ 27,653,796		\$ 7,506,574	\$ 78,948,720

Cash and investments as of June 30, 2018 consisted of the following:

Deposits:	
Cash on hand	\$ 1,100
Deposits with financial institutions	<u>(32,322)</u>
Total deposits	<u>(31,222)</u>
Investments:	
San Mateo Investment Pool	4,282,739
Local Agency Investment funds	27,126,891
PFM Group	<u>20,355,522</u>
Total investments	<u>51,765,152</u>
Total City Treasury	<u>51,733,930</u>
Restricted cash and investments:	
Cash with fiscal agent	20,319,168
Total restricted cash and investments	<u>20,319,168</u>
OPEB Trust investment pool	<u>6,895,622</u>
Total cash and investments	<u>\$ 78,948,720</u>

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of the City's cash deposit was \$(32,222) at June 30, 2018. Bank balances before reconciling items were a positive amount of \$1,204,294 at June 30, 2018. The City has waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The 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 market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City 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 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.

C. Investments

Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest in the following securities, provided the credit ratings are acceptable of the issuers are acceptable to the City. Any other investment not specified hereunder shall be made only upon prior approval by the City Council. This does not address the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Entity's investment policy.

When a percentage limitation for a particular security type is indicated, that percentage is applicable only on the date of purchase. Credit criteria listed in this section refers to the credit rating at the time the security is purchased.

- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation;
- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secured investments available;
- U.S. government agency and instrumentality obligations that have a liquid market value with a readily determinable market value;

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

C. Investments, continued

Authorized Investments by the City, Continued

- Certificates of deposit and other evidences of deposit at financial institutions;
- Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally or state licensed branch of a foreign bank. No more than 30% of the City's portfolio may be invested in negotiable CD's;
- Bankers' acceptances with a rating of the highest ranking or highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). Purchases of bankers' acceptances may not exceed 180 days. No more than 40% of the City's portfolio may be invested in bankers' acceptances;
- Commercial paper, rated in the highest tier by an NRSRO. The entity that issues the commercial paper must meet all the following conditions in either paragraph a or paragraph b:
 - A. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO;
 - B. The entity meets the following criteria: (i) is organized in the United States as special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent by a NRSRO;
 - C. Eligible commercial paper will have a maximum maturity of 270 days or less. No more than 25% of the City's portfolio may be invested in commercial paper. The City may purchase no more than 10% of the outstanding commercial paper of any single issuer;
- Investment-grade obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency;
- Investment-grade registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states;
- Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes will be rated in a rating category "A" or its equivalent or better by a NRSRO. No more than 30% of the City's portfolio may be invested in medium-term notes; and

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

Authorized Investments by the City, Continued

- Money Market Mutual Funds are eligible for investment if the companies providing the mutual funds invest in only in instruments authorized by Government Code, Sections 53601 and/or 53635. Such companies shall have attained either the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or retain an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years' experience investing in securities and obligations authorized and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of the share of beneficial interest shall not include any commission that these companies charge.

City did not enter into any reverse repurchase agreements during the year ended June 30, 2018.

The City is a voluntary 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's investments with LAIF at June 30, 2018, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2018, the City had \$27,126,891 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.89% in the previous year. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor of 0.99548 was used to calculate the fair value of the investments in the County Pool.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

Authorized Investments by the City, Continued

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinances, bond indentures or State statutes. The following identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Local government investment pools	N/A	N/A
U.S. Treasury obligations	5 years	N/A
State of California Obligations	5 years	A2/A
California Local Agency Obligations	5 years	N/A
Derivatives	N/A	N/A
Bankers' Acceptances	180 days	A-1
Commercial Paper	270 days	A-1
Medium Term Notes	5 years	A
Short-Term Certificates of Deposit	1 year	A-1
Asset-Backed Securities	5 years	AA
Repurchase Agreements	30 days	A
Money Market Mutual Funds	N/A	AA-M
Collateralized Bank Deposits	N/A	N/A
California Local Agency Investment Fund	N/A	N/A
Unsecured CD's, deposit accounts, time deposits	30 days	A-1
Special Revenue Bonds	5 years	AA

Authorized Investments by the Debt Agreements

There are no restrictions on the maximum amount invested in each security type or a maximum that can be invested in any one issuer.

Investments Held in Trust for Other Post-Employment Benefits

The City established an irrevocable Section 115 OPEB Trust with Keenan Financial Services and Benefit Trust. As of June 30, 2018, the trust had a balance of \$6,895,622. The Trust's policy for allocation of invested assets is established and may be amended by the Board of Authority through a majority vote. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of specific asset classes. The investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time-span, and except for liquidity purposes, the use of cash equivalents. See Note 13 Section D for the Trust Board's adopted asset allocation policy and rate of return as of June 30, 2018.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the City's cash on deposit. All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the City's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City, including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

Interest Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the City's investments by maturity:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	1-2 years	2-3 years	3-4 years	4-5 years
Local Agency Investment Fund	\$ 27,126,891	\$ 27,126,891	\$ -	\$ -	\$ -	\$ -
San Mateo County Pool	4,282,739	4,282,739	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	7,587,432	\$ -	264,809	2,180,506	3,282,550	1,859,567
Federal Agency Coll. Mortgage Ob	241,950	\$ -	\$ -	\$ -	136,909	105,041
Federal Agency Bonds/Notes	2,417,312	\$ -	\$ -	585,056	1,832,256	\$ -
Corporate Bonds and Notes	4,824,407	347,674	1,690,372	1,588,855	732,783	464,723
Certificates of Deposit	4,207,750	1,175,903	2,276,106	755,741	\$ -	\$ -
Assed-Backed Securities	1,076,671	\$ -	\$ -	\$ -	701,657	375,014
Total	\$ 51,765,152	\$ 32,933,207	\$ 4,231,287	\$ 5,110,158	\$ 6,686,155	\$ 2,804,345

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the ratings as of June 30, 2018 for each investment type:

Investment type	AAA	AA+	AA-	A+	A	A-	A-1+	A-1	BBB+	Total
U.S. Treasury Notes	\$ -	\$ 7,587,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,587,432
Federal Agency Coll. Mortg.	-	241,950	-	-	-	-	-	-	-	241,950
Federal Agency Bonds/Note	-	2,417,312	-	-	-	-	-	-	-	2,417,312
Corporate Bonds and Notes	-	-	99,485	388,368	861,284	3,083,760	-	-	391,510	4,824,407
Certificates of Deposit	-	-	1,064,106	1,309,522	658,218	-	363,415	812,489	-	4,207,750
Asset-Backed Securities	963,231	-	-	-	-	-	-	-	-	963,231
<i>Not rated:</i>										
Local Agency Investment Fund										27,126,891
San Mateo County Investment Fund										4,282,739
Asset-Backed Securities										113,440
Total Investment										<u>\$ 51,765,152</u>

E. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2018 are described on the following page.

Investments included in LAIF and San Mateo County Pool as well as restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement disclosure.

**Government-Wide Statement
of Net Position**

	Governmental Activities	Business-Type Activities
Cash and investments	\$ 43,774,374	\$ 7,348,651
Restricted Cash and investment	13,976	20,305,145
OPEB trust investment pool		

US treasury notes categorized as Level 1 are valued based on prices quoted in active markets for those securities. Government agency obligation, corporate bonds and certificates of deposit categorized as Level 2 are valued based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable or can be corroborated by observable market data.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

3. INTERFUND TRANSACTIONS

Transfers

At June 30, 2018, the City had the following transfers in/out which arise in the normal course of operations.

Transfers Out	Transfers In				Total
	Non-Major Governmental Fund	Non-Major Enterprise Fund	Proprietary Internal Service Funds		
General Fund	\$ 2,311,521	\$ 2,104,960	\$ 1,026,250	\$ 5,442,731	
Non-Major Governmental Fund	90,000	-	13,260	103,260	
Municipal Water System Fund	-	-	155,000	155,000	
Wastewater Collection and Treatment System Fund	-	-	436,000	436,000	
Non-Major Enterprise Fund	-	-	362,000	362,000	
Proprietary Internal Service Funds	-	-	773,000	773,000	
TOTAL	\$ 2,401,521	\$ 2,104,960	\$ 2,765,510	\$ 7,271,991	

Transfers from the General Fund were approved by City Council and made to (1) the Non-Major Governmental Funds for debt service payments and (2) to finance capital projects and the acquisition of replacement vehicles.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

4. LOANS AND NOTES RECEIVABLE

As of June 30, 2018, the City's loans and notes receivable totaled \$11,644,620 and were composed of the following:

	Balance as of June 30, 2018
Low-and-Moderate First Time Home Buyer Program	\$ 431,899
Dolores Lia Apartments Loan	5,700,000
Below Market Rate Loans:	
88 South Boradway	4,143,040
1388 Broadway	1,369,681
Total:	\$ 11,644,620

Low-and-Moderate-Income First Time Home Buyer Program

The program was established to provide mortgages for up to 20 employees of School Districts located within the City. In order to qualify, participants must be employees of these Districts and they must be home buyers in low-and-moderate-income categories who do not qualify for a home purchase without down payment assistance. These loans bear no interest nor require payments for the first ten years of the loan or until the participant ceases employment with the District, whichever is earlier. After that date the loans bear a negotiated interest rate and require monthly interest payments. The loans are secured by second deeds of trust, require the principal balance to be paid at the end of the thirty-year term, and must be repaid in full if the property is sold to an unqualified buyer.

Dolores Lia Apartments Loan

In June 2011, the former Redevelopment Agency authorized the execution of a loan commitment agreement pursuant to which the Agency agreed to provide a residual receipts loan of \$5.7 million to Pacific West Communities, Inc. for the acquisition and rehabilitation/permanent financing of a 27- unit affordable residential rental project located at 1275 El Camino Real (the Dolores Lia Project). The loan bears simple interest at three percent per annum. Annual payment on this note is payable on a residual receipt basis with 60% of all surplus cash payable toward principal and interest. The entire outstanding principal balance of the note, together with interest accrued thereon shall be payable in full on the maturity which is 57 years from the date of the note.

Below Market Rate Loans

The former Redevelopment Agency sponsored a program that provided homeownership opportunities to individuals and families of moderate-income by offering below-market-rate deferred payment financing. The Agency provided below-market-rate/deferred payment financing for ten (10) units located at 88 South Broadway and eight (8) units located at 1388 Broadway. The loans have a term of forty-five (45) years, and provided the Owner is not in default, no interest shall accrue on the principal balance of the loan. Upon the expiration of the forty-five (45) year agreement, the Owner may renew for an additional forty-five (45) years. The loan, together with sale proceeds exceeding the resale affordable price, is payable in full upon the sale, encumbrance or other transfer of property.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

As of June 30, 2018, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 14,298,260	\$ 1,500,500	\$ 15,798,760
Construction in progress	2,710,368	-	2,710,368
Total non-depreciable assets	17,008,628	1,500,500	18,509,128
Depreciable assets:			
Buildings and Improvements	20,459,535	41,535,369	61,994,904
Furniture, Fixtures and Equipment	5,451,668	14,626,202	20,077,870
Automobiles and Trucks	3,139,917	26,696	3,166,613
Infrastructure	62,087,228	31,027,764	93,114,992
	91,138,348	87,216,031	178,354,379
Less accumulated depreciation:			
Buildings and improvements	7,092,672	7,258,321	14,350,993
Furniture, Fixtures and Equipment	4,119,424	12,016,626	16,136,050
Automobiles and Trucks	1,993,196	26,695	2,019,891
Infrastructure	36,416,293	9,255,065	45,671,358
Total accumulated depreciation	49,621,585	28,556,707	78,178,292
Total depreciable assets	41,516,763	58,659,324	100,176,087
Total capital assets	\$ 58,525,391	\$ 60,159,824	\$ 118,685,215

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Balance at June 30, 2018</u>
Government activities					
Capital assets not being depreciated:					
Land	\$ 14,298,260	\$ -	\$ -	\$ -	\$ 14,298,260
Construction in progress	1,367,435	4,456,458	(87,076)	(3,026,449)	2,710,368
Total capital assets not being depreciated	<u>15,665,695</u>	<u>4,456,458</u>	<u>(87,076)</u>	<u>(3,026,449)</u>	<u>17,008,628</u>
Capital assets being depreciated:					
Buildings and Improvements	20,447,160	12,375	-	-	20,459,535
Furniture, Fixtures, and Equipment	5,889,393	284,605	(722,330)	-	5,451,668
Automobiles and Trucks	2,893,629	265,585	(19,297)	-	3,139,917
Infrastructure	59,060,779	-	-	3,026,449	62,087,228
Total capital assets being depreciated	<u>88,290,961</u>	<u>562,565</u>	<u>(741,627)</u>	<u>3,026,449</u>	<u>91,138,348</u>
Less accumulated depreciation for:					
Buildings and Improvements	6,637,319	455,353	-	-	7,092,672
Furniture, Fixtures, and Equipment	4,419,137	353,002	(652,715)	-	4,119,424
Automobiles and Trucks	1,746,710	264,303	(17,817)	-	1,993,196
Infrastructure	35,574,911	841,382	-	-	36,416,293
Total accumulated depreciation	<u>48,378,077</u>	<u>1,914,040</u>	<u>(670,532)</u>	<u>-</u>	<u>49,621,585</u>
Total capital assets, net	<u>39,912,884</u>	<u>(1,351,475)</u>	<u>(71,095)</u>	<u>3,026,449</u>	<u>41,516,763</u>
Government activities capital assets, net	<u>\$ 55,578,579</u>	<u>\$ 3,104,983</u>	<u>\$ (158,171)</u>	<u>\$ -</u>	<u>\$ 58,525,391</u>

Depreciation expense by program for capital assets for the year ended June 30, 2018 was as follows:

General Government	\$ 634,215
Public Works	658,609
Culture and Recreation	148,293
Community Development	192,046
Internal Service Funds	<u>280,877</u>
Total Governmental Activities	<u>\$ 1,914,040</u>

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in the capital assets for business-type activities during the fiscal year:

	Balance as of June 30, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 1,500,500	\$ -	\$ -	\$ -	\$ 1,500,500
Construction in Progress	386,897	10,425,604	(174,419)	(10,638,082)	-
Total capital assets not being depreciated	<u>1,887,397</u>	<u>10,425,604</u>	<u>(174,419)</u>	<u>(10,638,082)</u>	<u>1,500,500</u>
Capital assets being depreciated:					
Building and Improvements	41,565,955	-	(30,586)	-	41,535,369
Furniture, Fixtures, and Equipment	15,022,858	-	(396,656)	-	14,626,202
Automobiles and Trucks	37,478	-	(10,782)	-	26,696
Infrastructure	20,402,567	-	(12,885)	10,638,082	31,027,774
Total capital assets being depreciated	<u>77,028,858</u>	<u>-</u>	<u>(450,909)</u>	<u>10,638,082</u>	<u>87,216,031</u>
Less accumulated depreciation for:					
Building and Improvements	6,425,447	850,845	(17,971)	-	7,258,321
Furniture, Fixtures, and Equipment	12,098,232	251,508	(333,114)	-	12,016,626
Automobiles and Trucks	37,478	-	(10,783)	-	26,695
Infrastructure	8,927,920	329,448	(2,303)	-	9,255,065
Total accumulated depreciation	<u>27,489,077</u>	<u>1,431,801</u>	<u>(364,171)</u>	<u>-</u>	<u>28,556,707</u>
Total depreciable capital assets, net	<u>49,539,781</u>	<u>(1,431,801)</u>	<u>(86,738)</u>	<u>10,638,082</u>	<u>58,659,324</u>
Business-type activities capital assets, net	<u>\$ 51,427,178</u>	<u>\$ 8,993,803</u>	<u>\$ (261,157)</u>	<u>\$ -</u>	<u>\$ 60,159,824</u>

Depreciation expense for the year ended June 30, 2018 was as follows:

Wastewater Collection and Treatment System	\$ 1,086,139
Municipal Water System	308,603
Storm Drain System	37,059
Total Business-Type Activities	<u>\$ 1,431,801</u>

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

5. CAPITAL ASSETS, Continued

B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

6. PROPERTY HELD FOR RESALE

In 2012, the City elected to act as the successor housing agency to, and upon the dissolution of, the former Redevelopment Agency. In that capacity, the Successor Agency to the former Redevelopment Agency transferred land held for resale back to the City. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

7. LONG-TERM DEBT

A. Governmental Activities

The following is a summary of governmental long-term debt and other obligations for the year ended June 30, 2018:

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Joint Power Financing Authority:						
2004 Pension Obligation						
Bonds Series A-2						
4.35%-6.58%, due 6/1/2034	\$11,521,630	\$13,880,378	\$ 914,809	\$(1,070,000)	\$13,725,187	\$1,110,000
2011 Police Remodel						
Lease Revenue Financing						
4.25%, due 3/1/2024	2,555,000	1,556,000	-	(197,000)	1,359,000	203,000
2013 General Obligation						
Refunding Bonds						
1%-5%, due 8/1/2037	9,745,000	8,990,000	-	(210,000)	8,780,000	230,000
Premium, net of amortization	454,096	376,768	-	(19,743)	357,025	
Subtotal Bonds and Loans outstanding		<u>24,803,146</u>	<u>914,809</u>	<u>(1,496,743)</u>	<u>24,221,212</u>	<u>1,543,000</u>
Claims payable		2,502,965	165,291	(637,266)	2,030,990	511,990
Compensated absences		540,218	592,048	(637,062)	495,204	49,520
Total Long-Term Debt		<u>\$27,846,329</u>	<u>\$1,672,148</u>	<u>\$(2,771,071)</u>	<u>\$26,747,406</u>	<u>\$2,104,510</u>

2004 Pension Obligation Bonds – Original Issue \$11,521,630

On June 29, 2004, the California Statewide Communities Development Authority issued the 2004 Series A-2 Capital Appreciation Bonds in the amount of \$18,529,195, of which \$11,521,630 was the City's portion. The bond proceeds were used to prepay the unfunded liability of the Miscellaneous and Safety Pension Plans through the California Public Employees' Retirement System.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

A. *Governmental Activities*, Continued

The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. The accreted value on any date other than an interest payment date shall be calculated by straight line interpolation of the accreted value as of the immediately preceding and succeeding interest payment date. Repayments of the accreted principal commenced June 1, 2008.

