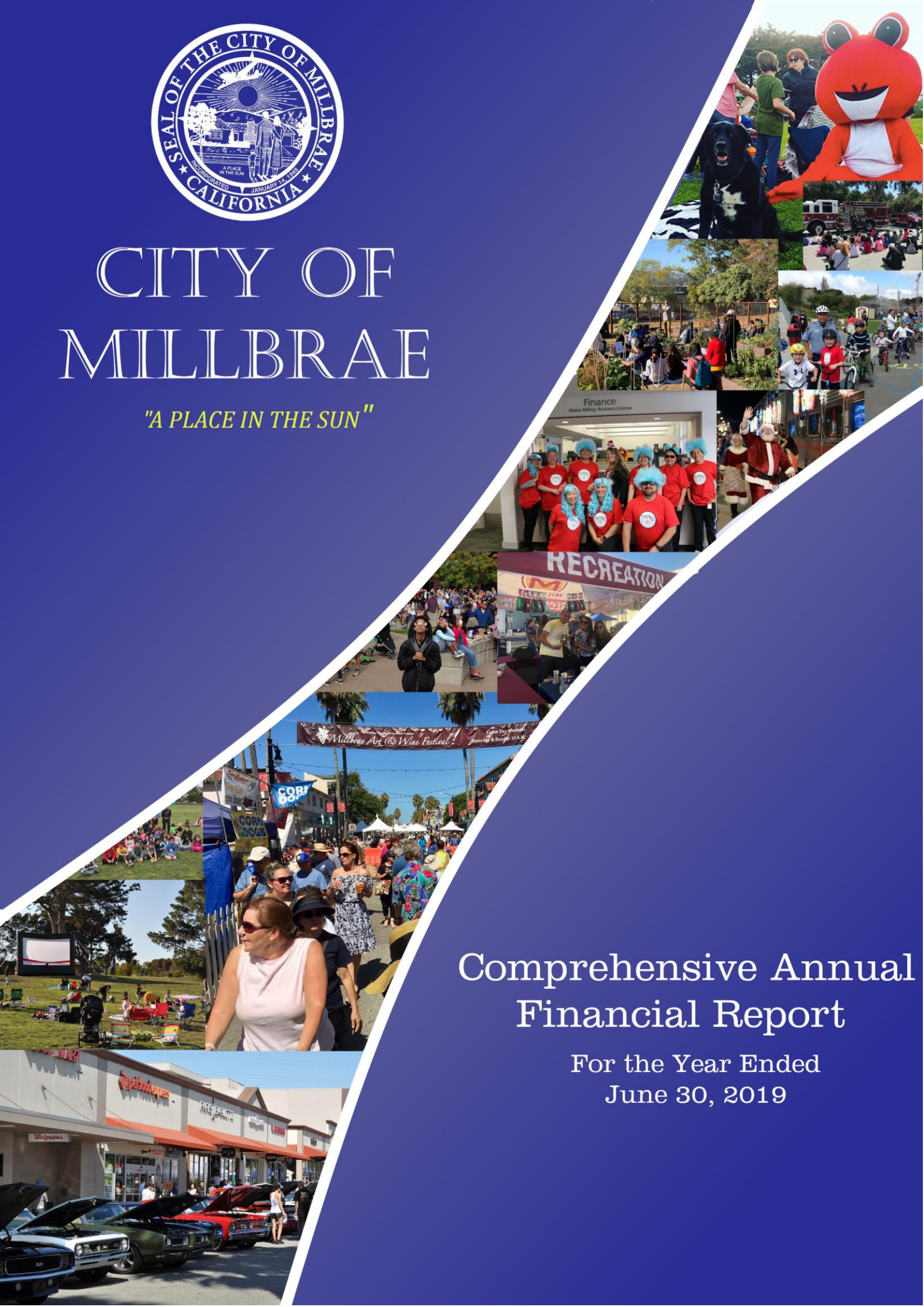




# CITY OF MILLBRAE

*"A PLACE IN THE SUN"*



## Comprehensive Annual Financial Report

For the Year Ended  
June 30, 2019



# City of Millbrae

Millbrae, California

## *Comprehensive Annual Financial Report*

*For the year ended June 30, 2019*

Prepared by:  
Finance Department



**City of Millbrae**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2019**

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# *City of Millbrae*

621 Magnolia Avenue, Millbrae, CA 94030

**REUBEN D. HOLOBER**  
Mayor

**ANN SCHNEIDER**  
Vice Mayor

**ANNE OLIVA**  
Councilmember

**GINA PAPAN**  
Councilmember

**WAYNE J. LEE**  
Councilmember

**December 16, 2019**

**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, 2019. 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 2019 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, 2019, 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, 2019, 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.

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 23,100.

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***

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*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 2019 were:

- Define the Millbrae Community of Tomorrow / Built Environment
- Sustainable City / Infrastructure Investment
- Quality of Life / Neighborhood Enhancement / Community Engagement / Healthy Community
- Organizational Success / Employee Investment
- Fiscal Sustainability

## **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 Finance Director. The City Manager and 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 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 2018 – 2019 and 2019 – 2020, 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 2019, property tax revenues increased 7.2%, TOT increased 3.9%, and sales tax increased 7.1%. The City's top revenue sources are all economically sensitive revenues and, therefore, are budgeted conservatively and 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. In addition, in 2019; the County of San Mateo modified distribution schedules for certain taxes contributing to the significant increase. Between 2009 and 2019, the City of Millbrae's Assessment Roll has increased from \$3.6 billion in property tax valuation to \$5.5 billion. This resulted in an increase of 54% over 10 years and an increase of 6.2% between 2018 and 2019.

The City's second largest source of revenue is transient occupancy tax (TOT). After a decline between 2016 and 2017, TOT increased from 2018 to 2019 by 3.9% or \$327,000. 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 2018 to 2019 by 7.1% or over \$218,000. 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 houses the multi-modal 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, as of October, 2019, the City of Millbrae has a labor force of 13,200 and an unemployment rate of 1.9%. This is slightly higher than the San Mateo County unemployment rate of 1.8% and better than the State's rate of 3.7%. All rates are lower than the 2018 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. In 2019, staff implemented a new Enterprise Resource Planning (ERP) system which combined finance (including utility billing, business licenses, and payroll) and community development information into one system. Previously, the City used 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  
Finance Director

# CITY OF MILLBRAE

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## DIRECTORY OF CITY OFFICIALS

### **MAYOR**

Wayne J. Lee

### **MEMBERS OF THE CITY COUNCIL**

Gina Papan

Anne Oliva

Reuben D. Holober

Ann Schneider

### **COUNCIL APPOINTED OFFICERS**

Thomas C. Williams

*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*

Paul Kunkel

*Law Enforcement Services*

Khee Lim

*Deputy City Manager /  
Public Works Director*

Angela Louis

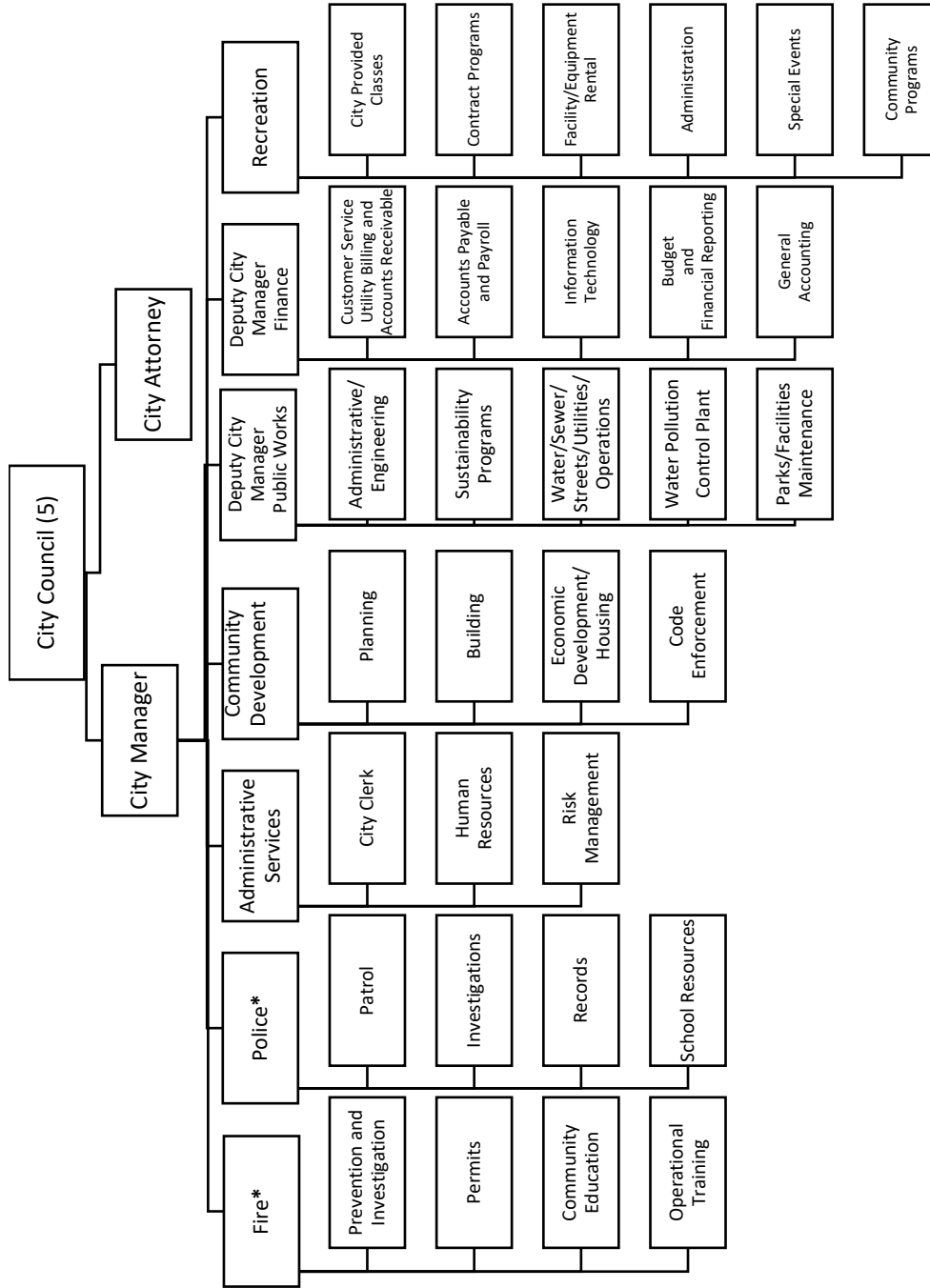
*Administrative Services Director*

Bradley Misner

*Community Development Director*

John Kammeyer

*Fire Chief*



\*Fire and Police Services are contract services.

Fire – Central County Fire

Police – San Mateo County Sheriff





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, 2018**

*Christopher P. Morill*

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, 2019, 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.

## **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, 2019, 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 93-99 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 104-119 and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

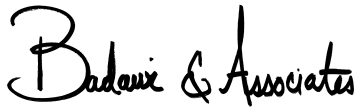
The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 104-119 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 104-119 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

To the Honorable Mayor and Members of the City Council  
of the City of Millbrae  
Millbrae, California  
Page 3

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 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 written in a cursive, flowing style.

Badawi and Associates  
Certified Public Accountants  
Berkeley, California  
December 13, 2019

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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, 2019. 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, 2019, the City's total net position increased by \$9.6 million or 12% from the prior year to \$88 million. The increase is primarily related to increase in capital assets in business-type activities.
- The total net position includes \$73.5 million net investment in capital assets (land, building, and equipment), \$28.6 million in restricted net position, and negative \$14 million in unrestricted net position primarily associated with net pension liability and long-term debt.
- Primary government revenues increased \$2.2 million or 6% from the prior year. Primary government expenses increased \$3.3 million or 10%. Increases in primary government expenses are primarily associated with Public Safety contract costs and expenses associated with large projects in Community Development. Costs for these large projects in Community Development are typically recovered from permit and fee revenue.
- The City's governmental funds reported a combined ending fund balance of \$47.5 million, a decrease of \$3.9 million or 7.6% from the previous year. Approximately \$13.2 million (27.8%) of this amount is available for spending (unassigned fund balance). While these funds are unassigned, in 2019, the City Council has designated \$4.8 million to an emergency reserve and made other commitments including adoption of a 5-year capital plan requiring use of available fund balance.
- The City's General Fund unrestricted fund balance (total of committed, assigned, and unassigned fund balance) was \$16.7 million which represents 53.5% 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 only nominally (\$10,000 or 0.02%) from the prior year. The City's Net OPEB Liability decreased over \$250,000. 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**

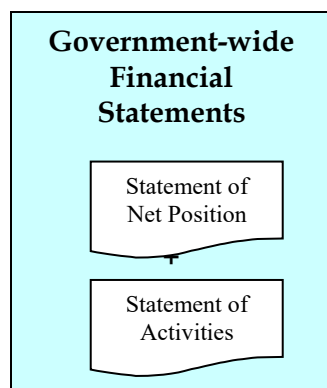
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. The 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.



The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial position.

The *Statement of Activities* presents information on the changes to net position that occurred during the reporting period. All changes to net position are reported as soon as the underlying event occurs, 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, Wastewater Collection, Water Pollution Control Plant (WPCP), and Storm Drain Maintenance and Improvements.

## **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.

<b><u>Fund</u></b>
A separate accounting entity with a self-balancing set of accounts
<b><u>Fund Categories</u></b>
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 administration, operation, and distribution of the City's Municipal Water System
Wastewater Treatment	To account for the administration, collection, and treatment of the City's Sanitary Sewer System including Wastewater (Sewer) Collections and Water Pollution Control Plant (WPCP)
Storm Drains	To account for the administration, operation, maintenance and improvements of the City's Storm Drains

### *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 for public safety (police and fire) vehicles
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 \$88 million as of June 30, 2019 compared to \$78.4 million at June 30, 2018. Overall, Government-wide Net Position increased \$9.6 million and Net Position for Governmental Activities increased \$1.3 million.

The largest portion of the City's net position is \$73.5 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 \$28.6 million (32.5%) 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 \$48.7 million and net OPEB liability of \$6.7 million. The total net pension liability increased nominally (\$10,000 or 0.02%) from the prior year and the

total net OPEB liability decreased over \$250,000. 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**  
**06/30/19**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 63,529,351	\$ 63,372,047	\$ 31,975,904	\$ 31,091,059	\$ 95,505,255	\$ 94,463,106
Capital assets	61,304,976	58,525,391	64,825,701	60,159,824	126,130,677	118,685,215
<b>Total assets</b>	<b>124,834,327</b>	<b>121,897,438</b>	<b>96,801,605</b>	<b>91,250,883</b>	<b>221,635,932</b>	<b>213,148,321</b>
<b>Deferred outflows</b>	<b>9,401,019</b>	<b>9,798,156</b>	<b>2,349,988</b>	<b>2,343,873</b>	<b>11,751,007</b>	<b>12,142,029</b>
<b>Liabilities</b>						
Short-Term Liabilities	2,003,513	2,104,510	1,959,751	1,832,756	3,963,264	3,937,266
Long-Term Liabilities	68,974,368	69,530,613	58,833,581	61,187,590	127,807,949	130,718,203
Other liabilities	5,388,350	3,317,647	2,919,580	3,987,427	8,307,930	7,305,074
<b>Total liabilities</b>	<b>76,366,231</b>	<b>74,952,770</b>	<b>63,712,912</b>	<b>67,007,773</b>	<b>140,079,143</b>	<b>141,960,543</b>
<b>Deferred inflows</b>	<b>4,357,835</b>	<b>4,550,834</b>	<b>951,082</b>	<b>421,546</b>	<b>5,308,917</b>	<b>4,972,380</b>
<b>Net position:</b>						
Net investments in capital assets	51,261,695	48,029,365	22,228,475	21,908,628	73,490,170	69,937,993
Restricted						
Debt service	1,206,753	1,160,351	-	-	1,206,753	1,160,351
Gas tax	757,831	409,306	-	-	757,831	409,306
Developer fee – operating	3,548,532	3,279,059	-	-	3,548,532	3,279,059
Housing activities	13,819,180	13,795,315	-	-	13,819,180	13,795,315
Other special programs	7,312,074	7,049,466	-	-	7,312,074	7,049,466
Measure A	2,001,542	3,168,710	-	-	2,001,542	3,168,710
Unrestricted	(26,396,327)	(24,699,582)	12,259,124	4,256,809	(14,137,203)	(20,442,773)
<b>Total net position</b>	<b>\$ 53,511,280</b>	<b>\$ 52,191,990</b>	<b>\$ 34,487,599</b>	<b>\$ 26,165,437</b>	<b>\$ 87,998,879</b>	<b>\$ 78,357,427</b>

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 increased \$2.2 million from \$36.4 million to \$38.5 million. Most revenue categories increased between 2018 and 2019. The largest increases occurred in property tax, Transient Occupancy Tax (TOT), charges for services especially associated with large development projects, and use of money and property (interest).
- Expenses associated with Governmental Activities increased \$3.4 million from \$33.2 million in 2018 to \$36.6 million in 2019. Increases in expenses are primarily associated with public safety contract costs and pass-through expenses associated with large development projects.

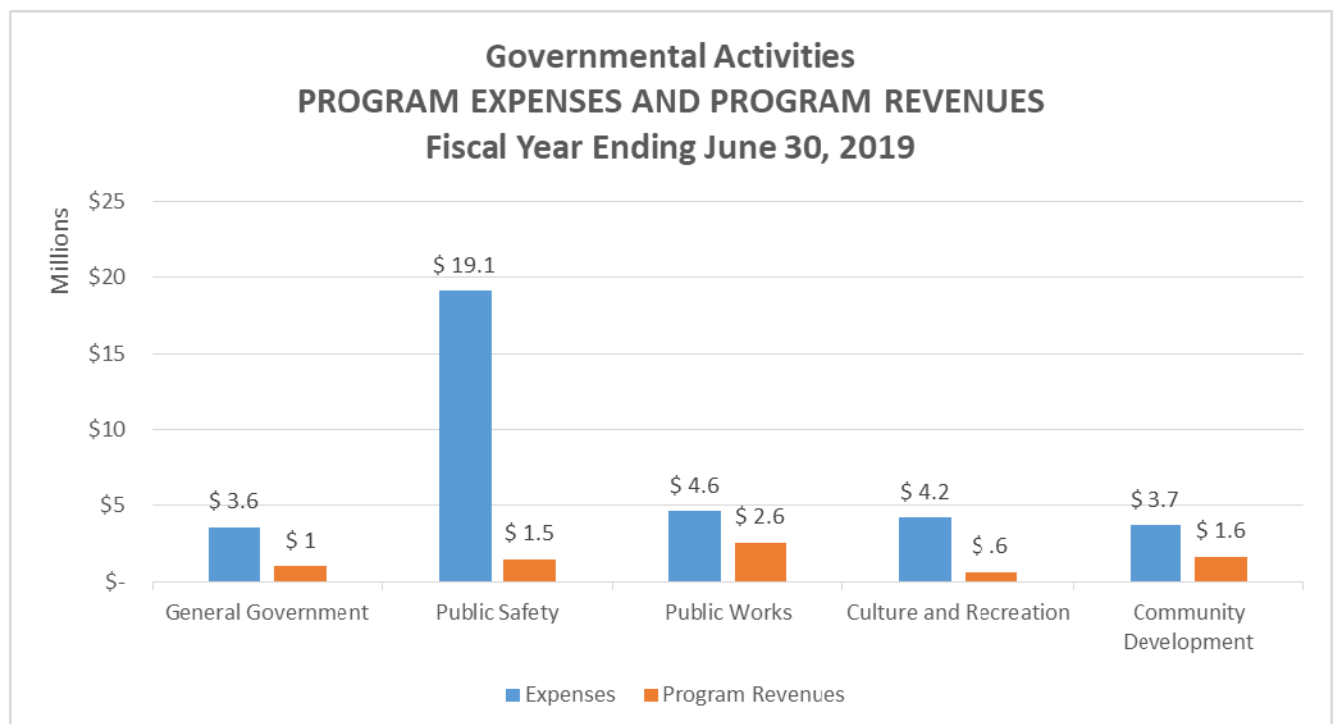
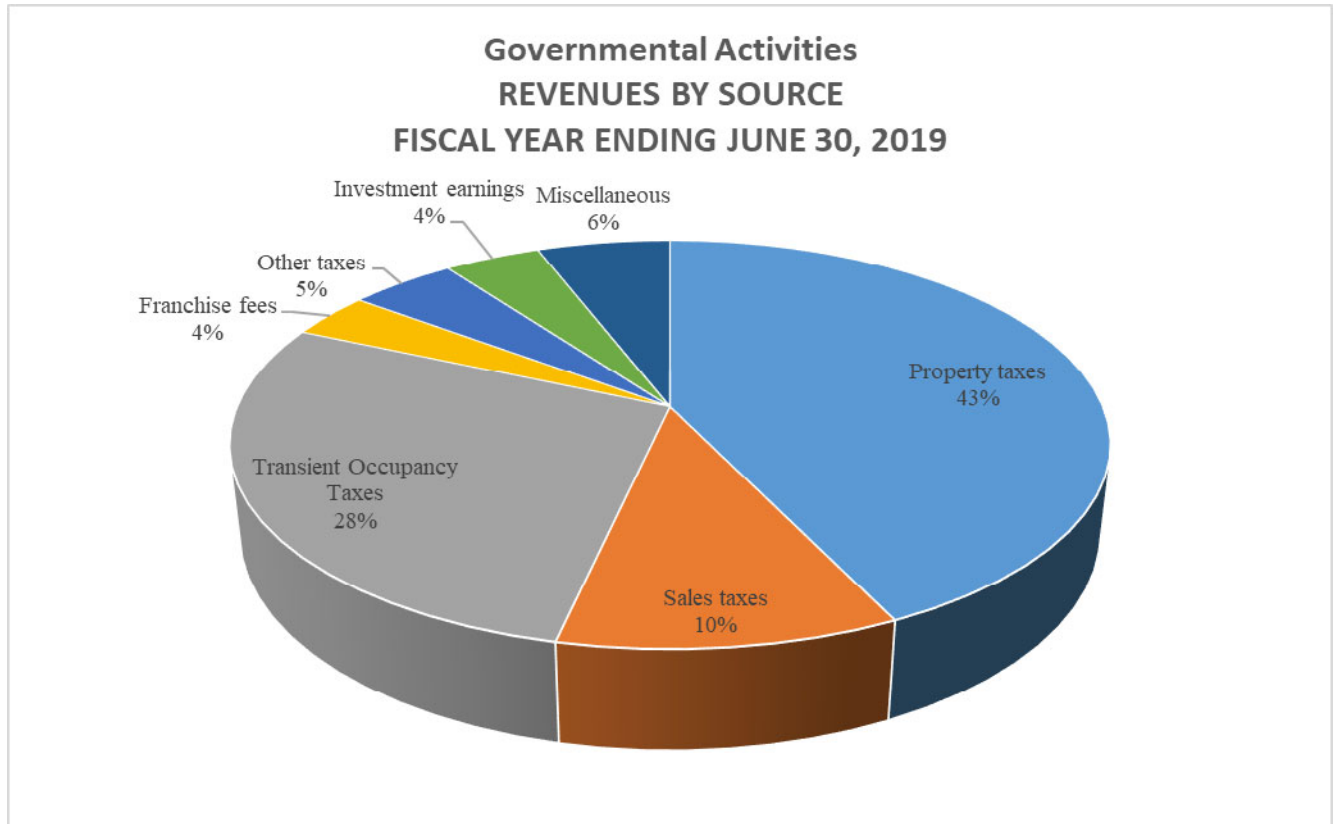
## Analysis of the Changes in Net Position

