



City of South San Francisco, California

Comprehensive Annual Financial Report

Year Ended June 30, 2017

**CITY OF SOUTH SAN FRANCISCO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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CITY OF SOUTH SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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CITY COUNCIL 2017

PRADEEP GUPTA, PH.D., MAYOR
LIZA NORMANDY, VICE MAYOR
KARYL MATSUMOTO, COUNCILMEMBER
RICHARD A. GARBARINO, COUNCILMEMBER
MARK ADDIEGO, COUNCILMEMBER

MIKE FUTRELL, CITY MANAGER

FINANCE DEPARTMENT
650-877-8507

December 15, 2017

Honorable Mayor and Members
Of the City Council
City of South San Francisco
South San Francisco, California

The Comprehensive Annual Financial Report (CAFR) of the City of South San Francisco (the City) for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report includes all financial activities of the City of South San Francisco, including financial information for the City, as the primary government, and for its component units, for which the City is considered financially accountable. The component units are included because of the significance of their governing, operational, and/or financial relationships with the City. The Successor Agency that was created due to the Redevelopment Agency dissolution is also included in this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is found immediately following the report of the independent auditor in the financial section.

BACKGROUND OF THE CITY

The City encompasses approximately 9.5 square miles and has a population of 64,451. It employs approximately 464 full-time regular employees. South San

Francisco is a full service city which includes public safety (police, fire and paramedics), libraries, parks, cultural and recreational activities, senior citizen services, public works, public improvements, engineering, planning, building regulation, economic development, drainage, street lighting, and general administrative services. Sewer service, downtown parking operations, and storm water management are accounted for in the City's enterprise funds. The Conference Center Authority is included in the financial statements by discrete presentation – that is, the Authority's financial data is reported in a column separate from the financial data of the City. Water and solid waste services are provided by private entities.

South San Francisco was incorporated and became a general law city of the State of California on September 19, 1908. The form of government is the Council-Manager plan. The Council is composed of a Mayor and four Council Members who are elected at large. Each Council Member serves a term of four years, with a rotating Mayor chosen by majority vote of the Council, for a term of one year. The City Manager is the administrative head of the government of the City, under the direction of the City Council. The offices of City Clerk and City Treasurer are elected. The City Attorney is appointed by the City Council.

All department heads are appointed and serve under the administrative direction of the City Manager. All other officers and employees of the City are appointed by department heads.

FINANCIAL INFORMATION

In developing and appraising the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) transactions being properly executed in accordance with management's authorization.

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 evaluation of costs and benefits requires estimates and judgments by management.

Basic characteristics of sound internal accounting control include segregation of accounting duties, approvals of accounting transactions, and regular reconciliation of detail and control records.

All internal control evaluations occur within this framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

The City adopts fiscal year budgets for its general, special revenue, debt service, enterprise, and capital project funds. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as a part of the following year's budget.

The City's Reserves Policy is aligned with the Government Finance Officers Association (GFOA) best practices recommendation for reserves, setting aside 15-20 percent of operating revenues. Given the ongoing growth trend in General Fund operating revenues, the City's Reserves have grown commensurately, which is reflected on the Fiscal Year 2016-17 financial statement.

The Fiscal Year 2016-17 Adopted Budget reflected the priorities of the City's Strategic Initiatives. One of the primary strategic initiatives was to maintain, train and support a high performing team of City employees, which manifested itself in the current financial statement through higher salary and benefit costs due to the labor negotiation process, which served to attract and retain highly qualified employees by offering competitive employee compensation packages.

To accomplish a multi-year perspective on financial planning, the City has used a five year model in prior years.

Debt Administration

The Successor Agency has outstanding tax allocation bonds and lease revenue bonds. These are not considered to be general tax-supported obligations. There are also various capital leases and notes payable in City's governmental and proprietary funds.

Capital Assets

The City's capital assets are comprised of land, buildings, infrastructure, machinery, equipment, furniture, fixtures, and vehicles owned and used by general government and proprietary functions. Assets are reported within the basic financial statements.

Risk Management

The City maintained a risk management program for workers' compensation, general liability, and property damage. As part of this comprehensive plan, monies have accumulated in the self-insurance internal service fund to meet potential losses. In addition, a safety committee of City employees reviews all accidents and recommends preventive measures to minimize future accident-related losses. The City's deductible or retention levels of its workers compensation, general liability and property damage insurance policies are \$500,000, \$100,000, and \$5,000, respectively. A third party administrator handles workers' compensation claims. The Association of Bay Area

Governments Pooled Liability Assurance Network (ABAG PLAN) provides the City's general liability and property damage coverage along with claims and risk management services. California State Association of Counties Excess Insurance Authority (CSAC EIA) provides workers compensation coverage in excess of the deductible.

OTHER INFORMATION

Independent Audit

The City engaged an independent accounting firm to audit the books of accounts, financial records, transactions, and financial statements. Their report covering 2016-17 is in the Financial Section of this report.

Award

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The award signified the report's attainment of easily readable and efficiently organized content and satisfaction of generally accepted accounting principles and legal requirements. The award is valid for a period of one year only. However, the City believes that this current report continues to conform to program eligibility requirements.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated services of the entire staff of the Finance Department and our auditors. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Richard Lee
Director of Finance



Mike Futrell
City Manager



Government Finance Officers Association

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

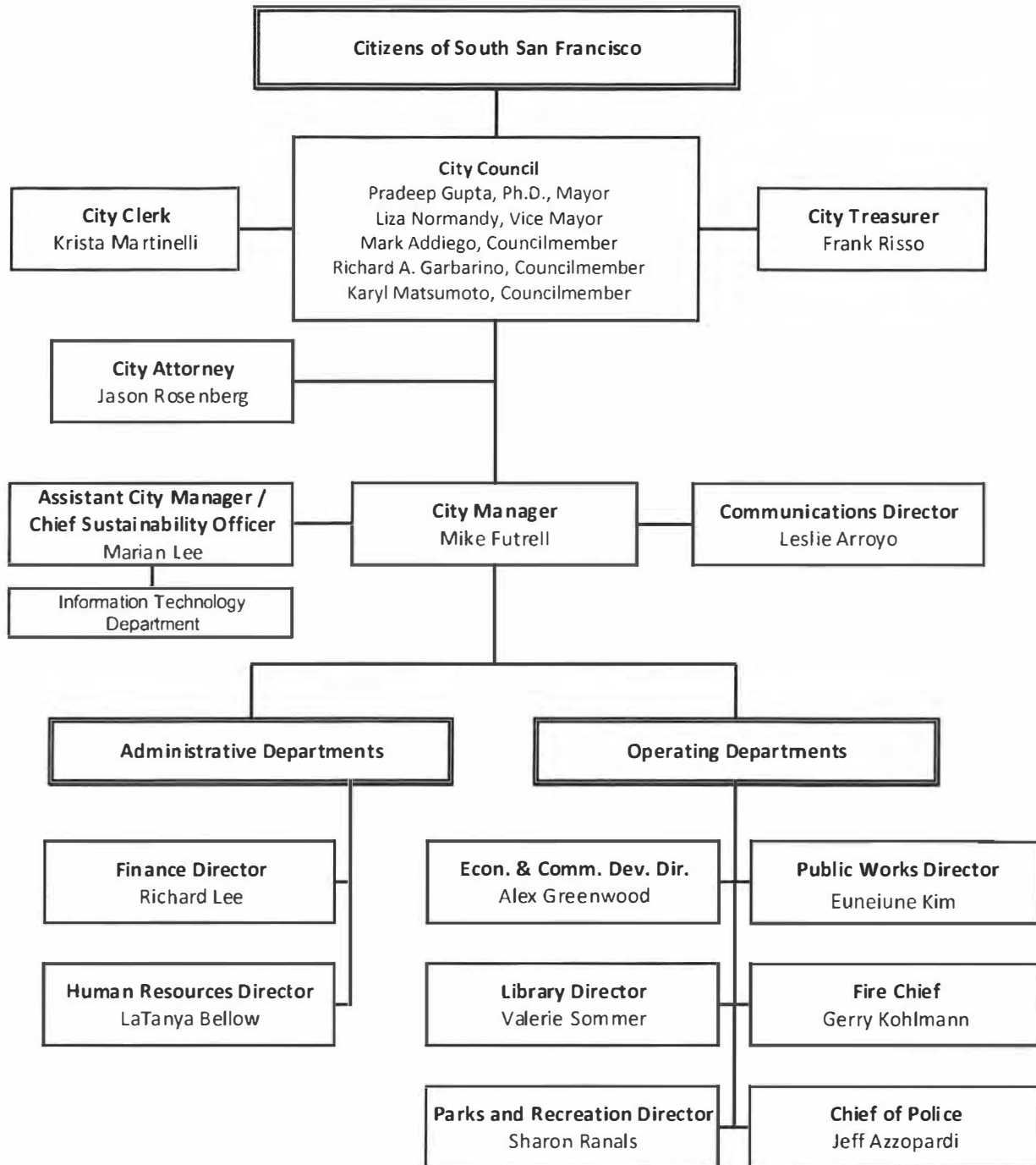
Presented to

**City of South San Francisco
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



City Council & Directory of Officials

City Council

Pradeep Gupta, Ph.D.	Mayor
Liza Normandy	Vice Mayor
Mark N. Addiego	Councilmember
Richard A. Garbarino	Councilmember
Karyl Matsumoto	Councilmember

Elected Officials

Krista Martinelli	City Clerk
Frank Risso	City Treasurer

Appointed Officials

Mike Futrell	City Manager
Marian Lee	Assistant City Manager / Chief Sustainability Officer
Leslie Arroyo	Communications Director
Richard Lee	Finance Director
LaTanya Bellow	Human Resources Director
Tony Barrera	Chief Innovation Officer
Alex Greenwood	Economic & Community Development Director
Gerry Kohlmann	Fire Chief
Jeff Azzopardi	Chief of Police
Valerie Sommer	Library Director
Eunejune Kim	Public Works Director
Sharon Ranals	Parks & Recreation Director

Budget Subcommittee

Pradeep Gupta, Ph.D.
Liza Normandy

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of South San Francisco, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco (City), California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents. We did not audit the component unit financial statements of the South San Francisco Conference Center Authority (Authority), which is discretely presented and represents 1%, 2%, and 2%, respective, of the assets, net position, and revenue of the entity-wide reporting entity.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. These financial statements of the Authority were audited by other auditors, whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of these auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 14, 2017

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CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Government Accounting Standards Board Statement 34 (GASB 34) requires the City of South San Francisco to provide an overview of its financial activities for the fiscal year. Please read this in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL YEAR (FY) 2016-17 FINANCIAL HIGHLIGHTS

Summary:

In FY 2016-17, the South San Francisco Successor Agency of the former Redevelopment Agency transferred property from its Long Range Property Management Plan (LRPMP) to the City of South San Francisco. The carrying value of the properties, which is accounted for in General Fund Use of Money and Property revenue of \$20.6 million as property held for redevelopment. Once the properties have subsequently been sold, the City will receive a share of the net proceeds, along with the other taxing entities included in the former Redevelopment Agency.

The General Fund, excluding the \$20.6 million in property held for redevelopment, ended FY 2016-17 with a surplus of \$12.7 million. The majority of the \$12.7 million surplus was used to assign or commit General Fund reserves for outstanding purchase orders and multi-year capital projects. Reserves assigned for outstanding purchase orders increased from \$1.5 million to \$5.2 million. Reserves committed for multi-year capital projects, including the Community Civic Campus, increased from \$3.7 million to \$11.8 million. All of the above changes in reserves are funded by the General Fund operating surplus. In addition, General Fund reserves were fully funded in accordance with the City's Reserves Policy, which follows the Government Finance Officers' Association (GFOA) best practice of 15-20% of operating revenues. After meeting the City's reserves requirement, the City Council authorized transfer of \$2.3 million in remaining surplus to the Infrastructure Reserves.

During FY 2016-17, Finance Department staff reclassified Property Tax in lieu of Vehicle License Fee (VLF) from the Intergovernmental revenue category to the Property Tax revenue category. This revenue reclassification accounts for a legislative change from 2004, where the State of California eliminated the allocation of Vehicle License Fees to local agencies, and backfilled the lost revenue with an additional share of property tax revenues.

General Fund revenues (excluding operating transfers in and \$20.6 million in property held for redevelopment) increased by \$12.3 million compared to the prior year. The primary drivers of the year-over-year increase were property tax, sales tax and permit revenues. Property Tax revenues, accounting for the Property Tax in lieu of VLF reclassification discussed above, increased by \$2.8 million, reflecting steady growth in assessed value of the City's secured property tax roll. Measure W, the City's half-cent transactions and use tax, was implemented in April 2016, thus FY 2016-17 was the first full year with Measure W in place. As such, Sales Tax revenues increased \$6.8 million. Permit revenues increased \$927 thousand, indicative of major commercial developments in the City's East of 101 area.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

City-wide financial highlights of the year include the following:

- Total Net Position for Governmental Activities in FY 2016-17 increased \$58.6 million in comparison to the prior year, from \$163.4 million to \$222.0 million. The increase in net position was evident through changes in all asset categories – cash and investments, other assets, and capital assets.
- Governmental cash and investments increased by \$17.7 million, of which the General Fund represents \$14.6 in additional cash and investments, reflecting the year over year revenue increases discussed above. In addition, cash and investments within the City Housing Fund increased by \$1.3 million, largely due to the sale of a City-owned property located at 380 Alta Vista. Cash and investments in the Developer Contributions Fund increased by \$2.6 million, representative of \$633 thousand in General Plan Maintenance Fees and \$600 thousand in developer contributions that were recognized as a negotiated community benefit fee pursuant to a development agreement. Offset by reduction of \$3.1 in the Capital Infrastructure Reserve Fund, which reflected a planned spend of existing resources to fund one-time expenditures.
- Governmental other assets increased by \$18.6 million, while capital assets increased by \$22.6 million compared to the prior year. The increase within both categories was due to the transfer of property from the Successor Agency to the City. The properties that were designated for governmental use in the Long Range Property Management Plan were given the City at no cost, while taxing entities will proportionally share the net proceeds of properties that were designated for redevelopment once they have been sold.
- Governmental outflows related to pension increased from \$12.6 million to \$28.3 million, while deferred inflows related to pension decreased from \$11.2 million to \$5.2 million. The change primarily reflected the impact of variance between CalPERS discount rate and its actual return on investment.
- Expenses for Governmental Activities increased by \$12.1 million, largely due to increases in employee salaries as negotiated through the collective bargaining process as well as increases in pension costs due to ongoing amortization of investment losses with CalPERS.
- Business-type program expenses increased by \$4.5 million in FY 2016-17, most notably in the Sewer Fund. The year-over-year increase was largely due to a significant reduction in capital expenses compared to the prior year. The Sewer Fund, as a proprietary fund, offsets capital expenses when realizing new capital asset additions. As such, the capital expense offset was larger in the prior year.
- Property tax revenues, accounting for the reclassification of Property Tax in lieu of VLF, increased \$2.9 million, or 9.2 percent compared to the prior year. The increase was indicative of the City's robust secured property tax base.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

- Sales tax revenues increased by \$6.8 million, or 38.2 percent over the prior fiscal year. Measure W, the City's half-cent transactions and use tax was implemented in April 2016. Thus, FY 2016-17 was the first full fiscal year that Measure W was in place, and represented the crux of the increase.
- Permit revenues for all Governmental Funds increased \$927 thousand, or 13.4 percent over the prior fiscal year, indicative of the continuing robust development climate in the East of 101 area of South San Francisco and the greater San Francisco Bay Area.
- In FY 2016-17, Transient Occupancy Tax (TOT) revenues increased by \$189 thousand, the fourth consecutive year of record breaking revenues, reflecting the trend of high occupancy and high room rates.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

- 1) The Introductory Section, which includes the Transmittal Letter and general information;
- 2) Management's Discussion and Analysis (this part);
- 3) The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the notes accompanying these statements;
- 4) Required Supplementary Information and the accompanying notes;
- 5) Other Supplementary Information including combining statements for non-major governmental funds, internal service funds, other budgetary information, and a fiduciary statement of changes in assets and liabilities; and
- 6) The Statistical Section.

Basic Financial Statements

The Basic Financial Statements are comprised of the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to the basis used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities provides a detailed explanation of the change in Net Position for the year.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus 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 and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The fiduciary statements provide financial information about the activities of Non-Obligated Assessment Districts, for which the City acts solely as agent.

Note 1 to the Basic Financial Statements provides a summary of the City's significant accounting policies, fund categories, and fund types.

City-wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the following:

- ***Governmental activities*** - All of the City's basic services are considered to be governmental activities, including general government, fire, police, public works, parks and recreation, library, and economic and community development. These services are supported by general City revenues such as taxes, and by specific program revenues from grants, contributions, and fees.

The City's governmental activities also include the City of South San Francisco Capital Improvements Financing Authority, as the City Council also governs this entity.

- ***Business-type activities*** - All the City's enterprise activities are reported here, including wastewater treatment, parking, and storm water management. Unlike governmental services, user fees fully support most of these services.
- ***Component Unit*** - The City of South San Francisco Conference Center Authority comprises the component unit. The Authority serves the City and other interests and it has a governing body separate from the City Council.

Citywide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities. Fund Financial Statements include governmental, enterprise and internal service funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which mean they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the citywide financial statements and any related profits or losses are returned to the activities, which created them, along with any residual net position of the Internal Service Funds.

Comparisons of Budget and Actual financial information are required in the Basic Financial Statements only for the General Fund and other Major Funds that are Special Revenue Funds.

Fiduciary Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on net position and changes in net position of the City's Governmental Activities (Table and Charts 1 through 3) and Business-type Activities (Tables 4 and 5) presented in the City-wide Statement of Net Position and Statement of Activities. A comparative analysis is presented for fiscal years 2016-17 and 2015-16.

Governmental Activities

Governmental Net Position

Table 1
Governmental Net Position at June 30
(In Millions)

	2017	2016
Cash and investments	\$ 117.0	\$ 99.3
Other assets	31.5	12.9
Capital assets	256.0	233.4
Total assets	404.5	345.6
Total outflows related to pension	28.3	12.6
Total outflow of resources	28.3	12.6
Long-term debt outstanding	11.8	12.4
Other liabilities	193.8	171.1
Total liabilities	205.6	183.5
Deferred inflows related to pension	5.2	11.2
Total deferred inflow of resources	5.2	11.2
Net position:		
Net investment in capital assets	254.3	231.1
Restricted	54.5	52.4
Unrestricted	(86.8)	(120.1)
Total net position	\$ 222.0	\$ 163.4

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The total net position for Governmental Activities increased by \$58.6 million in FY 2016-17 compared to the prior year, primarily due to increases in every asset category. The majority of the \$17.7 million increase in cash and investments was due to additional property tax, sales tax, and permit revenues. The year over year increase in property tax and permit revenues were demonstrative of the current robust economy in South San Francisco. Measure W, a half-cent transactions and use tax, was implemented as of April 1, 2016, thus FY 2015-16 only included two advances from the State Board of Equalization, while FY 2016-17 represented the first full fiscal year of the tax measure being in place.

Other assets increased by \$18.6 million, while capital assets increased by \$22.6 million, both changes indicative of property transferred from the Successor Agency to the City for both governmental use and redevelopment purposes.

Table 2
Expense and Program Revenue Comparison in Governmental Activities
(In Millions)

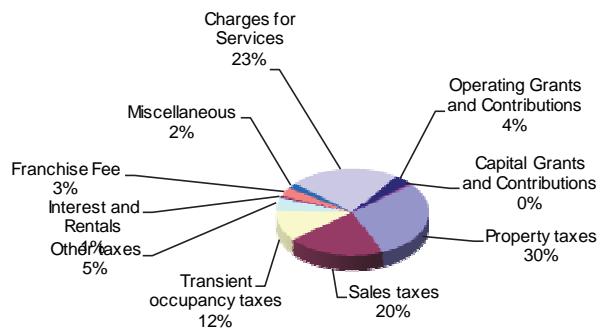
	2016-17	2015-16
Expenses		
General government	\$10.3	\$9.0
Fire department	25.8	22.5
Police department	25.8	23.2
Public works department	12.4	11.9
Recreation and community services	15.2	12.9
Library	5.2	4.4
Economic and community development	8.9	7.6
Interest on long-term debt		
Total expenses	<u>\$103.6</u>	<u>\$91.5</u>
Revenues		
Program revenues:		
Charges for services	\$27.3	\$30.1
Operating grants and contributions	4.5	5.6
Capital grants and contributions	0.6	1.1
Total program revenues	<u>\$32.4</u>	<u>\$36.8</u>
General revenues:		
Taxes:		
Property taxes	\$29.1	\$26.4
Sales taxes	24.1	15.2
Transient occupancy taxes	13.6	13.4
Other taxes	9.8	9.1
Motor vehicle in lieu	-	-
Property taxes in lieu	6.1	5.8
Investment earnings	0.6	1.3
Miscellaneous	2.4	2.3
Extraordinary item	45.2	-
Total general revenues	<u>\$130.9</u>	<u>\$73.5</u>
Total revenues	<u>\$163.3</u>	<u>\$110.3</u>
Excess (deficiency) before transfers	<u>\$59.7</u>	<u>\$18.8</u>
Transfers	(1.1)	(0.9)
Change in net position	58.6	17.9
Net position - beginning*	<u>163.4</u>	<u>145.5</u>
Net position - ending	<u><u>\$222.0</u></u>	<u><u>\$163.4</u></u>

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental program expenses increased by \$12.1 million in comparison to the prior year, primarily due increases in employee compensation and pension costs. Governmental program revenues decreased by \$4.4 million from the prior year, most notably in charges for services, reflecting \$2.1 in impact fees collected in the prior year, while impact fees for FY 2016-17 were not as robust.

General Revenues increased by \$57.4 million, most notably due to an Extraordinary Item – the transfer of the former Redevelopment Agency property listed on the Long Range Property Management Plan to the City for governmental use and redevelopment. The carrying value of the properties was used to record the value of the land assets within the General Fund. Excluding this item, the most significant general revenue increase was \$6.8 million in sales tax, reflecting a full year of Measure W transactions and use tax being in effect. The increase in General Revenues served as the primary cause of the \$58.6 million increase in net position.

Chart 1
Revenues by Source - Governmental Activities 2016-17



Within Governmental Activity revenue sources, as shown in Chart 1, the reclassification of Property Tax In Lieu of VLF from Intergovernmental to Property Tax is reflected. The most notable change in proportional Governmental Activities revenues was in Sales taxes, which increased from 14 percent in the prior year to 20 percent in FY 2016-17 of Total Governmental Activities Revenues. This proportional change represented a full fiscal year of the Measure W transactions and use tax being in place.

Tables 2 (above) and 3 (below) illustrate the difference between program revenues and expenses. Program revenues consist of capital and operating grants and contributions and fees for services. General City revenues, such as property taxes, sales and transient occupancy taxes, motor vehicle in-lieu taxes, and investment earnings, cover the shortfall between program revenues and program expenses.

In FY 2016-17, the net expense for governmental activities increased from \$54.7 million to \$71.2 million. The increase was spread fairly equally across all departments, generally reflecting increases in employee compensation and pension costs.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 3

Net (Expense) Revenue from Services
Governmental Activities
(In Millions)

	2016-17	2015-16
General government	\$ (7.7)	\$ (4.8)
Fire department	(21.5)	(19.0)
Police department	(23.1)	(20.2)
Public works department	1.1	1.9
Recreation and community services	(10.7)	(8.3)
Library	(4.7)	(3.1)
Economic and community development	(4.6)	(1.1)
Interest on long-term debt		
Total	<u>\$ (71.2)</u>	<u>\$ (54.6)</u>

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-type Activities

Table 4
Business-type Net Position at June 30 (in Millions)

	2017	2016
Cash and Investments	\$ 21.8	\$ 20.1
Other assets	0.2	0.7
Capital assets	124.9	127.2
Total assets	146.9	148.0
Deferred outflows related to pension	3.1	1.4
Total Deferred outflow of resources	3.1	1.4
Long-term liabilities outstanding	34.0	38.7
Other liabilities	22.1	19.2
Total liabilities	56.1	57.9
Deferred inflows related to pension	0.6	1.2
Total deferred inflow of resources	0.6	1.2
Net position:		
Net investment in capital assets	86.2	83.9
Restricted	-	-
Unrestricted	7.2	6.2
Total net position	\$ 93.4	\$ 90.1

The total net position for business-type activities increased by \$3.3 million, or 3.7 percent, primarily due to a reduction in outstanding long-term liabilities, notably the City's debt service payments on three State Water Resources loans and one sewer revenue bond.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 5
Change in Business-type Net Position
(In Millions)

	2016-17	2015-16
Expenses		
Sewer Enterprise	\$ 22.7	\$ 18.3
Parking District	0.9	0.8
Storm Water	1.3	1.3
Total expenses	24.9	20.4
Revenues		
Program Revenues		
Charges for Services	21.2	20.8
Operating grants and contributions	5.8	5.8
Total program revenues	27.0	26.6
General revenues		
Investment earnings	0.0	0.3
Total general revenues	0.0	0.3
Excess (deficiency) before transfers	2.1	6.5
Transfers	1.1	0.9
Change in net position	3.2	7.4
Net position - beginning (as adjusted)	90.2	82.8
Net position - ending	\$ 93.4	\$ 90.2

Business activity expenses increased \$4.5 million compared to the prior year, particularly in Sewer Enterprise activities, largely due to \$3.4 million less in capital expenses. As part of the year end accounting process, new capital assets are added to proprietary funds via an offsetting credit in a contra account. Given the reduced capital expenses in FY 2016-17, the offset amount was lower compared to the prior year. Business activity revenues increased slightly by \$0.4 million, reflecting a rate increase in the sanitary sewer service fee.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

Governmental funds highlight the City's near-term inflows, outflows, and balances of *spendable* resources. Such information can be helpful in determining the City's financial status. *Unrestricted fund balance* is a major indicator of designated and uncommitted resources available for spending in future fiscal years.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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At June 30, 2017, the City's governmental funds reported combined fund balances of \$111.4 million, an increase of \$35.1 million, or 46.0 percent compared to the prior year. The General Fund ending fund balance was \$56.3 million, reflecting an increase of \$33.3 million, or 144.7 percent. The significant change in fund balance represented two notable items: 1) the transfer of property from the Successor Agency to the City for governmental use and redevelopment purposes, and 2) a full fiscal year of the Measure W transactions and use tax being in place.

Total governmental fund revenues increased by \$7.7 million, from \$110.3 million to \$118.0 million, primarily attributable to the Measure W transactions and use tax.

Total governmental fund expenditures increased by \$2.6 million, from \$99.8 million to \$102.5 million, or 2.64 percent, reflecting additional costs for employee salaries and pensions. All of the City's Memoranda of Understanding (MOU) expired on June 30, 2017, thus FY 2016-17 represented the final year of negotiated salary increases. In addition, employer pension contribution rates with the California Public Employees' Retirement System (CalPERS) continue to increase due to increases in the Unfunded Accrued Liability (UAL), reflecting the disparity between the discount rate and the actual interest earnings.

Comparison of Final Budgets to Original Adopted Budget

The budget is initially adopted by the City Council in June, based on revenue projections that are up to date through May. Between May and the end of the fiscal year, there can be major fluctuations in revenues depending on the economy and/or actions by the State of California. There can also be significant changes to departmental expenditure budgets to the extent unforeseen expenses occur. In the Fund Financial Statements, the page titled "Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual" later in this document shows the initial adopted and final budgets for the General Fund. Significant changes between the adopted and final budgets are described below:

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information

Table 6
Comparison of Final Budgets to Original Adopted Budget (in Thousands)

Revenues	Original Budget	Final Budget	Change	Pct Change	Discussion: (Items of more than 5% and \$100,000 variance)
Property taxes	\$25,487	\$ 32,550	\$ 7,063	27.7%	Reflects reclassification of Property Tax In Lieu of VLF from Intergovernmental category
Sales taxes	23,105	23,105	-		
Transient occupancy taxes	13,100	13,500	400	3.1%	
Other taxes	5,083	5,483	400	7.9%	Account for increases in Parking Tax and Property Transfer Tax Revenues
Franchise Fee	4,060	4,060	-		
Intergovernmental	6,795	2,504	(4,291)	-63.1%	Reflects reclassification of Property Tax In Lieu of VLF to Property Taxes category offset by federal and state grants received throughout the fiscal year.
Interest and rentals	3,072	3,072	-		Amended budget in anticipation of sale of a City-owned property.
Licenses and permits	8,412	8,412	-		
Charges for services	8,601	8,682	81	0.9%	
Fines and forfeitures	839	839	-		
Other	165	186	21	12.7%	
Total	\$98,719	\$ 102,393	\$ 3,674	3.7%	

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 6 (continued)
Comparison of Final Budgets to Original Adopted Budget (in Thousands)

Expenditures	Original Budget	Final Budget	Change	Pct Change	Discussion: (Items of more than 5% and \$100,000 variance)
City Council	\$ 205	\$ 208	\$ 3	1.5%	
City Clerk	648	703	55	8.5%	
City Treasurer	123	123	-		
City Attorney	802	1,188	386	48.1%	The robust pace of business required the City Attorney to invest a significant number of billable hours to meet demand.
City Manager	1,926	2,633	707	36.7%	Professional services required that are related to a large development in the East of 101 area
Finance	2,478	3,045	567	22.9%	Additional appropriations needed for the Human Capital Management System implementation.
Non-Departmental	473	1,212	739	156.2%	Accounts for City Council-authorized year end transfers.
Human Resources	1,458	1,622	164	11.2%	Professional services needed for recruitment and succession development.
Fire	25,690	26,121	431	1.7%	The budget increase was required to address overtime incurred due to minimum staffing needs and responding to calls for mutual aid.
Police	27,105	26,320	(785)	-2.9%	Budget savings from various staff vacancies provided surplus budget to fund other department budget overages.
Public Works	5,152	5,405	253	4.9%	Carryover purchase orders from prior year for Bay Conservation and Development Commission and downtown construction coordinator services.
Parks and Recreation	14,553	15,361	808	5.6%	Account for Big Lift literacy grant.
Library	5,052	5,372	320	6.3%	Account for various grant funds received during the year.
Economic and Community Development	10,331	11,115	784	7.6%	Professional services for determining feasibility of various land-secured infrastructure financing.
Total	\$95,996	\$ 100,428	\$ 4,432	4.6%	

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Analysis of Major Governmental Funds

General Fund

In FY 2016-17, total General Fund revenues, excluding transfers in and the \$20.6 million in property transferred from the Successor Agency, were \$105.0 million, \$2.6 million, or 2.5 percent over the final amended budget. Total General Fund expenditures, excluding transfers out, ended FY 2016-17 at \$92.4 million; \$8.1 million, or 8 percent under budget. Overall, excluding operating transfers and the property transferred from the Successor Agency, the General Fund ended FY 2016-17 with a surplus of \$12.6 million, notably for the items discussed below.