2011 Police Remodel Lease Revenue Financing - Original Amount \$2,555,000

On August 25, 2011, the City entered into a lease agreement with Municipal Finance Corporation in the amount of \$2,555,000 to provide funds for the refunding on a current basis of the outstanding debt the City issued with its 1999 Certificates of Participation (COPs). The outstanding principal amount of the COPs was \$2,850,000. It was paid off in full on September 1, 2012. The City refunded the COPs in order to generate an economic gain based on interest rate savings. The economic gain on the transaction was a net present value benefit in the amount of \$634,477.

Interest payments due on March 1 and September 1 of each year and principal due on March 1 are repayable from General Fund revenue. The total principal and interest remaining to be paid on the loan is \$1,359,000. Principal and interest paid for the current year was \$197,000.

2013 General Obligation Refunding Bonds - Original Issue \$9,745,000

On August 1, 2013, the City issued 2013 General Obligation Refunding Bonds in the amount of \$9,745,000 to refund the 2001 General Obligation Bonds (Millbrae Public Library Project). Net proceeds of \$10,015,470 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the 2001 Public Library General Obligation Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The reacquisition price equaled the net carrying value of the refunded bonds. The advance refunding reduced the total debt service payments over 23 years by \$1,659,678 and resulted in an economic gain of \$1,106,127.

The 2013 General Obligation Refunding Bonds bear interest rates ranging from 1.0% to 5.0%. Principal payments are due annually on August 1 and interest payments are due semiannually on August 1 and February 1, through August 2036. The total principal and interest remaining to be paid on the bonds is \$13,015,594. Principal and interest paid for the current year was \$595,988.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

B. Business-Type Activities

The City's debt issues and transactions of business-type activities are summarized below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Enterprise Funds:						
2009 State Water Resources Board						
Water Pollution Control Plant 1%, due 4/1/2032	\$ 28,397,180	\$ 21,968,681	\$	-	\$ (1,364,778)	\$ 20,603,903
2009A Water Resources Board						
Certificates of Participation 7.423%, due 12/1/2039	5,560,000	5,560,000		-		5,560,000
2009B Wastewater Revenue						
Certificates of Participation 2.0-5.125%, due 12/1/2034	10,250,000	6,215,000	-	(180,000)	6,035,000	190,000
Premium, net of amortization	123,774	92,487	-	(4,126)	88,361	-
2018 Wastewater Revenue						
3.0-5.0%, due 12/1/2047	18,630,000	-	18,630,000	-	18,630,000	215,000
Premium, net of amortization	745,358	-	745,358	(6,281)	739,077	-
Subtotal Bonds and Loans Outstanding		33,836,168	19,375,358	(1,555,185)	51,656,341	1,783,425
Compensated absences		557,907	439,327	(503,927)	493,307	49,331
Total Long-Term Debt	\$ 34,394,075	\$ 19,814,685	\$ (2,059,112)	\$ 52,149,648	\$ 1,832,756	

2009 State Water Resources Control Board Loan – Original Issue \$28,397,180

On October 1, 2009 the City of Millbrae entered into a loan agreement with the State Water Resources Control Board, to fund the Water Pollution Control Plant Renovation Project. Under the agreement, the State Water Board provided project funds totaling \$28,397,180. The project funds are to be repaid at an interest rate of one percent (1%) per annum. Annual principal and interest payments are due each November 30 until November 30, 2031. The total principal and interest remaining to be paid on the loan is \$20,603,903 and \$1,578,597 respectively. Principal and interest paid for the current year was \$1,584,464.

2009 – Certificates of Participation Series A and B – Original Issue \$5,560,000 and \$10,250,000

On December 15, 2009, the Millbrae Financing Authority issued 2009 Wastewater Revenue Certificates of Participation (COP), Series A and Series B, to finance a portion of the renovation and modernization of the City's wastewater treatment facilities.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

Series A COP were issued in the principal amount of \$5,560,000 to finance the acquisition and construction of improvements to the wastewater collection and treatment enterprise of the City. Principal payments commence on December 1, 2035, are due annually on December 1. Interest payments are due semiannually on June 1 and December 1, through December 1, 2039. Debt service is payable from net revenue of municipal wastewater treatment facility enterprise fund. The interest rate is 7.423% per annum.

Series B COP were issued in the principal amount of \$10,250,000 to refinance the City's outstanding 2008 Subordinate Notes and 2005 bank note installment sale agreement. Principal payments are due annually on December 1 and interest payments are due semiannually on June 1 and December 1, through December 1, 2034. Debt service is payable from the net revenue of the wastewater collection and treatment system fund. Interest ranges from 2.0% to 5.125%. The remaining debt service for the bank note installment sale agreement was \$7,842,269 while the net debt service for the 2009 Series B COP related portion was \$6,151,290, resulting in the aggregate difference in debt service of \$1,690,978. The remaining debt service for the 2008 Subordinate Notes was \$4,034,388 while the debt service for the 2009 Series B COP related portion was \$4,007,789; resulting in the aggregate difference in debt service of \$26,599. The economic gain on the transaction was a net present value benefit in the amount of \$278,948.

2018 – Wastewater Revenue Bonds – Original Issue \$18,630,000

On April 10, 2018, the Millbrae Public Financing Authority issued the 2018 Wastewater Revenue Bonds to finance the acquisition and construction of improvements to the wastewater system. Principal payments are due annually on December 1 and interest payments are due semiannually on June 1 and December 1, through December 1, 2047. Debt service is payable from the net revenue of the municipal wastewater treatment facility fund. Interest on the bonds ranges from 3.0% to 5.0%.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

C. Debt Service Requirements

The annual debt service requirements are as follows (A):

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal (B)	Interest	Total	Principal	Interest	Total
2019	\$ 1,543,000	\$ 434,945	\$ 1,977,945	\$ 1,783,425	\$ 1,631,245	\$ 3,414,670
2020	1,613,000	416,818	2,029,818	1,917,210	1,595,161	3,512,371
2021	1,683,000	396,240	2,079,240	1,956,132	1,554,364	3,510,496
2022	1,757,000	373,013	2,130,013	2,000,193	1,512,053	3,512,246
2023	1,840,000	348,278	2,188,278	2,044,395	1,468,101	3,512,496
2024-2028	9,398,000	1,390,996	10,788,996	10,100,024	6,681,954	16,781,978
2029-2033	11,375,000	852,850	12,227,850	10,422,525	5,640,298	16,062,823
2034-2038	4,730,000	231,300	4,961,300	9,605,000	3,656,353	13,261,353
2039-2043				6,325,000	1,349,696	7,674,696
2044-2048				4,675,000	420,263	5,095,263
Subtotal	33,939,000	\$ 4,444,439	\$ 38,383,439	50,828,904	\$ 25,509,488	\$ 76,338,392
Premium	357,025			827,438		
Total	<u>\$ 34,296,025</u>			<u>\$ 51,656,342</u>		

(A) Cash basis; interest is not affected by amortization as presented

(B) Includes unaccrued discount totaling \$10,074,813

D. Compensated Absences

Compensated absences comprise of unpaid vacation and the vested portion of sick leave, which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. Compensated absences are reported in governmental funds only if they have matured. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position. Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

Employees accrue vacation, annual leave, earned time off, and holiday leave up to certain maximums based on the employee's bargaining unit. Employees may elect to be paid a portion of these leaves at various times according to the applicable Memorandum of Understanding. Sick leave may be accumulated without limit.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

7. LONG-TERM DEBT, Continued

D. Compensated Absences, Continued

The City accrues the liability for compensated leave as it is earned by employees. The amount of outstanding compensated leaves payable was \$98,851 as of June 30, 2018.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Compensated Leaves Payable	<u>\$ 540,218</u>	<u>\$ 592,048</u>	<u>\$ (637,063)</u>	<u>\$ 495,203</u>	<u>\$ 49,520</u>
Business-Type Activities					
Compensated Leaves Payable	<u>\$ 557,907</u>	<u>\$ 439,327</u>	<u>\$ (503,927)</u>	<u>\$ 493,307</u>	<u>\$ 49,331</u>

The amount due within one year of \$49,520 for Governmental Activities and \$49,331 for Business-Type Activities represents the estimated amount for anticipated retirees.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

8. FUND BALANCES

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

Fund Balances Classifications	Low and Moderate		Other		Total Government
	General Fund	Income Housing Asset Fund	Governmental Fund	Other	
Nonspendable:					
Prepays	\$ 1,724,735	\$ -	\$ -	\$ -	\$ 1,724,735
Total Nonspendable Fund Balances	1,724,735	-	-	-	1,724,735
Restricted for:					
Economic Development					-
Low and Moderate Income Housing	-	13,795,315	-	-	13,795,315
Measure A	-	-	3,168,710	3,168,710	
Gas Tax	-	-	409,306	409,306	
Integrated Waste Management	-	-	805,568	805,568	
Developer Housing Fee	-	-	3,641,931	3,641,931	
Millbrae Station Area Developer Fee	-	-	3,538,324	3,538,324	
Debt Service	-	-	1,145,323	1,145,323	
Community Center Capital Project	-	-	2,357,730	2,357,730	
Total Restricted Fund Balances	-	13,795,315	15,066,892	28,862,207	
Assigned for:					
Encumbrances	1,191,686	-	799,004	1,990,690	
Other	-	-	757,203	757,203	
Total Assigned Fund Balances	1,191,686	-	1,556,207	2,747,893	
Unassigned:	18,066,825	-	-	-	18,066,825
Total Fund Balances	\$ 20,983,246	\$ 13,795,315	\$ 16,623,099	\$ 51,401,660	

9. NEGATIVE FUND BALANCE

At June 30, 2018, the General Liability Internal Service Fund and the Leave Accrual Internal Service Fund had deficit fund balances in the amount of \$48,604 and \$136,594 respectively. This deficit will be eliminated with future revenues.

City of Millbrae

Notes to Basic Financial Statements

For the year ended June 30, 2018

10. ENCUMBRANCES/COMMITMENTS

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. As of June 30, 2018, the amount of encumbrances by major funds and non-major funds expected to be honored upon performance by the vendor in the following fiscal year are:

	Major Funds	Non-Major	TOTAL
	General Fund	Funds	
Construction	\$ 146,931	\$ 732,721	\$ 879,652
Materials/Equipment/Software	37,047	52,711	89,758
Services/Maintenance	1,007,708	13,572	1,021,280
	\$ 1,191,686	\$ 799,004	\$ 1,990,690

11. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

Non-Major:
Special Revenue Funds:
Developer Permits \$ 648

12. RETIREMENT BENEFITS

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (Fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (miscellaneous classic, miscellaneous PEPRA, safety fire classic, safety fire PEPRA and safety police classic). Benefit provisions under the Plan are established by State statute and 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 Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

12. RETIREMENT PLANS, Continued

B. 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 55 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 Employee's Retirement Law.

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

	Safety - Police & Fire	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	55	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9.00%	8.00%
Required employer contribution rates	19.520%	12.470%
Required payment for unfunded liability	\$ 1,506,526	\$ 1,397,178
	Safety - Police & Fire	Miscellaneous - PEPRA
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.70%	2.00%
Required employee contribution rates	12.250%	6.50%
Required employer contribution rates	12.729%	6.91%
Required payment for unfunded liability	\$ 1,304	\$ 1,936

Beginning in fiscal year 2017, CalPERS collects employer contributions for the 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. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$1,507,830 and \$1,399,114 for safety and miscellaneous respectively, in fiscal year 2018.

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

For the year ended June 30, 2018, the contributions recognized against net pension liability for the Plan were \$2,334,524.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

12. RETIREMENT PLANS, Continued

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

As of June 30, 2018, the City reported net pension liability for its proportionate shares of the net pension liabilities of the rate plans as \$48,739,905.

The City's net pension liabilities for the Plans are measured as the proportionate share of the total net pension liability of each Plan. The net pension liability of the Plans are measured as of June 30, 2017, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2016	0.494261%
Proportion - June 30, 2017	0.491466%
Change - Increase (Decrease)	<u>-0.002795%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$4,654,334. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,312,932	\$ -
Changes of assumptions	6,780,672	518,744
Differences between expected and actual experience	-	153,706
Changes in employer's proportion	451,612	1,772,266
Differences between the employer's contribution and the employer's proportionate share of contributions	-	2,527,664
Net differences between projected and actual earnings on plan investments	1,504,051	-
Total	\$ 12,049,267	\$ 4,972,380

The amount of \$3,312,932 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 ending June 30, 2019.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

12. RETIREMENT PLANS, Continued

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
<u>Ending June 30:</u>	
2018	(278,234)
2019	3,115,191
2020	1,813,192
2021	(886,194)
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Mortality	(1) Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

12. RETIREMENT PLANS, Continued

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

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	<u><u>100%</u></u>		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability for the Plan, 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 1-percentage point lower or 1-percentage point higher than the current rate:

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

12. RETIREMENT PLANS, Continued

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

Discount Rate	1% Decrease	6.15%	Current	7.15%	1% Increase	8.15%
Net Pension Liability	\$ 71,117,419		\$ 48,739,905		\$ 30,335,496	

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

13. POST-EMPLOYMENT BENEFITS

A. Plan Description

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (including spouse and dependents) under third-party insurance plans. The City participates in the CalPERS health care plan, an agent multiple-employer plan, which is governed under the California Public Employees Health and Medical Care Act (PEMCHA), however the City contributes to the plan on a pay-as-you go basis. Required retiree medical plan contributions are also governed by PEMCHA for member agencies. The City's OPEB Plan does not issue a publicly available financial report.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

13. POST-EMPLOYMENT BENEFITS, Continued.

A. Plan Description, Continued

A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

Eligibility	<ul style="list-style-type: none">• Service (50 & 5 years CalPERS service) or Disability retirement• Retire directly from City under CalPERS
Management & Confidential	<p>PEMHCA Method:</p> <ul style="list-style-type: none">• Actives: Hired on or before June 1, 2013, City contributes premium up to \$1,386; Employees hired after June 1, 2013, City contributes the minimum PEMHCA amount as required by State law for retiree medical.• Retirees: Hired on or before June 1, 2013, City pays medical premium and reimburses Medicare Parts A & B up to \$1,386. Employees hired after June 1, 2013, City contributes the minimum PEMHCA amount as required by State law for retiree medical.• Management & Confidential joined PEMHCA in 1986
Firefighter	<ul style="list-style-type: none">• Fire Captain Retirees: City contributes \$1,386 toward medical premiums• Firefighter Retirees: City contributes maximum monthly amount of \$222, reduced by PEMHCA minimum, if applicable
Sanitation and Teamsters	<ul style="list-style-type: none">• Teamsters Local 856 Health & Welfare Trust• Retiree pays full premium• Not included in valuation
Surviving Spouse Benefit	<ul style="list-style-type: none">• 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

13. POST-EMPLOYMENT BENEFITS, Continued

B. Employees Covered

Inactive employees or beneficiaries currently receiving benefits	80
Inactive employees entitled to but not yet receiving benefits	0
Active employees	36
Total	116

C. Contributions

Beginning in fiscal year 2016-17, the City prefunds an irrevocable Internal Revenue Code Section 115 OPEB Trust (Trust) with Benefit Trust Company. For the measurement period July 1, 2017 – June 30, 2018, the City contributed \$3,500,000 to the Trust, made \$831,890 of cash benefit payments outside of the trust and made \$121,958 of implied subsidy benefit payments outside of the trust.