### STATEMENT OF ACTIVITIES CHANGE IN NET POSITION 06/30/19

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Program revenues</b>						
Charges for services	\$ 5,646,030	\$ 5,027,376	\$ 24,066,925	\$ 20,658,821	\$ 29,712,955	\$ 25,686,197
Capital Grants and Contributions	-	250,000	-	-	-	250,000
Operating contributions and grants	1,650,758	2,219,819	68	10,891	1,650,826	2,230,710
	7,296,788	7,497,195	24,066,993	20,669,712	31,363,781	28,166,907
<b>General revenues</b>						
Property taxes	13,402,213	12,528,779	-	-	13,402,213	12,528,779
Sales taxes	3,312,020	3,093,164	-	-	3,312,020	3,093,164
Transient Occupancy Taxes	8,810,889	8,483,124	-	-	8,810,889	8,483,124
Franchise fees	1,126,418	1,125,422	-	-	1,126,418	1,125,422
Other taxes	1,461,809	1,477,282	-	-	1,461,809	1,477,282
Investment earnings	1,319,971	358,903	964,706	177,227	2,284,677	536,130
Miscellaneous	1,823,648	1,829,265	-	-	1,823,648	1,829,265
General revenues subtotal	31,256,967	28,895,939	964,706	177,227	32,221,673	29,073,166
<b>Total Revenues</b>	38,553,755	36,393,134	25,031,699	20,846,939	63,585,454	57,240,073
<b>Expenses by activity</b>						
General government	3,577,691	3,659,939	-	-	3,577,691	3,659,939
Public safety	19,130,192	15,813,651	-	-	19,130,192	15,813,651
Public works	4,640,235	5,471,749	-	-	4,640,235	5,471,749
Culture and recreation	4,199,420	4,022,707	-	-	4,199,420	4,022,707
Redevelopment	-	-	-	-	-	-
Community development	3,701,587	2,908,676	-	-	3,701,587	2,908,676
Interest on long term debt	1,323,216	1,351,454	-	-	1,323,216	1,351,454
Municipal water system	-	-	7,193,634	7,327,317	7,193,634	7,327,317
Waste water treatment	-	-	9,176,462	9,041,724	9,176,462	9,041,724
Storm drain	-	-	1,001,565	886,446	1,001,565	886,446
<b>Total expenses</b>	36,572,341	33,228,176	17,371,661	17,255,487	53,944,002	50,483,663
Increase (decrease) before transfers	1,981,414	3,164,957	7,660,038	3,591,452	9,641,452	6,756,410
Transfers	(662,124)	(1,151,960)	662,124	1,151,960	-	-
Change in Net Position	1,319,290	2,012,997	8,322,162	4,743,412	9,641,452	6,756,410
Beginning Net Position	52,191,990	50,178,993	26,165,437	21,422,025	78,357,427	71,601,018
<b>Ending Net Position (June 30)</b>	\$ 53,511,280	\$ 52,191,990	\$ 34,487,599	\$ 26,165,437	\$ 87,998,879	\$ 78,357,428

## Governmental Activities

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

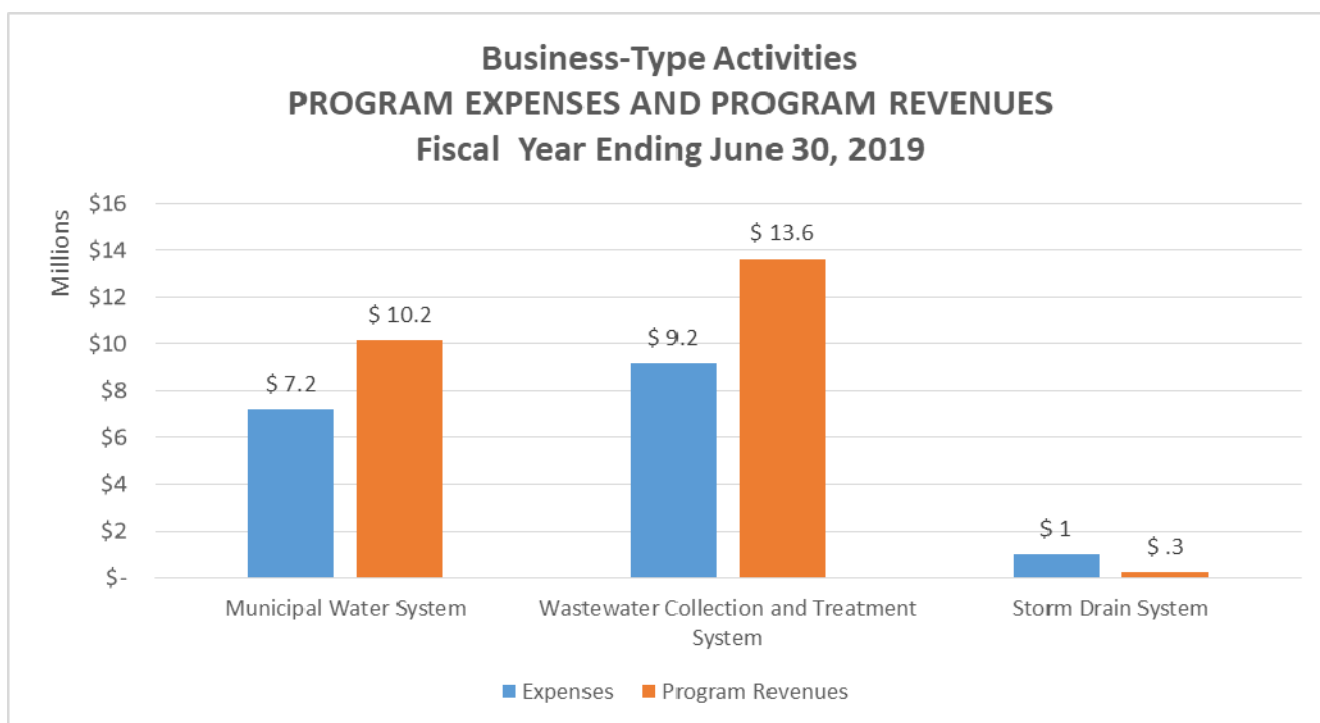


Governmental activities increased the City's total net position by \$1.3 million. This increase was driven by the following factors:

- Revenues from government activities totaled \$38.5 million, an increase of 2.1 million from the prior year. General revenue sources (Property Tax, Sales Taxes, Transient Occupancy Taxes, Other Taxes) increased \$2.4 million from collections in Fiscal Year 2018.
- Governmental activities revenues exceeded expenses by \$2 million before transfers and \$1.3 million after transfers.
- The total cost of governmental activities in fiscal year 2019 was \$36.6 million. Of this amount, \$7.3 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 \$8.3 million to \$34.5 million during fiscal year 2018 - 2019. Almost all revenues in these funds are based on fees and service charges. Key factors contributing to the increase from the prior year are as follows:

- Operating revenues in the Municipal Wastewater Fund increased due the annual increases in wastewater rates adopted in 2015 including a Clean Bay Charge which was updated in 2017. 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 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 million. At the same time, operational costs of the system declined slightly as the City deferred capital programs to meet the fund's reserve level of 10%.
- Business-type activities are intended to be self-sustaining wherein rate-based revenues charged to customers support the operating costs of 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 2019, the transfer from the General Fund to the Storm Drain Fund was slightly less than the prior year as fund balance was available to fund operations.

## **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 2018 - 2019 the City's Governmental Funds reported a combined ending Fund Balance (including restricted funds and funds set aside for emergencies or economic downturn) of \$47.5 million. This represents a decrease of \$3.9 million (7%) over the prior year ending balance of \$51.4 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 \$18.1 Million. As a measure of liquidity, both unassigned and assigned fund balance can be compared to total fund expenditures. Unassigned fund balance totals \$13.2 million or 64% of total general fund expenditures. Of this amount, \$4.8 million was designated for reserves, \$2.9 million was designated for a contribution to a housing project, and \$5 million allocated in the 2019 - 2020 budget primarily to fund a capital improvement program to replace aging infrastructure.



## **Comparative Analysis of Changes in Governmental Fund Balances**

### **COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FISCAL YEAR ENDING 6/30/2019**

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Net Fund Balances		Ending Fund Balances	
	2019	2018	2019	2018	2019	2018	2019	2018
General Fund	\$32,470,240	\$30,078,698	\$35,366,665	\$33,641,468	\$ (2,896,425)	\$ (3,562,770)	\$18,086,821	\$20,983,246
Low and Moderate Income Housing	24,265	18,144	400	-	23,865	18,144	13,819,180	13,795,315
Other Governmental Funds	7,365,285	8,633,592	8,409,905	9,529,912	(1,044,620)	(896,320)	15,578,479	16,623,099
<b>TOTAL</b>	<b>\$39,859,790</b>	<b>\$38,730,434</b>	<b>\$43,776,970</b>	<b>\$43,171,380</b>	<b>\$ (3,917,180)</b>	<b>\$ (4,440,946)</b>	<b>\$47,484,480</b>	<b>\$51,401,660</b>

### **Revenue and Expense Comparison**

The Fund Balance in the General Fund decreased by \$2.9 million. Before transfers, General Fund revenue exceeded expenditures by \$1.3 million. Transfers from the general fund totaling \$4.2 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 \$23,865 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 \$15.6 million, a decrease of 1 million 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 2018 - 2019 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 2018 - 2019 fiscal year compared to the prior fiscal year.

**GENERAL FUND**  
**REVENUE AND EXPENDITURE COMPARISON**  
**06/30/19**

	<b>General Fund</b>		<b>Dollar</b>	<b>Percentage</b>
	<b>2019</b>	<b>2018</b>	<b>Variance</b>	<b>Variance</b>
<b>REVENUES</b>				
Property Taxes	\$ 12,749,854	\$ 11,887,259	\$ 862,595	7.26%
Sales Tax	3,312,020	3,093,164	218,856	7.08%
Transient Occupancy Tax	8,810,889	8,483,124	327,765	3.86%
Franchise Fees	1,126,418	1,125,422	996	0.09%
Other Taxes	800,967	891,911	(90,944)	-10.20%
Licenses and Permits	788,391	608,737	179,654	29.51%
Charges for Services	1,339,138	754,109	585,029	77.58%
Fines and Forfeitures	1,187,345	1,296,068	(108,723)	-8.39%
Use of Money and Property	1,379,380	954,713	424,667	44.48%
Grants and Intergovernmental	272,832	243,433	29,399	12.08%
Miscellaneous	703,006	737,758	(34,752)	-4.71%
<b>Total Revenues</b>	<b>32,470,240</b>	<b>30,075,698</b>	<b>2,394,542</b>	<b>7.96%</b>
<b>EXPENDITURES</b>				
General Government	4,710,426	4,709,193	1,233	0.03%
Public Safety	17,303,089	15,683,208	1,619,881	10.33%
Public Works	3,714,554	3,388,752	325,802	9.61%
Culture and Recreation	1,864,230	1,790,129	74,101	4.14%
Community Development	3,000,564	1,940,714	1,059,850	54.61%
Capital Outlay	598,282	686,741	(88,459)	-12.88%
<b>Total Expenditures</b>	<b>31,191,145</b>	<b>28,198,737</b>	<b>2,992,408</b>	<b>10.61%</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	3,000	(3,000)	
Transfers Out	(4,175,520)	(5,442,731)	1,267,211	
<b>Total Other Financing</b>				
<b>Sources (Uses)</b>	<b>(4,175,520)</b>	<b>(5,439,731)</b>	<b>1,264,211</b>	
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,896,425)</b>	<b>(3,562,770)</b>		
<b>BEGINNING FUND BALANCE</b>	<b>20,983,246</b>	<b>24,546,016</b>		
<b>ENDING FUND BALANCE</b>	<b>\$ 18,086,821</b>	<b>\$ 20,983,246</b>		

## 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 fund, and storm drain fund. The total enterprise net position at the end of Fiscal Year 2019 was \$34.5 million, an increase of \$8.3 million from Fiscal Year 2018 (as restated). The primary sources of this increase were increased revenues resulting from impacts of rate increases adopted in 2015 (wastewater) and 2017 (water and clean bay charge [wastewater]). Several significant capital projects are in design and will require use of fund balance and revenues exceeding expenses. Changes in net position associated with Internal Service Funds are primarily associated with a review of the garage fund to assure sufficient funding to meet future equipment needs.

The following table shows actual revenues, expenses and results of operations (change in net position) for the fiscal year 2018 - 2019.

### PROPRIETARY FUNDS

6/30/2019

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non- Revenues (Expenses)	Transfers In (Out)	Change In Net Position
Municipal Water System	\$10,173,115	\$ 7,257,643	\$ 2,915,472	\$ 51,878	\$ (533,301)	\$ 2,434,069
Wastewater Fund	13,634,061	7,803,106	5,830,955	(552,425)	(404,575)	4,873,955
Storm Drain	259,749	1,018,893	(759,144)	-	1,600,000	840,856
Internal Service Funds	2,448,727	1,847,681	601,046	278,965	1,668,396	2,548,407
<b>TOTAL</b>	<b>\$26,515,652</b>	<b>\$17,927,323</b>	<b>\$ 8,588,329</b>	<b>\$ (221,582)</b>	<b>\$ 2,330,520</b>	<b>\$10,697,287</b>

### GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual revenues exceeded budget projections by \$1.5 million. Expenditures were below budget by \$3.8 million primarily associated with deferred capital projects. Expenses below budget were related to deferred spending on special and capital projects. More information about the Budget and Actuals can be found in the Required Supplementary Information.

## 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, 2019, increased \$7.5 million due to addition of capital assets especially in infrastructure 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 6/30/2019

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 14,298,260	\$ 14,298,260	\$ 1,500,500	\$ 1,500,500	\$ 15,798,760	\$ 15,798,760
Construction in Progress	4,406,749	2,710,368	517,285	-	4,924,035	2,710,368
Buildings and Improvements	12,914,164	13,366,863	33,428,381	34,277,048	46,342,544	47,643,911
Furniture, Fixtures and Equipment	1,164,607	1,332,244	2,369,142	2,609,577	3,533,750	3,941,821
Automobiles and Trucks	1,731,777	1,146,721	-	-	1,731,777	1,146,721
Infrastructure	26,789,418	25,670,935	27,010,393	21,772,699	53,799,811	47,443,634
<b>TOTAL</b>	<b>\$ 61,304,976</b>	<b>\$ 58,525,391</b>	<b>\$ 64,825,702</b>	<b>\$ 60,159,824</b>	<b>\$ 126,130,677</b>	<b>\$ 118,685,215</b>

### Debt Administration

As of June 30, 2019, the City had total long-term debt outstanding of \$73.4 million. This includes \$23.6 million related to Governmental Activities and \$49.9 million related to Business-type Activities.

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

The following table summarizes the City's outstanding long-term debt at June 30, 2019 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 6/30/2019**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
2004 Pension Obligation Bonds	\$ 13,522,022	\$ 13,725,187	\$ -	\$ -	\$ 13,522,022	\$ 13,725,187
2011 Police Remodel Lease Revenue Refunding Bonds (Direct Lender Tax Exempt Lease)	1,156,000	1,359,000	-	-	1,156,000	1,359,000
2013 General Obligation Refunding Bonds	8,550,000	8,780,000	-	-	8,550,000	8,780,000
Premium, net of amortization	337,283	357,025	-	-	337,283	357,025
2009 State Water Resources Board Water Pollution Control Plant	-	-	19,225,478	20,603,903	19,225,478	20,603,903
2009A Certificate of Participation: Wastewater Plant	-	-	5,560,000	5,560,000	5,560,000	5,560,000
2009B Wastewater Revenue Certificate of Participation	-	-	5,845,000	6,035,000	5,845,000	6,035,000
Premium, net of amortization	-	-	84,235	88,361	84,235	88,361
2018 Wastewater Revenue Bond	-	-	18,415,000	18,630,000	18,415,000	18,630,000
Premium, net of amortization	-	-	713,952	739,078	713,952	739,078
<b>TOTAL</b>	<b>\$ 23,565,305</b>	<b>\$ 24,221,212</b>	<b>\$ 49,843,666</b>	<b>\$ 51,656,342</b>	<b>\$ 73,408,970</b>	<b>\$ 75,877,554</b>

**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 2018 was 1.6% which is lower than that of San Mateo County (2.1%), San Mateo County (2.6%) and the State of California (4.2%). 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 Fiscal Year 2018 - 2019, the City is in the first year of a two-year budget cycle. For Fiscal Year 2018 - 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 Fiscal Year 2019 - 2020, the City initially projected an operating budget deficit of \$2 Million. At a mid-cycle update in 2019, staff identified resources to close that gap and presented a balanced operating budget for Fiscal Year 2019 - 2020 including updates to property tax revenues as well as updates to the citywide cost allocation plan after a study in 2019. Additional planned actions include update of City master service and fee schedule, a revenue enhancement study, and ongoing review of revenue projections and 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: Finance Director  
621 Magnolia Avenue  
Millbrae, CA 94030