Property Tax, Sales Tax and Transient Occupancy Tax (TOT), serve as both the City's primary revenue sources and economic indicators. Property Tax revenues, accounting for the reclassification of Property Tax In Lieu of VLF, were \$2.9 million more than the prior year, principally evident in secured property taxes. Sales tax revenues increased \$6.8 million, as FY 2016-17 represented the first full fiscal year of the Measure W transactions and use tax being in effect. For the fourth year in a row, Transient Occupancy Tax (TOT) revenues reached record levels at \$13.6 million, \$188 thousand more than the prior year. The robust and accelerated development climate in the City's East of 101 area served as the impetus for \$927 thousand more in permit revenues.

Intergovernmental revenues decreased by \$6.2 million, which was the result of reclassifying Property Tax in lieu of VLF from the Intergovernmental to Property Tax revenue category.

Revenue from charges for services increased by \$792 thousand, principally in ambulance transport and reimbursement revenues for a development in the City's East of 101 area. The increase in ambulance service revenues accounted for a rate increase and a change to a new third party billing service.

General Fund expenditures, excluding transfers out, increased \$5.6 million, or 6.4 percent over the prior fiscal year, primarily due to increases in employee salaries and pension costs. All of the City's MOU expired on June 30, 2017, thus FY 2016-17 reflected the final year of negotiated salary increases. In addition, the City's employer pension contribution to CalPERS, inclusive of normal cost and unfunded accrued liability, continued to increase due to the difference between the discount rate and actual return on investment.

As of June 30, 2017, the General Fund total fund balance was \$56.3 million, which included \$11.8 million in committed reserves, \$5.2 million in assigned reserves, and \$39.3 million in unassigned reserves. The unassigned reserves are designated by the City Council based on the City's Reserves Policy, which follows best practices from the Government Finance Officers' Association (GFOA) of between 15-20 percent of General Fund operating revenue. Within the City's unassigned reserves, the City Council designated funds for economic contingencies, potential catastrophe and budget contingencies.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Other Post Employment Benefit (OPEB) Liability Impact on Fund Balance

The City has a particularly rich retiree health benefit for employees hired prior to April 25, 2010 (legacy employees). Those legacy employees who retire from CalPERS and from the City concurrently with at least 5 years of service are entitled to 100% coverage of retiree medical insurance premiums paid by the City. The current amortized cost of this benefit is \$26.2 million, as reflected on the Statement of Net Position. Key actuarial assumptions behind the OPEB obligation include projected healthcare premium increases, discount rate, mortality, and contributions to the OPEB trust fund through the California Employers' Retiree Benefit Trust (CERBT). Any changes to actuarial assumptions will have an impact on the OPEB obligation. In addition, beginning in FY 2017-18, in compliance with GASB Statement No. 75, the City will record the entire OPEB liability, rather than an amortized liability under the provisions of GASB Statement No. 45.

City Housing Fund

Up until Redevelopment Agencies were abolished in FY 2011-12 by the State of California under ABX1 26, the City set aside 20% of Redevelopment property taxes to fund the provision of new affordable housing units, as well as the operation and maintenance of housing stock that the Redevelopment Agency had already funded. That fund was formerly called the Low/Moderate Income Housing Fund. With its source of funding (20% of Redevelopment property tax dollars) abolished, the City Council voted to take on the operations of the former housing units by becoming the Successor Housing Agency, with activities funded primarily from the rental revenues received by the City for those City-owned occupied housing units. Any shortfall between the rents received and the operations and maintenance costs of those housing units are funded by either one time grants or by the General Fund. Any fund balances will be held for future housing property maintenance needs.

In FY 2016-17, the City Housing Fund, excluding proceeds from the sale of capital assets, received for \$662 thousand in revenues, which included \$108 thousand in rent, \$84 thousand in interest income, \$164 thousand in loan repayments, and \$305 thousand to account for housing bond proceeds that were used for an affordable housing development. The fund also had \$482 thousand in expenses, the majority of which was for expenses related to same affordable housing development.

Capital Improvement Fund

The City consolidates and reports its governmental fund-type capital project expenditures in this fund. Resources consist of transfers from the General Fund, major and non-major funds, developer impact fees, and gasoline taxes and transportation sales taxes from non-major governmental funds. Resources also come from federal, state, and local grants, contributions from other cities, utilities and private developers. Entire capital projects are appropriated in one-year, but expended over multiple years, with unspent appropriations carried forward year-to-year until completion.

CITY OF SOUTH SAN FRANCISCO
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East of 101 Sewer Impact Fee Fund

In FY 2016-17, this fund received \$189 thousand in revenues, comprised primarily of the East of 101 Sewer Impact Fees. The fund had a negative fund balance for many years due to prepayment of impact fees by a large biotech firm to front-fund a now completed project.

In 2007, the City entered into an agreement with this firm to pre-fund the sewer impact fees for the East Grand Avenue Sewer Trunk project in order for the project to be completed prior to the issuance of building permits. As a result, the pre-funding is reported as unearned revenue, a liability on the fund's balance sheet, until sufficient development generates impact fees to cover the prepayment of those fees, or until the City has a new agreement with the firm. As of June 30, 2017, the remaining balance of the pre-funding is \$1.8 million.

East of 101 Traffic Impact Fee Fund

In FY 2016-17, the City received \$110 thousand in traffic impact fees, and transferred out \$284 thousand for capital improvements. As of June 30, 2017, the fund has a balance of \$7.0 million.

Child Care Impact Fee Fund

The City received \$523 thousand in child care impact fees in FY 2016-17. Factoring in limited expenditures, this fund has a balance of \$3.4 million as of June 30, 2017. Larger scale projects can be funded once a sufficient balance has been accumulated.

Developer Deposit

Since 2007, the City has entered into agreements with a large biotech firm to front-fund sewer and streetscape projects. The remaining balances of the pre-funding are reported as liability which will be reduced as related project expenditures are incurred.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Other Governmental Funds

Presented as a group in the Basic Financial Statements, these funds are individually presented as Supplementary Information.

Enterprise Funds

Sewer Enterprise Fund

The Sewer Enterprise fund reported operating income (before non-operating revenues and operating transfers) of \$4.2 million in FY 2016-17. Operating revenues of \$25.6 million were flat compared to the prior year. Operating expenses increased from \$17.3 million to \$21.5 million, primarily within personnel expenses. Personnel expenses increased by \$1.0 million, reflecting the impact of negotiated increases in employee salaries as well as pension costs, which is primarily the byproduct of the disparity between CalPERS' discount rate and actual interest earnings.

Parking District Fund

In FY 2016-17, revenues increased by 8.7 percent to \$917 thousand, while expenses increased by \$42 thousand, or 4.7 percent, largely representing additional employee costs. Net position decreased slightly by \$19 thousand to \$13.9 million.

Storm Water Fund

The Storm Water Fund is used to account for resources needed to fund storm drain and storm infrastructure operations, maintenance, capital replacement, and compliance with various federal and state regulations regarding storm water runoff. Revenues totaled \$404 thousand, primarily from a levy on property owners. Transfers in totaled \$1.1 million, which came from the Gas Tax Fund in the amount of \$670 thousand, \$276 thousand from the General Fund, and \$157 thousand, from the Solid Waste Fund. Expenses totaled \$1.3 million, \$1.7 million less than the amended budget, due to the trash capture devices capital project, which staff was able to find a more cost-efficient solution to. Net position as of the fiscal year ended June 30, 2017, totaled \$1.4 million. Service fee revenues remain static in this fund without a ballot measure to increase assessed fees.

CAPITAL ASSETS

GASB Statement 34 requires the City to add infrastructure to its reportable capital assets. Infrastructure includes streets, drainage systems, and traffic control and safety devices. Previously, governments excluded the value of such property from their reports of capital assets. The City has successfully reported on the depreciated value of all such assets acquired or built since 1980. The City reports the depreciated book value of other types of capital assets such as buildings, land, equipment and furniture, on the City-wide Statement of Net Assets. Such information is summarized below and is more completely detailed in Note 3 to the Basic Financial Statements. The City depreciates all its capital assets, except land and construction in progress.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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At June 30, 2017, the City had \$380.9 million in capital assets, net of depreciation, representing an increase of \$20.3 million from the prior year, primarily in the Governmental Activities land category, reflecting the transfer of property from the Successor Agency.

The City's various capital asset types used in governmental and business-type activities, are illustrated in Table 7 below:

Table 7
Capital Assets (in Millions) at June 30

	<u>2017</u>	<u>2016</u>
Governmental Activities:		
Land	\$ 70.2	\$ 47.6
Buildings and improvements	91.5	85.0
Equipment and vehicles	21.6	19.8
Furniture and fixtures	2.6	1.8
Infrastructure - streets*	195.0	183.1
Infrastructure - traffic control devices*	9.5	5.1
Infrastructure - storm drains*	8.9	8.9
Construction in progress	10.8	26.8
Less accumulated depreciation	<u>(154.1)</u>	<u>(144.7)</u>
Totals	<u>\$ 256.0</u>	<u>\$ 233.4</u>
* Additions during the fiscal year only		
Business-type Activities		
Land	\$ 1.4	\$ 1.4
Buildings and improvements	66.7	66.7
Clean water facilities and transmission line	75.5	75.5
Infrastructure - storm drains	4.8	4.8
Infrastructure - streets	7.4	7.4
Equipment and vehicles	18.5	11.2
Construction in progress	6.9	12.1
Less accumulated depreciation	<u>(56.3)</u>	<u>(51.9)</u>
Totals	<u>\$ 124.9</u>	<u>\$ 127.2</u>
Total City	<u>\$ 380.9</u>	<u>\$ 360.6</u>

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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DEBT ADMINISTRATION

Each of the City's debt issuances is discussed in detail in Note 5 to the Basic Financial Statements. A summary of the City's outstanding debt for the past two fiscal years is as follows:

Table 8
Outstanding Debt
(In Millions) at June 30

<i>Governmental Activities</i>	2017	2016
Loan payable to Successor Agency	\$ 10.7	\$ 10.7
Capital leases	1.7	2.2
Total Governmental Activities Outstanding Debt	\$ 12.4	\$ 12.9
<i>Business-type Activities</i>		
State Water Resources Board loans	\$ 35.1	\$ 39.4
2005 Sewer Bonds	3.6	3.8
Total Business-type Activities Outstanding Debt	\$ 38.7	\$ 43.2

The decline in Business-type Activities outstanding debt of \$4.5 million is the result of scheduled repayments.

The largest remaining debt obligations are the following:

- Three loans to the City's Sewer Enterprise Fund from the State Water Resources Control Board to finance the expansion of the City's water quality control plant and pay for Wet Weather improvements which will improve environmental impacts on the Bay. Principal and interest repayments commence on the loans upon completion of the project related to each loan package. The three current loans outstanding have fixed interest of 2.6%, 2.5% and 2.4% are due in 2022, 2026 and 2028. Because of the regional benefits and equity interest in these projects, the City of San Bruno shares in the loan repayments for the first two of the three current loans.

ECONOMIC OUTLOOK AND MAJOR ACCOMPLISHMENTS

The economic outlook and major accomplishments of the City are discussed in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide readers with a general overview of the City's finances. Questions about this report or requests for additional financial information should be directed to the City of South San Francisco Finance Department, P.O. Box 711, South San Francisco, CA 94083, and phone (650) 877-8512. The City's website is at www.ssf.net.

CITY OF SOUTH SAN FRANCISCO

**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the excess of the City's total assets and deferred outflows of resources over the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

The Statement of Net Position 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 which 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 position. 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.

The Statement of Activities presents the City's expenses first, listed by program, and follow these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the City of South San Francisco Capital Improvements Financing Authority that is legally separate but a component unit of the City because it is controlled by the City, which is financially accountable for its activities. Data for the South San Francisco Conference Center Authority is reflected as a discretely presented component unit of the City. This data is presented separately from other funds of the City to reflect operations under control of a governing body with a voting majority which is different from the City Council.

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CITY OF SOUTH SAN FRANCISCO
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental	Business-Type	Total	South San Francisco
	Activities	Activities		Conference
				Center
ASSETS				
Cash and investments (Note 2)	\$116,928,766	\$21,768,943	\$138,697,709	\$3,240,137
Receivables:				
Accounts	6,800,996	259,601	7,060,597	325,234
Accrued interest	338,339	63,883	402,222	
Loans	1,475,697		1,475,697	
Due from Conference Center	43,668		43,668	
Deposit	203,510		203,510	40,510
Inventory	474		474	
Other				1,522
Restricted cash and investments (Note 2)	108,377	15	108,392	480,922
Internal balances (Note 4A)	77,418	(77,418)		
Property held for development (Note 1N)	22,482,335		22,482,335	
Capital assets (Note 3):				
Nondepreciable	81,058,461	8,245,302	89,303,763	
Depreciable, net accumulated depreciation	174,959,616	116,628,434	291,588,050	3,619,573
Total Assets	<u>404,477,657</u>	<u>146,888,760</u>	<u>551,366,417</u>	<u>7,707,898</u>
DEFERRED OUTFLOW OF RESOURCES				
Related to pension (Note 7)	28,332,483	3,148,054	31,480,537	
Deferred amounts from refunding of debt (Note 5)				24,304
Total Deferred Outflow of Resources	<u>28,332,483</u>	<u>3,148,054</u>	<u>31,480,537</u>	<u>24,304</u>
LIABILITIES				
Accounts payable	2,756,611	765,438	3,522,049	306,554
Accrued salaries and benefits	1,569,242		1,569,242	51,003
Accrued interest payable		657,288	657,288	11,881
Other payable	634,197	185,895	820,092	
Deposits	2,410,033	7,500	2,417,533	252,744
Unearned revenue	2,674,256		2,674,256	
Accrued insurance losses (Note 11):				
Due within one year	712,000		712,000	
Due in more than one year	12,260,942		12,260,942	
Compensated absences obligation (Note 1L):				
Due within one year	3,681,331	396,691	4,078,022	
Due in more than one year	2,832,974	91,826	2,924,800	
Debt and capital lease obligations (Note 5):				
Due within one year	538,421	4,660,529	5,198,950	445,000
Due in more than one year	11,826,254	34,045,503	45,871,757	460,000
OPEB obligations - due in more than one year (Note 9)	26,173,032		26,173,032	
Net pension liability - due in more than one year (Note 7)	137,507,433	15,278,604	152,786,037	
Total Liabilities	<u>205,576,726</u>	<u>56,089,274</u>	<u>261,666,000</u>	<u>1,527,182</u>
DEFERRED INFLOW OF RESOURCES				
Related to pension (Note 7)	5,219,201	579,911	5,799,112	
Total Deferred Inflow of Resources	<u>5,219,201</u>	<u>579,911</u>	<u>5,799,112</u>	
NET POSITION (Note 6)				
Net investment in capital assets	254,344,554	86,167,704	340,512,258	2,714,573
Restricted for:				
Debt service				480,922
Special revenue projects	25,054,817		25,054,817	
Capital projects	29,423,276		29,423,276	
Total Restricted Net Position	<u>54,478,093</u>		<u>54,478,093</u>	<u>480,922</u>
Unrestricted	(86,808,434)	7,199,925	(79,608,509)	3,009,525
Total Net Position	<u>\$222,014,213</u>	<u>\$93,367,629</u>	<u>\$315,381,842</u>	<u>\$6,205,020</u>

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$10,253,403	\$2,225,049	\$338,764	
Fire	25,750,126	4,242,940	4,890	
Police	25,838,242	2,146,909	611,824	
Public Works	12,396,998	10,869,608	2,048,816	\$577,995
Parks and Recreation	15,217,677	3,756,369	777,838	
Library	5,184,282	96,987	373,937	
Economic and Community Development	8,927,162	3,911,597	377,470	
Total Governmental Activities	<u>103,567,890</u>	<u>27,249,459</u>	<u>4,533,539</u>	<u>577,995</u>
Business-type Activities				
Sewer	22,661,768	19,897,769	5,763,645	
Parking District	940,181	916,687		
Storm Water	1,333,409	418,840		
Total Business-type Activities	<u>24,935,358</u>	<u>21,233,296</u>	<u>5,763,645</u>	
Total Primary Government	<u>\$128,503,248</u>	<u>\$48,482,755</u>	<u>\$10,297,184</u>	<u>\$577,995</u>
Component Unit				
Conference Center	<u>\$3,225,404</u>	<u>\$1,852,250</u>		

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Transient occupancy taxes
- Franchise Fees
- Other taxes
- Motor vehicle in lieu, unrestricted
- Property taxes in lieu of vehicle license fees
- Investment earnings
- Miscellaneous

Special Item:

Assets transferred from the Successor Agency (Note 13G)

Transfers (Note 4)

Total general revenues, special item and transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	South San Francisco Conference Center
(\$7,689,590)		(\$7,689,590)	
(21,502,296)		(21,502,296)	
(23,079,509)		(23,079,509)	
1,099,421		1,099,421	
(10,683,470)		(10,683,470)	
(4,713,358)		(4,713,358)	
(4,638,095)		(4,638,095)	
<u>(71,206,897)</u>		<u>(71,206,897)</u>	
	\$2,999,646	2,999,646	
	(23,494)	(23,494)	
	<u>(914,569)</u>	<u>(914,569)</u>	
	2,061,583	2,061,583	
<u>(71,206,897)</u>	<u>2,061,583</u>	<u>(69,145,314)</u>	
			<u>(\$1,373,154)</u>
29,023,618		29,023,618	
24,087,776		24,087,776	
13,631,507		13,631,507	2,146,545
4,090,073		4,090,073	
5,708,187		5,708,187	
28,933		28,933	
6,133,230		6,133,230	
622,518	27,710	650,228	19,152
2,365,820		2,365,820	
45,205,422		45,205,422	
<u>(1,105,038)</u>	<u>1,105,038</u>		
<u>129,792,046</u>	<u>1,132,748</u>	<u>130,924,794</u>	<u>2,165,697</u>
58,585,149	3,194,331	61,779,480	792,543
<u>163,429,064</u>	<u>90,173,298</u>	<u>253,602,362</u>	<u>5,412,477</u>
<u>\$222,014,213</u>	<u>\$93,367,629</u>	<u>\$315,381,842</u>	<u>\$6,205,020</u>

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2017. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

This fund accounts for resources traditionally associated with government, such as administration, public safety, library, parks maintenance, and recreation, outside of those accounted for in other funds.

LOW AND MODERATE INCOME HOUSING ASSETS SPECIAL REVENUE FUND

To account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of South San Francisco.

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

To account for expenditures associated with the acquisition, construction, or improvement of City owned facilities and infrastructure. Funding comes from the general fund, special revenue funds, grants and fees.

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

These fees are to provide new development's share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area.

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

These citywide fees provide new development's share of new and expanded childcare facilities to serve the childcare needs of working parents.

DEVELOPER DEPOSIT FUND

To account for a deposit by a large corporation for various capital projects the developer agreed to fund.

CAPITAL INFRASTRUCTURE RESERVE FUND

Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds	
			Capital Improvement	East of 101 Sewer Impact Fees
ASSETS				
Cash and investments (Note 2)	\$33,222,598	\$3,533,395	\$5,459	\$2,504,553
Receivables:				
Accounts	6,021,069	7,340	610,245	
Accrued interest	64,817	11,414		8,383
Due from Conference Center	43,668			
Loans		1,106,160		
Due from other funds (Note 4B)	336,000			
Inventory	474			
Restricted cash and investments (Note 2)				
Property held for redevelopment (Note 1M)	20,582,335			
	<u>\$60,270,961</u>	<u>\$4,658,309</u>	<u>\$615,704</u>	<u>\$2,512,936</u>
Total Assets				
LIABILITIES				
Liabilities:				
Accounts payable	\$2,012,208		\$362,903	
Accrued salaries and benefits	1,569,242			
Other payable	278,678	\$131		
Deposits				
Unearned revenue	106,610		6,132	\$1,824,713
Due to other funds (Note 4B)			335,000	
Total Liabilities	<u>3,966,738</u>	<u>131</u>	<u>704,035</u>	<u>1,824,713</u>
Fund Balances (Note 6):				
Nonspendable	474			
Restricted		4,658,178		688,223
Committed	11,780,724			
Assigned	5,244,279			
Unassigned	39,278,746		(88,331)	
Total Fund Balances (Deficits)	<u>56,304,223</u>	<u>4,658,178</u>	<u>(88,331)</u>	<u>688,223</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$60,270,961</u>	<u>\$4,658,309</u>	<u>\$615,704</u>	<u>\$2,512,936</u>

Capital Projects Funds

East of 101 Traffic Impact Fees	Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$7,019,792	\$3,388,222	\$807,622	\$14,473,785	\$24,782,784	\$89,738,210
				152,214	6,790,868
26,201	11,466	3,543	51,660	71,657	249,141
					43,668
				369,537	1,475,697
					336,000
					474
				108,377	108,377
				1,900,000	22,482,335
<u>\$7,045,993</u>	<u>\$3,399,688</u>	<u>\$811,165</u>	<u>\$14,525,445</u>	<u>\$27,384,569</u>	<u>\$121,224,770</u>
				\$167,225	\$2,542,336
					1,569,242
				2,702	281,511
		\$738,281		1,671,752	2,410,033
				736,801	2,674,256
				1,000	336,000
		738,281		2,579,480	9,813,378
					474
\$7,045,993	\$3,399,688	72,884	\$14,525,445	24,805,089	55,195,500
					11,780,724
					5,244,279
					39,190,415
<u>7,045,993</u>	<u>3,399,688</u>	<u>72,884</u>	<u>14,525,445</u>	<u>24,805,089</u>	<u>111,411,392</u>
<u>\$7,045,993</u>	<u>\$3,399,688</u>	<u>\$811,165</u>	<u>\$14,525,445</u>	<u>\$27,384,569</u>	<u>\$121,224,770</u>

**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Total fund balances reported on the governmental funds balance sheet	\$111,411,392
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	250,225,973
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Internal service funds are used by management to charge the cost of management of communication, telephone, building, fleet maintenance, equipment replacement, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Position.	(9,526,437)
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The assets and liabilities below are not due and payable in the current period and therefore are not reported in the funds:

Long-term debt	(10,691,152)
Deferred outflows related pension	28,332,483
Net pension liability	(137,507,433)
Deferred inflows related to pension	(5,219,201)
Non-current portion of compensated absences	(5,011,412)

Net position of governmental activities	\$222,014,213
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See accompanying notes to financial statements

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**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds	
			Capital Improvement	East of 101 Sewer Impact Fees
REVENUES				
Property taxes	\$33,405,829			
Sales taxes	24,479,476			
Transient occupancy taxes	13,631,507			
Franchise Fees	4,090,073			
Other taxes	5,708,187			
Intergovernmental	1,593,508		\$505,664	
Interest and rentals	2,784,072	\$193,162		\$3,065
Licenses and permits	7,823,403			
Charges for services	9,451,835			185,752
Fines and forfeitures	899,118			
Other	1,092,691	469,014	110,019	
Total Revenues	104,959,699	662,176	615,683	188,817
EXPENDITURES				
Current:				
City Council	206,950			
City Clerk	607,096			
City Treasurer	110,559			
City Attorney	1,187,716			
City Manager	1,948,911			
Finance	2,613,473			
Non-departmental	1,145,698			2,500
Human Resources	1,571,647			
Fire	25,567,548			
Police	25,539,781			
Public Works	4,654,758		6,250,681	
Parks and Recreation	14,897,157			
Library	5,157,355			
Economic and Community Development	7,158,564	482,081		
Other				
Debt service:				
Principal repayments				
Total Expenditures	92,367,213	482,081	6,250,681	2,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,592,486	180,095	(5,634,998)	186,317
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		1,016,276		
Transfers in (Note 4C)	6,021,853		5,179,644	
Transfers out (Note 4C)	(5,909,636)			(1,860)
Total Other Financing Sources (Uses)	112,217	1,016,276	5,179,644	(1,860)
Net Change in Fund Balances before special items	12,704,703	1,196,371	(455,354)	184,457
SPECIAL ITEMS				
Assets transferred from the Successor Agency (Note 13G)				
	20,582,335			
Net Change in Fund Balances	33,287,038	1,196,371	(455,354)	184,457
Fund balances (deficits) - July 1	23,017,185	3,461,807	367,023	503,766
Fund balances (deficits) - June 30	\$56,304,223	\$4,658,178	(\$88,331)	\$688,223

See accompanying notes to financial statements

Capital Projects Funds

East of 101 Traffic Impact Fees	Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve Fund	Other Governmental Funds	Total Governmental Funds
				\$1,751,019	\$35,156,848
					24,479,476
					13,631,507
					4,090,073
				1,699,142	7,407,329
				1,920,599	4,019,771
\$9,506	\$4,489		\$16,555	89,843	3,100,692
					7,823,403
109,867	522,858	\$5,103		4,209,952	14,485,367
					899,118
				1,234,901	2,906,625
<u>119,373</u>	<u>527,347</u>	<u>5,103</u>	<u>16,555</u>	<u>10,905,456</u>	<u>118,000,209</u>
					206,950
					607,096
					110,559
					1,187,716
					1,948,911
					2,613,473
	2,500			2,880	1,153,578
					1,571,647
				64,818	25,632,366
				458,316	25,998,097
2,500				1,236,026	12,143,965
					14,897,157
					5,157,355
				1,302,466	8,943,111
				274,183	274,183
				23,000	23,000
<u>2,500</u>	<u>2,500</u>			<u>3,361,689</u>	<u>102,469,164</u>
<u>116,873</u>	<u>524,847</u>	<u>5,103</u>	<u>16,555</u>	<u>7,543,767</u>	<u>15,531,045</u>
					1,016,276
			2,666,000	459,633	14,327,130
(284,133)		(5,103)	(5,795,495)	(4,372,272)	(16,368,499)
(284,133)		(5,103)	(3,129,495)	(3,912,639)	(1,025,093)
(167,260)	524,847		(3,112,940)	3,631,128	14,505,952
					20,582,335
(167,260)	524,847		(3,112,940)	3,631,128	35,088,287
<u>7,213,253</u>	<u>2,874,841</u>	<u>72,884</u>	<u>17,638,385</u>	<u>21,173,961</u>	<u>76,323,105</u>
<u>\$7,045,993</u>	<u>\$3,399,688</u>	<u>\$72,884</u>	<u>\$14,525,445</u>	<u>\$24,805,089</u>	<u>\$111,411,392</u>

CITY OF SOUTH SAN FRANCISCO
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$35,088,287

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.

Capital assets additions	6,313,012
Retirement and adjustment of capital assets	(697,131)
Current year depreciation	(8,470,315)
Capital assets transferred from the Successor Agency	24,623,087

Long-Term Debt Payments

Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of principal is added back to fund balance	23,000
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Accrual of Non-Current Items

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

Compensated absences	(381,932)
Net pension liability, and deferred outflows and inflows of resources	1,309,858

Allocation of Internal Service Fund Activity

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.