D. Net OPEB Liability

The City's net OPEB liability measured as of June 30, 2018 was \$7,018,509, and the total OPEB liability used to calculate the net OPEB liability of \$13,903,700 were based on the following assumptions:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2018
Actuarial Assumptions:	
Discount Rate	6.00%
General Inflation	2.75% per annum
Contribution Policy	Contributes full ADC
Salary Increases	Aggregate 3% Merit - 6/30/16 CalPERS assumptions
Mortality	Mortality projected fully generational with Scale MP-2017
Healthcare Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Healthcare participation	100%
PEMHCA Minimum Increase	4.25% after 2018

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

13. POST-EMPLOYMENT BENEFITS, Continued

D. Net OPEB Liability, Continued

Asset Class	Target Allocation	Expected Real Rate of Return
Global Equity	38%	4.78%
Global Fixed Income	55%	1.47%
Real Estate Investment Trusts	7%	3.76%
Total	100%	
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Rate of Return, Rounded		6.00%

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability / (Asset)
Balance at June 30, 2017	\$ 13,850,416	\$ 3,239,967	\$ 10,610,449
Changes in the year:			
Service cost	193,134	-	193,134
Interest	813,998	-	813,998
Benefit changes	-	-	-
Actual vs. expected experience	-	-	-
Changes in assumptions	-	-	-
Contribution - employer	-	4,453,848	(4,453,848)
Contribution - employee	-	-	-
Net investment income		166,768	(166,768)
Benefit payments	(953,848)	(953,848)	-
Administrative expenses	-	(21,544)	21,544
Net changes	53,284	3,645,224	(3,591,940)
Balance at June 30, 2018	\$ 13,903,700	\$ 6,885,191	\$ 7,018,509

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

13. POST-EMPLOYMENT BENEFITS, Continued

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (5.00%)	Current Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability	\$ 8,601,461	\$ 7,018,509	\$ 5,701,929

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 5,612,042	\$ 7,018,509	\$ 8,705,112

I. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss.

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$769,147 and reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	92,761	-
Employer contributions made subsequent to the measurement date	-	-
Total	\$ 92,761	\$ -

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

13. POST-EMPLOYMENT BENEFITS, Continued

J. Recognition of Deferred Outflow and Deferred Inflows of Resources

The deferrals will be recognized in OPEB expense in the following fiscal years:

Fiscal Year Ending June 30:	Deferred Outflows/(Infl ows) of Resources
2019	\$ 23,190
2020	23,190
2021	23,190
2022	23,191
Thereafter	-

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on Trust investments, net of investment expenses, was 3.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

14. RISK MANAGEMENT

A. Insurance Coverage

The City participates in Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA). PLAN JPA established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. PLAN JPA provides \$15,000,000 of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 deductible. PLAN JPA also provides \$1,000,000 of employee theft coverage in the excess of the city's \$5,000 deductible. For the year ended June 30, 2018, the City paid PLAN JPA \$196,511 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA, 95833.

The City has also purchased excess coverage insurance for worker's compensation claims from an independent commercial insurance company with \$500,000 self-insured retention. For the past three fiscal years, the amount of settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Workers' Compensation and General Liability Internal Service Funds. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

14. RISK MANAGEMENT, Continued

B. Liability for Uninsured Claims, Continued

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and were estimated by an actuarial study and management respectively based on prior year's claims experience as follows:

	Fiscal 2017-2018			Fiscal 2016-2017 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$ 2,259,000	\$ 243,965	\$ 2,502,965	\$ 2,473,000
Net change in:				
Liability for current fiscal year claims	(378,250)	165,291	(212,959)	456,680
Claims paid	(66,750)	(192,266)	(259,016)	(426,715)
Balances, end of year	<u>\$ 1,814,000</u>	<u>\$ 216,990</u>	<u>\$ 2,030,990</u>	<u>\$ 2,502,965</u>
Current portion	295,000	216,990	511,990	668,965
Noncurrent portion	1,519,000		1,519,000	1,834,000
	<u>\$ 1,814,000</u>	<u>\$ 216,990</u>	<u>\$ 2,030,990</u>	<u>\$ 2,502,965</u>

15. JOINTLY GOVERNED ORGANIZATIONS

The City participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

A. City/County Association of Governments of San Mateo County (C/CAG)

City/County Association of Governments of San Mateo County was formed in 1990 between the County and various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$75,570 for the year ended June 30, 2018. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

15. JOINTLY GOVERNED ORGANIZATIONS, Continued

B. *Transportation System Management*

Transportation Systems Management (TSM) was established in 1991 by the Cities of South San Francisco, Brisbane, Colma, Daly City, Half Moon Bay, Millbrae, Pacifica and San Bruno for the purpose of mitigating traffic congestion. Financial statements for TSM may be obtained from Sam Trans, 401 Marina Boulevard, South San Francisco, CA 94080.

16. CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

B. *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 that includes an individual water supply guarantee of 3.152 million gallons per day (MGD) to the City. One of the ways that the new agreement differs from the old is in how facilities constructed by the SFPUC that benefit the regional customers are treated from a rate and financial perspective. Under the old agreement, facilities were built, capitalized, and added to the rate base with a rate of return (interest), and then paid for over their useful lives through wholesale rates. 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.

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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

16. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

B. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge, Continued

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 \$450,120 during fiscal year 2018, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2019 is estimated to be \$436,000.

C. San Mateo County Animal Shelter

Since 1951, cities in San Mateo County have contracted with the County to manage animal control field and sheltering services. The current shelter has been determined to be inadequate to meet current animal sheltering services. In May 2014, all the municipalities signed an agreement, effective September 9, 2014, to share in the construction costs for a new animal control center by repaying the County through a 30-year, interest-free lease agreement in the amount of \$20.2 million. The City's share of annual lease payments is based on a formula using a three year average of shelter use and percentage of population in the County. The City's estimated annual lease payment is \$95,408. The actual lease payments will be determined and payments will commence after the new animal shelter facility is completed, and will be due each July 1st.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

16. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Baykeeper Consent Decree

In September 2009, the San Francisco Baykeeper (Baykeeper), a non-profit organization that watches out for water quality and protection of the San Francisco Bay, filed a Notice Letter with the City alleging that Millbrae was violating the Clean Water Act for discharges of pollutants from the City's wastewater collection system and treatment plant. The complaint was filed in US District Court in December 2009. As a result of several years of discussion regarding the complaints, the City and Baykeeper entered into a Consent Decree ("CD") in the US District Court dated November 10, 2010.

The CD requires the City to implement certain improvements to its wastewater collection and discharge systems to prevent sanitary sewer overflows and maintain compliance with the Clean Water Act. The CD required that the City implement changes by 2016, unless through a meet and confer process the parties agree to an extended implementation period.

The City engaged West Yost Associates to prepare a thorough analysis of the City's wastewater collection and treatment systems to compare alternatives to implement the changes necessary to be in compliance with the CD. A draft report was received by the City in July 2014, and was discussed in closed session with the City Council on October 1, 2014. The draft report's economic analysis indicated public infrastructure improvements that total approximately \$35 million. In light of significant escalation in construction costs, the City worked with West Yost to refine those cost estimates. Public infrastructure costs related to this consent decree are anticipated to exceed \$47 million. In 2017, the City negotiated an extended implementation schedule with Baykeepers. The extended implementation schedule calls for improvements beginning in FY 2015 - 2016, substantial compliance by November 2018, and ongoing improvements through Fiscal Year 2025.

In 2015, during a Proposition 218 compliant wastewater rate study, the City adopted a Sanitary Sewer Overflow (SSO) charge intended to recover the costs of the infrastructure updates needed to meet the requirements of the consent decree. This SSO charge was replaced by a "Clean Bay Charge" during a Proposition 218 compliant hearing that was completed in Fiscal Year 2017 with new Clean Bay Charge rates effective July 15, 2017.

In November 2018, the City received notice from Baykeeper confirming that the Consent Decree is now terminated and Baykeeper considers this matter closed. Baykeeper noted that the city's progress in reducing to minimal levels sanitary system overflow spills has been commendable. While the City is still required to maintain its final Sanitary Sewer Overflow (SSO) action plan approved by Baykeeper which includes ongoing capital investment in the sanitary sewer collection system, the City is no longer under the consent decree.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES

A. *Redevelopment Dissolution*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies as of January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 allowed three regulatory oversight authorities, the Successor Authority's Oversight Board, State Controller and Department of Finance (DOF), to review the former Authority's asset transfer, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller completed its review in April 2016. The City subsequently brought the asset transfer review to the Oversight Board. The transfer identified as required to be returned in the asset transfer review was made during FY 2016.

Effective January 31, 2012, all California redevelopment agencies were dissolved. Certain assets of the Authority's Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Authority assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City could elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on January 24, 2012, and on February 1, 2012 certain housing assets were transferred to the City's Housing Successor Special Revenue Fund.

Cash and investments of the Successor Agency are discussed in Note 2.

B. *Capital Assets*

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 1, 2012. 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 estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

**17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES,
Continued**

B. Capital Assets, Continued

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 balance sheet 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 Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

Buildings and Improvements	7 – 50 years
Furniture, Fixtures and Equipment	5 – 20 years
Automobiles and Trucks	2 – 10 years
Infrastructure	25–65 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets recorded at June 30, 2018 comprised:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018
Capital assets being depreciated:				
Building and Improvements	\$ 3,608	\$ -	\$ (3,608)	\$ -
Furniture, Fixtures and Equipment	33,056	-	(33,056)	-
Automobiles and Trucks	-	-	-	-
Infrastructure	62,839	-	(62,839)	-
Total capital assets being depreciate	99,503	-	(99,503)	-
Less accumulated depreciation for:				
Building and Improvements	1,720	-	(1,720)	-
Furniture, Fixtures and Equipment	19,961	-	(19,961)	-
Automobiles and Trucks	-	-	-	-
Infrastructure	18,841	-	(18,841)	-
Total accumulated depreciation	40,522	-	(40,522)	-
Capital Assets, net	\$ 58,981	\$ -	\$ (58,981)	\$ -

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

**17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES,
Continued**

C. Long-Term Debt

Tax Allocations Bonds and Loans

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond and loan transactions were as follows:

	Original Issue Amount	Balance June 30, 2017	Balance Additions	Deletions	Balance June 30, 2018	Due Within One Year
Redevelopment Tax						
2015 Tax Allocation Bonds	\$ 6,505,000	\$ 6,300,000	\$ -	\$ (220,000)	\$ 6,080,000	\$ 230,000
Premium		241,322	-	(13,345)	227,977	
Total long term debt	<u>\$ 6,505,000</u>	<u>\$ 6,759,667</u>	<u>\$ -</u>	<u>\$ (233,345)</u>	<u>\$ 6,307,977</u>	<u>\$ 230,000</u>

2015 Tax Allocation Refunding Bonds

On July 1, 2015, the Successor Agency issued \$6,505,000 Series 2015 Tax Allocation Refunding Bonds. The bonds were issued to refund the 2005 Tax Allocation Bonds. The economic gain on refunding of these bonds was \$351,443.

The 2015 Tax Allocation Refunding Bonds mature annually starting August 1, 2016 through 2036, with installments ranging from \$205,000 to \$460,000. The interest on the bonds is payable semi-annually on each February 1 and August 1, with coupon rates ranging from 2.00% to 5.00%.

Pledged Revenues

The 2015 Tax Allocation Refunding Bonds of the Successor Agency are payable solely from and secured by tax revenues deposited into Redevelopment Property Tax Trust Fund.

Debt Service Requirements

Debt service requirements are as follows:

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

**17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES,
Continued**

C. Long-Term Debt, Continued

Year ending June 30:	Principal	Interest	Total
2019	\$ 230,000	\$ 244,925	\$ 474,925
2020	240,000	235,525	475,525
2021	250,000	224,475	474,475
2022	260,000	211,725	471,725
2023	275,000	198,350	473,350
2024-2028	1,590,000	778,763	2,368,763
2029-2033	1,905,000	452,825	2,357,825
2034-2036	1,330,000	81,000	1,411,000
Total	<u>\$ 6,080,000</u>	<u>\$ 2,427,588</u>	<u>\$ 8,507,588</u>

D. Commitments and Contingencies

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) annually that contains all proposed expenditures for the subsequent one year period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. The obligations incurred by the Successor Agency were approved by the State in advance.

Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2018

18. PRIOR PERIOD ADJUSTMENTS

The City recorded prior period adjustments to eliminate the net OPEB obligation as of June 30, 2017, and to record the net OPEB liability as of June 30, 2017 as part of implementing GASB Statement No. 75. In addition, the City restated its beginning balance to correct some pension allocation and to record property held for redevelopment not previously recorded in the governmental funds

	Prior Period Adjustments					
	Net Position, as Previously Reported at June 30, 2017	Net OPEB			Property Held for Resale	Net Position, as Restated at June 30, 2017
		Obligation	Liability	Pension		
Government-Wide Statements						
Governmental Activities	\$ 57,894,549	\$ 1,525,020	\$ (8,637,850)	\$ (602,726)	\$ -	\$ 50,178,993
Business-type Activities	\$ 22,791,898	\$ -	\$ (1,972,599)	\$ 602,726	\$ -	\$ 21,422,025
Fund Statements						
Low and Moderate Income						
Housing Asset Fund	\$ 12,452,580	\$ -	\$ -	\$ -	\$ 1,324,591	\$ 13,777,171
Municipal Water System Fund	\$ 6,527,537	\$ -	\$ (396,417)	\$ 1,466,870	\$ -	\$ 7,597,990
Wastewater Collection and Treatment System Fund	\$ 16,269,705	\$ -	\$ (1,446,936)	\$ (572,605)	\$ -	\$ 14,250,164
Storm Drain System Fund	\$ 864,605	\$ -	\$ (129,246)	\$ (291,539)	\$ -	\$ 443,820
Garage Fund	\$ 1,734,463	\$ -	\$ -	\$ (48,587)	\$ -	\$ 1,685,876
Workers Compensation Fund	\$ 556,828	\$ -	\$ -	\$ (9,968)	\$ -	\$ 546,860
General Liability Fund	\$ (88,363)	\$ -	\$ -	\$ (34,505)	\$ -	\$ (122,868)

REQUIRED SUPPLEMENTARY INFORMATION

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City of Millbrae
Notes to Required Supplementary Information
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgetary Procedures*

Every year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them and is subject to public hearings where comments are obtained for consideration. Council adopts the budget through passage of a budget resolution at which time the proposed expenditures become appropriations to various Funds and City Departments. The budget is effective the following July 1, and may be amended by subsequent City Council resolutions.

The legal level of budgetary control is the fund level and the Council must approve any revision of budget that increases the total expenditures of any fund. All appropriations remaining at year end lapse, except for purchases in progress. With City Council approval, prior year unexpended and open project and grant appropriations will be rolled-over into the new fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Projects Funds (which are budgeted on project length basis).

B. *Encumbrances*

The City uses an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as an assignment of fund balances unless they relate to restricted or committed resources. Unexpended appropriations lapse at year end and must be re-appropriated in the following year.

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2018

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$ 11,069,635	\$ 11,760,000	\$ 11,887,259	\$ 127,259
Sales tax	2,753,182	2,728,612	3,093,164	364,552
Transient occupancy tax	7,616,360	8,250,000	8,483,124	233,124
Franchise Tax	1,173,753	1,000,000	1,125,422	125,422
Other taxes	616,794	695,000	891,911	196,911
Licenses and permits	1,360,376	550,000	608,737	58,737
Charges for services	2,116,893	551,000	754,109	203,109
Fines and forfeitures	1,629,868	1,305,000	1,296,068	(8,932)
Use of money and property	552,891	800,000	954,713	154,713
Grants and intergovernmental	200,853	676,501	243,433	(433,068)
Miscellaneous	889,953	712,500	737,758	25,258
Total revenues	29,980,558	29,028,613	30,075,698	1,047,085
EXPENDITURES:				
Current:				
General government	6,334,725	6,162,078	4,709,193	1,452,885
Public safety	14,870,059	15,997,536	15,683,208	314,328
Public works	6,127,496	3,554,163	3,388,752	165,411
Culture and recreation	1,737,983	1,702,369	1,790,129	(87,760)
Community development	3,723,247	3,802,849	1,940,714	1,862,135
Capital outlay	1,021,107	1,451,107	686,741	764,366
Total expenditures	33,814,617	32,670,102	28,198,737	4,471,365
REVENUE OVER (UNDER) EXPENDITURES	(3,834,059)	(3,641,489)	1,876,961	5,518,450
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	-	3,000	3,000
Transfers in	-	-	-	-
Transfers out	(1,826,500)	(6,150,297)	(5,442,731)	707,566
Total other financing sources (uses)	(1,826,500)	(6,150,297)	(5,439,731)	710,566
Net change in fund balance	\$ (5,660,559)	\$ (9,791,786)	(3,562,770)	\$ 6,229,016
FUND BALANCES:				
Beginning of year			24,546,016	
End of year			\$ 20,983,246	

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2018

Budgetary Comparison Schedule, Low and Moderate Income Housing Asset Fund

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 17,745	\$ 17,745
Miscellaneous	400	-	399	399
Total revenues	400	-	18,144	18,144
REVENUES OVER (UNDER) EXPENDITURES				
	400	-	18,144	18,144
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 400	\$ -	18,144	\$ 18,144
Beginning Fund Balance			<u>13,777,171</u>	
Ending Fund Balance			<u>\$ 13,795,315</u>	

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2018

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the City's Proportionate Share of the Net Pension Liability - Last 10 Years*

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.491466%	0.494261%	0.499079%	0.465881%
Proportionate share of the net pension liability	\$ 48,739,905	\$ 42,768,893	\$ 34,256,328	\$ 28,989,301
Covered payroll	6,165,233	5,834,899	6,870,921	7,291,105
Proportionate share of the net pension liability as percentage of covered payroll	790.56%	732.98%	498.57%	397.60%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Note to Schedule:

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

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2018

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Pension Contributions – Last 10 Years*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 3,312,932	\$ 2,334,524	\$ 2,064,418	\$ 1,399,544
Contribution in relation to the actuarially determined contributions	<u>(3,312,932)</u>	<u>(2,334,524)</u>	<u>(2,064,418)</u>	<u>(1,399,544)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 7,355,105	\$ 6,165,233	\$ 5,834,899	\$ 6,870,921
Contributions as a percentage of covered payroll	45.04%	37.87%	35.38%	20.37%

Notes to Schedule:

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

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2018

3. OTHER POSTEMPLOYMENT BENEFITS

A. Schedule of Changes in Net OPEB Liability and Related Ratios During the Measurement Period - Last 10 Years*

<i>Measurement Period</i>	<i>2017/18</i>
Total OPEB Liability	
Service Cost	\$ 193,134
Interest on the total OPEB liability	813,998
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(953,848)</u>
Net change in total OPEB liability	<u>53,284</u>
Total OPEB liability - beginning	<u>13,850,416</u>
Total OPEB liability - ending (a)	<u><u>\$ 13,903,700</u></u>

Plan Fiduciary Net Position	
Contributions - employer	\$ 4,453,848
Contributions - employee	-
Net investment income	166,768
Benefit payments, including refunds of employee contributions	<u>(953,848)</u>
Administrative expense	<u>(21,544)</u>
Net change in plan fiduciary net position	<u>3,645,224</u>
Plan fiduciary net position - beginning	<u>3,239,967</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 6,885,191</u></u>

Net OPEB liability/(asset) - ending (a) - (b) \$ 7,018,509

Plan fiduciary net position as a percentage of the total OPEB liability	49.5%
Covered-employee payroll	\$ 4,662,129
Net OPEB liability as a percentage of covered-employee payroll	150.5%

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2018

3. OTHER POSTEMPLOYMENT BENEFITS, Continued

B. Schedule of OPEB Contributions - Last 10 Years*

Fiscal Year Ended June 30	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 884,000
Contributions in relation to the ADC	<u>4,453,848</u>
Contribution deficiency (excess)	<u><u>\$ (3,569,848)</u></u>
 Covered-employee payroll	 \$ 4,662,129
Contributions as a percentage of covered-employee payroll	95.5%

C. Schedule of Investment Returns - OPEB Trust Program - Last 10 Years*

Year	Annual Money-weighted Rate of Return, Net of Investment Expenses
2017	8.7900%
2018	3.5300%

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Measure A Fund accounts for additional county-wide sales tax imposed to provide resources for street and highway improvements.

