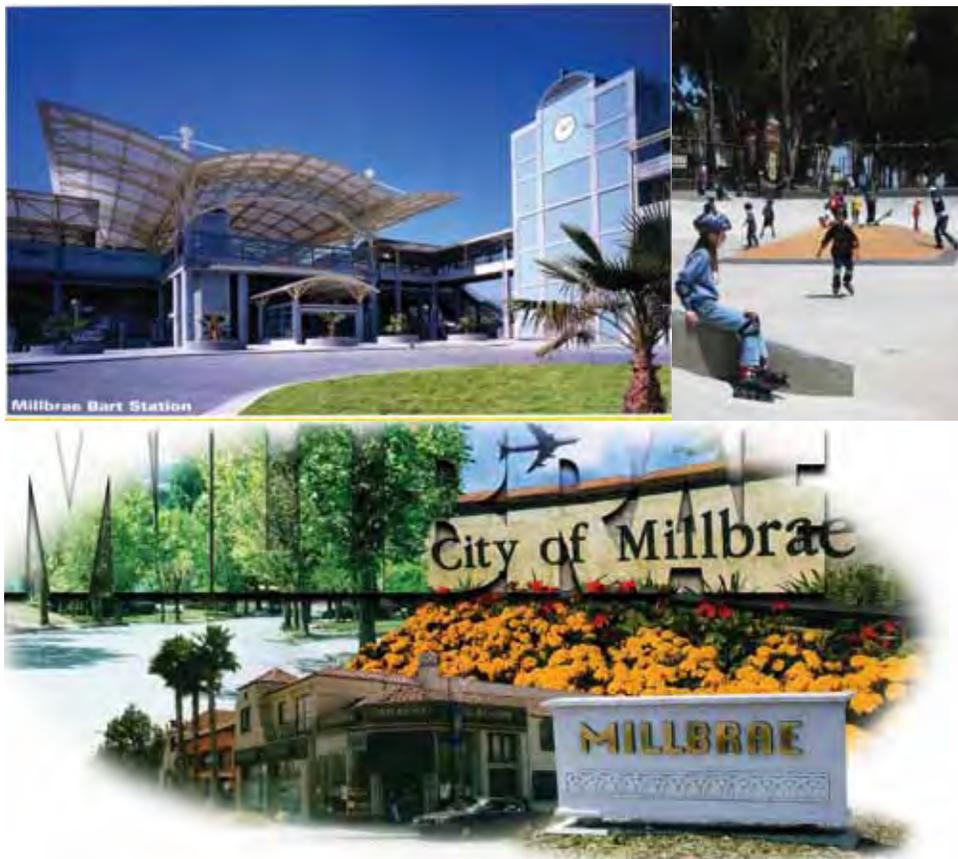




City of Millbrae California

Comprehensive Annual Financial Report



For the year ended
June 30, 2011

CITY OF MILLBRAE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

Prepared by
FINANCE DEPARTMENT



CITY OF MILLBRAE

Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

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City of Millbrae
621 Magnolia Avenue, Millbrae, CA 94030

DANIEL F. QUIGG
Mayor
MARGE COLAPIETRO
Vice Mayor
GINA PAPAN
Councilwoman
NADIA V. HOLOBER
Councilwoman
PAUL SETO
Councilman

November 16, 2011

Citizens of the City of Millbrae
The Honorable Mayor and
Members of the City Council

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Millbrae (City). This report presents the financial position and the changes in the financial position for the fiscal year ended June 30, 2011. The basic financial statements and supporting schedules have been prepared in compliance with California Government code Sections 25250 and 25253 and in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete, and accurate in all material respects, and is reported in a manner designed to present fairly the financial position and the results of operations of various funds and component units of the City. All material statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

The City's financial statements have been audited by the independent audit firm of Maze & Associates, a certified public accounting firm. The objective of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011, are free of material misstatements. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2011. The Independent Auditors' Report is presented as the first item under the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements. The Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The City has defined its reporting entity in accordance with GAAP, which provides guidance to determine the governmental activities, organizations, functions, and component units that should be blended or discretely presented in the financial statements. Component units are legally separate entities for which the City is financially accountable. Although legally separate entities, blended component units are, in substance, part of the City's operation and are reported as part of the Primary Government. Therefore, the Millbrae Redevelopment Agency (RDA) is reported as a blended component unit in the Government-wide Financial Statements.

Included as part of this letter are several attachments, that provides important information regarding the operations, economic environment, and financial position of the City. The attachments are:

<u>Attachment</u>	<u>Content</u>
A	Governmental Structure, Local Economic Condition and Outlook
B	Major Initiatives for the Year
C	Financial Information
D	Other Information

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated staff of the entire Finance Department and the auditing services of Maze & Associates.

I would like to express my appreciation to the entire staff of the Finance Department and all the City departments, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Maze & Associates for their assistance and guidance.

Most importantly, I would like to thank the City Council, the City Manager, and Department Heads and their respective staff, for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,



LaRae Brown
Finance Director

ATTACHMENT A

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Millbrae (City) was founded in 1856, incorporated in 1948 and operates as a General Law City serving a population of over 21,000. The City is located on the California Peninsula, 15 miles south of San Francisco. The boundaries of the City extend roughly from the Bayshore Freeway on the east to Skyline Boulevard on the west. This distance is approximately 1.7 miles. The distance between the north and south City limit line is approximately 2.05 miles.

Adjacent to the San Francisco International Airport and located in the heart of San Mateo County, Millbrae is gently cradled in the sun-warmed hills that separate the Pacific Ocean from the San Francisco Bay. Major freeways border both its eastern and western boundaries, making Millbrae easily accessible from all parts of the Bay Area. Many hillside homes enjoy beautiful bay views. Well-cared for middle-class neighborhoods, twelve local parks and the Green Hills Country Club add to the charm of the residential community.



Millbrae's economic community is a vital mix of retail, shopping, restaurants, service businesses, hotels and public services. With the Bay Area Rapid Transit (BART) / San Francisco (SFO) Extension, the City has adopted the Millbrae Station Area Specific Plan in order to attract hotel, office, retail and housing development to the area around the Millbrae BART station. The Millbrae BART Station provides the only Intermodal rail connection west of the Mississippi, the first regional rail system in the Bay Area. This unique station, which is connected to and is adjacent to the San Francisco International Airport, allows BART, CalTrain and SamTrans to connect under one roof, thereby maximizing regional travel options for passengers in the Bay Area.

The City acknowledges the importance of and continually strives towards preserving, enhancing, and managing open spaces, trees, and wetlands. The City continues to implement sustainable programs that will improve the health of the community and environment, and will ensure that future generations may live healthy, productive and comfortable lives.

City Facts and Figures

San Mateo County Seat Established:	1856
Incorporated:	January 14, 1948
Land Area:	3.2 Square Miles
Elevation Low Point:	25 Feet
Elevation High Point:	800 Feet
Average Temperature Low:	42° January
Average Temperature High:	71° September
Population:	21,968
Population Density:	6,473 per square mile
Number of Households:	8,372 – Units (2010 Census)



City Government

Millbrae operates as a General Law City, provides for a Council-City Manager form of government, which clearly distinguishes the legislative powers of the City Council from the Administrative powers of the City Manager.

The City Council, composed of five members are the only officials elected directly by the residents of Millbrae. The Council members serve a four-year term, and annually choose a mayor, and vice mayor from among their members. As the legislative branch of the government, the City Council makes final decisions on all major City matters.

The City Council adopts ordinances and resolutions necessary for efficient governmental operations, approves the budget, and acts as a board of appeals. The City Manager, City Attorney and members of the City's boards and commissions are appointed by the City Council. The City Manager administers the daily affairs of the City, carries out City Council policies, and appoints and dismisses all Department Heads.

City Elections

General Municipal Elections are held on the first Tuesday after the first Monday in November of odd-numbered years.

City Services

The City provides a full range of services including Police, and Fire protection; the construction and maintenance of highways, streets, and other infrastructure; Community Development; planning and inspections; and Redevelopment. In addition, the City also manages recreational activities and cultural events; and provides water, and sewer utility services.

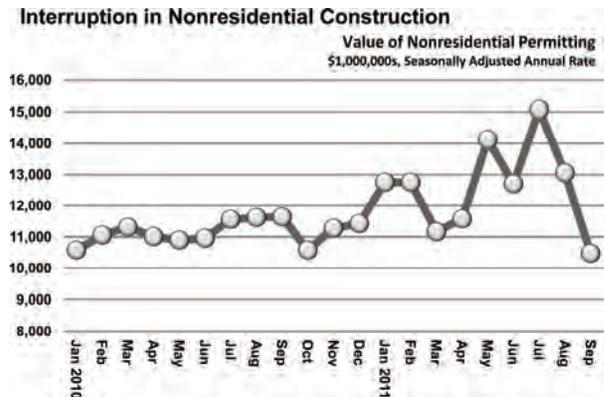
State Economy

Recent employment and construction data indicate that California's economy continues a slow recovery. The labor market report for September was a very welcome turnaround from the gloomy report for August. Amid considerable month-to-month volatility, home construction has shown modest improvement over 2010.

- California gained 11,800 industry jobs in September, and August was revised to a gain of 21,100 from the initially reported loss of 8,400—a 29,500-job swing.
- In September, professional and business services added 13,300 jobs—boosted by employment service (temporary help) gains. Construction added 6,900 jobs, principally from heavy and civil engineering construction (roads and bridges). Leisure and hospitality gained 4,700 jobs. Trade, transportation, and utilities employment grew 4,600, led by retail employment gains which reflect the recent strength of consumer spending—on cars in particular.
- Six industry sectors lost jobs. Government lost 7,000 jobs, predominantly in local education. Manufacturing dropped 4,700 jobs. Elsewhere, educational and health services lost 3,500 jobs; information, 2,200; financial activities, 800; and mining and logging, 100.
- On a year-over-year basis, nonfarm employment rose by 250,600 (1.8 percent) from September 2010 to September 2011—the strongest year-over gain since August 2006. The growth was very broad-based—nine of the state's 11 major industry sectors gained jobs over the year.

- Employment rose 78,000 in professional and business services; 45,100 in educational and health services; 40,100 in leisure and hospitality; 32,100 in trade, transportation, and utilities; 23,000 in construction; 21,800 in information; 15,800 in manufacturing; 3,000 in government; and 500 in mining and logging. Over the year, employment fell by 7,000 in financial activities; and 1,700 in other services.
- The state's unemployment rate also improved in September, falling to 11.9 percent from 12.1 percent in August. The number of Californians employed increased and the number unemployed fell, which led to the strongest labor force gain since January 2000 and to the first improvement in the state's Labor Force Participation Rate since December 2007.

- Residential construction permitting slowed in September. Multi-family construction slowed, but was still up over the year and gradually improving. In contrast, single-family construction, which also slowed in September, suffered its ninth consecutive year-over-year loss. Since the beginning of 2011, multi-family building accounted for over half of all new residential permits—a definite switch from the early 2000s when it represented about one-third.



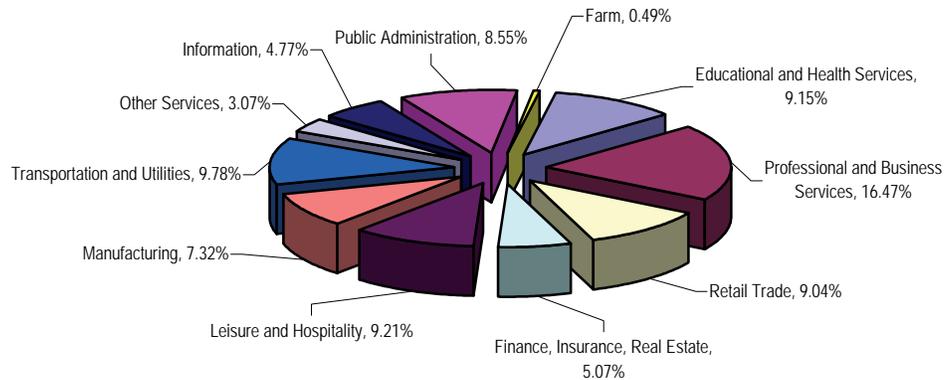
- A second consecutive sharp slowing in September led nonresidential construction to suffer its first year-over-year drop (10 percent) since March. Despite this slowing, nonresidential permitting was up 13 percent during the first nine months of 2011 compared to the same months of 2010, led by healthy gains in office, hotel/motel, industrial, and alteration and addition construction.
- After gaining ground in August, existing home sales and prices slipped in September. Consistent with an ongoing pattern of alternating monthly gains and losses, sales of existing, single-family detached homes slowed to 487,940 units at a seasonally adjusted annualized rate. The median price of existing homes sold in September was \$287,440, down 8.3 percent from a year earlier.

(Source: State of California Department of Finance)

San Mateo County Economy

The County of San Mateo (County) is one of the nine counties in the San Francisco Bay Area. The County is made up of twenty cities and towns, including Millbrae, and a large unincorporated area that includes La Honda, Pescadero, Montara, Moss Beach, El Granada, and Fair Oaks. The large mountainous part of the County and the San Francisco Airport location are also unincorporated areas. The County occupies 449 square miles on a peninsula bounded by San Francisco to the north, Santa Clara County to the south, San Francisco Bay to the east, and the Pacific Ocean to the west. Though sandwiched between two large urban areas, the County is a pleasant mix of suburban and rural areas. Most of the County's 750,436 residents live in the suburban corridor east of the Santa Cruz Mountains, which bisects the County. The western part of the County remains primarily rural and has some of California's most beautiful coastline. San Mateo is the 14th most populous among California's 58 counties.

San Mateo County Employment by Industry 2010 Annual



(Source: State of California Employment Development Department)

Labor Force: San Mateo County's annual labor force was 339,300 and the largest sectors were Professional and Business Services with 60,100 employed followed by, Transportation and Utilities with 35,700 employed, Leisure and Hospitality with 33,600 employed, Education and Health Services with 33,400 employed, Retail Trade with 33,000 employed, and Public Administration with 31,200 employed.

City of Millbrae

The global financial crisis has affected or influenced every corner of the world and all of our lives. The U.S. economy and the State of California are still in a financial crisis; experiencing the largest economic downturn since the Great Depression. In the City of Millbrae, this has resulted in declines or tepid growth in revenues, and due to the ever-changing environment and financial crisis, revenues are projected to remain stagnant with modest recovery projected over the next five years.

A Five Year Financial Forecast was presented to the City Council on November 15, 2011. The Forecast focused on revenues and expenditures associated with the General Fund, and provided a snapshot of what the future will look like as a result of the decisions made in the past. Developing factual, accurate, timely and objective information about the City's financial condition provides the opportunity to identify financial trends, shortfalls, and proactively address potential issues. A Financial Forecast can also illustrate the likely financial outcome of a particular course of action or factors affecting the environment in which the City operates.

It is important to stress that the Financial Forecast was not a Budget, nor a forecast of what is certain to happen, but rather a device to highlight significant issues or problems that must be addressed if goals are to be achieved; service levels maintained; and ensure the long-term fiscal health and viability of the City.

The forecast did project a "forecast gap." The projected "forecast gap" is not the same as a "budget deficit." The City will have a budget deficit only if it does nothing to take corrective action.

However, by looking ahead and proactively taking action on difficult options, choices and decisions "today" to close projected future gaps, will help the City avoid incurring actual real deficits

The table below shows the projected General Fund forecast gap by each fiscal year.

Fiscal Year	Projected Forecast Gap
2012-2013	532,023
2013-2014	701,186
2014-2015	2,150,962
2015-2016	2,088,905
2016-2017	1,818,880
Cumulative Total	7,291,956

In summary, the five year forecast demonstrated significant structural challenges are facing the City in the very near future. Unless the economy performs considerably better than projected, new revenue sources are implemented, or total expenditures are lowered, the City will need to further reduce day-to-day service levels in order to ensure long-term fiscal health and viability.

To address the gap presented in the forecast, a dialogue with the community, elected officials, staff, and labor representatives will be needed to formulate a course of action to address these challenges, and identify potential solutions.

The City also faces other significant fiscal challenges that include:

- Labor, Health Care and Pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- Develop an appropriate strategy to fund the Other Post-Employment Benefits (OPEB) obligation

ATTACHMENT B

MAJOR INITIATIVES FOR THE YEAR

Wastewater Treatment Plant Renovation Project

The City's Waste Water collection system and treatment plant renovation project is underway. New, up-to-date treatment technology that is more energy efficient and capable of meeting increasingly stringent Federal, State, and local clean water regulations will replace deteriorated and obsolete plant equipment and components. The total project budget is \$35 million and will be completed in the Spring of 2012.

- The new operations center was completed in the Spring of 2011, and the operations, maintenance and laboratory staff are now housed and working in the new facility.
- The new 1.2 million gallon underground flow equalization tank has been completed and testing is currently underway.
- The concrete foundation piles for the new thickener and pump station buildings are done and the bypass system has been installed which will enable the rehabilitation of the effluent pump station which is scheduled to be completed this Winter 2011.
- Construction work is also concentrating on upgrading the secondary systems and the existing facilities.

Prior History and Activities of the Wastewater Treatment Plant Renovation Project :

- The City purchased 1.3 acres of land adjacent to the renovation project from California Department of Transportation. That site was utilized for the construction of the 1.2 million gallon underground flow equalization tank and the new operations center.
- The City secured a loan in the amount of \$28.4 million from the California State Revolving Fund to finance the renovation project. Draws on the State Loan accrue interest at the rate of 1% per annum. Accrued interest will be added to the principal balance of the Loan. Loan repayment commences 12 months after Project completion. The Loan will be repaid over 20 years in equal annual payments.
- The City issued 2009 Wastewater Revenue Certificates of Participation, Series A and Series B in the amount of \$15.8 million for renovation and modernization of the City's wastewater treatment facilities as well as to retire existing long term debt of 2008 Wastewater Revenue Notes and 2005 bank note installment sale agreement
- On April 8, 2009 the City awarded URS Corporation the construction management oversight contract. The contract is \$2.8 million
- On September 22, 2009 the City awarded West Bay Builders of Novato the construction contract for the Wastewater Treatment Plant Renovation Project. The contract is \$20.5 million.

Street Light Project

The City received \$112,630 thousand Federal stimulus funds to replace 278 high pressure sodium vapor streetlights with light emitting diode (LED) fixtures. The LED fixtures are 50-60% more energy efficient, and will reduce carbon dioxide and greenhouse gas by 36,047 pounds per year. In addition, the reduction in maintenance costs the energy saving are projected to be \$10,319 per year.

Law Enforcement Services

The City of Millbrae, and the City San Bruno shared a Police Chief, and commissioned the Municipal Resource Group LLC to conduct an evaluation of opportunities for cooperative law enforcement services, and identify practical strategies to maintain and enhance law enforcement services, while containing or potentially reducing costs. The scope of the evaluation included (1) a fully consolidated department through a Joint Powers Agreement; (2) a City to City contract for all law enforcement services; (3) a City to City contract for specific law enforcement services. The evaluation identified several technical and complex issues, and concluded consolidation or a City to City contract for specific law enforcement services was not viable due to a lack of identified savings.

At the request of City Council, the San Mateo County Sheriff's Office presented a proposal to provide basic Police Services. The Sheriff's proposal projected an annual savings of \$1.1 million, and on November 15, 2011, City Council authorized Staff to initiate negotiations and a contract with the San Mateo County Sheriff's Office to provide Police Services to the City of Millbrae.

Fire Services Merger

The financial outlook for the City of Millbrae projects that the level of fire services provided today may not be feasible in the very near future. The voter approved fire suppression assessment will expire in June 2014. Without that assessment, the city will lose approximately \$1.2 million in revenue to support the fire department.

The cities of Millbrae, Burlingame, San Bruno and the Town of Hillsborough retained Citygate Associates, LLC to conduct a feasibility and implementation-level analysis of merging their fire services to gain economies of scale and improved services in these challenging economic times. The study found there is currently a significant and beneficial sharing of fire service among the agencies, and should a consolidation be pursued, it would eventually produce a fully consolidate, right-sized, sub-regional fire agency that is the best long-term alternative for efficiency and effectiveness. A consolidation would allow a more effective use of personnel, especially in filling daily vacancies, and could provide support staff specialization that a small agency cannot achieve, and would allow "growing" future Chief Officers for effective succession planning.

In the summer of 2011, a Fire Merger Implementation Plan was approved by the Millbrae City Council. Phase one of the plan includes a fire administrative merger as well as a pilot program, using a temporary station to demonstrate that response times to each district and overall coverage will not be compromised if the hillside fire stations located in both Millbrae and Burlingame are relocated and consolidated into one station.

Redevelopment Agency

The City of Millbrae Redevelopment Agency was created in 1988 under the provisions of the Community Redevelopment Law (California Health and Safety Code 33000) to assist in eliminating blight, and revitalizing areas that are determined to be in a declining condition with desired development, reconstruction and rehabilitation, including but not limited to: residential, commercial, industrial and retail.

On June 28, 2011, in an effort to balance the state budget, ABx1 26 was adopted by the State of California which suspends all new redevelopment activities except for limited specified activities and dissolves redevelopment agencies effective October 1, 2011. Simultaneously, the State of California also adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by

opting into an "alternative voluntary redevelopment program" requiring a specified substantial annual contribution to local schools and special districts. On July 28, 2011 the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court. The Supreme Court anticipates it will render a decision before January 15, 2012. In accordance with ABx1 27, the remittance amount for fiscal year 2011-2012 is \$1.81 million and the first payment is due on January 15, 2012. Additional information regarding this issue can be found in Note 16 of this report.

As part of the California State Budget for fiscal year 2009-2010, ABX4-26 was passed authorizing the two-year shift of the property tax increment from Redevelopment Agencies to fund the Supplemental Education Revenue Augmentation Fund (SERAF). The City of Millbrae Redevelopment Agency paid \$1.2 million under this requirement during fiscal year 2009-2010 and \$248 thousand in fiscal year 2010-2011.

Projects and accomplishments during prior years include the following:

- The Agency executed a Field License Agreement with the Millbrae School District for fifteen years with a three year renewal option. The agreement included the renovation of the athletic fields and the maintenance and operation of Taylor, Green Hills, Spring Valley, Lomita Park and Meadows Schools.
- The Park Broadway condominium project, 110 residential units including 11 live work lofts, has been completed and a majority of the units are sold. The Agency provided eight (8) low and moderate-income homebuyers, homeownership opportunities, utilizing the Low and Moderate Income Housing Funds. The Agency established equity sharing with the homebuyers, restricted resale prices, and has first right of refusal to repurchase the units.
- The 88 South Broadway residential project has been completed. The Agency provided ten (10) low and moderate-income homebuyers, homeownership opportunities, utilizing the Low and Moderate Income Housing Funds. The Agency established equity sharing with the homebuyers, restricted resale prices, and has first right of refusal to repurchase the units.
- The Millbrae Paradise (formerly Belamor) condominium project is under construction with 143 residential units and 22,000 square feet of retail space. The Agency will consider executing an option and regulatory documents for low and moderate income units similar those done at 88 South Broadway and Park Broadway.
- In fiscal year 2007-2008 the Agency working with BRIDGE Housing acquired the Dolores Lia residential property of 27 apartment units on El Camino Real. BRIDGE Housing will own, operate and convert the project to condominiums, for sale to low and moderate income homebuyers. Due to the current economic climate the conversion project has been postponed and the units are currently rented to low and moderate income tenants.

ATTACHMENT C

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal, State and local financial assistance, the City is responsible for ensuring an adequate internal control structure is in place and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

Budget Process and Controls

The Budget process is the formal method through which the City establishes its goals, program priorities, and identifies the resources required to achieve the desired service levels for the upcoming fiscal periods. Essentially, it is a process through which policy is made, programs are articulated, and resources are identified in order to put them into effect.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the Fund level. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end; however, outstanding encumbrances generally are re-appropriated, with City Council approval, as part of the following year's budget.

ATTACHMENT D

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The firm of Maze and Associates was awarded the auditing contract by the City Council. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements and supplemental information is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Millbrae for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2010. The certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Millbrae has received a Certificate of Achievement for seventeen (17) consecutive years. We believe this CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting this report for consideration to GFOA to determine eligibility for another certificate.

Note: The City has tried to refrain from duplicating information contained in the Management Discussion and Analysis (MD&A) or in the notes to the financial statements.