777,283

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$58,585,149

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Property taxes	\$25,486,789	\$32,549,949	\$33,405,829	\$855,880
Sales taxes	23,105,336	23,105,336	24,479,476	1,374,140
Transient occupancy taxes	13,100,000	13,500,000	13,631,507	131,507
Franchise fees	4,060,000	4,060,000	4,090,073	30,073
Other taxes	5,083,400	5,483,400	5,708,187	224,787
Intergovernmental	6,794,956	2,504,369	1,593,508	(910,861)
Interest and rentals	3,071,500	3,071,500	2,784,072	(287,428)
Licenses and permits	8,411,713	8,411,713	7,823,403	(588,310)
Charges for services	8,601,108	8,681,908	9,451,835	769,927
Fines and forfeitures	838,500	838,500	899,118	60,618
Other	165,430	185,930	1,092,691	906,761
	<u>98,718,732</u>	<u>102,392,605</u>	<u>104,959,699</u>	<u>2,567,094</u>
Amounts available for appropriation				
Charges to appropriations (outflows)				
City Council	204,499	207,500	206,950	550
City Clerk	647,864	703,244	631,225	72,019
City Treasurer	123,340	123,340	110,559	12,781
City Attorney	802,002	1,188,002	1,187,716	286
City Manager	1,926,245	2,632,838	2,632,068	770
Finance	2,477,795	3,045,461	3,045,450	11
Non-departmental	473,973	1,212,102	1,211,362	740
Human Resources	1,458,009	1,622,360	1,621,682	678
Fire	25,689,589	26,121,215	25,582,889	538,326
Police	27,104,498	26,319,956	25,539,781	780,175
Public Works	4,975,860	5,405,341	5,173,685	231,656
Parks and Recreation	14,553,266	15,361,255	15,002,999	358,256
Library	5,051,647	5,372,318	5,157,355	214,963
Economic and Community Development	10,331,488	11,115,411	10,507,771	607,640
	<u>95,820,075</u>	<u>100,430,343</u>	<u>97,611,492</u>	<u>2,818,851</u>
Total charges to appropriations				
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4C)	6,089,393	6,208,393	6,021,853	(186,540)
Transfers out (Note 4C)	(7,168,980)	(11,984,937)	(5,909,636)	6,075,301
	<u>(1,079,587)</u>	<u>(5,776,544)</u>	<u>112,217</u>	<u>5,888,761</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	1,819,070	(3,814,282)	7,460,424	11,274,706
Special Item (Note 13G)		20,582,335	20,582,335	
NET CHANGE IN FUND BALANCE	<u>\$1,819,070</u>	<u>\$16,768,053</u>	28,042,759	<u>\$11,274,706</u>
Fund Balance - July 1			23,017,185	
Adjustment to budgetary basis:				
Encumbrance adjustments			5,244,279	
Fund Balance - June 30			<u>\$56,304,223</u>	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
LOW AND MODERATE INCOME HOUSING ASSETS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	\$167,000	\$193,162	\$26,162
Other	140,000	469,014	329,014
Total Revenues	307,000	662,176	355,176
EXPENDITURES:			
Current:			
Economic and Community Development	977,800	482,081	495,719
Total Expenditures	977,800	482,081	495,719
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(670,800)	180,095	850,895
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets		1,016,276	1,016,276
Transfers out	(230)		230
Total other financing sources (uses)	(230)	1,016,276	1,016,506
NET CHANGE IN FUND BALANCE	(\$671,030)	1,196,371	\$1,867,401
Fund balance - July 1		3,461,807	
Fund balance - June 30		\$4,658,178	

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 concept of *major funds* established by GASB Statement 34 extends to Proprietary Funds. The City reported all enterprise funds as major proprietary funds.

GASB 34 does not provide for the disclosure of budget versus actual comparisons regarding proprietary funds that are major funds.

SEWER ENTERPRISE FUND

This fund accounts for user charges and debt proceeds supporting the operation, maintenance, and capital expansion of the wastewater collection and treatment system.

PARKING DISTRICT FUND

This fund accounts for meter and parking permit fees used to acquire and maintain parking facilities.

STORM WATER FUND

This fund accounts for user charges sustaining the Storm Water Management Program mandated by state and federal authorities.

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments (Note 2)	\$18,649,214	\$2,140,040	\$979,689	\$21,768,943	\$27,190,556
Receivables:					
Accounts	259,601			259,601	10,128
Accrued interest	52,710	7,402	3,771	63,883	89,198
Deposit					203,510
Restricted cash and investments (Note 2)	15			15	
Total current assets	18,961,540	2,147,442	983,460	22,092,442	27,493,392
Noncurrent assets:					
Capital assets (Note 3):					
Nondepreciable	6,787,825	1,023,320	434,157	8,245,302	162,140
Depreciable, net accumulated depreciation	105,793,410	10,779,325	55,699	116,628,434	5,629,964
Total non-current assets	112,581,235	11,802,645	489,856	124,873,736	5,792,104
Total Assets	131,542,775	13,950,087	1,473,316	146,966,178	33,285,496
DEFERRED OUTFLOW					
Related to pension (Note 7)	3,148,054			3,148,054	
LIABILITIES					
Current liabilities:					
Accounts payable	709,605	15,542	40,291	765,438	214,275
Other payable	180,421	5,474		185,895	352,686
Accrued interest payable	657,288			657,288	
Deposits payable	7,500			7,500	
Accrued insurance loss (Note 11)					712,000
Compensated absences obligation (Note 1L)	381,085	1,987	13,619	396,691	694,191
Current portion of long-term debt (Note 5)	4,660,529			4,660,529	538,421
Total current liabilities	6,596,428	23,003	53,910	6,673,341	2,511,573
Noncurrent liabilities:					
Accrued insurance losses (Note 11)					12,260,942
Compensated absences obligation (Note 1L)	74,163	17,663		91,826	808,702
Net OPEB obligation (Note 9)					26,173,032
Noncurrent portion of long-term debt (Note 5)	34,045,503			34,045,503	1,135,102
Net pension liability (Note 7)	15,278,604			15,278,604	
Total noncurrent liabilities	49,398,270	17,663		49,415,933	40,377,778
Total Liabilities	55,994,698	40,666	53,910	56,089,274	42,889,351
DEFERRED INFLOW					
Related to pension (Note 7)	579,911			579,911	
NET POSITION:					
Net investment in capital assets	73,875,203	11,802,645	489,856	86,167,704	4,118,581
Unrestricted (deficit)	4,241,017	2,106,776	929,550	7,277,343	(13,722,436)
Total Net Position	\$78,116,220	\$13,909,421	\$1,419,406	93,445,047	(\$9,603,855)

Some amounts reported for business-type activities in the statement
of net position are different because certain internal service fund
assets and liabilities are included in business-type activities (77,418)
\$93,367,629

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$19,795,480		\$404,456	\$20,199,936	\$25,016,836
Other cities' participation	5,763,645			5,763,645	
Permit fees	102,289			102,289	
Parking fees		\$916,687		916,687	
Total Operating Revenues	25,661,414	916,687	404,456	26,982,557	25,016,836
OPERATING EXPENSES					
Personnel expenses	8,210,747	358,258	1,144,188	9,713,193	14,544,617
Professional services	1,358,364	153,402	32,521	1,544,287	639,502
OPEB expenses	535,039			535,039	2,070,095
Program supplies	1,345,831	18,981	32,968	1,397,780	1,394,756
Insurance	187,983		3,297	191,280	1,362,542
Self-insurance and claims					3,253,303
Repair and maintenance	1,276,158		22,788	1,298,946	1,009,266
Rents and leases	1,592,100			1,592,100	
Utilities	1,481,736	51,219	12,602	1,545,557	29,478
Administration	1,290,069	100,900	64,156	1,455,125	
Depreciation	4,104,622	255,014	12,378	4,372,014	760,921
Other	79,246		216	79,462	315,537
Total Operating Expenses	21,461,895	937,774	1,325,114	23,724,783	25,380,017
Operating Income (Loss)	4,199,519	(21,087)	(920,658)	3,257,774	(363,181)
NONOPERATING REVENUES (EXPENSES)					
Interest income	23,552	2,795	1,363	27,710	32,800
Gain on dispositions of capital assets					19,646
Interest expense	(1,085,231)			(1,085,231)	(65,943)
Other			14,384	14,384	92,286
Total Nonoperating Revenues (Expenses)	(1,061,679)	2,795	15,747	(1,043,137)	78,789
Income (loss) before transfers	3,137,840	(18,292)	(904,911)	2,214,637	(284,392)
TRANSFERS					
Transfers in (Note 4C)	1,860		1,103,178	1,105,038	1,032,576
Transfers out (Note 4C)					(96,245)
Change in Net Position	3,139,700	(18,292)	198,267	3,319,675	651,939
Net Position (Deficits) - July 1	74,976,520	13,927,713	1,221,139	90,125,372	(10,255,794)
Net Position (Deficits) - June 30	\$78,116,220	\$13,909,421	\$1,419,406	\$93,445,047	(\$9,603,855)
			Change in Net Position	\$3,319,675	
			Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities	<u>(125,344)</u>	
			Change in Net Position of Business-Type Activities	<u>\$3,194,331</u>	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Enterprise	Parking District	Storm Water	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$25,981,757	\$916,687	\$425,377	\$27,323,821	
Cash payment to suppliers for goods and services	(7,858,907)	(313,930)	(141,010)	(8,313,847)	(\$5,630,718)
Cash payment to employees for services	(8,393,871)	(355,067)	(1,169,732)	(9,918,670)	(14,415,344)
Cash received from interfund service provided					25,105,855
Cash payment for judgments and claims					(1,681,308)
Other receipts					409,917
Net Cash Provided by (Used in) Operating Activities	<u>9,728,979</u>	<u>247,690</u>	<u>(885,365)</u>	<u>9,091,304</u>	<u>3,788,402</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	1,860		1,103,178	1,105,038	1,032,576
Transfers out					(96,245)
Net Cash Provided by Noncapital Financing Activities	<u>1,860</u>		<u>1,103,178</u>	<u>1,105,038</u>	<u>936,331</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(4,536,800)			(4,536,800)	(565,475)
Interest paid on long-term debt	(1,169,086)			(1,169,086)	(65,943)
Acquisition of capital assets, net	(2,588,459)		(261,161)	(2,849,620)	(1,629,268)
Proceeds from the sale of capital assets					19,646
Net Cash Used in Capital and Related Financing Activities	<u>(8,294,345)</u>		<u>(261,161)</u>	<u>(8,555,506)</u>	<u>(2,241,040)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	6,052	187	421	6,660	(7,901)
Net Cash Provided by Investing Activities	<u>6,052</u>	<u>187</u>	<u>421</u>	<u>6,660</u>	<u>(7,901)</u>
Net Increase (Decrease) in cash and cash equivalents	1,442,546	247,877	(42,927)	1,647,496	2,475,792
Cash and cash equivalents, beginning	17,206,683	1,892,163	1,022,616	20,121,462	24,714,764
Cash and cash equivalents, ending	<u>\$18,649,229</u>	<u>\$2,140,040</u>	<u>\$979,689</u>	<u>\$21,768,958</u>	<u>\$27,190,556</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$4,199,519	(\$21,087)	(\$920,658)	\$3,257,774	(\$363,181)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	4,104,622	255,014	12,378	4,372,014	760,921
Other non-operating revenue (expenses)			14,384	14,384	92,286
Net change in assets and liabilities:					
Accounts and lease receivables	320,343		6,537	326,880	(3,267)
Accounts payable	1,256,128	15,064	27,538	1,298,730	92,859
Other payable	31,491	(4,492)		26,999	263,832
Accrued insurance losses					1,571,995
OPEB obligations					1,268,332
Compensated absence obligations	(37,584)	3,191	(25,544)	(59,937)	104,625
(Decrease) increase due to retirement system	(145,540)			(145,540)	
Net Cash Provided by (Used in) Operating Activities	<u>\$9,728,979</u>	<u>\$247,690</u>	<u>(\$885,365)</u>	<u>\$9,091,304</u>	<u>\$3,788,402</u>

See accompanying notes to basic financial statements

FIDUCIARY FUND

An agency fund is used to account for assets held by the City acting as an agent for another government entity. The financial activity of this fund, excluded from the Entity-wide financial statements, is presented in a separate Fiduciary Fund financial statement.

SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

The Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of South San Francisco.

SSF EMPLOYEE DEFERRED COMP TRUST OVERSIGHT FUND

This fund is used to pay for the administrative costs of monitoring the Deferred Compensation Funds on behalf of City employees.

**CITY OF SOUTH SAN FRANCISCO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	Successor Agency Private Purpose Trust Fund	Agency Fund SSF Employee Def Comp Trust Oversight
ASSETS		
Cash and investments (Note 2)	\$1,390,743	\$105,663
Accounts receivable	2,941	
Interest receivable	20,285	318
Advances to the City (Note 5)	10,691,152	
Loans receivable (Note 13B)	218,030	
Restricted cash and investments (Note 2)	31,158,229	
Capital assets (Note 13C):		
Nondepreciable	2,520,264	
Depreciable, net accumulated depreciation	521,409	
Total Assets	\$46,523,053	\$105,981
LIABILITIES		
Accounts payable	\$3,869	\$24,492
Accrued interest payable	9,333	
Deposits	37,519	
Other accrued liabilities		81,489
Noncurrent portion of pollution remediation (Note 13E)	537,000	
Long-term debt (Note 13D):		
Due within one year	275,000	
Due in more than one year	285,000	
Total Liabilities	1,147,721	\$105,981
NET POSITION		
Held in trust for other purposes	\$45,375,332	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

	Successor Agency Private Purpose Trust Fund
ADDITIONS	
Intergovernmental	\$795,840
Interest and rentals	521,429
Other	23,303
	1,340,572
DEDUCTIONS	
Economic and Community Development	4,223,568
Interest expense	810,400
Depreciation	71,651
	5,105,619
SPECIAL ITEMS	
Assets transferred to the City of South San Francisco (Note 13G)	45,205,422
Loss on disposal of capital assets	3,436,986
	48,642,408
Change in net position	(52,407,455)
NET POSITION HELD IN TRUST FOR OTHER PURPOSES	
Beginning of the year	97,782,787
End of the year	\$45,375,332

See accompanying notes to financial statements

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CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description of the Financial Reporting Entity*

As required by generally accepted accounting principles, the financial statements present the City of South San Francisco (the City) as the Primary Government, with its component units for which the City is considered financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

B. *Description of Blended Component Units*

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component units, entities for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City. The City's following blended component units are described below.

The **City of South San Francisco Capital Improvements Financing Authority** is a joint exercise of powers authority created in 1991 between the City and the City of South San Francisco former Redevelopment Agency. The Financing Authority is authorized to borrow money through the purchase or issuance of bonds, notes, or other obligations for the purpose of making loans to the City and other public entities to finance capital improvements. The City Council members serve as the Board of Directors.

C. *Description of Discrete Component Unit*

The **City of South San Francisco Conference Center Authority** was established in 1992 to manage and operate the South San Francisco Conference Center. The Authority is governed by a Board of nine commissioners consisting of two Council members and seven representatives from various businesses appointed by City Council.

The Authority does not meet the criteria of a blended component unit, since the City Council is not the component unit's governing body and the Authority does not provide services entirely to the City. However the City is financially accountable and is able to impose its will on the Authority. The Authority is therefore considered a discrete component unit with its financial data reported separately from the financial data of the City.

The City of South San Francisco Conference Center Authority financial statements may be obtained from the Authority at 255 South Airport Boulevard, South San Francisco, CA 94080.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation

Government-wide Statements - The Statement of Net Position 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, except for fiduciary activities. Interfund transfers and amounts owed between funds within the primary government have been eliminated from the statements. Amounts representing interfund services and uses remain in the statements. 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.

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 fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – 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.

E. Major Funds

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 – Accounts for resources traditionally associated with government, such as administration, public safety, library, parks, maintenance, and recreation, outside of those accounted for in other funds.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Low and Moderate Income Housing Asset Special Revenue Fund – This fund was established to account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City.

Capital Improvement Capital Projects Fund - Accounts for expenditures associated with the acquisition, construction, or improvement of City-owned facilities and infrastructure. Funding comes from the General Fund, Special Revenue funds, grants and fees.

East of 101 Sewer Impact Fees Capital Projects Fund – These fees provide new development’s share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

East of 101 Traffic Impact Fees Capital Projects Fund – These fees are to provide new developments share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area.

Child Care Impact Fees Capital Projects Fund – These citywide fees provide new development’s share of new and expanded childcare facilities to serve the City.

Developer Deposits Capital Projects Fund – Accounts for a deposit by a large corporation for various capital projects the developer agreed to fund.

Capital Infrastructure Reserve Fund – Replacement, upgrade, and maintenance of the City’s infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City’s reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

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

Sewer Enterprise Fund - Accounts for user charges and debt proceeds supporting the operation, maintenance, and capital expansion of the wastewater collection and treatment system.

Parking District Fund - Accounts for meter and parking permit fees used to acquire and maintain parking facilities.

Storm Water Fund - Accounts for user charges sustaining the Storm Water Management Program mandated by state and federal authorities.

The City also reports the following fund types:

Internal Service Funds - These funds account for City services, self insurance, health and retirement benefits, and equipment replacement; all of which are provided to other departments on a cost-reimbursement basis.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds - An agency fund is used to account for assets held by the City as an agent for SSF Employee Deferred Comp Trust Oversight Fund. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

F. Basis of Accounting

The government-wide, proprietary, private-purpose trust fund, and discretely presented component unit 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.

The agency funds which only report assets and liabilities and do not have a measurement focus.

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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, interest revenue, licenses and permits, charges for services, fines and forfeitures. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes are recognized as revenue when the cash is received.

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 is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenue. Thus, both restricted and unrestricted net position may be made 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.

The City considers restricted shared state revenues such as gasoline taxes and public safety sales taxes, restricted locally imposed transportation sales taxes, fines, forfeitures, licenses, permits, charges for services, and program grants as program revenues.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Budgets, Budgetary Accounting, and Encumbrances*

The City is not legally required to budget any of its funds, but does so to enhance City management's effectiveness in their financial planning efforts and to enhance control over the City's operations. Budgets are adopted on a modified accrual basis, except for encumbrances and for the Capital Improvement Fund. Encumbrances are considered expenditures in the year of the purchase order issuance. The Capital Improvement Fund is adopted on a multi-year project basis with unexpended and unencumbered budgets reappropriated in the following year. The City operates under the general laws of the State of California (the State) and annually adopts a budget effective July 1 for the ensuing fiscal year for the General fund; Special Revenue funds; Capital Projects funds except for the Developer Deposits Capital Projects Fund; and Enterprise funds.

The budget is adopted by the City Council and controlled at the department level for the General fund and at the fund level or lower for all other funds with adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The department heads may authorize transfers within one object category within the same department within a fund. The City Manager may authorize transfers between object categories and departments within a fund.

All appropriations lapse at year-end, except for capital projects and encumbrances. Original adopted budgets and final amended budgets are presented in the basic financial statements. Supplementary budget appropriations were necessary during the year ended June 30, 2015.

Encumbrance accounting, under which, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances are reappropriated in the following year.

The budgetary comparison statements present comparisons of the legally adopted budget with actual charges to appropriations on a budgetary basis. In order to provide a meaningful comparison, the actual charges on a budgetary basis include encumbrances, which is a basis that differs significantly from those used to present financial statements in conformity with generally accepted accounting principles.

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Expenditures in Excess of Appropriations – The City had the following General Fund departments with expenditures in excess of appropriations for the year ended June 30, 2017:

	Expenditures in Excess of Budget (Non GAAP Legal Basis)
General Fund:	
City Council	\$2,450
City Attorney	3,714
City Manager	16,230
Finance	189,710
Non-departmental	556,260
Human Resources	74,322

I. Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with maturity of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool that is available for use by all funds. As the proprietary funds' share of this pool is readily available when needed, such share is also considered to be cash equivalent. Deposit assets in the proprietary funds are related to insurance and benefits and are not considered cash equivalents for purposes of the statement of cash flows.

J. Inventory and Prepaid Items - consist of consumable supplies. Inventory is stated at cost (first-in, first-out method). The costs are recorded as expenditures at the time the individual inventory or prepaid item is consumed. Reported inventory and prepaid items are equally offset by a fund balance reservation, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

K. Capital Assets - Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at acquisition value. All other 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 purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Buildings	50 years
Clean water facilities and transmission lines	40 years
Improvements	30 years
Machinery and equipment	5-20 years
Furniture and fixtures	12 years
Infrastructure	20-40 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. The capitalization level is \$20,000 for vehicles, and \$100,000 for all else, including all other equipment that is not a vehicle.

- L. *Vacation and Sick Pay*** - are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. After five to twenty years of employment, one half of accumulated sick leave becomes vested, up to a maximum amount as specified under labor contract provisions. The vested portion is available for current use or, if unused, is payable at termination or retirement.

The long-term portion of the liability for compensated absences for governmental fund type operations is recorded as compensated absences in the government-wide financial statements. The portion expected to be permanently liquidated is recorded in the Health and Retirement Benefits Internal Service Fund. Proprietary fund liabilities are recorded within their respective funds.

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$6,027,748	\$548,454	\$6,576,202
Additions	4,340,262	438,748	4,779,010
Payments	(3,853,705)	(498,685)	(4,352,390)
Ending Balance	<u>\$6,514,305</u>	<u>\$488,517</u>	<u>\$7,002,822</u>
Current Portion	<u>\$3,681,331</u>	<u>\$396,691</u>	<u>\$4,078,022</u>

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 Health and Retirement Benefits Internal Service Fund.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Property Tax Levy, Collection and Maximum Rates* - State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts. The County of San Mateo assesses properties, bills for and collects property taxes on the schedule that follows:

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

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

N. *Land held for development* - is stated at the lower of historical cost or net realizable value (equal to agreed upon sales price if a disposition and development agreement has been reached with a developer).

O. *Unbilled Services* - for the Sewer Rental Enterprise Fund are accrued at year-end.

P. *Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

Q. *Deferred Outflows/Inflows of Resources* - In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. *New Accounting Pronouncements*

Governmental Accounting Standards Board (GASB) Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68*. This Statement establishes requirements for defined benefit pension that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The statement is effective for the 2016-2017 fiscal year and had no impact on the City’s financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The statement is effective for the 2016-2017 fiscal year and had no impact on the City’s financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 77 - *Tax Abatement Disclosures*. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose information about the agreements, including (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, (2) the gross dollar amount of taxes abated during the period, and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The statement is effective for the 2016-2017 fiscal year and had no impact on the City’s financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers who employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement had no impact on the City’s financial statements.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Accounting Standards Board Statement (GASB) No. 80 - *Blending Requirements for Certain Component Unit –an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, The Financial Reporting Entity. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units – an amendment to GASB Statement No. 14. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 and had no impact on the City’s financial statements

Governmental Accounting Standards Board Statement (GASB) No. 82, - *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25, GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27, and GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement had no significant impact on the City’s financial statements.

S. Fair Value Measurements

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

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

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

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

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS

The City's goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time.

A. Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

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.

B. Classification

Cash and investments as of June 30, 2017 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Financial Statement Presentation:

Statement of Net Position:

City of South San Francisco:

Cash and investments available for operations	\$138,697,709
Restricted cash and investments	108,392
Total Primary Government cash and investments	138,806,101

Statement of Fiduciary Assets:

Cash and investments available for operations	1,496,406
Restricted cash and investments	31,158,229
Total Fiduciary cash and investments	32,654,635

Conference Center:

Cash and investments available for operations	3,240,137
Restricted cash and investments	480,922
Total South San Francisco Conference Center cash and investments	3,721,059
Total cash and investments	\$175,181,795

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the City to invest in the following provided the credit ratings of the issuers are acceptable to the City and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where it is more restrictive:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	25%	No Limit
Asset-Backed Securities	5 years	AA	20%	No Limit
Commercial Paper	270 days	A1,P1	25%	5%
Repurchase Agreements	90 days	AA	No Limit	No Limit
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$65 million	No Limit
Money Market Mutual Funds	N/A	Highest Rating Category	20%	10%
Corporate Medium-Term Notes	5 years	A	30%	5%
Supranational Obligations	5 years	AA	30%	10%

The City of South San Francisco Conference Center Authority (Authority) maintains its cash and investments separately from the City. The investment policy of the Authority contains no limitations on the amount that can be invested in any one issue beyond that stipulated by the California Government Code.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The Successor Agency to the former Redevelopment Agency must maintain required amounts o/f cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as 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 ordinance bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	N/A	N/A	No Limit
Commercial Paper	270 days	Highest Rating Category	No Limit
State and Local Investment Pool	N/A	Highest Rating Category	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	AAA	No Limit
Municipal Obligations	N/A	Highest Rating Category	No Limit
State Obligations	N/A	Two Highest Rating Categories	No Limit

(A) Guaranteed Investment Contracts must be fully collateralized with U.S. Treasury Obligations or U.S. Agency Obligations.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City of South San Francisco Conference Center Authority 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 as reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with the Authority's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	N/A	N/A	10%
Negotiable Certificates of Deposit	N/A	A	No Limit
Commercial Paper	N/A	Aaa	No Limit
Corporate Notes	N/A	A	No Limit
Money Market	N/A	N/A	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	AAA	No Limit

- (A) Guaranteed Investment Contracts must be fully collateralized with U.S. Treasury Obligations or U.S. Agency Obligations.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk by holding most investments to maturity, thus reversing unrealized market gains and losses.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Remaining maturity		Total
	Less than 1 year	One to Five Years	
<i>City and Fiduciary:</i>			
U.S. Agency Securities			
Non-callable		\$23,853,192	\$23,853,192
U.S. Treasury Notes		21,703,495	21,703,495
Local Agency Investment Fund	\$61,140,370		61,140,370
Money Market Funds	23,855,234		23,855,234
Guaranteed Investment Agreements		303,000	303,000
Corporate Notes		19,572,677	19,572,677
Commercial Paper	3,083,238		3,083,238
Asset-Backed Securities		8,508,998	8,508,998
Supranational Obligations		6,522,240	6,522,240
<i>South San Francisco Conference Center:</i>			
Local Agency Investment Fund	2,712,089		2,712,089
Money Market Funds	480,922		480,922
Total Investments	\$91,271,853	\$80,463,602	171,735,455
Cash in Banks and on Hand - City of South San Francisco			2,918,292
Cash in Banks and on Hand - South San Francisco Conference Center			528,048
Total Cash and Investments			\$175,181,795

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and 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, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments have an average maturity of 197 days.