Gas Tax accounts for gasoline tax allocated by the State for street and highway maintenance and improvements.

Special recreation accounts for fees and charges and expenditures for recreation and culture programs.

Integrated Waste Management accounts for solid waste franchise fees dedicated to AB939 compliance, that is, to fund City programs related to solid waste reduction and recycling.

Other accounts for moneys received from the Asset Forfeitures, Grants and other special revenue funds.

Millbrae Station Area Developer Fee accounts for the fees collected from the developers for operational expenditures incurred for the entitlement review of the development projects which are recovered from deposits paid by developers.

Debt Service Funds

Library Bonds Debt Service Fund accounts for the accumulation of resources for, and payment of principal and interest on, the City's 2001 general obligation bond issued for the Millbrae Public Library Project and the City's 2013 general obligation bonds issued to refinance the 2001 general obligation bonds.

1999 Certificates of Participation (COPS) accounts for the accumulation of resources for, and payment of the 1999 Certificates of Participation principal and interest.

2004 Taxable Pension Obligation Bonds accounts for payment of principal and interest on the City's share of the 2004 California Statewide Community Development Authority Capital Appreciation Bonds.

Capital Project Funds

Developer Fee accounts for the fees collected from the developers for the capital activities of the Millbrae Station Area development project and other various development projects.

Recreation Center Capital Project Fund accounts for activities relating to rebuilding the Millbrae Recreation Center, including insurance proceeds committed for that purpose.

City of Millbrae

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2018

	Special Revenue			
	Measure A	Gas Tax	Special Recreation	Integrated Waste Management
ASSETS				
Cash and investments	\$ 3,207,738	\$ 579,059	\$ 152,473	\$ 742,518
Cash with fiscal agents	-	-	-	-
Receivables:				
Taxes	43,082	-	-	57,822
Accounts - net	-	20,146	12,480	-
Accrued interest	-	-	-	-
Due from other governmental agencies	-	9,503	-	6,069
Total assets	\$ 3,250,820	\$ 608,708	\$ 164,953	\$ 806,409
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 82,110	\$ 42,720	\$ 28,611	\$ 841
Deposits	-	-	22,145	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	86,778	-
Advances from developers	-	-	-	-
Total liabilities	82,110	42,720	137,534	841
Fund Balances:				
Restricted	3,168,710	409,306	-	805,568
Assigned	-	156,682	27,419	-
Unassigned	-	-	-	-
Total fund balances	3,168,710	565,988	27,419	805,568
Total liabilities and fund balances	\$ 3,250,820	\$ 608,708	\$ 164,953	\$ 806,409

Special Revenue		Debt Service				
Other	Millbrae Station Area Developer Fee	Library Bonds Debt Service Fund	1999 COPS	2004 Pension Obligation Bonds		
\$ 4,429,743	\$ 3,434,111	\$ 1,011,089	\$ 119,204	\$ 1,053		
-	-	-	-	-	13,976	
-	-	-	-	-	-	
60,534	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
\$ 4,490,277	\$ 3,434,111	\$ 1,011,089	\$ 119,204	\$ 1,053	13,976	
\$ 21,808	\$ 14,994	\$ -	\$ -	\$ -	\$ -	
-	140,058	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
21,808	155,052	-	-	-	-	
3,641,930	3,279,059	1,011,089	119,204	15,029		
826,539	-	-	-	-	-	
-	-	-	-	-	-	
4,468,469	3,279,059	1,011,089	119,204	15,029	-	
\$ 4,490,277	\$ 3,434,111	\$ 1,011,089	\$ 119,204	\$ 1,053	13,976	

City of Millbrae

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2018

	Capital Projects		Total
	Developer Fee	Recreation Center Capital Project	Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 182,428	\$ 2,871,355	\$ 16,730,771
Cash with fiscal agents	-	-	13,976
Receivables:			
Taxes	-	-	100,904
Accounts - net	296,213	250,000	639,373
Accrued interest	-	-	-
Due from other governmental agencies	-	-	15,572
Total assets	\$ 478,641	\$ 3,121,355	\$ 17,500,596
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 151,332	\$ 180,572	\$ 522,988
Deposits	68,043	-	230,246
Due to other funds	-	-	-
Unearned revenue	-	37,485	124,263
Advances from developers	-	-	-
Total liabilities	219,375	218,057	877,497
Fund Balances:			
Restricted	259,266	2,357,731	15,066,892
Assigned	-	545,567	1,556,207
Unassigned	-	-	-
Total fund balances	259,266	2,903,298	16,623,099
Total liabilities and fund balances	\$ 478,641	\$ 3,121,355	\$ 17,500,596

City of Millbrae

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2018

	Special Revenue Funds			
	Measure A	Gas Tax	Special Recreation	Integrated Waste Management
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	585,371	611,242	-	-
License and permits	-	-	-	-
Charges for services	-	-	525,251	307,863
Use of money and property	27,329	4,616	-	5,440
Grants and intergovernmental	-	-	-	6,069
Miscellaneous	-	-	-	-
Total revenues	612,700	615,858	525,251	319,372
EXPENDITURES:				
Current:				
Public works	54,849	329,484	-	196,954
Culture and recreation	-	-	1,649,478	-
Community development	-	-	-	-
Capital outlay	567,110	952,336	-	-
Debt service:				
Principal	-	-	-	-
Interest, and fiscal charges	-	-	-	-
Total expenditures	621,959	1,281,820	1,649,478	196,954
REVENUES OVER (UNDER) EXPENDITURES	(9,259)	(665,962)	(1,124,227)	122,418
OTHER FINANCING SOURCES (USES):				
Proceeds from insurance	-	-	-	-
Transfers in	-	-	1,293,260	-
Transfers out	-	-	(13,260)	-
Total other financing sources (uses)	-	-	1,280,000	-
Net change in fund balances	(9,259)	(665,962)	155,773	122,418
FUND BALANCES:				
Beginning of the year	3,177,969	1,231,950	(128,354)	683,150
End of year	\$ 3,168,710	\$ 565,988	\$ 27,419	\$ 805,568

City of Millbrae

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2018

	Special Revenue Funds		Debt Service Funds	
	Other	Millbrae Station Area Developer Fee		
			Library Fund	1999 COPS
REVENUES:				
Property taxes	\$ -	\$ -	\$ 641,520	\$ -
Other taxes	-	-	-	-
License and permits	42,395	-	-	-
Charges for services	37,537	23,370	-	-
Use of money and property	35,551	-	-	-
Grants and intergovernmental	156,330	-	-	-
Miscellaneous	1,850	-	-	-
Total revenues	273,663	23,370	641,520	-
EXPENDITURES:				
Current:				
Public works	66,124	-	-	-
Culture and recreation	364,111	-	-	-
Community development	27,878	648	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	210,000	197,000
Interest, and fiscal charges	-	-	388,209	70,905
Total expenditures	458,113	648	598,209	267,905
REVENUES OVER (UNDER) EXPENDITURES	(184,450)	22,722	43,311	(267,905)
OTHER FINANCING SOURCES (USES):				
Proceeds from insurance	-	-	-	-
Transfers in	321,131	-	-	268,130
Transfers out	-	-	-	-
Total other financing sources (uses)	321,131	-	-	268,130
Net change in fund balances	136,681	22,722	43,311	225
FUND BALANCES:				
Beginning of the year	4,331,788	3,256,337	967,778	118,979
End of year	\$ 4,468,469	\$ 3,279,059	\$ 1,011,089	\$ 119,204

City of Millbrae

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Non-Major Governmental Funds

For the year ended June 30, 2018

	Special Revenue Funds					
	Measure A		Variance Positive (Negative)	Gas Tax		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	540,000	585,371	45,371	505,658	611,242	105,584
License and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Use of money and property	10,000	27,329	17,329	10,000	4,616	(5,384)
Grants and intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	550,000	612,700	62,700	515,658	615,858	100,200
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public works	85,000	54,849	30,151	231,716	329,484	(97,768)
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	605,000	567,110	37,890	1,408,109	952,336	455,773
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
Total expenditures	690,000	621,959	68,041	1,639,825	1,281,820	358,005
REVENUES OVER (UNDER) EXPENDITURES	(140,000)	(9,259)	130,741	(1,124,167)	(665,962)	458,205
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	\$ (140,000)	(9,259)	\$ 130,741	\$ (1,124,167)	(665,962)	\$ 458,205
Beginning Fund Balances		3,177,969			1,231,950	
Ending Fund Balances (Deficits)		\$ 3,168,710			\$ 565,988	

Special Revenue Funds									
Special Recreation			Integrated Waste Management			Other			
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actuals	Variance Positive (Negative)	
\$	\$	\$	\$	\$	\$	\$	\$	\$	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	35,000	42,395	7,395	
780,500	525,251	(255,249)	260,000	307,863	47,863	10,000	37,537	27,537	
-	-	-	2,000	5,440	3,440	10,500	35,551	25,051	
-	-	-	6,000	6,069	69	100,000	156,330	56,330	
-	-	-	-	-	-	-	1,850	1,850	
780,500	525,251	(255,249)	268,000	319,372	51,372	155,500	273,663	118,163	
<hr/>									
-	720	(720)	-	-	-	-	-	-	
-	-	-	202,579	196,954	5,625	129,171	66,124	63,047	
2,019,768	1,648,758	371,010	-	-	-	461,616	364,111	97,505	
-	-	-	-	-	-	210,000	27,878	182,122	
-	-	-	-	-	-	75,000	-	75,000	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
2,019,768	1,649,478	370,290	202,579	196,954	5,625	875,787	458,113	417,674	
<hr/>									
(1,239,268)	(1,124,227)	115,041	65,421	122,418	56,997	(720,287)	(184,450)	535,837	
<hr/>									
1,339,150	1,293,260	(45,890)	-	-	-	321,131	321,131	-	
(31,250)	(13,260)	17,990	-	-	-	-	-	-	
1,307,900	1,280,000	(27,900)	-	-	-	321,131	321,131	-	
\$ 68,632	155,773	\$ 87,141	\$ 65,421	122,418	\$ 56,997	\$ (399,156)	136,681	\$ 535,837	
<hr/>									
	(128,354)			683,150			4,331,788		
	\$ 27,419			\$ 805,568			\$ 4,468,469		

City of Millbrae

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Non-Major Governmental Funds

For the year ended June 30, 2018

	Special Revenue Funds			Debt Service Funds		
	Millbrae Station Developer Fees		Variance Positive (Negative)	Library Fund		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 611,788	\$ 641,520	\$ 29,732
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Charges for services	-	23,370	23,370	-	-	-
Use of money and property	-	-	-	-	-	-
Grants and intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	23,370	23,370	611,788	641,520	29,732
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	648	(648)	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	210,000	210,000	-
Interest, and fiscal charges	-	-	-	390,988	388,209	2,779
Total expenditures	-	648	(648)	600,988	598,209	2,779
REVENUES OVER (UNDER) EXPENDITURES	-	22,722	22,722	10,800	43,311	32,511
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	\$ -	22,722	\$ 22,722	\$ 10,800	43,311	\$ 32,511
Beginning Fund Balances		3,256,337			967,778	
Ending Fund Balances (Deficits)		<u>\$ 3,279,059</u>			<u>\$ 1,011,089</u>	

Debt Service Funds						
1999 COPS			2004 Pension Obligation Bonds			
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	
\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	10,220	10,220	
-	-	-	-	-	-	-
-	-	-	1,075,000	1,075,000	-	
-	-	-	1,075,000	1,085,220	10,220	
<hr/>						
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
197,000	197,000	-	1,070,000	1,070,000	-	
71,130	70,905	225	5,000	3,565	1,435	
268,130	267,905	225	1,075,000	1,073,565	1,435	
<hr/>						
(268,130)	(267,905)	225	-	11,655	11,655	
<hr/>						
268,131	268,130	(1)	-	-	-	-
-	-	-	-	-	-	-
268,131	268,130	(1)	-	-	-	-
\$ 1	225	\$ 224	\$ -	11,655	\$ 11,655	
<hr/>						
	118,979			3,374		
	\$ 119,204			\$ 15,029		

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INTERNAL SERVICE FUNDS FUNDS

Municipal Garage accounts for the purchase and maintenance of all motor vehicles except fire engines

Unemployment Insurance accounts for the accumulation, claims and payment of unemployment benefits

Workers' Compensation accounts for the resources, claims, and payment of Workers' Compensation benefits

General Liability accounts for the resource, claims, and insurance premiums related to general liability costs

Leave Accrual accounts for the accumulation of earned compensation

OPEB accounts for the City's Other Post-Employment Benefits

City of Millbrae

Combining Statement of Net Position

Internal Service Funds

June 30, 2018

	Municipal Garage	Unemployment Insurance	Workers' Compensation
ASSETS			
Current assets:			
Cash and investments	\$ 2,722,196	\$ 15,273	\$ 3,403,246
Total current assets	<u>2,722,196</u>	<u>15,273</u>	<u>3,403,246</u>
Noncurrent assets:			
Capital assets:			
Depreciable capital assets, net	1,458,898	-	-
Total capital assets	<u>1,458,898</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,458,898</u>	<u>-</u>	<u>-</u>
Total assets	4,181,094	15,273	3,403,246
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	29,628	-	8,851
Deferred outflows of resources - pension	<u>64,648</u>	<u>-</u>	<u>19,313</u>
Total deferred outflows of resources	94,276	-	28,164
LIABILITIES			
Current liabilities:			
Accounts payable and accrued payroll	16,558	-	-
Compensated absences	-	-	-
Accrued self insurance	-	-	295,000
Total current liabilities	<u>16,558</u>	<u>-</u>	<u>295,000</u>
Noncurrent liabilities:			
Compensated absences	-	-	-
Accrued self-insurance	-	-	1,519,000
Net Pension Liability	387,616	-	115,798
Total noncurrent liabilities	<u>387,616</u>	<u>-</u>	<u>1,634,798</u>
Total liabilities	404,174	-	1,929,798
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	17,081	-	5,103
Total deferred inflows of resources	17,081	-	5,103
NET POSITION			
Net investment in capital assets	1,458,898	-	-
Unrestricted	<u>2,395,217</u>	<u>15,273</u>	<u>1,496,509</u>
Total net position	\$ 3,854,115	\$ 15,273	\$ 1,496,509

General Liability	Leave Accrual	OPEB	Total
\$ 271,074	\$ 358,609	\$ 680,016	\$ 7,450,414
271,074	358,609	680,016	7,450,414
4,367	-	-	1,463,265
4,367	-	-	1,463,265
4,367	-	-	1,463,265
275,441	358,609	680,016	8,913,679
9,751	-	-	48,230
21,277	-	-	105,238
31,028	-	-	153,468
4,890	-	-	21,448
-	49,520	-	49,520
216,990	-	-	511,990
221,880	49,520	-	582,958
-	445,683	-	445,683
-	-	-	1,519,000
127,571	-	-	630,985
127,571	445,683	-	2,595,668
349,451	495,203	-	3,178,626
5,622	-	-	27,806
5,622	-	-	27,806
4,367	-	-	1,463,265
(52,971)	(136,594)	680,016	4,397,450
\$ (48,604)	\$ (136,594)	\$ 680,016	\$ 5,860,715