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# **BASIC FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Millbrae**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 44,423,678	\$ 20,722,623	\$ 65,146,301
Cash with fiscal agent	19,906	7,246,440	7,266,346
Receivables:			
Taxes	1,857,720	-	1,857,720
Accounts - net	491,282	5,204,664	5,695,946
Accrued interest	211,928	31,000	242,928
Due from other governmental agencies	349,135	-	349,135
Internal balances	1,228,823	(1,228,823)	-
Prepaid items	1,403,607	-	1,403,607
Total current assets	49,986,079	31,975,904	81,961,983
Noncurrent assets:			
Land held for resale	1,911,814	-	1,911,814
Loans and notes receivable	11,631,458	-	11,631,458
Capital assets:			
Non-depreciable	18,705,010	2,017,785	20,722,795
Depreciable, net	42,599,966	62,807,916	105,407,882
Total capital asset	61,304,976	64,825,701	126,130,677
Total noncurrent assets	74,848,248	64,825,701	139,673,949
<b>Total assets</b>	<b>124,834,327</b>	<b>96,801,605</b>	<b>221,635,932</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer pension contributions	3,251,428	831,016	4,082,444
Deferred outflows of resources - OPEB	84,201	17,774	101,975
Deferred outflows of resources - pension	6,065,390	1,501,198	7,566,588
<b>Total deferred outflows of resources</b>	<b>9,401,019</b>	<b>2,349,988</b>	<b>11,751,007</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	4,126,822	1,921,398	6,048,220
Interest payable	171,621	230,151	401,772
Deposits payable	849,297	768,031	1,617,328
Unearned revenue	240,610	-	240,610
Compensated absences - due within one year	59,972	42,541	102,513
Accrued self-insurance - due within one year	330,541	-	330,541
Long-term debt - due within one year	1,613,000	1,917,210	3,530,210
Total current liabilities	7,391,863	4,879,331	12,271,194
Noncurrent liabilities:			
Compensated absences - due in more than one year	539,750	382,870	922,620
Accrued self-insurance - due in more than one year	1,504,500	-	1,504,500
Net OPEB liability	5,575,202	1,176,919	6,752,121
Net pension liability	39,402,611	9,347,336	48,749,947
Long-term debt - due in more than one year	21,952,305	47,926,456	69,878,761
Total noncurrent liabilities	68,974,368	58,833,581	127,807,949
<b>Total liabilities</b>	<b>76,366,231</b>	<b>63,712,912</b>	<b>140,079,143</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	4,357,835	951,082	5,308,917
<b>Total deferred inflows of resources</b>	<b>4,357,835</b>	<b>951,082</b>	<b>5,308,917</b>
<b>NET POSITION</b>			
Net investment in capital assets	51,261,695	22,228,475	73,490,170
Restricted for:			
Debt service	1,206,753	-	1,206,753
Gas tax	757,831	-	757,831
Developer fee (Millbrae station area development projects)	3,548,532	-	3,548,532
Housing activities	13,819,180	-	13,819,180
Other special programs	7,312,074	-	7,312,074
Measure A	2,001,542	-	2,001,542
Total restricted	28,645,912	-	28,645,912
Unrestricted	(26,396,327)	12,259,124	(14,137,203)
<b>Total net position</b>	<b>\$ 53,511,280</b>	<b>\$ 34,487,599</b>	<b>\$ 87,998,879</b>

**City of Millbrae**  
**Statement of Activities**  
**For the year ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,577,691	\$ 798,819	\$ 186,117	\$ -
Public safety	19,130,192	1,326,151	148,747	-
Public works	4,640,235	1,328,275	1,241,847	-
Culture and recreation	4,199,420	621,618	-	-
Community development	3,701,587	1,571,167	74,049	-
Interest on long-term debt	1,323,216	-	-	-
Total governmental activities	36,572,341	5,646,030	1,650,758	-
Business-type activities:				
Municipal water system	7,193,634	10,173,115	68	-
Wastewater collection and treatment system	9,176,462	13,634,061	-	-
Storm drain system	1,001,565	259,749	-	-
Total business-type activities	17,371,661	24,066,925	68	-
Total primary government	\$ 53,944,002	\$ 29,712,955	\$ 1,650,826	\$ -

**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**

**Net position - end of year**

Net (Expense) Revenue and Changes in Net Position			
Total	Governmental Activities	Business-Type Activities	Total
\$ 984,936	\$ (2,592,756)	\$ -	\$ -
1,474,898	(17,655,294)	-	-
2,570,122	(2,070,113)	-	-
621,618	(3,577,802)	-	-
1,645,216	(2,056,371)	-	-
-	(1,323,216)	-	-
7,296,789	(29,275,553)	-	-
10,173,183	-	2,979,549	2,979,549
13,634,061	-	4,457,599	4,457,599
259,749	-	(741,816)	(741,816)
24,066,993	-	6,695,332	6,695,332
\$ 31,363,782	(29,275,553)	6,695,332	(22,580,221)
13,402,213	-	13,402,213	
3,312,020	-	3,312,020	
8,810,889	-	8,810,889	
1,126,418	-	1,126,418	
1,461,809	-	1,461,809	
1,823,648	-	1,823,648	
29,936,996	-	29,936,996	
1,319,971	964,706	2,284,677	
(662,124)	662,124	-	
30,594,843	1,626,830	32,221,673	
1,319,290	8,322,162	9,641,452	
52,191,990	26,165,437	78,357,427	
\$ 53,511,280	\$ 34,487,599	\$ 87,998,879	

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# FUND FINANCIAL STATEMENTS

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*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, 2019**

	Major Funds			
	General	Low and Moderate Income Housing Asset Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 17,765,255	\$ 273,571	\$ 16,981,417	\$ 35,020,243
Cash with fiscal agent	-	-	19,906	19,906
Receivables:				
Taxes	1,745,433	-	112,287	1,857,720
Accounts - net	103,111	2,337	375,679	481,127
Accrued interest	211,928	-	-	211,928
Due from other governmental agencies	341,066	-	8,069	349,135
Loans	-	11,631,458	-	11,631,458
Prepaid items	1,403,607	-	-	1,403,607
Land held for resale	-	1,911,814	-	1,911,814
<b>Total assets</b>	<b>\$ 21,570,400</b>	<b>\$ 13,819,180</b>	<b>\$ 17,497,358</b>	<b>\$ 52,886,938</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued payroll	\$ 2,825,746	\$ -	\$ 1,226,805	\$ 4,052,551
Deposits	313,223	-	536,074	849,297
Unearned revenue	84,610	-	156,000	240,610
<b>Total liabilities</b>	<b>3,223,579</b>	<b>-</b>	<b>1,918,879</b>	<b>5,142,458</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	260,000	-	-	260,000
<b>Total Deferred inflows of resources</b>	<b>260,000</b>	<b>-</b>	<b>-</b>	<b>260,000</b>
<b>Fund Balances:</b>				
Nonspendable	1,403,607	-	-	1,403,607
Restricted	-	13,819,180	14,826,732	28,645,912
Committed	-	-	751,747	751,747
Assigned	3,456,045	-	-	3,456,045
Unassigned	13,227,169	-	-	13,227,169
<b>Total fund balances</b>	<b>18,086,821</b>	<b>13,819,180</b>	<b>15,578,479</b>	<b>47,484,480</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,570,400</b>	<b>\$ 13,819,180</b>	<b>\$ 17,497,358</b>	<b>\$ 52,886,938</b>

# City of Millbrae

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2019

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 47,484,480</b>
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)	18,705,010
Depreciable, net of accumulated depreciation (and net of internal service fund capital assets of \$2,030,034)	40,569,932
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.	(171,621)
Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	260,000
Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds	(5,575,202)
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:	3,196,613
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	5,966,368
Deferred outflows of resources - OPEB	84,201
Deferred inflows of resources - pension	(4,295,100)
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	(1,613,000)
Long-term liabilities - due in more than one year:	
Net pension liability, net of internal service fund amount	(38,786,041)
Long-term debt	(21,952,305)
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.	
	9,637,945
<b>Net Position of Governmental Activities</b>	<b>\$ 53,511,280</b>

# City of Millbrae

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2019

	Major Funds			
	General	Low and Moderate Income Housing Asset	Non-Major Governmental	Total Governmental
	Fund	Fund	Funds	Funds
<b>REVENUES:</b>				
Property tax	\$ 12,749,854	\$ -	\$ 652,360	\$ 13,402,214
Sales tax	3,312,020	-	-	3,312,020
Transient occupancy tax	8,810,889	-	-	8,810,889
Franchise fees	1,126,418	-	-	1,126,418
Other taxes	800,967	-	1,566,758	2,367,725
Licenses and permits	788,391	-	54,396	842,787
Charges for services	1,339,138	-	1,514,929	2,854,067
Fines and forfeitures	1,187,345	-	-	1,187,345
Use of money and property	1,379,380	24,265	399,190	1,802,835
Grants and intergovernmental	272,832	-	212,011	484,843
Miscellaneous	703,006	-	1,120,641	1,823,647
<b>Total revenues</b>	<b>32,470,240</b>	<b>24,265</b>	<b>5,520,285</b>	<b>38,014,790</b>
<b>EXPENDITURES:</b>				
Current:				
General government	4,710,426	-	-	4,710,426
Public safety	17,303,089	-	-	17,303,089
Public works	3,714,554	-	694,610	4,409,164
Culture and recreation	1,864,230	-	2,216,573	4,080,803
Community development	3,000,564	400	547,010	3,547,974
Capital outlay	598,282	-	2,965,878	3,564,160
Debt service:				
Principal	-	-	1,543,000	1,543,000
Interest, and fiscal charges	-	-	442,834	442,834
<b>Total expenditures</b>	<b>31,191,145</b>	<b>400</b>	<b>8,409,905</b>	<b>39,601,450</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,279,095</b>	<b>23,865</b>	<b>(2,889,620)</b>	<b>(1,586,660)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	1,845,000	1,845,000
Transfers out	(4,175,520)	-	-	(4,175,520)
<b>Total other financing sources (uses)</b>	<b>(4,175,520)</b>	<b>-</b>	<b>1,845,000</b>	<b>(2,330,520)</b>
<b>Net change in fund balances</b>	<b>(2,896,425)</b>	<b>23,865</b>	<b>(1,044,620)</b>	<b>(3,917,180)</b>
<b>FUND BALANCES:</b>				
Beginning of year	20,983,246	13,795,315	16,623,099	51,401,660
End of year	\$ 18,086,821	\$ 13,819,180	\$ 15,578,479	\$ 47,484,480

# 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, 2019

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (3,917,180)</b>
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.	4,001,160
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 \$346,572 that was recorded in the internal service funds.	(1,647,080)
Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, it was not reported as expenditures in the Governmental Funds.	(141,265)
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:	3,196,613
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(3,617,876)
Net change in OPEB liability	147,175
Unpaid interest added to long-term debt	(906,835)
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 Position.	
Long-term debt repayments	1,543,000
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
Revenues that are not considered to be available are reported as unavailable revenues in the governmental funds, however these amounts are recognized in the Government-Wide Statement of Activities. This amount represents the change in unavailable revenues.	260,000
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, 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.	6,710
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.	2,375,125
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,319,290</b>

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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, 2019**

	Business-Type Activities Enterprise Funds			Governmental
	Municipal	Wastewater	Non-Major	Activities -
	Water	Collection and	Storm Drain	Internal Service
	System	Treatment System	System	Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 2,911,277	\$ 16,392,932	\$ 1,418,414	\$ 20,722,623
Cash with fiscal agents	-	7,246,440	-	7,246,440
Receivables:				
Accounts - net	2,279,821	2,921,072	3,771	5,204,664
Accrued interest	-	31,000	-	31,000
Total current assets	5,191,098	26,591,444	1,422,185	33,204,727
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	70,094	1,820,015	127,676	2,017,785
Depreciable capital assets, net	9,230,904	51,976,674	1,600,338	62,807,916
Total capital assets	9,300,998	53,796,689	1,728,014	64,825,701
Total noncurrent assets	9,300,998	53,796,689	1,728,014	64,825,701
<b>Total assets</b>	<b>14,492,096</b>	<b>80,388,133</b>	<b>3,150,199</b>	<b>98,030,428</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred employer pension contributions	188,538	593,162	49,316	831,016
Deferred outflows of resources - OPEB	3,850	12,631	1,293	17,774
Deferred outflows of resources - pension	340,588	1,071,523	89,087	1,501,198
<b>Total deferred outflows of resources</b>	<b>532,976</b>	<b>1,677,316</b>	<b>139,696</b>	<b>2,349,988</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued payroll	644,406	1,173,577	103,415	1,921,398
Interest payable	-	230,151	-	230,151
Deposits	685,346	81,185	1,500	768,031
Compensated absences - due within one year	13,508	25,835	3,198	42,541
Accrued self insurance - due within one year	-	-	-	-
Long-term debt - due within one year	-	1,917,210	-	1,917,210
Total current liabilities	1,343,260	3,427,958	108,113	4,879,331
Noncurrent liabilities:				
Compensated absences - due in more than one year	121,571	232,515	28,784	382,870
Accrued self-insurance - due in more than one year	-	-	-	-
Net pension liability	2,120,692	6,671,936	554,708	9,347,336
Net OPEB liability	254,954	836,332	85,633	1,176,919
Long-term debt - due in more than one year	-	47,926,456	-	47,926,456
Total noncurrent liabilities	2,497,217	55,667,239	669,125	58,833,581
<b>Total liabilities</b>	<b>3,840,477</b>	<b>59,095,197</b>	<b>777,238</b>	<b>63,712,912</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related amounts	215,778	678,863	56,441	951,082
<b>Total deferred inflows of resources</b>	<b>215,778</b>	<b>678,863</b>	<b>56,441</b>	<b>951,082</b>
<b>NET POSITION</b>				
Net investment in capital assets	9,300,998	11,199,463	1,728,014	22,228,475
Unrestricted	1,667,819	11,091,926	728,202	13,487,947
<b>Total net position</b>	<b>\$ 10,968,817</b>	<b>\$ 22,291,389</b>	<b>\$ 2,456,216</b>	<b>35,716,422</b>
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				(1,228,823)
Net position business-type activities				\$ 34,487,599



# City of Millbrae

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

### Proprietary Funds

For the year ended June 30, 2019

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Fund
	Municipal Water System	Wastewater Collection and Treatment System	Non-Major Storm Drain System	Total	
<b>OPERATING REVENUES:</b>					
Water Sales	\$ 9,948,329	\$ -	\$ -	\$ 9,948,329	\$ -
Sewer service fees	-	13,261,834	-	13,261,834	-
Interdepartmental charges	-	-	-	-	2,379,310
Storm drain fees	-	-	243,863	243,863	-
Miscellaneous	224,786	372,227	15,886	612,899	69,417
<b>Total operating revenues</b>	<b>10,173,115</b>	<b>13,634,061</b>	<b>259,749</b>	<b>24,066,925</b>	<b>2,448,727</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	1,266,061	4,049,578	431,896	5,747,535	468,941
Contractual services	371,368	1,469,197	467,260	2,307,825	172,248
Materials, supplies and other services	771,585	731,440	40,692	1,543,717	154,896
Water purchases	4,409,595	-	-	4,409,595	-
Depreciation	311,035	1,213,947	56,105	1,581,087	346,572
Utilities	63,684	178,386	7,661	249,731	-
Insurance premiums and claims	64,315	160,558	15,279	240,152	705,024
<b>Total operating expenses</b>	<b>7,257,643</b>	<b>7,803,106</b>	<b>1,018,893</b>	<b>16,079,642</b>	<b>1,847,681</b>
<b>OPERATING INCOME</b>	<b>2,915,472</b>	<b>5,830,955</b>	<b>(759,144)</b>	<b>7,987,283</b>	<b>601,046</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest revenue	57,133	907,572	-	964,705	278,965
Interest expense and fiscal charges	-	(1,459,626)	-	(1,459,626)	-
Gain (loss) on sale	(5,303)	(371)	-	(5,674)	-
Grants	68	-	-	68	-
<b>Total nonoperating revenues (expenses)</b>	<b>51,898</b>	<b>(552,425)</b>	<b>-</b>	<b>(500,527)</b>	<b>278,965</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>2,967,370</b>	<b>5,278,530</b>	<b>(759,144)</b>	<b>7,486,756</b>	<b>880,011</b>
Transfers in	-	-	1,965,458	1,965,458	1,668,396
Transfers out	(533,301)	(404,575)	(365,458)	(1,303,334)	-
<b>Total transfers</b>	<b>(533,301)</b>	<b>(404,575)</b>	<b>1,600,000</b>	<b>662,124</b>	<b>1,668,396</b>
<b>Change in net position</b>	<b>2,434,069</b>	<b>4,873,955</b>	<b>840,856</b>	<b>8,148,880</b>	<b>2,548,407</b>
<b>NET POSITION</b>					
Beginning of year	8,534,748	17,417,434	1,615,360		5,860,715
End of year	\$ 10,968,817	\$ 22,291,389	\$ 2,456,216		\$ 8,409,122
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				173,282	
Change in net position of business-type activities				\$ 8,322,162	

**City of Millbrae**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2019**

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Fund
	Municipal Water System	Wastewater Collection and Treatment System	Non-Major Storm Drain System	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from others	\$ 3,784	\$ 119	\$ -	\$ 3,903	\$ 69,417
Receipts from customers	10,108,226	13,298,613	263,519	23,670,358	-
Receipts from other funds	-	-	-	-	2,369,155
Payments to suppliers	(5,560,388)	(3,534,803)	(477,586)	(9,572,777)	(274,321)
Payments to employees	(1,186,196)	(4,039,945)	(412,312)	(5,638,453)	(344,277)
Claims paid	(64,315)	(160,558)	(15,279)	(240,152)	(900,973)
<b>Cash Flows from Operating Activities</b>	<b>3,301,111</b>	<b>5,563,426</b>	<b>(641,658)</b>	<b>8,222,879</b>	<b>919,001</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash receipts from operating grants	68	-	-	68	-
Transfers in	-	-	1,965,458	1,965,458	1,668,396
Transfers out	(533,301)	(404,575)	(365,458)	(1,303,334)	-
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(533,233)</b>	<b>(404,575)</b>	<b>1,600,000</b>	<b>662,192</b>	<b>1,668,396</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets, net	(110,144)	(5,982,817)	(159,677)	(6,252,638)	(913,341)
Principal payments on debt	-	(1,812,675)	-	(1,812,675)	-
Interest paid	-	(1,469,196)	-	(1,469,196)	-
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(110,144)</b>	<b>(9,264,688)</b>	<b>(159,677)</b>	<b>(9,534,509)</b>	<b>(913,341)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES FINANCING ACTIVITIES</b>					
Interest	57,133	907,572	-	964,705	278,965
<b>Cash Flows from Noncapital Financing Activities</b>	<b>57,133</b>	<b>907,572</b>	<b>-</b>	<b>964,705</b>	<b>278,965</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,714,867</b>	<b>(3,198,265)</b>	<b>798,665</b>	<b>315,267</b>	<b>1,953,021</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>196,410</b>	<b>26,837,637</b>	<b>619,749</b>	<b>27,653,796</b>	<b>7,450,414</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 2,911,277</b>	<b>\$ 23,639,372</b>	<b>\$ 1,418,414</b>	<b>\$ 27,969,063</b>	<b>\$ 9,403,435</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>					
Cash and investments	\$ 2,911,277	\$ 16,392,932	\$ 1,418,414	\$ 20,722,623	\$ 9,403,435
Cash with fiscal agents	-	7,246,440	-	7,246,440	-
<b>Total</b>	<b>\$ 2,911,277</b>	<b>\$ 23,639,372</b>	<b>\$ 1,418,414</b>	<b>\$ 27,969,063</b>	<b>\$ 9,403,435</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income	\$ 2,915,472	\$ 5,830,955	\$ (759,144)	\$ 7,987,283	\$ 601,046
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	311,035	1,213,947	56,105	1,581,087	346,572
Changes in assets and liabilities:					
Accounts receivable	(98,898)	(301,168)	3,770	(396,296)	(10,155)
Deferred outflows - pension	(1,269)	(3,986)	(332)	(5,587)	(369)
Deferred outflows - OPEB	(384)	19	(163)	(528)	-
Accounts payable and accrued payroll	55,844	(1,155,780)	38,027	(1,061,909)	52,823
Deposits payable	37,793	(34,161)	-	3,632	-
Compensated absences	18,227	(87,606)	1,483	(67,896)	104,519
Accrued self-insurance	-	-	-	-	(195,949)
Net OPEB Liability	(7,265)	(120,775)	140	(127,900)	-
Net pension liability	(49,583)	(155,991)	(12,969)	(218,543)	(14,415)
Deferred inflows - pension	120,139	377,972	31,425	529,536	34,929
<b>Total adjustments</b>	<b>385,639</b>	<b>(267,529)</b>	<b>117,486</b>	<b>235,596</b>	<b>317,955</b>
<b>Net cash provided by operating activities</b>	<b>\$ 3,301,111</b>	<b>\$ 5,563,426</b>	<b>\$ (641,658)</b>	<b>\$ 8,222,879</b>	<b>\$ 919,001</b>

See accompanying Notes to Basic Financial Statements.