Money market funds are available for withdrawal on demand and as of June 30, 2017 have an average maturity of 36 days.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. 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 actual rating as of June 30, 2017, for each of the Primary Government's investment types as provided by Moody's investment rating system, except as noted:

Investment Type	Aaa	Aaa-mf	Aa1-Aa3	A1-A3	P-1	Total
<i>City and Fiduciary:</i>						
U.S. Agency Securities						
Non-callable	\$23,853,192					\$23,853,192
Money Market Funds		\$23,855,234				23,855,234
Corporate Notes	2,137,799		\$2,458,913	\$14,975,965		19,572,677
Commercial Paper					\$3,083,238	3,083,238
Asset-Backed Securities	5,345,203					5,345,203
Supranational Obligations	6,522,240					6,522,240
<i>South San Francisco Conference Center:</i>						
Money Market Funds		480,922				480,922
Totals	<u>\$37,858,434</u>	<u>\$24,336,156</u>	<u>\$2,458,913</u>	<u>\$14,975,965</u>	<u>\$3,083,238</u>	<u>82,712,706</u>
<i>City and Fiduciary:</i>						
<i>Not rated:</i>						
Guaranteed Investment Agreements						303,000
Asset Backed Securities						3,163,795
Local Agency Investment Fund						61,140,370
<i>Exempt from credit rate disclosure:</i>						
U.S. Treasury Notes						21,703,495
<i>South San Francisco Conference Center:</i>						
<i>Not rated:</i>						
Local Agency Investment Fund						<u>2,712,089</u>
Total Investments						<u>\$171,735,455</u>

G. Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments are as follows at June 30, 2017:

Issuer	Investment Type	Amount
Federal National Mortgage Association	U.S. Agency Securities	\$11,478,950

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2017:

	Level 2	Total
<i>Investments by Fair Value Level:</i>		
City and Fiduciary:		
U.S. Agency Securities		
Non-callable	\$23,853,192	\$23,853,192
U.S. Treasury Notes	21,703,495	21,703,495
Corporate Notes	19,572,677	19,572,677
Commercial Paper	3,083,238	3,083,238
Asset Backed Securities	8,508,998	8,508,998
Supranational Obligations	6,522,240	6,522,240
Totals	\$83,243,840	83,243,840
 <i>Investments Measured at Amortized Cost:</i>		
City and Fiduciary:		
Guaranteed Investment Agreements		303,000
Money Market Mutual Funds		23,855,234
South San Francisco Conference Center:		
Money Market Mutual Funds		480,922
<i>Investments Exempt from Fair Value Hierarchy:</i>		
City and Fiduciary:		
Local Agency Investment Fund		61,140,370
South San Francisco Conference Center:		
Local Agency Investment Fund		2,712,089
Total Investments		\$171,735,455

All Investments classified in Level 2 of the fair value hierarchy are valued using various pricing techniques maintained by Interactive Data Pricing, including benchmark curves, sector groupings and matrix pricing. These prices are obtained from various pricing sources by the City's investment manager. Money market funds and guaranteed investment agreements were reported at amortized cost.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 3 - CAPITAL ASSETS

A. Capital Asset Changes – Changes in capital assets during the fiscal year consist of:

	Balance June 30, 2016	Additions	Retirements	Transfers	Transfers from Successor Agency	Balance June 30, 2017
Governmental activities						
Capital assets not being depreciated:						
Land	\$47,563,435		(\$7,481,022)		\$30,153,572	\$70,235,985
Construction in Progress	26,684,122	\$5,958,669	(14,051)	(\$21,968,404)		10,660,336
Total capital assets not being depreciated	74,247,557	5,958,669	(7,495,073)	(21,968,404)	30,153,572	80,896,321
Capital assets being depreciated:						
Buildings and Improvements	84,955,957		(710,000)	4,939,432	2,266,120	91,451,509
Infrastructure - Streets	183,079,365			11,848,800		194,928,165
Infrastructure - Storm Drains	8,927,492					8,927,492
Infrastructure - Traffic Control Devices	5,138,138			4,403,511		9,541,649
Equipment and Vehicle	6,387,999	354,343	(77,289)			6,665,053
Furniture and Fixtures	1,837,554			776,661		2,614,215
Total capital assets being depreciated	290,326,505	354,343	(787,289)	21,968,404	2,266,120	314,128,083
Less accumulated depreciation for:						
Buildings and Improvements	(32,650,324)	(2,235,450)	71,000		(359,663)	(35,174,437)
Infrastructure - Streets	(90,483,589)	(5,528,966)				(96,012,555)
Infrastructure - Storm Drains	(2,957,561)	(204,500)				(3,162,061)
Infrastructure - Traffic Control Devices	(2,586,321)	(293,288)				(2,879,609)
Equipment and Vehicle	(5,993,033)	(144,686)	77,289			(6,060,430)
Furniture and Fixtures	(1,445,914)	(63,425)				(1,509,339)
Total accumulated depreciation	(136,116,742)	(8,470,315)	148,289		(359,663)	(144,798,431)
Net Governmental Fund						
Capital Assets Being Depreciated	154,209,763	(8,115,972)	(639,000)	21,968,404	1,906,457	169,329,652
Internal Service Fund Capital Assets						
Capital assets not being depreciated:						
Construction in Progress	103,736	162,140		(103,736)		162,140
Total capital assets not being depreciated	103,736	162,140		(103,736)		162,140
Capital assets being depreciated:						
Equipment and Vehicle	13,399,977	1,467,128	(83,403)	103,736		14,887,438
Accumulated depreciation	(8,579,956)	(760,921)	83,403			(9,257,474)
Net Internal Service Fund Capital Assets Being Depreciated	4,820,021	706,207		103,736		5,629,964
Governmental activity capital assets, net	\$233,381,077	(\$1,288,956)	(\$8,134,073)		\$32,060,029	\$256,018,077

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance June 30, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Business-type activities					
Capital assets, not being depreciated:					
Land	\$1,396,758				\$1,396,758
Construction in Progress	12,111,583	\$2,512,908	(\$776,755)	(\$6,999,192)	6,848,544
Total capital assets not being depreciated	13,508,341	2,512,908	(776,755)	(6,999,192)	8,245,302
Capital assets being depreciated:					
Buildings and Improvements	66,715,639				66,715,639
Clean Water Facilities and Lines	75,522,774				75,522,774
Infrastructure - Storm Drains	4,773,977				4,773,977
Infrastructure - Streets	7,377,546				7,377,546
Equipment and Vehicle	11,179,118	336,692		6,999,192	18,515,002
Furniture and Fixtures	31,154				31,154
Total capital assets being depreciated	165,600,208	336,692		6,999,192	172,936,092
Less accumulated depreciation for:					
Buildings and Improvements	(14,543,959)	(1,611,714)			(16,155,673)
Clean Water Facilities and Lines	(25,389,813)	(1,888,070)			(27,277,883)
Infrastructure - Storm Drains	(716,094)	(159,132)			(875,226)
Infrastructure - Streets	(1,421,551)	(209,570)			(1,631,121)
Equipment and Vehicle	(9,833,073)	(503,528)			(10,336,601)
Furniture and Fixtures	(31,154)				(31,154)
Total accumulated depreciation	(51,935,644)	(4,372,014)			(56,307,658)
Net capital assets being depreciated	113,664,564	(4,035,322)		6,999,192	116,628,434
Business-type activity capital assets, net	\$127,172,905	(\$1,522,414)	(\$776,755)		\$124,873,736

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Component Unit:				
South San Francisco Conference Center				
Buildings and Improvements	\$10,654,098	\$280,006	(\$111,647)	\$10,822,457
Furniture and Fixtures	714,158	67,307		781,465
Machinery and equipment	206,896	43,127	(12,466)	237,557
Total:	11,575,152	390,440	(124,113)	11,841,479
Less accumulated depreciation	(7,871,477)	(474,542)	124,113	(8,221,906)
Component unit, net	\$3,703,675	(\$84,102)		\$3,619,573

B. Capital Asset Contributions - Some capital assets may have been acquired using federal and State grant funds, or were contributed by developers or other governments. Contributed capital assets are valued at their estimated acquisition value on the date contributed. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 3 - CAPITAL ASSETS (Continued)

C. **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

Governmental functions	
General government	\$627,468
Fire	385,741
Police	50,479
Public works	6,915,857
Parks and recreation	403,851
Library	60,001
Economic and community development	26,918
Total Governmental Functions	8,470,315
Internal Service Funds	760,921
Total Governmental Activities	\$9,231,236

Business-Type Activities

Sewer Enterprise	\$4,104,621
Parking District	255,015
Storm Water	12,378
Total Business-Type Activities	\$4,372,014

NOTE 4 - INTER-FUND TRANSACTIONS

A. **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.

B. **Inter-fund Receivables and Payables**

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year.

Due From Other Fund	Due to Other Fund	Amount
General Fund	Capital Improvement	
	Capital Projects Fund	\$335,000
	Non-major Governmental Funds	1,000
		\$336,000

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 4 - INTER-FUND TRANSACTIONS (Continued)

C. Transfers

Resources may be transferred from one City fund to another. Transfers routinely fund capital projects or capital outlays, lease or debt service payments, and operating expenses. The purpose of majority of these transfers is to reimburse a fund that has made an expenditure on behalf of another fund. Some expenditures reimbursed were for capital projects, debt service, maintenance and operating expenses, and contributions for post-employment benefits.

Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

FROM FUND (OUT)	TO FUND (IN)	AMOUNT
General Fund	Capital Improvement Capital Projects Fund	\$2,335,199
	Capital Infrastructure Reserve Capital Projects Fund	2,266,000
	Storm Water Enterprise Fund	275,861
	Internal Service Funds	1,032,576
East of 101 Sewer Impact Fees Capital Project Fund	Sewer Enterprise Fund	1,860
East of 101 Traffic Impact Fees Capital Project Fund	Capital Improvement Capital Projects Fund	284,133
Developer Deposit Capital Projects Funds	Capital Improvement Capital Projects Fund	5,103
Capital Infrastructure Reserve Capital Projects Fund	General Fund	4,426,952
	Capital Improvement Capital Projects Fund	908,910
	Non-major Governmental Funds	459,633
Non-major Governmental Funds	General Fund	1,594,901
	Capital Improvement Capital Projects Fund	1,550,054
	Capital Infrastructure Reserve Capital Projects Fund	400,000
	Storm Water Enterprise Fund	827,317
Internal Service Funds	Capital Improvement Capital Projects Fund	96,245
	Total	<u>\$16,464,744</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 5 - LONG-TERM DEBT

A. Current Year Transactions and Balances

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2017 follows:

	Authorized and Issued	Balance at June 30, 2016	Retirement	Balance at June 30, 2017	Current Portion
Governmental Activities:					
2007 Loans Payable to the Successor Agency (1)		\$10,714,152	\$23,000	\$10,691,152	
Total Governmental Activities Debt		<u>10,714,152</u>	<u>23,000</u>	<u>10,691,152</u>	
Capital Leases (2):					
2008 Two Fire Trucks		260,154	100,982	159,172	\$105,061
2010 Two Ambulances		131,959	87,190	44,769	44,768
2010 Two Fire Trucks		558,395	115,736	442,659	120,353
2013 Fire Truck		937,135	123,576	813,559	126,860
2014 Sweeper		351,355	137,991	213,364	141,379
Total Capital Leases		<u>2,238,998</u>	<u>565,475</u>	<u>1,673,523</u>	<u>538,421</u>
Net Governmental Long-Term Debt		<u>\$12,953,150</u>	<u>\$588,475</u>	<u>\$12,364,675</u>	<u>\$538,421</u>
Business-Type Activities:					
1999 State Water Resources Loan, 2.6%, due 8/1/22 (3)	\$47,721,252	\$20,705,346	\$2,735,082	\$17,970,264	\$2,806,193
2004 State Water Resources Loan, 2.5%, due 1/1/27 (3)	21,258,529	12,270,846	1,095,280	11,175,566	1,122,663
2008 State Water Resources Loan, 2.4%, (4)	9,164,505	6,416,640	426,438	5,990,202	436,673
2005 Sewer Revenue Bonds, 2.75 to 5.0%, due 04/30/26 (5)	6,000,000	3,850,000	280,000	3,570,000	295,000
Total Enterprise Fund Long-Term Debt	<u>\$84,144,286</u>	<u>\$43,242,832</u>	<u>\$4,536,800</u>	<u>\$38,706,032</u>	<u>\$4,660,529</u>
Component Unit - Conference Center:					
2003 Revenue Bonds, 2.25% to 4.0%, due 9/1/18 (6)	\$5,865,000	\$1,330,000	\$425,000	\$905,000	\$445,000
Unamortized refunding loss on 2003 bonds		(50,819)	(26,515)	(24,304)	
Total Conference Center	<u>\$5,865,000</u>	<u>\$1,279,181</u>	<u>\$398,485</u>	<u>\$880,696</u>	<u>\$445,000</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 5 - LONG-TERM DEBT (Continued)

(1) As of June 30, 2017, the Oyster Point Improvements Impact Fund owed Successor Agency (formerly the Merged Redevelopment Project Area Capital Project Fund) for developer fees in the amount of \$10,691,152 for the Flyover and Hookramps Projects that were completed in prior years. The outstanding balance will be paid off from the future developer fees. With the dissolution of the Agency effective January 31, 2012, the Successor Agency assumed the asset which the City is to repay. This payable is recorded as a long-term obligation (see also Note 13). Prior to the dissolution of all Redevelopment Agencies in California by the State, the former Redevelopment Agency (Agency) advanced \$12,176,207 to the Oyster Point Improvement Impact Fee Capital Projects Fund (the Oyster Point Fund). The impact fees are collected according to a fee methodology adopted under the terms of AB 1600. The fees are assessed against commercial development in a specific geographic area that is primarily east of Highway 101 to repay the former Agency for the funds it advanced to the Oyster Point Fund to pay for freeway interchange improvements at Highway 101 and Oyster Point Blvd, and are assessed per an adopted Engineering report's formula that measures each new development's impact on the area's trip traffic. While the former Agency advanced the funds, the impact fee was put in place specifically to charge future developers for their share of traffic trips generated prior to the construction of the improvements. When the Agency was dissolved, the Successor Agency, and therefore, all local taxing entities, are entitled to receive future Oyster Point Impact fees collected by the City from developers. Future developers, not the City of South San Francisco, are legally obligated to pay the future fees until the liability owed to the Successor Agency is paid off as long as the fee continues to be levied and is in place. The repayment has significantly slowed since 2007, as development has subsided and fees assessed have therefore dropped. Management believes it may take 10-30 years or more before the Successor Agency is fully paid back.

(2) The City has entered into long-term **capital leases** with various financing agencies. Under these capital leases, all leased assets shall be distributed to the City at the end of the lease terms and shall thereafter remain the sole property of the City. Therefore, these capital leases have been recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets have been included in the Statement of Net Position as appropriate. Capital lease payments are made from revenues of the Equipment Replacement Internal Service Fund and the General Fund.

(3) The two loans were authorized by the **State Water Resources Control Board** to improve and expand the City's wastewater treatment plant. Loan proceeds were issued as the projects progressed and debt service payments commenced one year after project completion. Sewage treatment user fees support the debt service payments.

(4) **State Water Resources Control Board Loan** – In November 2007, the City approved the \$11.8 million loan agreement with State Water Resources Control Board (SWRCB) to finance the City's Wet Weather Program project. Under the terms of the contract, the City has agreed to repay \$11.8 million to the State in exchange for receiving \$9.2 million in proceeds to be used to fund the Project. The difference between the repayment obligation and proceeds amounted to \$2.6 million and represents in-substance interest on the outstanding balance. Debt service payments commenced on August 15, 2009.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 5 - LONG-TERM DEBT (Continued)

(5) On October 25, 2005, the California Statewide Communities Development Authority issued **2005D Water and Wastewater Revenue Bonds**. The City participated in the pooled bond sale and the City's portion of debt is \$6,000,000. Proceeds were used to finance sewer system capital improvement. The principal payment on the debt commenced in October 2006 and is due each October 1. Final principal payment is due on October 1, 2026. Interest payment at the rate of 4.457% is payable semi-annually each April 1 and October 1.

The 2005 Water and Wastewater Revenue Bonds are secured by a pledge of net revenues of the City's Enterprise system. Net Revenues available for debt service amounted to \$8.3 million which represented coverage of 18.5 over the \$449,976 in debt service.

(6) On June 1, 2003, the City of South San Francisco Capital Improvement Financing Authority (CIFA) issued \$5,865,000 of **2003 Revenue Bonds**. The CIFA was created through a joint exercise of powers agreement between the City and the City of South San Francisco Financing Authority for the purpose of obtaining financing for capital improvements. The 2003 Revenue Bonds are obligations of the CIFA although the Authority is required to make the bond principal and interest payments in return for the use and ownership of the improvements to the leased buildings that comprise the Conference Center's facilities. The Authority has pledged the \$2.50 tax imposed on the City's hotel occupants on a per day per room basis as the sole source of repayment of these obligations. The 2003 revenue bonds are, in substance, obligations of the Authority and have therefore been recorded as such in these discretely presented component unit financial statements.

The 2003 revenue bonds were issued for the purpose of refunding the 1993 revenue bonds. The refunding reduced required interest payments and did not extend the maturities on the bonds. The advance refunding reduced the Authority's total debt service payments by \$846,859 and resulted in an accounting loss of \$401,345, which has been deferred in accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities. This loss is being amortized over the remaining life of the old debt and the remaining balance is reported as a deferred outflow of resources. The 2003 revenue bonds bear interest rates ranging from 2.25% to 4.00% and mature on September 1, 2018.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 5 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Future debt service requirements, including interest and capital leases, but excludes the 2007 and 2008 Loans payable to the Redevelopment Successor Agency at June 30, 2017, were as follows:

For the Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Conference Center Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$538,422	\$47,431	\$4,660,530	\$1,060,207	\$445,000	\$35,644
2019	381,483	30,743	4,782,037	942,915	460,000	18,400
2020	263,839	20,330	4,906,394	822,328		
2021	204,251	11,582	5,038,676	698,146		
2022	140,892	6,614	5,173,954	570,292		
2023-2027	144,636	2,870	13,024,062	1,025,946		
2026-2029			1,120,379	23,621		
Totals	\$1,673,523	\$119,570	\$38,706,032	\$5,143,455	\$905,000	\$54,044

Certificates of Participation and Capital Leases are issued for the purpose of financing the construction or acquisition of projects defined in each leasing arrangement. Projects are leased to the City for lease payments which, together with unspent proceeds of the leasing arrangement, will be sufficient to meet the debt service obligations of the leasing arrangement. At the termination of the leasing arrangement, title to the project will pass to the City.

Leasing arrangements are similar to debt; they allow investors to participate in a share of guaranteed payments which are made by the City. Because they are similar to debt, the present value of the total of the payments to be made by the City is recorded as long-term debt. The City's leasing arrangements are included in long term obligations discussed above.

A summary of capital assets leased through the issuance of leasing arrangements follows:

Leasing Arrangement	Fund/Activity	Original Cost
Capital Leases	Governmental Activity	\$5,842,799

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 6 - NET POSITION AND FUND BALANCES

A. *Net Position*

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

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

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

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

B. *Fund Balance*

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.

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

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

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 6 – NET POSITION AND FUND BALANCE (Continued)

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. The City Council had delegated authority to the Finance Director to assign fund balances which are not otherwise restricted or committed. This category includes nonspendables, when it is the City’s intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

Minimum Fund Balance Policies - The City’s Reserve Policy is to have the General Fund Reserves equal to at least two months of operating revenues of 15% and up to 20%, which is in alignment with GFOA best practices. Included is an emergency reserve that reflects 2% of the general fund operating expenditures budget as well as an economic contingency which is 7% of general fund revenues. Funds in excess of these requirements will continue to be earmarked for paying down long-term liabilities, such as the Retiree Health/Other Post-Employment Benefits (OPEB) or for Infrastructure and Facilities Replacement needs.

Detailed classifications of the City’s Fund Balances, as of June 30, 2017, are below:

Fund Balance Classifications	General Fund	Low and Moderate Income Housing Assets	Capital Project Funds	
			Capital Improvement	East of 101 Sewer Impact Fees
Nonspendables:				
Items not in spendable form:				
Inventory and prepaid items	\$474			
Total Nonspendable Fund Balances	474			
Restricted for:				
Sewer Impact Fees				\$688,223
Low and moderate housing projects		\$4,658,178		
Total Restricted Fund Balances		4,658,178		688,223
Committed for:				
Capital projects	2,490,575			
Local services	9,290,149			
Total Committed Fund Balances	11,780,724			
Assigned to:				
Capital projects	5,244,279			
Total Assigned Fund Balances	5,244,279			
Unassigned:				
General fund	39,278,746			
Capital Improvement Fund			(\$88,331)	
Total Unassigned Fund Balances	39,278,746		(88,331)	
Total Fund Balances	\$56,304,223	\$4,658,178	(\$88,331)	\$688,223

(Continued)

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 6 – NET POSITION AND FUND BALANCE (Continued)

Fund Balance Classifications (continued)	Capital Project Funds				Other Governmental Funds
	East of 101 Traffic Impact Fees	Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve Fund	
Restricted for:					
Traffic impact fees projects	\$7,045,993				
Child Care impact fees projects		\$3,399,688			
Developer deposit fees projects			\$72,884		
Capital infrastructure projects				\$14,525,445	
Gas Tax projects					\$931,545
Developer contributions projects					4,877,868
Community Development Block Grant projects					478,890
Maintenance districts projects					2,562,369
Transportation sales tax projects					2,189,418
City programs projects					4,135,445
Other Special Revenues projects					5,221,104
Capital projects activities					4,408,450
Total Restricted Fund Balances	<u>7,045,993</u>	<u>3,399,688</u>	<u>72,884</u>	<u>14,525,445</u>	<u>24,805,089</u>
Total Fund Balances	<u>\$7,045,993</u>	<u>\$3,399,688</u>	<u>\$72,884</u>	<u>\$14,525,445</u>	<u>\$24,805,089</u>

C. Net Deficit

The Capital Improvement Capital Projects Fund had net deficit in the amount of \$88,331. Future revenues are expected to offset the deficit.

The Health and Retirement Benefits Internal Service Fund had net deficit in the amount of \$17,704,113 at June 30, 2017. This deficit is attributable to the Net OPEB Obligation described in Note 9.

D. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Unexpended appropriations lapse at year-end and must be reappropriated in the following year. Encumbrances outstanding in governmental funds as of June 30, 2017, were as listed below:

Governmental funds:	Amount
General Fund	\$5,244,279
Capital Improvement Capital Projects Fund	3,767,942
Other Governmental Funds	<u>220,876</u>
Total	<u>\$9,233,097</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 7 – PENSION PLANS

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

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution.

CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		
	Classic Plan	Classic Plan	PEPRA Plan
Hire date	Prior to April 25, 2010	After April 25, 2010	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-60	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.5%
Required employer contribution rates	27.822%	27.822%	27.822%

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 7 – PENSION PLAN (Continued)

	Safety		
	Classic Plan	Classic Plan	PEPRA Plan
Hire date	Prior to April 25, 2010	After April 25, 2010	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.5%
Required employer contribution rates	43.678%	43.678%	43.678%

Employees Covered – As of the June 30, 2015 actuarial valuation date and the June 30, 2016 measurement date, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	413	271
Inactive employees entitled to but not yet receiving benefits	311	104
Active employees	253	159
Total	977	534

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

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 7 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous and Safety
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment Expenses, includes Inflation
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter
Mortality	Derived using CalPERS Membership Data for all Funds (1)

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report.

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 7 – PENSION PLAN (Continued)

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 7 – PENSION PLAN (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan are as follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$198,871,260	\$142,302,730	\$56,568,530
Changes in the year:			
Service cost	3,079,994		3,079,994
Interest on the total pension liability	14,870,988		14,870,988
Changes of benefit terms			
Changes of assumptions			
Differences between actual and expected experience	(476,337)		(476,337)
Plan to plan resource movement		229	(229)
Contribution - employer		5,726,981	(5,726,981)
Contribution - employees		1,622,453	(1,622,453)
Net investment income		687,860	(687,860)
Benefit payments, including refunds of employee contributions	(11,085,829)	(11,085,829)	0
Administrative expenses		(86,726)	86,726
Net changes	<u>6,388,816</u>	<u>(3,135,032)</u>	<u>9,523,848</u>
Balance at June 30, 2016	<u>\$205,260,076</u>	<u>\$139,167,698</u>	<u>\$66,092,378</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$268,679,186	\$195,205,601	\$73,473,585
Changes in the year:			
Service cost	5,329,842		5,329,842
Interest on the total pension liability	20,134,558		20,134,558
Changes of benefit terms			
Changes of assumptions			
Differences between actual and expected experience	(915,267)		(915,267)
Plan to plan resource movement		(229)	229
Contribution - employer		8,535,737	(8,535,737)
Contribution - employees		1,961,907	(1,961,907)
Net investment income		950,612	(950,612)
Benefit payments, including refunds of employee contributions	(14,463,995)	(14,463,995)	0
Administrative expenses		(118,968)	118,968
Net changes	<u>10,085,138</u>	<u>(3,134,936)</u>	<u>13,220,074</u>
Balance at June 30, 2016	<u>\$278,764,324</u>	<u>\$192,070,665</u>	<u>\$86,693,659</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 7 – PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$91,969,258	\$124,134,164
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$66,092,378	\$86,693,659
1% Increase	8.65%	8.65%
Net Pension Liability	\$44,630,768	\$55,923,952

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

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

For the year ended June 30, 2017, the City recognized negative pension expenses of \$986,502 and \$468,896 for the Miscellaneous and Safety Plans, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$5,228,454	
Changes of assumptions		(\$674,931)
Differences between actual and expected experience		(599,362)
Net differences between projected and actual earnings on plan investments	7,536,073	
Total	\$12,764,527	(\$1,274,293)

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 7 – PENSION PLAN (Continued)

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$8,071,060	
Changes of assumptions		(\$2,052,483)
Differences between actual and expected experience		(2,472,336)
Net differences between projected and actual earnings on plan investments	10,644,950	
Total	\$18,716,010	(\$4,524,819)

\$13,299,514 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan:

Year Ended June 30	Annual Amortization
2018	(\$165,956)
2019	917,804
2020	3,509,205
2021	2,000,727

Safety Plan:

Year Ended June 30	Annual Amortization
2018	(\$1,316,785)
2019	(28,854)
2020	4,706,291
2021	2,759,479

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 8 - DEFERRED COMPENSATION PLAN

A. *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 it is 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 9 – OTHER POST-EMPLOYMENT BENEFITS

The City provides certain health care benefits for all employees who retire after attaining age 50 with at least five years of service or disability at any age. The City provides certain health care benefits for those employees hired prior to April 25, 2010. In order to reduce the City's OPEB obligations over time, the City changed to a defined contribution post-retirement health plan for employees hired as of April 25, 2010 or after. For those new hires, the City is now providing a medical after retirement health plan (MARA), and contributes 1.5% of salary for those plans.

Benefits are provided as authorized by various memorandums of understanding entered into by the City and its employees. As of June 30, 2017, approximately 384 retirees were eligible to receive benefits. The City provides fully paid medical coverage under various health care plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

Eligibility	* Hired < 4/25/2010 * Age 50 and 5 years City service or disability at any age after 5 years service
Medical Benefit	* City pays single premium up to largest HMO single premium. Cap for 2016/2017: - \$1,097.70/month pre-65 (Blue Shield) - \$575.70/month post-65 Medical eligible (Blue Shield) - \$1,720.17/ month post-65 not Medicare eligible (Kaiser) * Medicare ineligible retirees allowed to stay in their pre-Medicare premium plans after age 65 * City pays premium and reimburses Medicare Part B hired before 4/25/2010 only
Surviving Spouse Benefit	* Participation with premium payment * AFSCME, Local 1569, Mid-Management, IAFF - surviving spouses covered 2 months following death of retiree
Dental, Vision, & Life	None

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

During fiscal year 2009, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior years financial statements. Required disclosures are presented below. The City offers retirees a single-employer postemployment benefits plan that is administered by the City. The City’s Health and Retirement Benefits Fund hold assets designated for the payment of City’s OPEB obligations.

The City joined the California Employers’ Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans.

A. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a June 30, 2015 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) 4.0% investment rate of return if not pre-funded and assets remain in City’s own investment portfolio; 5.22% if pre-funded with CERBT, (b) 3.25% projected annual salary increase, (c) 3.0% inflation rate.

The actuarial assumptions also included the following health care cost trend:

Year	Non-Medicare	Medicare
2016	Actual Premiums	
2017	Actual Premiums	
2018	6.5%	6.7%
2019	6.0%	6.1%
2020	5.5%	5.6%
2021+	5.0%	5.0%

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 on a closed basis using a 22-year amortization period.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 9 – OTHER 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 2017, the City made contribution less than the ARC as presented below:

Annual required contribution (ARC)	\$6,233,000
Interest on net OPEB Obligation	1,153,000
Adjustment to annual required contribution	(2,436,000)
Annual OPEB cost	4,950,000
Contributions made:	
Benefits paid	2,879,906
Prefunding contribution to trust	801,762
Total contributions	3,681,668
Change in net OPEB Asset / (Obligation)	(1,268,332)
Net OPEB Asset / (Obligation) at June 30, 2016	(24,904,700)
Net OPEB Asset / (Obligation) at June 30, 2017	(\$26,173,032)

The Plan's annual required contributions and actual contributions for the year ended June 30, 2017 is set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2015	\$5,884,000	\$13,895,000	236%	\$23,810,700
6/30/2016	5,177,000	4,083,000	79%	24,904,700
6/30/2017	4,950,000	3,681,668	74%	26,173,032

Funded Status and Funding Progress – As of June 30, 2015, the most recent actuarial valuation date, the plan was 21.9% funded. The Actuarial Accrued Liability (AAL) for benefits was \$73,752,000 and the Actuarial Value of Plan Assets was \$16,175,000 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$57,577,000. The covered payroll (annual payroll of active employees covered by the plan) was \$24,471,000 and the ratio of UAAL to the covered payroll was 235.3%.

The schedule of funding progress presented immediately following the financial statements as required supplementary information, 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. A separate audited GAAP basis for this post-employment benefit plan report is not available.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS

The City participates in the jointly governed organizations 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 organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint organization, 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 this joint organization are not the City's responsibility and the City does not have an equity interest in the assets of each joint organization except upon dissolution of the joint organization.

A. *Oyster Point Marina*

(OPM) was established in 1977 by the City and the San Mateo County Harbor District (Harbor District) for the purpose of expanding, improving and operating the Oyster Point Marina and Park. The governing board consists of two of the City's council members and two Harbor District commissioners. The Harbor District operates OPM. Operation of the Marina provides revenues for the marina's operations. The City retains title to the land; however, the City is not liable for any obligations of the San Mateo County Harbor District. Condensed unaudited financial information may be obtained from San Mateo County Harbor District, #1 Johnson Pier, Half Moon Bay, CA 94019.

B. *Peninsula Traffic Congestion Relief Alliance*

(PTCRA) was formed from the merger of The Inter City Transportation Systems Management Agency and Multi-City Transportation Systems Management Agency (MCTSMA) in 2000. The members are Cities of South San Francisco, Brisbane, Colma, Daly City, Half Moon Bay, Millbrae, Pacifica and San Bruno and seven other members for the purpose of mitigating traffic congestion. The governing board consists of one council member from each member city. The finance director of Daly City acts as the treasurer and controller of PTCRA. The individual cities are not liable for the debts, liabilities or obligations of PTCRA. Each member city has an equal interest in PTCRA. Condensed accrual basis unaudited financial information may be obtained from the City of Daly City Finance Department, 333 90th Street, Daly City, CA 94015.