DIRECTORY OF CITY OFFICIALS

MAYOR

Daniel F. Quigg

MEMBERS OF THE CITY COUNCIL

Marge Colapietro

Gina Papan

Nadia V. Holober

Paul Seto

COUNCIL APPOINTED OFFICERS

Marcia Raines

City Manager

Joan Cassman

City Attorney

AGENCY AND DEPARTMENT DIRECTORS

Angela Louis

City Clerk

Farhad Mortazavi

Community Development Director

LaRae Brown

Finance Director

Dennis Haag

Fire Chief

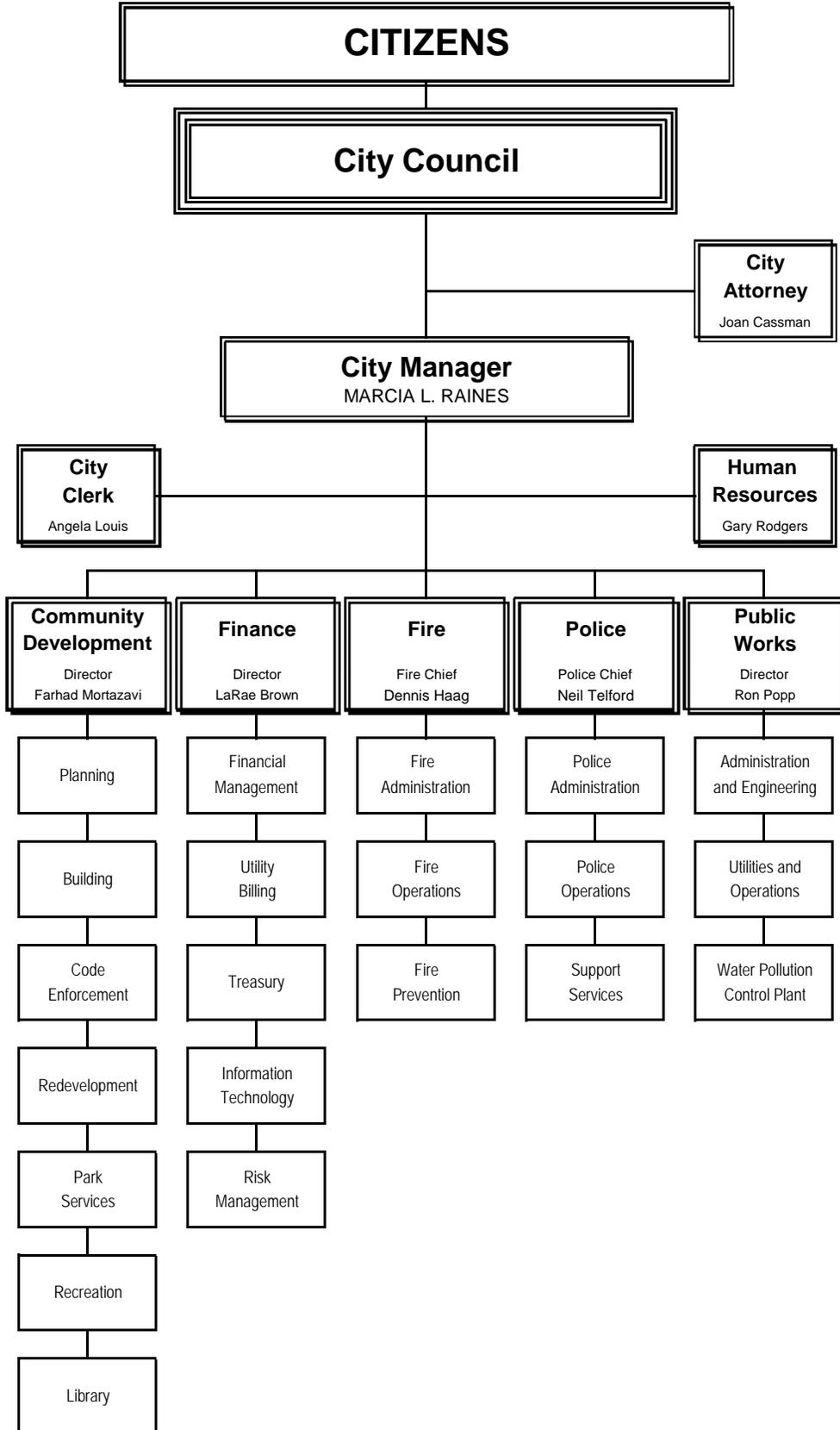
Neil Telford

Police Chief

Ron Popp

Public Works Director

ORGANIZATION CHART





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're 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 to 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 alternative and implications. We are proud of our ability to respond quickly and effectively to emergencies and changing priorities
- **Citizen Participation:**
We are committed to keeping the public informed by using a variety of communication networks. Effective public policy depends on achievement of community consensus
- **Cultural Diversity:**
The world in which we live is always changing. We recognize the need to adapt to meet all new challenges within our community and surrounding region. We will be sensitive to the differing cultural and personal needs of our community
- **Legal Responsibility:**
We accept the challenge to actively participate in legislative activities; supporting that with which we agree and opposing that with which we disagree. We will endeavor to know and comply with all Federal and State mandates
- **Regional Responsibility:**
Our City is a part of a large, interdependent metropolitan area. We will actively participate in regional planning to serve the best interests of our City and the region
- **Planning:**
We are a forward-looking organization, continuously assessing trends and developments which will impact our Mission. We seek to satisfy current needs in a manner which helps obtain our long-range goals



City of Millbrae

Our Purposes

The purpose of the City of Millbrae 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

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
City of Millbrae, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and financial audit contained in Government Audit Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae's at June 30, 2011 and the results of its operations and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 16, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Millbrae Redevelopment Agency, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Millbrae Redevelopment Agency will continue as a going concern. The activities of the Millbrae Redevelopment Agency are included in the Redevelopment Agency Special Revenue Fund, Redevelopment Agency Debt Service Fund and Redevelopment Agency Capital Projects Fund of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

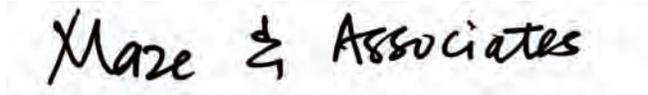
In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, on our consideration of the City of Millbrae's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As of July 1, 2010, the City adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 9 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

Management's Discussion and Analysis and the budgetary comparison for the General Fund and major special revenue funds are required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Millbrae. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical section listed in the Table of Contents was not audited by us, and we do not express an opinion on this information.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, slightly slanted style. The ampersand is a simple, stylized symbol.

December 1, 2011

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, 2011. 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

- The City's cumulative Governmental Fund Balances increase by \$4.7 million (24.9%) to \$23.7 million compared to \$19.0 million for the prior fiscal year.
- The City's total assets exceed total liabilities by \$85.5 million as of June 30, 2011, compared to \$77.3 million at June 30, 2010. This represents an overall increase of \$8.2 million (10.6%) consisting of an increase of \$4.3 million (7.6%) in governmental and an increase of \$3.9 million (18.7%) in business type activities.
- Over the last several years and in the continuing attempt to find savings to ensure the City could endure future fiscal challenges, both the City of Millbrae and the City of San Bruno have shared a Police Chief and a Fire Chief. During fiscal year 2010-2011 the City and San Bruno conducted a feasibility study on the consolidation of both Police Departments. That study concluded consolidation was not viable due to lack of identified savings; and at the request of City Council, the San Mateo County Sheriff's Office presented a proposal to provide basic Police Services. The Sheriff's proposal projected an annual savings of \$1.1 million, and on November 15, 2011, City Council authorized Staff to initiate negotiations and a contract with the San Mateo County Sheriff's Office to provide Police Services to the City of Millbrae.
- The City and the Millbrae School District agreed to jointly fund the re-construction of five sports fields that are used by the School District, the City and residents. That project was successfully completed in June 2011 at a total cost of \$3.25 million.
- On July 26, 2011, the 1999 Certificates of Participation (COPs) were refinanced using a direct lender, tax exempt loan which will net a total debt service and annual bond administrative fee savings of \$422,590 over the next thirteen years.

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. In addition, this report includes the required and supplementary information. The diagram below outlines the elements of the Comprehensive Annual Financial Report.

City of Millbrae Comprehensive Annual Financial Report (CAFR)

Comprehensive Annual Financial Report (CAFR)	<i>Introductory Section</i>	INTRODUCTORY SECTION			
	<i>Financial Section</i>	MANAGEMENT'S DISCUSSION AND ANALYSIS			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Assets	Governmental Funds		Proprietary Funds
			Balance Sheet		Statement of Net Assets
			Reconciliation of the Governmental Funds Balance Sheet		Statement of Revenue, Expenses, and Changes in Fund Net Assets
		Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance		Statement of Cash Flows
			Reconciliation of the Net Change in Fund Balances		
		NOTES TO THE FINANCIAL STATEMENTS			
	REQUIRED SUPPLEMENTAL INFORMATION				
INFORMATION ON INDIVIDUAL NON-MAJOR FUNDS AND OTHER SUPPLEMENTARY INFORMATION					
<i>Statistical Section</i>	STATISTICAL SECTION				

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.

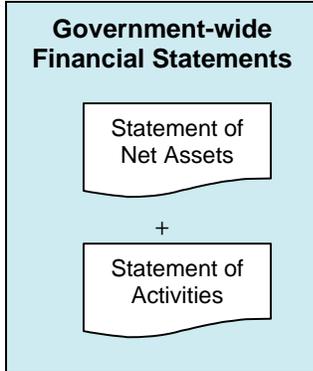
The Fund Financial Statements report the City's operations in detail and the focus is primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term liabilities.

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

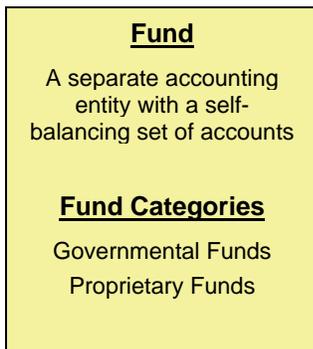
The **Statement of Activities** presents information on the changes to net assets that occurred during the reporting period. All changes to net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported 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, Highways and Streets, Recreation and Culture, Community and Economic Development, and Capital Improvements. The *Business-type Activities* of the City include a Municipal Water System, Waste Water Treatment Facility, 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. All of the Funds within the City can be divided into the following two categories: Governmental Funds and Proprietary 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, Special Revenue Funds, Capital Projects, Debt Service, and the City of Millbrae Redevelopment Agency (RDA) as a blended component unit. 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 the following two types of Proprietary 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 service 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 Sanitation System
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 fire engines
General Liability	To account for the resources, claims, and payment of Liability Insurance premiums
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	To account for the accumulation of earned compensation

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 Budget versus Actual Statements for the General Fund, Special Revenue Fund, and the Redevelopment Agency.

Other 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 Assets

As noted earlier, Net Assets may serve over time as a useful indicator of the Government's financial position.

As shown on the next table, the City's assets exceeded liabilities by \$85.5 million as of June 30, 2011 compared to \$77.3 million at June 30, 2010. This represents a 10.6% increase. Net assets increased by approximately \$4.3 million in governmental activities; while those from business-type activities increased by \$3.9 million. The change in governmental activities primarily reflects a \$2.7 million increase in revenue and \$4.3 million decrease in expenses. The primary change in business type activities reflects a \$1.6 million increase in revenue and \$506 thousand decrease in expenses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET ASSETS
June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other Assets	46,399,399	42,557,493	17,232,193	14,034,597	63,631,592	56,592,090
Capital Assets	59,049,933	60,210,937	41,950,715	28,858,122	101,000,648	89,069,059
TOTAL ASSETS	105,449,332	102,768,430	59,182,908	42,892,719	164,632,240	145,661,149
LIABILITIES						
Short-Term Liabilities	2,362,241	2,708,038	1,952,672	2,200,303	4,314,913	4,908,341
Long-Term Liabilities	39,322,278	39,049,320	30,793,112	17,352,704	70,115,390	56,402,024
Other Liabilities	2,704,702	4,292,348	1,960,505	2,722,924	4,665,207	7,015,272
TOTAL LIABILITIES	44,389,221	46,049,706	34,706,289	22,275,931	79,095,510	68,325,637
NET ASSETS						
Investment in Capital Assets net of related Debt	46,375,886	47,155,335	11,130,443	11,540,689	57,506,329	58,696,024
Restricted Net Assets:						
Capital Projects		35,083				35,083
Debt Service	6,998,849	6,382,058			6,998,849	6,382,058
Redevelopment	2,411,337	2,155,339			2,411,337	2,155,339
AB 2928 Grant	1,210,636	1,009,128			1,210,636	1,009,128
Gas Tax	541,439	545,801			541,439	545,801
Developer Fee - Operating	2,240,059	2,044,103			2,240,059	2,044,103
Measure A	1,343,226	1,048,911			1,343,226	1,048,911
Unrestricted	(61,322)	(3,657,034)	13,346,176	9,076,099	13,284,854	5,419,065
TOTAL NET ASSETS	61,060,110	56,718,724	24,476,619	20,616,788	85,536,729	77,335,512

The largest portion of the City's net assets reflects its \$57.5 million (67.2%) investment in capital assets (e.g. land, buildings, and equipment); less any related outstanding debt used to acquire those assets. This is a decrease of \$1.1 million over prior year end balance of \$58.7 million. 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 this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

Restricted Net Assets of \$14.7 million (17.2%) represents resources that are subject to external restrictions as to how they may be utilized. The Unrestricted Net Assets deficit of \$61 thousand in Governmental Activities is primarily attributed to long-term debt, thereby not requiring liquidation of current assets. At the end of the Fiscal Year 2010-2011, the City had positive balances in all three categories of Net Assets, both for the Government as a whole, as well as for the separate Governmental and Business-type Activities.

CHANGE IN NET ASSETS

June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program Revenue:						
Charges for Service	7,992,641	6,214,328			7,992,641	6,214,328
Operating Contributions and Grants	1,147,073	1,150,383			1,147,073	1,150,383
Municipal Water System			5,786,972	5,418,643	5,786,972	5,418,643
Waste Water Treatment			8,398,710	7,485,901	8,398,710	7,485,901
Storm Drain			252,851	228,809	252,851	228,809
General Revenue:						
Property Taxes	7,982,193	7,987,727			7,982,193	7,987,727
Incremental Property Tax	5,385,195	5,460,932			5,385,195	5,460,932
Sales Tax	2,194,824	1,974,439			2,194,824	1,974,439
Transient Occupancy Tax	3,686,411	2,864,960			3,686,411	2,864,960
Franchise Tax	978,575	1,040,187			978,575	1,040,187
Other Taxes	649,313	593,871			649,313	593,871
Motor Vehicle In-Lieu	99,501	63,485			99,501	63,485
Investment Earnings	207,281	332,314	116,405	133,202	323,686	465,516
Miscellaneous	298,715	281,271	5,112	(311,219)	303,827	(29,948)
TOTAL REVENUES	30,621,722	27,963,897	14,560,050	12,955,336	45,181,772	40,919,233
EXPENSES						
General Government	2,327,792	2,231,501			2,327,792	2,231,501
Public Safety	11,743,473	12,406,169			11,743,473	12,406,169
Highway and Streets	2,414,902	3,626,266			2,414,902	3,626,266
Recreation & Culture	1,183,310	1,384,044			1,183,310	1,384,044
Community Development	6,291,020	8,631,791			6,291,020	8,631,791
Interest on Long-Term Debt	2,063,673	2,061,304			2,063,673	2,061,304
Municipal Water System			5,072,207	4,897,482	5,072,207	4,897,482
Waste Water Treatment			5,380,536	6,068,770	5,380,536	6,068,770
Storm Drain			503,642	496,921	503,642	496,921
TOTAL EXPENSES	26,024,170	30,341,075	10,956,385	11,463,173	36,980,555	41,804,248
Excess Before Transfers	4,597,552	(2,377,178)	3,603,665	1,492,163	8,201,217	(885,015)
Transfers	(256,166)	367,707	256,166	(367,707)		
CHANGE IN NET ASSETS	4,341,386	(2,009,471)	3,859,831	1,124,456	8,201,217	(885,015)
Revised Net Assets at Beginning of Year	56,718,724	58,728,195	20,616,788	19,492,332	77,335,512	78,220,527
NET ASSETS AT YEAR END	61,060,110	56,718,724	24,476,619	20,616,788	85,536,729	77,335,512

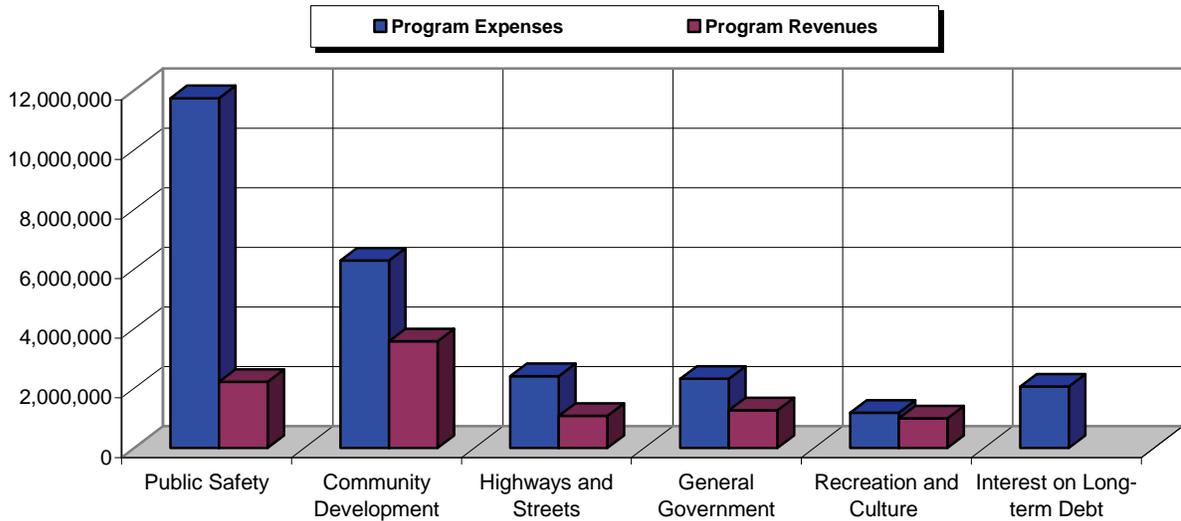
Analysis of the Changes in Net Assets

As shown in the table above the City's overall Change in Net Assets was \$8.2 million in fiscal year 2010-2011. The Net Assets at year end for Governmental Activities of \$61.1 million represents a 7.65% increase over the prior year total of \$56.7 million.

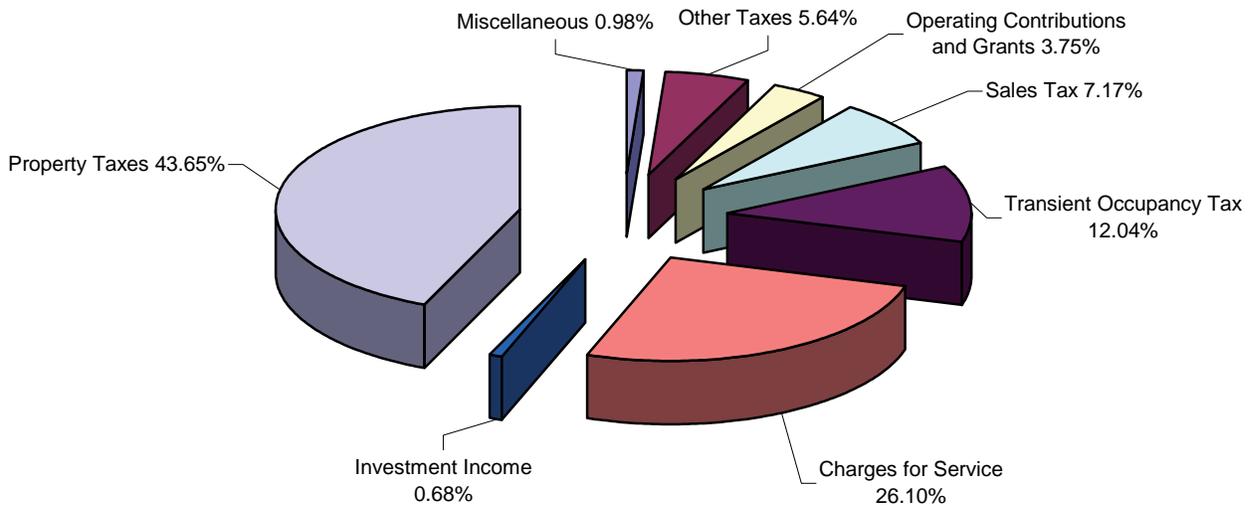
The City's Business-type Activities year end Net Assets total of \$24.5 million represents a 18.7% increase over the prior year total of \$20.6 million.

A detailed discussion of the changes in both the Governmental and Business-type Activities is presented on the following pages.

**Governmental Activities
PROGRAM EXPENSES AND PROGRAM REVENUES**



**Governmental Activities
REVENUES BY SOURCE**



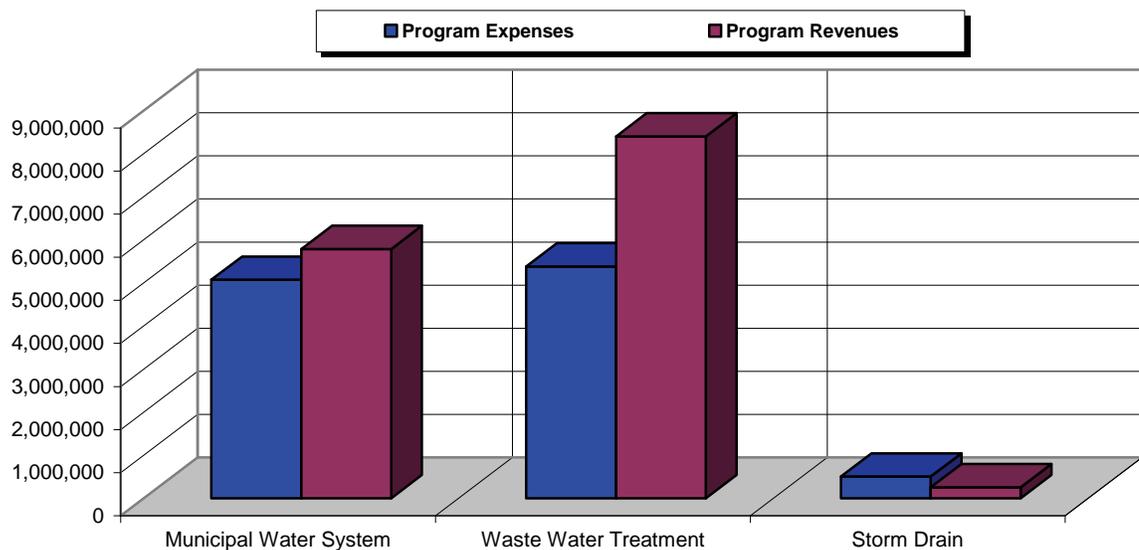
Governmental Activities increased the City's total Net Assets by \$4.3 million to \$61.1 million during fiscal year 2010-2011, compared to the decrease of \$2.0 million during fiscal year 2009-2010. Key factors contributing to the variance from the prior year are as follows:

- Overall, Governmental Activities revenue increased by approximately \$2.7 million and, expenses decreased by \$4.3 million. This resulted in a net asset increase of \$4.3 million before transfers at the end of fiscal year 2010-2011.
- Sales Tax increased by \$220 thousand (11.2%) and Transient Occupancy Tax saw a increase of \$821 thousand (28.7%) during this fiscal year.
- Charges for Services increased by \$1.7 million (28.6%) as a result of a negotiated developer housing fee agreement.
- Community Development saw reduction in expense due in large part to the difference between the Supplemental Education Revenue Augmentation Fund (SERAF) required payment made in fiscal year 2009-2010 of \$1.2 million and the fiscal year 2010-2011 requirement payment of only \$247 thousand.
- Other program expense reductions are a result of the negotiated citywide employee concession agreements signed in fiscal year 2010-2011; unfilled position vacancies; and the continuing effort by each department to consolidate, reduce and control expenses.

The charts shown previously illustrate the City's Governmental Expenses and Revenues by Program, and Revenues by Source. As shown, Public Safety has the largest program expenses at forty five percent (45.1%), followed by Community Development at twenty four percent (24.1%), Highways and Streets at nine percent (9.2%), General Government at nine percent (8.9%) and Culture and Recreation at five percent (4.5%).

General Revenues such as property tax, business tax, and sales tax are not shown by Program, but are used to support program activities citywide. For Governmental Activities, Property Taxes were the largest single source of revenue (43.6%) followed by Charges for Service (26.1%) and various Other Taxes (24.8%) such as Transient Occupancy 12.0%; Sales Tax 7.2%; and Other Taxes 5.6%, in fiscal year 2010-2011.

Business-type Activities
PROGRAM EXPENSES AND PROGRAM REVENUES



Business-type Activities increased the City's total Net Assets by \$3.9 million to \$24.5 million during fiscal year 2010-2011, compared to the increase of \$1.1 million during fiscal year 2009-2010. Key factors contributing to the increase from the prior year are as follows:

- Business-type Activities revenue increased by \$1.6 million, and expenses decreased by \$506 thousand compared to those in prior year, overall the revenues exceeded the expenditures by \$3.6 million before transfers resulting in a net asset increase.
- Municipal Water System revenue increased by \$368 thousand (6.8%) due to the combination of the seven percent (7.0%) rate increase; ongoing active delinquent collections; and a continued decrease in consumption. Expenses within the Municipal Water System had an overall increase of \$174 thousand (3.6%) due to the combination of the twelve percent (12.0%) increase in wholesale water costs, and the reduction in personnel costs due to the negotiated citywide employee concession agreements signed in fiscal year 2010-2011.
- Waste Water Treatment revenue increased by \$912 thousand (12.2%) due to the ten percent (10%) rate increase; ongoing active delinquent collections; and a continued decrease in consumption. Expenses within the Waste Water Treatment decreased by \$688 thousand (-11.3%), due to the negotiated citywide employee concession agreements signed in fiscal year 2010-2011 and the reduction of overall utility expenses associated with the relocation of staff from the temporary office complex, into the new Waste Water Treatment Plant Operation Center.
- Storm Drain revenues increased by \$24 thousand dollars (10.5%) due to delinquent property tax payments, and expenses increased by \$6 thousand (1.3%) due to the ongoing increase in repair and maintenance costs.

The chart shown previously illustrates the City's Business-type Activities Expenses and Revenues by Program. As shown, Waste Water Treatment has the largest program expenses at forty nine percent (49.1%), followed by the Municipal Water System at forty six percent (46.3%) and Storm Drain with four percent (4.6%). Waste Water Treatment had the largest program revenue at fifty eight percent (58.2%), followed by the Municipal Water System at forty percent (40.1%) and Storm Drain with two percent (1.8%).

General Revenues such as Investment Earnings and Miscellaneous Revenues (Expense) are not shown by Program, but are used to support Business-type activities. For Business-type Activities, Investment Earnings were \$116 thousand which is a decrease of \$17 thousand (-12.6%) from the prior fiscal year. The major factor for this variance is the current economic investment environment.