City of Millbrae

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the year ended June 30, 2018

	Municipal Garage	Unemployment Insurance	Workers' Compensation
OPERATING REVENUES:			
Interdepartmental charges	\$ 964,213	\$ 11,520	\$ 642,802
Miscellaneous	33,354	-	23,056
Total operating revenues	997,567	11,520	665,858
OPERATING EXPENSES:			
Personnel services	276,697	-	56,444
Contractual services	139,832	-	35,983
Materials, supplies and other services	127,742	-	4,062
Depreciation	276,510	-	-
Insurance premiums and claims	20,730	10,190	(354,965)
Total operating expenses	841,511	10,190	(258,476)
OPERATING INCOME (LOSS)	156,056	1,330	924,334
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	5,417	144	25,315
Gain/(loss) on sale	14,256	-	-
Total nonoperating revenues (expenses)	19,673	144	25,315
INCOME (LOSS) BEFORE TRANSFERS	175,729	1,474	949,649
Transfers in	2,765,510	-	-
Transfers out	(773,000)	-	-
Total transfers	1,992,510	-	-
Change in net position	2,168,239	1,474	949,649
NET POSITION			
Beginning of year	1,685,876	13,799	546,860
End of year	\$ 3,854,115	\$ 15,273	\$ 1,496,509

General Liability	Leave Accrual	OPEB	Total
\$ 500,000	\$ -	\$ 500,000	\$ 2,618,535
16,116	-	-	72,526
<u>516,116</u>	<u>-</u>	<u>500,000</u>	<u>2,691,061</u>
69,315	1,804	-	404,260
4,890	-	3,500,000	3,680,705
-	-	-	131,804
4,367	-	-	280,877
<u>363,302</u>	<u>-</u>	<u>-</u>	<u>39,257</u>
<u>441,874</u>	<u>1,804</u>	<u>3,500,000</u>	<u>4,536,903</u>
<u>74,242</u>	<u>(1,804)</u>	<u>(3,000,000)</u>	<u>(1,845,842)</u>
22	2,881	19,185	52,964
-	-	-	14,256
<u>22</u>	<u>2,881</u>	<u>19,185</u>	<u>67,220</u>
74,264	1,077	(2,980,815)	(1,778,622)
-	-	-	2,765,510
-	-	-	(773,000)
-	-	-	1,992,510
74,264	1,077	(2,980,815)	213,888
(122,868)	(137,671)	3,660,831	5,646,827
<u>\$ (48,604)</u>	<u>\$ (136,594)</u>	<u>\$ 680,016</u>	<u>\$ 5,860,715</u>

City of Millbrae
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2018

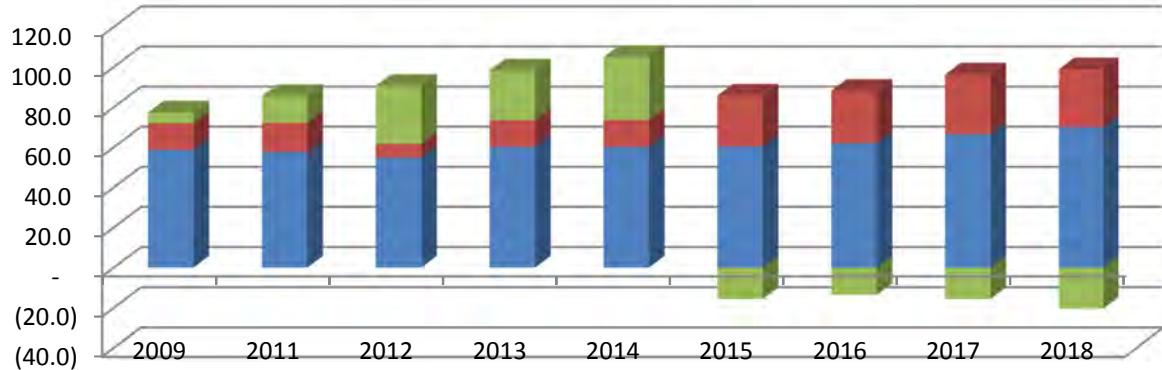
	Municipal Garage	Unemployment Insurance	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from others	\$ 33,354	\$ -	\$ 23,056
Cash received from other funds	964,213	13,129	660,518
Cash payments to suppliers for goods and services	(274,756)	(687)	(40,045)
Cash paid to employees	(256,510)	-	(71,185)
Claims paid	(20,730)	(10,190)	(90,035)
Net cash provided by operating activities	445,571	2,252	482,309
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	2,765,510	-	-
Transfers out	(773,000)	-	-
Net cash provided by noncapital financing activities	1,992,510	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(499,814)	-	-
Proceed from sale of capital assets	15,570	-	-
Net cash (used in) capital and related financing activities	(484,244)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	5,417	144	25,315
Net cash provided by investing activities	5,417	144	25,315
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS - Beginning of year	1,959,254	2,396	507,624
CASH AND CASH EQUIVALENTS - End of year	762,942	12,877	2,895,622
FINANCIAL STATEMENT PRESENTATION:	\$ 2,722,196	\$ 15,273	\$ 3,403,246
Cash and investments	\$ 2,722,196	\$ 15,273	\$ 3,403,246
Total	\$ 2,722,196	\$ 15,273	\$ 3,403,246
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 156,056	\$ 1,330	\$ 924,334
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	276,510	-	-
Changes in assets and liabilities:			
Accounts receivable	-	922	17,716
Deferred outflows - pension	(31,915)	-	(8,322)
Accounts payable and accrued payroll	(7,182)	-	-
Compensated absences	(7,647)	-	(23,056)
Accrued self insurance	-	-	(445,000)
Net pension liability	53,736	-	15,056
Deferred inflows - pension	6,013	-	1,581
Total adjustments	289,515	922	(442,025)
Net cash provided by operating activities	\$ 445,571	\$ 2,252	\$ 482,309

General Liability	Leave Accrual	OPEB	Total
\$ 30,342	\$ -	\$ -	\$ 86,752
500,000	-	500,000	2,637,860
(41,411)	-	(3,500,000)	(3,856,899)
(76,271)	(1)	-	(403,967)
(390,277)	-	-	(511,232)
<u>22,383</u>	<u>(1)</u>	<u>(3,000,000)</u>	<u>(2,047,486)</u>
-	-	-	2,765,510
-	-	-	(773,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,992,510</u>
-	-	-	(499,814)
-	-	-	15,570
<u>-</u>	<u>-</u>	<u>-</u>	<u>(484,244)</u>
22	2,881	19,185	52,964
22	2,881	19,185	52,964
22,405	2,880	(2,980,815)	(486,256)
248,669	355,729	3,660,831	7,936,670
<u>\$ 271,074</u>	<u>\$ 358,609</u>	<u>\$ 680,016</u>	<u>\$ 7,450,414</u>
<u>\$ 271,074</u>	<u>\$ 358,609</u>	<u>\$ 680,016</u>	<u>\$ 7,450,414</u>
<u>\$ 271,074</u>	<u>\$ 358,609</u>	<u>\$ 680,016</u>	<u>\$ 7,450,414</u>
\$ 74,242	\$ (1,804)	\$ (3,000,000)	\$ (1,845,842)
4,367	-	-	280,877
14,226	-	-	32,864
(15,438)	-	-	(55,675)
(36,521)	-	-	(43,703)
(16,116)	1,803	-	(45,016)
(26,975)	-	-	(471,975)
21,743	-	-	90,535
2,855	-	-	10,449
<u>(51,859)</u>	<u>1,803</u>	<u>-</u>	<u>(201,644)</u>
<u>\$ 22,383</u>	<u>\$ (1)</u>	<u>\$ (3,000,000)</u>	<u>\$ (2,047,486)</u>

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STATISTICAL SECTION

CITY OF MILLBRAE
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Dollars in millions)



█ Unrestricted
█ Restricted
█ Net investment in capital assets

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	48.8	47.2	46.4	44.5	47.2	46.9	46.2	46.0	47.5	48.0
Restricted	15.1	13.2	14.7	6.9	13.2	13.4	25.4	26.2	29.8	28.9
Unrestricted	(4.8)	(3.7)	(0.1)	12.6	8.6	14.2	(24.6)	(20.1)	(19.4)	(24.7)
Total governmental activities net position	59.1	56.7	61.0	64.0	69.0	74.5	47.0	52.1	57.9	52.2
Business-type activities										
Net investment in capital assets	10.9	11.5	11.1	10.2	13.0	13.3	14.2	15.9	18.8	21.9
Unrestricted	8.5	9.1	13.3	16.4	16.2	17.1	9.1	6.4	3.9	4.3
Total business-type activities net position	19.4	20.6	24.4	26.6	29.2	30.4	23.3	22.3	22.7	26.2
Primary government										
Net investment in capital assets	59.8	58.7	57.5	54.8	60.2	60.2	60.3	61.9	66.4	69.9
Restricted	15.1	13.2	14.7	6.9	13.2	13.4	25.4	26.2	29.8	28.9
Unrestricted	3.7	5.4	13.3	28.9	24.9	31.3	(15.5)	(13.6)	(15.5)	(20.4)
Total primary government net position	78.6	77.3	85.5	90.6	98.3	104.9	70.2	74.5	80.7	78.4

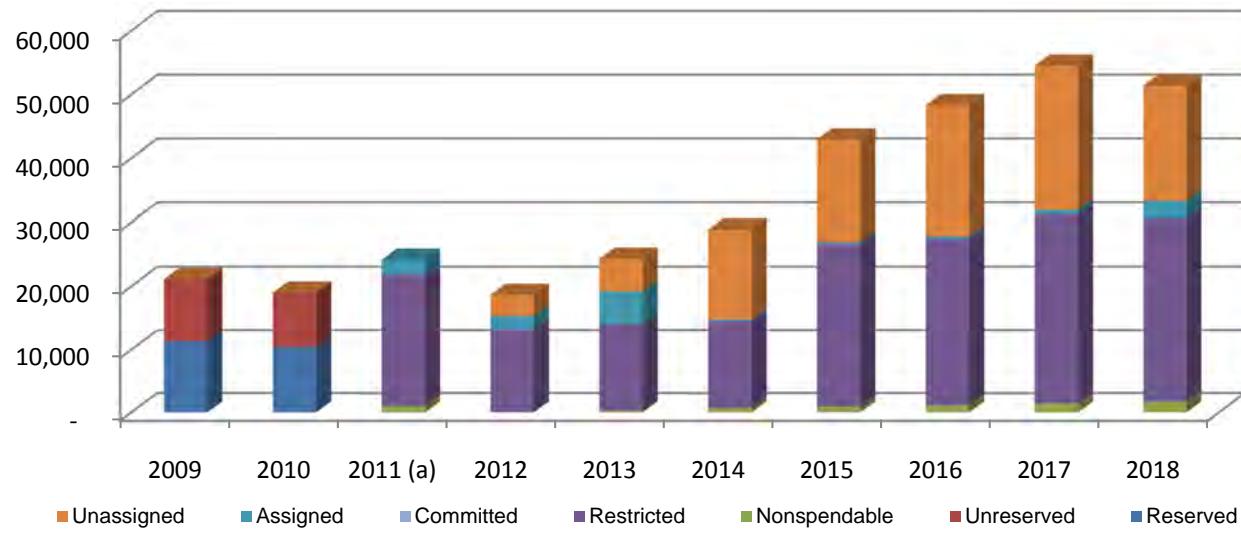
CITY OF MILLBRAE
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

Expenses	For the year ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General Government	2.1	2.2	2.3	4.1	3.2	3.2	3.4	5.6	4.3	3.7
Public Safety	11.7	12.4	11.7	12.1	10.8	10.4	11.6	13.0	16.3	15.8
Public Works	4.1	3.6	2.4	1.1	2.7	2.5	3.0	3.0	4.3	5.4
Culture and Recreation	1.5	1.4	1.2	1.1	1.0	1.4	1.2	3.1	3.3	4.0
Community Development	6.9	8.6	6.3	2.9	2.7	3.6	4.3	3.2	3.0	2.9
Interest on Long-Term Debt	2.1	2.1	2.1	2.0	1.5	1.4	1.4	1.4	1.4	1.4
Total Governmental Activities Expenses	28.4	30.3	26.0	23.3	21.9	22.5	24.9	29.3	32.6	33.2
Business-Type Activities:										
Municipal Water System	4.4	4.9	5.1	5.9	6.4	6.5	6.7	8.4	8.4	7.3
Wastewater Collection and Treatment System	5.6	6.1	5.4	6.7	6.6	8.2	7.9	8.6	8.4	9.0
Storm Drain System	0.4	0.5	0.5	0.5	0.4	0.5	0.4	0.3	0.8	0.9
Total Business-Type Activities Expenses	10.4	11.5	11.0	13.1	13.4	15.2	15.0	17.3	17.6	17.2
Total Primary Government Expenses	38.8	41.8	37.0	36.4	35.3	37.7	39.9	46.6	50.2	50.5
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	0.7	1.1	1.2	1.5	2.4	2.4	2.2	0.8	2.4	1.9
Public Safety	1.8	1.9	1.9	1.8	0.8	1.8	1.9	1.9	0.3	0.3
Public Works	1.9	0.4	0.4	0.4	1.1	0.4	0.5	0.5	0.7	0.7
Culture and Recreation	0.9	0.9	1.0	1.0	1.0	0.9	0.9	0.9	0.6	0.5
Community Development	3.3	2.0	3.6	1.1	1.0	1.0	2.0	1.7	1.3	1.6
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	0.3
Operating Grants and Contributions	1.7	1.2	1.1	0.8	1.6	0.9	1.0	0.9	5.1	2.2
Total Government Activities										
Program Revenues	10.3	7.5	9.2	6.6	7.9	7.4	8.5	6.7	10.4	7.5
Business-Type Activities:										
Charges for Services:										
Municipal Water System	5.7	5.4	5.8	6.2	6.7	7.0	6.2	6.0	5.7	8.2
Wastewater Collection and Treatment System	6.4	7.5	8.4	8.4	8.5	8.6	8.4	9.9	11.2	12.2
Storm Drain System	0.2	0.2	0.3	0.3	0.2	0.3	0.4	0.3	0.3	0.2
Total Business-Type Activities										
Program Revenues	12.3	13.1	14.5	14.9	15.4	15.9	15.0	16.2	17.2	20.6
Total Primary Government										
Program Revenues	22.6	20.6	23.7	21.5	23.3	23.3	23.5	22.9	27.6	28.1
Net (Expenses)/Revenue										
Governmental Activities	(18.1)	(22.8)	(16.8)	(16.7)	(14.0)	(15.1)	(16.4)	(22.6)	(22.2)	(25.7)
Business-Type Activities	1.9	1.6	3.5	1.8	2.1	0.7	-	(1.1)	(0.4)	3.4
Total Primary Government Net Expense	(16.2)	(21.2)	(13.3)	(14.9)	(11.9)	(14.4)	(16.4)	(23.7)	(22.6)	(22.3)

CITY OF MILLBRAE
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)
(Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	13.1	13.4	13.4	10.9	9.2	10.1	10.8	11.4	12.0	12.5
Sales Taxes	2.4	2.0	2.2	2.2	2.2	2.3	2.7	2.8	2.8	3.1
Motor Vehicle in Lieu	0.1	0.1	0.1	-	-	-	-	-	-	-
Transient Occupancy Tax	2.8	2.9	3.7	3.9	5.0	6.1	7.5	8.2	8.0	8.5
Franchise Tax	0.7	1.0	1.0	1.0	0.9	1.2	1.0	1.1	1.2	1.1
Miscellaneous	0.3	0.3	0.3	0.2	0.8	0.1	0.4	1.4	2.0	1.8
Interest Earnings	(0.2)	0.3	0.2	0.2	0.4	0.4	0.3	0.7	0.2	0.3
Other Taxes	0.7	0.6	0.6	0.7	0.7	0.8	0.8	1.2	1.3	1.5
Transfers	(0.5)	0.4	(0.3)	(0.2)	(0.1)	(0.2)	0.4	0.1	(0.6)	(1.1)
Extraordinary item	-	-	-	0.8	-	-	-	-	1.3	-
Total Government Activities	19.4	21.0	21.2	19.7	19.1	20.8	23.9	26.9	28.2	27.7
Business-Type Activities:										
Interest Earnings	-	0.1	0.1	0.2	0.2	0.2	-	0.3	0.1	0.2
Miscellaneous	0.8	(0.3)	-	-	0.1	-	-	-	-	-
Transfers and Other	0.5	(0.4)	0.3	0.2	0.1	0.2	(0.4)	(0.1)	0.6	1.1
Total Business-Type Activities	1.3	(0.5)	0.4	0.4	0.4	0.4	(0.4)	0.2	0.7	1.3
Total Primary Government	20.7	20.5	21.6	20.1	19.5	21.2	23.5	27.1	28.9	29.0
Change in Net Position										
Governmental Activities	1.3	(2.0)	4.3	2.9	5.0	5.6	7.5	4.2	5.8	2.0
Business-Type Activities	3.3	1.1	3.9	2.1	2.6	1.2	(0.4)	(0.9)	0.4	4.7
Total Primary Government	4.6	(0.9)	8.2	5.0	7.6	6.8	7.1	3.3	6.2	6.7