C. *City/County Association of Governments*

(C/CAG) was established in 1990 by the County of San Mateo and the Cities of San Mateo County for preparation, adoption, monitoring and enforcing of Countywide state mandated plans. A Board of Directors consisting of one council member from each member city and one member from the County Board of Supervisors governs C/CAG. The city treasurer of San Carlos acts as the treasurer of C/CAG. The individual cities and the County are not liable for the debts, liabilities, or obligations of C/CAG. Condensed unaudited cash basis financial information may be obtained from the City of San Carlos Finance Department, 666 Elm Street, San Carlos, CA 94070.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 11 - 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 \$5,000,000 of general liability and automobile coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 self-insured retention. The City's liability coverage through ABAG is a total of \$30 million, with the first \$5 million covered out of ABAG's financial reserves, and with the next \$25 million covered from two excess insurance policies acquired by ABAG. The Plan includes a per occurrence or wrongful act or employee benefit wrongful act up to \$10,000,000 with two retained limits of \$5,000,000. For the year ended June 30, 2017, the City paid ABAG Plan \$1,018,320 in premiums and did not receive a refund of premiums paid in prior years. ABAG Plan has not determined the value of the City's interest in its net position. 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 CSAC Excess Insurance Authority \$500,000 self-insured retention. For the past five fiscal years, general liability and worker compensation settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Self Insurance Internal Service Fund. 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.

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 year's claims experience as follows:

	June 30, 2017			Fiscal Year
	Workers' Compensation	General Liability	Total	2015-2016 Total
Balance, beginning of year	\$11,228,000	\$172,947	\$11,400,947	\$11,344,000
Current year claims and changes in estimates of prior years claims	3,148,309	415,602	3,563,911	2,869,747
Claims Paid	(1,681,309)	(310,607)	(1,991,916)	(2,812,800)
Balance, end of year	<u>\$12,695,000</u>	<u>\$277,942</u>	<u>\$12,972,942</u>	<u>\$11,400,947</u>
Current portion	<u>\$562,000</u>	<u>\$150,000</u>	<u>\$712,000</u>	<u>\$712,000</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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 as amended 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. *Rental Revenues From Use of City Property*

The Conference Center Authority, a discrete component unit, leases land from the City under an operating lease commencing on January 1, 1999, with a 30-year term from February 1, 1999, to January 31, 2029. The rent amount is subject to re-negotiation at the option of either party between January 1 and February 28, 2009 and 2019. These leases are considered for accounting purposes to be operating leases. Property lease revenue from the Conference Center Authority during the year fiscal year ended June 30, 2017, was \$420,000. The cost and carrying amount of leased land under this lease receivable is \$5,040,000. Future minimum lease payments from the Conference Center Authority land leases are as follows:

Year ending June 30	Component Unit Conference Center
2018	\$420,000
2019	420,000
2020	420,000
2021	420,000
2022	420,000
2023-2027	2,100,000
2028-2029	570,000
Total	\$4,770,000

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Price Club Associates leases the land for the Costco store on South Airport Boulevard from the City. Lease payments are based on a percentage of Costco's gross annual sales, with minimum annual rent set at \$400,000, payable in monthly installments of \$33,333. In fiscal 2014, Costco exercised the option to extend the lease through fiscal year 2029, with an option for a 6 year extension through fiscal year 2035. In fiscal 2017 lease payments were \$400,000.

Magnolia Housing leases the land for Magnolia Plaza Senior Apartments from the City. Minimum lease payments are set at \$51,800, and are payable through the fiscal year 2062. In fiscal year 2017 lease payments were \$51,800.

Future minimum lease revenues for the Costco and Magnolia Plaza leases are as follows:

Year ending June 30:	Costco	Magnolia Plaza	Total
2018	\$400,000	\$51,800	\$451,800
2019	400,000	51,800	451,800
2020	400,000	51,800	451,800
2021	400,000	51,800	451,800
2022	400,000	51,800	451,800
2023-2027	2,000,000	259,000	2,259,000
2028-2032	2,000,000	259,000	2,259,000
2033-2037	800,000	259,000	1,059,000
2038-2042		259,000	259,000
2043-2047		259,000	259,000
2048-2052		259,000	259,000
2053-2057		259,000	259,000
2058-2062		259,000	259,000
	<u>\$6,800,000</u>	<u>\$2,331,000</u>	<u>\$9,131,000</u>

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

The activities of the Successor Agency are reported in the Successor Agency to the former Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Information presented in the following footnotes represents assets and liabilities of the Successor Agency.

A. Cash and Investments

Cash and investments of the Successor Agency as of June 30, 2017 are discussed in Note 2 to the financial statements. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2017.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)
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B. *Loans Receivable*

The Successor Agency assumed the non-housing loans receivable of the former Redevelopment Agency as of February 1, 2012. The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided to homeowners or developers who agreed to expend these funds in accordance with the Agency’s terms.

C. *Capital Assets*

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency’s policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

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

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

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

Buildings	50 years
Improvements	30 years
Machinery and equipment	5-20 years
Furniture and fixtures	12 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. The capitalization level is \$20,000 for vehicles, and \$100,000 for all else, including all other equipment that is not a vehicle.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Capital assets recorded at June 30 are comprised of:

	Balance June 30, 2016	Additions	Transfer to the City of South San Francisco	Balance June 30, 2017
Fiduciary activities				
Capital assets not being depreciated:				
Land	\$52,769,724		(\$50,249,460)	\$2,520,264
Total capital assets not being depreciated	52,769,724		(50,249,460)	2,520,264
Capital assets being depreciated:				
Buildings and Improvements	3,788,506		(2,860,716)	927,790
Equipment and Vehicle	242,190			242,190
Furniture and Fixtures	21,506			21,506
Total capital assets being depreciated	4,052,202		(2,860,716)	1,191,486
Less accumulated depreciation for:				
Buildings and Improvements	(805,650)	(\$69,646)	467,812	(407,484)
Equipment and Vehicle	(239,083)	(2,005)		(241,088)
Furniture and Fixtures	(21,505)			(21,505)
Total accumulated depreciation	(1,066,238)	(71,651)	467,812	(670,077)
Net capital assets being depreciated	2,985,964	(71,651)	(2,392,904)	521,409
Fiduciary activity capital assets, net	\$55,755,688	(\$71,651)	(\$52,642,364)	\$3,041,673

Current year transfers to the City of South San Francisco include properties totaling \$20,591,173 transferred from capital assets to property held for redevelopment in the General Fund, which has been reported as a Special Item.

D. Long-Term Debt

All of the long-term debt of the Successor Agency were issued by the former Redevelopment Agency. Current year transactions were as follows:

Type of Obligation	Balance June 30, 2016	Retirements	Balance June 30, 2017	Current Portion
2006 Revenue Bonds, 3.75 to 5.13%, due 9/1/35 (1)	\$56,775,000	(\$56,775,000)		
1999 Revenue Bonds, 3.3 to 5.0%, due 9/1/18 (2)	815,000	(255,000)	\$560,000	\$275,000
Total Successor Agency	\$57,590,000	(\$57,030,000)	\$560,000	\$275,000

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)
--

Debt Service Requirements

Debt service requirements are shown below for all long-term debt.

For the Year Ended June 30	Successor Agency Activities	
	Principal	Interest
2018	\$275,000	\$21,125
2019	285,000	7,125
Totals	\$560,000	\$28,250

(1) On April 19, 2006, the former Agency issued \$70,675,000 of Tax Allocation Revenue Bonds, Series 2006A to advance refund and defease \$9,920,000 of the 1997 Downtown Tax Allocation Bonds and \$23,860,000 of the 1999 Revenue Bonds, and to finance various redevelopment projects. Net proceeds of \$9,364,974 and \$3,753,130 plus an additional \$801,925 and \$20,039,830 from the 1997 and 1999 bonds were used to purchase U.S. government securities for the 1997 Downtown Tax Allocation Bonds and 1999 Revenue Bonds, respectively. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service payments. The 1997 and 1999 bonds are considered to be defeased and the liabilities for those bonds have been removed. As of June 30, 2017, \$6,340,000 and \$9,545,000 of principal remained outstanding on the defeased 1997 and 1999 bonds, respectively.

The 2006 Bonds are special obligation of the former Redevelopment Agency payable solely from and secured by a pledge of tax revenues generated within the project area. Interest on the 2006A Bonds is payable on each March 1 and September 1. Principal payments are due each September 1. The pledge of future tax revenue ends upon repayment of the \$94,079,604 in remaining debt service on the bonds which is scheduled to occur in 2036. On September 1, 2016, the remaining principal balance of \$56,775,000 was repaid.

In September 2012, a bank escrow account in the amount of \$50.2 million was established by action of the Successor Agency Oversight Board and approved by the State Department of Finance. The purpose of this escrow account was to set aside funds to call and fully repay the 2006 Tax Allocation Revenue Bonds in 2016. The City closed the escrow in September 2016 upon the repayment of the 2006 Tax Allocation Revenue Bonds mentioned in the paragraph above.

(2) On February 1, 1999, the City of South San Francisco Capital Improvements Financing Authority (CIFA) issued \$31,720,000 of **1999 Revenue Bonds** to provide funds to pay loans (Homart Development), to finance redevelopment and housing activities and to refund the 1993 Gateway tax allocation bonds, which were due in 2018. The 1999 revenue bonds are obligations of the CIFA although the Redevelopment Agency is required to make bond principal and interest payments from the Gateway increment tax and housing set-aside revenues. The 1999 Revenue Bonds are, in substance, obligations of the Redevelopment Agency, and have therefore been recorded as such in these financial statements. On April 16, 2006, the Gateway principal portion of the \$23,860,000 was refunded as discussed in (1) above. The housing bonds are now obligations of the Redevelopment Successor Agency.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The 1999 Revenue Bonds were issued and net proceeds of \$9,614,978 plus an additional \$956,470 of 1993 bond reserve funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 bonds. As a result, the 1993 bonds are considered to be defeased and the liability for those bonds has been removed.

Pledged Revenues

With the dissolution of the former Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

E. POLLUTION REMEDIATION

In fiscal 2010, the former Redevelopment Agency purchased an unimproved parcel adjacent to the Caltrain Commuter Rail station from the State of California. The current rail station is among the oldest on the peninsula, is under the freeway, is small, has limited parking, and is not adjacent to the Downtown due to the freeway. The Successor Agency will contribute that site to the County Transportation Agency for the future reconfiguration of that rail station after the County secures necessary funding from other sources. The Successor Agency's contribution will include use of the purchased parcel in order to make the station safer, more visually pleasing, more usable to commuters and business shuttles, and to make the Downtown accessible to pedestrians to and from the train station. As part of that land purchase, the price paid by the former Agency to the State was discounted to give the former Agency credit in the amount of \$537,000 against known pollution remediation costs on the site. If the funding from the County for the station reconfiguration does not materialize, and if construction does not occur on that site, the pollution mitigation costs will be much less.

F. COMMITMENTS AND CONTINGENCIES

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)
--

State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

G. *PROPERTY TRANSFERS TO THE CITY OF SOUTH SAN FRANCISCO*

In FY 2016-17, the Successor Agency to the former South San Francisco Redevelopment Agency (RDA) transferred \$52.6 million in assets, net of depreciation, of land and buildings to the City of South San Francisco. Of which, \$20.6 million is being held for redevelopment. These properties will ultimately be sold, and the net proceeds will be distributed to the former RDA taxing entities. In addition, \$24.6 million was conveyed to the City for governmental purposes, which was consistent with the purpose identified in the Long Range Property Management Plan. The remaining \$7.4 million was sold to a developer.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

**Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years***

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
Total Pension Liability			
Service cost	\$3,449,973	\$3,075,813	\$3,079,994
Interest on total pension liability	13,930,544	14,393,013	14,870,988
Changes of benefit terms			
Changes of assumptions		(3,374,655)	
Difference between expected and actual experience		(1,567,798)	(476,337)
Benefit payments, including refunds of employee contributions	(9,287,975)	(10,407,243)	(11,085,829)
Net change in total pension liability	8,092,542	2,119,130	6,388,816
Total pension liability - beginning	188,659,588	196,752,130	198,871,260
Total pension liability - ending (a)	<u>\$196,752,130</u>	<u>\$198,871,260</u>	<u>\$205,260,076</u>
Plan fiduciary net position			
Contributions - employer	\$4,235,454	\$4,546,984	\$5,726,981
Contributions - employee	1,466,176	1,411,273	1,622,453
Net investment income	21,712,340	3,221,551	687,860
Other miscellaneous income			
Benefit payments, including refunds of employee contributions	(9,287,975)	(10,407,243)	(11,085,829)
Plan to plan resource movement		(50,555)	229
Administrative expense		(160,268)	(86,726)
Net change in plan fiduciary net position	18,125,995	(1,438,258)	(3,135,032)
Plan fiduciary net position - beginning	125,614,993	143,740,988	142,302,730
Plan fiduciary net position - ending (b)	<u>\$143,740,988</u>	<u>\$142,302,730</u>	<u>\$139,167,698</u>
Net pension liability - ending (a)-(b)	<u>\$53,011,142</u>	<u>\$56,568,530</u>	<u>\$66,092,378</u>
Plan fiduciary net position as a percentage of the total pension liability	73.06%	71.56%	67.80%
Covered payroll	\$17,725,581	\$17,798,104	\$21,409,193
Net pension liability as percentage of covered-employee payroll	299.07%	317.83%	308.71%

Notes to Schedule:

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

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

**Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years***

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	2015	2016	2017
Actuarially determined contribution	\$4,210,973	\$5,399,856	\$5,228,454
Contributions in relation to the actuarially determined contributions	4,210,973	5,399,856	5,228,454
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$17,798,104	\$21,409,193	\$29,390,370
Contributions as a percentage of covered-employee payroll	23.66%	25.22%	17.79%
Notes to Schedule			
Valuation date:	6/30/2012	6/30/2013	6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	24 years as of the Valuation Date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50% net of administrative expenses
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

**Safety Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years***

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016
Total Pension Liability			
Service cost	\$5,143,842	\$4,968,087	\$5,329,842
Interest on total pension liability	18,899,544	19,398,484	20,134,558
Changes of benefit terms			
Changes of assumptions		(4,789,129)	
Difference between expected and actual experience		(4,226,388)	(915,267)
Benefit payments, including refunds of employee contributions	(13,161,296)	(13,556,606)	(14,463,995)
Net change in total pension liability	10,882,090	1,794,448	10,085,138
Total pension liability - beginning	256,002,648	266,884,738	268,679,186
Total pension liability - ending (a)	\$266,884,738	\$268,679,186	\$278,764,324
Plan fiduciary net position			
Contributions - employer	\$6,535,399	\$7,191,715	\$8,535,737
Contributions - employee	2,151,163	1,714,039	1,961,907
Net investment income	29,348,051	4,264,997	950,612
Other miscellaneous income			
Benefit payments, including refunds of employee contributions	(13,161,296)	(13,556,606)	(14,463,995)
Plan to plan resource movement			(229)
Administrative expense		(219,696)	(118,968)
Net change in plan fiduciary net position	24,873,317	(605,551)	(3,134,936)
Plan fiduciary net position - beginning	170,937,835	195,811,152	195,205,601
Plan fiduciary net position - ending (b)	\$195,811,152	\$195,205,601	\$192,070,665
Net pension liability - ending (a)-(b)	\$71,073,586	\$73,473,585	\$86,693,659
Plan fiduciary net position as a percentage of the total pension liability	73.37%	72.65%	68.90%
Covered payroll	\$15,994,412	\$16,679,857	\$18,986,895
Net pension liability as percentage of covered-employee payroll	444.37%	440.49%	456.60%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

**Safety Agent Multiple-Employer Defined Benefit Pension Plans
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended June 30	2015	2016	2017
Actuarially determined contribution	\$7,191,715	\$8,538,138	\$8,071,060
Contributions in relation to the actuarially determined contributions	7,191,715	8,538,138	8,071,060
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$16,679,857	\$18,986,895	\$19,563,549
Contributions as a percentage of covered-employee payroll	43.12%	44.97%	41.26%
Notes to Schedule			
Valuation date:	6/30/2012	6/30/2013	6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	24 years as of the Valuation Date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50% net of administrative expenses
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

Other Post-Employment Benefits Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2012	\$0	\$71,306	(\$71,306)	0%	\$31,431	(226.9%)
6/30/2013	0	66,444	(66,444)	0%	29,914	(222.1%)
6/30/2015	16,175	73,752	(57,577)	21.9%	24,471	(235.3%)

SUPPLEMENTARY INFORMATION

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GENERAL FUND

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is comprised of the following:

GENERAL PURPOSE FUND

This fund accounts for resources traditionally associated with government, such as administration, public safety, library, parks maintenance, and recreation, outside of those accounted for in other funds.

MEASURE W FUND

This fund accounts for revenue as the result of the voter-approved one-half percent sales and use tax. Revenues are committed for maintenance and enhancement of local services.

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2017**

	<u>General Purpose</u>	<u>Measure W</u>	<u>Total</u>
ASSETS			
Cash and investments	\$25,098,149	\$8,124,449	\$33,222,598
Receivables:			
Accounts	4,855,369	1,165,700	6,021,069
Accrued interest	64,817		64,817
Due from Conference Center	43,668		43,668
Due from other funds	336,000		336,000
Inventory	474		474
Property held for redevelopment	20,582,335		20,582,335
	<u>\$50,980,812</u>	<u>\$9,290,149</u>	<u>\$60,270,961</u>
Total Assets			
LIABILITIES			
Accounts payable	\$2,012,208		\$2,012,208
Accrued salaries and benefits	1,569,242		1,569,242
Other payable	278,678		278,678
Unearned revenue	106,610		106,610
	<u>3,966,738</u>		<u>3,966,738</u>
Total Liabilities			
FUND BALANCES			
Nonspendable	474		474
Committed	2,490,575	\$9,290,149	11,780,724
Assigned	5,244,279		5,244,279
Unassigned	39,278,746		39,278,746
	<u>47,014,074</u>	<u>9,290,149</u>	<u>56,304,223</u>
Total Fund Balances			
	<u>\$50,980,812</u>	<u>\$9,290,149</u>	<u>\$60,270,961</u>
Total Liabilities and Fund Balances			

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Purpose</u>	<u>Measure W</u>	<u>Total</u>
REVENUES			
Property taxes	\$33,405,829		\$33,405,829
Sales taxes	15,593,032	\$8,886,444	24,479,476
Transient occupancy taxes	13,631,507		13,631,507
Franchise Fees	4,090,073		4,090,073
Other taxes	5,708,187		5,708,187
Intergovernmental	1,593,508		1,593,508
Interest and rentals	2,784,072		2,784,072
Licenses and permits	7,823,403		7,823,403
Charges for services	9,451,835		9,451,835
Fines and forfeitures	899,118		899,118
Other	1,092,691		1,092,691
	<u>96,073,255</u>	<u>8,886,444</u>	<u>104,959,699</u>
Total Revenues			
EXPENDITURES			
Current:			
City Council	206,950		206,950
City Clerk	607,096		607,096
City Treasurer	110,559		110,559
City Attorney	1,187,716		1,187,716
City Manager	1,948,911		1,948,911
Finance	2,613,473		2,613,473
Non-departmental	1,145,698		1,145,698
Human Resources	1,571,647		1,571,647
Fire	25,567,548		25,567,548
Police	25,539,781		25,539,781
Public Works	4,654,758		4,654,758
Parks and Recreation	14,897,157		14,897,157
Library	5,157,355		5,157,355
Economic and Community Development	7,158,564		7,158,564
	<u>92,367,213</u>		<u>92,367,213</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,706,042</u>	<u>8,886,444</u>	<u>12,592,486</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets			
Transfers in	6,021,853		6,021,853
Transfers out	<u>(5,031,908)</u>	<u>(877,728)</u>	<u>(5,909,636)</u>
Total Other Financing Sources (Uses)	<u>989,945</u>	<u>(877,728)</u>	<u>112,217</u>
Net Change in Fund Balances before special items	4,695,987	8,008,716	12,704,703
Special Item	<u>20,582,335</u>		<u>20,582,335</u>
Net Change in Fund Balances	25,278,322		33,287,038
Fund balances (deficits) - July 1	<u>21,735,752</u>	<u>1,281,433</u>	<u>23,017,185</u>
Fund balances (deficits) - June 30	<u>\$47,014,074</u>	<u>\$9,290,149</u>	<u>\$56,304,223</u>

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	General Purpose			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amount	
	Original	Final		
Resources (inflows):				
Property taxes	\$25,486,789	\$32,549,949	\$33,405,829	\$855,880
Sales taxes	16,105,336	16,105,336	15,593,032	(512,304)
Transient occupancy taxes	13,100,000	13,500,000	13,631,507	131,507
Franchise fees	4,060,000	4,060,000	4,090,073	30,073
Other taxes	5,083,400	5,483,400	5,708,187	224,787
Intergovernmental	6,794,956	2,504,369	1,593,508	(910,861)
Interest and rentals	3,071,500	3,071,500	2,784,072	(287,428)
Licenses and permits	8,411,713	8,411,713	7,823,403	(588,310)
Charges for services	8,601,108	8,681,908	9,451,835	769,927
Fines and forfeitures	838,500	838,500	899,118	60,618
Other	165,430	185,930	1,092,691	906,761
	<u>91,718,732</u>	<u>95,392,605</u>	<u>96,073,255</u>	<u>680,650</u>
Amounts available for appropriation				
Charges to appropriations (outflows)				
City Council	204,499	207,500	206,950	550
City Clerk	647,864	703,244	631,225	72,019
City Treasurer	123,340	123,340	110,559	12,781
City Attorney	802,002	1,188,002	1,187,716	286
City Manager	1,926,245	2,632,838	2,632,068	770
Finance	2,477,795	3,045,461	3,045,450	11
Non-departmental	473,973	1,212,102	1,211,362	740
Human Resources	1,458,009	1,622,360	1,621,682	678
Fire	25,689,589	26,121,215	25,582,889	538,326
Police	27,104,498	26,319,956	25,539,781	780,175
Public Works	4,975,860	5,229,163	5,173,685	55,478
Parks and Recreation	14,553,266	15,361,255	15,002,999	358,256
Library	5,051,647	5,372,318	5,157,355	214,963
Economic and Community Development	10,331,488	11,115,411	10,507,771	607,640
	<u>95,820,075</u>	<u>100,254,165</u>	<u>97,611,492</u>	<u>2,642,673</u>
Total charges to appropriations				
OTHER FINANCING SOURCES (USES)				
Transfers in	6,089,393	6,208,393	6,021,853	(186,540)
Transfers out	(1,668,980)	(6,484,937)	(5,031,908)	1,453,029
	<u>4,420,413</u>	<u>(276,544)</u>	<u>989,945</u>	<u>1,266,489</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	319,070	(5,138,104)	(548,292)	4,589,812
Special Item		20,582,335	20,582,335	
Net Change in Fund Balances	<u>\$319,070</u>	<u>\$15,444,231</u>	20,034,043	<u>\$4,589,812</u>
Fund Balance - July 1			21,735,752	
Adjustment to budgetary basis:				
Encumbrance adjustments			5,244,279	
Fund Balance - June 30			<u>\$47,014,074</u>	

Measure W				Total			
Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
				\$25,486,789	\$32,549,949	\$33,405,829	\$855,880
\$7,000,000	\$7,000,000	\$8,886,444	\$1,886,444	23,105,336	23,105,336	24,479,476	1,374,140
				13,100,000	13,500,000	13,631,507	131,507
				4,060,000	4,060,000	4,090,073	30,073
				5,083,400	5,483,400	5,708,187	224,787
				6,794,956	2,504,369	1,593,508	(910,861)
				3,071,500	3,071,500	2,784,072	(287,428)
				8,411,713	8,411,713	7,823,403	(588,310)
				8,601,108	8,681,908	9,451,835	769,927
				838,500	838,500	899,118	60,618
				165,430	185,930	1,092,691	906,761
7,000,000	7,000,000	8,886,444	1,886,444	98,718,732	102,392,605	104,959,699	2,567,094
				204,499	207,500	206,950	550
				647,864	703,244	631,225	72,019
				123,340	123,340	110,559	12,781
				802,002	1,188,002	1,187,716	286
				1,926,245	2,632,838	2,632,068	770
				2,477,795	3,045,461	3,045,450	11
				473,973	1,212,102	1,211,362	740
				1,458,009	1,622,360	1,621,682	678
				25,689,589	26,121,215	25,582,889	538,326
				27,104,498	26,319,956	25,539,781	780,175
	176,178		176,178	4,975,860	5,405,341	5,173,685	231,656
				14,553,266	15,361,255	15,002,999	358,256
				5,051,647	5,372,318	5,157,355	214,963
				10,331,488	11,115,411	10,507,771	607,640
	176,178		176,178	95,820,075	100,430,343	97,611,492	2,818,851
				6,089,393	6,208,393	6,021,853	(186,540)
(5,500,000)	(5,500,000)	(877,728)	4,622,272	(7,168,980)	(11,984,937)	(5,909,636)	6,075,301
(5,500,000)	(5,500,000)	(877,728)	4,622,272	(1,079,587)	(5,776,544)	112,217	5,888,761
1,500,000	1,323,822	8,008,716	6,684,894	1,819,070	(3,814,282)	7,460,424	11,274,706
					20,582,335	20,582,335	
\$1,500,000	\$1,323,822	8,008,716	\$6,684,894	\$1,819,070	\$16,768,053	28,042,759	\$11,274,706
		1,281,433				23,017,185	
						5,244,279	
		\$9,290,149				\$56,304,223	

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<p style="text-align: center;">MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</p>
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CAPITAL IMPROVEMENT FUND

To account for expenditures associated with the acquisition, construction, or improvement of City owned facilities and infrastructure. Funding comes from the general fund, special revenue funds, grants and fees.

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

These fees are to provide new development's share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area.

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

These citywide fees provide new development's share of new and expanded childcare facilities to serve the City.

DEVELOPER DEPOSIT CAPITAL PROJECTS FUND

These fees provide new development's share of funding for the Oyster Point at Highway 101 interchange improvements.

CAPITAL INFRASTRUCTURE RESERVE FUND

Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

**CITY OF SOUTH SAN FRANCISCO
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$7,642,594	\$505,664	(\$7,136,930)
Other	250,000	110,019	(139,981)
	<u>7,892,594</u>	<u>615,683</u>	<u>(7,276,911)</u>
Total Revenues			
EXPENDITURES:			
Current:			
Public works	33,095,750	10,018,623	23,077,127
	<u>33,095,750</u>	<u>10,018,623</u>	<u>23,077,127</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(25,203,156)</u>	<u>(9,402,940)</u>	<u>15,800,216</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	218,917		(218,917)
Transfers in	24,597,480	5,179,644	(19,417,836)
	<u>24,816,397</u>	<u>5,179,644</u>	<u>(19,636,753)</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u><u>(\$386,759)</u></u>	<u><u>(4,223,296)</u></u>	<u><u>(\$3,836,537)</u></u>
Fund balance - July 1		367,023	
Adjustment to budgetary basis:			
Encumbrance adjustments		<u>3,767,942</u>	
Fund balance - June 30		<u><u>(\$88,331)</u></u>	

CITY OF SOUTH SAN FRANCISCO
EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$3,065	\$3,065
Charges for services	\$185,000	185,752	752
Total Revenues	185,000	188,817	3,817
EXPENDITURES:			
Current:			
Non-departmental	2,500	2,500	
Total Expenditures	2,500	2,500	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	182,500	186,317	3,817
OTHER FINANCING SOURCES (USES)			
Transfers out	(342,101)	(1,860)	340,241
Total other financing sources (uses)	(342,101)	(1,860)	340,241
NET CHANGE IN FUND BALANCE	(\$159,601)	184,457	\$344,058
Fund balance (deficit) - July 1		503,766	
Fund balance (deficit) - June 30		\$688,223	

CITY OF SOUTH SAN FRANCISCO
EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$9,506	\$9,506
Charges for services	\$109,000	109,867	867
Total Revenues	<u>109,000</u>	<u>119,373</u>	<u>10,373</u>
EXPENDITURES:			
Current:			
Public works	2,500	2,500	
Total Expenditures	<u>2,500</u>	<u>2,500</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>106,500</u>	<u>116,873</u>	<u>10,373</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(3,533,636)	(284,133)	3,249,503
Total other financing sources (uses)	<u>(3,533,636)</u>	<u>(284,133)</u>	<u>3,249,503</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$3,427,136)</u></u>	<u>(167,260)</u>	<u><u>\$3,259,876</u></u>
Fund balance - July 1		<u>7,213,253</u>	
Fund balance - June 30		<u><u>\$7,045,993</u></u>	

**CITY OF SOUTH SAN FRANCISCO
CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$4,489	\$4,489
Charges for services	\$522,000	522,858	858
Total Revenues	<u>522,000</u>	<u>527,347</u>	<u>5,347</u>
EXPENDITURES:			
Current:			
Non-departmental	2,500	2,500	
Total Expenditures	<u>2,500</u>	<u>2,500</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>519,500</u>	<u>524,847</u>	<u>5,347</u>
NET CHANGE IN FUND BALANCE	<u>\$519,500</u>	524,847	<u>\$5,347</u>
Fund balance - July 1		<u>2,874,841</u>	
Fund balance - June 30		<u>\$3,399,688</u>	

**CITY OF SOUTH SAN FRANCISCO
DEVELOPER DEPOSIT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$5,103	\$5,103	
Total Revenues	5,103	5,103	
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(1,530,232)	(5,103)	1,525,129
Total other financing sources (uses)	(1,530,232)	(5,103)	1,525,129
NET CHANGE IN FUND BALANCE	<u>(\$1,525,129)</u>		<u>\$1,525,129</u>
Fund balance - July 1		<u>72,884</u>	
Fund balance - June 30		<u><u>\$72,884</u></u>	

**CITY OF SOUTH SAN FRANCISCO
CAPITAL INFRASTRUCTURE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	\$16,555	\$16,555	
Total Revenues	<u>16,555</u>	<u>16,555</u>	
OTHER FINANCING SOURCES (USES)			
Transfers in	2,666,000	2,666,000	
Transfers out	<u>(6,550,040)</u>	<u>(5,795,495)</u>	754,545
Total other financing sources (uses)	<u>(3,884,040)</u>	<u>(3,129,495)</u>	754,545
NET CHANGE IN FUND BALANCE	<u><u>(\$3,867,485)</u></u>	<u><u>(3,112,940)</u></u>	<u><u>\$754,545</u></u>
Fund balance - July 1		<u>17,638,385</u>	
Fund balance - June 30		<u><u>\$14,525,445</u></u>	

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NON-MAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for revenue sources that are restricted by law or administrative action to expenditures for specified purposes. Special revenue funds used by the City of South San Francisco include:

Gas Tax - Accounts for State monies received and expended for street improvements, repairs, engineering, and administration under Streets and Highway Code Sections 2105, 2106, 2107, and 2107.5. Includes sales taxes on gasoline received from the State's Traffic Congestion Relief Fund.