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 resources available. This type of information is useful in assessing the City's 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 2010-2011 the City's Governmental Funds reported a combined ending Fund Balance of \$23.7 million, an increase of \$4.7 million (24.9%) over the prior year ending balance of \$19.0 million.

Comparative Analysis of Changes in Governmental Fund Balances

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balance for Governmental Funds at fiscal year end 2011 and the previous fiscal year end, 2010.

Governmental Funds
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 June 30, 2011

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Ending Fund Balances	
	2011	2010	2011	2010	2011	2010	2011	2010
General Fund	18,896,459	18,004,270	17,665,136	17,890,903	1,231,323	113,367	4,093,656	2,862,333
Redevelopment Agency: Special Revenue	1,072,035	1,079,866	571,858	2,101,710	500,177	(1,021,844)	(580,817)	(1,080,994)
Redevelopment Agency: Debt Service	4,457,005	4,560,232	3,870,884	4,356,371	586,121	203,861	5,870,759	5,284,638
Other Governmental Funds	9,042,346	9,002,692	6,636,703	10,027,279	2,405,643	(1,024,587)	14,342,327	11,936,684
TOTAL	33,467,845	32,647,060	28,744,581	34,376,263	4,723,264	(1,729,203)	23,725,925	19,002,661

The General Fund had an ending Fund Balance of \$4.1 million, an increase of \$1.2 million over the prior year end balance of \$2.8 million. Key factors contributing to the increase include the slight revenue increase in both Sales Tax and Transient Occupancy Tax and expense reductions due to negotiated citywide employee concession agreements signed in fiscal year 2010-2011. The Redevelopment Agency Special Revenue Fund had an ending Fund Balance of negative - \$580 thousand, an increase of \$500 thousand over the prior year ending balance of negative - \$1.0 million and represents the expenses incurred for the equity sharing agreements with Low and Moderate Income homebuyers at the Park Broadway Condominium Project that took place in fiscal year 2009-2010. The Redevelopment Agency Debt Service Fund had an ending Fund Balance of \$5.9 million, an increase of \$586 thousand over the prior year end balance of \$5.2 million and represents both a slight loss in property tax and investment earnings, and the reduction in expense of the required Supplemental Education Revenue Augmentation Fund (SERAF) payment for fiscal year 2010-2011. Other Governmental Funds has a combined ending Fund Balance of \$14.3 million, an increase of \$2.4 million over the prior year ending balance of \$11.9 million and reflects an reduction in expenses due to the completion of the sports field renovation project, no large street or road repairs projects were

done in fiscal year 2010-2011 and the negotiated citywide employee concession agreements signed in fiscal year 2010-2011.

The table below provides a comparison of the General Fund Revenues and Expenditures for fiscal year 2010-2011 versus fiscal year 2009-2010.

Comparative Analysis of Changes in the General Fund Balance

The General Fund is the chief operating fund of the City and the following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund Balance at fiscal year end 2011 and the previous fiscal year end, 2010.

GENERAL FUND REVENUE AND EXPENDITURE COMPARISON June 30, 2011				
	General Fund		Dollar Variance	Percentage Variance
	2011	2010		
REVENUES				
Property Taxes	7,366,983	7,382,500	(15,517)	-0.21%
Sales Tax	2,194,824	1,974,439	220,385	11.16%
Transient Occupancy Tax	3,686,411	2,864,960	821,451	28.67%
Franchise Taxes	978,575	1,040,187	(61,612)	-5.92%
Other Taxes	237,140	219,131	18,009	8.22%
Licenses and Permits	647,739	645,172	2,567	0.40%
Charges for Service	684,007	812,202	(128,195)	-15.78%
Fines and Forfeitures	1,313,498	1,097,610	215,888	19.67%
Use of Money and Property	355,124	417,583	(62,459)	-14.96%
Grants and Intergovernmental	221,685	103,634	118,051	113.91%
Miscellaneous	730,366	584,740	145,626	24.90%
TOTAL REVENUES	18,416,352	17,142,158	1,274,194	7.43%
EXPENDITURES				
General Government	1,796,284	1,687,401	108,883	6.45%
Public Safety	10,083,762	10,825,874	(742,112)	-6.85%
Highway and Streets	823,343	1,325,827	(502,484)	-37.90%
Culture and Recreation	4,931	6,644	(1,713)	-25.78%
Community Development	1,443,401	1,518,297	(74,896)	-4.93%
Capital Outlay	124,881	63,825	61,056	95.66%
Debt Service:				
Principal	870,105	846,898	23,207	2.74%
Interest and Fiscal Charges	5,657	8,059	(2,402)	-29.81%
TOTAL EXPENDITURES	15,152,364	16,282,825	(1,130,461)	-6.94%
OTHER FINANCING SOURCES (USES)				
Transfers In	480,107	862,112	(382,005)	-44.31%
Transfers Out	(2,512,772)	(1,608,078)	(904,694)	56.26%
TOTAL OTHER FINANCING SOURCES (USES)	(2,032,665)	(745,966)	(1,286,699)	11.95%
NET CHANGE / FUND BALANCE	1,231,323	113,367		
BEGINNING FUND BALANCE	2,862,333	2,748,966		
ENDING FUND BALANCE	4,093,656	2,862,333		

As shown on the table above the General Fund had an ending Fund Balance of \$4.0 million, which reflects increase of \$1.2 million (43.0%) over the prior year ending balance of \$2.8 million.

The increase is attributable to the slight growth in revenue and reduction in expenditures as outlined earlier.

As a measure of the General Fund's liquidity, it may be useful to compare both the Total Fund Balance and the Unassigned Fund Balance to Total Fund Expenditures (total expenditures plus other financing uses).

GENERAL FUND EXPENDITURES FUND BALANCE COMPARISON		
	2011	2010
Fund Balance Classification		
Nonspendable: Loan	1,040,100	1,050,214
Assigned: OPEB	1,532,462	1,532,462
Assigned: Encumbrances	732,103	136,721
Unassigned	788,991	142,936
Total Fund Balance	4,093,656	2,862,333
Expenses	17,665,136	17,890,903
Total Fund Balance	4,093,655	2,862,333
PERCENTAGE	23.17%	16.00%
Expenses	17,665,136	17,890,903
Unassigned Fund Balance	788,990	142,936
PERCENTAGE	4.47%	0.80%

On June 30, 2011, the General Fund had a Nonspendable Fund Balance of \$1.04 million representing the loan to the Redevelopment Agency; the Assigned Fund Balance was \$2.3 million and represents \$1.5 million reserved for OPEB (Other Post Employment Benefits) additional information on OPEB can be found in Note 11 of this report; and \$732 thousand for encumbrances; and an Unassigned Fund Balance of \$789 thousand.

General Fund Budgetary Revenue and Expenditure Changes

There is no variance between the final amended total General Fund revenue and expenditure Budget and the total actual revenues and expenditures.

Proprietary 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 more detail.

The following table shows actual revenues, expenses and results of operations for the fiscal year 2010-2011.

PROPRIETARY FUNDS

June 30, 2011

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Assets
Municipal Water System	5,792,004	5,135,743	656,261	62,870		719,131
Waste Water Treatment	8,398,790	5,079,431	3,319,359	(343,749)		2,975,610
Storm Drains	252,851	553,518	(300,667)	325	256,166	(44,176)
Internal Service Funds	2,244,154	2,098,515	145,639	1,173	1,589,599	1,736,411
TOTAL	16,687,799	12,867,207	3,820,592	(279,381)	1,845,765	5,386,976

At the end of fiscal year 2010-2011, total net assets for the Municipal Water System were \$12.6 million, an increase of \$719 thousand (6.0%) over the prior year balance of \$11.9 million; Waste Water Treatment total net assets were \$11.2 million, an increase of \$2.9 million (36.1%) over the prior year balance of \$8.2 million; Storm Drains total net assets were \$503 thousand, a decrease of \$44 thousand (-8.06%) over the prior year balance of \$548 thousand; and the Internal Service Funds total net assets were \$1.33 million a decrease of \$217 thousand (14.0%) over the prior year balance of \$1.5 million.

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.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

June 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	14,885,484	14,885,484	1,785,218	1,785,218	16,670,702	16,670,702
Land Improvements	232,672	255,435			232,672	255,435
Construction in Progress			25,377,459	11,677,968	25,377,459	11,677,968
Building and Improvements	15,786,877	16,170,581	2,696,155	2,796,822	18,483,032	18,967,403
Furniture, Fixtures and Equipment	1,459,288	1,557,171	5,546,100	5,925,148	7,005,388	7,482,319
Automobiles and Trucks	703,164	763,554	13,323	15,862	716,487	779,416
Infrastructure	25,982,451	26,578,712	6,532,838	6,657,104	32,515,289	33,235,816
TOTAL	59,049,936	60,210,937	41,951,093	28,858,122	101,001,029	89,069,059

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2011, increased by \$11.9 million (13.4%) to \$101 million (net of accumulated depreciation). The Construction in Progress represents the increase incurred to date for the renovation and modernization of the City's Waste Water Treatment facilities.

The City depreciates Capital Assets utilizing the straight-line depreciation method. 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.

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.

Additional information on the City's Capital Assets can be found in Note 6 of this report.

Debt Administration

The City and Redevelopment Agency debt obligations are in the form of Certificates of Participation (COP), General Obligation Bonds (GOB), Tax Allocation Bonds, Loans, Capital Lease Obligations and Revenue Notes.

The following table summarizes the outstanding long-term debt at June 30, 2011.

LONG-TERM LIABILITIES						
June 30, 2011						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
1999 Certificates of Participation: Police Expansion	2,850,000	2,995,000			2,850,000	2,995,000
2001 General Obligation Bonds: Public Library	10,160,000	10,260,000			10,160,000	10,260,000
2001 Natural Disaster Loan		200,000				200,000
2004 Pension Obligation Bonds	14,819,095	14,731,267			14,819,095	14,731,267
2005 Tax Allocation Bonds: Redevelopment	7,985,000	8,165,000			7,985,000	8,165,000
2006 Lease Purchase: Phone System		45,105				45,105
2007 Lease Purchase: Fire Apparatus		90,159				90,159
2009 A Certificate of Participation: Wastewater Plant			5,560,000	5,560,000	5,560,000	5,560,000
2009 B Certificate of Participation: Wastewater Plant			8,765,935	10,371,367	8,765,935	10,371,367
2009 State Water Resource Board: Wastewater Plant			17,738,215	2,639,419	17,738,215	2,639,419
TOTAL	35,814,095	36,486,531	32,064,150	18,570,786	67,878,245	55,057,317

As of June 30, 2011, Governmental Activities outstanding long-term debt was \$35.8 million and Business-type Activities had \$32.0 million of long-term debt, for combined total of \$67.9 million. During the year \$3.2 million long-term debt was retired, while \$16.0 million was added (accrued value - 2004 Pension Obligation Bonds; and the State Water Resource Board Loan), resulting in a net increase of \$12.8 million (23.3%).

Additional information about the City's long-term obligations can be found in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's financial status and budget outlook are continuously monitored, as the City faces significant fiscal challenges. These include:

- Labor, Health Care and Pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- Develop an appropriate strategy to fund the Other Post-Employment Benefits (OPEB) obligation

The economy of the City and other major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

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. We hope that the proceeding information has provided a general overview of the City's overall financial status. Requests for additional information, and questions or comments regarding this report should be addressed to:

City of Millbrae
Finance Department
Attn: LaRae Brown
621 Magnolia Avenue
Millbrae, CA 94030

CITY OF MILLBRAE

**STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the entire City’s financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City’s assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City’s transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City’s total assets and the City’s total liabilities, including all the City’s capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the City’s net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City’s Governmental Activities in a single column, and the financial position of all the City’s Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City’s Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City’s Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City’s Business-Type Activities include all its Enterprise Fund activities. The Statement of Activities reports increases and decreases in the City’s net assets. It is also prepared on the full accrual basis, which means it includes all the City’s revenues and all its expenses, regardless of when cash changes hands. This differs from the “modified accrual” basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

Both of these Statements include the financial activities of the City, and the City of Millbrae Redevelopment Agency, which is legally separate but are component unit of the City because it is controlled by the City, which is financially accountable for the activities of this entity.

CITY OF MILLBRAE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations (Note 3)	\$25,641,633	\$11,614,385	\$37,256,018
Cash with fiscal agent (Note 3)	903,986	1,243,878	2,147,864
Receivables:			
Taxes	746,120		746,120
Accounts - net	283,416	3,296,558	3,579,974
Accrued interest	70,453	16,448	86,901
Due from other governmental agencies	412,035	3,771	415,806
Loans (Note 5)	10,207,559		10,207,559
Internal balances (Note 4D)	(775,020)	775,020	
Prepaid pension obligations (Note 8C)	7,584,626		7,584,626
Prepaid items		282,133	282,133
Land held for resale (Note 7)	1,324,591		1,324,591
Capital assets (Note 6):			
Non-depreciable capital assets	14,885,484	27,162,678	42,048,162
Depreciable capital assets, net	44,164,449	14,788,037	58,952,486
Total Assets	105,449,332	59,182,908	164,632,240
LIABILITIES			
Accounts payable and accrued payroll	1,307,487	1,460,108	2,767,595
Interest payable	415,261	188,202	603,463
Deposits	716,705	312,195	1,028,900
Unearned revenue	265,249		265,249
Compensated absences (Note 1G):			
Due within one year	513,970	222,672	736,642
Due in more than one year	1,330,548	258,962	1,589,510
Accrued self-insurance (Note 12)			
Due within one year	533,271	100,000	633,271
Due in more than one year	702,977	100,000	802,977
Long-term debt (Note 8):			
Portion due within one year	1,315,000	1,630,000	2,945,000
Portion due in more than one year	34,499,095	30,434,150	64,933,245
Net other postemployment benefit obligation (Note 11)			
Due in more than one year	2,789,658		2,789,658
Total Liabilities	44,389,221	34,706,289	79,095,510
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	46,375,886	11,130,443	57,506,329
Restricted for:			
Special assessment capital projects			
Debt service	6,998,849		6,998,849
Redevelopment	2,411,337		2,411,337
AB 2928 grant	1,210,636		1,210,636
Gas tax	541,439		541,439
Developer fee - operating	2,240,059		2,240,059
Measure A	1,343,226		1,343,226
Total Restricted Net Assets	14,745,546		14,745,546
Unrestricted	(61,321)	13,346,176	13,284,855
Total Net Assets	\$61,060,111	\$24,476,619	\$85,536,730

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
General government	\$2,327,792	\$1,181,320	\$83,169	(\$1,063,303)		(\$1,063,303)
Public safety	11,743,472	1,913,707	306,592	(9,523,173)		(9,523,173)
Highways and streets	2,414,902	361,080	715,768	(1,338,054)		(1,338,054)
Culture and recreation	1,183,310	966,529	31,936	(184,845)		(184,845)
Community development	6,291,020	3,570,005	9,608	(2,711,407)		(2,711,407)
Interest on long-term debt	2,063,673			(2,063,673)		(2,063,673)
Total Governmental Activities	26,024,169	7,992,641	1,147,073	(16,884,455)		(16,884,455)
Business-type Activities:						
Municipal water system	5,072,207	5,786,972			\$714,765	714,765
Municipal waste water treatment facility	5,380,536	8,398,710			3,018,174	3,018,174
Storm drain	503,642	252,851			(250,791)	(250,791)
Total Business-type Activities	10,956,385	14,438,533			3,482,148	3,482,148
Total	\$36,980,554	\$22,431,174	\$1,147,073	(16,884,455)	3,482,148	(13,402,307)
General revenues:						
Taxes:						
Property taxes				7,982,193		7,982,193
Incremental property tax				5,385,195		5,385,195
Sales taxes				2,194,824		2,194,824
Transient occupancy tax				3,686,411		3,686,411
Franchise tax				978,575		978,575
Other taxes				649,313		649,313
Motor vehicle in-lieu, unrestricted				99,501		99,501
Investment earnings				207,281	116,405	323,686
Miscellaneous				298,715	5,112	303,827
Transfers (Note 4C)				(256,166)	256,166	
Total general revenues and transfers				21,225,842	377,683	21,603,525
Change in Net Assets				4,341,387	3,859,831	8,201,218
Net Assets-Beginning				56,718,724	20,616,788	77,335,512
Net Assets-Ending				\$61,060,111	\$24,476,619	\$85,536,730

See accompanying notes to financial statements



FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2011. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General Fund is 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.

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND

To account for property tax increments received by the Millbrae Redevelopment Agency to use for Low and Moderate-Income Housing Programs.

REDEVELOPMENT AGENCY DEBT SERVICE FUND

To account for the accumulation of resources for payment of principal and interest on Millbrae Redevelopment Agency debt. The Agency receives revenues from property tax increments.

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 3)	\$3,380,535	\$10,000	\$5,762,763	\$13,041,733	\$22,195,031
Cash with fiscal agent (Note 3)	882		567,151	335,953	903,986
Receivables:					
Taxes	677,288			68,832	746,120
Accounts - net	227,926			54,293	282,219
Accrued interest	66,902		892	2,659	70,453
Due from other funds (Note 4A)	720		1,230,053		1,230,773
Due from other governmental agencies	244,201			167,834	412,035
Loans (Note 5)		10,207,559			10,207,559
Advances to other funds (Note 4B)	1,040,100				1,040,100
Land held for resale (Note 7)				1,324,591	1,324,591
	<u>\$5,638,554</u>	<u>\$10,217,559</u>	<u>\$7,560,859</u>	<u>\$14,995,895</u>	<u>\$38,412,867</u>
Total Assets					
	<u>\$5,638,554</u>	<u>\$10,217,559</u>	<u>\$7,560,859</u>	<u>\$14,995,895</u>	<u>\$38,412,867</u>
LIABILITIES					
Accounts payable and accrued payroll	\$1,015,000	\$8,364		\$200,792	\$1,224,156
Due to other funds (Note 4A)		1,230,053		720	1,230,773
Deposits	360,078			356,627	716,705
Deferred revenue		9,559,959			9,559,959
Unearned revenue	169,820			95,429	265,249
Advances from other funds (Note 4B)			1,690,100		1,690,100
	<u>1,544,898</u>	<u>10,798,376</u>	<u>1,690,100</u>	<u>653,568</u>	<u>14,686,942</u>
Total Liabilities					
	<u>1,544,898</u>	<u>10,798,376</u>	<u>1,690,100</u>	<u>653,568</u>	<u>14,686,942</u>
FUND BALANCES					
Fund balance (Note 9)					
Nonspendable	1,040,100				1,040,100
Restricted		647,600	5,870,759	14,342,327	20,860,686
Assigned	2,264,565				2,264,565
Unassigned	788,991	(1,228,417)			(439,426)
	<u>4,093,656</u>	<u>(580,817)</u>	<u>5,870,759</u>	<u>14,342,327</u>	<u>23,725,925</u>
Total Fund Balances (Deficit)					
	<u>4,093,656</u>	<u>(580,817)</u>	<u>5,870,759</u>	<u>14,342,327</u>	<u>23,725,925</u>
Total Liabilities and Fund Balances	<u>\$5,638,554</u>	<u>\$10,217,559</u>	<u>\$7,560,859</u>	<u>\$14,995,895</u>	<u>\$38,412,867</u>

See accompanying notes to financial statements

CITY OF MILLBRAE
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances reported on the Governmental Funds Balance Sheet \$23,725,925

Amounts reported for Governmental Activities in the Statement of Net Assets
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
therefore are not reported in the Governmental Funds 58,002,290

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to
charge the costs of certain activities, such as insurance and central services and maintenance
to individual governmental funds. The net current assets of the Internal Service Funds are therefore
included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	3,446,602
Accounts receivable	1,197
Internal balances	(125,020)
Capital assets	1,047,643
Accounts payable	(83,331)
Compensated absences	(1,844,518)
Accrued self-insurance	(1,236,248)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently
are taken into revenue in the Statement of Activities. 9,559,959

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
reported in the Funds:

Prepaid pension obligation	7,584,626
Long-term debt	(35,814,095)
Net OPEB Obligation	(2,789,658)
Interest payable	(415,261)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$61,060,111

See accompanying notes to financial statements

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General	Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$7,366,983	\$1,070,652	\$4,282,606	\$647,147	\$13,367,388
Sales tax	2,194,824				2,194,824
Transient occupancy tax	3,686,411				3,686,411
Franchise tax	978,575				978,575
Other taxes	237,140			412,173	649,313
Licenses and permits	647,739			17,550	665,289
Charges for services	684,007			3,521,328	4,205,335
Fines and forfeitures	1,313,498				1,313,498
Use of money and property	355,124	1,283	47,308	320,839	724,554
Grants and intergovernmental	221,685			1,577,020	1,798,705
Miscellaneous	730,366	100		103,951	834,417
Total Revenues	18,416,352	1,072,035	4,329,914	6,600,008	30,418,309
EXPENDITURES					
Current:					
General government	1,796,284			688	1,796,972
Public safety	10,083,762			628,785	10,712,547
Highways and streets	823,343			797,073	1,620,416
Culture and recreation	4,931			1,100,654	1,105,585
Community development	1,443,401	143,941	54,552	1,967,175	3,609,069
Payments to property tax pass-throughs and SERAF		300,826	1,952,875		2,253,701
Capital outlay	124,881			172,319	297,200
Debt service:					
Principal	870,105		180,000	245,000	1,295,105
Interest and fiscal charges	5,657		455,455	697,573	1,158,685
Total Expenditures	15,152,364	444,767	2,642,882	5,609,267	23,849,280
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,263,988	627,268	1,687,032	990,741	6,569,029
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4C)	480,107		127,091	2,442,338	3,049,536
Transfers (out) (Note 4C)	(2,512,772)	(127,091)	(1,228,002)	(1,027,436)	(4,895,301)
Total Other Financing Sources (Uses)	(2,032,665)	(127,091)	(1,100,911)	1,414,902	(1,845,765)
NET CHANGE IN FUND BALANCES	1,231,323	500,177	586,121	2,405,643	4,723,264
BEGINNING FUND BALANCES (DEFICIT)	2,862,333	(1,080,994)	5,284,638	11,936,684	19,002,661
ENDING FUND BALANCES (DEFICIT)	\$4,093,656	(\$580,817)	\$5,870,759	\$14,342,327	\$23,725,925

See accompanying notes to financial statements

CITY OF MILLBRAE
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the Statement of Activities
JUNE 30, 2008
FOR THE YEAR ENDED JUNE 30, 2011

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$4,723,264

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay and other capitalized expenditures are therefore added back to fund balance 297,200

Depreciation expense is deducted from the fund balance
(Depreciation expense is net of internal service fund depreciation of \$194,305 which has already been allocated to serviced funds) (1,360,108)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment and forgiveness of debt principal are added back to fund balance 1,295,105
Interest expense are deducted from fund balance 7,840

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Internal balances (84,246)
Deferred revenue 6,508
Unpaid interest added to long-term debt (912,828)
Reduction in long-term debt 200,000
Amortization of prepaid pension obligation (449,935)
Net OPEB (992,804)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in Net Assets - All Internal Service Funds 1,611,391

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$4,341,387

See accompanying notes to financial statements



MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed 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 be financed primarily through user charges.

The City has identified the funds below as major proprietary funds in fiscal 2011.

MUNICIPAL WATER SYSTEM FUND

To account for activities related to providing water service to the Millbrae residents.

MUNICIPAL WASTE WATER TREATMENT FACILITY FUND

To account for services of the collection, treatment and administration of the City's sanitation system.

STORM DRAIN FUND

To account for the resources and costs of maintenance and improvements of the City's storm drains.