CITY OF MILLBRAE
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)



	June 30,				
	2009	2010	2011 ^(a)	2012	2013
General Fund					
Reserved	\$ 1,181,922	\$ 1,186,935	\$ -	\$ -	\$ -
Unreserved	1,567,044	1,675,398	-	-	-
Nonspendable	-	-	1,040,100	29,860	298,057
Assigned	-	-	2,264,565	2,171,454	5,205,122
Unassigned	-	-	788,991	3,291,888	5,057,221
Total General Fund	\$ 2,748,966	\$ 2,862,333	\$ 4,093,656	\$ 5,493,202	\$ 10,560,400
All Other Governmental Funds					
Reserved	\$ 10,174,496	\$ 9,253,798	\$ -	\$ -	\$ -
Restricted	-	-	20,860,686	13,174,286	13,751,243
Unassigned	-	-	(1,228,417)	(23,248)	-
Unreserved, reported in:	-	-	-	-	-
Special revenue funds	6,267,513	4,914,750	-	-	-
Capital project funds	1,922,889	1,971,780	-	-	-
Total all other govermental funds	\$ 18,364,898	\$ 16,140,328	\$ 19,632,269	\$ 13,151,038	\$ 13,751,243
 June 30,					
2014 2015 2016 2017 2018					
General Fund					
Nonspendable	\$ 672,576	\$ 932,312	\$ 1,183,977	\$ 1,473,046	\$ 1,724,735
Assigned	236,452	308,378	431,927	653,077	1,191,686
Unassigned	14,066,917	16,252,132	20,501,961	22,716,226	18,066,825
Total General Fund	\$ 14,975,945	\$ 17,492,822	\$ 22,117,865	\$ 24,842,349	\$ 20,983,246
All Other Governmental Funds					
Restricted	\$ 13,864,731	\$ 25,661,556	\$ 26,220,965	\$ 29,804,020	\$ 28,862,207
Assigned	-	-	-	-	1,556,207
Unassigned	-	(233,445)	(16,988)	(128,354)	-
Total all other govermental funds	\$ 13,864,731	\$ 25,428,111	\$ 26,203,977	\$ 29,675,666	\$ 30,418,414

(a) - The change in total fund balance for the General Fund and other governmental funds is due to the implementation of GASB 54.

CITY OF MILLBRAE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2009	2010	2011	2012
Revenue				
Taxes	\$ 20,081,107	\$ 19,922,116	\$ 20,876,511	\$ 18,724,073
Licenses, permits and fees	629,695	787,170	665,289	998,214
Charges for services	6,219,277	2,169,540	4,205,335	2,462,577
Fines and Forfeitures	854,587	1,097,610	1,313,498	1,223,209
Use of money and property	302,045	805,476	724,554	781,252
Grants and intergovernmental	1,802,482	2,300,750	1,798,705	808,281
Miscellaneous	239,237	672,299	834,417	665,205
Total Revenues	<u>30,128,430</u>	<u>27,754,961</u>	<u>30,418,309</u>	<u>25,662,811</u>
Expenditures				
Current:				
General government	1,801,585	1,690,298	1,796,972	2,160,416
Public safety	10,668,650	11,159,828	10,712,547	11,665,202
Public Works	1,995,038	2,070,733	1,620,416	1,780,137
Culture and recreation	1,442,001	1,296,878	1,105,585	1,055,993
Community development	5,207,855	9,669,345	5,862,770	4,234,460
Capital outlay	5,647,530	906,073	297,200	760,286
Debt service:				
Principal repayment	1,124,366	1,176,898	1,295,105	1,289,000
Interest and fiscal charges	<u>1,194,519</u>	<u>1,176,578</u>	<u>1,158,685</u>	<u>1,102,398</u>
Total Expenditures	<u>29,081,544</u>	<u>29,146,631</u>	<u>23,849,280</u>	<u>24,047,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,046,886</u>	<u>(1,391,670)</u>	<u>6,569,029</u>	<u>1,614,919</u>
Other Financing Sources (Uses)				
Transfers in	7,930,991	4,892,099	3,049,536	1,658,279
Transfers (out)	(8,403,585)	(5,229,632)	(4,895,301)	(2,006,475)
Premium on issuance of long-term debt	-	-	-	-
Long-term debt issuance	-	-	-	2,555,000
Payment to refunding escrow agent	-	-	-	(2,850,000)
Proceeds from insurance	-	-	-	-
Sale of capital assets	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>25,221</u>
Total other financing sources (uses)	<u>(471,594)</u>	<u>(337,533)</u>	<u>(1,845,765)</u>	<u>(617,975)</u>
Net change in fund balances before extraordinary item	<u>575,292</u>	<u>(1,729,203)</u>	<u>4,723,264</u>	<u>996,944</u>
Extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,078,629)</u>
Net change in fund balances	<u>\$ 575,292</u>	<u>\$ (1,729,203)</u>	<u>\$ 4,723,264</u>	<u>\$ (5,081,685)</u>
Debt services as a percentage of noncapital expenditures	8.5%	8.3%	10.4%	10.9%

Fiscal Year Ended June 30,

	2013	2014	2015	2016	2017	2018
\$	17,879,783	\$ 20,491,692	\$ 22,869,151	\$ 25,305,817	\$ 25,736,381	\$ 27,319,013
1,633,463	843,018	864,939	669,389	612,279	651,132	
2,432,939	2,540,041	3,842,299	2,888,755	2,437,313	2,303,966	
1,165,881	1,261,992	464,115	1,584,307	1,550,814	1,296,068	
787,221	1,067,420	1,277,810	1,210,899	956,301	1,082,150	
1,968,688	1,975,155	2,173,280	373,409	955,343	655,832	
1,063,882	422,202	584,381	1,392,308	1,727,033	1,815,007	
26,931,857	28,601,520	32,075,975	33,424,884	33,975,464	35,123,168	
2,614,832	2,659,058	3,079,194	4,907,667	3,747,857	4,709,193	
9,986,838	10,385,421	11,339,762	12,373,974	13,759,054	15,683,208	
1,954,495	1,589,400	1,771,152	2,052,366	3,782,092	4,338,142	
934,198	1,134,919	1,122,374	2,941,985	3,189,469	3,803,718	
2,319,047	3,292,345	3,897,871	2,707,551	2,850,662	2,625,076	
1,722,942	827,351	1,034,074	1,188,912	2,337,047	4,526,373	
1,183,000	1,436,000	1,304,000	1,360,000	1,417,000	1,477,000	
611,307	511,310	500,834	490,680	479,177	462,679	
21,326,659	21,835,804	24,049,261	28,023,135	31,562,358	37,625,389	
5,605,198	6,765,716	8,026,714	5,401,749	2,413,106	(2,502,221)	
978,332	2,110,769	1,755,350	1,373,422	1,266,671	2,401,521	
(916,127)	(4,531,058)	(6,914,528)	(1,374,262)	(1,884,671)	(5,545,991)	
-	454,096	-	-	-	-	
-	9,745,000	-	-	-	-	
-	(10,015,490)	-	-	-	-	
-	-	-	-	-	1,202,745	
-	-	-	-	-	3,000	
62,205	(2,236,683)	(5,159,178)	(840)	(618,000)	(1,938,725)	
5,667,403	4,529,033	2,867,536	5,400,909	1,795,106	(4,440,946)	
\$ 5,667,403	\$ 4,529,033	\$ 2,867,536	\$ 5,400,909	\$ 6,196,173	\$ (4,440,946)	
9.1%	9.2%	7.7%	6.9%	6.5%	5.8%	

**CITY OF MILLBRAE
STATISTICS**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



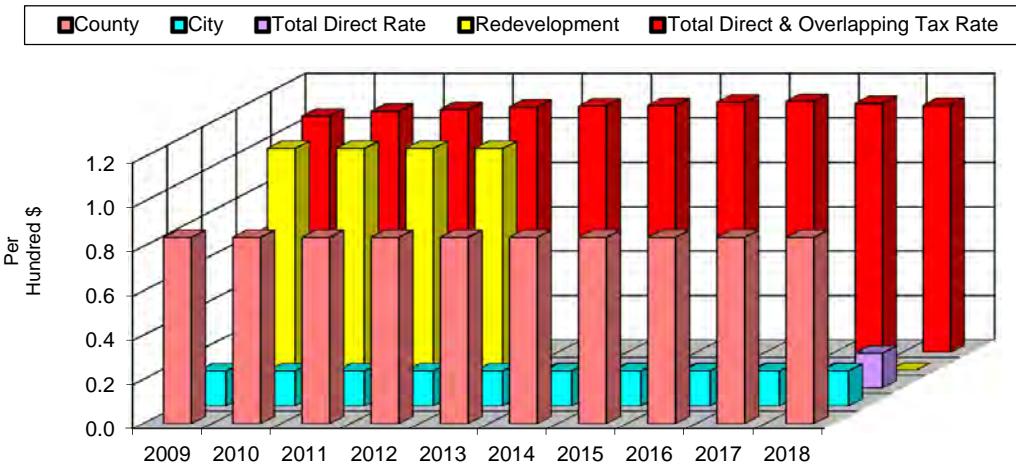
Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other	TOTAL Secured Property	TOTAL Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2009	\$ 2,966,830,896	\$ 305,280,936	\$ 36,957,380	\$ 117,992,283	\$ 3,427,061,495	\$ 74,732,202	\$ 3,501,793,697	\$ 3,501,793,697	0.27805%
2010	3,106,361,205	330,025,776	37,896,181	87,660,549	3,561,943,711	59,707,619	3,621,651,330	3,621,651,330	0.28047%
2011	3,126,546,755	368,098,716	36,480,257	57,453,767	3,588,579,495	58,876,426	3,647,455,921	3,647,455,921	0.27861%
2012	3,182,354,909	380,230,791	37,670,906	38,936,275	3,639,192,881	64,777,111	3,703,969,992	3,703,969,992	0.28129%
2013	3,364,643,087	353,279,989	42,036,033	25,570,705	3,785,529,814	59,066,096	3,844,595,910	3,844,595,910	0.27960%
2014	3,564,999,133	370,956,256	41,702,249	31,783,896	4,009,441,534	64,752,022	4,074,193,556	4,074,193,556	0.14259%
2015	3,789,987,207	447,673,807	39,569,115	28,968,792	4,306,198,921	68,073,302	4,374,272,223	4,374,272,223	0.14225%
2016	4,034,137,050	498,922,841	40,581,168	31,913,768	4,605,554,827	82,815,102	4,688,369,929	4,688,369,929	0.14187%
2017	4,306,533,850	514,038,816	41,197,315	35,892,670	4,897,662,651	70,504,021	4,968,166,672	4,968,166,672	0.14091%
2018	4,767,399,564	309,664,835	42,017,509	76,382,641	5,195,464,549	72,447,955	5,215,508,979	5,215,508,979	0.15790%

- (a) The California State Constitution requires property to be assessed at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and allocates a portion of that amount, by an annual calculation to all taxing entities within a tax rate area. The City of Millbrae encompasses more than fifteen (15) tax rate areas.

Sources: Avenu Insights & Analytics
San Mateo County Assessor Combined Tax Rolls

**CITY OF MILLBRAE
STATISTICS**

**PROPERTY TAX RATES ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	Basic Levy (a)	Schools	Other	Total Direct & Overlapping Tax Rate (b)	City (c)	County	Redevelopment (d)	Total Direct Rate (e)
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.8421	1.0000	0.27805
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.8421	1.0000	0.28047
2011	1.0000	0.0769	0.0176	1.0945	0.1579	0.8421	1.0000	0.27861
2012	1.0000	0.0877	0.0175	1.1052	0.1579	0.8421	1.0000	0.28129
2013	1.0000	0.0930	0.0169	1.1099	0.1579	0.8421	-	0.27960
2014	1.0000	0.0977	0.0143	1.1120	0.1579	0.8421	-	0.14259
2015	1.0000	0.1130	0.0135	1.1265	0.1579	0.8421	-	0.14225
2016	1.0000	0.1177	0.0129	1.1306	0.1579	0.8421	-	0.14187
2017	1.0000	0.1092	0.0122	1.1214	0.1579	0.8421	-	0.14091
2018	1.0000	0.1011	0.0117	1.1128	0.1579	0.8421	-	0.15790

- (a) 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 for which the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for payment of any voter approved bonds.
- (b) Overlapping rates are those of local and county government that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (c) The City's share of the 1.00% 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 (ERA) General Fund tax shifts may not be included in tax ratio figures.
- (d) The Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area 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 RDAs from California for fiscal year 2012/13 and years thereafter.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the Government preparing the statistical section information.

Sources: Avenu Insights & Analytics

San Mateo County Assessor Annual Tax Increment Tables

**CITY OF MILLBRAE
STATISTICS**

TOP TEN PROPERTY TAXPAYERS

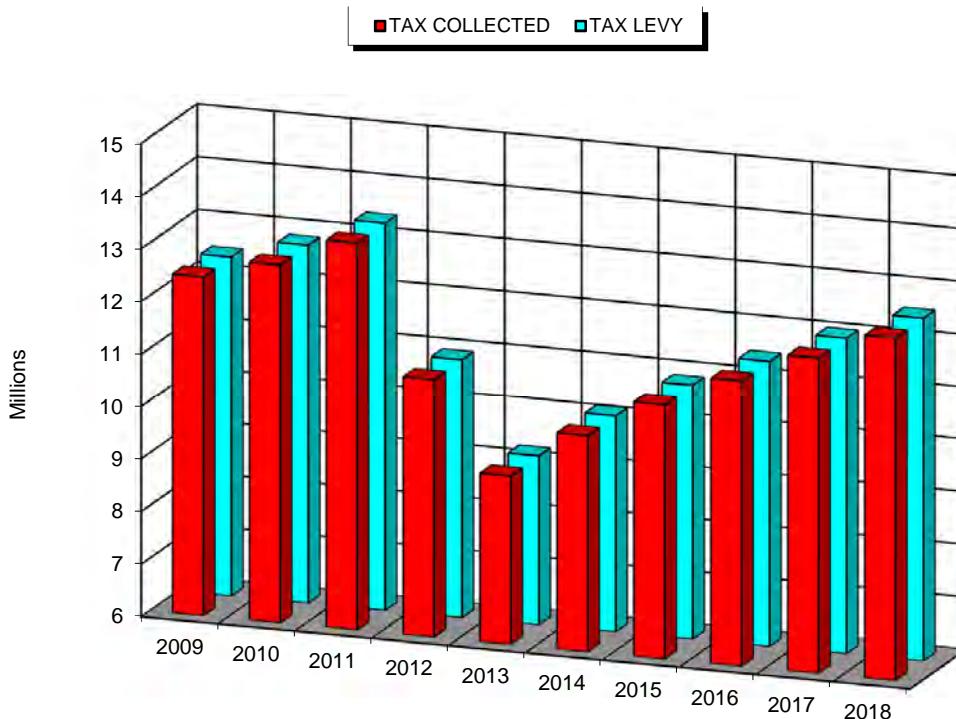
Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2017-18		Fiscal Year 2008-09	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Millbrae WCP Hotel II LLC	\$ 77,483,784	1.49%	\$ 44,904,855	1.28%
Millbrae WCP Hotel II LLC	51,663,440	0.99%	24,449,400	0.70%
OR Property Holdings	37,717,435	0.73%	-	
RAC Investment Group LLC	35,168,067	0.68%	-	
Magnolia of Millbrae, Inc.	29,641,606	0.57%	26,938,598	0.77%
Great Mountain Properties, LLC	27,462,380	0.53%	-	
Marymount Greenhills LLC	23,456,168	0.45%	20,948,050	0.60%
Orchard Supply Hardware	17,776,990	0.34%	-	
RHC Associates	17,523,154	0.34%	-	
Friend Friend and Friend	16,163,826	0.31%	-	
Millbrae Paradise LLC	-		14,399,136	0.41%
Millbrae Town Plaza LP	-		34,365,268	0.98%
Glenborough-Pauls Millbrae LLC	-		22,309,108	0.64%
Braddock & Logan Grp LP	-		20,100,000	0.57%
Simeon SPFVEF LLC	-		14,323,200	0.41%
PPC Townsquare Venture LLC	-		26,055,000	0.74%
TOTAL TOP TEN	\$ 334,056,850	6.43%	\$ 248,792,615	7.10%
Total Secured Assessed Valuation:	\$ 5,195,464,549		\$ 3,501,793,697	

Source: Avenu Insights & Analytics, San Mateo County Assessor Combined Tax Rolls
San Mateo County Assessor Combined Tax Rolls

**CITY OF MILLBRAE
STATISTICS**

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	TOTAL TAX LEVY (a)	TOTAL LEVY COLLECTED (c)	% of Tax Collected (b)	San Mateo County Collection Fee
2009	\$ 12,449,943	\$ 12,449,943	100.0%	\$ 38,038
2010	12,812,698	12,812,698	100.0%	49,131
2011	13,367,388	13,367,388	100.0%	54,280
2012	10,915,138	10,915,138	100.0%	52,564
2013	9,209,244	9,209,244	100.0%	42,975
2014	10,111,108	10,111,108	100.0%	47,636
2015	10,839,738	10,839,738	100.0%	40,187
2016	11,434,498	11,434,498	100.0%	45,289
2017	12,010,916	12,010,916	100.0%	47,110
2018	12,528,779	12,528,779	100.0%	44,112

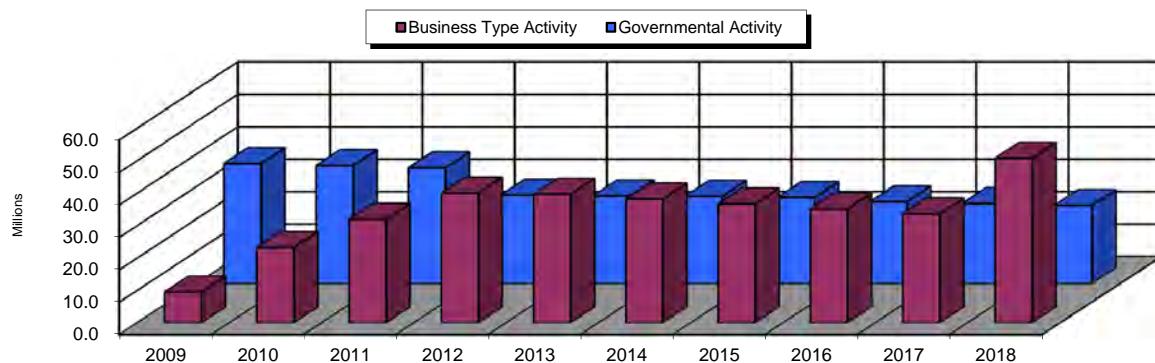
- (a) In Fiscal Year 2011-2012 Redevelopment was dissolved and Redevelopment funds were redistributed to all taxing entities pursuant to California Health and Safety Code Section 34183
- (b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and San Mateo County allocates a portion of that amount, by an annual calculation to all taxing entities within a tax rate area. The City of Millbrae encompasses more than fifteen (15) tax rate areas. Under the Teeter Plan, the City of Millbrae receives 100% of the tax levy representing its share, and the County of San Mateo pursues any delinquencies.