Developer Contributions – Accounts for fees deposited for planning and engineering reviews or for future project development.

Federal Aviation Grant – This fund accounts for federal monies received for insulating structures against airport noise.

Community Development Block Grant - Accounts for Federal monies received to be expended for development of jobs and suitable housing for low-income residents.

Maintenance District - Accounts for a portion of property tax dedicated to provide for the maintenance of landscaped areas within housing developments.

Transportation Sales Tax - Accounts for the sales tax that provides resources for street improvements and repairs.

Solid Waste Reduction - Accounts for revenues and expenditures associated with the waste reduction, recycling, composting and household hazardous waste programs for residents and businesses.

Supplemental Law Enforcement Services – Accounts for State monies provided for designated Police department services.

City Programs – Organizations and individuals provide revenues that fund certain programs and services.

Affordable Housing Trust – The inclusionary housing requirement in the City provides that 20% of new residential housing units (for projects of 4 or more units) be affordable. These in-lieu fees (in-lieu of production of affordable housing units by the developer) provide new residential development's share of affordable housing units.

PEG Equipment and Access – Accounts for the one percent of money set-aside from cable franchise fees that are used to support public, educational and governmental (PEG) channels.

Transit Station Enhancement in-Lieu Fee – Accounts for revenues that are collected as a negotiated community benefit.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Capital projects funds are used to account for resources used for the acquisition and construction of capital facilities or major capital equipment, except for capital improvements financed by proprietary funds. Capital projects funds used at the City of South San Francisco include:

Non-obligated Capital Projects - Accounts for the construction of assets financed by non-obligated debt.

Public Safety Impact Fee – These fees are to provide new development’s share of funding for the replacement of public safety capital equipment, vehicles and facilities.

Oyster Point Improvements Impact Fees Capital Projects Fund - These fees provide new development’s share of funding for the Oyster Point at Highway 101 interchange improvements.

Sewer Capacity Charges – accounts for cost recovery charged to new development based on proportional benefit, associated with providing sewer collection and treatment capacity to new development, both through existing infrastructure provided, and through future capital projects not funded by other sources.

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS				
	Gas Tax	Developer Contributions	Federal Aviation Grant	Community Development Block Grant	Maintenance Districts
ASSETS					
Cash and investments	\$927,786	\$6,580,266	\$734,127		\$2,562,671
Receivables:					
Accounts				\$91,856	
Accrued interest	3,759	19,047	2,729		
Loans				349,331	
Restricted cash and investments				108,377	
Land held for resale					
Total Assets	\$931,545	\$6,599,313	\$736,856	\$549,564	\$2,562,671
 LIABILITIES					
Liabilities:					
Accounts payable		\$49,693	\$55	\$68,129	\$302
Other payable				2,545	
Deposits		1,671,752			
Due to other funds					
Unearned revenue			736,801		
Total Liabilities		1,721,445	736,856	70,674	302
 Fund Balances:					
Restricted	\$931,545	4,877,868		478,890	2,562,369
Total Fund Balances	931,545	4,877,868		478,890	2,562,369
Total Liabilities and Fund Balances	\$931,545	\$6,599,313	\$736,856	\$549,564	\$2,562,671

SPECIAL REVENUE FUNDS

Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforce- ment Services	City Programs	Affordable Housing Trust	PEG Equipment and Access	Transit Station Enhancement In-Lieu Fee
\$2,182,696	\$527,314	\$859	\$4,169,031	\$1,721,045	\$924,056	\$57,563
6,722	15,840	244	15,460	330 6,146 20,206	44,188 3,052	1,418
				1,900,000		
<u>\$2,189,418</u>	<u>\$543,154</u>	<u>\$1,103</u>	<u>\$4,184,491</u>	<u>\$3,647,727</u>	<u>\$971,296</u>	<u>\$58,981</u>
	\$157		\$49,046			
		\$1,000				
	157	1,000	49,046			
<u>\$2,189,418</u>	<u>542,997</u>	<u>103</u>	<u>4,135,445</u>	<u>\$3,647,727</u>	<u>\$971,296</u>	<u>\$58,981</u>
<u>2,189,418</u>	<u>542,997</u>	<u>103</u>	<u>4,135,445</u>	<u>3,647,727</u>	<u>971,296</u>	<u>58,981</u>
<u>\$2,189,418</u>	<u>\$543,154</u>	<u>\$1,103</u>	<u>\$4,184,491</u>	<u>\$3,647,727</u>	<u>\$971,296</u>	<u>\$58,981</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	CAPITAL PROJECTS FUNDS				
	Non-obligated Capital Projects	Public Safety Impact Fee	Oyster Point Improvement Impact Fees	Sewer Capacity Charges	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$41,857	\$392,544	\$29,168	\$3,931,801	\$24,782,784
Receivables:					
Accounts					152,214
Accrued interest		1,590	16	11,474	71,657
Loans					369,537
Restricted cash and investments					108,377
Land held for resale					1,900,000
					<u>1,900,000</u>
Total Assets	<u>\$41,857</u>	<u>\$394,134</u>	<u>\$29,184</u>	<u>\$3,943,275</u>	<u>\$27,384,569</u>
LIABILITIES					
Liabilities:					
Accounts payable					\$167,225
Other payable					2,702
Deposits					1,671,752
Due to other funds					1,000
Unearned revenue					736,801
					<u>736,801</u>
Total Liabilities					<u>2,579,480</u>
Fund Balances:					
Restricted	<u>\$41,857</u>	<u>\$394,134</u>	<u>\$29,184</u>	<u>\$3,943,275</u>	<u>24,805,089</u>
Total Fund Balances	<u>41,857</u>	<u>394,134</u>	<u>29,184</u>	<u>3,943,275</u>	<u>24,805,089</u>
Total Liabilities and Fund Balances	<u>\$41,857</u>	<u>\$394,134</u>	<u>\$29,184</u>	<u>\$3,943,275</u>	<u>\$27,384,569</u>

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE FUNDS				
	Gas Tax	Developer Contributions	Federal Aviation Grants	Community Development Block Grant	Maintenance Districts
REVENUES					
Property taxes					\$1,751,019
Other taxes					
Intergovernmental	\$1,507,105			\$377,470	
Interest and rentals	1,216	\$8,047	\$995	44,349	
Charges for services		2,365,609			
Other				10,694	
Total Revenues	1,508,321	2,373,656	995	432,513	1,751,019
EXPENDITURES					
Current:					
Economic and community development		319,643	995	851,305	
Public works					1,199,741
Non-departmental					
Fire					
Police					
Other					
Debt service:					
Principal repayments					
Total Expenditures		319,643	995	851,305	1,199,741
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,508,321	2,054,013		(418,792)	551,278
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(1,854,509)	(57,200)			(141,990)
Total Other Financing Sources (Uses)	(1,854,509)	(57,200)			(141,990)
Net Change in Fund Balances	(346,188)	1,996,813		(418,792)	409,288
Fund balance - July 1	1,277,733	2,881,055		897,682	2,153,081
Fund balance - June 30	\$931,545	\$4,877,868		\$478,890	\$2,562,369

SPECIAL REVENUE FUNDS

<u>Transportation Sales Tax</u>	<u>Solid Waste Reduction</u>	<u>Supplemental Law Enforce- ment Services</u>	<u>City Programs</u>	<u>Affordable Housing Trust</u>	<u>PEG Equipment and Access</u>	<u>Transit Station Enhancement In-Lieu Fee</u>
\$1,568,013		\$131,129				
2,755	\$190,078	139	\$5,414	\$22,008	\$1,177	\$3,193
			909,264		182,289	
<u>1,570,768</u>	<u>190,078</u>	<u>131,268</u>	<u>914,678</u>	<u>22,008</u>	<u>183,466</u>	<u>3,193</u>
	130,523				2,880	
		131,268	203,451 270,338			3,845
	<u>130,523</u>	<u>131,268</u>	<u>473,789</u>		<u>2,880</u>	<u>3,845</u>
<u>1,570,768</u>	<u>59,555</u>		<u>440,889</u>	<u>22,008</u>	<u>180,586</u>	<u>(652)</u>
<u>(657,956)</u>	<u>(282,201)</u>		<u>(500,000)</u>			459,633 <u>(400,000)</u>
<u>(657,956)</u>	<u>(282,201)</u>		<u>(500,000)</u>			<u>59,633</u>
912,812	(222,646)		(59,111)	22,008	180,586	58,981
<u>1,276,606</u>	<u>765,643</u>	<u>103</u>	<u>4,194,556</u>	<u>3,625,719</u>	<u>790,710</u>	
<u>\$2,189,418</u>	<u>\$542,997</u>	<u>\$103</u>	<u>\$4,135,445</u>	<u>\$3,647,727</u>	<u>\$971,296</u>	<u>\$58,981</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	CAPITAL PROJECTS FUNDS				Total Nonmajor Governmental Funds
	Non-obligated Capital Projects	Public Safety Impact Fee	Oyster Point Improvement Impact Fees	Sewer Capacity Charges	
REVENUES					
Property taxes					\$1,751,019
Other taxes					1,699,142
Intergovernmental				\$36,024	1,920,599
Interest and rentals		\$545	\$5		89,843
Charges for services			23,650	1,630,615	4,209,952
Other		132,654			1,234,901
Total Revenues		133,199	23,655	1,666,639	10,905,456
EXPENDITURES					
Current:					
Economic and community development					1,302,466
Public works				36,285	1,236,026
Non-departmental					2,880
Fire		64,818			64,818
Police		123,597			458,316
Other					274,183
Debt service:					
Principal repayments			23,000		23,000
Total Expenditures		188,415	23,000	36,285	3,361,689
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		(55,216)	655	1,630,354	7,543,767
OTHER FINANCING SOURCES (USES)					
Transfers in					459,633
Transfers out	(\$475,220)	(3,196)			(4,372,272)
Total Other Financing Sources (Uses)	(475,220)	(3,196)			(3,912,639)
Net Change in Fund Balances	(475,220)	(58,412)	655	1,630,354	3,631,128
Fund balance - July 1	517,077	452,546	28,529	2,312,921	21,173,961
Fund balance - June 30	\$41,857	\$394,134	\$29,184	\$3,943,275	\$24,805,089

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>GAS TAX</u>			<u>DEVELOPER CONTRIBUTIONS</u>		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental	\$1,600,736	\$1,507,105	(\$93,631)			
Interest and rentals	15,000	1,216	(13,784)		\$8,047	\$8,047
Charges for services				\$1,702,000	2,365,609	663,609
Other						
Total Revenues	<u>1,615,736</u>	<u>1,508,321</u>	<u>(107,415)</u>	<u>1,702,000</u>	<u>2,373,656</u>	<u>671,656</u>
EXPENDITURES						
Current:						
Economic and community development				438,650	438,341	309
Public works						
Non-departmental						
Fire						
Other						
Police						
Debt service:						
Principal repayments						
Total Expenditures				<u>438,650</u>	<u>438,341</u>	<u>309</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,615,736</u>	<u>1,508,321</u>	<u>(107,415)</u>	<u>1,263,350</u>	<u>1,935,315</u>	<u>671,965</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	<u>(2,927,493)</u>	<u>(1,854,509)</u>	<u>1,072,984</u>	<u>(643,512)</u>	<u>(57,200)</u>	<u>586,312</u>
Total Other Financing Sources (Uses)	<u>(2,927,493)</u>	<u>(1,854,509)</u>	<u>1,072,984</u>	<u>(643,512)</u>	<u>(57,200)</u>	<u>586,312</u>
NET CHANGE IN FUND BALANCES	<u>(\$1,311,757)</u>	<u>(346,188)</u>	<u>\$965,569</u>	<u>\$619,838</u>	<u>1,878,115</u>	<u>\$1,258,277</u>
Adjustment to budgetary basis:						
Encumbrance adjustments					118,698	
Fund balance - July 1		<u>1,277,733</u>			<u>2,881,055</u>	
Fund balance - June 30		<u>\$931,545</u>			<u>\$4,877,868</u>	

FEDERAL AVIATION GRANT			COMMUNITY DEVELOPMENT BLOCK GRANT			MAINTENANCE DISTRICTS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
						\$1,389,805	\$1,751,019	\$361,214
\$4,000	\$995	(\$3,005)	\$647,321	\$377,470 44,349	(\$269,851) 44,349			
			11,437	10,694	(743)			
4,000	995	(3,005)	658,758	432,513	(226,245)	1,389,805	1,751,019	361,214
500	995	(495)	833,076	931,612	(98,536)	1,559,251	1,199,741	359,510
500	995	(495)	833,076	931,612	(98,536)	1,559,251	1,199,741	359,510
3,500		(3,500)	(174,318)	(499,099)	(324,781)	(169,446)	551,278	720,724
			(95,330)		95,330	(218,521)	(141,990)	76,531
			(95,330)		95,330	(218,521)	(141,990)	76,531
\$3,500		(\$3,500)	(\$269,648)	(499,099)	(\$229,451)	(\$387,967)	409,288	\$797,255
				80,307				
				897,682			2,153,081	
				\$478,890			\$2,562,369	

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>TRANSPORTATION SALES TAX</u>			<u>SOLID WASTE REDUCTION</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Property taxes						
Other taxes	\$1,468,995	\$1,568,013	\$99,018			
Intergovernmental						
Interest and rentals	25,000	2,755	(22,245)			
Charges for services				\$180,000	\$190,078	\$10,078
Other						
Total Revenues	<u>1,493,995</u>	<u>1,570,768</u>	<u>76,773</u>	<u>180,000</u>	<u>190,078</u>	<u>10,078</u>
EXPENDITURES						
Current:						
Economic and community development				157,697	151,747	5,950
Public works						
Non-departmental						
Fire						
Other						
Police						
Debt service:						
Principal repayments						
Total Expenditures				<u>157,697</u>	<u>151,747</u>	<u>5,950</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,493,995</u>	<u>1,570,768</u>	<u>76,773</u>	<u>22,303</u>	<u>38,331</u>	<u>16,028</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	<u>(2,581,163)</u>	<u>(657,956)</u>	<u>1,923,207</u>	<u>(766,870)</u>	<u>(282,201)</u>	<u>484,669</u>
Total Other Financing Sources (Uses)	<u>(2,581,163)</u>	<u>(657,956)</u>	<u>1,923,207</u>	<u>(766,870)</u>	<u>(282,201)</u>	<u>484,669</u>
NET CHANGE IN FUND BALANCES	<u>(\$1,087,168)</u>	<u>912,812</u>	<u>\$1,999,980</u>	<u>(\$744,567)</u>	<u>(243,870)</u>	<u>\$500,697</u>
Adjustment to budgetary basis:						
Encumbrance adjustments					21,224	
Fund balance - July 1		<u>1,276,606</u>			<u>765,643</u>	
Fund balance - June 30		<u>\$2,189,418</u>			<u>\$542,997</u>	

SUPPLEMENTAL LAW ENFORCEMENT SERVICES			CITY PROGRAMS			AFFORDABLE HOUSING TRUST		
<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$100,000	\$131,129	\$31,129						
	139	139		\$5,414	\$5,414	\$22,000	\$22,008	\$8
			\$909,000	909,264	264			
<u>100,000</u>	<u>131,268</u>	<u>31,268</u>	<u>909,000</u>	<u>914,678</u>	<u>5,678</u>	<u>22,000</u>	<u>22,008</u>	<u>8</u>
			270,000	270,338	(338)			
100,000	131,268	(31,268)	226,423	203,451	22,972			
<u>100,000</u>	<u>131,268</u>	<u>(31,268)</u>	<u>496,423</u>	<u>473,789</u>	<u>22,634</u>			
			412,577	440,889	28,312	22,000	22,008	8
			(1,622,982)	(500,000)	1,122,982			
			(1,622,982)	(500,000)	1,122,982			
			<u>(\$1,210,405)</u>	<u>(59,111)</u>	<u>\$1,151,294</u>	<u>\$22,000</u>	<u>22,008</u>	<u>\$8</u>
	<u>103</u>			<u>4,194,556</u>			<u>3,625,719</u>	
	<u>\$103</u>			<u>\$4,135,445</u>			<u>\$3,647,727</u>	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	PEG EQUIPMENT AND ACCESS			TRANSIT ENHANCEMENT IN-LIEU FEE		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental						
Interest and rentals	\$5,000	\$1,177	(\$3,823)		\$3,193	\$3,193
Charges for services						
Other	125,000	182,289	57,289			
Total Revenues	<u>130,000</u>	<u>183,466</u>	<u>53,466</u>		<u>3,193</u>	<u>3,193</u>
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Non-departmental	209,117	49,380	159,737			
Fire						
Other					3,845	3,845
Police						
Debt service:						
Principal repayments						
Total Expenditures	<u>209,117</u>	<u>49,380</u>	<u>159,737</u>		<u>3,845</u>	<u>3,845</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(79,117)</u>	<u>134,086</u>	<u>213,203</u>		<u>(652)</u>	<u>(652)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				\$460,000	459,633	(367)
Transfers out				(400,000)	(400,000)	
Total Other Financing Sources (Uses)				<u>60,000</u>	<u>59,633</u>	<u>(367)</u>
NET CHANGE IN FUND BALANCES	<u>(\$79,117)</u>	<u>134,086</u>	<u>\$213,203</u>	<u>\$60,000</u>	<u>58,981</u>	<u>(\$1,019)</u>
Adjustment to budgetary basis:						
Encumbrance adjustments		46,500				
Fund balance - July 1		<u>790,710</u>				
Fund balance - June 30		<u>\$971,296</u>			<u>\$58,981</u>	

NONOBLIGATED CAPITAL PROJECTS			PUBLIC SAFETY IMPACT FEE			OYSTER POINT IMPROVEMENT IMPACT FEES		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
				\$545	\$545		\$5	\$5
			\$132,000	132,654	654	\$23,650	23,650	
			132,000	133,199	1,199	23,650	23,655	5
						52,561		52,561
			70,294	64,818	5,476			
			118,323	123,597	5,274			
							23,000	(23,000)
			188,617	188,415	(202)	52,561	23,000	29,561
			(56,617)	(55,216)	1,401	(28,911)	655	29,566
(\$475,220)	(\$475,220)		(137,220)	(3,196)	134,024			
(475,220)	(475,220)		(137,220)	(3,196)	134,024			
(\$475,220)	(475,220)		(\$193,837)	(58,412)	\$135,425	(\$28,911)	655	\$29,566
	517,077			452,546			28,529	
	\$41,857			\$394,134			\$29,184	

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2016**

SEWER CAPACITY CHARGES			
	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes			
Other taxes			
Intergovernmental		\$36,024	\$36,024
Interest and rentals			
Charges for services	\$1,630,000	1,630,615	615
Other			
Total Revenues	1,630,000	1,666,639	36,639
EXPENDITURES			
Current:			
Economic and community development			
Public works	2,500	36,285	(33,785)
Non-departmental			
Fire			
Other			
Police			
Debt service:			
Principal repayments			
Total Expenditures	2,500	36,285	(33,785)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,627,500	1,630,354	2,854
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	\$1,627,500	1,630,354	\$2,854
Adjustment to budgetary basis:			
Encumbrance adjustments			
Fund balance - July 1		2,312,921	
Fund balance - June 30		\$3,943,275	

INTERNAL SERVICE FUNDS

Internal service funds account for department services and financing performed for other departments within the same governmental jurisdiction. Funding comes from charges assessed to the departments benefiting from the service. Internal service funds used at the City include:

City Service – Accounts for vehicle maintenance and information technology services provided to City departments.

Self Insurance – Accounts for workers' compensation, general liability and property damage claim activity and financing is represented in this fund.

Health and Retirement Benefits - Accounts for health and retirement benefits paid on the behalf of eligible City employees.

Equipment Replacement – Accounts for resources set-aside for the future replacement of City vehicles and equipment.

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**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$1,237,277	\$13,720,637	\$9,736,034	\$2,496,608	\$27,190,556
Receivables:					
Accounts	10,128				10,128
Accrued interest	4,363	42,893	32,128	9,814	89,198
Deposit		157,500	46,010		203,510
Total current assets	<u>1,251,768</u>	<u>13,921,030</u>	<u>9,814,172</u>	<u>2,506,422</u>	<u>27,493,392</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable				162,140	162,140
Depreciable, net of accumulated depreciation	871			5,629,093	5,629,964
Total Assets	<u>1,252,639</u>	<u>13,921,030</u>	<u>9,814,172</u>	<u>8,297,655</u>	<u>33,285,496</u>
LIABILITIES					
Current liabilities:					
Accounts payable	101,554	15,023	19,231	78,467	214,275
Other payable	10,980			341,706	352,686
Current portion of accrued insurance loss		712,000			712,000
Current portion of compensated absences	86,550		607,641		694,191
Current portion of long-term debt				538,421	538,421
Total current liabilities	<u>199,084</u>	<u>727,023</u>	<u>626,872</u>	<u>958,594</u>	<u>2,511,573</u>
Noncurrent liabilities:					
Accrued insurance loss		12,260,942			12,260,942
Compensated absences obligation	90,321		718,381		808,702
Net OPEB obligation			26,173,032		26,173,032
Noncurrent portion of long-term debt				1,135,102	1,135,102
Total noncurrent liabilities	<u>90,321</u>	<u>12,260,942</u>	<u>26,891,413</u>	<u>1,135,102</u>	<u>40,377,778</u>
Total Liabilities	<u>289,405</u>	<u>12,987,965</u>	<u>27,518,285</u>	<u>2,093,696</u>	<u>42,889,351</u>
NET POSITION:					
Net investment in capital assets	871			4,117,710	4,118,581
Unrestricted	962,363	933,065	(17,704,113)	2,086,249	(13,722,436)
Total Net Position	<u>\$963,234</u>	<u>\$933,065</u>	<u>(\$17,704,113)</u>	<u>\$6,203,959</u>	<u>(\$9,603,855)</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$3,893,005	\$5,899,659	\$13,470,017	\$1,754,155	\$25,016,836
Total Operating Revenues	<u>3,893,005</u>	<u>5,899,659</u>	<u>13,470,017</u>	<u>1,754,155</u>	<u>25,016,836</u>
OPERATING EXPENSES					
Personnel expenses	1,792,496	1,366,584	11,385,537		14,544,617
OPEB expenses			2,070,095		2,070,095
Professional services	401,187	217,802	20,513		639,502
Program supplies	1,164,607	92,806	3,080	134,263	1,394,756
Insurance	11,578	1,350,964			1,362,542
Self-insurance and claims		3,253,303			3,253,303
Repair and maintenance	395,772			613,494	1,009,266
Utilities	29,478				29,478
Depreciation	580			760,341	760,921
Other	8,693		306,844		315,537
Total Operating Expenses	<u>3,804,391</u>	<u>6,281,459</u>	<u>13,786,069</u>	<u>1,508,098</u>	<u>25,380,017</u>
Operating Income (Loss)	<u>88,614</u>	<u>(381,800)</u>	<u>(316,052)</u>	<u>246,057</u>	<u>(363,181)</u>
NONOPERATING					
REVENUES (EXPENSES)					
Interest income	1,685	16,042	12,193	2,880	32,800
Interest expense				(65,943)	(65,943)
Gain from disposal of capital assets				19,646	19,646
Other		92,286			92,286
Total Nonoperating Revenues (Expenses)	<u>1,685</u>	<u>108,328</u>	<u>12,193</u>	<u>(43,417)</u>	<u>78,789</u>
Net income (loss) before transfers	90,299	(273,472)	(303,859)	202,640	(284,392)
TRANSFERS					
Transfers in		273,472	759,104		1,032,576
Transfers out				(96,245)	(96,245)
Change in Net Position	90,299		455,245	106,395	651,939
Net Position - (deficits) July 1	<u>872,935</u>	<u>933,065</u>	<u>(18,159,358)</u>	<u>6,097,564</u>	<u>(10,255,794)</u>
Net Position - (deficits) June 30	<u>\$963,234</u>	<u>\$933,065</u>	<u>(\$17,704,113)</u>	<u>\$6,203,959</u>	<u>(\$9,603,855)</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from interfund service provided	\$3,889,738	\$5,991,945	\$13,470,017	\$1,754,155	\$25,105,855
Cash payment to suppliers for goods and services	(2,011,315)	(1,739,446)	(1,132,200)	(747,757)	(5,630,718)
Cash payment to employees for services	(1,797,423)	(1,352,661)	(11,265,260)		(14,415,344)
Cash payment for judgments and claims		(1,681,308)			(1,681,308)
Other receipts				409,917	409,917
	<u>81,000</u>	<u>1,218,530</u>	<u>1,072,557</u>	<u>1,416,315</u>	<u>3,788,402</u>
Net Cash Provided by Operating Activities					
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in		273,472	759,104		1,032,576
Transfers out				(96,245)	(96,245)
		<u>273,472</u>	<u>759,104</u>	<u>(96,245)</u>	<u>936,331</u>
Net Cash Provided by Noncapital Financing Activities					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease				(565,475)	(565,475)
Interest payments				(65,943)	(65,943)
Acquisition of capital assets, net				(1,629,268)	(1,629,268)
Proceeds from the sale of capital assets				19,646	19,646
				<u>(2,241,040)</u>	<u>(2,241,040)</u>
Net Cash Used in Capital and Related Financing Activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	(14)	3,761	(13,161)	1,513	(7,901)
	<u>(14)</u>	<u>3,761</u>	<u>(13,161)</u>	<u>1,513</u>	<u>(7,901)</u>
Net Cash Provided by Investing Activities					
Net Increase (Decrease) in cash and cash equivalents	80,986	1,495,763	1,818,500	(919,457)	2,475,792
Cash and cash equivalents, beginning	1,156,291	12,224,874	7,917,534	3,416,065	24,714,764
Cash and cash equivalents, ending	<u>\$1,237,277</u>	<u>\$13,720,637</u>	<u>\$9,736,034</u>	<u>\$2,496,608</u>	<u>\$27,190,556</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$88,614	(\$381,800)	(\$316,052)	\$246,057	(\$363,181)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	580			760,341	760,921
Other non-operating revenue (expenses)		92,286			92,286
Net change in assets and liabilities:					
Accounts and lease receivables	(3,267)				(3,267)
Accounts payable	(8,493)	13,923	19,218	68,211	92,859
Other payable		(77,874)		341,706	263,832
Accrued insurance losses		1,571,995			1,571,995
OPEB obligations			1,268,332		1,268,332
Compensated absence obligations	3,566		101,059		104,625
	<u>81,000</u>	<u>1,218,530</u>	<u>1,072,557</u>	<u>1,416,315</u>	<u>3,788,402</u>
Net Cash Provided by (Used in) Operating Activities					

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AGENCY FUND

An agency fund is used to account for monies where the City is acting as an agent for another government entity. The agency fund used at the City of South San Francisco consisted of:

SSF Employee Deferred Comp Trust Oversight – This fund is used to pay for the administrative costs of monitoring the Deferred Compensation Funds on behalf of City employees.