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 3)	\$4,027,963	\$7,511,784	\$74,638	\$11,614,385	\$3,446,602
Cash with fiscal agent (Note 3)		1,243,878		1,243,878	
Receivables:					
Accounts - net	1,345,093	1,951,465		3,296,558	1,197
Accrued interest		16,448		16,448	
Due from other governmental agencies			3,771	3,771	
Prepaid items		282,133		282,133	
Total Current Assets	5,373,056	11,005,708	78,409	16,457,173	3,447,799
Noncurrent Assets:					
Advances to other funds (Note 4B)	650,000			650,000	
Capital assets (Note 6)					
Non-depreciable capital assets	183,864	26,978,814		27,162,678	
Depreciable capital assets, net	7,185,142	7,132,573	470,322	14,788,037	1,047,643
Total Noncurrent Assets	8,019,006	34,111,387	470,322	42,600,715	1,047,643
Total Assets	13,392,062	45,117,095	548,731	59,057,888	4,495,442
LIABILITIES					
Current Liabilities:					
Accounts payable	269,191	1,168,932	21,985	1,460,108	83,331
Interest payable		188,202		188,202	
Deposits	303,420	8,775		312,195	
Compensated absences (Note 1G)	72,120	139,248	11,304	222,672	513,970
Accrued self insurance (Note 12)		100,000		100,000	533,271
Long-term debt - due within one year (Note 8)		1,630,000		1,630,000	
Total Current Liabilities	644,731	3,235,157	33,289	3,913,177	1,130,572
Noncurrent Liabilities:					
Compensated absences (Note 1G)	110,885	136,499	11,578	258,962	1,330,548
Accrued self-insurance (Note 12)		100,000		100,000	702,977
Long-term debt (Note 8)					
Due in more than one year		30,434,150		30,434,150	
Total Noncurrent Liabilities	110,885	30,670,649	11,578	30,793,112	2,033,525
Total Liabilities	755,616	33,905,806	44,867	34,706,289	3,164,097
NET ASSETS (Note 9)					
Invested in capital assets, net of related debt	7,369,006	3,291,115	470,322	11,130,443	1,047,643
Unrestricted	5,267,440	7,920,174	33,542	13,221,156	283,702
Total Net Assets	\$12,636,446	\$11,211,289	\$503,864	24,351,599	\$1,331,345

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities. 125,020

Net assets business-type activities \$24,476,619

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
OPERATING REVENUES					
Water sales	\$5,786,972			\$5,786,972	
Sewer service fees		\$8,398,710		8,398,710	
Equipment rental					\$817,874
Interdepartmental charges					1,246,670
Storm drain fees			\$252,851	252,851	
Miscellaneous	5,032	80		5,112	179,610
	<u>5,792,004</u>	<u>8,398,790</u>	<u>252,851</u>	<u>14,443,645</u>	<u>2,244,154</u>
Total Operating Revenues					
OPERATING EXPENSES					
Personnel services	1,649,723	2,674,030	224,477	4,548,230	471,933
Contractual services	626,439	932,688	171,509	1,730,636	371,819
Materials, supplies and other services	299,332	484,295	103,595	887,222	153,034
Water purchases	2,166,626			2,166,626	
Depreciation	292,768	707,448	40,893	1,041,109	194,305
Utilities	39,873	192,459	7,389	239,721	1,249
Insurance premiums and claims	60,982	88,511	5,655	155,148	906,175
	<u>5,135,743</u>	<u>5,079,431</u>	<u>553,518</u>	<u>10,768,692</u>	<u>2,098,515</u>
Total Operating Expenses					
Operating Income (Loss)	<u>656,261</u>	<u>3,319,359</u>	<u>(300,667)</u>	<u>3,674,953</u>	<u>145,639</u>
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets					3,250
Claims settlement expense					
Interest revenue	62,870	53,210	325	116,405	163
Interest expense and fiscal charges		(396,959)		(396,959)	(2,240)
	<u>62,870</u>	<u>(343,749)</u>	<u>325</u>	<u>(280,554)</u>	<u>1,173</u>
Total Nonoperating Revenues (Expenses)					
Income (Loss) Before Transfers	719,131	2,975,610	(300,342)	3,394,399	146,812
Transfers in (Note 4C)			256,166	256,166	1,657,289
Transfers out (Note 4C)					(67,690)
	<u></u>	<u></u>	<u>256,166</u>	<u>256,166</u>	<u>1,589,599</u>
Net transfers					
Change in net assets	719,131	2,975,610	(44,176)	3,650,565	1,736,411
BEGINNING NET ASSETS (As restated, Note 1I)	<u>11,917,315</u>	<u>8,235,679</u>	<u>548,040</u>	<u></u>	<u>(405,066)</u>
ENDING NET ASSETS	<u>\$12,636,446</u>	<u>\$11,211,289</u>	<u>\$503,864</u>	<u></u>	<u>\$1,331,345</u>

Some amounts 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 209,266

Change in net assets of business-type activities \$3,859,831

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$5,758,175	\$8,269,110	\$252,851	\$14,280,136	\$2,244,154
Payments to suppliers	(3,170,274)	(2,932,872)	(256,160)	(6,359,306)	(460,575)
Payments to employees	(1,632,402)	(2,667,402)	(224,013)	(4,523,817)	1,339,729
Prepaid items		11,246		11,246	
Claims paid					(1,156,635)
Cash Flows from Operating Activities	955,499	2,680,082	(227,322)	3,408,259	1,966,673
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in			256,166	256,166	1,657,289
Transfers (out)					(2,022,099)
Cash Flows from Noncapital Financing Activities			256,166	256,166	(364,810)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(189,440)	(13,886,799)	(57,463)	(14,133,702)	(92,959)
Proceeds from long term debt		15,098,796		15,098,796	
Principal payments on capital debt		(1,605,432)		(1,605,432)	(90,159)
Interest paid		(276,886)		(276,886)	(4,480)
Cash Flows from Capital and Related Financing Activities	(189,440)	(670,321)	(57,463)	(917,224)	(187,598)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investment with fiscal agent		9,475		9,475	
Interest	62,870	36,762	325	99,957	163
Cash Flows from Investing Activities	62,870	46,237	325	109,432	163
Net Cash Flows	828,929	2,055,998	(28,294)	2,856,633	1,414,428
Cash and investments at beginning of period	3,199,034	5,455,786	102,932	8,757,752	2,032,174
Cash and investments at end of period	\$4,027,963	\$7,511,784	\$74,638	\$11,614,385	\$3,446,602
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$656,261	\$3,319,359	(\$300,667)	\$3,674,953	\$145,639
Adjustments to reconcile operating income (Loss) to cash flows from operating activities:					
Depreciation	292,768	707,448	40,893	1,041,109	194,305
Miscellaneous non-operating revenue					
Change in assets and liabilities:					
Receivables, net	(48,452)	(118,293)		(166,745)	
Due from other governmental agencies		16,509	14,266	30,775	
Accounts payable	22,978	(926,428)	17,722	(885,728)	65,527
Compensated absences	17,321	6,628	464	24,413	1,811,662
Prepaid items		11,246		11,246	
Refundable deposits	14,623	(11,387)		3,236	(250,460)
Accrued self insurance		(325,000)		(325,000)	
Cash Flows from Operating Activities	\$955,499	\$2,680,082	(\$227,322)	\$3,408,259	\$1,966,673
NONCASH TRANSACTION					
Retirement of premium		\$5,432			

See accompanying notes to financial statements

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. Reporting Entity

The financial statements of the City of Millbrae include the financial activities of the City and the Millbrae Redevelopment Agency.

The Millbrae Redevelopment Agency is a separate government entity created in 1988 under the provisions of the Community Redevelopment Law (California Health and Safety Code) to assist in revitalizing areas within the City of Millbrae which are determined to be in a declining condition. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The Redevelopment Agency's financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements. Specifically they include the Redevelopment Agency Housing Special Revenue Fund, the Redevelopment Agency Capital Project Fund and the Redevelopment Agency Debt Service Fund.

Financial statements for the Agency may be obtained from the City of Millbrae at 621 Magnolia Avenue, Millbrae, California, 94030.

B. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Interfund services provided and used are not eliminated in the process of consolidation.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including blended component units. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

The City's major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

GENERAL FUND - The General Fund is 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.

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND- To account for property tax increments received by the Millbrae Redevelopment Agency to use for Low and Moderate Income Housing Programs.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REDEVELOPMENT AGENCY DEBT SERVICE FUND - To account for the accumulation of resources for payment of principal and interest on Millbrae Redevelopment Agency debt. The Agency receives revenues from property tax increments.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

MUNICIPAL WATER SYSTEM FUND - To account for activities related to providing water service to the Millbrae residents.

MUNICIPAL WASTE WATER TREATMENT FACILITY FUND - To account for services of the collection, treatment and administration of the City's sanitation system

STORM DRAIN FUND - To account for the resources and costs of maintenance and improvements of the City's storm drains

The City also reports the following fund types:

Internal Service Funds. The funds account for garage services, workers' compensation, general liability, unemployment insurance, and compensated absences; all of which are provided to other departments on a cost-reimbursement basis.

D. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales, transient occupancy and franchise taxes, special assessments, licenses for services and interest revenue. Fines, permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The City follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

E. Revenue Recognition for Water and Sewer 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.

F. Property Tax

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 Article 13; otherwise assessed value is calculated as the lesser of 100% of market value 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 provide for voter-approved debt.

G. Compensated Absences

Compensated absences comprise 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 Assets. The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type	Total
Beginning Balance	\$1,987,265	\$457,221	\$2,444,486
Additions	595,085	259,094	854,179
Payments	(737,832)	(234,681)	(972,513)
Ending Balance	<u>\$1,844,518</u>	<u>\$481,634</u>	<u>\$2,326,152</u>
Current Portion	<u>\$513,970</u>	<u>\$222,672</u>	<u>\$736,642</u>

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. *Use of Estimates*

The accompanying basic financial statements have been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles. 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.

I. *Establishment of New Leave Accrual Internal Service Fund*

As of July 1, 2010, the City established a new Leave Accrual Internal Service Fund to account for compensated absences activities that were previously recorded in the government-wide financial statements. As a result, as of July 1, 2010, the amount of beginning net deficit for the Leave Accrual Internal Service Fund was recorded in the amount of \$1,954,409.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting 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. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are re-appropriated in the following year. Unexpended appropriations lapse at year end and must be re-appropriated in the following year.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS

The City invests all funds, except cash with fiscal agents, in investment pools. The goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time. The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The City's cash and investments consist of the following at June 30, 2011:

	Cash and Investments		Total
	Available for Operations	With Fiscal Agents	
Investments:			
Local Agency Investment Fund	\$6,287,322		\$6,287,322
San Mateo County Investment Fund	5,259,510		5,259,510
Certificates of deposits	2,456,599	\$864,544	3,321,143
Money Market Funds	109	1,283,320	1,283,429
U.S. Government Agency Obligations	4,997,290		4,997,290
Municipal Bonds	2,266,405		2,266,405
Petty Cash	1,780		1,780
Cash in banks	15,987,003		15,987,003
 Total cash and investments	<u>\$37,256,018</u>	<u>\$2,147,864</u>	<u>\$39,403,882</u>

The City does not allocate investments by fund. Each proprietary fund's portion of Cash and Investments Available for Operations is in substance a demand deposit available to finance operations, and is considered a cash equivalent in preparing the statement of cash flows.

A. Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings are acceptable of the issuers are acceptable to the City. The following also identifies certain provisions of the City and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. 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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Allowed in Portfolio	Maximum Investment in One Issuer
California Local Agency Investment Fund	N/A	N/A	\$40 million/account	None
San Mateo County Pool	N/A	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Obligations	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	20%	30%
Collateralized Certificates of Deposit with Banks or Savings & Loans	2 years	AA	25%	None
Negotiable Certificates of Deposit	2 years	N/A	30%	None
Commercial Paper	180 days	A1	15%	10%
Money Market Funds	N/A	N/A	15%	None

City did not enter into any reverse repurchase agreements during the year ended June 30, 2011.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
		Two highest rating category
Local Agency Municipal Bonds	N/A	
U.S. Treasury Obligations	N/A	N/A
State of California Obligations	N/A	A2/A
California Local Agency Obligations	N/A	N/A
U.S. Agency Securities	N/A	N/A
Bankers' Acceptances	1 year	A1
Commercial Paper	270 days	A1
Short-Term Certificates of Deposit	1 year	A-1
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, bankers acceptances	30 days	A-1
Special Revenue Bonds	N/A	AA
Prefunded Municipal Obligations	N/A	AAA
FDIC insured deposit	N/A	N/A

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

C. Interest Rate 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.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

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:

	12 Months or less	13 to 24 Months	25 to 36 Months	Total
Local Agency Investment Fund	\$6,287,322			\$6,287,322
San Mateo County Investment Fund	5,259,510			5,259,510
Certificates of Deposits	1,002,586	\$2,216,108	\$102,449	3,321,143
Money Market Funds	1,283,429			1,283,429
U.S. Government Agency Obligation			4,997,290	4,997,290
Municipal Bonds	1,008,210	1,002,220	255,975	2,266,405
Petty Cash	1,780			1,780
Cash in banks	15,987,003			15,987,003
Total Cash and Investments	<u>\$30,829,840</u>	<u>\$3,218,328</u>	<u>\$5,355,714</u>	<u>\$39,403,882</u>

D. 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 is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2011 for each investment type:

Investment Type	AAAm	Total
Money Market Funds	<u>\$1,280,926</u>	<u>\$1,280,926</u>
<i>Not rated:</i>		
Local Agency Investment Fund		6,287,322
San Mateo County Investment Fund		5,259,510
Certificates of deposits		3,321,143
Money Market Funds		2,503
U.S. Government Agency Obligation		4,997,290
Municipal Bonds		2,266,405
Petty Cash		1,780
Cash in banks		15,987,003
Total Cash and Investments		<u>\$39,403,882</u>

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

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

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

F. Local Agency Investment Fund

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 reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2011, these investments matured in an average of 237 days.

G. San Mateo County Investment Fund

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. 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. At June 30, 2011, these investments matured in an average of 1.5 year.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - INTERFUND TRANSACTIONS

A. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2011 interfund balances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Special Revenue Funds	\$720
Redevelopment Agency	Redevelopment Agency	
Debt Service Fund	Special Revenue Fund	1,230,053
		\$1,230,773

B. *Advances (Long-Term Interfund Receivable/Payables)*

The City has an agreement with the Millbrae Redevelopment Agency under which the City has agreed to advance up to \$3,000,000 to the Agency to be used to fund legal services, special reports, public hearings, and general administrative expenditures of the Agency. Advances bear annual interest at the higher of 6% or the rate interest is earned on the City's investment in the Local Agency Investment Fund. The agreements do not specify a due date for repayment of advances.

At June 30, 2011 outstanding balances from the above advances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Redevelopment Agency Debt Service Fund	\$1,040,100
Municipal Water System Enterprise Fund	Redevelopment Agency Debt Service Fund	650,000
		\$1,690,100

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2011 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non-Major Governmental Funds	\$426,355 B
Redevelopment Agency Debt Service Fund	Redevelopment Agency Special Revenue Fund	127,091 H
Storm Drain Enterprise Fund	General Fund	200,804 A
	Internal Service Funds	55,362 E
Internal Service Funds	General Fund	1,112,631 G
	Non-Major Governmental Funds	532,330 A, G
	Internal Service Funds	12,328 G
Non-Major Governmental Funds	General Fund	1,199,337 A, C, D
	Non-Major Governmental Funds	68,751 A, B
	Redevelopment Agency Debt Service Fund	1,228,002 A, F
	Total Interfund Transfers	<u>\$4,962,991</u>

The reasons for these transfers are set forth below:

- A To fund administrative expenditures
- B To close various funds
- C To fund debt service payments
- D To fund recreation programs
- E One time transfer
- F To fund redevelopment activities
- G To fund leave accruals
- H Tax allocation and loan payment

D. Internal Balances

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

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - LOANS RECEIVABLE

Loans receivable as of June 30, 2011, comprised of the following:

Project	Amount
Low-and-Moderate First Time Home Buyer Program	\$647,600
Dolores Lia Apartments Loan	4,185,238
Below Market Rate Loan	
88 South Broadway	3,930,040
1388 Broadway	1,444,681
Total Notes Receivable	\$10,207,559

A. *Low-and-Moderate-Income First Time Home Buyer Program*

The Low and Moderate Income First Time Home Buyer 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 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, which ever 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.

B. *Dolores Lia Apartments Loan*

During fiscal 2009 the City entered into a loan agreement with a developer, a California nonprofit public benefit corporation, in which the City would provide a loan of up to \$5 million for the Dolores Lia Apartment project. The developer will own, operate and convert the project to condominiums for sale to low and moderate income homebuyers. A loan repayment of \$1.8 million is expected upon sale of the converted units. The remaining \$3.2 million will be secured first by a note and deed of trust with the developer and then by notes and deeds of trust by the unit owners for at least forty five years.

C. *Below Market Rate Loan*

The Redevelopment Agency sponsors a program that provides homeownership opportunities to individuals and families of moderate-income by offering below-market rate deferred payment financing. The Redevelopment 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 principle 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 Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. 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, 2008 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34. The results of this study were included in the City's financial reports for the fiscal year ended June 30, 2008, and resulted in accounting adjustments in governmental activities. The results of these accounting adjustments are reported as GASB 34 Implementation Adjustments.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

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 Waste Water Mains, Lines and Trunks	15-20 years
Buildings and Improvements	50-65 years
Furniture, Fixtures and Equipment	5-20 years
Automobiles and Trucks	2-10 years
Infrastructure	20-65 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.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2011 comprise:

	Balance at June 30, 2010	Increases	Decreases	Balance at June 30, 2011
Governmental activities				
Capital assets not being depreciated:				
Land	\$14,885,484			\$14,885,484
Total capital assets not being depreciated	14,885,484			14,885,484
Capital assets being depreciated:				
Land Improvements	951,985			951,985
Building and Improvements	20,263,135	\$23,710		20,286,845
Furniture, Fixtures and Equipment	3,828,271	143,523		3,971,794
Automobiles and Trucks	550,535		(\$185,000)	365,535
Infrastructure	55,325,437	129,967		55,455,404
Total capital assets being depreciated	80,919,363	297,200	(185,000)	81,031,563
Less accumulated depreciation for:				
Land Improvements	696,550	22,763		719,313
Building and Improvements	4,132,031	405,885	(72)	4,537,844
Furniture, Fixtures and Equipment	2,646,885	199,948	(1,533)	2,845,300
Automobiles and Trucks	517,458	6,889	(185,000)	339,347
Infrastructure	28,746,725	739,979	(13,751)	29,472,953
Total accumulated depreciation	36,739,649	1,375,464	(200,356)	37,914,757
Net general				
Capital assets	59,065,198	(1,078,264)	15,356	58,002,290
Internal Service Fund Capital Assets				
Building and Improvements	80,065			80,065
Furniture, Fixtures and Equipment	665,535			665,535
Automobiles and Trucks	2,897,769	96,209	(187,095)	2,806,883
Total capital assets being depreciated	3,643,369	96,209	(187,095)	3,552,483
Less accumulated depreciation for:				
Building and Improvements	40,588	1,601		42,189
Furniture, Fixtures and Equipment	289,750	42,991		332,741
Automobiles and Trucks	2,167,292	149,713	(187,095)	2,129,910
Total accumulated depreciation	2,497,630	194,305	(187,095)	2,504,840
Net Internal Service Capital Assets Being Depreciated	1,145,739	(98,096)		1,047,643
Governmental activity capital assets, net	\$60,210,937	(1,176,360)	\$15,356	\$59,049,933

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2010	Increases	Decreases	Balance at June 30, 2011
Business-type activities				
Capital assets not being depreciated:				
Land	\$1,785,218			\$1,785,218
Construction in Progress	11,677,968	\$13,699,491		25,377,459
Total capital assets not being depreciated	13,463,186	13,699,491		27,162,677
Capital assets, being depreciated:				
Land Improvements				
Building and Improvements	5,877,357			5,877,357
Furniture, Fixtures and Equipment	14,693,306	370,734		15,064,040
Automobiles and Trucks	70,367			70,367
Infrastructure	13,063,129	63,475		13,126,604
Total capital assets being depreciated	33,704,159	434,209		34,138,368
Less accumulated depreciation for:				
Land Improvements				
Building and Improvements	3,080,535	100,667		3,181,202
Furniture, Fixtures and Equipment	8,768,158	749,782		9,517,940
Automobiles and Trucks	54,505	2,539		57,044
Infrastructure	6,406,025	187,741		6,593,766
Total accumulated depreciation	18,309,223	1,040,729		19,349,952
Depreciable capital assets	15,394,936	(606,520)		14,788,416
Business-type activity capital assets, net	\$28,858,122	\$13,092,971		\$41,951,093

A. 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.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS (Continued)

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities	
General Government	\$88,991
Public Safety	199,026
Highways and Streets	749,223
Culture and Recreation	22,360
Community Development	<u>315,864</u>
Subtotal	1,375,464
Capital assets held by the City's Internal Service Funds	<u>194,305</u>
Total Governmental Activities	<u><u>\$1,569,769</u></u>
 Business-Type Activities	
Municipal Water System	\$292,768
Municipal Wastewater Treatment Facility	707,448
Storm Drain	<u>40,893</u>
Total Business-Type Activities	<u><u>\$1,041,109</u></u>

NOTE 7 - PROPERTY HELD FOR RESALE

The Redevelopment Agency has purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the redevelopment project areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement was made with the developer.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

Current Year Transactions and Balances

<i>Governmental Activity Debt:</i>	Original Issue Amount	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
2001 Public Library General Obligation Bonds						
Public Library Project						
5.12%-8.5%, due 8/1/2036	\$10,600,000	\$10,260,000		\$100,000	\$10,160,000	\$115,000
2004 Pension Obligation Bonds Series A-2						
4.35%-6.58%, due 6/1/2034	11,521,630	14,731,267	\$912,828	825,000	14,819,095	860,000
1999 Certificates of Participation						
4.5-5.875%, due 3/1/2024	4,105,000	2,995,000		145,000	2,850,000	155,000
Natural Disaster Assistance Loan						
5.39%, due 6/9/2011	2,686,858	200,000		200,000		
2005 Redevelopment Agency Tax Allocation Bonds						
3.0-4.5%, due 8/1/2035	8,590,000	8,165,000		180,000	7,985,000	185,000
2006 Lease Purchase Financing - Phone System						
4.56%, due 06/30/2011	246,658	45,105		45,105		
Internal Service Fund:						
2007 Lease Purchase Financing - Fire Apparatus						
4.97%, due 01/12/2011	430,463	90,159		90,159		
Total Governmental Activity Debt		<u>\$36,486,531</u>	<u>\$912,828</u>	<u>\$1,585,264</u>	<u>\$35,814,095</u>	<u>\$1,315,000</u>
 Business-Type Activity Debt:						
Enterprise Funds:						
2009 State Water Resources Board						
Water Pollution Control Plant Renovation						
1%, due 4/1/2032	\$28,397,180	\$2,639,419	\$15,098,796		\$17,738,215	
2009A Wastewater Revenue						
Certificates of Participation						
7.423%, due 12/1/2039	5,560,000	5,560,000			5,560,000	
2009B Wastewater Revenue						
Certificates of Participation						
2.0-5.0%, due 12/1/2034	10,250,000	10,250,000		\$1,600,000	8,650,000	\$1,630,000
Premium, net of amortization	123,774	121,367		5,432	115,935	4,951
Total Business-Type Activity Debt		<u>\$18,570,786</u>	<u>\$15,098,796</u>	<u>\$1,605,432</u>	<u>\$32,064,150</u>	<u>\$1,634,951</u>

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 – LONG-TERM DEBT (Continued)

A. 1999 Certificates of Participation

On December 21, 1999 the City issued Certificates of Participation (COPs) in the amount of \$4,105,000. COPs proceeds were used for financing the expansion and renovation of the police department, construction of a community room, funding a reserve fund, and payment for costs of issuing the COPs.

Interest payments due on March 1 and September 1 of each year and principal due on March 1 are repayable from General Fund revenue.

B. 2001 – General Obligation Bonds – Public Library

On August 7, 2001, the City issued 2001 General Obligation Bonds in the amount of \$10,600,000. The Bond proceeds were used to renovate, and construct an expansion area of the Millbrae Public Library. Semi-annual interest payments are due each February 1 and August 1, and principal is due on August 1 repayable from General Fund revenues until August 1, 2036. These bonds are repayable from a voter-approved tax levied for that purpose. The City has covenanted to direct the County to levy ad valorem taxes upon all property within the City subject to taxation. The total principal and interest remaining to be paid on the bonds is \$18,855,196. Principal and interest paid for the current year was \$619,924.

C. 2004 Pension Obligation Bonds

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. As of June 30, 2011, prepaid pension obligations amounted to \$7,584,626.

The Bonds unaccrued discount totaled \$14,819,095 at June 30, 2011. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. Repayments of the accreted principal commenced June 1, 2008.

D. Natural Disaster Assistance Loan

On June 9, 2001, the City obtained a loan from the Governor's Office of Emergency Services. The loan was used to repair and restore public facilities as a result of a landslide. Principal and interest payments were deferred for 3 years with annual interest payments.

Interest payments are due annually May 9 and outstanding principal is due May 9, 2011. However, the City's obligation to make any annual interest payment or any payment of the outstanding principal are conditioned upon certain minimum level of the City's General Fund. In any year during the term of the loan that the General Fund does not meet or exceed the minimum level, the City's annual obligation for that year will be voided and forgiven. As of June 30, 2011, the loan has been forgiven.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - LONG TERM DEBT (Continued)

E. 2005 Redevelopment Agency Tax Allocation Bonds

On January 13, 2005, the Redevelopment Agency issued 2005 Redevelopment Agency Tax Allocation Bonds in the original principal amount of \$8,590,000. The proceeds were used to repay the 1993 Tax Allocation Bonds and to finance redevelopment activities in the project area. As a result, the 1993 Bonds were called on March 1, 2005. Interest payments are due each February 1 and August 1 and principal payments are due each August 1. These debt service payments are pledged by a security interest in and lien on Tax Revenues, as defined by the Bond Indenture, which excludes 20% of set-aside deposited in the Low and Moderate Income Housing Fund; and pass through payments which are required to be paid to other public agencies under the tax sharing agreements unless subordinated.

The total principal and interest remaining to be paid on the bonds is \$13,359,943. Principal and interest paid for the current year was \$532,050.

For the fiscal year ended June 30, 2011, tax increment revenue, less 20% set-aside deposited into the Low and Moderate housing special revenue fund and pass-through and SERAF payments, amounted to \$2,253,701 which represented coverage of 5.83 over \$532,050 in debt service.

F. 2006 Lease Purchase Financing – Phone System

On April 25, 2006 the City entered into a capital lease purchase agreement in amount of \$246,658 for the purchase, installation, training and maintenance of a new phone system. Principal and interest payments are due monthly until June 30, 2011 at the interest rate of 4.56%. The loan was paid off as of June 30, 2011.

G. 2007 Lease Purchase Financing – Fire Apparatus

On January 12, 2007 the City entered into a capital lease purchase agreement in amount of \$430,463 for the purchase of a set of fire apparatus to be housed in the main fire station in the City. Principal and interest payments are due annually until January 12, 2011 at the interest rate of 4.97%. The loan was paid off as of June 30, 2011.

H. 2009 State Water Resources Control Board Loan

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 agrees to provide project funds in the maximum amount of \$28,397,180. The project funds will be repaid at an interest rate of one percent (1%) per annum. Repayment of project funds together with all interest accruing will be repaid in annual installments, beginning one year after the completion of the Water Pollution Control Plant. The repayment will not begin until the completion of project on April 1, 2013.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - LONG TERM DEBT (Continued)

I. 2009 - Certificates of Participation - Wastewater

On December 15, 2009, the City, under an installment sale agreement with the Millbrae Financing Authority, issued 2009 Wastewater Revenue Certificates of Participation, 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, commencing. Interest payments are due semiannually on June 1 and December 1, through December 1, 2039. Debt service is payable from net revenue of municipal waste water treatment facility enterprise Fund. Interest rate is 7.423% per annum.