Source: County of San Mateo Controller's Office
City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS



Governmental Activity

Fiscal Year	General Obligation Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Lease Revenue Financing (a)	TOTAL
2009	\$ 10,345,000	\$ 14,633,198	\$ 8,270,000	\$ 3,135,000	\$ -	\$ 710,164	\$ 37,093,362
2010	10,260,000	14,731,266	8,165,000	2,995,000	-	335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000	-	-	35,814,095
2012	10,045,000	14,889,318	-	-	-	2,426,555	27,360,873
2013	9,915,000	14,934,475	-	-	-	2,263,000	27,112,475
2014	9,980,175	14,957,390	-	-	-	2,097,000	27,034,565
2015	9,791,255	14,950,473	-	-	-	1,923,000	26,664,728
2016	9,586,511	13,991,203	-	-	-	1,743,000	25,320,714
2017	9,366,768	13,880,379	-	-	-	1,556,000	24,803,147
2018	9,137,026	13,725,187	-	-	-	1,359,000	24,221,213

Business Type Activity

Fiscal Year	Certificates of Participation	State Revolving Loan (b)	TOTAL			
				Total Primary Government	Personal Income Percentage (c)	Per Capita (c)
2009	\$ -	\$ 9,564,218	\$ 9,564,218	\$ 46,657,580	4.99%	\$ 2,167
2010	15,931,367	7,382,051	23,313,418	59,799,947	7.41%	2,722
2011	14,325,935	17,738,215	32,064,150	67,878,245	7.97%	3,076
2012	12,690,984	27,405,675	40,096,659	67,457,532	7.64%	3,035
2013	12,430,000	27,294,385	39,724,385	66,836,860	7.48%	2,957
2014	12,275,000	25,982,472	38,257,472	65,292,037	7.10%	2,887
2015	12,115,000	24,657,832	36,772,832	63,437,560	6.57%	2,742
2016	11,950,000	23,319,946	35,269,946	60,590,660	6.08%	2,615
2017	11,775,000	21,968,680	33,743,680	58,546,827	5.70%	2,568
2018	30,225,000	20,603,903	50,828,903	75,050,116	6.85%	3,284

Debt amounts exclude any premiums, discounts, or other amortization amounts.

- (a) In 2011, the 1999 Certificates of Participation were refinanced through a lease revenue financing.
- (b) The 2005 Wastewater Bank Loan and the 2008 Subordinate Wastewater Revenue Note in the total amount of \$9,564,218 were paid in full with the issuance of the 2009 Certification of Participation Bonds (Series A & B). In 2010, the State Revolving Loan liability began.
- (c) Demographic Statistics for San Mateo County Personal Income and City of Millbrae population data.

Sources: City of Millbrae Financial Records
 State of California, Department of Finance (population)
 U.S. Department of Commerce, Bureau of the Census (income)
 Avenu Insights & Analytics

**CITY OF MILLBRAE
STATISTICS**

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2009	10,345,000	0.30%	480.47
2010	10,260,000	0.28%	467.04
2011	10,160,000	0.28%	460.37
2012	10,045,000	0.27%	451.91
2013	9,915,000	0.25%	438.62
2014	9,980,175	0.25%	441.27
2015	9,791,255	0.22%	423.20
2016	9,586,511	0.20%	413.78
2017	9,366,768	0.19%	410.90
2018	9,137,026	0.18%	399.80

Sources: State of California, Department of Finance
California Municipal Statistics, Inc.

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2018

2017-18 Assessed Valuation: \$5,245,104,979

	Total Debt		City's Share of
	<u>6/30/2018</u>	<u>% Applicable (1)</u>	<u>Debt 6/30/18</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 576,424,069	2.54%	\$ 14,612,350
San Mateo Union High School District	525,549,991	7.216	37,923,687
Millbrae School District	55,094,527	58.301	32,120,660
City of Millbrae	9,137,026	100	9,137,026
California Statewide Communities Development Authority			
Assessment District No. 03-1, Glenborough/Pauls Project Area	1,369,030	100	1,369,030
California Statewide Communities Development Authority			
Assessment District No. 06-1, Park Broadway Project Area	1,354,738	100	1,354,738
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 96,517,491
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	366,157,077	2.54%	\$ 9,282,082
San Mateo County Board of Education Certificates of Participation	8,745,000	2.535	221,686
City of Millbrae Lease Revenue Financing	1,359,000	100	1,359,000
City of Millbrae Pension Obligation Bonds (2)	13,725,187	100	13,725,187
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			24,587,955
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	6,080,000	100.00%	6,080,000
<u>TOTAL DIRECT DEBT</u>			24,221,213
TOTAL OVERLAPPING DEBT			102,964,233
COMBINED TOTAL DEBT (3)			127,185,446

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes accrued interest.

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

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$9,137,026)	0.17%
Total Direct and Overlapping Tax and Assessment Debt	1.84%
Total Direct Debt (\$24,221,213)	0.46%
Combined Total Debt	2.42%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$937,580,687):

Total Overlapping Tax Increment Debt	0.65%
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Source: California Municipal Statistics, Inc.

Avenu Insights & Analytics

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF LEGAL BONDED DEBT MARGIN

June 30, 2018

ASSESSED VALUATION:

Secured Property Assessed Value	\$5,195,464,549
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$194,829,921
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	22,505,187
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Less Pension Obligation Bonds	(13,725,187)
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Amount of debt subject to the limit	9,137,026
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LEGAL BONDED DEBT MARGIN	\$185,692,895
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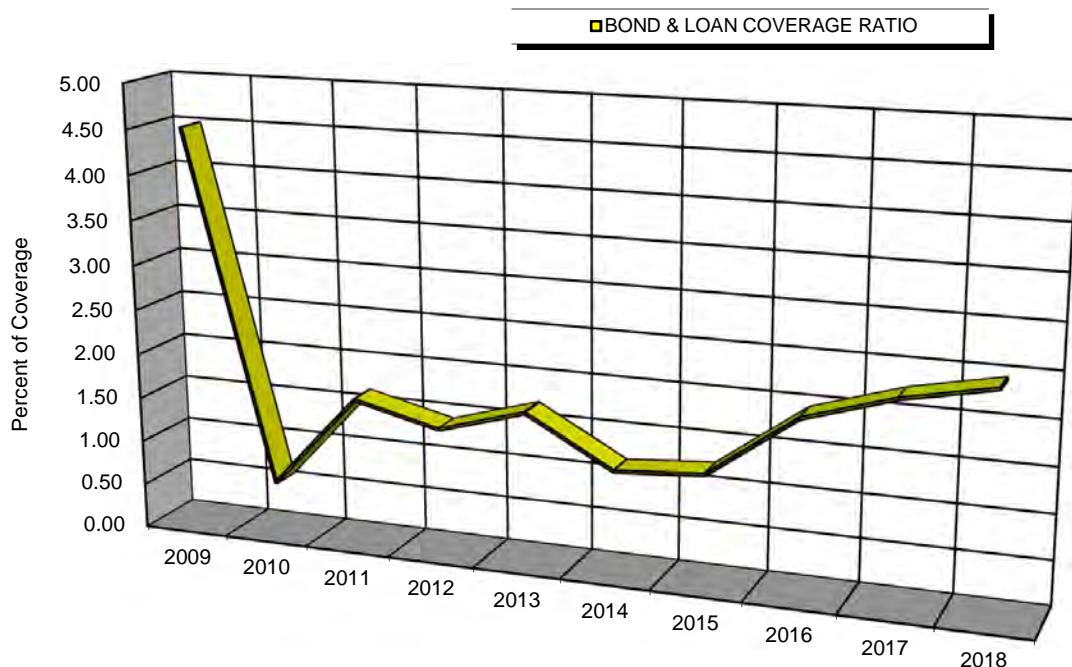
LAST TEN FISCAL YEARS

Fiscal Year	Debt Limit	Total Debt Subject to Limit	Legal Debt Margin	Percentage of Total Debt to Debt Margin
2009	131,317,264	10,345,000	120,972,264	8.55%
2010	133,572,889	10,260,000	123,312,889	8.32%
2011	134,571,731	10,160,000	124,411,731	8.17%
2012	136,469,733	10,045,000	126,424,733	7.95%
2013	142,509,037	9,915,000	132,594,037	7.48%
2014	150,354,058	9,980,175	140,373,883	7.11%
2015	161,482,460	9,791,255	151,691,205	6.45%
2016	172,708,306	9,586,511	163,121,795	5.88%
2017	183,662,349	9,366,768	174,295,581	5.37%
2018	194,829,921	9,137,026	185,692,895	4.92%

(a) California Government Code, Section 43605 sets the Debt Limit at 15%. Section 43605 was enacted prior to the change of basing assessed value at full market rate, which was previously 25% of the market rate. Therefore, the limit is shown as 3.75% to account for the full market rate of assessed valuation.

**CITY OF MILLBRAE
STATISTICS**

**SEWER FUND REVENUE BOND AND LOAN COVERAGE
SEWER AUTHORITY**
LAST TEN FISCAL YEARS



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			BOND & LOAN COVERAGE RATIO
				Principal	Interest	Total	
2009	7,282,428	4,482,654	2,799,774	229,305	391,884	621,189	4.51
2010	7,697,278	4,984,139	2,713,139	4,206,564	333,777	4,540,340	0.60
2011	8,449,800	4,732,371	3,717,429	1,600,000	657,098	2,257,098	1.65
2012	8,496,612	5,302,863	3,193,749	1,630,000	624,798	2,254,798	1.42
2013	8,730,438	4,774,522	3,955,916	1,458,041	868,456	2,326,497	1.70
2014	8,699,499	5,668,142	3,031,357	1,466,913	1,131,503	2,598,416	1.17
2015	8,413,669	5,505,422	2,908,247	1,484,640	859,247	2,343,887	1.24
2016	10,123,692	5,562,583	4,561,109	1,502,886	838,469	2,341,355	1.95
2017	11,274,570	6,003,585	5,270,985	1,526,266	814,951	2,341,217	2.25
2018	12,378,916	6,644,016	5,734,900	1,544,778	793,882	2,338,660	2.45

Note: The final principal payment for Subordinate Wastewater Revenue Bonds issued in 2008 in the total amount of \$3,965,000 were paid in 20010.

(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

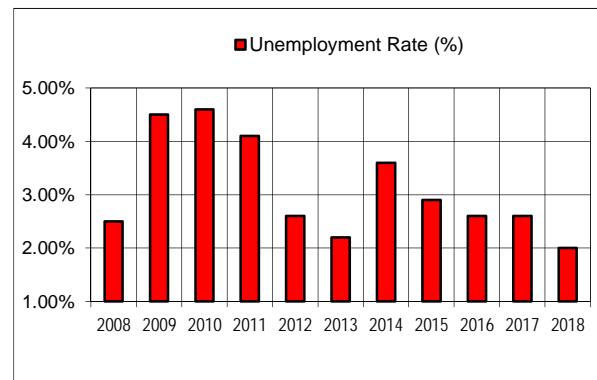
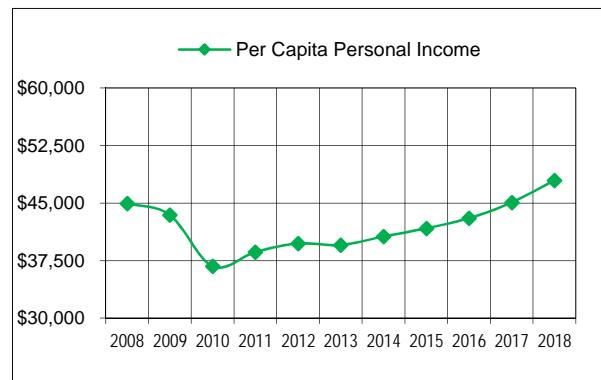
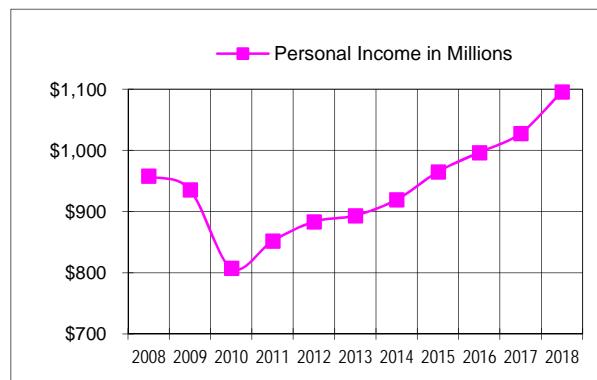
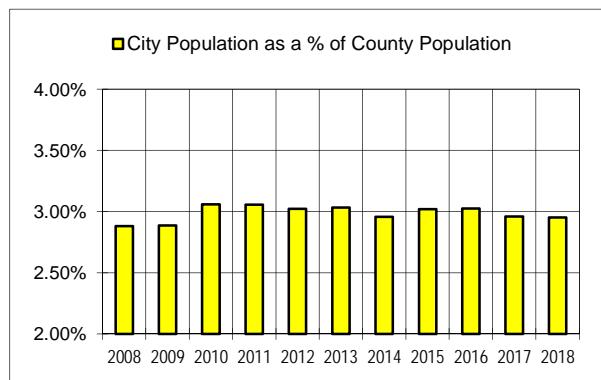
(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

CITY OF MILLBRAE STATISTICS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS



Calendar Year	City Population	San Mateo County Population	City Population % of County Population	Personal Income in Millions	Per Capita Personal Income	Unemployment Rate (%)
2008	21,311	739,469	2.88%	\$958.1	\$44,957	2.5%
2009	21,531	745,858	2.89%	\$935.5	\$43,450	4.5%
2010	21,968	718,451	3.06%	\$807.4	\$36,753	4.6%
2011	22,069	722,372	3.06%	\$852.0	\$38,604	4.1%
2012	22,228	735,678	3.02%	\$883.2	\$39,735	2.6%
2013	22,605	745,193	3.03%	\$893.6	\$39,530	2.2%
2014	22,617	765,135	2.96%	\$919.3	\$40,647	3.6%
2015	23,136	766,041	3.02%	\$965.1	\$41,713	2.9%
2016	23,168	765,895	3.02%	\$996.7	\$43,019	2.6%
2017	22,796	770,256	2.96%	\$1,027.9	\$45,089	2.6%
2018	22,854	774,155	2.95%	\$1,096.0	\$47,958	2.0%

Sources: State of California, Department of Finance
 State of California Employment Development Department
 US Census Bureau
 Complied by Avenu Insights & Analytics
 San Mateo County Controller's Office