**CITY OF SOUTH SAN FRANCISCO
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2017**

SSF Employee Deferred Comp Trust Oversight

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and investments	\$62,944	\$105,663	\$62,944	\$105,663
Interest receivable	158	318	158	318
Total Assets	<u>\$63,102</u>	<u>\$105,981</u>	<u>\$63,102</u>	<u>\$105,981</u>
LIABILITIES				
Accounts payable	\$12,500	\$24,492	\$12,500	\$24,492
Other accrued liabilities	50,602	81,489	50,602	81,489
Total Liabilities	<u>\$63,102</u>	<u>\$105,981</u>	<u>\$63,102</u>	<u>\$105,981</u>

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 Position by Component
2. Changes in Net Position
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 Value and Estimated Market Value of Taxable Property
2. All Overlapping Property Tax Rates
3. Principal Property Tax Payers
4. Twenty Largest Taxable Property Owners for Merged RDA Project Area
5. 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. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Continuing Disclosure Requirements:
 - a. Revenue Bond Coverage
 - b. Sewer Debt Service Coverage
 - c. Bonded Debt Pledge Revenue Coverage

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

STATISTICAL SECTION - (Continued)
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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 City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

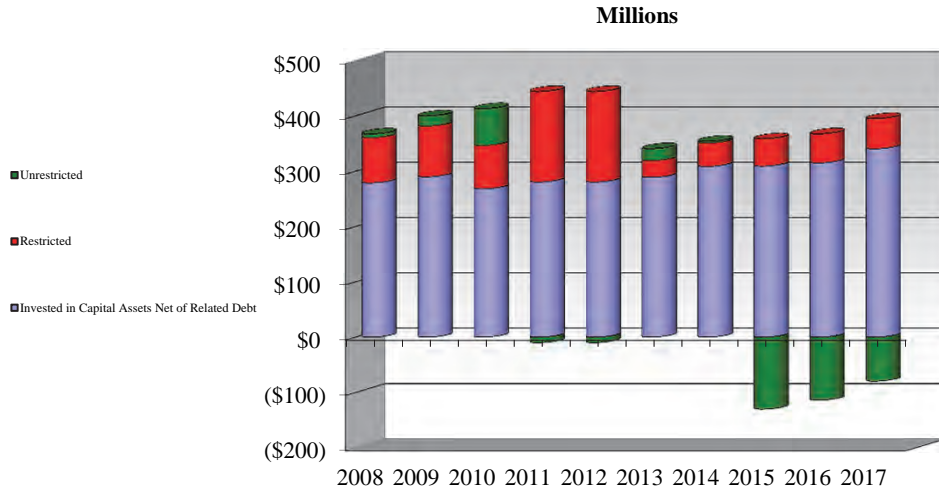
Miscellaneous Information

1. Collection and Use of 1% Special Transient Occupancy Tax

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF SOUTH SAN FRANCISCO
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)



	2008	2009	2010	2011	2012
Governmental activities					
Net investment in capital assets	\$233,230,681	\$237,441,155	\$209,507,012	\$214,246,561	\$214,246,561
Restricted	80,346,634	86,962,890	78,625,094	163,669,353	163,669,353
Unrestricted	9,205,150	21,455,067	65,537,953	(19,267,010)	(19,267,010)
Total governmental activities net position	\$322,782,465	\$322,782,465	\$353,670,059	\$358,648,904	\$358,648,904
Business-type activities					
Net investment in capital assets	\$45,635,119	\$52,347,955	\$58,522,676	\$66,113,596	\$66,113,596
Restricted	1,480,000	4,971,538			
Unrestricted	(2,674,600)	(3,496,600)	792,921	9,292,189	9,292,189
Total business-type activities net position	\$44,440,519	\$44,440,519	\$59,315,597	\$75,405,785	\$75,405,785
Primary government					
Net investment in capital assets	\$278,865,800	\$289,789,110	\$268,029,688	\$280,360,157	\$280,360,157
Restricted	81,826,634	91,935,428	78,625,094	163,669,353	163,669,353
Unrestricted	6,530,550	17,958,467	66,330,874	(9,974,821)	(9,974,821)
Total primary government net position	\$367,222,984	\$399,683,005	\$412,985,656	\$434,054,689	\$434,054,689
2013					
Governmental activities					
Net investment in capital assets	\$216,508,668	\$230,440,390	\$230,517,037	\$231,142,079	\$254,344,554
Restricted	30,514,986	42,367,623	49,311,828	52,406,602	54,478,093
Unrestricted	8,021,490	(12,317,511)	(134,389,522)	(120,119,617)	(86,808,434)
Total governmental activities net position	\$255,045,144	\$260,490,502	\$145,439,343	\$163,429,064	\$222,014,213
Business-type activities					
Net investment in capital assets	\$72,217,660	\$78,045,318	\$78,598,277	\$83,930,073	\$86,167,704
Unrestricted	13,353,988	15,367,085	4,196,654	6,243,225	7,199,925
Total business-type activities net position	\$85,571,648	\$93,412,403	\$82,794,931	\$90,173,298	\$93,367,629
Primary government					
Net investment in capital assets	\$288,726,328	\$288,726,328	\$308,485,708	\$315,072,152	\$340,512,258
Restricted	30,514,986	30,514,986	42,367,623	52,406,602	54,478,093
Unrestricted	21,375,478	21,375,478	3,049,574	(113,876,392)	(79,608,509)
Total primary government net position	\$340,616,792	\$340,616,792	\$353,902,905	\$253,602,362	\$315,381,842

Source: City of South San Francisco, Department of Finance

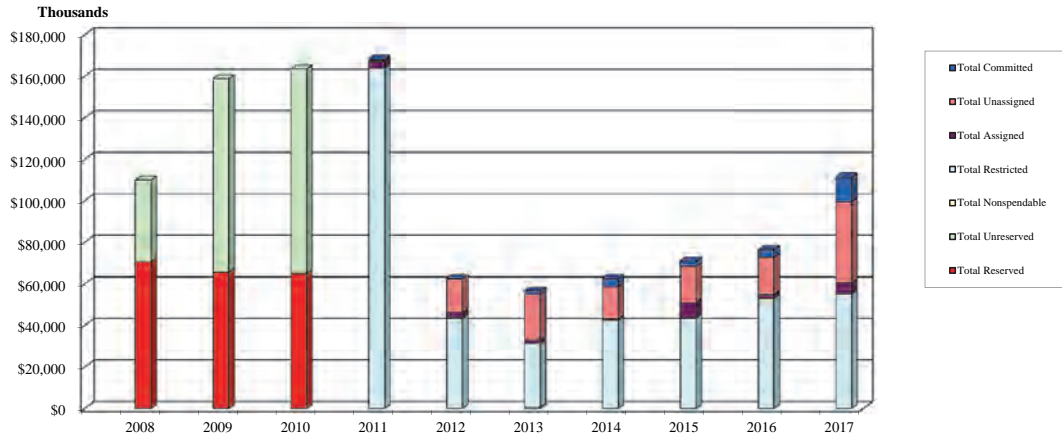
CITY OF SOUTHSAN FRANCISCO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General Government	\$7,435,350	\$7,140,676	\$6,538,052	\$7,711,156	\$7,801,328	\$8,560,945	\$7,155,035	\$8,421,857	9,044,518	\$10,253,403
Fire Department	17,147,670	19,047,877	17,868,050	20,032,141	20,749,323	22,746,291	21,200,903	22,005,883	22,488,964	25,750,126
Police Department	18,959,373	21,051,263	20,352,570	22,429,782	23,330,208	24,756,958	24,376,379	23,910,436	23,158,168	25,838,242
Public Works	16,286,592	20,924,132	15,873,783	17,127,086	21,269,281	15,773,710	14,980,417	14,493,030	11,916,572	12,396,998
Park, Recreation and Maintenance Services	11,233,170	11,574,808	10,411,821	10,866,568	11,641,892	12,570,236	12,658,309	12,383,880	12,901,657	15,217,677
Library	4,719,233	4,959,138	4,616,658	4,664,490	4,754,760	4,615,967	4,310,550	4,300,885	4,442,577	5,184,282
Economic and Community Development	4,712,239	15,886,834	23,147,877	15,018,495	8,702,949	16,126,427	5,525,541	5,928,316	7,603,275	8,927,162
Interest on Long - Term Debt	5,694,097	5,289,818	5,035,780	4,249,454	3,328,244	521,39				
Total Governmental Activities Expenses	86,187,723	105,874,546	103,844,591	102,099,172	101,577,985	105,002,673	90,207,134	91,444,296	91,555,731	103,567,890
Business-Type Activities:										
Sewer Rental	16,340,344	17,549,690	18,944,267	19,277,959	19,446,739	20,870,522	19,301,103	23,969,579	18,273,580	22,661,768
Parking District	363,878	341,100	338,995	571,261	769,117	792,609	943,859	503,014	894,769	940,181
Storm Water	705,099	746,316	722,232	710,903	1,010,093	1,655,950	1,078,868	1,234,616	1,289,465	1,333,409
Total Business-Type Activities Expenses	17,409,321	18,637,106	20,005,494	20,560,123	21,225,949	23,319,081	21,323,830	25,707,209	20,457,814	24,935,358
Total Primary Government Expenses	\$103,597,044	\$124,511,652	\$123,850,085	\$122,659,295	\$122,803,934	\$128,321,754	\$111,530,964	\$117,151,505	\$112,013,545	\$128,503,248
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$2,578,384	\$2,689,370	\$2,539,316	\$2,688,990	\$2,032,292	\$1,951,016	\$5,785,598	\$3,946,302	4,194,563	\$2,225,049
Fire Department	2,425,673	2,415,617	2,851,984	3,221,837	3,697,665	2,987,956	3,304,952	3,520,275	3,450,524	4,242,940
Police Department	1,685,514	1,650,620	1,479,104	1,815,405	2,599,149	2,640,146	2,805,640	2,370,736	2,076,837	2,146,909
Public Works	2,973,297	2,462,538	4,412,581	3,805,824	3,607,224	2,926,227	4,734,813	5,071,729	10,361,525	10,869,608
Park, Recreation and Maintenance Services	3,755,368	4,872,718	3,032,399	3,004,435	3,178,276	3,433,567	3,571,947	3,708,272	3,744,137	3,756,369
Library	233,753	240,542	187,380	168,505	143,971	125,416	138,827	120,850	164,271	96,987
Economic and Community Development	4,483,292	4,868,445	4,652,031	4,944,328	4,968,383	3,457,020	5,800,849	5,337,177	6,131,463	3,911,597
Operating Grants and Contributions	6,840,628	13,388,016	5,786,227	5,549,711	5,650,685	5,455,010	5,601,916	5,753,845	5,581,492	4,533,539
Capital Grants and Contributions	3,113,674	182,462	217,877	2,728,543	1,471,416	4,036,786	1,538,225	632,735	1,147,337	577,995
Total Government Activities Program Revenues	28,089,583	32,770,328	25,158,899	27,927,578	27,349,061	27,013,144	33,282,767	30,461,921	36,852,149	32,360,993
Business-Type Activities:										
Charges for Services:										
Sewer Rental	14,112,051	15,770,470	17,486,418	18,087,695	19,310,286	19,338,107	19,155,467	19,798,033	19,569,341	19,897,769
Parking District	553,317	606,847	616,578	722,807	760,248	732,932	785,586	819,051	843,199	916,687
Storm Water	421,727	419,446	422,467	406,589	409,498	427,291	409,458	407,640	412,105	418,840
Operating Grants and Contributions	4,951,013	10,392,219	5,679,902	5,509,874	5,936,527	6,137,401	7,619,601	6,242,687	5,802,788	5,763,645
Capital Grants and Contributions	173,767	162,599	24,720	31,670						
Total Business-Type Activities Program Revenues	20,211,875	27,351,581	24,230,085	24,758,635	26,416,559	26,635,731	27,970,112	27,267,411	26,627,433	26,996,941
Total Primary Government Program Revenues	\$48,301,458	\$60,121,909	\$49,388,984	\$52,686,213	\$53,765,620	\$53,648,875	\$61,252,879	\$57,729,332	\$63,479,582	\$59,357,934
Net (Expense)/Revenue										
Governmental Activities	(\$58,098,140)	(\$73,104,218)	(\$78,685,692)	(\$74,171,594)	(\$74,228,924)	(\$77,989,529)	(\$56,924,367)	(\$60,982,375)	(54,703,582)	(\$71,206,897)
Business-Type Activities	2,802,554	8,714,475	4,224,591	4,198,512	5,190,610	3,316,650	6,646,282	1,560,202	6,169,619	2,061,583
Total Primary Government Net Expense	(\$55,295,586)	(\$64,389,743)	(\$74,461,101)	(\$69,973,082)	(\$69,038,314)	(\$74,672,879)	(\$50,278,085)	(\$59,422,173)	(\$48,533,963)	(\$69,145,314)

CITY OF SOUTHSAN FRANCISCO
Changes in Net Position
(continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$44,165,490	\$59,369,550	\$55,014,367	\$54,323,420	\$37,379,175	\$26,420,861	\$22,890,828	\$24,650,648	24,650,648	\$29,023,618
Sales Taxes	12,180,885	11,752,776	9,146,620	11,199,175	11,691,564	12,931,805	12,725,141	13,932,125	13,932,125	24,087,776
Transient Occupancy Tax	7,098,284	6,178,391	5,820,675	7,191,938	8,619,170	9,659,281	11,174,017	12,947,473	12,947,473	13,631,507
Franchise fees										4,090,073
Other Taxes	6,083,162	6,870,791	6,768,753	7,071,446	7,089,687	7,588,471	8,141,010	8,650,056	8,650,056	5,708,187
Motor Vehicle In-Lieu	267,061	183,193	192,035	211,503	168,214	33,767	40,074	26,995	26,995	28,933
Property taxes in lieu of vehicle license fees	4,608,649	5,563,165	5,224,547	5,086,144	5,153,384	4,955,873	5,319,154	5,551,651	5,551,651	6,133,230
Interest Earnings	8,994,203	4,760,345	5,127,255	3,944,785	2,384,207	809,721	1,108,177	629,036	629,036	622,518
Other	1,417,773	1,925,666	1,496,744	1,891,421	9,300,137	1,965,744	2,012,444	4,577,239	4,577,239	2,365,820
Extraordinary Item				(107,717,428)						
Transfers	(169,330)	(423,012)	(1,459,296)	(11,769,393)	(785,309)	(906,857)	(1,041,120)	(1,429,308)	(1,429,308)	(1,105,038)
Special item	(8,540,400)					11,873,226				45,205,422
Total Government Activities	76,105,777	96,180,865	87,331,700	79,150,439	(26,717,199)	75,331,892	62,369,725	69,535,915	69,535,915	129,792,046
Business-Type Activities:										
Interest Earnings	69,777	244,887	175,188	122,283	149,242	95,177	153,353	126,874	126,874	27,710
Transfers	169,330	423,012	1,459,296	11,769,393	785,309	906,857	1,041,120	1,429,308	1,429,308	1,105,038
Total Business-Type Activities	239,107	667,899	1,634,484	11,891,676	934,551	1,002,034	1,194,473	1,556,182	1,556,182	1,132,748
Total Primary Government	\$76,344,884	\$96,848,764	\$88,966,184	\$91,042,115	(\$25,782,648)	\$76,333,926	\$63,564,198	\$71,092,097	\$71,092,097	\$130,924,794
Change in Net Position										
Governmental Activities	\$18,007,637	\$23,076,647	\$8,646,008	\$4,978,845	(\$100,946,123)	(\$2,657,637)	\$5,445,358	\$8,553,540	8,553,540	\$58,585,149
Business-Type Activities	3,041,661	9,382,374	5,859,075	16,090,188	6,125,161	4,318,684	7,840,755	3,116,384	3,116,384	3,194,331
Total Primary Government	\$21,049,298	\$32,459,021	\$14,505,083	\$21,069,033	(\$94,820,962)	(\$1,661,047)	\$13,286,113	\$11,669,924	\$11,669,924	\$61,779,480

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



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(b)										
General Fund										
Reserved	\$283,435	\$554,692	\$889,186							
Unreserved	14,503,263	17,509,823	14,841,958							
Nonspendable				67,129	\$90,167	\$805,677	\$14,163	\$1,134	\$33,580	\$474
Committed				401,797	208,054	1,406,430	3,879,451	2,536,790	3,654,283	11,780,724
Assigned				771,849	840,365	566,104	743,746	1,458,029	1,578,153	5,244,279
Unassigned				15,049,168	17,347,445	23,498,194	15,891,899	17,285,422	17,751,169	39,278,746
Total General Fund	\$14,786,698	\$18,064,515	\$15,731,144	\$16,289,943	\$18,486,031	\$26,276,405	\$20,529,259	\$21,281,375	\$23,017,185	\$56,304,223
All Other Governmental Funds										
Reserved	\$70,194,663	\$65,117,971	\$64,163,373							
Unreserved, reported in:										
Special revenue funds	21,286,431	23,826,184	11,079,390							
Debt service funds	119,525	121,764	3,198,600							
Capital project funds	3,578,595	51,589,538	69,286,211							
Restricted				\$163,727,096	\$43,364,540	\$30,539,396	\$42,392,238	\$43,437,361	\$52,938,897	\$55,195,500
Assigned				2,390,904	2,076,065	1,105,320	0	6,188,554	367,023	0
Unassigned				(14,353,252)	(1,388,956)	(1,379,895)	(521,604)	(40,459)	0	(88,331)
Total all other governmental funds	\$95,179,214	\$140,655,457	\$147,727,574	\$151,764,748	\$44,051,649	\$30,264,821	\$41,870,634	\$49,585,456	\$53,305,920	\$55,107,169

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

(b) In fiscal year 2011, the City implemented 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.

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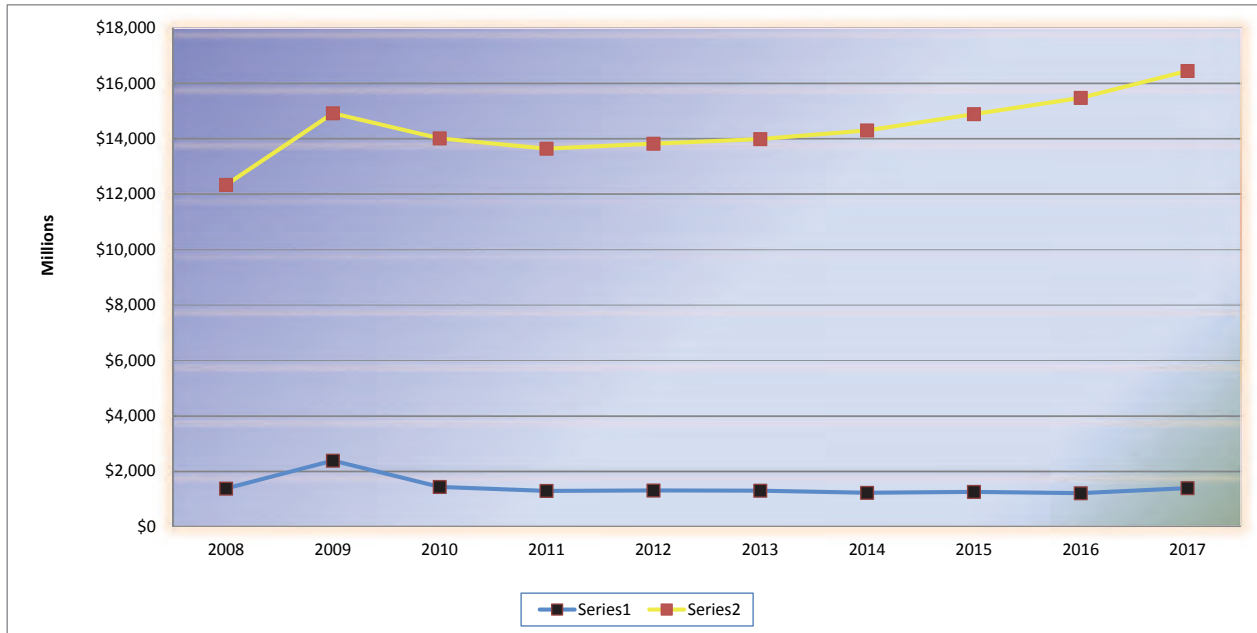
CITY OF SOUTH SAN FRANCISCO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For The Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Revenues					
Property Taxes	\$44,165,490	\$59,369,550	\$54,718,916	\$54,128,998	\$38,174,655
Other Taxes	24,313,543	22,755,561	19,771,310	23,412,992	28,866,546
Intergovernmental revenues	13,219,053	15,088,171	10,609,605	11,860,658	11,580,530
Interest and Rents	12,318,594	7,625,428	7,680,293	7,612,223	4,955,223
Licenses and permits	5,716,017	5,957,815	7,270,081	7,004,603	3,056,507
Charges for services	10,792,043	13,644,314	9,986,352	10,010,541	10,088,070
Fines and forfeitures	1,073,603	1,013,434	1,054,549	2,133,677	2,184,234
Other	1,091,514	3,722,979	2,542,492	2,261,247	3,000,563
Total Revenues	112,689,857	129,177,252	113,633,598	118,424,939	101,906,328
Expenditures					
Current:					
General government	5,897,066	5,752,948	5,916,364	6,407,094	6,485,219
Fire Department	16,875,311	17,724,990	16,790,834	18,140,954	18,812,861
Police Department	18,757,394	19,989,136	19,359,770	20,272,684	21,217,818
Public works	14,910,401	12,360,989	8,416,242	9,856,201	14,253,609
Recreation and Community Services	10,826,041	10,700,332	9,960,090	10,168,425	10,101,408
Library	4,766,821	4,679,270	4,342,662	4,231,762	4,272,701
Economic and Community Development	13,848,049	19,554,780	26,279,406	19,894,692	8,184,334
Other	1,023,435	474,805			
Capital outlay	36,544,741	4,247,021	6,724,022	6,969,052	8,894,514
Debt service:					
Principal repayment	1,692,296	1,755,426	1,887,434	1,842,000	1,752,000
Interest and fiscal charges	5,441,036	4,571,150	4,255,050	4,274,170	1,817,764
Total Expenditures	130,582,591	101,810,847	103,931,874	102,057,034	95,792,228
Excess (deficiency) of revenues over (under) expenditures	(17,892,734)	27,366,405	9,701,724	16,367,905	6,114,100
Other Financing Sources (Uses)					
Transfers in	20,182,014	18,754,214	18,047,351	88,175,882	108,413,018
Transfers (out)	(24,253,621)	(19,330,934)	(22,175,268)	(99,947,814)	(109,646,766)
Tax allocation bonds issued					
Premium on bonds					
Payments to refunded bond escrow					
Other debt proceeds					
Sale of capital assets	13,750	13,784			
Total other financing sources (uses)	(4,057,857)	(562,936)	(4,127,917)	11,771,932	(1,233,748)
Net Change in fund balances before extraordinary and special items	(21,950,591)	26,803,469	5,573,807	4,595,973	4,880,352
Extraordinary item					(110,397,363)
Special item					
Net change in fund balances	(\$21,950,591)	\$26,803,469	\$5,573,807	\$4,595,973	(\$105,517,011)
Debt service as a percentage of noncapital expenditures	8.9%	6.8%	6.6%	6.7%	4.2%

For The Fiscal Year Ended June 30,

2013	2014	2015	2016	2017
\$27,077,697	\$23,010,136	\$24,650,648	\$26,438,620	\$35,156,848
31,894,811	33,931,446	38,275,478	\$41,811,097	49,608,385
13,054,594	10,757,440	10,453,071	12,360,354	4,019,771
3,238,089	3,632,693	3,531,966	4,207,453	3,100,692
3,054,451	4,366,271	4,795,158	6,896,897	7,823,403
9,275,724	16,864,409	13,387,712	15,386,358	14,485,367
1,753,682	1,528,319	1,221,413	791,756	899,118
1,837,675	2,249,728	4,660,668	2,439,579	2,906,625
<u>91,186,723</u>	<u>96,340,442</u>	<u>100,976,114</u>	<u>110,332,114</u>	<u>118,000,209</u>
6,658,532	5,970,429	7,167,969	8,469,924	9,399,930
20,877,917	20,163,759	21,247,989	24,175,340	25,632,366
22,542,135	23,309,568	23,611,743	25,458,986	25,998,097
9,186,493	16,791,894	15,923,071	14,846,346	12,143,965
10,927,433	11,552,502	11,826,407	13,234,028	14,897,157
4,112,570	3,987,928	4,247,650	4,681,188	5,157,355
20,512,545	5,972,966	5,917,508	7,907,655	8,943,111
		480,290	395,749	274,183
	453,381	352,674	656,000	23,000
<u>52,139</u>				
<u>94,869,764</u>	<u>88,202,427</u>	<u>90,775,301</u>	<u>99,825,216</u>	<u>102,469,164</u>
<u>(3,683,041)</u>	<u>8,138,015</u>	<u>10,200,813</u>	<u>10,506,898</u>	<u>15,531,045</u>
4,467,530	21,870,234	17,983,227	8,143,075	14,327,130
(6,780,943)	(24,149,582)	(19,717,102)	(13,193,699)	(16,368,499)
				1,016,276
<u>(2,313,413)</u>	<u>(2,279,348)</u>	<u>(1,733,875)</u>	<u>(5,050,624)</u>	<u>(1,025,093)</u>
<u>(5,966,454)</u>	<u>5,858,667</u>	<u>8,466,938</u>	<u>5,456,274</u>	<u>14,505,952</u>
				20,582,335
<u><u>(\$5,966,454)</u></u>	<u><u>\$5,858,667</u></u>	<u><u>\$8,466,938</u></u>	<u><u>\$5,456,274</u></u>	<u><u>\$35,088,287</u></u>
0.1%	0.6%	0.4%	0.7%	0.0%

**CITY OF SOUTH SAN FRANCISCO
ASSESSED VALUE
OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Fiscal Year	Real Property Net Taxable value				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2008	\$5,484,465,766	\$1,227,775,836	\$3,934,414,550	\$324,421,836	\$10,971,077,988	\$1,365,179,480	\$12,336,257,468	\$12,336,257,468	0.31878%
2009	5,790,070,116	1,368,274,141	4,871,255,093	523,110,471	12,552,709,821	2,373,808,053	14,926,517,874	14,926,517,874	0.34939%
2010	5,467,563,992	1,429,401,205	5,197,739,403	498,656,817	12,593,361,417	1,424,610,941	14,017,972,358	14,017,972,358	0.36462%
2011	5,547,292,029	1,509,554,164	4,922,422,763	387,673,530	12,366,942,486	1,279,681,193	13,646,623,679	13,646,623,679	0.36933%
2012	5,579,044,758	1,581,852,456	4,967,158,758	403,895,119	12,531,951,091	1,295,085,027	13,827,036,118	13,827,036,118	0.37860%
2013	5,606,400,603	1,628,754,902	5,050,279,321	418,927,733	12,704,362,559	1,288,434,392	13,992,796,951	13,992,796,951	0.42174%
2014	5,900,441,192	1,713,575,060	4,273,694,531	1,204,288,116	13,091,998,899	1,212,353,871	14,304,352,770	14,304,352,770	0.13474%
2015	6,313,393,048	2,402,335,027	4,588,967,014	345,957,716	13,650,652,805	1,244,971,467	14,895,624,272	14,895,624,272	0.13804%
2016	6,716,642,000	2,000,204,271	5,189,813,366	376,874,603	14,283,534,240	1,197,263,526	15,480,797,766	15,480,797,766	0.13634%
2017	7,087,550,257	2,160,377,671	5,414,028,340	412,344,220	15,074,300,488	1,381,715,511	16,456,015,999	16,456,015,999	0.13632%

Source: HdL Coren & Cone, San Mateo County Assessor 2007/08 - 2016/17 Combined Tax Rolls.

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

**CITY OF SOUTH SAN FRANCISCO
DIRECT AND OVERLAPPING
PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Basic Levy</u>	<u>School Districts</u>	<u>Total Direct/Overlapping Tax Rates</u>	
2008	1.000	0.1370	1.1370	(1,14)
2009	1.000	0.1426	1.1426	(1,15)
2010	1.000	0.1600	1.1600	(1,16)
2011	1.000	0.1707	1.1707	(1,17)
2012	1.000	0.1824	1.1824	(1,18)
2013	1.000	0.1959	1.1959	(1,19)
2014	1.000	0.2046	1.2046	(1,20)
2015	1.000	0.1822	1.1822	(1,21)
2016	1.000	0.1750	1.1750	(1,22)
2017	1.000	0.1749	1.1749	(1,23)

Notes:

(1) Like other cities, South San Francisco includes several property tax rate areas with different rates. A mean average is indicated.

(14) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0360 percent which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have the rate of 1.0756, which includes Jefferson Union School bonds, one has a rate of 1.0716, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0596 percent, for Brisbane ESD bonds and Jefferson Union High School bonds.

(15) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0327 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond. 2 have the rate of 1.0719 and one has a rate of 1.0689, which includes Jefferson Union School bonds and Brisbane ESD bonds, and one has a rate of 1.0710 which includes San Bruno Park Elementary.

(16) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0377 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond. 3 have the rate of 1.0783 and one has a rate of 1.0748, which includes Jefferson Union School bonds, and Brisbane ESD bonds, and one has a rate of 1.0804 which includes San Bruno Park Elementary.

(17) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0389 percent, which includes SSFUSD bonds and San Mateo Jr College bond. 3 has a rate of 1.0870 percent and one at 1.0832 percent which includes Jefferson Union School bonds and Brisbane ESD bonds. One has a rate of 1.0834 percent which includes San Bruno Park Elementary.

(18) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0420 percent, which includes SSFUSD bonds and San Mateo Jr College bond. 3 has a rate of 1.0893 percent and one at 1.0854 percent which includes Jefferson Union School bond, Brisbane ESD bonds & San Mateo JR College bonds and one has a rate of 1.0909 percent which includes San Bruno Park Elementary.

(19) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0521 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.0921 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0905 percent, which includes San Bruno Pk Elem bond, SM Union High, SM Jr College bond and San Mateo Comm Coll bond.