Series B COP were issued in the principal amount of \$10,250,000 to refinance the City's outstanding 2008 Subordinate Notes and 2005 bank note installment sale agreement. Principal payments are due annually on December 1 and interest payments are due semiannually on June 1 and December 1, through December 1, 2034. Debt service is payable from net revenue of municipal waste water treatment facility enterprise Fund. Interest ranges from 2.0% to 5.0%. The remaining debt service for the bank note installment sale agreement was \$7,842,269 while the net debt service for the 2009 Series B COP related portion was \$6,151,290; resulting in the aggregate difference in debt service amount 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 amount of \$26,599. The economic gain on the transaction was a net present value benefit in the amount of \$278,948.

J. Debt Service Requirements

Annual debt service requirements are shown below:

Year ending June 30:	Governmental Activities			Business-Type Activities		
	Principal (A)	Interest	Total	Principal	Interest	Total
2012	\$1,315,000	\$1,022,314	\$2,337,314	\$1,630,000	\$769,250	\$2,399,250
2013	1,375,000	998,967	2,373,967	1,635,190	920,963	2,556,153
2014	1,440,000	974,896	2,414,896	935,987	908,655	1,844,642
2015	1,500,000	951,130	2,451,130	948,796	896,120	1,844,916
2016	1,570,000	925,177	2,495,177	961,684	882,532	1,844,216
2017-2021	9,050,000	4,163,079	13,213,079	5,049,529	4,179,606	9,229,135
2022-2026	10,735,000	3,175,149	13,910,149	5,253,901	3,718,933	8,972,834
2027-2031	12,365,000	2,176,141	14,541,141	4,533,954	3,401,629	7,935,583
2032-2036	11,355,000	954,763	12,309,763	6,449,174	2,620,599	9,069,773
2037-2040	820,000	21,013	841,013	4,550,000	695,906	5,245,906
Total	<u>\$51,525,000</u>	<u>\$15,362,629</u>	<u>\$66,887,629</u>	31,948,215	<u>\$18,994,193</u>	<u>\$50,942,408</u>
		Premium, net of amortization		115,935		
				<u>\$32,064,150</u>		

(A) Includes unaccrued discount totaling \$15,710,905

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - LONG TERM DEBT (Continued)

K. Debt without City Commitment

On September 1, 1997 the City sponsored the issuance of the City of Millbrae Residential Facility Revenue Bonds, Series 1997A which were issued in the aggregate principal amount of \$30,000,000 to assist a developer in financing the cost of site acquisition, demolition and construction of a 158 unit assisted living facility and parking garage. The Bonds are payable solely out of the revenues from operating the facility and the project is pledged as security for the Bonds. The City has no legal or moral liability with respect to the payment of this debt. The outstanding principal balance at June 30, 2011 was \$25,005,000.

NOTE 9 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

Invested in Capital Assets, net of related debt, describes the portion of Net Assets 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 Assets 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 Assets which is not restricted to use.

B. Fund Balance

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. Each category in the following hierarchy is ranked according to the degree of spending constraint:

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as 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. Encumbrances and 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 of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

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

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

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2011, are below:

Fund Balance Classifications	General Fund	Redevelopment		Other Governmental Funds	Total
		Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund		
Nonspendables:					
Items not in spendable form:					
Advances to other funds	\$1,040,100				\$1,040,100
Total Nonspendable Fund Balances	1,040,100				1,040,100
Restricted for:					
Low and Moderate Income Housing Debt Service		\$647,600			647,600
COPs and other grants			\$5,870,759		5,870,759
Measure A				\$13,317	13,317
Gas Tax				1,343,226	1,343,226
AB2928 Grant				541,439	541,439
Special Recreation				1,210,636	1,210,636
Integrated Waste Management				40,175	40,175
Other				109,003	109,003
Sister City				3,709,006	3,709,006
Park Improvement				11,456	11,456
Millbrae Station Area Developer Fee				5,000	5,000
1999 COPs Debt Service				2,240,059	2,240,059
Library Bonds Debt Service				401,839	401,839
Redevelopment Agency Capital Projects				726,251	726,251
Developer Fee Capital Projects				2,411,337	2,411,337
Measure C				1,579,583	1,579,583
Total Restricted Fund Balances		647,600	5,870,759	14,342,327	20,860,686
Assigned for:					
OPEB	1,532,462				1,532,462
Other purposes	732,103				732,103
Total Assigned Fund Balances	2,264,565				2,264,565
Unassigned:	788,991	(1,228,417)			(439,426)
Total Fund Balances	\$4,093,656	(\$580,817)	\$5,870,759	\$14,342,327	\$23,725,925

E. Fund Deficit

As of June 30, 2011 the following funds had fund deficits, which are expected to be eliminated by future revenues:

Redevelopment Agency Special Revenue Fund	\$580,817
Leave Accrual Internal Service Fund	404,391

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2011, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	Police: 18.568%	12.263%
	Fire: 20.963%	

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
<i>Safety Plan</i>			
June 30, 2009	\$903,754	100%	\$0
June 30, 2010	952,864	100%	0
June 30, 2011	871,159	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2009	\$795,044	100%	0
June 30, 2010	808,654	100%	0
June 30, 2011	721,219	100%	0

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - RETIREMENT BENEFITS (Continued)

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Gain and losses that occur in the operation of risk pool are amortized over a rolling thirty year period.

The City prepaid its pension contributions with proceeds from the Pension Obligation Bonds (See Note 8). These prepaid contributions are reflected in the accompanying financial statements as Prepaid Pension Obligations which amounted to 7,584,626 at June 30, 2011. During fiscal 2010-2011, the amortization of the prepayment increased the actuarially required contributions by \$449,935 to arrive at Annual Pension Costs of \$1,592,378.

As required by new State law, effective July 1, 2005, the City's Safety and Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry to these pools was that the City true-up any unfunded liability in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS.

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

State-wide pool Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2007	\$1,648,159,522	\$1,422,143,105	\$226,016,417	86.3%	\$200,537,256	112.7%
2008	1,755,559,311	1,517,609,609	237,949,702	86.4%	210,590,567	113.0%
2009	1,802,882,330	1,520,081,328	282,801,002	84.3%	221,600,192	127.6%

The City's Safety Plan represents approximately 2%, 2%, and 2% of the State-wide pool for the years ended June 30, 2009, 2008, and 2007, respectively, based on covered payroll of \$4,364,942, \$4,935,316 and \$4,894,470 for those years.

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2007	\$1,627,025,950	\$1,362,059,317	\$264,966,633	83.7%	\$376,292,121	70.4%
2008	1,823,366,479	1,529,548,799	293,817,680	83.9%	414,589,514	70.9%
2009	2,140,438,884	1,674,260,302	466,178,582	78.2%	440,071,499	105.9%

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - RETIREMENT BENEFITS (Continued)

The City's Miscellaneous Plan represents approximately 1%, 2%, and 2% of the State-wide pool for the years ended June 30, 2009, 2008, and 2007, respectively, based on covered payroll of \$5,878,750, \$6,537,810 and \$6,673,755 for those years.

Audited annual financial statements and ten year statistical comparison are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

C. *Deferred Compensation Plan*

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

NOTE 11 -POST-EMPLOYMENT BENEFITS

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

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

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

Eligibility	<ul style="list-style-type: none"> • Service (50 & 5 years CalPERS service) or Disability retirement • Retire directly from City under CalPERS
Management & Confidential	<p>PEMHCA Unequal Method:</p> <ul style="list-style-type: none"> • Actives: City contributes premium up to CalPERS Blue Shield Family Premium for employees (\$1,457.48 in 2009) • Retirees: City contribution equal to 5% of active contribution times years of participation in PEMHCA (max \$100/month annual increase) • Management & Confidential joined PEMHCA in 1986 • City pays premium and reimburses Medicare Parts A & B • Total City payments not to exceed unequal method benefit caps: <p style="text-align: right;">2007: \$ 607.50 2008: \$ 707.50 2009: \$ 807.50</p>
Police Officer	City contributes greater of PEMHCA minimum (\$101 in 2009) and vesting benefit.
Firefighter	<ul style="list-style-type: none"> • City contributes maximum monthly amount of \$221.50, reduced by PEMHCA minimum, if applicable • Retirees not in PEMHCA receive \$221.50
Sanitation	<ul style="list-style-type: none"> • PEMHCA minimum
Teamsters	<ul style="list-style-type: none"> • Teamsters Local 856 Health & Welfare Trust • Retiree pays full premium • Possible Implied Subsidy cost
Surviving Spouse Benefit	<ul style="list-style-type: none"> • 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity

As of June 30, 2011, approximately 65 participants were eligible to receive benefits.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

Healthcare cost trend rate assumptions are as follows:

Year	Increase from Prior Year			
	Non-Medicare		Medicare	
	HMO	PPO	HMO	PPO
2009	Actual Premiums			
2010	9.05%	9.75%	9.40%	10.10%
2011 to 2016	8.40%	9.00%	8.70%	9.30%
2017+	4.50%	4.50%	4.50%	4.50%

- 2010 and later premiums adjusted:
 - Kaiser have no adjustment
 - Blue Shield increases 1% each year for 2010 – 2012
 - PPOs increase 1% each year for 2010 - 2013

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3% general inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over fixed 30 year closed amortization period.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. In fiscal year 2011, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC)	\$1,505,082
Interest on net OPEB obligation	73,468
Adjustment to annual required contribution	7,480
Annual OPEB cost	1,586,030
Contributions made:	
City portion of current year premiums paid	440,952
Change in net OPEB obligation/(asset)	1,145,078
Net OPEB Obligation (Asset) at June 30, 2010	1,796,854
Net OPEB Obligation (Asset) at June 30, 2011	\$2,941,932

The Plan's annual required contributions and actual contributions for the years ended June 30, 2011 are set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of APC Contributed	Net OPEB Obligation
6/30/2009	\$1,276,000	\$312,317	24.48%	\$963,683
6/30/2010	1,351,215	365,770	27.07%	1,796,854
6/30/2011	1,433,755	440,952	30.76%	2,941,931

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2009 actuarial study is presented below:

(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
1/1/2009	\$0	\$14,171	(\$14,171)	0.00%	\$8,602	(164.7%)

At June 30, 2011, the City assigned \$1,532,462 of General Fund's fund balance for this postemployment benefit.

NOTE 12 - RISK MANAGEMENT

A. Insurance Coverage

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan 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. ABAG Plan 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, 2011, the City paid ABAG Plan \$231,538 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

The City has also purchased excess coverage insurance for worker's compensation claims from an independent commercial insurance company with \$300,000 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 Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - RISK MANAGEMENT (Continued)

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior years claims experience as follows:

	Fiscal 2010-2011			Fiscal 2009-2010 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$1,347,000	\$139,708	\$1,486,708	\$995,587
Net change in:				
Liability for current fiscal year claims	47,975	18,751	66,726	343,075
Liability for prior fiscal year claims and claims incurred but not reported (IBNR)	285,925	(30,626)	255,299	862,219
Claims paid	(522,193)	(50,291)	(572,484)	(714,173)
Balances, end of year	<u>\$1,158,707</u>	<u>\$77,542</u>	<u>\$1,236,249</u>	<u>\$1,486,708</u>
Current portion	<u>\$463,483</u>	<u>\$69,788</u>	<u>\$533,271</u>	<u>\$514,668</u>

NOTE 13 – 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 \$78,773 for the year ended June 30, 2011. 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 SamTrans, 401 Marina Boulevard, South San Francisco, CA 94080.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 – 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.

The City participates in Federal and State grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the Federal Single Audit Act of 1984 including 1996 amendments and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

A. *Loan Commitment – Dolores Lia Project*

In June 2011, the Millbrae Redevelopment Agency authorized the execution of a loan commitment agreement pursuant to which the Redevelopment Agency agreed to provide \$5.7 million of residual receipts loan 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).

NOTE 15 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determined each agency's SERAF payment. The payments were due by May 10 of the applicable year. The Agency made its second SERAF payment in the amount of \$247,693.

NOTE 16 – SUBSEQUENT EVENT

A. *Millbrae Redevelopment Agency Status*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 – SUBSEQUENT EVENT (Continued)

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit 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. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 25, 2011.

In addition, the suspension provisions require 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 State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. It is anticipated that the City's annual remittances would be reimbursed by the Agency from tax increment revenues. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$1,809,094.

CITY OF MILLBRAE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 – SUBSEQUENT EVENT (Continued)

2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City including those discussed in Note 4, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of December 1, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

B. 1999 Certificates of Participation - Refunding

In July 2011, the City Council and the Redevelopment Agency Board passed a resolution to refund the outstanding 1999 Certificates of Participation (COPs) and refinance using a Direct Lender Tax Exempt Loan.

REQUIRED SUPPLEMENTARY INFORMATION



**MAJOR GOVERNMENTAL FUNDS, BUDGET VERSUS ACTUAL-GENERAL FUND AND
SPECIAL REVENUE FUNDS**

General Fund - The General Fund is 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.

Redevelopment Agency Special Revenue Fund- To account for property tax increments received by the Millbrae Redevelopment Agency to use for Low and Moderate-Income Housing Programs.

CITY OF MILLBRAE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property tax	\$7,593,944	\$7,366,983	\$7,366,983	
Sales tax	2,430,000	2,194,824	2,194,824	
Transient occupancy tax	2,867,000	3,686,411	3,686,411	
Franchise tax	1,005,000	978,575	978,575	
Other taxes	188,280	237,140	237,140	
Licenses and permits	781,252	647,739	647,739	
Charges for services	848,525	684,007	684,007	
Fines and forfeitures	1,047,473	1,313,498	1,313,498	
Use of money and property	403,450	355,124	355,124	
Grants and intergovernmental	166,169	221,685	221,685	
Miscellaneous	153,610	730,366	730,366	
Total Revenues	17,484,703	18,416,352	18,416,352	
EXPENDITURES:				
Current:				
General government:				
City council	123,934	108,233	108,233	
City clerk	186,804	155,833	155,833	
Treasurer				
Administration	100,964	90,372	90,372	
Attorney	182,216	132,394	132,394	
General services:				
Finance	836,974	705,353	705,353	
Human resource	208,621	419,750	419,750	
General government building	140,752	146,312	146,312	
Non-departmental	764,194	38,037	38,037	
Total general government	2,544,459	1,796,284	1,796,284	
Public safety:				
Police	5,816,641	5,397,725	5,397,725	
Fire	5,154,787	4,686,037	4,686,037	
Total public safety	10,971,428	10,083,762	10,083,762	
Highways and streets:				
Engineering	472,019	454,568	454,568	
Maintenance	398,024	368,775	368,775	
Total highways and streets	870,043	823,343	823,343	
Culture and recreation	11,988	4,931	4,931	
Community development	1,417,475	1,443,401	1,443,401	
Capital outlay	166,200	124,881	124,881	
Debt service:				
Principal	870,104	870,105	870,105	
Interest and fiscal charges	5,948	5,657	5,657	
Total Expenditures	16,857,645	15,152,364	15,152,364	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	627,058	3,263,988	3,263,988	
OTHER FINANCING SOURCES (USES)				
Transfers in	330,447	480,107	480,107	
Transfers (out)	(1,112,908)	(2,512,772)	(2,512,772)	
Total other financing sources (uses)	(782,461)	(2,032,665)	(2,032,665)	
NET CHANGE IN FUND BALANCES	(\$155,403)	\$1,231,323	1,231,323	
BEGINNING FUND BALANCE			2,862,333	
ENDING FUND BALANCE			\$4,093,656	

CITY OF MILLBRAE
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GOVERNMENTAL REVENUES				
Property tax	\$1,118,955	\$1,070,652	\$1,070,652	
Use of money and property		1,283	1,283	
Miscellaneous		100	100	
	<u>1,118,955</u>	<u>1,072,035</u>	<u>1,072,035</u>	
EXPENDITURES				
Community development	242,028	143,941	143,941	
Payments to property tax pass through	325,000	300,826	300,826	
	<u>567,028</u>	<u>444,767</u>	<u>444,767</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>551,927</u>	<u>627,268</u>	<u>627,268</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)	(114,965)	(127,091)	(127,091)	
	<u>(114,965)</u>	<u>(127,091)</u>	<u>(127,091)</u>	
NET CHANGE IN FUND BALANCES				
	<u>\$436,962</u>	<u>\$500,177</u>	500,177	
BEGINNING FUND BALANCE				
			<u>(1,080,994)</u>	
ENDING FUND BALANCE				
			<u>(\$580,817)</u>	



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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).



**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

Redevelopment Agency Debt Service Fund-To account for the accumulation of resources for payment of principal and interest on the Millbrae Redevelopment Agency debt. The Agency receives revenues from property tax increment.

CITY OF MILLBRAE
REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GOVERNMENTAL REVENUES				
Property tax	\$4,441,000	\$4,282,606	\$4,282,606	
Use of money and property	10,000	47,308	47,308	
Total Revenues	<u>4,451,000</u>	<u>4,329,914</u>	<u>4,329,914</u>	
EXPENDITURES				
Community development	49,566	54,552	54,552	
Payments to property tax pass-throughs	1,700,000	1,952,875	1,952,875	
Debt service:				
Principal	180,000	180,000	180,000	
Interest and fiscal charges	455,455	455,455	455,455	
Total Expenditures	<u>2,385,021</u>	<u>2,642,882</u>	<u>2,642,882</u>	
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,065,979</u>	<u>1,687,032</u>	<u>1,687,032</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	112,946	127,091	127,091	
Transfers (out)	(1,228,002)	(1,228,002)	(1,228,002)	
Total Other Financing Sources (Uses)	<u>(1,115,056)</u>	<u>(1,100,911)</u>	<u>(1,100,911)</u>	
NET CHANGE IN FUND BALANCES	<u>\$950,923</u>	<u>\$586,121</u>	586,121	
BEGINNING FUND BALANCE			<u>5,284,638</u>	
ENDING FUND BALANCE			<u>\$5,870,759</u>	

OTHER SUPPLEMENTARY INFORMATION



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

COPS & Other Grants - To account for federal moneys received for public safety programs.

Measure A - To account for additional sales tax imposed to provide resources for street and highway improvements.

Gas Tax - To account for gasoline tax allocated by State for street and highway maintenance and improvements.

AB2928 Grant – To account for grants received from AB2928.

Special Recreation - To account for fees and charges and expenditures for recreation and leisure programs.

Integrated Waste Management - To account for moneys to be reimbursed by fee charges for integrated waste management program.

Other - To account for moneys received from the Asset Forfeitures Grants,

Sister City - To account for resources received from two sister cities, Malta and La Serena, which are used for activities relation to these two sister cities.

Park Improvement - To account for resources received from sale of park property, which can be used only for park improvements purposes.

Joint Fire Training - To account for joint training services between the City of San Bruno, City of San Mateo, and the Central County Fire Department.

Millbrae Station Area Developer Fee – Operating - To account for the fees collected from the developers for the operation of the Millbrae Station Area development project.

Debt Service Funds

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

Library Bonds – To account 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.

Capital Project Funds

Redevelopment Agency - To account for the Millbrae Redevelopment Agency's resources for administrative costs, capital projects and long-term debt obligation.

Developer Fee - To account for the fees collected from the developers for the capital activities of the Millbrae Station Area development project.

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Noise Insulation Grant	Gas Tax
ASSETS				
Cash and investments	\$1,958	\$1,239,644		\$530,468
Cash with fiscal agent				
Receivables:				
Taxes				36,501
Accounts - net				
Accrued interest				
Due from other governmental agencies	11,359	112,630		
Land held for resale				
Total Assets	\$13,317	\$1,352,274		\$566,969
LIABILITIES				
Accounts payable		\$9,048		\$25,530
Due to other funds				
Deposits				
Unearned revenue				
Total Liabilities		9,048		25,530
FUND BALANCE				
Fund balances:				
Restricted	\$13,317	1,343,226		541,439
Total Fund Balances	13,317	1,343,226		541,439
Total Liabilities and Fund Balances	\$13,317	\$1,352,274		\$566,969

SPECIAL REVENUE FUNDS

AB2928 Grant	Special Recreation	Integrated Waste Management	Other	Sister City	Park Improvement	Joint Fire Training
\$1,184,937	\$166,027	\$98,025	\$3,771,040	\$11,456	\$5,000	
32,331	13,184	40,745				
	26,961		8,384			
<u>\$1,217,268</u>	<u>\$206,172</u>	<u>\$138,770</u>	<u>\$3,779,424</u>	<u>\$11,456</u>	<u>\$5,000</u>	
\$6,632	\$49,853	\$3,267	\$69,688			
	20,725	26,500	720			
	95,419		10			
<u>6,632</u>	<u>165,997</u>	<u>29,767</u>	<u>70,418</u>			
<u>1,210,636</u>	<u>40,175</u>	<u>109,003</u>	<u>3,709,006</u>	<u>\$11,456</u>	<u>\$5,000</u>	
<u>1,210,636</u>	<u>40,175</u>	<u>109,003</u>	<u>3,709,006</u>	<u>11,456</u>	<u>5,000</u>	
<u>\$1,217,268</u>	<u>\$206,172</u>	<u>\$138,770</u>	<u>\$3,779,424</u>	<u>\$11,456</u>	<u>\$5,000</u>	

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUND
	Millbrae Station Area Developer Fee - Operating	1999 COPS	Library Bonds	Redevelopment Agency
ASSETS				
Cash and investments	\$2,444,801	\$63,227	\$726,251	\$1,121,751
Cash with fiscal agent		335,953		
Receivables:				
Taxes				
Accounts - net				364
Accrued interest		2,659		
Due from other governmental agencies				8,500
Land held for resale				1,324,591
	<u>\$2,444,801</u>	<u>\$401,839</u>	<u>\$726,251</u>	<u>\$2,455,206</u>
Total Assets				
LIABILITIES				
Accounts payable	\$915			\$35,309
Due to other funds				
Deposits	203,827			8,560
Unearned revenue				
	<u>204,742</u>			<u>43,869</u>
Total Liabilities				
FUND BALANCE				
Fund balances:				
Restricted	<u>2,240,059</u>	<u>\$401,839</u>	<u>\$726,251</u>	<u>2,411,337</u>
	<u>2,240,059</u>	<u>401,839</u>	<u>726,251</u>	<u>2,411,337</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$2,444,801</u>	<u>\$401,839</u>	<u>\$726,251</u>	<u>\$2,455,206</u>

CAPITAL PROJECTS FUNDS

<u>Developer Fee</u>	<u>Special Assessment District</u>	<u>Total Nonmajor Governmental Funds</u>
\$1,677,148		\$13,041,733 335,953
		68,832 54,293 2,659 167,834 1,324,591
<u>\$1,677,148</u>		<u>\$14,995,895</u>
		\$200,792 720
97,015		356,627 95,429
<u>97,565</u>		<u>653,568</u>
<u>1,579,583</u>		<u>14,342,327</u>
<u>1,579,583</u>		<u>14,342,327</u>
<u>\$1,677,148</u>		<u>\$14,995,895</u>

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Noise Insulation Grant	Gas Tax
GOVERNMENTAL REVENUES				
Property tax				
Other taxes		\$412,173		
License and permits				
Charges for services				
Use of money and property		7,336		\$2,930
Grants and intergovernmental	\$98,345	112,630		352,457
Miscellaneous				
	<u>98,345</u>	<u>532,139</u>		<u>355,387</u>
EXPENDITURES				
Current:				
General government				
Public safety	103,551			
Highways and streets		90,221		353,450
Culture and recreation				
Community development				
Capital outlay		147,603		
Debt service:				
Principal				
Interest and fiscal charges				
	<u>103,551</u>	<u>237,824</u>		<u>353,450</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(5,206)</u>	<u>294,315</u>		<u>1,937</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,331			
Transfers (out)			(\$18,669)	(6,299)
	<u>2,331</u>		<u>(18,669)</u>	<u>(6,299)</u>
NET CHANGE IN FUND BALANCES				
	<u>(2,875)</u>	<u>294,315</u>	<u>(18,669)</u>	<u>(4,362)</u>
BEGINNING FUND BALANCES				
	<u>16,192</u>	<u>1,048,911</u>	<u>18,669</u>	<u>545,801</u>
ENDING FUND BALANCES				
	<u>\$13,317</u>	<u>\$1,343,226</u>		<u>\$541,439</u>

<u>AB2928 Grant</u>	<u>Special Recreation</u>	<u>Integrated Waste Management</u>	<u>Other</u>	<u>Sister City</u>	<u>Park Improvement</u>	<u>Joint Fire Training</u>
			\$17,550			
\$6,749	\$715,198	\$223,103	1,641,237			\$110,778
207,990	251,050	742	2,484	\$59		
	26,961	6,042	772,595			
	1,701		36,519	4,975	\$6,100	
<u>214,739</u>	<u>994,910</u>	<u>229,887</u>	<u>2,470,385</u>	<u>5,034</u>	<u>6,100</u>	<u>110,778</u>
			196,627			328,607
13,231		198,871	94,936			
	1,099,263			1,391		
			1,151,717		5,943	
			17,818		6,898	
<u>13,231</u>	<u>1,099,263</u>	<u>198,871</u>	<u>1,461,098</u>	<u>1,391</u>	<u>12,841</u>	<u>328,607</u>
<u>201,508</u>	<u>(104,353)</u>	<u>31,016</u>	<u>1,009,287</u>	<u>3,643</u>	<u>(6,741)</u>	<u>(217,829)</u>
	431,143		367,793		1,648	278,148
	(286,314)	(18,192)	(297,000)			(157,638)
	144,829	(18,192)	70,793		1,648	120,510
201,508	40,476	12,824	1,080,080	3,643	(5,093)	(97,319)
<u>1,009,128</u>	<u>(301)</u>	<u>96,179</u>	<u>2,628,926</u>	<u>7,813</u>	<u>10,093</u>	<u>97,319</u>
<u>\$1,210,636</u>	<u>\$40,175</u>	<u>\$109,003</u>	<u>\$3,709,006</u>	<u>\$11,456</u>	<u>\$5,000</u>	