## 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, 2019**

	Successor Agency to the Redevelopment Agency Private- Trust Fund	OPEB Trust Fund
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 572,666	\$ -
Cash with fiscal agents	123	7,254,707
<b>Total assets</b>	<b>572,789</b>	<b>7,254,707</b>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Current liabilities		
Payable to broker	-	18,219
Interest payable	100,135	-
Long-term debt		
Portion due within one year	240,000	-
Portion due in more than one year	5,824,632	-
<b>Total liabilities</b>	<b>6,164,767</b>	<b>18,219</b>
<b>NET POSITION</b>		
Restricted for OPEB	-	7,236,488
Restricted for other purposes	(5,591,978)	-
<b>Total net position</b>	<b>\$ (5,591,978)</b>	<b>\$ 7,236,488</b>

**City of Millbrae**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2019**

	Successor Agency to the Redevelopment Agency Private- Trust Fund	OPEB Trust Fund
<b>ADDITIONS:</b>		
Property Tax	\$ 695,482	\$ -
Investment income:		
Interest and dividends	7,190	-
Net increase in fair value of investments	-	371,984
Investment expense	-	(20,687)
Total Investment Income		351,297
<b>Total additions</b>	<b>702,672</b>	<b>351,297</b>
<b>DEDUCTIONS:</b>		
Community Development	259,811	-
Interest and fiscal charges	233,845	-
<b>Total deductions</b>	<b>493,656</b>	<b>-</b>
<b>Change in net position</b>	<b>209,016</b>	<b>351,297</b>
<b>NET POSITION:</b>		
Beginning of year	(5,800,994)	6,885,191
End of year	<u>\$ (5,591,978)</u>	<u>\$ 7,236,488</u>

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**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 (police and fire), highways and streets, wastewater collection and treatment, water utility, 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

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

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

***B. Basis of Accounting and Measurement Focus, Continued***

**Government-Wide Financial Statements, Continued**

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 Special Revenue 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.

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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

***B. Basis of Accounting and Measurement Focus, Continued***

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.

**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 two fiduciary funds which are a private-purpose trust fund and an OPEB 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). OPEB trust fund accounts for contributions made to the City's established IRC section 115 irrevocable trust fund. 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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

***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.

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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

***E. Prepaids 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, 2019 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34.

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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

***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.

Bond premiums and discounts 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, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

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 are recognized during the current period as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. 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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

***K. Property Taxes, Continued***

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

	Secured	Unsecured
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.

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, 2019
Measurement Period	July 1, 2018 to June 30, 2019

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**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.

**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 constrain 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.



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Q. *Fund Balances, Continued***

**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.

**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 2019, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of this statement did not apply to the City for the current fiscal year.

**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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**2. CASH AND INVESTMENTS, CONTINUED**

**A. Summary of Cash and Investments, Continued**

The following is a summary of cash and investments at June 30, 2019:

	Government-Wide Statement of Net Position		Fiduciary Funds Statement of Net Position	Total
	Governmental Activities	Business-Type Activities		
Cash and investments	\$ 44,423,678	\$ 20,722,623	\$ 572,666	\$ 65,718,967
Restricted cash and investments	19,906	7,246,440	123	7,266,469
OPEB trust investment pool			7,254,707	7,254,707
Total cash and investments	<u>\$ 44,443,584</u>	<u>\$ 27,969,063</u>	<u>\$ 7,827,496</u>	<u>\$ 80,240,143</u>

Cash and investments as of June 30, 2019 consisted of the following:

Deposits:	
Cash on hand	\$ 1,150
Deposits with financial institutions	1,136,275
Total deposits	<u>1,137,425</u>
Investments:	
San Mateo Investment Pool	3,775,190
Local Agency Investment funds	17,881,003
PFM Group	42,925,349
Total investments	<u>64,581,542</u>
Total City Treasury	<u>65,718,967</u>
Restricted cash and investments	7,266,469
OPEB Trust investment pool	7,254,707
Total cash and investments	<u>\$ 80,240,143</u>

**B. Deposits**

The carrying amount of the City's cash deposit was \$1,136,275 at June 30, 2019. Bank balances before reconciling items were a positive amount of \$2,498,779 at June 30, 2019. 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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**2. CASH AND INVESTMENTS, CONTINUED**

***B. Deposits, Continued***

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;
- 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;

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**2. CASH AND INVESTMENTS, CONTINUED**

***C. Investments, continued***

**Authorized Investments by the City, Continued**

- 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
- 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 of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**2. CASH AND INVESTMENTS, CONTINUED**

***C. Investments, continued***

**Authorized Investments by the City, Continued**

City did not enter into any reverse repurchase agreements during the year ended June 30, 2019.

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, 2019, 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, 2019, the City had \$17,881,003 invested in LAIF, which had invested 1.77% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.67% in the previous year. The LAIF fair value factor of 1.001711790 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 1.0026 was used to calculate the fair value of the investments in the County Pool.

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:

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**2. CASH AND INVESTMENTS, CONTINUED**

**C. Investments, continued**

**Authorized Investments by the City, Continued**

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, 2019, the trust had a balance of \$7,254,707. 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, 2019.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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 Depositary 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	\$ 17,881,003	\$ 17,881,003	\$ -	\$ -	\$ -	\$ -
San Mateo County Pool	3,775,190	3,775,190	-	-	-	-
California Asset Management Program Pool	21,507,237	21,507,237	-	-	-	-
Money Market Funds - Black Rock Fed Fund	42,868	42,868	-	-	-	-
U.S. Treasury Notes	8,935,810	-	-	2,508,903	3,235,051	3,191,855
Federal Agency Coll. Mortgage Obligation	503,721	-	-	395,973	107,748	-
Federal Agency Bonds/Notes	3,007,203	-	-	1,883,355	-	1,123,848
Corporate Bonds and Notes	3,834,771	659,461	1,441,403	686,695	686,385	360,827
Certificates of Deposit	3,229,898	1,431,534	1,798,364	-	-	-
Asset-Backed Securities	1,863,843	-	-	688,841	936,474	238,527
<b>Total</b>	<b>\$ 64,581,542</b>	<b>\$ 45,297,293</b>	<b>\$ 3,239,767</b>	<b>\$ 6,163,767</b>	<b>\$ 4,965,658</b>	<b>\$ 4,915,057</b>

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the amortized costs provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2019, the fair value was approximate to the City's cost. At June 30, these investments had an average maturity of 54 days.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**2. CASH AND INVESTMENTS, CONTINUED**

***D. Risk Disclosures, Continued***

The City, as a CAMP shareholder, may withdraw all or any portion of the funds in its CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the City may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal.

*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, 2019 for each investment type:

Investment type	AAA	AA+	AA-	A+	A	A-	A-1+	A-1	BBB+	Total
U.S. Treasury Notes	\$ -	\$ 8,935,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,935,810
Federal Agency Coll. Mortgage Oblig.	-	503,721	-	-	-	-	-	-	-	503,721
Federal Agency Bonds/Notes	-	3,007,203	-	-	-	-	-	-	-	3,007,203
Corporate Bonds and Notes	-	-	462,203	129,964	1,297,375	1,477,552	-	-	402,754	3,834,771
Certificates of Deposit	-	-	408,791	251,294	411,243	-	670,611	1,487,959	-	3,229,898
Asset-Backed Securities	1,512,382	-	-	-	-	-	-	-	-	1,512,382
Money Market Funds - Black Rock Fed. Fund	42,867	-	-	-	-	-	-	-	-	42,867
<i>Not rated:</i>										
Local Agency Investment Fund										17,881,003
San Mateo County Investment Fund										3,775,190
California Asset Management Program Pool										21,507,237
Asset-Backed Securities										351,460
Total Investment										<u>\$ 64,581,542</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, 2019 are described below.

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.



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**2. CASH AND INVESTMENTS, CONTINUED**

***E. Investment Valuation, Continued***

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments not subject to levels				
U.S. Treasury Securities	\$ 8,935,810	\$ 8,935,810	\$ -	\$ -
Federal Agency Securities	3,510,924	-	3,510,924	-
Corporate Bonds and Notes	5,698,613	-	5,698,613	-
Total investments subject to levels	18,145,347	8,935,810	9,209,538	-
Investments not subject to levels				
Sam Mateo County Pool	3,775,190	-	-	-
Local Agency Investment Fund	17,881,003	-	-	-
Money Market Funds - Black Rock Fed Fund	42,868	-	-	-
Certificates of deposit	3,229,898	-	-	-
Investments Measured at Net Asset Value Per Share				
California Asset Management Program Pool	21,507,237	-	-	-
Total investments subject to fair value	\$ 64,581,542	\$ 8,935,810	\$ 9,209,538	\$ -

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.

**3. INTERFUND TRANSACTIONS**

**Transfers**

At June 30, 2019, the City had the following transfers in/out which arise in the normal course of operations.

Transfers Out	Transfers In			
	Non-Major Governmental Fund	Non-Major Enterprise Fund	Proprietary Internal Service Funds	Total
General Fund	\$ 1,845,000	\$ 1,965,458	\$ 365,062	\$ 4,175,520
Municipal Water System Fund	-	-	533,301	533,301
Wastewater Collection and Treatment System Fund	-	-	404,575	404,575
Non-Major Enterprise Fund	-	-	365,458	365,458
Total	\$ 1,845,000	\$ 1,965,458	\$ 1,668,396	\$ 5,478,854

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, 2019**

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**4. LOANS AND NOTES RECEIVABLE**

As of June 30, 2019, the City's loans and notes receivable totaled \$11,631,458 and were composed of the following:

	Balance as of June 30, 2019
Low-and-Moderate First Time Home Buyer Program	\$ 418,737
Dolores Lia Apartments Loan	5,700,000
Below Market Rate Loans:	
88 South Boradway	4,143,040
1388 Broadway	1,369,681
<b>Total:</b>	<b>\$ 11,631,458</b>

**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, 2019**

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

As of June 30, 2019, 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	4,406,750	517,285	4,924,035
Total non-depreciable assets	18,705,010	2,017,785	20,722,795
Depreciable assets:			
Buildings and Improvements	20,359,822	41,535,369	61,895,191
Furniture, Fixtures and Equipment	4,824,632	14,619,633	19,444,265
Automobiles and Trucks	4,019,013	26,696	4,045,709
Infrastructure	64,034,559	36,752,103	100,786,662
	93,238,026	92,933,801	186,171,827
Less accumulated depreciation:			
Buildings and improvements	7,445,658	8,106,988	15,552,646
Furniture, Fixtures and Equipment	3,660,024	12,250,491	15,910,515
Automobiles and Trucks	2,287,236	26,695	2,313,931
Infrastructure	37,245,142	9,741,711	46,986,853
Total accumulated depreciation	50,638,060	30,125,885	80,763,945
Total depreciable assets	42,599,966	62,807,916	105,407,882
<b>Total capital assets</b>	<b>\$ 61,304,976</b>	<b>\$ 64,825,701</b>	<b>\$ 126,130,677</b>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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:

	Balance at June 30, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
<b>Government activities</b>					
Capital assets not being depreciated:					
Land	\$ 14,298,260				\$ 14,298,260
Construction in progress	2,710,368	4,096,450	(162,895)	(2,237,173)	4,406,750
Total capital assets not being depreciated	17,008,628	4,096,450	(162,895)	(2,237,173)	18,705,010
Capital assets being depreciated:					
Buildings and Improvements	20,459,535	3,789	(200,887)	97,386	20,359,823
Furniture, Fixtures, and Equipment	5,451,668	93,289	(798,798)	78,472	4,824,631
Automobiles and Trucks	3,139,917	883,870	(4,774)	-	4,019,013
Infrastructure	62,087,228	-	(113,984)	2,061,315	64,034,559
Total capital assets being depreciated	91,138,348	980,948	(1,118,443)	2,237,173	93,238,026
Less accumulated depreciation for:					
Buildings and Improvements	7,092,672	442,493	(89,507)	-	7,445,658
Furniture, Fixtures, and Equipment	4,119,424	332,594	(791,993)	-	3,660,025
Automobiles and Trucks	1,993,196	298,813	(4,774)	-	2,287,235
Infrastructure	36,416,293	919,753	(90,904)	-	37,245,142
Total accumulated depreciation	49,621,585	1,993,653	(977,178)	-	50,638,060
Total capital assets, net	41,516,763	(1,012,705)	(141,265)	2,237,173	42,599,966
Government activities capital assets, net	\$ 58,525,391	\$ 3,083,745	\$ (304,160)	\$ -	\$ 61,304,976

Depreciation expense by program for capital assets for the year ended June 30, 2019 was as follows:

General Government	\$ 618,626
Public Works	945,627
Culture and Recreation	72,238
Community Development	10,590
Internal Service Funds	346,572
<b>Total Governmental Activities</b>	<b>\$ 1,993,653</b>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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 at June 30, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,500,500				\$ 1,500,500
Construction in Progress	-	6,717,899	(465,260)	(5,735,354)	517,285
Total capital assets not being depreciated	1,500,500	6,717,899	(465,260)	(5,735,354)	2,017,785
Capital assets being depreciated:					
Building and Improvements	41,535,369	-	-	-	41,535,369
Furniture, Fixtures, and Equipment	14,626,202	-	(6,569)	-	14,619,633
Automobiles and Trucks	26,696	-	-	-	26,696
Infrastructure	31,027,764	-	(11,015)	5,735,354	36,752,103
Total capital assets being depreciated	87,216,031	-	(17,584)	5,735,354	92,933,801
Less accumulated depreciation for:					
Building and Improvements	7,258,321	848,667	-	-	8,106,988
Furniture, Fixtures, and Equipment	12,016,626	239,977	(6,112)	-	12,250,491
Automobiles and Trucks	26,695	-	-	-	26,695
Infrastructure	9,255,065	492,443	(5,797)	-	9,741,711
Total accumulated depreciation	28,556,707	1,581,087	(11,909)	-	30,125,885
Total depreciable capital assets, net	58,659,324	(1,581,087)	(5,675)	5,735,354	62,807,916
Business-type activities capital assets, net	\$ 60,159,824	\$ 5,136,812	\$ (470,935)	\$ -	\$ 64,825,701

Depreciation expense for the year ended June 30, 2019 was as follows:

Wastewater Collection and Treatment System	\$ 1,213,947
Municipal Water System	311,035
Storm Drain System	56,105
<b>Total Business-Type Activities</b>	<b>\$ 1,581,087</b>

**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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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, 2019:

	Original Issue Amount	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Joint Power Financing Authority:						
<b>2004 Pension Obligation</b>						
<b>Bonds Series A-2</b>						
4.35%-6.58%, due 6/1/2034	\$ 11,521,630	\$ 13,725,187	\$ 906,835	\$ (1,110,000)	\$ 13,522,022	\$ 1,155,000
<b>2011 Police Remodel</b>						
<b>Lease Revenue Financing</b>						
4.25%, due 3/1/2024	2,555,000	1,359,000	-	(203,000)	1,156,000	213,000
<b>2013 General Obligation</b>						
<b>Refunding Bonds</b>						
1%-5%, due 8/1/2037	9,745,000	8,780,000	-	(230,000)	8,550,000	245,000
Premium, net of amortization	454,096	357,025	-	(19,742)	337,283	
Subtotal Bonds and Loans outstanding		24,221,212	906,835	(1,562,742)	23,565,305	1,613,000
Claims payable		2,030,990	313,636	(509,585)	1,835,041	330,541
Compensated absences		495,204	756,990	(652,472)	599,722	59,972
<b>Total Long-Term Debt</b>		<b>\$ 26,747,406</b>	<b>\$ 1,977,461</b>	<b>\$ (2,724,799)</b>	<b>\$ 26,000,068</b>	<b>\$ 2,003,513</b>

**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.

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 are \$1,307,088. Principal and interest paid for the current year were \$260,758.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**7. LONG-TERM DEBT, CONTINUED**

**A. Governmental Activities, Continued**

**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 \$12,408,406. Principal and interest paid for the current year were \$607,188.

**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, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
<b>Enterprise Funds:</b>						
<b>2009 State Water Resources Board</b>						
Water Pollution Control Plant						
1%, due 4/1/2032	\$ 28,397,180	\$ 20,603,903	\$ -	\$ (1,378,425)	\$ 19,225,478	\$ 1,392,210
<b>2009A Water Resources Board</b>						
<b>Certificates of Participation</b>						
7.423%, due 12/1/2039	5,560,000	5,560,000	-	-	5,560,000	-
<b>2009B Wastewater Revenue</b>						
<b>Certificates of Participation</b>						
2.0-5.125%, due 12/1/2034	10,250,000	6,035,000	-	(190,000)	5,845,000	195,000
Premium, net of amortization	123,774	88,361	-	(4,126)	84,235	-
<b>2018 Wastewater Revenue</b>						
3.0-5.0%, due 12/1/2047	18,630,000	18,630,000	-	(215,000)	18,415,000	330,000
Premium, net of amortization	745,358	739,077	-	(25,124)	713,953	-
Subtotal Bonds and Loans Outstanding		51,656,341	-	(1,812,675)	49,843,666	1,917,210
Compensated absences		493,307	412,010	(479,906)	425,411	42,541
<b>Total Long-Term Debt</b>		<b>\$ 52,149,648</b>	<b>\$ 412,010</b>	<b>\$ (2,292,581)</b>	<b>\$ 50,269,077</b>	<b>\$ 1,959,751</b>

**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 \$19,225,478 and \$1,372,558 respectively. Principal and interest paid for the current year was \$1,584,464.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**7. LONG-TERM DEBT, CONTINUED**

***B. Business-Type Activities, Continued***

**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.

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 banknote 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 banknote 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, 2019**

**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
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	1,918,000	321,953	2,239,953	2,088,739	1,422,507	3,511,246
2025-2029	9,565,000	1,286,969	10,851,969	10,043,924	6,475,804	16,519,728
2030-2034	11,865,000	733,925	12,598,925	10,519,886	5,353,654	15,873,540
2035-2039	2,155,000	132,300	2,287,300	9,375,000	3,147,693	12,522,693
2040-2044	-	-	-	5,295,000	1,077,043	6,372,043
2045-2049	-	-	-	3,805,000	271,863	4,076,863
Subtotal	32,396,000	<u>\$ 4,009,494</u>	<u>\$ 36,405,494</u>	49,045,478	<u>\$ 23,878,242</u>	<u>\$ 72,923,720</u>
Premium	337,283			798,188		
<b>Total</b>	<u>\$ 32,733,283</u>			<u>\$ 49,843,666</u>		

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

(B) Includes unaccreted discount totaling \$9,167,978

**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, 2019**

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**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 \$1,025,133 as of June 30, 2019.

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
<b>Governmental Activities</b>					
Compensated Leaves Payable	<u>\$ 495,203</u>	<u>\$ 756,990</u>	<u>\$ (652,471)</u>	<u>\$ 599,722</u>	<u>\$ 59,972</u>
<b>Business-Type Activities</b>					
Compensated Leaves Payable	<u>\$ 493,307</u>	<u>\$ 412,010</u>	<u>\$ (479,906)</u>	<u>\$ 425,411</u>	<u>\$ 42,541</u>

The amount due within one year of \$59,972 for Governmental Activities and \$42,541 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, 2019**

**8. FUND BALANCES**

Detailed classifications of the City's fund balances as of June 30, 2019, are below:

Fund Balances Classifications	General Fund	Low and Moderate Income Housing Asset Fund	Other Governmental Fund	Total Government
Nonspendable:				
Prepays	\$ 1,403,607	\$ -	\$ -	\$ 1,403,607
Total Nonspendable Fund Balances	1,403,607	-	-	1,403,607
Restricted for:				
Low and Moderate Income Housing	-	13,819,180	-	13,819,180
Measure A	-	-	2,001,542	2,001,542
Gas Tax	-	-	757,831	757,831
Integrated Waste Management	-	-	985,858	985,858
Developer Housing Fee	-	-	3,761,704	3,761,704
Developer Impact Fee	-	-	3,548,532	3,548,532
Debt Service	-	-	1,206,753	1,206,753
Community Center Capital Project	-	-	2,219,099	2,219,099
Others	-	-	345,413	345,413
Total Restricted Fund Balances	-	13,819,180	14,826,732	28,645,912
Committed for:				
Document Imaging Needs	-	-	469,843	469,843
Others	-	-	281,904	281,904
Total Committed Fund Balances	-	-	751,747	751,747
Assigned for:				
Encumbrances	3,456,045	-	-	3,456,045
Total Assigned Fund Balances	3,456,045	-	-	3,456,045
Unassigned:	13,227,169	-	-	13,227,169
Total Fund Balances	\$ 18,086,821	\$ 13,819,180	\$ 15,578,479	\$ 47,484,480

**9. NEGATIVE FUND BALANCE**

At June 30, 2019, the Leave Accrual Internal Service Fund had deficit fund balances in the amount of \$229,130. This deficit will be eliminated with future revenues.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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, 2019, 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	
	General Fund	Funds	TOTAL
Construction	\$ 1,699,024	\$ 555,220	\$ 2,254,244
Materials/Equipment/Software	386,773	22,317	409,090
Services/Maintenance	1,370,248	638,790	2,009,038
	<u>\$ 3,456,045</u>	<u>\$ 1,216,327</u>	<u>\$ 4,672,372</u>

**11. EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The following funds had expenditures in excess of appropriations:

Non-Major:	
Special Revenue Funds:	
Developer Fees	\$ 544,927
Debt Service Funds:	
2004 Pension Obligation Bonds	1,889

**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 (Police and 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.