**CITY OF MILLBRAE
STATISTICS**

**Principal Employers
Last Fiscal Year and Nine Years Ago**

	Fiscal Year 2017-18			Fiscal Year 2008-09		
	Number of Employees	Rank	Percent of city Labor Force	Number of Employees	Rank	Percent of city Labor Force
San Francisco PUC (1)	232	1	1.86%	300	1	3.09%
Millbrae School District	230	2	1.84%	225	2	2.32%
Westin Hotel	206	3	1.65%	-	-	-
Safeway	151	4	1.21%	-	-	-
Millbrae Skilled Care (2)	150	5	1.20%	-	-	-
Stem, Inc.	150	-	1.20%	-	-	-
Magnolia of Millbrae	140	7	1.12%	-	-	-
San Mateo Union High School District (3)	140	-	1.12%	130	7	1.34%
City of Millbrae	109	9	0.87%	144	5	1.48%
Best Western - El Rancho	108	10	0.86%	168	4	1.73%
Taste Catering and Event Planning	108	-	0.86%	-	-	-
Starwood Resorts	-	-		200	3	2.06%
A & C Healthcare	-	-		135	6	1.39%
Pleasant Care Corp.	-	-		130	8	1.34%
Millbrae Serra Sanitarium	-	-		125	9	1.29%
Orchard Supply Hardware	-	-		100	10	1.03%
Save Mart Supermarket	-	-		100	-	1.03%
Sprint Communications Co LLP	-	-		100	-	1.03%
TOTAL:	<u>1,724</u>		<u>12.27%</u>	<u>1,857</u>		<u>19.14%</u>
City Labor Force (4)			<u>12,500</u>		<u>9,700</u>	

(1) San Francisco Public Utilities Commission (PUC) employee count at the Millbrae Location only

(2) Millbrae Skilled care was previously known as A & C Healthcare

(3) San Mateo Union High School District employee count at Mills High School only

(4) State of California Employment Development Department Labor Force Data

**CITY OF MILLBRAE
STATISTICS**

**FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

General Government

Community Development

Wastewater Collection and Treatment

Public Safety

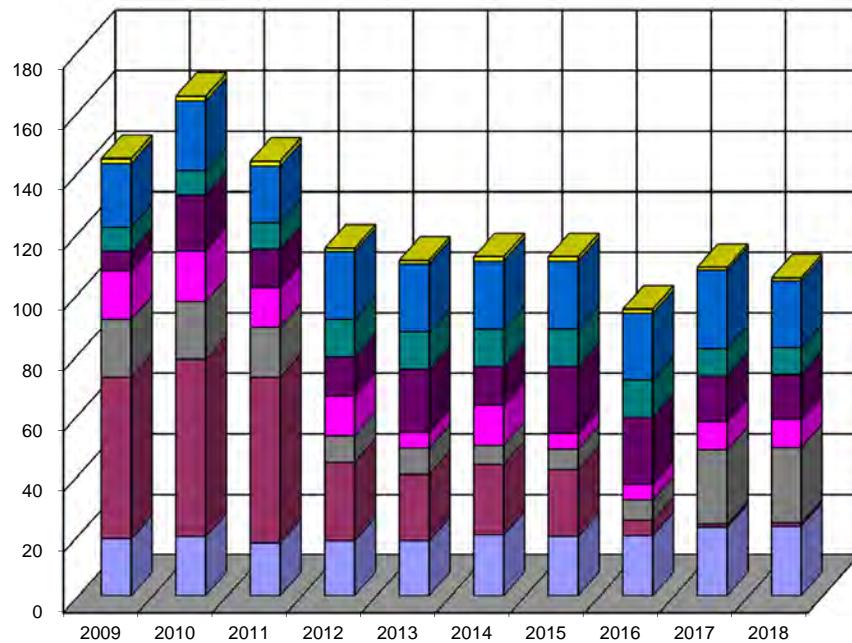
Culture / Recreation

Solid Waste

Public Works

Water

Total Full Time Equivalent



Function / Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	18.78	19.50	17.50	18.15	18.15	20.15	19.65	19.85	22.65	23.00
Public Safety	53.50	58.63	54.75	26.00	22.00	23.25	22.00	5.00	1.00	1.00
Public Works	19.00	19.00	16.50	8.65	8.65	6.29	6.79	6.79	24.59	25.00
Community Development	16.00	16.80	13.00	13.25	5.25	13.25	5.25	5.25	9.25	9.25
Culture / Recreation	6.50	18.48	12.66	12.79	20.79	12.79	22.04	22.04	15.15	14.75
Water	8.00	8.00	8.75	12.39	12.39	12.39	12.39	12.39	9.00	9.00
Wastewater Collection and Treatment	21.00	23.00	18.75	22.45	22.45	22.45	22.45	21.95	25.91	22.00
Solid Waste	1.60	1.60	1.60	1.11	1.11	1.37	1.37	1.37	0.95	1.00
TOTAL	144.38	165.01	143.51	114.79	110.79	111.94	111.94	94.64	108.50	105.00

Note: The City's Public Safety functions are provided by the Central County Fire Department (since 2015) and the San Mateo County Sheriff's Office (since 2012)

Source: City of Millbrae Budget / Position Allocation

**CITY OF MILLBRAE
STATISTICS**

OPERATING INDICATORS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

Function / Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Fire										
Emergency Responses (a)	2,567	2,554	2,764	2,683	2,735	2,680	2,914	7,322	7,668	6,584
Primary Fire Inspections	327	410	527	639	602	388	546	1,179	1,454	1,528
Police										
Police Calls for Service	19,554	20,944	20,706	17,876	14,837	13,924	14,721	14,783	16,744	17,171
Part I and Part II Crimes	1,353	1,369	1,273	1,157	1,367	1,189	1,302	1,329	1,479	1,601
Physical Arrests (adult and juvenile)	732	789	677	576	445	558	735	716	614	670
Traffic Violations	1,817	2,121	2,139	1,834	1,932	1,171	1,601	1,366	1,904	1,822
Parking Violations	8,603	11,154	9,030	5,562	6,707	6,694	5,235	5,360	4,086	5,256
Public Works										
Street Resurfacing (miles) (b)	0	1	0	1	0	0	4	0	0.8	0
Potholes Repaired (square miles)	0.0000	0.0007	0.0009	0.0008	0.0004	0.0009	0.0010	0.0010	0.0010	0.0011
Culture and Recreation										
Community Services										
Recreation Class Participants	7,018	6,211	5,443	6,239	6,162	5,305	7,775	5,978	4,165	4,350
Library										
Volumes in Collection	111,447	109,241	109,595	110,550	113,345	105,796	116,959	124,000	107,287	96,629
Total Volumes Borrowed	616,145	633,241	578,739	550,956	548,010	501,348	498,492	466,531	450,113	412,597
Water										
Water Service Connections	6,459	6,474	6,499	6,546	6,549	6,540	6,568	6,556	6,547	6,570
Water Main Breaks	16	17	8	8	11	10	10	9	10	10
Average Daily Consumption (gallons)	2,762,618	2,197,884	2,075,149	2,024,473	2,110,022	2,097,301	1,888,136	1,598,519	1,901,364	2,034,671
Sanitation										
Sewer Service Connections	6,459	6,474	6,499	6,546	6,549	6,560	6,568	6,556	6,547	6,348
Storm Drain Inlets	700	700	700	700	868	868	868	868	868	868
Sewer Main Blockages	10	19	8	6	2	1	6	5	5	10
Average Daily Treatment (gallons)	1,540,800	1,497,600	1,560,602	1,481,000	1,610,000	1,498,000	1,280,000	1,600,000	1,863,000	1,300,000
Solid Waste										
Recyclables Processed (tons per year)	2,954	2,900	2,831	2,681	2,817	2,566	2,612	2,597	2,674	2,583

(a) Total number of responses and inspections is a total for Central County Fire Department (CCFD). Their reporting system cannot separate responses or inspections for Millbrae only.

(b) In FY2015, a "micro surfacing" was completed resulting in significantly more street miles resurfaced.

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

Function / Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety (a)										
Fire Station	2	2	2	2	2	2	2	2	2	2
Police Station	1	1	1	1	1	1	1	1	1	1
Police Patrol Unit	17	17	17							
Public Works										
Miles of Streets (lane miles)	110	110	110	110	110	110	110	110	110	110
Street Lights	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5	5	6	5	5	5	5
Roadway Landscaping Acreage	2	2	2	2	2	2	2	2	2	2
Culture and Recreation										
Community Services										
City Parks	14	14	14	14	14	14	14	14	14	14
City Park Acreage	104	104	104	104	104	104	104	104	104	104
Regional Park Facilities:										
Clubhouse / Banquet Facility	2	2	2	2	2	2	2	2	2	2
Historic House	2	2	2	2	2	2	2	2	2	2
Community Center (b)	1	1	1	1	1	1	1	1	-	1
Senior Center (b)	1	1	1	1	1	1	1	1	-	1
Community Gardens	1	1	1	1	1					
City Trail	1	1	1	1	1	1	1	1	1	1
City Trail Miles	3	3	3	3	3	3	3	3	3	3
Playgrounds	6	6	6	6	6	6	6	6	6	6
Tennis Court	4	4	4	4	4	4	4	4	4	4
Baseball / Softball Diamond	5	5	5	5	5	9	9	9	9	9
Soccer / Football Field	1	1	1	1	1	3	3	3	3	3
Library										
City Library (C)	1	1	1	1	1	1	1	1	1	1
Water										
Miles of Water Mains	70	70	70	70	70	70	70	70	70	70
Fire Hydrants	545	545	545	545	545	545	545	545	545	545
Storage Capacity (gallons)	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Sanitation										
Miles of Sanitary Sewers	56	56	56	56	56	56	56	56	56	56
Miles of Storm Drain	21	21	21	21	21	21	21	21	21	21
Treatment Plant	1	1	1	1	1	1	1	1	1	1
Treatment Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

(a) In 2012, the Police Department and Fire Force were dissolved and San Mateo County Sheriff's Office provides law enforcement services through service agreement. In 2015, Fire Department activities were transferred to Central County Fire. Police and Fire facilities remained the responsibility of the City.

(b) In July 2016, the City's Community Recreation Center burned down. The temporary Recreation/Senior Center was open in February 2018.

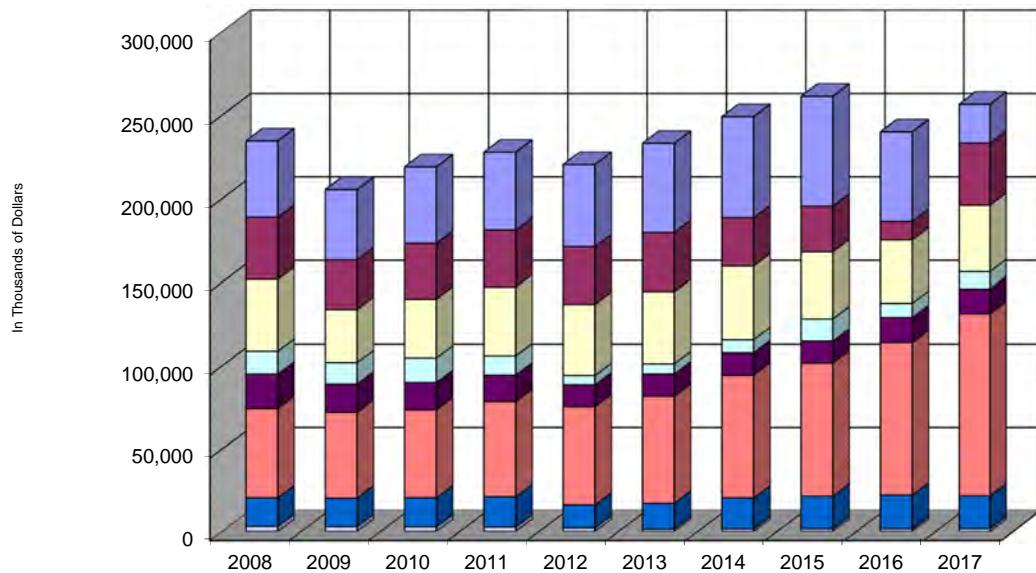
(c) Millbrae Library is managed by San Mateo County Libraries.

Source: City of Millbrae / GIS System

**CITY OF MILLBRAE
STATISTICS**

**TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS**

■ Apparel Stores	■ Food Stores	■ Eating / Drinking Places	■ Building Materials
■ Auto Dealers / Supplies	■ Service Stations	■ Other Retail Stores	■ All Other Outlets



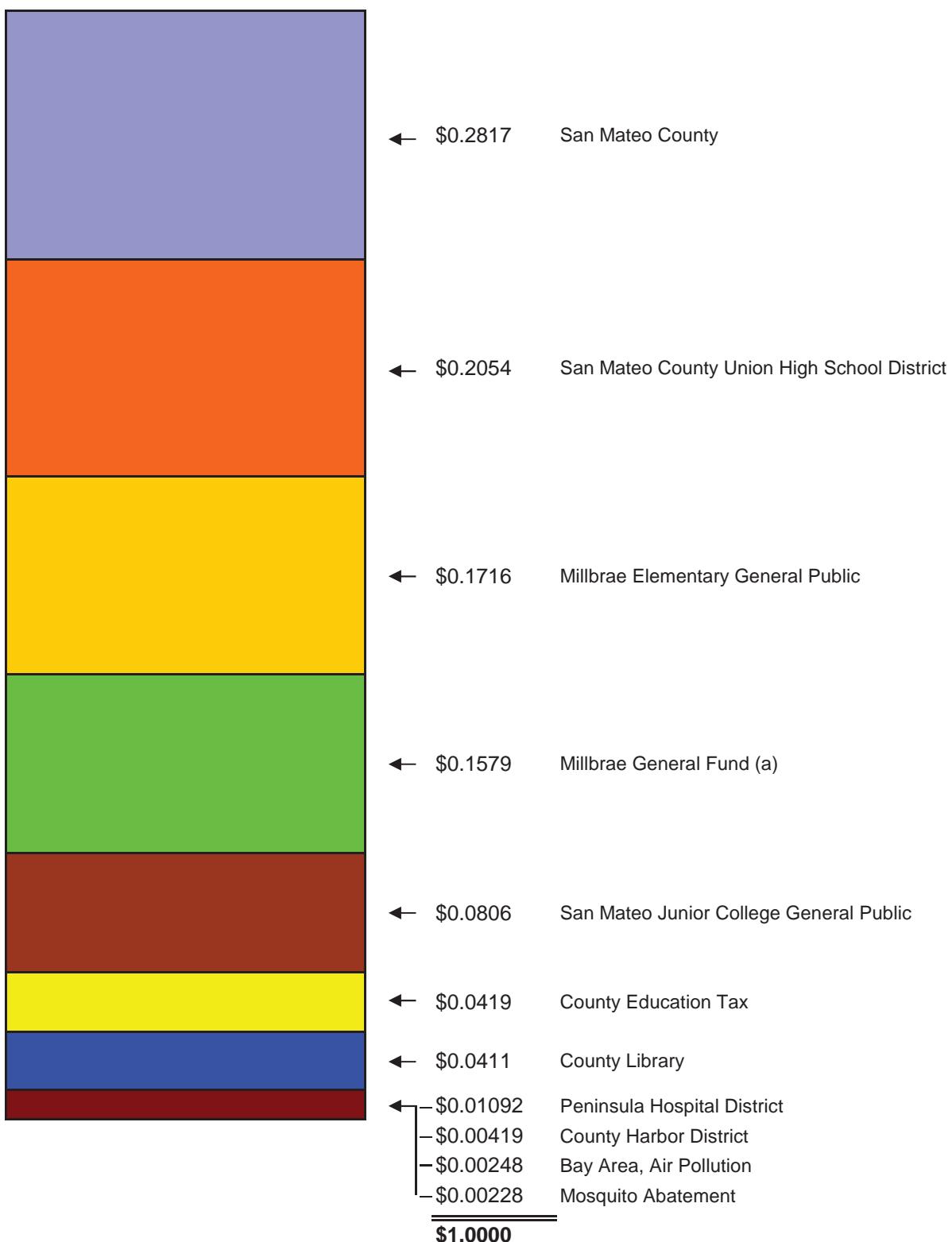
Category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Apparel Stores	3,096	2,908	2,824	2,658	2,161	1,514	1,541	1,586	1,547	1,715
Food Stores	17,331	17,285	17,661	18,376	13,969	15,548	18,784	19,833	20,490	19,853
Eating / Drinking Places	53,855	51,912	53,037	57,470	59,383	64,662	73,946	80,157	91,870	109,598
Building Materials	20,745	16,975	16,406	15,883	13,050	13,350	13,548	13,272	14,992	14,763
Auto Dealers / Supplies	13,689	12,757	14,664	11,493	5,564	6,034	7,803	13,208	8,504	10,302
Service Stations	42,876	31,819	35,292	41,192	42,601	43,210	43,940	40,019	37,776	39,717
Other Retail Stores	37,107	29,555	33,299	33,991	34,425	35,255	28,912	27,268	11,117	37,283
All Other Outlets	45,793	42,110	45,696	46,631	49,141	53,471	60,530	65,924	53,641	23,268
TOTAL	234,492	205,321	218,879	227,694	220,294	233,044	249,004	261,267	239,937	256,499

Sources: Avenu Insights & Analytics
State of California Board of Equalization

Note: To maintain confidentiality, the names of the ten largest revenue payers are not disclosed.
The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX DOLLAR BREAKDOWN



(a) Annual Tax Increment (ATI) Ratios for Tax Rate Area 014-001, Excluding Redevelopment Factors and Additional Debt Service