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUND
	Millbrae Station Area Developer Fee - Operating	1999 COPS	Library Bonds	Redevelopment Agency
GOVERNMENTAL REVENUES				
Property tax			\$647,147	
Other taxes				
License and permits				
Charges for services	\$373,674			
Use of money and property	192	\$12,823		\$36,147
Grants and intergovernmental				
Miscellaneous	3,024			51,632
Total Revenues	376,890	12,823	647,147	87,779
EXPENDITURES				
Current:				
General government	688			
Public safety				
Highways and streets	42,292			
Culture and recreation				
Community development	43,314			766,182
Capital outlay				
Debt service:				
Principal		145,000	100,000	
Interest and fiscal charges		174,487	523,086	
Total Expenditures	86,294	319,487	623,086	766,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	290,596	(306,664)	24,061	(678,403)
OTHER FINANCING SOURCES (USES)				
Transfers in		313,273		1,048,002
Transfers (out)	(94,640)			(113,601)
Total Other Financing Sources (Uses)	(94,640)	313,273		934,401
NET CHANGE IN FUND BALANCES	195,956	6,609	24,061	255,998
BEGINNING FUND BALANCES	2,044,103	395,230	702,190	2,155,339
ENDING FUND BALANCES	\$2,240,059	\$401,839	\$726,251	\$2,411,337

CAPITAL PROJECTS FUNDS

<u>Developer Fee</u>	<u>Special Assessment District</u>	<u>Total Nonmajor Governmental Funds</u>
		\$647,147
		412,173
		17,550
\$457,338		3,521,328
327		320,839
		1,577,020
		103,951
<u>457,665</u>		<u>6,600,008</u>
		688
		628,785
4,072		797,073
		1,100,654
19		1,967,175
		172,319
		245,000
		697,573
<u>4,091</u>		<u>5,609,267</u>
<u>453,574</u>		<u>990,741</u>
		2,442,338
	(\$35,083)	(1,027,436)
	(35,083)	1,414,902
453,574	(35,083)	2,405,643
<u>1,126,009</u>	<u>\$35,083</u>	<u>11,936,684</u>
<u>\$1,579,583</u>		<u>\$14,342,327</u>

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS					
	COPS & OTHER GRANTS			MEASURE A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes				\$412,173	\$412,173	
License and permits						
Charges for services						
Use of money and property				7,336	7,336	
Grants and intergovernmental	\$98,345	\$98,345		112,630	112,630	
Miscellaneous						
Total Revenues	98,345	98,345		532,139	532,139	
EXPENDITURES						
Current:						
General government:						
Finance						
Non-Departmental						
Public safety:						
Police	103,551	103,551				
Fire						
Highways and streets						
Engineering						
Maintenance				90,221	90,221	
Culture and recreation						
Community development						
Capital outlay				147,603	147,603	
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	103,551	103,551		237,824	237,824	
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,206)	(5,206)		294,315	294,315	
OTHER FINANCING SOURCES (USES)						
Transfers in	2,331	2,331				
Transfers (out)						
Total Other Financing Sources (Uses)	2,331	2,331				
NET CHANGE IN FUND BALANCES	(\$2,875)	(2,875)		\$294,315	294,315	
BEGINNING FUND BALANCES (DEFICITS)		16,192			1,048,911	
ENDING FUND BALANCES (DEFICITS)		\$13,317			\$1,343,226	

SPECIAL REVENUE FUNDS

NOISE INSULATION GRANT			GAS TAX			AB2928 GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$2,930	\$2,930		\$6,749	\$6,749	
			352,457	352,457		207,990	207,990	
			355,387	355,387		214,739	214,739	
			353,450	353,450		13,231	13,231	
			353,450	353,450		13,231	13,231	
			1,937	1,937		201,508	201,508	
(\$18,669)	(\$18,669)		(6,299)	(6,299)				
(18,669)	(18,669)		(6,299)	(6,299)				
(\$18,669)	(18,669)		(\$4,362)	(4,362)		\$201,508	201,508	
	18,669			545,801			1,009,128	
				\$541,439			\$1,210,636	

(Continued)

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS						
	SPECIAL RECREATION			INTEGRATED WASTE MANAGEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services	\$715,198	\$715,198		\$223,103	\$223,103	
Use of money and property	251,050	251,050		742	742	
Grants and intergovernmental	26,961	26,961		6,042	6,042	
Miscellaneous	1,701	1,701				
Total Revenues	994,910	994,910		229,887	229,887	
EXPENDITURES						
Current:						
General government:						
Finance						
Non-Departmental						
Public safety:						
Police						
Fire						
Highways and streets						
Engineering				198,871	198,871	
Maintenance						
Culture and recreation	1,099,263	1,099,263				
Community development						
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,099,263	1,099,263		198,871	198,871	
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(104,353)	(104,353)		31,016	31,016	
OTHER FINANCING SOURCES (USES)						
Transfers in	431,143	431,143				
Transfers (out)	(286,314)	(286,314)		(18,192)	(18,192)	
Total Other Financing Sources (Uses)	144,829	144,829		(18,192)	(18,192)	
NET CHANGE IN FUND BALANCES	\$40,476	40,476		\$12,824	12,824	
BEGINNING FUND BALANCES		(301)			96,179	
ENDING FUND BALANCES (DEFICITS)		\$40,175			\$109,003	

SPECIAL REVENUE FUNDS

OTHER			SISTER CITY			PARK IMPROVEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$17,550	\$17,550							
1,641,237	1,641,237							
2,484	2,484		\$59	\$59				
772,595	772,595							
36,519	36,519		4,975	4,975		\$6,100	\$6,100	
<u>2,470,385</u>	<u>2,470,385</u>		<u>5,034</u>	<u>5,034</u>		<u>6,100</u>	<u>6,100</u>	
196,627	196,627							
31,171	31,171							
63,765	63,765		1,391	1,391				
1,151,717	1,151,717					5,943	5,943	
17,818	17,818					6,898	6,898	
<u>1,461,098</u>	<u>1,461,098</u>		<u>1,391</u>	<u>1,391</u>		<u>12,841</u>	<u>12,841</u>	
1,009,287	1,009,287		3,643	3,643		(6,741)	(6,741)	
367,793	367,793					1,648	1,648	
(297,000)	(297,000)							
70,793	70,793					1,648	1,648	
<u>\$1,080,080</u>	<u>1,080,080</u>		<u>\$3,643</u>	<u>3,643</u>		<u>(\$5,093)</u>	<u>(5,093)</u>	
	<u>2,628,926</u>			<u>7,813</u>			<u>10,093</u>	
	<u>\$3,709,006</u>			<u>\$11,456</u>			<u>\$5,000</u>	

(Continued)

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS					
	JOINT FIRE TRAINING			MILLBRAE STATION AREA DEVELOPER FEE - OPERATING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services	\$110,778	\$110,778		\$373,674	\$373,674	
Use of money and property				192	192	
Grants and intergovernmental						
Miscellaneous				3,024	3,024	
Total Revenues	110,778	110,778		376,890	376,890	
EXPENDITURES						
Current:						
Public safety						
Public safety				118	118	
Public safety				570	570	
Public safety						
Public safety						
Public safety	328,607	328,607				
Highways and streets						
Public safety				42,292	42,292	
Public safety						
Culture and recreation						
Community development				43,314	43,314	
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	328,607	328,607		86,294	86,294	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(217,829)	(217,829)		290,596	290,596	
OTHER FINANCING SOURCES (USES)						
Transfers in	278,148	278,148				
Transfers (out)	(157,638)	(157,638)		(94,640)	(94,640)	
Total Other Financing Sources (Uses)	120,510	120,510		(94,640)	(94,640)	
NET CHANGE IN FUND BALANCES	(\$97,319)	(97,319)		\$195,956	195,956	
BEGINNING FUND BALANCES		97,319			2,044,103	
ENDING FUND BALANCES (DEFICITS)					\$2,240,059	

DEBT SERVICE FUNDS			DEBT SERVICE FUNDS		
1999 COPS			LIBRARY BONDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$647,147	\$647,147	
\$12,823	\$12,823				
12,823	12,823		647,147	647,147	
145,000	145,000		100,000	100,000	
174,487	174,487		523,086	523,086	
319,487	319,487		623,086	623,086	
(306,664)	(306,664)		24,061	24,061	
313,273	313,273				
313,273	313,273				
\$6,609	6,609		\$24,061	24,061	
	395,230			702,190	
	\$401,839			\$726,251	



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City's Internal Service Funds are as follows:

Municipal Garage - To account for the purchase and maintenance of all motor vehicles.

Unemployment Insurance - To account for the accumulation of the payment of resources for unemployment claims against the City.

Workers' Compensation - To account for the resources and uses for the payment of workers' compensation claims against the City.

General Liability - To account for resources and uses for the payment of liability insurance premiums and claims against the City.

Compensated Absences – To account for accumulation of earned compensation.

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Municipal Garage</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Leave Accrual</u>	<u>Total</u>
ASSETS						
Current Assets:						
Cash and investments	\$770,777		\$1,158,706	\$101,654	\$1,415,465	\$3,446,602
Receivable:						
Accounts - net	1,197					1,197
Total Current Assets	<u>771,974</u>		<u>1,158,706</u>	<u>101,654</u>	<u>1,415,465</u>	<u>3,447,799</u>
Noncurrent Assets:						
Capital assets						
Depreciable capital assets, net	1,047,643					1,047,643
Total Assets	<u>1,819,617</u>		<u>1,158,706</u>	<u>101,654</u>	<u>1,415,465</u>	<u>4,495,442</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	79,843			3,488		83,331
Interest payable						
Compensated absences	2,857				511,113	513,970
Accrued self-insurance (Note 12)			463,483	69,788		533,271
Total Current Liabilities	<u>82,700</u>		<u>463,483</u>	<u>73,276</u>	<u>511,113</u>	<u>1,130,572</u>
Noncurrent Liabilities:						
Compensated absences	21,805				1,308,743	1,330,548
Accrued self-insurance (Note 12)			695,223	7,754		702,977
Total Liabilities	<u>104,505</u>		<u>1,158,706</u>	<u>81,030</u>	<u>1,819,856</u>	<u>3,164,097</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,047,643					1,047,643
Unrestricted	667,469			20,624	(404,391)	283,702
Total Net Assets (Deficits)	<u>\$1,715,112</u>			<u>\$20,624</u>	<u>(\$404,391)</u>	<u>\$1,331,345</u>

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Leave Accrual	Total
OPERATING REVENUES						
Equipment rental	\$817,874					\$817,874
Interdepartmental charges		\$19,102	\$769,086	\$458,482		1,246,670
Miscellaneous		27,715	1,400	15,942	\$134,553	179,610
Total Operating Revenues	817,874	46,817	770,486	474,424	134,553	2,244,154
OPERATING EXPENSES						
Personnel services	176,592		85,087	75,701	134,553	471,933
Contractual services	156,992	151	86,263	128,413		371,819
Materials, supplies and other services	153,034					153,034
Depreciation	194,305					194,305
Utilities	1,249					1,249
Insurance premiums and claims	10,222	46,666	599,695	249,592		906,175
Total Operating Expenses	692,394	\$46,817	771,045	453,706	134,553	2,098,515
Operating Income (Loss)	125,480		(559)	20,718		145,639
NONOPERATING REVENUES (EXPENSES)						
Gain on disposal of capital assets	3,250					3,250
Interest revenue			163			163
Interest expense	(2,240)					(2,240)
Total Nonoperating Revenues (Expenses)	1,010		163			1,173
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES						
	126,490		(396)	20,718		146,812
Transfers in	94,640		7,284	5,347	1,550,018	1,657,289
Transfers (out)	(55,362)		(6,888)	(5,440)		(67,690)
Transfers	39,278		\$396	(93)	1,550,018	1,589,599
Change in Net Assets	165,768			20,625	1,550,018	1,736,411
BEGINNING NET ASSETS	1,549,344			(1)	(1,954,409)	(405,066)
ENDING NET ASSETS (DEFICIT)	\$1,715,112			\$20,624	(\$404,391)	\$1,331,345

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Leave Accrual	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$817,874	\$46,817	\$770,486	\$474,424	\$134,553	\$2,244,154
Payments to suppliers	(241,961)	(151)	(86,263)	(132,200)		(460,575)
Payments to employees	(184,786)		(85,087)	(75,701)	1,685,303	1,339,729
Claims paid	(10,222)	(46,666)	(787,989)	(311,758)		(1,156,635)
Cash Flows from Operating Activities	380,905		(188,853)	(45,235)	1,819,856	1,966,673
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	94,640		7,284	5,347	1,550,018	1,657,289
Transfers (out)	(55,362)		(6,888)	(5,440)	(1,954,409)	(2,022,099)
Cash Flows from Noncapital Financing Activities	39,278		396	(93)	(404,391)	(364,810)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(92,959)					(92,959)
Interest payment on capital debt	(4,480)					(4,480)
Principal payments on capital debt	(90,159)					(90,159)
Cash Flows from Capital and Related Financing Activities	(187,598)					(187,598)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income			163			163
Cash Flows from Investing Activities			163			163
Net Cash Flows	232,585		(188,294)	(45,328)	1,415,465	1,414,428
Cash and investments at beginning of period	538,192		1,347,000	146,982		2,032,174
Cash and investments at end of period	<u>\$770,777</u>		<u>\$1,158,706</u>	<u>\$101,654</u>	<u>\$1,415,465</u>	<u>\$3,446,602</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$125,480		(\$559)	\$20,718		\$145,639
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	194,305					194,305
Change in assets and liabilities:						
Accounts receivable						
Accounts payable	69,314			(3,787)		65,527
Compensated absences	(8,194)				1,819,856	1,811,662
Accrued self-insurance			(188,294)	(62,166)		(250,460)
Cash Flows from Operating Activities	\$380,905		(\$188,853)	(\$45,235)	\$1,819,856	\$1,966,673

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Ratio of Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin
5. Sewer Fund Revenue Bond and Loan Coverage
6. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

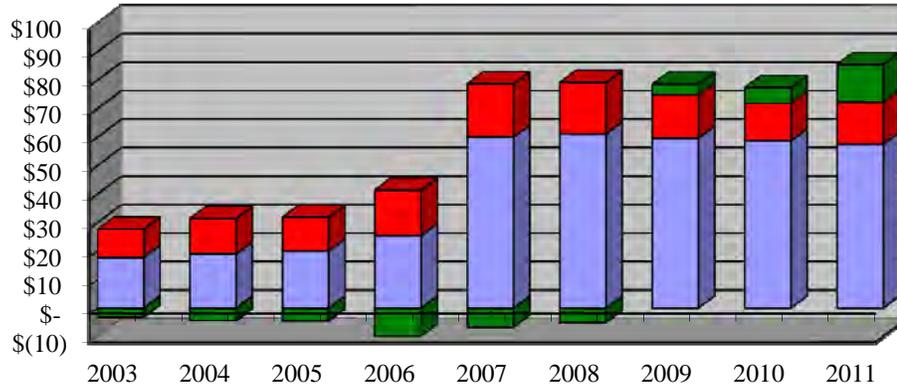
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.



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



■ Invested in capital assets, net of related debt
 ■ Restricted
 ■ Unrestricted

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$6.7	\$7.9	\$8.8	\$8.7	\$49.6	\$49.0	\$48.8	\$47.2	\$46.4
Restricted	9.9	12.5	11.8	16.0	18.7	17.6	15.1	13.2	14.7
Unrestricted	(6.8)	(8.6)	(8.6)	(10.3)	(10.7)	(8.7)	(4.8)	(3.7)	(0.1)
Total governmental activities net assets	\$9.8	\$11.8	\$12.0	\$14.4	\$57.6	\$57.9	\$59.1	\$56.7	\$61.0
Business-type activities									
Invested in capital assets, net of related debt	\$11.0	\$11.0	\$11.2	\$16.7	\$10.4	\$12.1	\$10.9	\$11.5	\$11.1
Unrestricted	3.6	4.2	4.0	(0.6)	4.0	4.1	8.5	9.1	13.4
Total business-type activities net assets	\$14.6	\$15.2	\$15.2	\$16.1	\$14.4	\$16.2	\$19.4	\$20.6	\$24.5
Primary government									
Invested in capital assets, net of related debt	\$17.7	\$18.9	\$20.0	\$25.4	\$60.0	\$61.1	\$59.7	\$58.7	\$57.5
Restricted	9.9	12.5	11.8	16	19	18	15.1	13.2	14.7
Unrestricted	(3.2)	(4.4)	(4.6)	(11)	(7)	(5)	3.7	5.4	13.3
Total primary government net assets	\$24.4	\$27.0	\$27.2	\$30.5	\$72.0	\$74.1	\$78.5	\$77.3	\$85.5

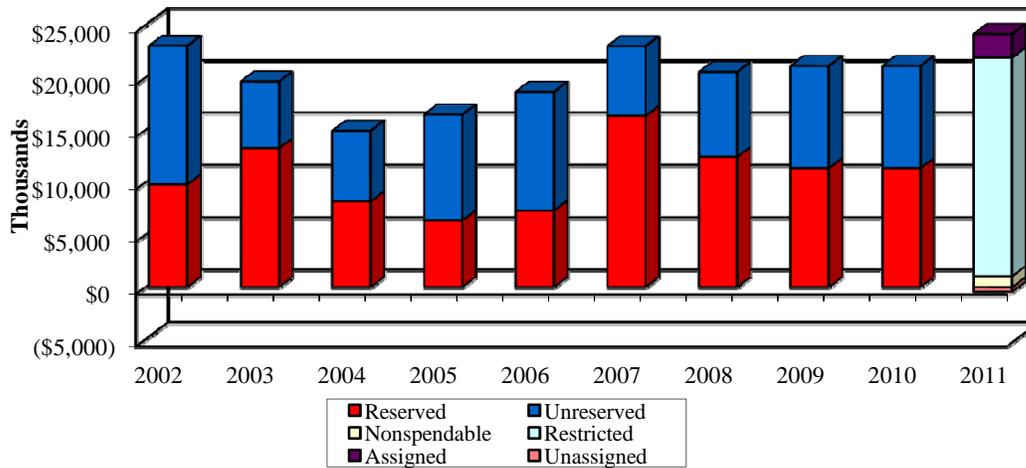
CITY OF MILLBRAE
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities:									
General Government	\$1.4	\$1.3	\$1.4	\$1.8	\$1.9	\$2.1	\$2.1	\$2.2	\$2.3
Public Safety	8.9	9.0	8.8	8.8	6.4	10.0	11.7	12.5	11.7
Highway and Streets	4.1	1.8	1.6	1.5	5.6	4.3	4.1	3.6	2.4
Culture and Recreation	2.9	2.6	3.1	2.1	1.5	1.5	1.5	1.4	1.2
Community Development	1.5	1.3	2.0	3.0	5.3	5.1	6.9	8.6	6.3
Interest on Long-Term Debt	1.3	1.6	1.5	2.9	2.0	2.5	2.1	2.1	2.1
Total Governmental Activities Expenses	20.1	17.6	18.4	20.1	22.7	25.5	28.4	30.4	26.0
Business-Type Activities:									
Municipal Water System	3.0	3.6	3.5	3.5	3.8	4.2	4.4	4.9	5.1
Municipal Wastewater Treatment Facility	3.5	3.7	3.9	4.4	5.2	5.1	5.6	6.1	5.4
Storm Drain	0.3	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.5
Total Business-Type Activities Expenses	6.8	7.6	7.7	8.3	9.4	9.8	10.4	11.5	11.0
Total Primary Government Expenses	26.9	25.2	26.1	28.4	32.1	35.3	38.8	41.9	37.0
Program Revenues									
Governmental Activities:									
Charges for Services:									
General Government	0.3	0.1	0.1	0.3	0.3	0.7	0.7	1.1	1.2
Public Safety	0.6	0.7	0.5	0.7	1.1	1.2	1.8	1.9	1.9
Highway and Streets	0.0	0.2	0.2	0.3	0.8	0.4	1.9	0.4	0.4
Culture and Recreation	0.5	0.8	0.7	0.9	0.8	0.7	0.9	0.9	1.0
Community Development	0.6	1.8	0.5	0.6	2.0	1.1	3.3	2.0	3.5
Operating Grants and Contributions	1.6	1.3	1.3	2.8	1.8	1.2	1.7	1.1	1.1
Capital Grants and Contributions	1.6								
Total Government Activities Program Revenues	5.2	4.9	3.3	5.6	6.8	5.3	10.3	7.4	9.1
Business-Type Activities:									
Charges for Services:									
Municipal Water System	3.2	4.0	3.6	3.9	4.4	4.9	5.7	5.4	5.8
Municipal Wastewater Treatment Facility	3.7	3.8	3.8	4.5	5.0	5.8	6.5	7.6	8.5
Storm Drain	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Operating Grants and Contributions									
Capital Grants and Contributions		0.2							
Total Business-Type Activities Program Revenue	7.1	8.2	7.6	8.6	9.6	10.9	12.4	13.2	14.6
Total Primary Government Program Revenues	12.3	13.1	10.9	14.2	16.4	16.2	22.7	20.6	23.7
Net (Expense)/Revenue									
Governmental Activities	(14.9)	(12.7)	(15.1)	(14.5)	(15.9)	(20.2)	(18.1)	(23.0)	(16.9)
Business-Type Activities	0.3	0.6	(0.1)	0.3	0.2	1.1	2.0	1.7	3.6
Total Primary Government Net Expense	(\$14.6)	(\$12.1)	(\$15.2)	(\$14.2)	(\$15.7)	(\$19.1)	(\$16.1)	(\$21.3)	(\$13.3)

CITY OF MILLBRAE
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)
(continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes:									
Property Taxes	\$5.4	\$5.6	\$8.5	\$9.6	\$10.9	\$11.9	\$13.1	\$13.4	\$13.4
Sales Taxes	2.0	2.0	1.9	2.2	2.4	2.2	2.4	2.0	2.2
Motor Vehicle In-Lieu	1.2	1.0	0.5	0.1	0.1	0.1	0.1	0.1	0.1
Transient Occupancy Tax	2.2	2.2	2.3	2.6	2.9	3.3	2.8	2.9	3.7
Other Taxes	1.1	1.0	1.2	1.7	1.4	1.5	1.4	1.6	1.6
Interest Earnings	1.0	0.3	0.7	0.5	1.2	1.0	(0.2)	0.3	0.2
Other	0.4	2.5	0.2	0.2	0.4	0.7	0.3	0.3	0.3
Transfers	0.1			(0.1)		(0.3)	(0.5)	0.4	(0.3)
Total Government Activities	<u>13.4</u>	<u>14.6</u>	<u>15.2</u>	<u>16.8</u>	<u>19.3</u>	<u>20.4</u>	<u>19.4</u>	<u>21.0</u>	<u>21.2</u>
Business-Type Activities:									
Interest Earnings	0.3	0.1	0.2	0.2	0.2	0.2		0.1	0.1
Miscellaneous				0.3	0.3	0.1	0.8	(0.3)	
Transfers and Other	(0.1)			0.1	0.3	0.4	0.5	(0.4)	0.3
Total Business-Type Activities	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.6</u>	<u>0.8</u>	<u>0.7</u>	<u>1.3</u>	<u>(0.6)</u>	<u>0.4</u>
Total Primary Government	<u><u>13.6</u></u>	<u><u>14.7</u></u>	<u><u>15.4</u></u>	<u><u>17.4</u></u>	<u><u>20.1</u></u>	<u><u>21.1</u></u>	<u><u>20.7</u></u>	<u><u>20.4</u></u>	<u><u>21.6</u></u>
Change in Net Assets									
Governmental Activities	(1.5)	1.9	0.1	2.3	3.4	0.2	1.3	(2.0)	4.3
Business-Type Activities	0.5	0.7	0.1	0.9	1.0	1.8	3.3	1.1	4.0
Total Primary Government	<u><u>(\$1.0)</u></u>	<u><u>\$2.6</u></u>	<u><u>\$0.2</u></u>	<u><u>\$3.2</u></u>	<u><u>\$4.4</u></u>	<u><u>\$2.0</u></u>	<u><u>\$4.6</u></u>	<u><u>(\$0.9)</u></u>	<u><u>\$8.3</u></u>

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



	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$1,162,649	\$1,096,756	\$1,086,073	\$1,435,087	\$1,305,552	\$1,714,021
Unreserved	612,204	203,942	(665,816)	117,878	1,399,190	2,982,238
Nonspendable						
Assigned						
Unassigned						
Total General Fund	\$1,774,853	\$1,300,698	\$420,257	\$1,552,965	\$2,704,742	\$4,696,259
All Other Governmental Funds						
Reserved	\$8,643,242	\$12,167,422	\$7,094,675	\$4,920,951	\$5,994,916	\$14,623,608
Unreserved, reported in:						
Special revenue funds	882,049	6,496,194	6,827,715	4,145,428	8,575,778	4,042,908
Capital project funds	11,735,854	(334,836)	579,509	5,846,761	1,359,947	(362,503)
Nonspendable						
Restricted						
Unassigned						
Total all other governmental funds	\$21,261,145	\$18,328,780	\$14,501,899	\$14,913,140	\$15,930,641	\$18,304,013

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City implemented GASB No. 54 in Fiscal 2011.