**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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**12. RETIREMENT PLANS, CONTINUED**

***B. Benefits Provided, Continued***

The rate plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Safety - Fire	Safety - Police	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	55	55
Monthly benefits, as a % of annual salary	3%	3%	2.7%
Required employee contribution rates	9.00%	9.00%	8.00%
Required employer contribution rates	0.000%	0.000%	13.084%
Required payment for unfunded liability	\$ 922,907	\$ 1,117,066	\$ 1,618,153

	Safety - Fire - PEPPRA	Miscellaneous - PEPPRA
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	12.965%	7.27%
Required payment for unfunded liability	\$ 1,391	\$ 4,313

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 \$2,041,364 and \$1,622,466 for safety and miscellaneous respectively, in fiscal year 2019.

**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, 2019, the contributions recognized against net pension liability for the Plan were \$3,312,932.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**12. RETIREMENT PLANS, CONTINUED**

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

As of June 30, 2019, the City reported net pension liability for its proportionate shares of the net pension liabilities of the rate plans as \$48,749,947.

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, 2018, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 were as follows:

Proportion - June 30, 2017	0.491466%
Proportion - June 30, 2018	0.505901%
Change - Increase (Decrease)	<u>0.014435%</u>

For the year ended June 30, 2019, the City recognized pension expense of \$4,829,258. At June 30, 2019, 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	\$ 4,082,444	\$ -
Changes of assumptions	5,160,674	994,677
Differences between expected and actual experience	1,448,593	312,270
Changes in employer's proportion	670,663	1,854,489
Differences between the employer's contribution and the employer's proportionate share of contributions	-	2,147,481
Net differences between projected and actual earnings on plan investments	286,658	-
Total	<u>\$ 11,649,032</u>	<u>\$ 5,308,917</u>

The amount of \$4,082,444 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, 2020.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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 Ending June 30:	
2019	3,018,605
2020	1,423,887
2021	(1,798,019)
2022	(386,802)
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% 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 BB.

**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.

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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**12. RETIREMENT PLANS, CONTINUED**

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

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	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% 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:

Discount Rate	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Net Pension Liability	\$ 71,334,617	\$ 48,749,947	\$ 30,180,807

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



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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, a single 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.

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

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

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**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	4
Active employees	39
Total	<u>123</u>

***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, 2018 – June 30, 2019, the City made \$799,212 of cash benefit payments outside of the trust and made \$133,000 of implied subsidy benefit payments outside of the trust.

***D. Net OPEB Liability***

The City's net OPEB liability measured as of June 30, 2019 was \$6,752,121, and the total OPEB liability used to calculate the net OPEB liability of \$13,988,608 were based on the following assumptions:

Valuation Date	January 1, 2018
Measurement Date	June 30, 2019
Actuarial Assumptions:	
Discount Rate	6.00%
General Inflation	2.75% per annum
Contribution Policy	Contributes full ADC
Salary Increases	Aggregate 3%
	Merit - CalPERS 1997-2015 Experience Study
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
	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, 2019**

**13. POST-EMPLOYMENT BENEFITS, CONTINUED**

***D. Net OPEB Liability, Continued***

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
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***

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability / (Asset)</u>
<b>Balance at June 30, 2018</b>	<b>\$ 13,903,700</b>	<b>\$ 6,885,191</b>	<b>\$ 7,018,509</b>
<b>Changes in the year:</b>			
Service cost	198,928	-	198,928
Interest	818,192	-	818,192
Benefit changes	-	-	-
Actual vs. expected experience	-	-	-
Changes in assumptions	-	-	-
Contribution - employer	-	932,212	(932,212)
Contribution - employee	-	-	-
Net investment income	-	371,984	(371,984)
Benefit payments	(932,212)	(932,212)	-
Administrative expenses	-	(20,688)	20,688
<b>Net changes</b>	<b>84,908</b>	<b>351,296</b>	<b>(266,388)</b>
<b>Balance at June 30, 2019</b>	<b>\$ 13,988,608</b>	<b>\$ 7,236,487</b>	<b>\$ 6,752,121</b>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

**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, 2019:

	<u>1% Decrease</u> <u>(5.00%)</u>	<u>Current Rate</u> <u>(6.00%)</u>	<u>1% Increase</u> <u>(7.00%)</u>
Net OPEB Liability	\$ 8,323,351	\$ 6,752,121	\$ 5,448,135

**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, 2019:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 5,236,526	\$ 6,752,121	\$ 8,578,472

**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, 2019, the City recognized OPEB expense of \$656,608 and reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 101,975	-
Total	<u>\$ 101,975</u>	<u>\$ -</u>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**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:

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ 31,291
2021	31,291
2022	31,292
2023	8,102
Thereafter	-

**Rate of return:** For the year ended June 30, 2019, the annual money-weighted rate of return on Trust investments, net of investment expenses, was 5.41%. 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, 2019, the City paid PLAN JPA \$286,456 in contribution 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, 2019**

**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 2018-2019			Fiscal 2017-2018
	Workers' Compensation Claims	General Liability Claims	Total	Totals
Balances, beginning of year	\$ 1,814,000	\$ 216,990	\$ 2,030,990	\$ 2,502,965
Net change in:				
Liability for current fiscal year claims	290,224	23,412	313,636	(212,959)
Claims paid	(334,224)	(175,361)	(509,585)	(259,016)
Balances, end of year	<u>\$ 1,770,000</u>	<u>\$ 65,041</u>	<u>\$ 1,835,041</u>	<u>\$ 2,030,990</u>
Current portion	265,500	65,041	330,541	511,990
Noncurrent portion	1,504,500		1,504,500	1,519,000
	<u>\$ 1,770,000</u>	<u>\$ 65,041</u>	<u>\$ 1,835,041</u>	<u>\$ 2,030,990</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 \$75,376 for the year ended June 30, 2019. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

***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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**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.

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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**16. CONTINGENT LIABILITIES AND COMMITMENTS, CONTINUED**

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

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 \$435,300 during fiscal year 2019, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2020 is estimated to be \$369,500.

***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.

***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.



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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**16. CONTINGENT LIABILITIES AND COMMITMENTS, CONTINUED**

***D. Baykeeper Consent Decree, Continued***

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.

**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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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

**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.

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.

No capital asset was recorded at June 30, 2019.

**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, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Redevelopment Tax						
2015 Tax Allocation Bond	\$ 6,505,000	\$ 6,080,000	\$ -	\$ (230,000)	\$ 5,850,000	\$ 240,000
Premium	-	227,977	-	(13,345)	214,632	-
Total long term debt	<u>\$ 6,505,000</u>	<u>\$ 6,307,977</u>	<u>\$ -</u>	<u>\$ (243,345)</u>	<u>\$ 6,064,632</u>	<u>\$ 240,000</u>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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

**C. Long-Term Debt, Continued**

**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:

Year ending June 30:	Principal	Interest	Total
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	285,000	184,350	469,350
2025-2029	1,660,000	712,050	2,372,050
2030-2034	1,980,000	379,788	2,359,788
2035-2039	900,000	36,400	936,400
Subtotal	5,850,000	\$ 2,182,663	\$ 8,032,663
Premium	214,632		
<b>Total</b>	<b>\$ 6,064,632</b>		

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2019**

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

***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.

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# REQUIRED SUPPLEMENTARY INFORMATION

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# City of Millbrae

## Notes to Required Supplementary Information

### For the year ended June 30, 2019

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#### 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, 2019**

**Budgetary Comparison Schedule, General Fund**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property tax	\$ 11,470,000	\$ 12,470,000	\$ 12,749,854	\$ 279,854
Sales tax	3,138,000	3,138,000	3,312,020	174,020
Transient occupancy tax	8,300,000	8,300,000	8,810,889	510,889
Franchise Tax	1,080,000	1,080,000	1,126,418	46,418
Other taxes	787,000	787,000	800,967	13,967
Licenses and permits	600,000	600,000	788,391	188,391
Charges for services	612,331	612,331	1,339,138	726,807
Fines and forfeitures	1,280,000	1,280,000	1,187,345	(92,655)
Use of money and property	925,000	925,000	1,379,380	454,380
Grants and intergovernmental	1,160,000	1,160,000	272,832	(887,168)
Miscellaneous	641,631	641,631	703,006	61,375
<b>Total revenues</b>	<b>29,993,962</b>	<b>30,993,962</b>	<b>32,470,240</b>	<b>1,476,278</b>
<b>EXPENDITURES:</b>				
Current:				
General government	5,664,253	5,550,020	4,710,426	839,594
Public safety	17,112,406	17,112,406	17,303,089	(190,683)
Public works	5,502,645	5,938,686	3,714,554	2,224,132
Culture and recreation	1,545,193	1,821,721	1,864,230	(42,509)
Community development	2,901,775	3,487,676	3,000,564	487,112
Capital outlay	1,180,000	1,145,955	598,282	547,673
<b>Total expenditures</b>	<b>33,906,272</b>	<b>35,056,464</b>	<b>31,191,145</b>	<b>3,865,319</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(3,912,310)</b>	<b>(4,062,502)</b>	<b>1,279,095</b>	<b>5,341,597</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(4,179,011)	(4,364,011)	(4,175,520)	188,491
<b>Total other financing sources (uses)</b>	<b>(4,179,011)</b>	<b>(4,364,011)</b>	<b>(4,175,520)</b>	<b>188,491</b>
<b>Net change in fund balance</b>	<b>\$ (8,091,321)</b>	<b>\$ (8,426,513)</b>	<b>(2,896,425)</b>	<b>\$ 5,530,088</b>
<b>FUND BALANCES:</b>				
Beginning of year			20,983,246	
End of year			<u>\$ 18,086,821</u>	



**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2019**

**Budgetary Comparison Schedule, Low and Moderate Income Housing Asset Fund**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Use of money and property	\$ 15,000	\$ 15,000	\$ 24,265	\$ 9,265
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>15,000</u>	<u>15,000</u>	<u>24,265</u>	<u>9,265</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	-	-	400	(400)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>400</u>	<u>(400)</u>
<b>Net change in fund balances</b>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	23,865	<u>\$ 8,865</u>
Beginning Fund Balance			<u>13,795,315</u>	
Ending Fund Balance			<u>\$ 13,819,180</u>	

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2019**

**2. DEFINED BENEFIT PENSION PLAN**

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

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.505901%	0.491466%	0.494261%	0.499079%	0.465881%
Proportionate share of the net pension liability	\$ 48,749,947	\$ 48,739,905	\$ 42,768,893	\$ 34,256,328	\$ 28,989,301
Covered payroll	7,355,105	6,165,233	5,834,899	6,870,921	7,291,105
Proportionate share of the net pension liability as percentage of covered payroll	662.80%	790.56%	732.98%	498.57%	397.60%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

**Note to Schedule:**

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

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2019**

**2. DEFINED BENEFIT PENSION PLAN, Continued**

***B. Schedule of Pension Contributions - Last 10 Years\****

	2019	2018	2017	2016	2015
Contractually required contribution(actuarially determined)	\$ 4,082,444	\$ 3,312,932	\$ 2,334,524	\$ 2,064,418	\$ 1,399,544
Contribution in relation to the actuarially determined contributions	(4,082,444)	(3,312,932)	(2,334,524)	(2,064,418)	(1,399,544)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,644,691	\$ 7,355,105	\$ 6,165,233	\$ 5,834,899	\$ 6,870,921
Contributions as a percentage of covered payroll	53.40%	45.04%	37.87%	35.38%	20.37%

**Notes to Schedule:**

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

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2019**

**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>	2018/2019	2017/18
<b>Total OPEB Liability</b>		
Service Cost	\$ 198,928	\$ 193,134
Interest on the total OPEB liability	818,192	813,998
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(932,212)	(953,848)
<b>Net change in total OPEB liability</b>	84,908	53,284
<b>Total OPEB liability - beginning</b>	13,903,700	13,850,416
<b>Total OPEB liability - ending (a)</b>	<u>\$ 13,988,608</u>	<u>\$ 13,903,700</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 932,212	\$ 4,453,848
Contributions - employee	-	-
Net investment income	371,984	166,768
Benefit payments, including refunds of employee contributions	(932,212)	(953,848)
Administrative expense	(20,688)	(21,544)
<b>Net change in plan fiduciary net position</b>	351,296	3,645,224
<b>Plan fiduciary net position - beginning</b>	6,885,191	3,239,967
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 7,236,487</u>	<u>\$ 6,885,191</u>
<b>Net OPEB liability/(asset) - ending (a) - (b)</b>	\$ 6,752,121	\$ 7,018,509
Plan fiduciary net position as a percentage of the total OPEB liability	51.7%	49.5%
Covered-employee payroll	\$ 4,869,011	\$ 4,662,129
Net OPEB liability as a percentage of covered-employee payroll	138.7%	150.5%

\* Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2019**

**3. OTHER POSTEMPLOYMENT BENEFITS, Continued**

*B. Schedule of OPEB Contributions – Last 10 Years\**

Fiscal Year Ended June 30	2019	2018
Actuarially Determined Contribution (ADC)	\$ 648,000	\$ 884,000
Contributions in relation to the ADC	932,212	4,453,848
Contribution deficiency (excess)	<u>\$ (284,212)</u>	<u>\$ (3,569,848)</u>
Covered-employee payroll	\$ 4,869,011	\$ 4,662,129
Contributions as a percentage of covered-employee payroll	19.1%	95.5%

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

Year	Annual Money-weighted Rate of Return, Net of Investment
2017	8.7900%
2018	3.5300%
2019	5.4100%

\* Fiscal year 2018 was the 1st year of implementation, therefore only two years are 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.

*Developer Fee Special Revenue Fund* 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

*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, 2019**

	Special Revenue Funds					
	Measure A	Gas Tax	Special Recreation	Integrated Waste Management	Other	Developer Fees
<b>ASSETS</b>						
Cash and investments	\$ 2,595,143	\$ 735,660	\$ 230,264	\$ 922,963	\$ 4,869,968	\$ 3,929,267
Cash with fiscal agents	-	-	-	-	-	-
Receivables:						
Taxes	48,986	-	-	63,301	-	-
Accounts - net	-	74,797	3,419	-	855	296,213
Due from other governmental agencies	-	8,069	-	-	-	-
<b>Total assets</b>	<b>\$ 2,644,129</b>	<b>\$ 818,526</b>	<b>\$ 233,683</b>	<b>\$ 986,264</b>	<b>\$ 4,870,823</b>	<b>\$ 4,225,480</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 642,587	\$ 60,695	\$ 108,119	\$ 406	\$ 22,305	\$ 181,158
Deposits	-	-	40,284	-	-	495,790
Unearned revenue	-	-	74,934	-	-	-
<b>Total liabilities</b>	<b>642,587</b>	<b>60,695</b>	<b>223,337</b>	<b>406</b>	<b>22,305</b>	<b>676,948</b>
<b>Fund Balances:</b>						
Restricted	2,001,542	757,831	-	985,858	4,107,117	3,548,532
Committed	-	-	10,346	-	741,401	-
<b>Total fund balances</b>	<b>2,001,542</b>	<b>757,831</b>	<b>10,346</b>	<b>985,858</b>	<b>4,848,518</b>	<b>3,548,532</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,644,129</b>	<b>\$ 818,526</b>	<b>\$ 233,683</b>	<b>\$ 986,264</b>	<b>\$ 4,870,823</b>	<b>\$ 4,225,480</b>

Debt Service Funds			Capital Project Fund	
Library Fund	1999 COPS	2004 Pension Obligation Bonds	Recreation Center Capital Project	Total Non-Major Governmental Funds
\$ 1,055,367	\$ 118,447	\$ 15,322	\$ 2,509,016	\$ 16,981,417
-	-	19,906	-	19,906
-	-	-	-	112,287
395	-	-	-	375,679
-	-	-	-	8,069
<u>\$ 1,055,762</u>	<u>\$ 118,447</u>	<u>\$ 35,228</u>	<u>\$ 2,509,016</u>	<u>\$ 17,497,358</u>
\$ 500	\$ -	\$ 2,184	\$ 208,851	\$ 1,226,805
-	-	-	-	536,074
-	-	-	81,066	156,000
<u>500</u>	<u>-</u>	<u>2,184</u>	<u>289,917</u>	<u>1,918,879</u>
1,055,262	118,447	33,044	2,219,099	14,826,732
-	-	-	-	751,747
<u>1,055,262</u>	<u>118,447</u>	<u>33,044</u>	<u>2,219,099</u>	<u>15,578,479</u>
<u>\$ 1,055,762</u>	<u>\$ 118,447</u>	<u>\$ 35,228</u>	<u>\$ 2,509,016</u>	<u>\$ 17,497,358</u>

# City of Millbrae

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2019

	Special Revenue Funds					
	Measure A	Gas Tax	Special Recreation	Integrated Waste Management	Other	Developer Fees
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	635,070	931,688	-	-	-	-
License and permits	-	-	-	-	54,396	-
Charges for services	-	-	600,359	321,113	38,323	555,134
Use of money and property	87,364	25,566	-	28,255	153,685	-
Grants and intergovernmental	-	-	-	5,981	206,030	-
Miscellaneous	-	-	3,471	-	2,171	-
<b>Total revenues</b>	<b>722,434</b>	<b>957,254</b>	<b>603,830</b>	<b>355,349</b>	<b>454,605</b>	<b>555,134</b>
<b>EXPENDITURES:</b>						
Current:						
Public works	54,737	230,017	-	175,059	61,803	-
Culture and recreation	-	-	1,770,903	-	445,670	-
Community development	-	-	-	-	2,083	544,927
Capital outlay	1,834,865	535,394	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,889,602</b>	<b>765,411</b>	<b>1,770,903</b>	<b>175,059</b>	<b>509,556</b>	<b>544,927</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,167,168)</b>	<b>191,843</b>	<b>(1,167,073)</b>	<b>180,290</b>	<b>(54,951)</b>	<b>10,207</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	1,150,000	-	435,000	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>1,150,000</b>	<b>-</b>	<b>435,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(1,167,168)</b>	<b>191,843</b>	<b>(17,073)</b>	<b>180,290</b>	<b>380,049</b>	<b>10,207</b>
<b>FUND BALANCES:</b>						
Beginning of the year	3,168,710	565,988	27,419	805,568	4,468,469	3,538,325
End of year	<u>\$ 2,001,542</u>	<u>\$ 757,831</u>	<u>\$ 10,346</u>	<u>\$ 985,858</u>	<u>\$ 4,848,518</u>	<u>\$ 3,548,532</u>

Debt Service Funds			Capital Project Fund	
Library Fund	1999 COPS	2004 Pension Obligation Bonds	Recreation Center Capital Project	Total Non-Major Governmental Funds
\$ 652,360	\$ -	\$ -	\$ -	\$ 652,360
-	-	-	-	1,566,758
-	-	-	-	54,396
-	-	-	-	1,514,929
-	-	19,906	84,414	399,190
-	-	-	-	212,011
-	-	1,114,999	-	1,120,641
652,360	-	1,134,905	84,414	5,520,285
-	-	-	172,994	694,610
-	-	-	-	2,216,573
-	-	-	-	547,010
-	-	-	595,619	2,965,878
230,000	203,000	1,110,000	-	1,543,000
378,187	57,757	6,890	-	442,834
608,187	260,757	1,116,890	768,613	8,409,905
44,173	(260,757)	18,015	(684,199)	(2,889,620)
-	260,000	-	-	1,845,000
-	260,000	-	-	1,845,000
44,173	(757)	18,015	(684,199)	(1,044,620)
1,011,089	119,204	15,029	2,903,298	16,623,099
\$ 1,055,262	\$ 118,447	\$ 33,044	\$ 2,219,099	\$ 15,578,479

# 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, 2019

	Special Revenue Funds					
	Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	575,000	635,070	60,070	910,061	931,688	21,627
License and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Use of money and property	10,000	87,364	77,364	10,000	25,566	15,566
Grants and intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>585,000</b>	<b>722,434</b>	<b>137,434</b>	<b>920,061</b>	<b>957,254</b>	<b>37,193</b>
<b>EXPENDITURES:</b>						
Current:						
Public works	60,000	54,737	5,263	313,320	230,017	83,303
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	2,699,796	1,834,865	864,931	1,990,936	535,394	1,455,542
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,759,796</b>	<b>1,889,602</b>	<b>870,194</b>	<b>2,304,256</b>	<b>765,411</b>	<b>1,538,845</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,174,796)</b>	<b>(1,167,168)</b>	<b>1,007,628</b>	<b>(1,384,195)</b>	<b>191,843</b>	<b>1,576,038</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (2,174,796)</b>	<b>(1,167,168)</b>	<b>\$ 1,007,628</b>	<b>\$ (1,384,195)</b>	<b>191,843</b>	<b>\$ 1,576,038</b>
Beginning Fund Balances		3,168,710			565,988	
Ending Fund Balances (Deficits)		<u>\$ 2,001,542</u>			<u>\$ 757,831</u>	