2008	2009	2010	2011 (b)
\$1,216,313	\$1,181,922	\$1,186,935	
1,684,476	1,567,044	1,675,398	
			1,040,100
			2,264,565
			788,991
<u>\$2,900,789</u>	<u>\$2,748,966</u>	<u>\$2,862,333</u>	<u>\$4,093,656</u> (a)
\$11,216,290	\$10,174,496	\$9,253,798	
5,411,096	6,267,513	4,914,750	
1,010,397	1,922,889	1,971,780	
			20,860,686
			(1,228,417)
<u>\$17,637,783</u>	<u>\$18,364,898</u>	<u>\$16,140,328</u>	<u>\$19,632,269</u>

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

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$11,029,412	\$10,990,862	\$11,338,355	\$14,291,554	\$16,191,092
Licenses, permits and fees	208,158	334,554	565,594	349,179	474,612
Charges for services	1,512,160	466,764	2,674,024	1,379,653	1,840,334
Fines and forfeitures	203,112	222,945	291,095	203,223	358,782
Use of money and property	1,327,625	1,200,849	426,685	807,830	763,161
Grants and intergovernmental	6,889,858	4,774,880	1,940,142	2,004,196	1,129,260
Miscellaneous	381,763	1,442,871	1,958,367	369,532	229,921
Total Revenues	21,552,088	19,433,725	19,194,262	19,405,167	20,987,162
Expenditures					
Current:					
General government	\$1,886,046	\$1,331,146	\$1,216,074	\$1,162,097	\$1,475,679
Public safety	8,147,357	8,410,205	8,333,506	8,346,122	8,414,172
Highways and streets	2,281,965	1,853,430	1,575,042	1,336,560	1,430,631
Culture and recreation	2,445,562	1,941,713	1,497,215	1,695,953	2,057,200
Community development	2,159,940	2,177,272	2,205,659	3,027,175	3,391,005
Capital outlay	8,398,219	4,635,161	7,767,178	3,909,191	663,204
Debt service:					
Principal repayment	335,000	370,000	420,000	5,330,000	807,350
Interest and fiscal charges	1,011,752	1,211,210	1,510,795	1,205,110	1,231,034
Total Expenditures	26,665,841	21,930,137	24,525,469	26,012,208	19,470,275
Excess (deficiency) of revenues over (under) expenditures	(5,113,753)	(2,496,412)	(5,331,207)	(6,607,041)	1,516,887
Other Financing Sources (Uses)					
Transfers in	1,768,029	4,477,250	904,673	1,515,967	2,696,763
Transfers (out)	(1,303,029)	(3,697,258)	(1,207,173)	(1,954,977)	(2,232,446)
Proceeds from long-term debt	331,000		11,521,630		188,074
Payment to retirement plan			(11,200,000)		
Tax allocation bonds issued				8,590,000	
Library bonds	10,600,000				
Sale of capital assets			604,755		
Total other financing sources (uses)	11,396,000	779,992	623,885	8,150,990	652,391
Net change in fund balances	\$6,282,247	(\$1,716,420)	(\$4,707,322)	\$1,543,949	\$2,169,278
Debt service as a percentage of noncapital expenditures	(A)	7.3%	11.5%	29.6%	11.4%

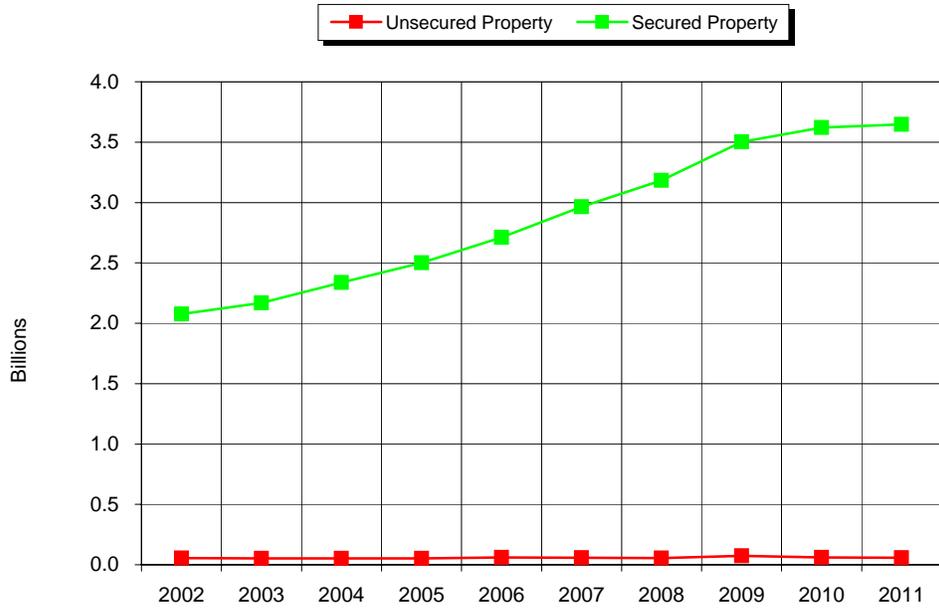
Note: (A) Information not available.

Fiscal Year Ended June 30,

2007	2008	2009	2010	2011
\$17,815,200	\$19,167,621	\$20,081,107	\$19,922,116	\$20,876,511
1,044,495	530,799	629,695	787,170	665,289
2,957,931	2,275,012	6,219,277	2,169,540	4,205,335
700,717	592,195	854,587	1,097,610	1,313,498
1,562,303	1,443,506	302,045	805,476	724,554
1,271,907	1,295,216	1,802,482	2,300,750	1,798,705
406,738	792,893	239,237	672,299	834,417
<u>25,759,291</u>	<u>26,097,242</u>	<u>30,128,430</u>	<u>27,754,961</u>	<u>30,418,309</u>
\$1,731,518	\$1,846,271	\$1,801,585	\$1,690,298	\$1,796,972
8,758,410	9,851,524	10,668,650	11,159,828	10,712,547
1,803,807	2,175,594	1,995,038	2,070,733	1,620,416
1,306,120	1,456,488	1,442,001	1,296,878	1,105,585
4,373,645	5,071,248	5,207,855	9,669,345	5,862,770
2,157,024	1,666,662	5,647,530	906,073	297,200
379,928	1,150,376	1,124,366	1,176,898	1,295,105
1,238,788	1,227,636	1,194,519	1,176,578	1,158,685
<u>21,749,240</u>	<u>24,445,799</u>	<u>29,081,544</u>	<u>29,146,631</u>	<u>23,849,280</u>
<u>4,010,051</u>	<u>1,651,443</u>	<u>1,046,886</u>	<u>(1,391,670)</u>	<u>6,569,029</u>
2,081,633	3,461,056	7,930,991	4,892,099	3,049,536
(2,215,841)	(4,011,125)	(8,403,585)	(5,229,632)	(4,895,301)
489,046	25,000			
		1,000		
<u>354,838</u>	<u>(525,069)</u>	<u>(471,594)</u>	<u>(337,533)</u>	<u>(1,845,765)</u>
<u>\$4,364,889</u>	<u>\$1,126,374</u>	<u>\$575,292</u>	<u>(\$1,729,203)</u>	<u>\$4,723,264</u>
8.4%	10.4%	8.5%	8.3%	10.4%

**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)
2002	1,739,556,806	207,754,641	20,210,975	52,653,054	2,020,175,476	56,459,257	2,076,634,733	2,076,634,733	0.23624%
2003	1,833,090,480	206,788,894	22,671,727	52,974,226	2,115,525,327	52,441,765	2,167,967,092	2,167,967,092	0.23915%
2004	1,995,001,513	214,600,948	23,896,936	53,468,932	2,286,968,329	51,586,538	2,338,554,867	2,338,554,867	0.24089%
2005	2,140,414,555	224,832,740	26,822,125	56,068,678	2,448,138,098	53,210,888	2,501,348,986	2,501,348,986	0.24040%
2006	2,328,525,501	233,450,555	27,468,703	59,588,126	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24339%
2007	2,530,573,659	261,604,654	36,210,882	78,013,790	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25359%
2008	2,733,074,818	263,281,277	36,695,559	92,843,377	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25739%
2009	2,966,830,896	305,280,936	36,957,380	117,992,283	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27805%
2010	3,106,361,205	330,025,776	37,896,181	87,660,549	3,561,943,711	59,707,619	3,621,651,330	3,621,651,330	0.28047%
2011	3,126,546,755	368,098,716	36,480,257	57,453,767	3,588,579,495	58,876,426	3,647,455,921	3,647,455,921	0.27861%

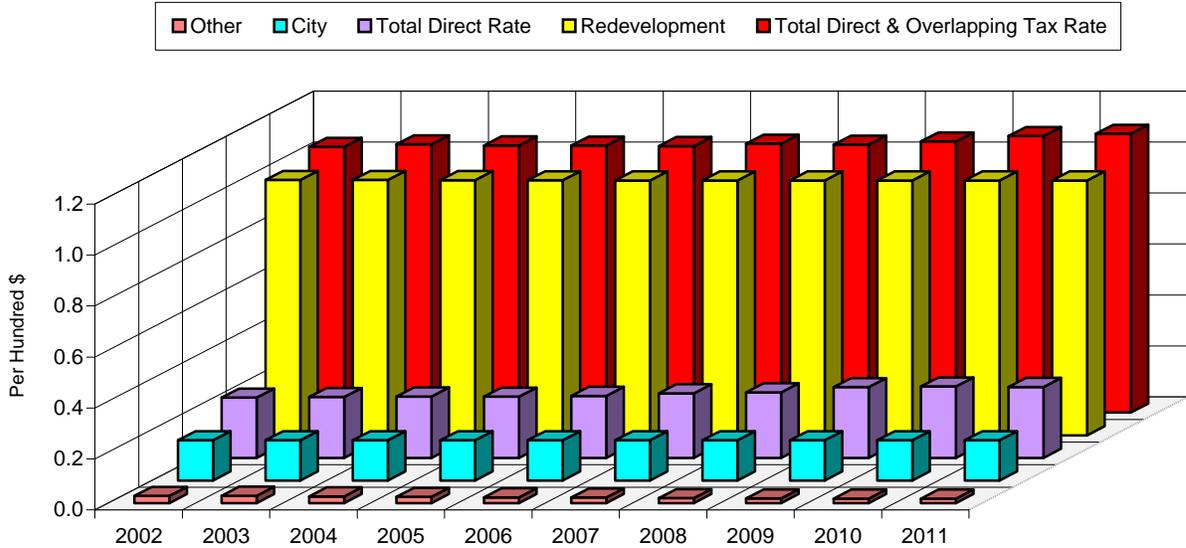
(a) The California State Constitution requires property to be assessed at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and allocates a portion of that amount, by an annual calculation to all taxing entities within a tax rate area. The City of Millbrae encompasses more than fifteen (15) tax rate areas.

Sources: Hdl Coren & Cone
San Mateo County Assessor Combined Tax Rolls from 1998-2008

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Basic Levy (a)	Schools	County	Total Direct & Overlapping Tax Rate (b)	City (c)	Other	Redevelopment (d)	Total Direct Rate (e)
2002	1.0000	0.0153	0.0283	1.0436	0.1579	0.0283	1.0024	0.23624
2003	1.0000	0.0244	0.0287	1.0531	0.1579	0.0287	1.0021	0.23915
2004	1.0000	0.0226	0.0264	1.0490	0.1579	0.0264	1.0015	0.24089
2005	1.0000	0.0239	0.0244	1.0483	0.1579	0.0244	1.0007	0.24040
2006	1.0000	0.0239	0.0224	1.0463	0.1579	0.0224	1.0000	0.24339
2007	1.0000	0.0340	0.0215	1.0555	0.1579	0.0215	1.0000	0.25359
2008	1.0000	0.0321	0.0196	1.0517	0.1579	0.0196	1.0000	0.25739
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.0181	1.0000	0.27805
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.0174	1.0000	0.28047
2011	1.0000	0.0769	0.0176	1.0945	0.1579	0.0176	1.0000	0.27861

- (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 (TRA) and includes only rate (s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the Government preparing the statistical section information.

Sources: Hdl Coren & Cone
San Mateo County Assessor Annual Tax Increment Tables

**CITY OF MILLBRAE
STATISTICS**

TOP TEN PROPERTY TAXPAYERS

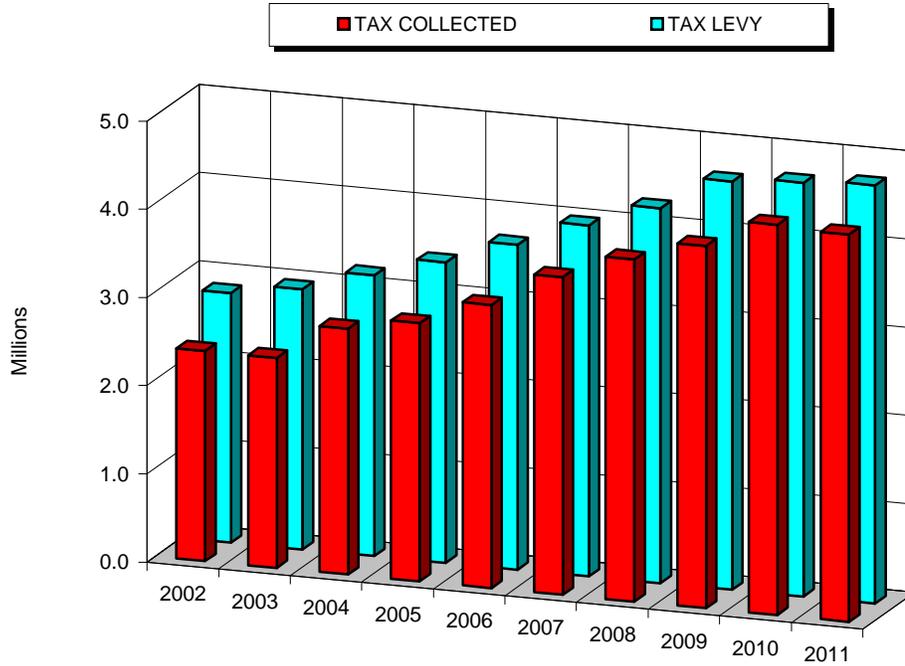
Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2001-2002		Fiscal Year 2010-2011	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Westin Bay Hotel Company	39,203,450	1.89%	68,597,285	1.88%
OR Property Holdings			33,762,500	0.93%
SLT Realty LLP	30,246,617	1.46%		
Magnolia of Millbrae, Inc.	23,651,232	1.14%	27,399,115	0.75%
Zhi Chen			21,690,000	0.59%
Marymount Greenhills LLC	17,875,000	0.86%	21,264,798	0.58%
Green Hills Country Club			16,891,612	0.46%
Simeon SPFVEF LLC			14,984,065	0.41%
Hertz Realty Corp	12,083,964	0.58%		
Glenborough Pauls Millbrae LLC	12,000,000	0.58%		
Friend Friend and Friend	10,850,986	0.52%	14,532,967	0.40%
Wilson Plaza LLC			11,739,607	0.32%
Real Property Storage LLC			11,338,597	0.31%
G W Williams Company	10,793,134	0.52%		
Townsquare Associates	9,283,348	0.45%		
Orchard Supply Hardware Corp	9,119,282	0.44%		
TOTAL TOP TEN	175,107,013	8.43%	242,200,546	6.64%
Total Net Assessed Valuation:	2,076,637,733		3,647,455,921	

Sources: Hdl Coren & Cone
San Mateo County Assessor 2001-2002 Combined Tax Rolls
San Mateo County Assessor 2010-2011 Combined Tax Rolls

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	TOTAL TAX LEVY	Current Tax Collections	San Mateo County Collection Fee (a)	Percent of Levy Collected	Delinquent Tax Collection	TOTAL TAX COLLECTED	Percent of Tax Collected to Tax Levy
2002	2,829,892	2,336,584		82.5680%	46,414	2,382,998	84.2081%
2003	2,950,755	2,383,880		80.7888%	(3,194)	2,380,686	80.6806%
2004	3,182,827	2,623,965		82.4413%	165,925	2,789,890	87.6545%
2005	3,408,015	2,812,240		82.5184%	114,656	2,926,896	85.8827%
2006	3,682,039	2,952,070		80.1749%	258,862	3,210,932	87.2053%
2007	3,980,054	3,242,096		81.4586%	360,552	3,602,648	90.5176%
2008	4,251,621	3,461,893	41,329	82.3973%	375,457	3,878,679	91.2282%
2009	4,630,356	3,665,930	38,038	79.9932%	405,027	4,108,995	88.7404%
2010	4,692,363	3,826,720	49,131	82.5991%	549,352	4,425,203	94.3065%
2011	4,740,414	3,839,805	54,280	82.1465%	497,119	4,391,204	92.6333%

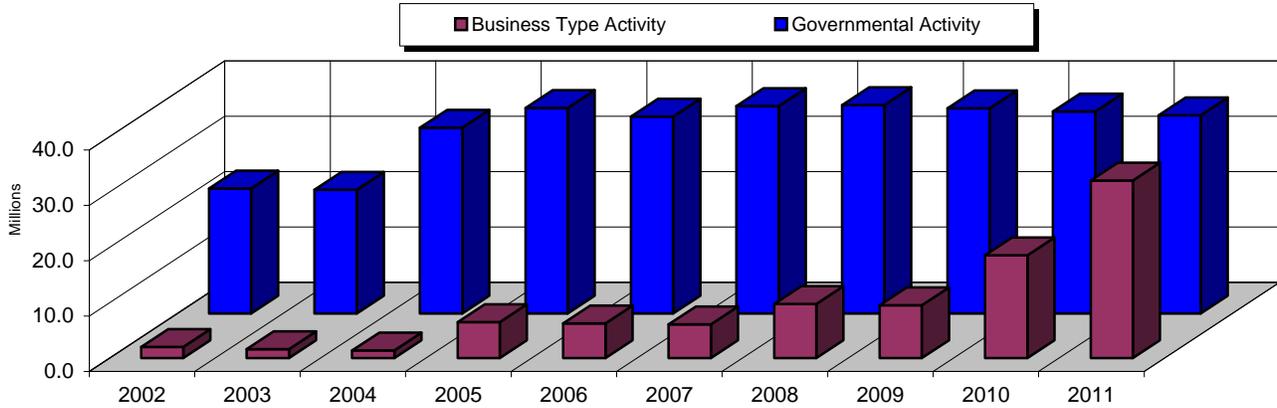
Note: During fiscal year 1995, the County began providing the City 100% of its Secured tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

(a) San Mateo County Property Tax Collection Fee amounts are not available before 2008

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	Loans	TOTAL
2002	10,690,000		5,225,000	3,955,000	440,000	2,294,997	22,604,997
2003	10,660,000		5,130,000	3,850,000	300,000	2,419,056	22,359,056
2004	10,610,000	11,521,630	5,015,000	3,745,000	150,000	2,549,443	33,591,073
2005	10,555,000	11,657,290	8,590,000	3,635,000		2,686,858	37,124,148
2006	10,520,000	11,802,393	8,540,000	3,520,000		1,180,724	35,563,117
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
2009	10,345,000	14,633,198	8,270,000	3,135,000		710,164	37,093,362
2010	10,260,000	14,731,266	8,165,000	2,995,000		335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000			35,814,095

Business Type Activity

Fiscal Year	Water Lease Purchase	Sanitation Loan and Bond (a)	TOTAL	Total Primary Government	Personal Income Percentage (b)	Per Capita (b)
2002	218,021	1,811,300	2,029,321	24,634,318	0.07%	1,189
2003		1,592,600	1,592,600	23,951,656	0.07%	1,159
2004		1,361,700	1,361,700	34,952,773	0.09%	1,693
2005		6,486,209	6,486,209	43,610,357	0.11%	2,113
2006		6,286,001	6,286,001	41,849,118	0.10%	2,021
2007		6,076,171	6,076,171	43,540,111	0.10%	2,092
2008		9,793,026	9,793,026	47,446,237	0.11%	2,226
2009		9,564,218	9,564,218	46,657,580	0.11%	2,167
2010		18,570,786	18,570,786	55,057,315	0.15%	2,506
2011		32,064,150	32,064,150	67,878,245	0.18%	3,090

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

(a) 2009 Certification of Participation Bonds (Series A & B) were issued for the Wastewater Treatment Plant Renovation Project and the 2005 Bank Loan and 2008 Subordinate Wastewater Revenue Note in the total amount of \$9,564,218 was paid in full.

(b) 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)

**CITY OF MILLBRAE
STATISTICS**

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Storm Water / Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2002	10,690,000	0.51%	513.60
2003	10,660,000	0.49%	514.63
2004	10,610,000	0.45%	518.45
2005	10,555,000	0.42%	509.71
2006	10,520,000	0.39%	507.35
2007	10,475,000	0.35%	499.64
2008	10,415,000	0.33%	486.98
2009	10,345,000	0.30%	480.36
2010	10,260,000	0.28%	467.04
2011	10,160,000	0.28%	462.49

Sources: State of California, Department of Finance
Hdl Coren & Cone
San Mateo County Assessor Combined Tax Rolls from 1998-2009

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2011

2010 / 2011 Assessed Valuation: 3,647,455,921

Redevelopment Incremental Valuation: 548,489,423

ADJUSTED ASSESSED VALUATION: \$3,098,966,498

	Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
San Mateo Community College District	613,779,994	2.427%	14,896,440
San Mateo Union High School District	300,047,257	7.064%	21,195,338
Millbrae School District Maintenance Assessment District	29,999,527	61.422%	18,426,309
City of Millbrae	10,160,000	100.00%	10,160,000
California Statewide Communities Development Authority			
Park Broadway Assessment District	1,606,918	100.00%	1,606,918
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>\$66,285,006</u></u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	337,584,816	2.427%	8,193,183
San Mateo County Board of Education Certificates of Participation	12,420,000	2.427%	301,433
San Mateo Union High School District Certificates of Participation	65,946,236	7.064%	4,658,442
City of Millbrae Certificates of Participation	2,850,000	100.00%	2,850,000
City of Millbrae Pension Obligations	9,113,427	100.00%	9,113,427
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u><u>\$25,116,486</u></u>
COMBINED TOTAL DEBT			<u><u>\$91,401,492</u></u> (b)

RATIOS TO 2010 - 2011 ASSESSED VALUATION

Direct Debt (\$10,260,000) 0.28%
Total Direct and Overlapping Tax Assessment Debt 1.82%

RATIOS TO ADJUSTED ASSESSED VALUATION

Combined Direct Debt (\$22,123,427) 0.71%
Combined Total Debt 2.95%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11 \$0

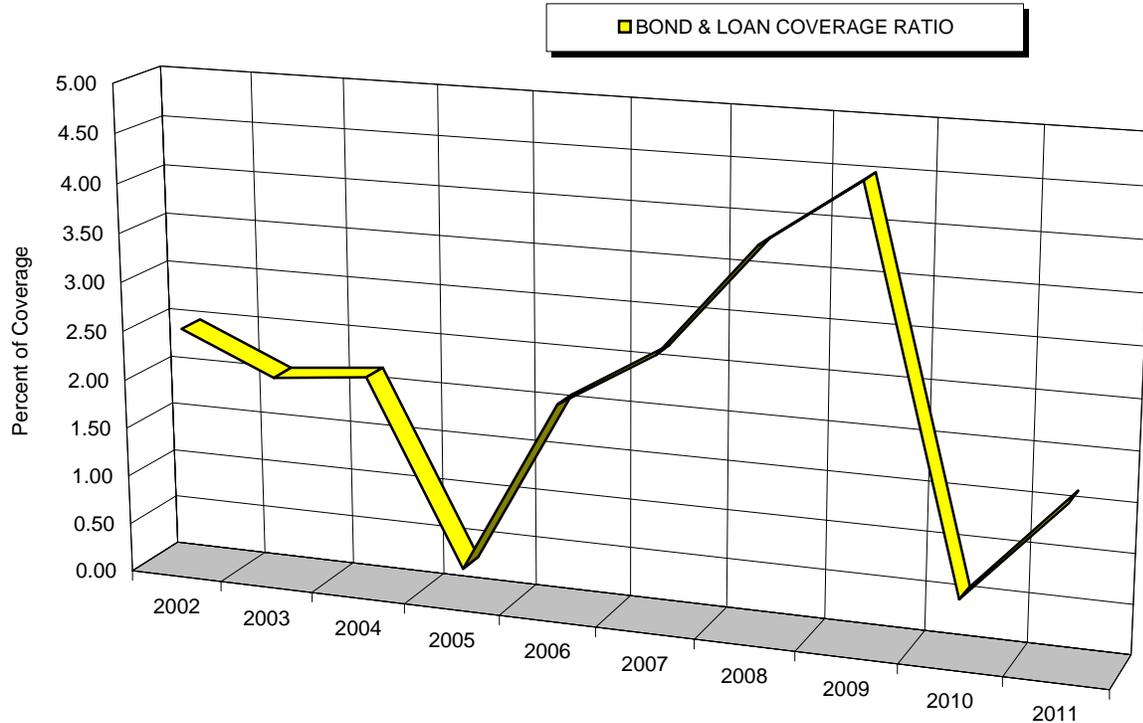
(a) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(b) Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue, Tax Allocation Bonds and non-bonded Capital Lease Obligations.

Source: California Municipal Statistics, Inc.

**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	
2002	3,711,320	2,663,157	1,048,163	306,002	112,922	418,924	2.50
2003	3,796,303	2,922,565	873,738	322,521	95,850	418,371	2.09
2004	3,840,717	3,166,274	674,443	230,900	77,850	308,750	2.18
2005	3,844,013	3,362,695	481,318	1,361,700	104,717	1,466,417	0.33
2006	4,700,114	3,638,729	1,061,385	200,208	305,745	505,953	2.10
2007	5,385,044	4,026,640	1,358,404	209,830	296,123	505,953	2.68
2008	6,003,855	4,068,482	1,935,373	219,916	286,037	505,953	3.83
2009	7,282,428	4,482,654	2,799,774	229,305	391,884	621,189	4.51
2010	7,697,278	4,984,139	2,713,139	4,206,564	333,777	4,540,340	0.60
2011	8,449,800	4,732,371	3,717,429	1,600,000	657,098	2,257,098	1.65

Note: In 2010, the final principle payment for Subordinate Wastewater Revenue Bonds issued in 2008 in the total amount of \$3,965,000 was paid off.

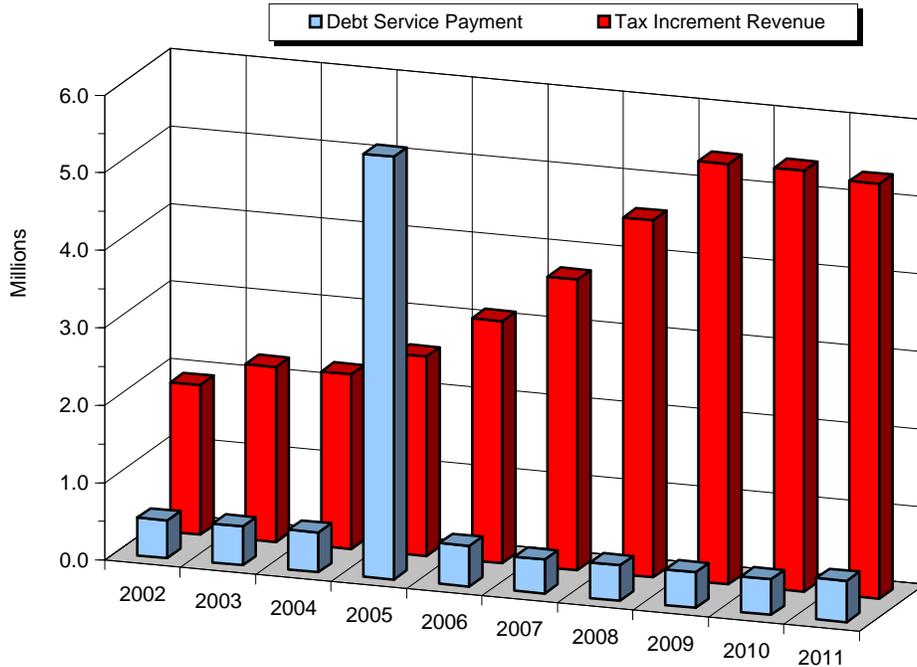
(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

**MILLBRAE REDEVELOPMENT AGENCY
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS**



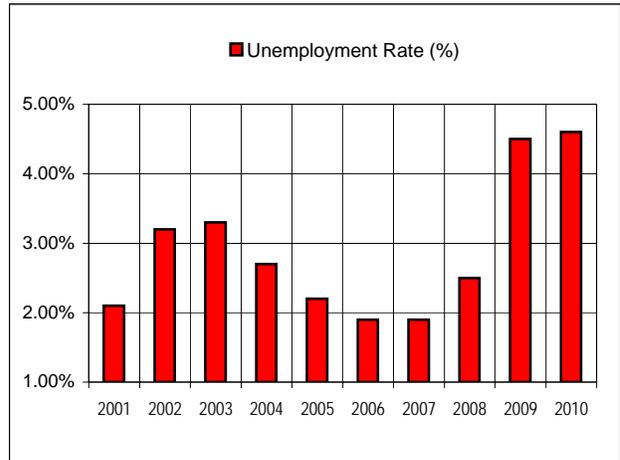
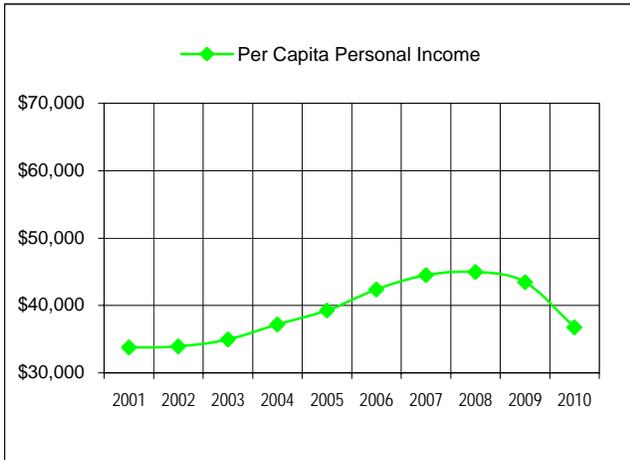
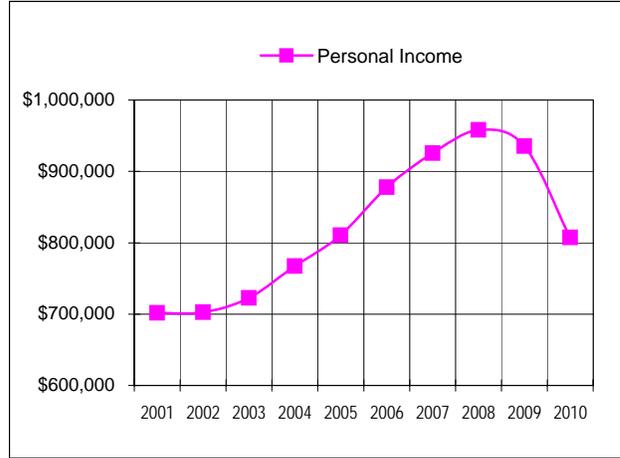
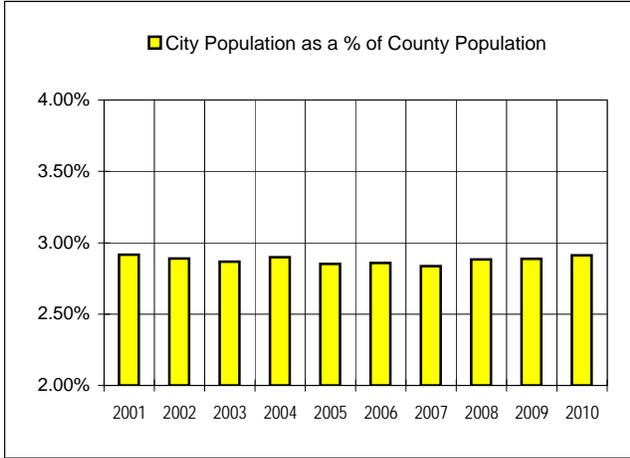
Fiscal Year	GROSS TAX INCREMENT REVENUE	Debt Service Requirements			Bond Coverage Ratio
		Principal	Interest	TOTAL	
2002	1,931,479	75,000	411,736	486,736	3.97
2003	2,256,852	95,000	404,547	499,547	4.52
2004	2,251,228	115,000	399,030	514,030	4.38
2005	2,573,324	5,015,000	439,472	5,454,472	0.47
2006	3,123,608	50,000	474,287	524,287	5.96
2007	3,751,214	75,000	364,875	439,875	8.53
2008	4,607,427	95,000	362,325	457,325	10.07
2009	5,426,628	100,000	359,400	459,400	11.81
2010	5,430,198	105,000	356,325	461,325	11.77
2011	5,353,259	180,000	352,050	532,050	10.06

Note: 2005 Millbrae Redevelopment Agency issued TAB for \$8,590,000 and paid off the 1993 TAB outstanding debt

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	Per Capita Personal Income	Unemployment Rate (%)
2001	20,776	712,400	2.92%	\$701,561	\$33,768	2.1%
2002	20,715	717,000	2.89%	\$702,751	\$33,925	3.2%
2003	20,657	720,630	2.87%	\$722,449	\$34,974	3.3%
2004	20,643	712,400	2.90%	\$767,057	\$37,158	2.7%
2005	20,636	723,453	2.85%	\$810,273	\$39,265	2.2%
2006	20,703	724,104	2.86%	\$877,713	\$42,395	1.9%
2007	20,810	733,496	2.84%	\$925,544	\$44,476	1.9%
2008	21,311	739,469	2.88%	\$958,075	\$44,957	2.5%
2009	21,531	745,858	2.89%	\$935,529	\$43,450	4.5%
2010	21,968	754,285	2.91%	\$807,390	\$36,753	4.6%

Sources: State of California, Department of Finance
San Mateo County Controller's Office

**CITY OF MILLBRAE
STATISTICS**

PRINCIPAL EMPLOYERS

(Information prior to 2006 is not available)

Principal Employer	2006			2007			2008			2009			2010			2011		
	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force
Millbrae School District	225	2	2.3%	225	2	2.3%	225	2	2.3%	225	2	2.3%	173	3	1.8%	185	1	1.9%
Westin Hotel																160	2	1.7%
A & C Health Care (1)							135	6	1.4%	135	6	1.4%	135	6	1.4%	158	3	1.6%
San Francisco PUC (2)	300	1	3.1%	300	1	3.1%	300	1	3.1%	300	1	3.1%	300	2	3.1%	150	4	1.6%
City of Millbrae	133	5	1.4%	135	5	1.4%	135	5	1.4%	144	5	1.5%	141	5	1.5%	143	5	1.5%
Best Western-El Rancho	168	4	1.8%	168	4	1.7%	168	4	1.7%	168	4	1.8%	150	4	1.6%	135	6	1.4%
Mills High School (3)	130	6	1.3%	130	6	1.3%	130	7	1.3%	130	7	1.4%	125	7	1.3%	113	7	1.2%
Magnolia of Millbrae	130	7	1.4%	130	7	1.3%	130	8	1.3%	130	7	1.4%	101	9	1.1%	108	8	1.1%
Kohl's Department Store																92	9	1.0%
Walgreens																86	10	0.9%
Starwood Hotels & Resorts	200	3	2.1%	200	3	2.1%	200	3	2.1%	200	3	2.1%	440	1	4.6%			
Millbrae Serra Sanitarium	125	8	1.3%	125	8	1.3%	125	9	1.3%	125	8	1.3%	135	6	1.4%			
Green Hills Country Club													115	8	1.2%			
Orchard Supply Hardware									100	9	1.0%	100	10	1.0%				
Safeway									100	9	1.0%	100	10	1.0%				
World Journal Inc									98	10	1.0%	100	10	1.0%				
Mervyn's LLC	112	9	1.2%	112	9	1.2%	112	10	1.2%									
Sprint Communications				100	10	1.0%				100	9	1.0%						
Albertson's LLC	100	10	1.0%															
TOTAL	1,623		16.9%	1,625		16.8%	1,660		17.1%	1,955		20.4%	2,115		22.0%	1,330		13.9%
Total City Labor Force	9,600			9,700			9,700			9,600			9,600			9,600		

(1) A & C Health Care includes employees at two locations in the City of Millbrae

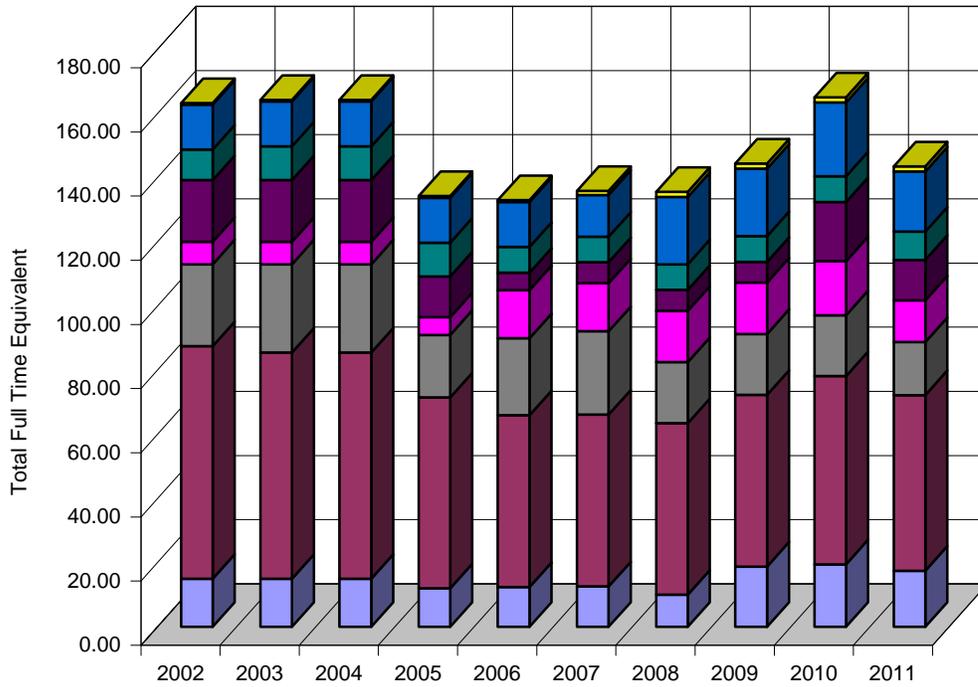
(2) San Francisco PUC (Public Utilities Commission) is a division of San Francisco County. Count is for employees only at the Millbrae location

(3) Mills High School is in the San Mateo Union High School District. Count is for employees only at Mills High School in Millbrae

Sources: MuniServices, LLC
 Selectory / a D & B Product
 HdI Coren & Cone
 State of California Employment Development Department

**CITY OF MILLBRAE
STATISTICS**

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



Function / Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	15.00	15.00	15.00	12.00	12.42	12.62	10.00	18.78	19.50	17.50
Public Safety	72.50	70.50	70.50	59.50	53.50	53.50	53.50	53.50	58.63	54.75
Public Works	25.50	27.50	27.50	19.50	24.00	26.00	19.00	19.00	19.00	16.50
Community Development	7.00	7.00	7.00	5.50	15.00	15.00	16.00	16.00	16.80	13.00
Culture / Recreation	19.25	19.25	19.25	12.75	5.50	6.50	6.50	6.50	18.48	12.66
Water	9.50	10.50	10.50	10.50	8.00	8.00	8.00	8.00	8.00	8.75
Sanitation	14.00	14.00	14.00	14.00	14.00	13.00	21.00	21.00	23.00	18.75
Solid Waste	0.50	0.50	0.50	0.50	0.60	1.25	1.60	1.60	1.60	1.60
TOTAL	163.25	164.25	164.25	134.25	133.02	135.87	135.60	144.38	165.01	143.51

Source: City of Millbrae Budget Position Allocation

**CITY OF MILLBRAE
STATISTICS**

OPERATING INDICATORS BY FUNCTION / PROGRAM

(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009	2010	2011
Public Safety						
Fire						
Emergency Responses	2,505	2,620	2,620	2,567	2,554	2,764
Primary Fire Inspections	214	284	261	327	410	527
Police						
Communication Calls Answered	6,001	13,732	26,684	40,229	40,788	19,930
Police Calls for Service	13,074	19,159	20,175	19,554	20,944	20,706
Part I and Part II Crimes	1,524	1,219	1,271	1,353	1,369	1,273
Physical Arrests (adult and juvenile)	691	627	699	732	789	677
Traffic Violations	1,744	2,376	1,248	1,817	2,121	2,139
Parking Violations	5,252	4,391	7,842	8,603	11,154	9,030
Public Works						
Street Resurfacing (miles)	Data Not Available	2	0	0	1	0
Potholes Repaired (square miles)	Data Not Available	0.0000574	0.0000000	0.0000000	0.0007174	0.0009000
Culture and Recreation						
Community Services						
Recreation Class Participants	7,000	8,500	7,121	7,018	6,211	5,443
Performing Arts Performances	7	10	8	14	7	0
Library						
Volumes in Collection	71,000	100,000	110,876	111,447	109,241	109,595
Total Volumes Borrowed	446,700	503,000	577,350	616,145	633,241	578,739
Water						
Water Service Connections	6,200	6,437	6,435	6,459	6,474	6,499
Water Main Breaks	7	7	10	16	17	8
Average Daily Consumption (gallons)	2,725,000	2,367,000	2,337,811	2,762,618	2,197,884	2,075,149
Sanitation						
Sewer Service Connections	6,200	6,437	6,437	6,459	6,474	6,499
Storm Drain Inlets	700	700	700	700	700	700
Sewer Main Blockages	62	51	34	10	19	8
Average Daily Treatment (gallons)	2,200,000	1,700,000	1,614,055	1,540,800	1,497,600	1,560,602
Solid Waste						
Recyclables Processed (tons per year)	7,506	3,292	3,153	2,954	2,900	2,831

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

(Information prior to 2006 is not available)

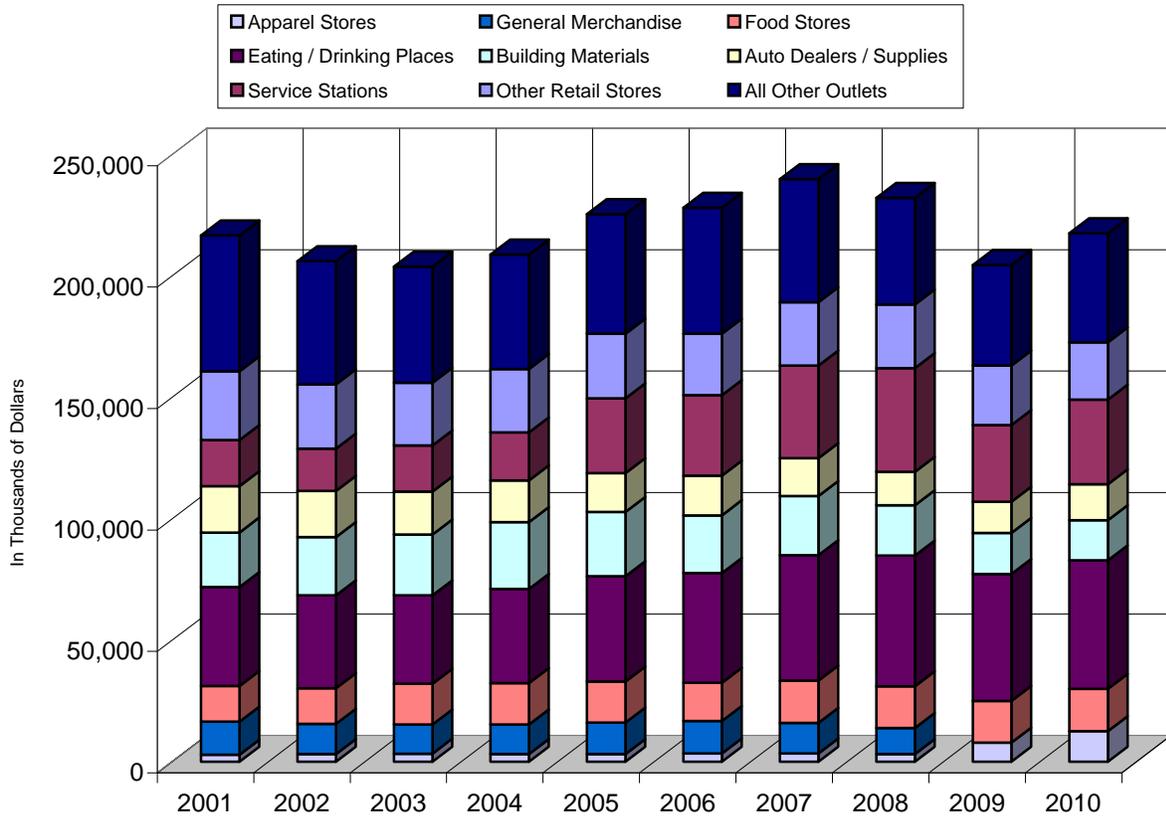
Function / Program	2006	2007	2008	2009	2010	2011
Public Safety						
Fire Station	2	2	2	2	2	2
Police Station	1	1	1	1	1	1
Police Patrol Unit	17	17	17	17	17	17
Public Works						
Miles of Streets	110 lane miles					
Street Lights	1,250	1,250	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5	5	5
Roadway Landscaping Acreage	2	2	2	2	2	2
Culture and Recreation						
Community Services						
City Parks	14	14	14	14	14	14
City Park Acreage	104	104	104	104	104	104
Regional Park Facilities:						
Clubhouse / Banquet Facility	2	2	2	2	2	2
Historic House	2	2	2	2	2	2
Community Center	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1
Community Gardens	1	1	1	1	1	1
City Trail	1	1	1	1	1	1
City Trail Miles	3	3	3	3	3	3
Playgrounds	6	6	6	6	6	6
Tennis Court	4	4	4	4	4	4
Baseball / Softball Diamond	5	5	5	5	5	5
Soccer / Football Field	1	1	1	1	1	1
Library						
City Library	1	1	1	1	1	1
Water						
Miles of Water Mains	70	70	70	70	70	70
Fire Hydrants	545	545	545	545	545	545
Storage Capacity (gallons)	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Sanitation						
Miles of Sanitary Sewers	56	56	56	56	56	56
Miles of Storm Sewers	21	21	21	21	21	21
Treatment Plant (a)	1	1	1	1	1	1
Treatment Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

(a) The City of Millbrae owns treatment capacity in the Millbrae Treatment Plant

Source: City of Millbrae / GIS System

**CITY OF MILLBRAE
STATISTICS**

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



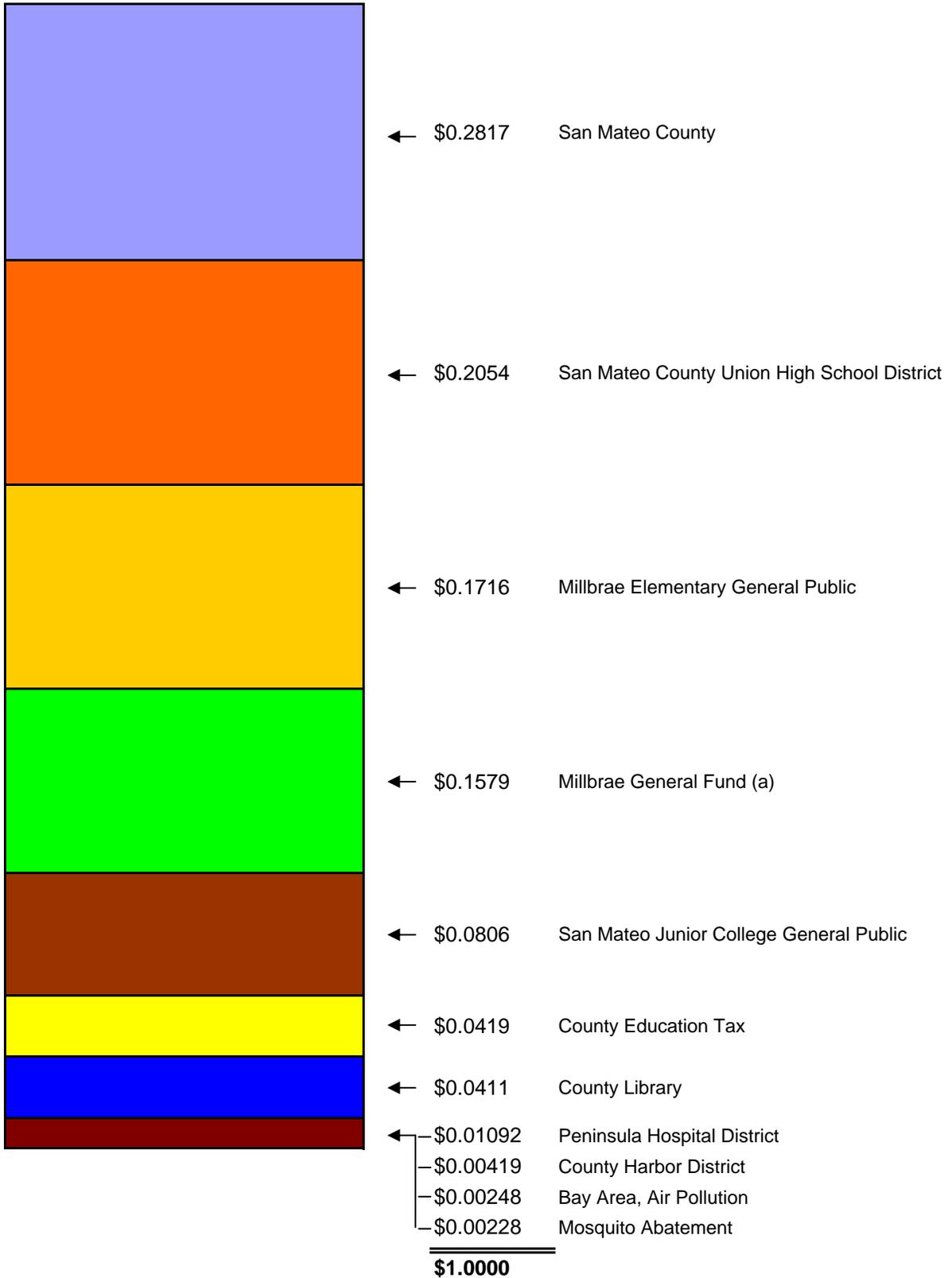
Category	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Apparel Stores	2,787	3,109	3,299	3,142	3,110	3,362	3,326	3,082	7,798	12,563
General Merchandise	13,633	12,482	11,940	12,130	12,979	13,310	12,612	10,733	38	27
Food Stores	14,782	14,572	16,872	16,997	16,830	15,797	17,439	17,163	17,142	17,383
Eating / Drinking Places	40,703	38,325	36,335	38,889	43,413	45,206	51,559	53,888	52,224	52,951
Building Materials	22,441	23,983	25,067	27,491	26,423	23,747	24,404	20,745	16,975	16,416
Auto Dealers / Supplies	19,015	19,019	17,714	17,100	16,079	16,315	15,564	13,730	12,785	14,832
Service Stations	19,023	17,324	18,894	19,858	30,671	33,168	38,097	42,678	31,554	34,929
Other Retail Stores	28,365	26,521	25,853	25,949	26,691	25,278	26,063	26,206	24,525	23,530
All Other Outlets	55,861	50,735	47,769	47,164	49,220	51,795	50,809	43,897	41,448	44,981
TOTAL	216,610	206,070	203,743	208,720	225,416	227,978	239,873	232,122	204,489	217,612

Sources: Hdl Coren & Cone
State of California Board of Equalization

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

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX DOLLAR BREAKDOWN



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

(a) Educational Revenue Augmentation Fund (ERAF) General Fund tax shifts are not included in tax ratio figures

Source: San Mateo County Assessor Annual Tax Increment Tables

Hdl Coren & Cone