Special Revenue Funds							
Special Recreation		Integrated Waste Management			Other		
Budget	Actual	Budget	Actual	Variance Positive (Negative)	Budget	Actuals	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	35,000	54,396	19,396
558,500	600,359	300,000	321,113	21,113	25,000	38,323	13,323
-	-	2,000	28,255	26,255	10,500	153,685	143,185
-	-	6,000	5,981	(19)	156,961	206,030	49,069
-	3,471	-	-	-	-	2,171	2,171
558,500	603,830	308,000	355,349	47,349	227,461	454,605	227,144
-	-	213,322	175,059	38,263	136,062	61,803	74,259
1,802,508	1,770,903	-	-	-	502,013	445,670	56,343
-	-	-	-	-	150,000	2,083	147,917
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,802,508	1,770,903	213,322	175,059	38,263	788,075	509,556	278,519
(1,244,008)	(1,167,073)	94,678	180,290	85,612	(560,614)	(54,951)	505,663
1,250,000	1,150,000	-	-	-	552,732	435,000	(117,732)
1,250,000	1,150,000	-	-	-	552,732	435,000	(117,732)
\$ 5,992	(17,073)	\$ 94,678	180,290	\$ 85,612	\$ (7,882)	380,049	\$ 387,931
	27,419		805,568			4,468,469	
	\$ 10,346		\$ 985,858			\$ 4,848,518	

# 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, 2019

	Special Revenue Funds			Debt Service Funds		
	Developer Fees			Library Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 612,188	\$ 652,360	\$ 40,172
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Charges for services	-	555,134	555,134	-	-	-
Use of money and property	-	-	-	-	-	-
Grants and intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	-	555,134	555,134	612,188	652,360	40,172
<b>EXPENDITURES:</b>						
Current:						
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	544,927	(544,927)	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	230,000	230,000	-
Interest, and fiscal charges	-	-	-	382,188	378,187	4,001
<b>Total expenditures</b>	-	544,927	(544,927)	612,188	608,187	4,001
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	10,207	10,207	-	44,173	44,173
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-	-	-	-
<b>Net change in fund balances</b>	\$ -	10,207	\$ 10,207	\$ -	44,173	\$ 44,173
Beginning Fund Balances		3,538,325			1,011,089	
Ending Fund Balances (Deficits)		\$ 3,548,532			\$ 1,055,262	



Debt Service Funds					
1999 COPS			2004 Pension Obligation Bonds		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	19,906	19,906
-	-	-	-	-	-
-	-	-	1,115,001	1,114,999	(2)
-	-	-	1,115,001	1,134,905	19,904
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
203,000	203,000	-	1,110,001	1,110,000	1
62,758	57,757	5,001	5,000	6,890	(1,890)
265,758	260,757	5,001	1,115,001	1,116,890	(1,889)
(265,758)	(260,757)	5,001	-	18,015	18,015
265,759	260,000	(5,759)	-	-	-
265,759	260,000	(5,759)	-	-	-
\$ 1	(757)	\$ (758)	\$ -	18,015	\$ 18,015
119,204			15,029		
\$ 118,447			\$ 33,044		

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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, 2019**

	Municipal Garage	Unemployment Insurance	Workers' Compensation
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 4,132,658	\$ 42,281	\$ 3,733,996
Total current assets	4,142,813	42,281	3,733,996
Noncurrent assets:			
Capital assets:			
Depreciable capital assets, net	2,030,034	-	-
Total capital assets	2,030,034	-	-
Total noncurrent assets	2,030,034	-	-
<b>Total assets</b>	6,172,847	42,281	3,733,996
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer pension contributions	33,673	-	10,060
Deferred outflows of resources - pension	60,829	-	18,173
<b>Total deferred outflows of resources</b>	94,502	-	28,233
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued payroll	42,901	-	-
Compensated absences	-	-	-
Accrued self insurance	-	-	265,500
Total current liabilities	42,901	-	265,500
Noncurrent liabilities:			
Compensated absences	-	-	-
Accrued self-insurance	-	-	1,504,500
Net Pension Liability	378,760	-	113,153
Total noncurrent liabilities	378,760	-	1,617,653
<b>Total liabilities</b>	421,661	-	1,883,153
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	38,538	-	11,513
<b>Total deferred inflows of resources</b>	38,538	-	11,513
<b>NET POSITION</b>			
Net investment in capital assets	2,030,034	-	-
Unrestricted	3,777,116	42,281	1,867,563
<b>Total net position</b>	\$ 5,807,150	\$ 42,281	\$ 1,867,563

General Liability	Leave Accrual	OPEB	Total
\$ 421,170	\$ 370,592	\$ 702,738	\$ 9,403,435
421,170	370,592	702,738	9,413,590
-	-	-	2,030,034
-	-	-	2,030,034
-	-	-	2,030,034
421,170	370,592	702,738	11,443,624
11,082	-	-	54,815
20,020	-	-	99,022
31,102	-	-	153,837
31,370	-	-	74,271
-	59,972	-	59,972
65,041	-	-	330,541
96,411	59,972	-	464,784
-	539,750	-	539,750
-	-	-	1,504,500
124,657	-	-	616,570
124,657	539,750	-	2,660,820
221,068	599,722	-	3,125,604
12,684	-	-	62,735
12,684	-	-	62,735
-	-	-	2,030,034
218,520	(229,130)	702,738	6,379,088
\$ 218,520	\$ (229,130)	\$ 702,738	\$ 8,409,122

# City of Millbrae

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

### Internal Service Funds

For the year ended June 30, 2019

	Municipal Garage	Unemployment Insurance	Workers' Compensation
<b>OPERATING REVENUES:</b>			
Interdepartmental charges	\$ 1,024,084	\$ 28,514	\$ 676,712
Miscellaneous	69,417	-	-
<b>Total operating revenues</b>	<b>1,093,501</b>	<b>28,514</b>	<b>676,712</b>
<b>OPERATING EXPENSES:</b>			
Personnel services	261,171	-	53,383
Contractual services	138,802	-	29,924
Materials, supplies and other services	149,746	-	5,150
Depreciation	342,205	-	-
Insurance premiums and claims	30,126	2,612	336,315
<b>Total operating expenses</b>	<b>922,050</b>	<b>2,612</b>	<b>424,772</b>
<b>OPERATING INCOME (LOSS)</b>	<b>171,451</b>	<b>25,902</b>	<b>251,940</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest revenue	113,188	1,106	119,114
<b>Total nonoperating revenues (expenses)</b>	<b>113,188</b>	<b>1,106</b>	<b>119,114</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>284,639</b>	<b>27,008</b>	<b>371,054</b>
Transfers in	1,668,396	-	-
<b>Total transfers</b>	<b>1,668,396</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>1,953,035</b>	<b>27,008</b>	<b>371,054</b>
<b>NET POSITION</b>			
Beginning of year	3,854,115	15,273	1,496,509
End of year	<u>\$ 5,807,150</u>	<u>\$ 42,281</u>	<u>\$ 1,867,563</u>

General Liability	Leave Accrual	OPEB	Total
\$ 650,000	\$ -	\$ -	\$ 2,379,310
-	-	-	69,417
650,000	-	-	2,448,727
49,868	104,519	-	468,941
3,522	-	-	172,248
-	-	-	154,896
4,367	-	-	346,572
335,971	-	-	705,024
393,728	104,519	-	1,847,681
256,272	(104,519)	-	601,046
10,852	11,983	22,722	278,965
10,852	11,983	22,722	278,965
267,124	(92,536)	22,722	880,011
-	-	-	1,668,396
-	-	-	1,668,396
267,124	(92,536)	22,722	2,548,407
(48,604)	(136,594)	680,016	5,860,715
\$ 218,520	\$ (229,130)	\$ 702,738	\$ 8,409,122

**City of Millbrae**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2019**

	Municipal Garage	Unemployment Insurance	Workers' Compensation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from others	\$ 69,417	\$ -	\$ -
Cash received from other funds	1,013,929	28,514	676,712
Cash payments to suppliers for goods and services	(262,205)	-	(35,074)
Cash paid to employees	(248,796)	-	(49,687)
Claims paid	(30,126)	(2,612)	(380,315)
<b>Net cash provided by operating activities</b>	<b>542,219</b>	<b>25,902</b>	<b>211,636</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	1,668,396	-	-
<b>Net cash provided by noncapital financing activities</b>	<b>1,668,396</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	(913,341)	-	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(913,341)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income received	113,188	1,106	119,114
<b>Net cash provided by investing activities</b>	<b>113,188</b>	<b>1,106</b>	<b>119,114</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,410,462</b>	<b>27,008</b>	<b>330,750</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>2,722,196</b>	<b>15,273</b>	<b>3,403,246</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 4,132,658</b>	<b>\$ 42,281</b>	<b>\$ 3,733,996</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>			
Cash and investments	\$ 4,132,658	\$ 42,281	\$ 3,733,996
<b>Total</b>	<b>\$ 4,132,658</b>	<b>\$ 42,281</b>	<b>\$ 3,733,996</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 171,451	\$ 25,902	\$ 251,940
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	342,205	-	-
Changes in assets and liabilities:			
Accounts receivable	(10,155)	-	-
Deferred outflows - pension	(226)	-	(69)
Accounts payable and accrued payroll	26,343	-	-
Compensated absences	-	-	-
Accrued self insurance	-	-	(44,000)
Net pension liability	(8,856)	-	(2,645)
Deferred inflows - pension	21,457	-	6,410
<b>Total adjustments</b>	<b>370,768</b>	<b>-</b>	<b>(40,304)</b>
<b>Net cash provided by operating activities</b>	<b>\$ 542,219</b>	<b>\$ 25,902</b>	<b>\$ 211,636</b>



General Liability	Leave Accrual	OPEB	Total
\$ -	\$ -	\$ -	\$ 69,417
650,000	-	-	2,369,155
22,958	-	-	(274,321)
(45,794)	-	-	(344,277)
(487,920)	-	-	(900,973)
139,244	-	-	919,001
-	-	-	1,668,396
-	-	-	1,668,396
-	-	-	(913,341)
-	-	-	(913,341)
10,852	11,983	22,722	278,965
10,852	11,983	22,722	278,965
150,096	11,983	22,722	1,953,021
271,074	358,609	680,016	7,450,414
\$ 421,170	\$ 370,592	\$ 702,738	\$ 9,403,435
\$ 421,170	\$ 370,592	\$ 702,738	\$ 9,403,435
\$ 421,170	\$ 370,592	\$ 702,738	\$ 9,403,435
\$ 256,272	\$ (104,519)	\$ -	\$ 601,046
4,367	-	-	346,572
-	-	-	(10,155)
(74)	-	-	(369)
26,480	-	-	52,823
-	104,519	-	104,519
(151,949)	-	-	(195,949)
(2,914)	-	-	(14,415)
7,062	-	-	34,929
(117,028)	104,519	-	317,955
\$ 139,244	\$ -	\$ -	\$ 919,001

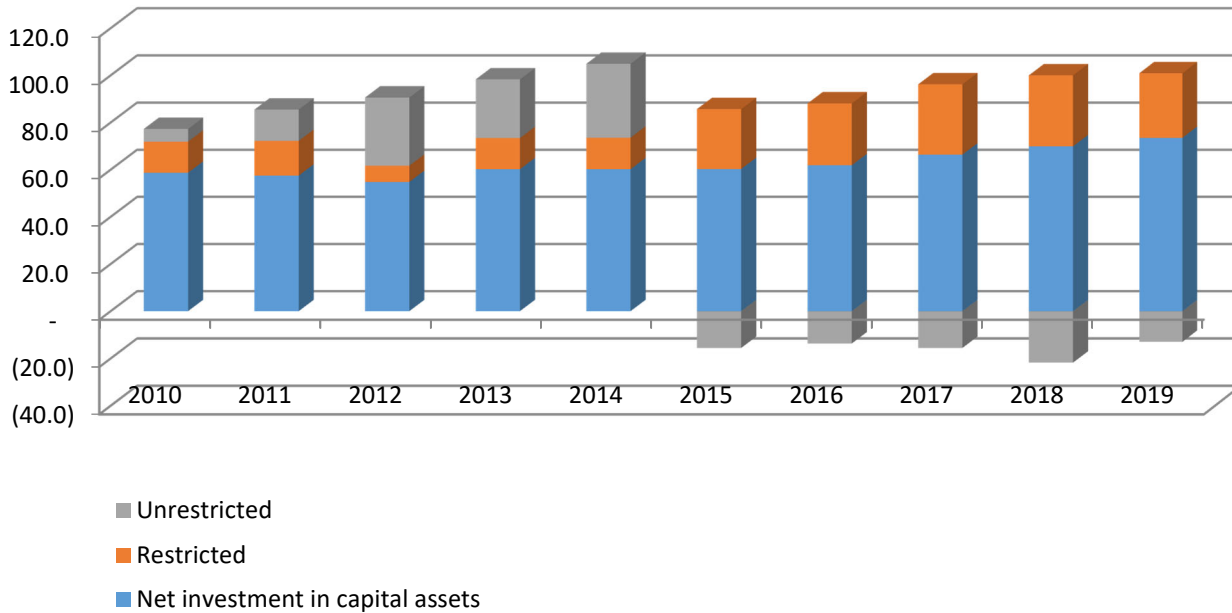
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## STATISTICAL SECTION

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



	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Net investment in capital assets	47.2	46.4	44.5	47.2	46.9	46.2	46.0	47.5	48.0	51.3
Restricted	13.2	14.7	6.9	13.2	13.4	25.4	26.2	29.8	30.2	28.6
Unrestricted	(3.7)	(0.1)	12.6	8.6	14.2	(24.6)	(20.1)	(19.4)	(25.9)	(26.4)
Total governmental activities net position	56.7	61.0	64.0	69.0	74.5	47.0	52.1	57.9	52.3	53.5
<b>Business-type activities</b>										
Net investment in capital assets	11.5	11.1	10.2	13.0	13.3	14.2	15.9	18.8	21.9	22.2
Unrestricted	9.1	13.3	16.4	16.2	17.1	9.1	6.4	3.9	4.1	12.3
Total business-type activities net position	20.6	24.4	26.6	29.2	30.4	23.3	22.3	22.7	26.0	34.5
<b>Primary government</b>										
Net investment in capital assets	58.7	57.5	54.8	60.2	60.2	60.3	61.9	66.4	69.9	73.5
Restricted	13.2	14.7	6.9	13.2	13.4	25.4	26.2	29.8	30.2	28.6
Unrestricted	5.4	13.3	28.9	24.9	31.3	(15.5)	(13.6)	(15.5)	(21.8)	(14.1)
Total primary government net position	77.3	85.5	90.6	98.3	104.9	70.2	74.5	80.7	78.3	88.0

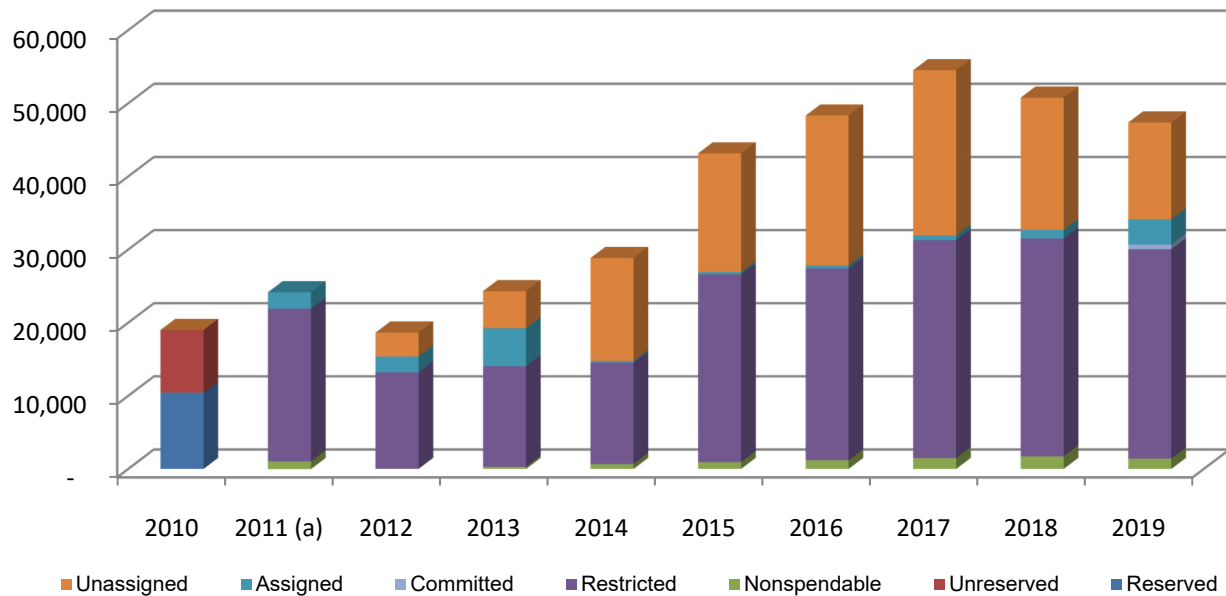
**CITY OF MILLBRAE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in millions)**

Expenses	For the year ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
General Government	2.2	2.3	4.1	3.2	3.2	3.4	5.6	4.3	3.7	3.6
Public Safety	12.4	11.7	12.1	10.8	10.4	11.6	13.0	16.3	16.0	19.1
Public Works	3.6	2.4	1.1	2.7	2.5	3.0	3.0	4.3	5.1	4.6
Culture and Recreation	1.4	1.2	1.1	1.0	1.4	1.2	3.1	3.3	4.0	4.2
Community Development	8.6	6.3	2.9	2.7	3.6	4.3	3.2	3.0	2.9	3.7
Interest on Long-Term Debt	2.1	2.1	2.0	1.5	1.4	1.4	1.4	1.4	1.4	1.3
Total Governmental Activities Expenses	30.3	26.0	23.3	21.9	22.5	24.9	29.3	32.6	33.1	36.5
Business-Type Activities:										
Municipal Water System	4.9	5.1	5.9	6.4	6.5	6.7	8.4	8.4	7.4	7.2
Municipal Wastewater										
Treatment Facility	6.1	5.4	6.7	6.6	8.2	7.9	8.6	8.4	9.1	9.2
Storm Drain	0.5	0.5	0.5	0.4	0.5	0.4	0.3	0.8	0.9	1.0
Total Business-Type Activities Expenses	11.5	11.0	13.1	13.4	15.2	15.0	17.3	17.6	17.4	17.4
Total Primary Government Expenses	41.8	37.0	36.4	35.3	37.7	39.9	46.6	50.2	50.5	53.9
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	1.1	1.2	1.5	2.4	2.4	2.2	0.8	2.4	1.9	0.8
Public Safety	1.9	1.9	1.8	0.8	1.8	1.9	1.9	0.3	0.3	1.3
Public Works	0.4	0.4	0.4	1.1	0.4	0.5	0.5	0.7	0.7	1.3
Culture and Recreation	0.9	1.0	1.0	1.0	0.9	0.9	0.9	0.6	0.5	0.6
Community Development	2.0	3.6	1.1	1.0	1.0	2.0	1.7	1.3	1.6	1.6
Capital Grants and Contributions	-	-	-	-	-	-	-	-	0.3	-
Operating Grants and Contributions	1.2	1.1	0.8	1.6	0.9	1.0	0.9	5.1	2.2	1.7
Total Government Activities										
Program Revenues	7.5	9.2	6.6	7.9	7.4	8.5	6.7	10.4	7.5	7.3
Business-Type Activities:										
Charges for Services:										
Municipal Water System	5.4	5.8	6.2	6.7	7.0	6.2	6.0	5.7	8.2	10.2
Municipal Wastewater										
Treatment Facility	7.5	8.4	8.4	8.5	8.6	8.4	9.9	11.2	12.2	13.6
Storm Drain	0.2	0.3	0.3	0.2	0.3	0.4	0.3	0.3	0.3	0.3
Total Business-Type Activities										
Program Revenues	13.1	14.5	14.9	15.4	15.9	15.0	16.2	17.2	20.7	24.1
Total Primary Government										
Program Revenues	20.6	23.7	21.5	23.3	23.3	23.5	22.9	27.6	28.2	31.4
<b>Net (Expenses)/Revenue</b>										
Governmental Activities	(22.8)	(16.8)	(16.7)	(14.0)	(15.1)	(16.4)	(22.6)	(22.2)	(25.6)	(29.3)
Business-Type Activities	1.6	3.5	1.8	2.1	0.7	-	(1.1)	(0.4)	3.3	6.7
Total Primary Government Net Expense	(21.2)	(13.3)	(14.9)	(11.9)	(14.4)	(16.4)	(23.7)	(22.6)	(22.3)	(22.6)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property Taxes	13.4	13.4	10.9	9.2	10.1	10.8	11.4	12.0	12.5	13.4
Sales Taxes	2.0	2.2	2.2	2.2	2.3	2.7	2.8	2.8	3.1	3.3
Motor Vehicle in Lieu	0.1	0.1	-	-	-	-	-	-	-	-
Transient Occupancy Tax	2.9	3.7	3.9	5.0	6.1	7.5	8.2	8.0	8.5	8.8
Franchise Tax	1.0	1.0	1.0	0.9	1.2	1.0	1.1	1.2	1.1	1.1
Miscellaneous	0.3	0.3	0.2	0.8	0.1	0.4	1.4	2.0	1.8	1.8
Interest Earnings	0.3	0.2	0.2	0.4	0.4	0.3	0.7	0.2	0.3	1.3
Other Taxes	0.6	0.6	0.7	0.7	0.8	0.8	1.2	1.3	1.5	1.5
Transfers	0.4	(0.3)	(0.2)	(0.1)	(0.2)	0.4	0.1	(0.6)	(1.1)	(0.7)
Extraordinary item	-	-	0.8	-	-	-	-	1.3	-	-
Total Government Activities	21.0	21.2	19.7	19.1	20.8	23.9	26.9	28.2	27.7	30.6
Business-Type Activities:										
Interest Earnings	0.1	0.1	0.2	0.2	0.2	-	0.3	0.1	0.2	0.9
Miscellaneous	(0.3)	-	-	0.1	-	-	-	-	-	-
Transfers and Other	(0.4)	0.3	0.2	0.1	0.2	(0.4)	(0.1)	0.6	1.1	0.7
Total Business-Type Activities	(0.5)	0.4	0.4	0.4	0.4	(0.4)	0.2	0.7	1.3	1.6
Total Primary Government	20.5	21.6	20.1	19.5	21.2	23.5	27.1	28.9	29.0	32.2
 <b>Change in Net Position</b>										
Governmental Activities	(2.0)	4.3	2.9	5.0	5.6	7.5	4.2	5.8	2.0	1.3
Business-Type Activities	1.1	3.9	2.1	2.6	1.2	(0.4)	(0.9)	0.4	4.7	8.3
Total Primary Government	(0.9)	8.2	5.0	7.6	6.8	7.1	3.3	6.2	6.7	9.6

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



		June 30,				
		2010	2011 <sup>(a)</sup>	2012	2013	2014
<b>General Fund</b>						
Reserved	\$	1,186,935	\$ -	\$ -	\$ -	\$ -
Unreserved		1,675,398	-	-	-	-
Nonspendable		-	1,040,100	29,860	298,057	672,576
Assigned		-	2,264,565	2,171,454	5,205,122	236,452
Unassigned		-	788,991	3,291,888	5,057,221	14,066,917
Total General Fund	\$	2,862,333	\$ 4,093,656	\$ 5,493,202	\$ 10,560,400	\$ 14,975,945
<b>All Other Governmental Funds</b>						
Reserved	\$	9,253,798	\$ -	\$ -	\$ -	\$ -
Restricted		-	20,860,686	13,174,286	13,751,243	13,864,731
Unassigned		-	(1,228,417)	(23,248)	-	-
Unreserved, reported in:		-	-	-	-	-
Special revenue funds		4,914,750	-	-	-	-
Capital project funds		1,971,780	-	-	-	-
Total all other governmental funds	\$	16,140,328	\$ 19,632,269	\$ 13,151,038	\$ 13,751,243	\$ 13,864,731
		June 30,				
		2015	2016	2017	2018	2019
<b>General Fund</b>						
Nonspendable	\$	932,312	\$ 1,183,977	\$ 1,473,046	\$ 1,724,735	\$ 1,403,607
Assigned		308,378	431,927	653,077	1,191,686	3,456,045
Unassigned		16,252,132	20,501,961	22,716,226	18,066,825	13,227,169
Total General Fund	\$	17,492,822	\$ 22,117,865	\$ 24,842,349	\$ 20,983,246	\$ 18,086,821
<b>All Other Governmental Funds</b>						
Restricted	\$	25,661,556	\$ 26,220,965	\$ 29,804,020	\$ 29,783,385	\$ 28,645,912
Committed		-	-	-	635,029	751,747
Assigned		-	-	-	-	-
Unassigned		(233,445)	(16,988)	(128,354)	-	-
Total all other governmental funds	\$	25,428,111	\$ 26,203,977	\$ 29,675,666	\$ 30,418,414	\$ 29,397,659

(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,			
	2010	2011	2012	2013
<b>Revenue</b>				
Taxes	19,922,116	20,876,511	18,724,073	17,879,783
Licenses, permits and fees	787,170	665,289	998,214	1,633,463
Charges for services	2,169,540	4,205,335	2,462,577	2,432,939
Fines and Forfeitures	1,097,610	1,313,498	1,223,209	1,165,881
Use of money and property	805,476	724,554	781,252	787,221
Grants and intergovernmental	2,300,750	1,798,705	808,281	1,968,688
Miscellaneous	672,299	834,417	665,205	1,063,882
Total Revenues	27,754,961	30,418,309	25,662,811	26,931,857
<b>Expenditures</b>				
Current:				
General government	1,690,298	1,796,972	2,160,416	2,614,832
Public safety	11,159,828	10,712,547	11,665,202	9,986,838
Public Works	2,070,733	1,620,416	1,780,137	1,954,495
Culture and recreation	1,296,878	1,105,585	1,055,993	934,198
Community development	9,669,345	5,862,770	4,234,460	2,319,047
Capital outlay	906,073	297,200	760,286	1,722,942
Debt service:				
Principal repayment	1,176,898	1,295,105	1,289,000	1,183,000
Interest and fiscal charges	1,176,578	1,158,685	1,102,398	611,307
Total Expenditures	29,146,631	23,849,280	24,047,892	21,326,659
Excess (deficiency) of revenues over (under) expenditures	(1,391,670)	6,569,029	1,614,919	5,605,198
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,892,099	3,049,536	1,658,279	978,332
Transfers (out)	(5,229,632)	(4,895,301)	(2,006,475)	(916,127)
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	-	-	25,221	-
Total other financing sources (uses)	(337,533)	(1,845,765)	(617,975)	62,205
Net change in fund balances before extraordinary item	(1,729,203)	4,723,264	996,944	5,667,403
Extraordinary item	-	-	(6,078,629)	-
Net change in fund balances	(1,729,203)	4,723,264	(5,081,685)	5,667,403
Debt services as a percentage of noncapital expenditures	8.3%	10.4%	10.9%	9.1%



**Fiscal Year Ended June 30,**

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
20,491,692	22,869,151	25,305,817	25,736,381	27,319,013	29,019,266
843,018	864,939	669,389	612,279	651,132	842,787
2,540,041	3,842,299	2,888,755	2,437,313	2,303,966	2,854,067
1,261,992	464,115	1,584,307	1,550,814	1,296,068	1,187,345
1,067,420	1,277,810	1,210,899	956,301	1,082,150	1,802,835
1,975,155	2,173,280	373,409	955,343	655,832	484,843
422,202	584,381	1,392,308	1,727,033	1,815,007	1,823,647
28,601,520	32,075,975	33,424,884	33,975,464	35,123,168	38,014,790
2,659,058	3,079,194	4,907,667	3,747,857	4,709,913	4,710,426
10,385,421	11,339,762	12,373,974	13,759,054	15,683,208	17,303,089
1,589,400	1,771,152	2,052,366	3,782,092	4,338,142	4,409,164
1,134,919	1,122,374	2,941,985	3,189,469	3,802,998	4,080,803
3,292,345	3,897,871	2,707,551	2,850,662	2,625,076	3,547,974
827,351	1,034,074	1,188,912	2,337,047	4,526,373	3,564,160
1,436,000	1,304,000	1,360,000	1,417,000	1,477,000	1,543,000
511,310	500,834	490,680	479,177	462,679	442,834
21,835,804	24,049,261	28,023,135	31,562,358	37,625,389	39,601,450
6,765,716	8,026,714	5,401,749	2,413,106	(2,502,221)	(1,586,660)
2,110,769	1,755,350	1,373,422	1,266,671	2,401,521	1,845,000
(4,531,058)	(6,914,528)	(1,374,262)	(1,884,671)	(5,545,991)	(4,175,520)
454,096	-	-	-	-	-
9,745,000	-	-	-	-	-
(10,015,490)	-	-	-	-	-
-	-	-	-	1,202,745	-
-	-	-	-	3,000	-
(2,236,683)	(5,159,178)	(840)	(618,000)	(1,938,725)	(2,330,520)
4,529,033	2,867,536	5,400,909	1,795,106	(4,440,946)	(3,917,180)
-	-	-	4,401,067	-	-
4,529,033	2,867,536	5,400,909	6,196,173	(4,440,946)	(3,917,180)
9.2%	7.7%	6.9%	6.5%	5.8%	5.6%

**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)
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%
2019	5,074,098,222	316,985,101	42,855,836	82,006,123	5,515,945,282	78,659,325	5,542,212,635	5,542,212,635	0.15790%

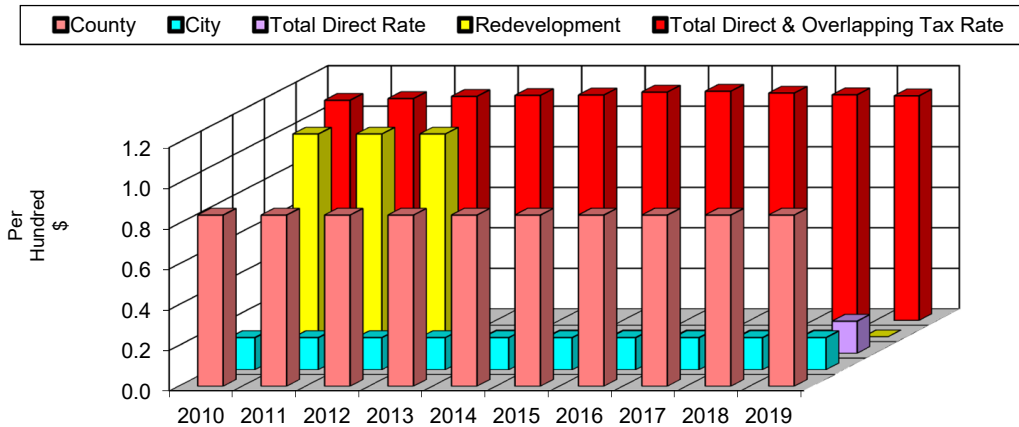
- (a) The California State Constitution requires property to be assess at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities 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)
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
2019	1.0000	0.0112	0.0964	1.1076	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 within. 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 (ERAF) 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**

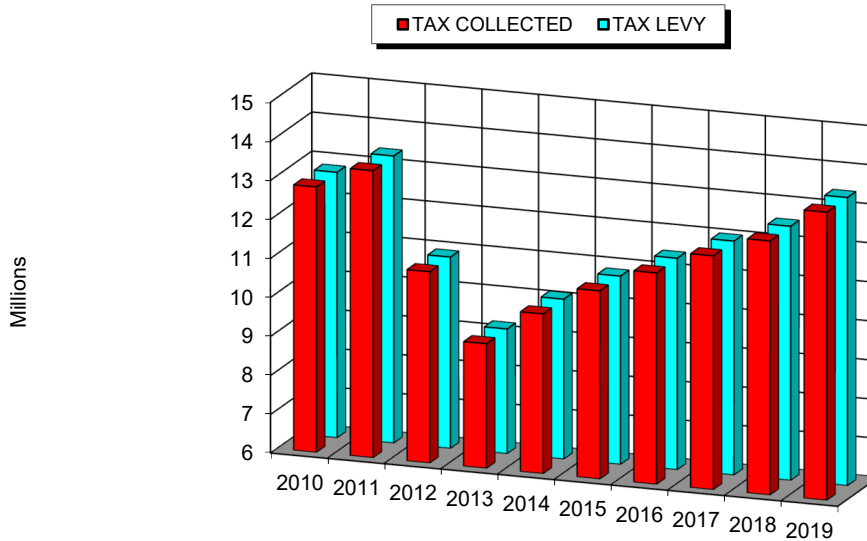
**Top Property Owners Based on Net Values**

Owner / Taxpayer	Fiscal Year 2018-19		Fiscal Year 2009-10	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
SFO Bayshore LLC	124,632,344	2.25%	46,177,624	1.31%
Starwood SF Clarion Realty LLC			24,938,388	0.71%
OR Property Holdings	38,471,307	0.69%		
RAC Investment Group LLC	35,871,427	0.65%		
Magnolia of Millbrae, Inc.	30,234,437	0.55%	27,585,556	0.78%
Great Mountain Properties, LLC	28,011,626	0.51%		
Marymount Greenhills LLC	23,927,094	0.43%	21,367,103	0.60%
Orchard Supply Hardware	16,904,396	0.30%		
RHC Associates	17,873,617	0.32%		
Friend Friend and Friend	16,487,099	0.30%	14,567,494	0.41%
Wilson Plaza LLC	13,318,130	0.24%		
Millbrae Paradise LLC			23,377,185	0.66%
Green Hills Country Club			16,474,857	0.47%
Braddock & Logan Group LP			21,306,981	0.60%
Simeon SPFVEF LLC			15,019,664	0.43%
PPC Townsquare Venture LLC			26,593,974	0.75%
<b>TOTAL TOP TEN</b>	<b>345,731,477</b>	<b>6.24%</b>	<b>237,408,826</b>	<b>6.72%</b>
<b>Total Secured Assessed Valuation:</b>	<b>\$ 5,542,212,635</b>		<b>\$ 3,532,520,097</b>	

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
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
2019	13,402,214	13,402,214	100.0%	57,221

In 1995, the County began providing the City 100% of its Secured Tax levy pursuant to an agreement which allows the County to keep all interest and delinquency charges collected.

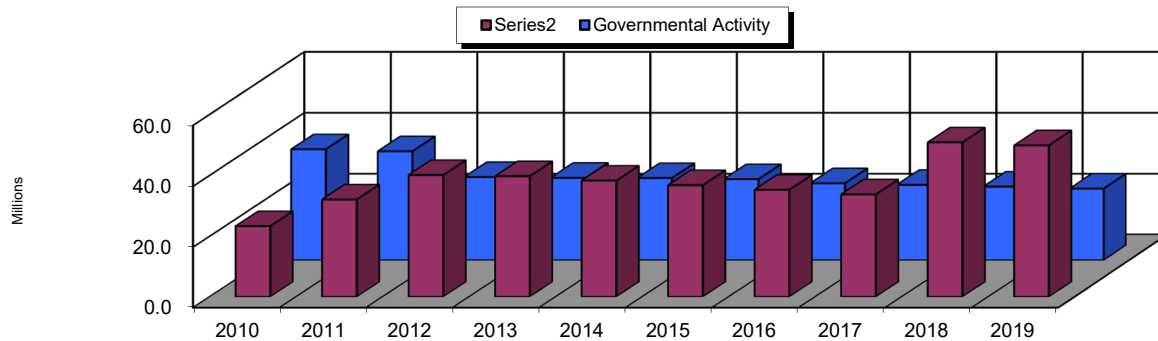
- (a) In Fiscal Year 2011-2012 Redevelopment was dissolved and Redevelopment funds were redistributed to all taxing entities pursuant to California Health and Safety Code Section 34183

- (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
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
2019	8,887,281	13,522,022				1,156,000	23,565,303

**Business Type Activity**

Fiscal Year	Certificates of Participation	State Revolving Loan (b)	TOTAL	Total Primary Government	Personal Income Percentage (c)	Per Capita (c)
2010	15,931,367	7,382,051	23,313,418	59,799,947	7.02%	2,710
2011	14,325,935	17,738,215	32,064,150	67,878,245	7.69%	3,054
2012	12,690,984	27,405,675	40,096,659	67,457,532	7.55%	2,984
2013	12,430,000	27,294,385	39,724,385	66,836,860	7.27%	2,955
2014	12,275,000	25,982,472	38,257,472	65,292,037	6.77%	2,822
2015	12,115,000	24,657,832	36,772,832	63,437,560	6.36%	2,738
2016	11,950,000	23,319,946	35,269,946	60,590,660	5.89%	2,658
2017	11,775,000	21,968,680	33,743,680	58,546,827	5.34%	2,562
2018	30,225,000	20,603,903	50,828,903	75,050,116	6.25%	3,242
2019	30,618,188	19,225,478	49,843,666	72,610,781	6.04%	3,134

(a) In 2011, the 1999 Certificates of Participation were refinanced through a lease revenue financing. Includes 2018 Wastewater Rev Bond

(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**

<b>Fiscal Year</b>	<b>Library Bonds</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Per Capita</b>
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
2019	8,887,281	0.16%	383.83

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

**CITY OF MILLBRAE  
STATISTICS**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

**June 30, 2019**

2018-19 Assessed Valuation: \$5,571,483,835

	Total Debt 6/30/2019	% Applicable (1)	City's Share of Debt 6/30/19
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
San Mateo Community College District	\$801,050,076	2.49%	\$19,970,178
San Mateo Union High School District	511,074,086	7.150	36,541,797
Millbrae School District	53,784,527	57.083	30,701,822
<b>City of Millbrae</b>	<b>8,887,281</b>	<b>100</b>	<b>8,887,281</b>
California Statewide Communities Development Authority Assessment District No. 03-1, Glenborough/Pauls Project Area	1,313,978	100	1,313,978
California Statewide Communities Development Authority Assessment District No. 06-1, Park Broadway Project Area	1,311,216	100	1,311,216
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$98,726,272</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Mateo County General Fund Obligations	\$551,005,360	2.493%	\$13,736,564
San Mateo County Board of Education Certificates of Participation	8,140,000	2.493	202,930
<b>City of Millbrae Lease Revenue Financing</b>	<b>1,156,000</b>	<b>100</b>	<b>1,156,000</b>
<b>City of Millbrae Pension Obligation Bonds (2)</b>	<b>13,522,022</b>	<b>100</b>	<b>13,522,021</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$28,617,515</b>
<b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u></b>	<b>\$5,850,000</b>	<b>100.00%</b>	<b>\$5,850,000</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$23,565,303</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$109,628,485</b>
<b>COMBINED TOTAL DEBT (3)</b>			<b>\$133,193,788</b>

(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 accreted interest.

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

Ratios to 2018-19 Assessed Valuation:

<b>Direct Debt (\$8,887,281)</b>	<b>0.15%</b>
Total Direct and Overlapping Tax and Assessment Debt	1.77%
<b>Total Direct Debt (\$ 23,565,303)</b>	<b>0.42%</b>
Combined Total Debt	2.39%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$962,160,414):

Total Overlapping Tax Increment Debt	0.60%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

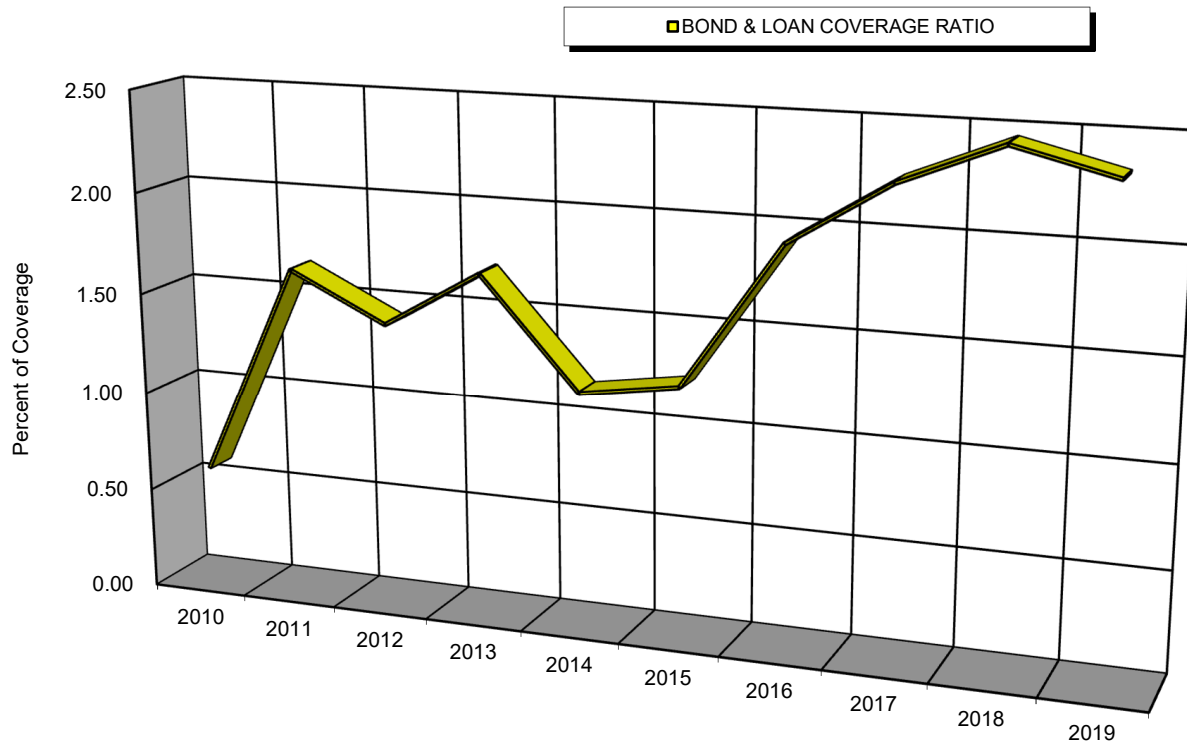
Avenu Insights & Analytics





**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	
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
2019	14,541,633	6,589,159	7,952,474	1,783,425	1,631,245	3,414,670	2.33

Note: The final principal payment for Subordinate Wastewater Revenue Bonds issued in 2008 in the total amount of \$3,965,000 were paid in 2010.

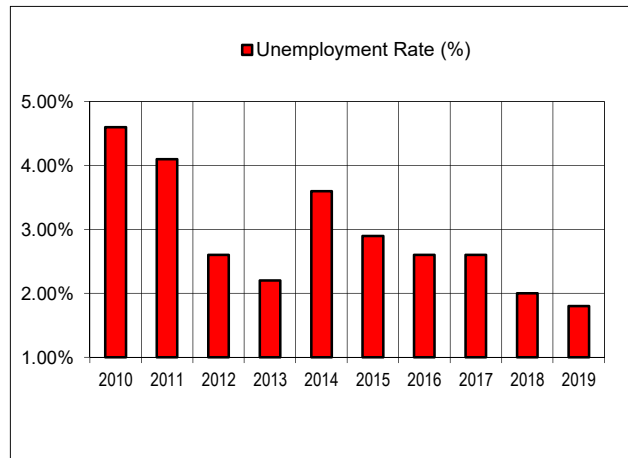
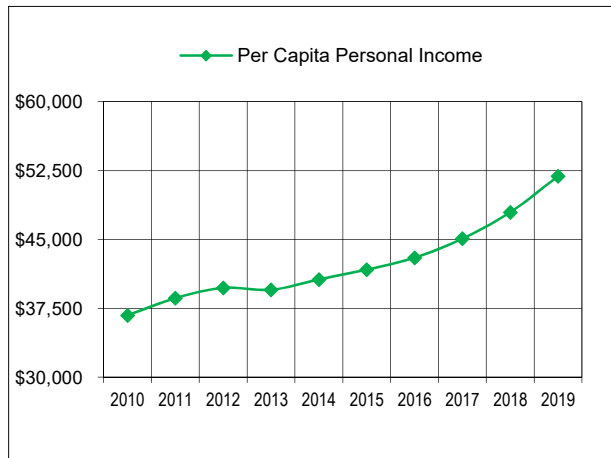
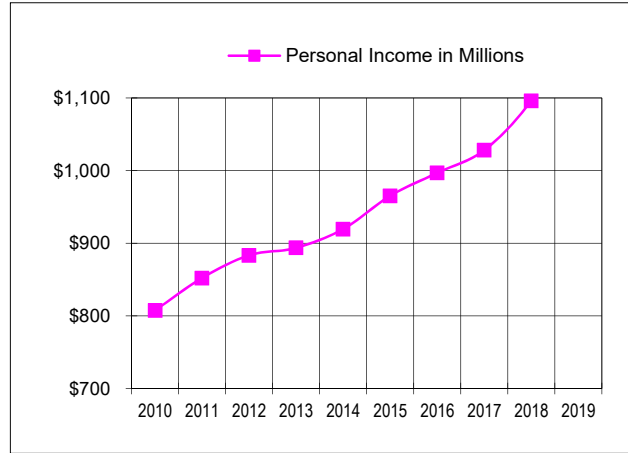
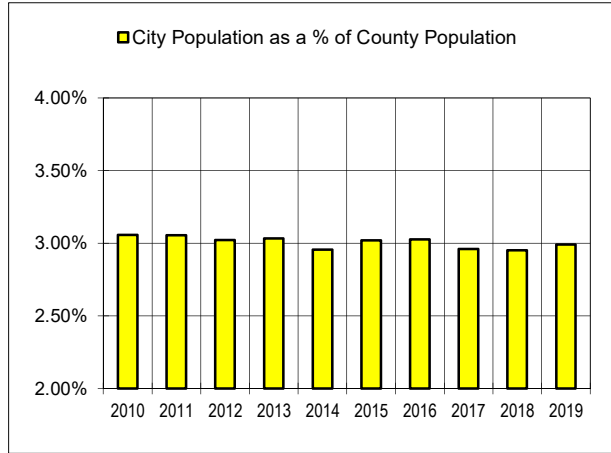
(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

(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 (%)
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%
2019	23,154	774,485	2.99%	\$1,201.0	\$51,880	1.8%

Sources: State of California, Department of Finance  
State of California Employment Development Department  
US Census Bureau  
Compiled 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 2018-19			Fiscal Year 2009-10		
	Number of Employees	Rank	Percent of city Labor Force	Number of Employees	Rank	Percent of city Labor Force
San Francisco PUC (1)	237	1	1.80%	300	2	3.09%
Millbrae School District	215	2	1.63%	173	3	1.78%
Westin Hotel	215		1.63%			
Millbrae Skilled Care (2)	150	4	1.14%			
San Mateo Union High School District (3)	137	5	1.04%	125	7	1.30%
Safeway	126	6	0.95%	100		
Magnolia of Millbrae	125	7	0.94%	101	9	
City of Millbrae	119	8	0.90%	141	5	1.40%
Taste Catering and Event Planning	113	9	0.86%			
Best Western - El Rancho	110	10	0.83%	150	4	1.50%
Starwood Resorts				440	1	4.54%
A & C Healthcare				135	6	1.39%
Green Hills Country Club				115	8	
Millbrae Serra Sanitarium				135		1.39%
Orchard Supply Hardware				100	10	1.03%
World Journal Inc.				100		1.03%
TOTAL:	1,547		11.72%	2,115		21.80%
City Labor Force (4)	13,200			9,700		

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

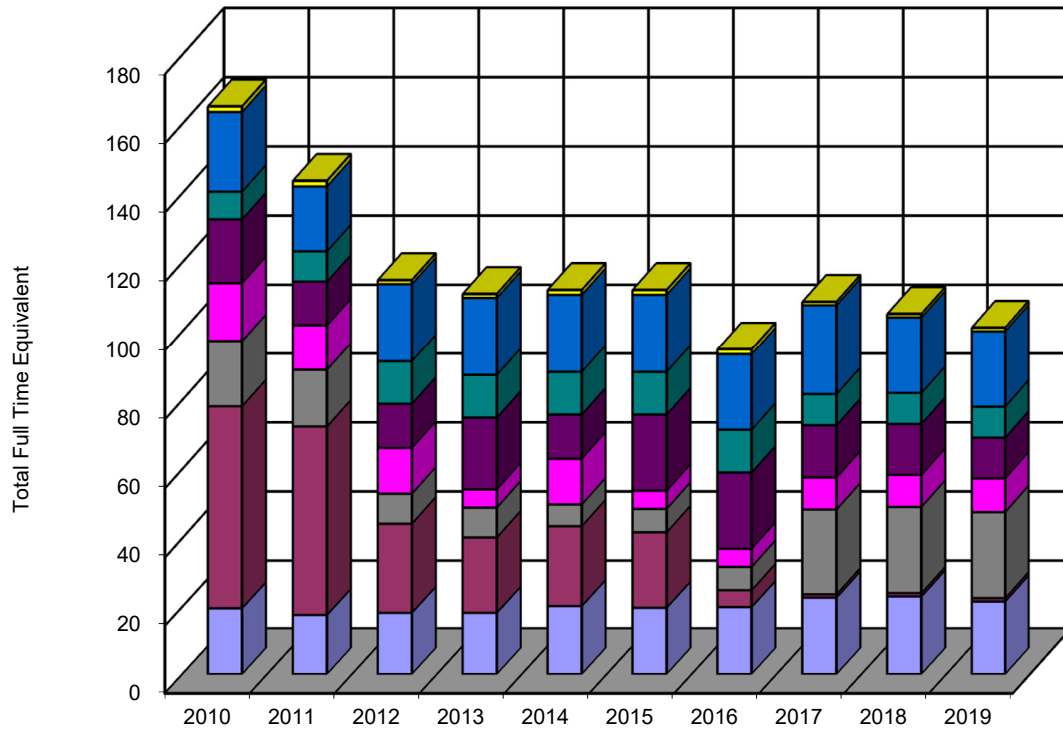
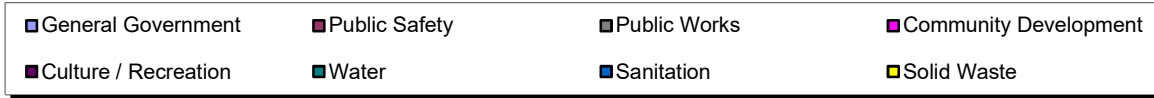
(2) Millbrae Skilled care was previously known as A & C Healthcare

(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**



Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	19.50	17.50	18.15	18.15	20.15	19.65	19.85	22.65	23.00	21.50
Public Safety	58.63	54.75	26.00	22.00	23.25	22.00	5.00	1.00	1.00	1.00
Public Works	19.00	16.50	8.65	8.65	6.29	6.79	6.79	24.59	25.00	25.00
Community Development	16.80	13.00	13.25	5.25	13.25	5.25	5.25	9.25	9.25	9.75
Culture / Recreation	18.48	12.66	12.79	20.79	12.79	22.04	22.04	15.15	14.75	11.75
Water	8.00	8.75	12.39	12.39	12.39	12.39	12.39	9.00	9.00	9.00
Sanitation	23.00	18.75	22.45	22.45	22.45	22.45	21.95	25.91	22.00	22.00
Solid Waste	1.60	1.60	1.11	1.11	1.37	1.37	1.37	0.95	1.00	1.00
<b>TOTAL</b>	<b>165.01</b>	<b>143.51</b>	<b>114.79</b>	<b>110.79</b>	<b>111.94</b>	<b>111.94</b>	<b>94.64</b>	<b>108.50</b>	<b>105.00</b>	<b>101.00</b>

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	2010	2011	2012	2013
<b>Public Safety</b>				
Fire				
Emergency Responses (a)	2,554	2,764	2,683	2,735
Primary Fire Inspections	410	527	639	602
Police				
Police Calls for Service	20,944	20,706	17,876	14,837
Part I and Part II Crimes	1,369	1,273	1,157	1,367
Physical Arrests (adult and juvenile)	789	677	576	445
Traffic Violations	2,121	2,139	1,834	1,932
Parking Violations	11,154	9,030	5,562	6,707
<b>Public Works</b>				
Street Resurfacing (miles) (b)	1	0	1	0
Potholes Repaired (square miles)	0.0007	0.0009	0.0008	0.0004
<b>Culture and Recreation</b>				
Community Services				
Recreation Class Participants	6,211	5,443	6,239	6,162
Library				
Volumes in Collection	109,241	109,595	110,550	113,345
Total Volumes Borrowed	633,241	578,739	550,956	548,010
<b>Water</b>				
Water Service Connections	6,474	6,499	6,546	6,549
Water Main Breaks	17	8	8	11
Average Daily Consumption (gallons)	2,197,884	2,075,149	2,024,473	2,110,022
<b>Sanitation</b>				
Sewer Service Connections	6,474	6,499	6,546	6,549
Storm Drain Inlets	700	700	700	868
Sewer Main Blockages	19	8	6	2
Average Daily Treatment (gallons)	1,497,600	1,560,602	1,481,000	1,610,000
<b>Solid Waste</b>				
Recyclables Processed (tons per year)	2,900	2,831	2,681	2,817

(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

2014	2015	2016	2017	2018	2019
2,680	2,914	7,322	7,668	6,584	7,493
388	546	1,179	1,454	1,528	1,366
13,924	14,721	14,783	16,744	17,171	17,638
1,189	1,302	1,329	1,479	1,601	1,065
558	735	716	614	670	715
1,171	1,601	1,366	1,904	1,822	3,202
6,694	5,235	5,360	4,086	5,256	4,200
0	4	0	0.8	0	4.8
0.0009	0.0010	0.0010	0.0010	0.0011	0.2413
5,305	7,775	5,978	4,165	4,350	4,957
105,796	116,959	124,000	107,287	96,629	81,699
501,348	498,492	466,531	450,113	412,597	500,339
6,540	6,568	6,556	6,547	6,570	6,550
10	10	9	10	10	7
2,097,301	1,888,136	1,598,519	1,901,364	2,034,671	1,945,366
6,560	6,568	6,556	6,547	6,348	6,550
868	868	868	868	868	868
1	6	5	5	10	4
1,498,000	1,280,000	1,600,000	1,863,000	1,300,000	1,940,000
2,566	2,612	2,597	2,674	2,583	2,548

**CITY OF MILLBRAE  
STATISTICS**

**CAPITAL ASSETS BY FUNCTION / PROGRAM  
LAST TEN FISCAL YEARS**

2019	Function / Program	2010	2011	2012	2013
<b>Public Safety (a)</b>					
	Fire Station	2	2	2	2
	Police Station	1	1	1	1
	Police Patrol Unit	17	17		
<b>Public Works</b>					
	Miles of Streets (lane miles)	110	110	110	110
	Street Lights	1,250	1,250	1,250	1,250
	Traffic Signals	5	5	5	5
	Roadway Landscaping Acreage	2	2	2	2
<b>Culture and Recreation</b>					
Community Services					
	City Parks	14	14	14	14
	City Park Acreage	104	104	104	104
Regional Park Facilities:					
	Clubhouse / Banquet Facility	2	2	2	2
	Historic House	2	2	2	2
	Community Center (b)	1	1	1	1
	Senior Center	1	1	1	1
	Community Gardens	1	1	1	1
	City Trail	1	1	1	1
	City Trail Miles	3	3	3	3
	Playgrounds	6	6	6	6
	Tennis Court	4	4	4	4
	Baseball / Softball Diamond	5	5	5	5
	Soccer / Football Field	1	1	1	1
Library					
	City Library	1	1	1	1
<b>Water</b>					
	Miles of Water Mains	70	70	70	70
	Fire Hydrants	545	545	545	545
	Storage Capacity (gallons)	2,360,000	2,360,000	2,360,000	2,360,000
<b>Sanitation</b>					
	Miles of Sanitary Sewers	56	56	56	56
	Miles of Storm Sewers	21	21	21	21
	Treatment Plant	1	1	1	1
	Treatment Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000

(a) In 2012, the Police Department and 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.

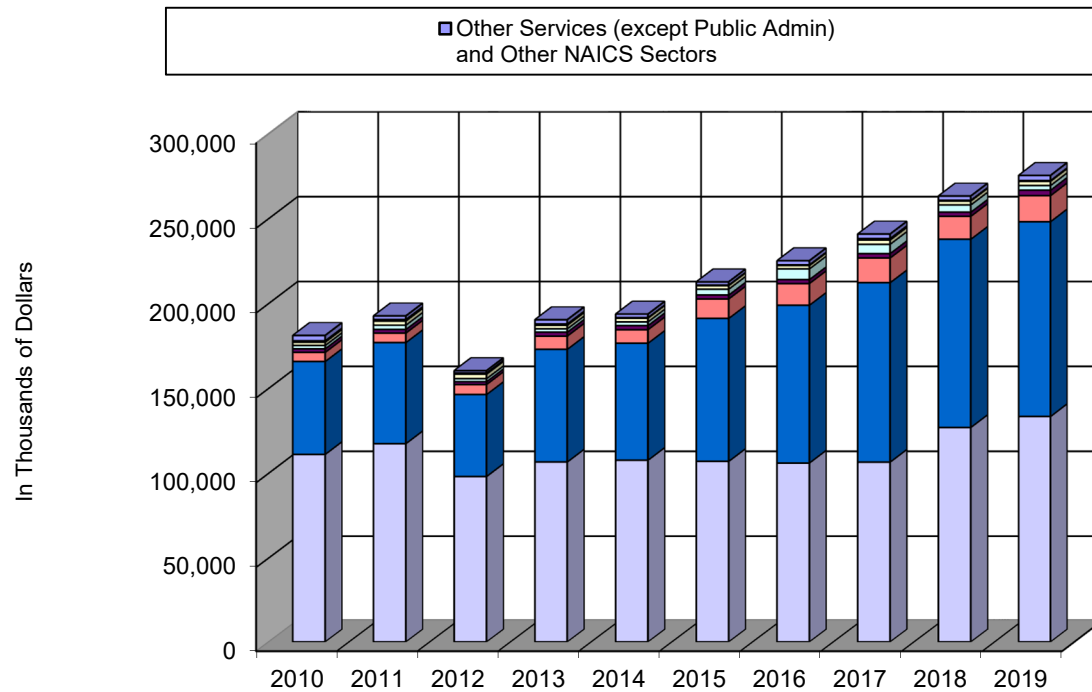
Source: City of Millbrae / GIS System



2014	2015	2016	2017	2018	2019
2	2	2	2	2	2
1	1	1	1	1	1
110	110	110	110	110	110
1,250	1,250	1,250	1,250	1,250	1,250
6	5	5	5	5	5
2	2	2	2	2	2
14	14	14	14	14	14
104	104	104	104	104	104
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	-	-	-
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
6	6	6	6	6	6
4	4	4	4	4	4
9	9	9	9	9	9
3	3	3	3	3	3
1	1	1	1	1	1
70	70	70	70	70	70
545	545	545	545	545	545
2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
56	56	56	56	56	56
21	21	21	21	21	21
1	1	1	1	1	1
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

**CITY OF MILLBRAE  
STATISTICS**

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

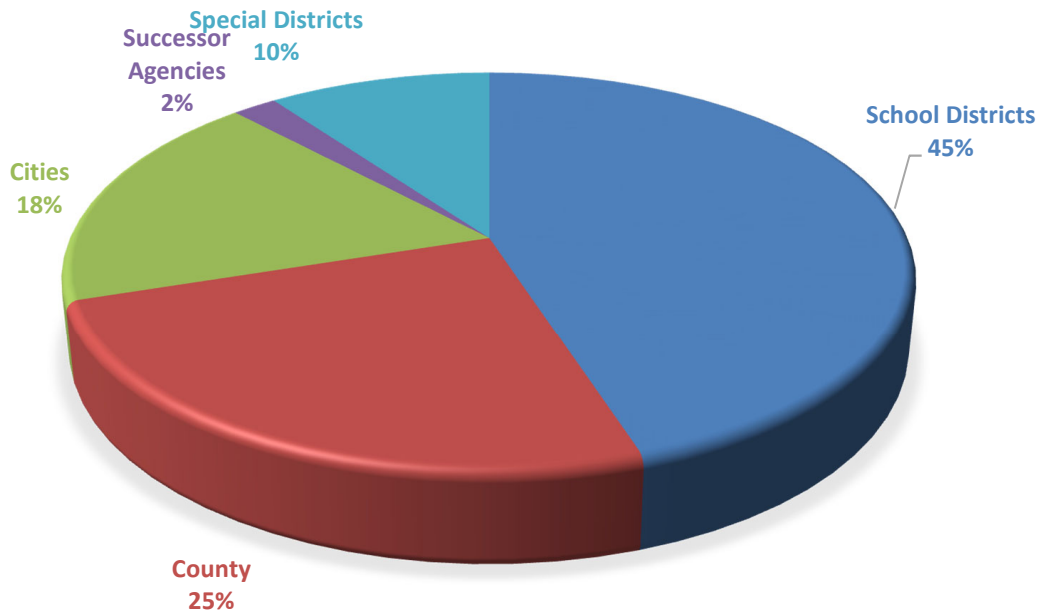


Category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Retail Trade	111,119	117,461	98,117	106,661	107,710	107,021	106,062	106,588	127,017	133,455
Accommodation and Food Services	54,733	59,531	48,296	66,366	68,898	84,219	92,963	105,703	110,877	114,758
Wholesale Trade, Manufacturing, Transportation & Warehousing	5,366	5,610	5,904	7,787	7,999	11,463	12,772	14,540	13,488	15,345
Arts, Entertainment, Recreation and Educational Services	2,122	2,125	1,649	2,301	2,410	2,313	2,357	2,624	2,472	3,214
Real Estate, Rental, Leasing and Construction	1,958	2,534	1,814	2,007	2,183	3,425	6,261	5,465	4,250	2,755
Professional, Scientific, Technical, Health Care and Social Assistance	1,929	2,439	2,617	2,083	2,202	2,129	1,971	2,503	2,322	2,509
Information	871	939	743	807	349	367	456	918	432	449
Other Services (except Public Admin) and Other NAICS Sectors	3,086	2,039	1,314	2,446	2,021	1,812	2,375	2,592	2,494	2,977
<b>TOTAL</b>	<b>181,185</b>	<b>192,679</b>	<b>160,453</b>	<b>190,459</b>	<b>193,771</b>	<b>212,750</b>	<b>225,218</b>	<b>240,932</b>	<b>263,352</b>	<b>275,460</b>

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.

## PROPERTY TAX DOLLAR DISTRIBUTION



School Districts	45.00%
County	25.00%
Cities	18.00%
Successor Agencies	2.00%
Special Districts	10.00%
<b>Total</b>	<b>100.00%</b>

The chart shows the distribution of the 1% general tax, based on the assessed value, for the fiscal year 2019-20.

Source: San Mateo County Assessor