(20) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0522 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.1048 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0864 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, and San Mateo Comm College. 1 has a rate of 1.0864 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(21) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0703 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.0991 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0983 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(22) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0707 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 3 has a rate of 1.1080 percent and 1 with 1.1068 percent rate which includes College bond Brisbane ESD Bond, Jefferson High bonds, SM Jr and San Mateo Comm College. 1 has a rate of 1.0929 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

(23) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0714 percent, which includes SSFUSD bonds & San Mateo Jr College bond. 4 has a rate of 1.1282 percent which includes Brisbane ESD Bond, Jefferson High bonds, Jefferson USHD, SM Jr College bonds. 1 has a rate of 1.0910 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

CITY OF SOUTH SAN FRANCISCO
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2016-17			2007-08		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$2,120,621,225	1	12.89%	\$1,973,718,761	1	16.00%
Slough BTC LLC	594,225,301	2	3.61%	307,355,339	2	2.49%
ARE San Francisco LLC	440,621,119	3	2.68%	237,272,532	4	
Brittania Pointe Grand LP	297,590,141	4	1.81%	153,268,558	5	1.24%
Slough SSF LLC	287,797,591	5	1.75%			0.00%
United Airlines Inc	257,987,258	6	1.57%	295,118,474	3	2.39%
AP3-SF2 CT South LLC	162,000,000	7	0.98%			
Gateway Center LLC	143,533,477	8	0.87%			
SSF Logistics Inc	122,193,093	9	0.74%			
ASN Solaire LLC	110,934,105	10	0.67%	91,805,359	7	
Gateway Center LLC De		--	--	126,821,590	6	1.03%
Broadway 801 Gateway Fee LLC	--	--	--	83,095,887	8	0.67%
AMB Fund III Spruce LLC	--	--	--	64,606,800	9	0.52%
Costco Wholesale Corporation	--	--	--	63,367,420	10	0.51%
Subtotal	<u>\$4,537,503,310</u>		<u>27.57%</u>	<u>\$3,396,430,720</u>		<u>27.53%</u>

Total Net Assessed Valuation:

Fiscal Year 2016-17	\$16,456,015,999
Fiscal Year 2007-08	\$12,336,257,468

Source:

HdL Coren & Cone, 2007-08 & 2016-17 Top Ten Property Taxpayers (Net Values).
San Mateo County Assessor 2007-08 & 2016-17 Combined Tax Rolls and the SBE Non Unitary Tax Roll

CITY OF SOUTH SAN FRANCISCO
Twenty Largest Taxable Property Owners for Merged RDA Project Area
June 30, 2017

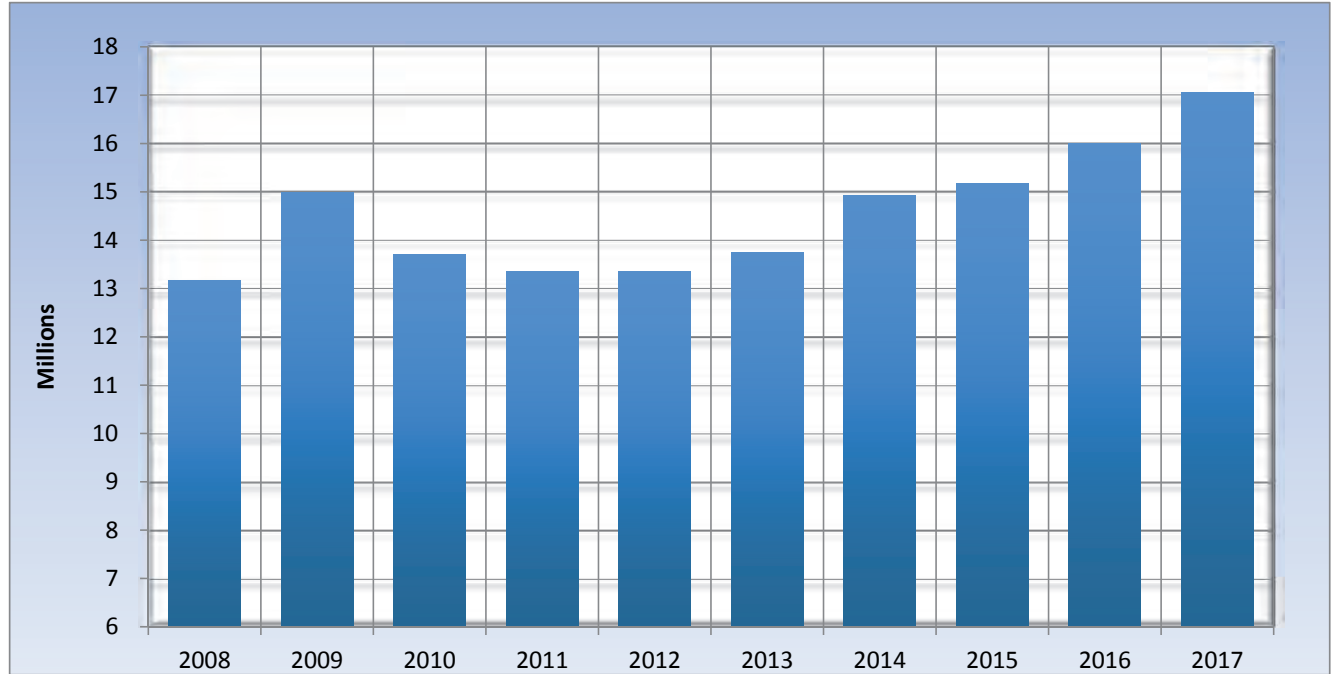
Property Tax Payer	Secured	Unsecured	Total Assessed Value	% of Total AV in Project Area	Land Use
Slough	\$965,586,473		\$965,586,473	21.78%	Industrial
Genentech	241,489,807	170,679,681	\$412,169,488	9.30%	Industrial, Office, R&D
Britannia Pointe Grand LP	297,590,141		\$297,590,141	6.71%	Industrial
ARE San Francisco Exch LLC	\$229,102,810		\$229,102,810	5.17%	Industrial, Commercial
BMR 1000 Gateway LP N A	213,145,455		\$213,145,455	4.81%	Commercial
Gateway Boulevard LLC	201,733,291		\$201,733,291	4.55%	Industrial
Gateway Center LLC	143,533,477	0	\$143,533,477	3.24%	Commercial
ASN Solaire LLC	110,934,105		\$110,934,105	2.50%	Residential
HCP Inc	98,463,117		\$98,463,117	2.22%	Unknown
Costco Wholesale Corp	41,669,548	38,231,010	\$79,900,558	1.80%	Commercial
HPTMI II Properties Trust	66,190,793		\$66,190,793	1.49%	Residential, Hotels, Motels
BP Gateway Center LLC	59,261,340		\$59,261,340	1.34%	Commercial, Office, 2+ stories
PR 701 Gateway LLC	58,579,924		\$58,579,924	1.32%	Commercial
Amgen SF LLC		57,824,838	\$57,824,838	1.30%	Industrial
Blue Line Transfer Inc.	49,075,135		\$49,075,135	1.11%	Industrial
OIK Sierra Point LLC	43,856,270		\$43,856,270	0.99%	Commercial, Office, 2+ stories
Felcor CMB SSF Holdings LP	39,708,919		\$39,708,919	0.90%	Residential, Hotels, Motels
Areus Inc	35,242,075		\$35,242,075	0.79%	Commercial, Office, 2+ stories
Prologis Uslv Newca 2 LLC	29,493,009		\$29,493,009	0.67%	Commercial, Office, 2+ stories
Theravance Inc.		26,780,291	\$26,780,291	0.60%	Industrial, Office, R&D
Total Top Twenty	2,924,655,689	293,515,820	3,218,171,509	72.59%	
Percent of AV	90.9%	9.1%			

(1) Given the nature of the research performed at Genentech, a significant portion of the total assessed value of the Genentech Property is likely equipment. It would appear on the secured roll as that contains the value of personal property/improvements

Source: San Mateo County Assessor , RDA Secured & Unsecured SSF 2017 Tax Rolls

Source: Muni Services

**CITY OF SOUTH SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS**



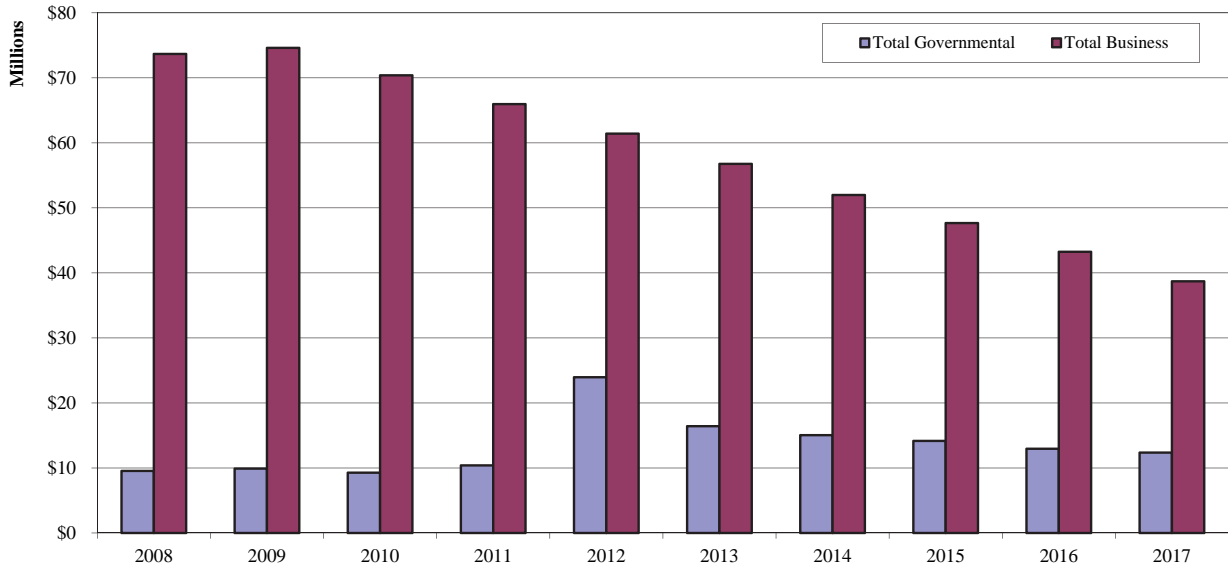
<u>Fiscal Year</u>	<u>Rate (2)</u>	<u>Levies (3)</u>	<u>Allocations (5)</u>	<u>Collections</u>	<u>Delinquencies</u>	<u>Percent of Delinquent taxes</u>
2008	1.00	(4)	13,177,156	(4)	(4)	0.0%
2009	1.00	(4)	14,979,798	(4)	(4)	0.0%
2010	1.00	(4)	13,697,389	(4)	(4)	0.0%
2011	1.00	(4)	13,351,506	(4)	(4)	0.0%
2012	1.00	(4)	13,360,854	(4)	(4)	0.0%
2013	1.00	(4)	13,740,246	(4)	(4)	0.0%
2014	1.00	(4)	14,928,197	(4)	(4)	0.0%
2015	1.00	(4)	15,184,788	(4)	(4)	0.0%
2016	1.00	(4)	15,994,773	(4)	(4)	0.0%
2017	1.00	(4)	17,065,875	(4)	(4)	0.0%

Notes:

- (1) Excludes State Reimbursed Exemptions and deductions for County property tax administration.
- (2) County adopted full cash value method of valuation rather than assessed valuation.
- (3) Levies include real and personal property.
- (4) Information not applicable. All general purpose property taxes are levied by the County and allocated to other governmental entities.
- (5) San Mateo County controller's Office. Adjusted estimated revenue for City of South San Francisco.

Source: San Mateo County Auditor -- Controller's Office; Finance Department Revenue Reports

CITY OF SOUTH SAN FRANCISCO
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities

Fiscal Year	Loans from	Lease	Certificates	Capital	Total
	Successor Agency	Revenue Bonds	of Participation	Lease	
2008		\$153,860	\$5,060,000	\$559,379	\$9,545,239
2009		110,434	4,915,000	1,215,639	9,901,073
2010		0	4,765,000	961,671	9,274,671
2011		0	4,610,000	2,342,892	10,388,892
2012	\$14,120,927	0	4,445,000	2,056,382	23,946,309
2013	13,343,039	0	0	3,084,553	16,427,592
2014	11,722,826	0	0	3,316,836	15,039,662
2015	11,370,152	0	0	2,786,573	14,156,725
2016	10,714,152	0	0	2,238,998	12,953,150
2017	10,691,152	0	0	1,673,523	12,364,675

Business-Type Activities

Fiscal Year	Sewer	Certificates	State Water	Total	Total	Percentage	Per
	Revenue Bonds	of Participation	Resources Loans		Primary Government	of Personal Income (a)	Capita (a)
2008	\$5,790,000		\$67,878,194	\$73,668,194	\$83,213,433	4.24%	\$1,310.20
2009	5,575,000		69,025,322	74,600,322	84,501,395	4.34%	1,300.02
2010	5,350,000		65,028,410	70,378,410	79,653,081	4.15%	1,209.21
2011	5,120,000		60,831,038	65,951,038	76,339,930	3.95%	1,187.12
2012	4,885,000		56,530,946	61,415,946	85,362,255	4.31%	1,310.70
2013	4,640,000		52,118,587	56,758,587	73,186,179	3.65%	1,113.78
2014	4,385,000		47,591,019	51,976,019	67,015,681	3.30%	1,019.27
2015	4,120,000		43,543,614	47,663,614	61,820,339	2.92%	957.19
2016	3,850,000		39,392,832	43,242,832	56,195,982	2.59%	858.60
2017	3,570,000		35,136,032	38,706,032	51,070,707	n/a	n/a

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

Sources: City of South San Francisco

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

(a) See Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2017**

2016-17 Assessed Valuation:	\$16,456,057,191
Redevelopment Incremental Valuation:	-
Adjusted Assessed Valuation:	\$16,456,057,191

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2017	% Applicable (1)	City's Share of Debt 6/30/17
San Mateo Community College District	\$611,812,998	8.577%	\$52,475,201
Jefferson Union High School District	180,406,091	1.964	3,543,176
South San Francisco Unified School District	175,812,364	89.467	157,294,048
Brisbane School District	5,820,437	13.858	806,596
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$214,119,021

Ratio to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....1.30%

OVERLAPPING FUND DEBT:

San Mateo County General Fund Obligations	\$399,389,816	8.577%	\$34,255,665
San Mateo County Board of Education Certificates of Participation	9,330,000	8.577	800,234
San Mateo County Flood Control District Certificates of Participation	18,095,000	60.402%	10,929,742
South San Francisco Unified School District Certificates of Participation	4,360,746	89.467	3,901,429
Jefferson Union High School District Certificates of Participation	1,279,477	1.964	\$25,129
City of South San Francisco Loans Payable	10,691,152	100.000	10,691,152
City of South San Francisco Capital Leases	1,673,523	100	1,673,522
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			\$62,276,873

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$560,000	100.000%	\$560,000
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TOTAL DIRECT DEBT	12,364,674
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Total Overlapping Debt	\$264,591,220
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COMBINED TOTAL DEBT	\$276,955,895 (2)
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(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds, and Successor Agency Debt.

Ratios to Adjusted Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.30%
Total Direct Debt	0.08%
Combined Total Debt	1.68%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,099,895,614):

Total Overlapping Tax Increment Debt	0.01%
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Source: California Municipal Statistics, Inc. and City of South San Francisco
510-658-2640 Austin Busch

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2017**

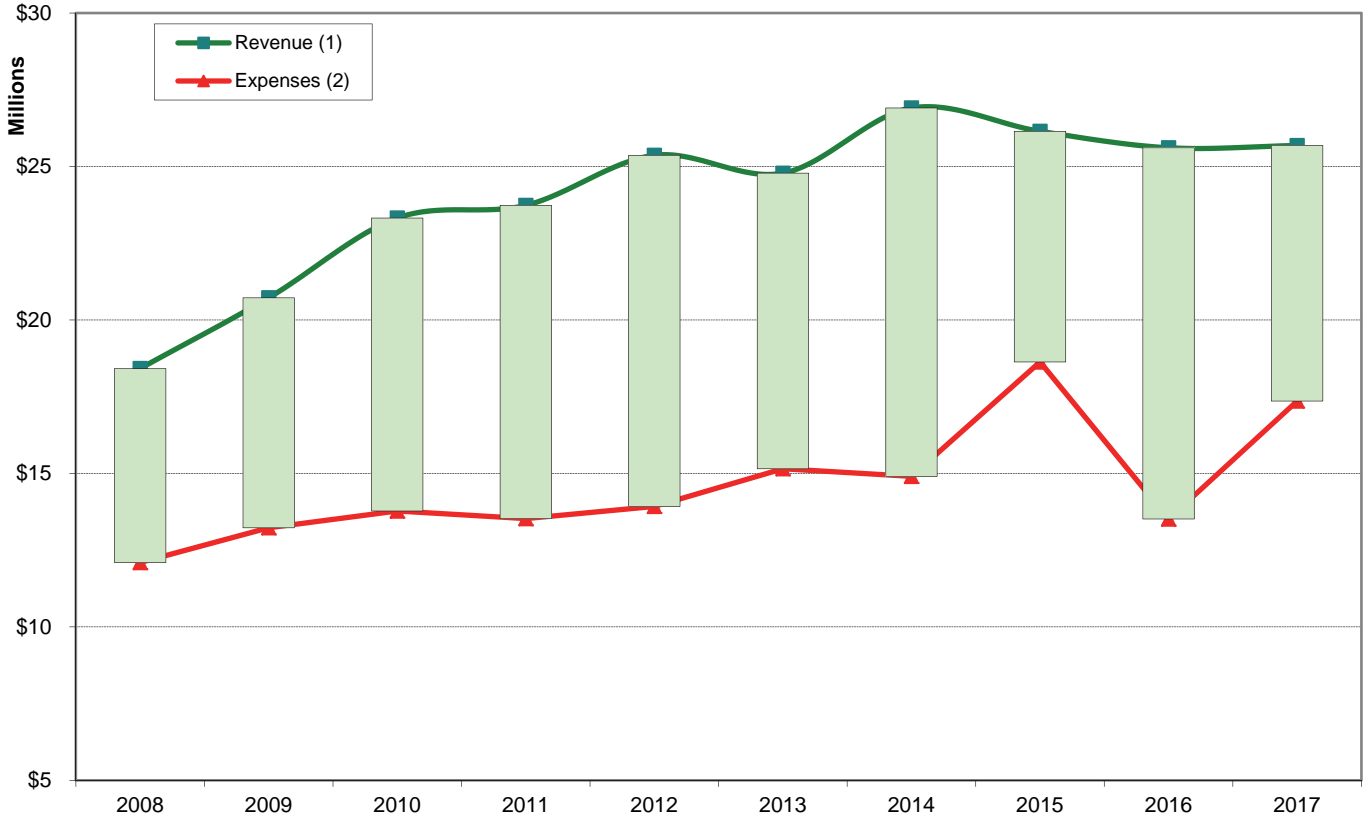
ASSESSED VALUATION:	\$16,456,057,191
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	617,102,145
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$617,102,145

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2008	\$469,575,123	0	\$469,575,123	0.00%
2009	559,744,420	0	559,744,420	0.00%
2010	525,673,963	0	525,673,963	0.00%
2011	511,748,388	0	511,748,388	0.00%
2012	518,513,854	0	518,513,854	0.00%
2013	524,729,886	0	524,729,886	0.00%
2014	536,413,229	0	536,413,229	0.00%
2015	558,585,910	0	558,585,910	0.00%
2016	580,561,386	0	580,561,386	0.00%
2017	617,102,145	0	617,102,145	0.00%

NOTE: (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: HDL Coren & Cone, San Mateo County Assessor - Combined Tax Rolls

**CITY OF SOUTH SAN FRANCISCO
REVENUE BOND COVERAGE
SEWER RENTAL ENTERPRISE FUND
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (4)			Coverage
				Principal	Interest	Total	
2008	\$18,418,866	\$12,096,256	\$6,322,610	(3)	\$241,846	\$241,846	26.14
2009	20,722,778	13,228,883	7,493,895	215,000	235,897	450,897	16.62
2010	23,321,582	13,774,757	9,546,825	225,000	230,941	455,941	20.94
2011	23,735,469	13,527,544	10,207,925	230,000	223,973	453,973	22.49
2012	25,365,824	13,924,334	11,441,490	235,000	216,501	451,501	25.34
2013	24,782,587	15,151,968	9,630,619	245,000	208,459	453,459	21.24
2014	26,908,316	14,904,225	12,004,091	255,000	199,831	454,831	26.39
2015	26,147,550	18,630,672	7,516,878	265,000	190,533	455,533	16.50
2016	25,610,518	13,514,706	12,095,812	270,000	180,566	450,566	26.85
2017	25,684,966	17,357,273	8,327,693	280,000	169,976	449,976	18.51

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Gross revenue includes operating revenue and non-operating revenue.

(2) Direct operating expenses include operating expenses (except depreciation) and non-operating expenses (except interest expense).

(3) Retirement of principal for 2005 Sewer Revenue Bonds begins in fiscal year 2008.

(4) The requirement does not include loan payments on State Water Resources Board loans. See schedule of Sewer Debt service coverage for details.

Source: City of South San Francisco, Department of Finance

**CITY OF SOUTH SAN FRANCISCO
SEWER DEBT SERVICE COVERAGE
SEWER RENTAL ENTERPRISE FUND
LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues					
Service Charges	\$19,310,559	\$19,129,475	\$19,758,128	\$19,515,093	\$19,750,636
Connection and Other Fees	27,548	25,992	122,640	104,283	147,133
Interest Income	80,692	133,248	106,830	238,389	23,552
Developer Fees					
Other Cities' Participation (1)	6,137,401	7,619,601	6,159,937	5,752,765	5,763,645
Total Revenues	<u>\$25,556,200</u>	<u>\$26,908,316</u>	<u>\$26,147,535</u>	<u>\$25,610,530</u>	<u>\$25,684,966</u>
Operating Expenses (2)	<u>\$15,151,968</u>	<u>\$14,904,225</u>	<u>\$18,759,650</u>	<u>\$13,514,718</u>	<u>\$17,357,273</u>
Wastewater System Net Revenues	<u>\$10,404,232</u>	<u>\$12,004,091</u>	<u>\$7,387,885</u>	<u>\$12,095,812</u>	<u>\$8,327,693</u>
Parity Debt Service (3)					
State Water Resources Control Board Loans	\$6,012,716	\$6,022,799	\$5,445,162	\$5,449,692	\$5,454,747
CSCDA Series 2005D Revenue Bonds	206,405	197,630	188,148	178,036	167,284
Total Parity Debt	<u>\$6,219,121</u>	<u>\$6,220,429</u>	<u>\$5,633,310</u>	<u>\$5,627,728</u>	<u>\$5,622,031</u>
Total Parity Debt Service Coverage	<u>1.67</u>	<u>1.93</u>	<u>1.31</u>	<u>2.15</u>	<u>1.48</u>

(1) Primarily consists of payments from the City of San Bruno. The City of San Bruno is a co-owner of the Plant and pays the City in advance on a quarterly basis for the City of San Bruno's share of operating costs. See "Wastewater System" herein.

(2) Excludes depreciation, capital expenditures and debt service.

(3) Includes Sewer Revenue Bonds and State Water Loan payments

(4) Reflects an adopted increase in rates for Fiscal Year 2004-05 of 25% per Resolution No. 68-2004, adopted by the City Council on July 14, 2004 and effective on and after July 1, 2004 and an adopted increase in rates for Fiscal Year 2005-06 of 9% per Resolution No. 68-2005, adopted by the City Council on June 22, 2005 and effective on and after June 22, 2005.

**CITY OF SOUTH SAN FRANCISCO
REDEVELOPMENT PLEDGED REVENUE COVERAGE
LAST SEVEN FISCAL YEARS**

2006 RDA Revenue Bonds						1999 RDA Revenue Bonds (Housing)					
Funding Source: RDA tax increment revenues						Funding Source: RDA Gateway and Low Moderate Income Housing tax increment revenues. Gateway bonds defeased in FY 05-06.					
Fiscal Year	Available Revenue	Debt Service Requirements			Coverage	Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total				Principal	Interest	Total	
2011	\$44,300,878	\$1,380,000	\$3,141,394	\$4,521,394	9.80	2011	\$5,732,171	\$195,000	\$98,748	\$293,748	19.51
2012	25,114,631	1,435,000	3,086,819	4,521,819	5.55	2012	25,114,631	205,000	89,645	294,645	85.24
2013		1,490,000	3,030,181	4,520,181		2013		210,000	79,995	289,995	
2014		1,545,000	2,971,344	4,516,344		2014		220,000	69,780	289,780	
2015		1,605,000	2,904,331	4,509,331		2015		230,000	58,750	288,750	
2016		1,680,000	2,834,619	4,514,619		2016		245,000	46,875	291,875	
2017		1,745,000	2,761,756	4,506,756		2017		255,000	34,375	289,375	

(1) New issuance. Retirement of principal and interest begins in fiscal year 2007.

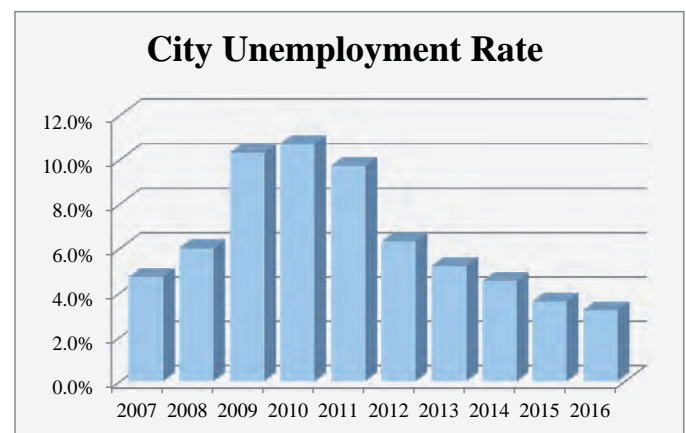
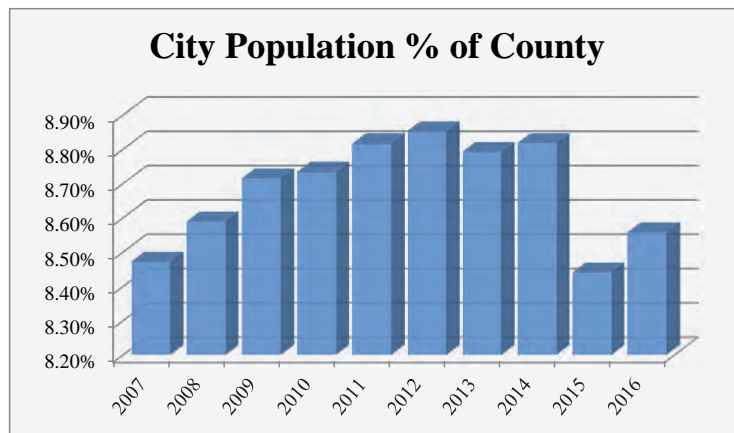
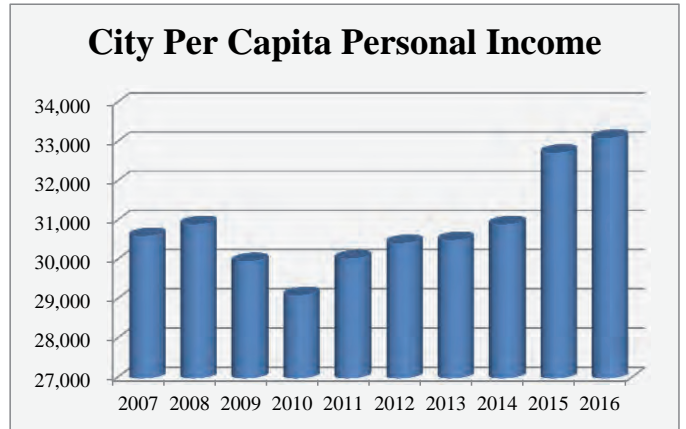
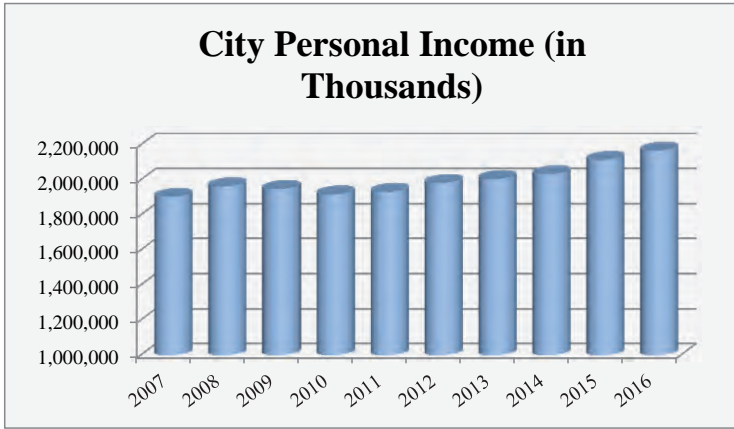
1999 Certificates of Participation						1989 Cal Health Facilities Financing Authority Revenue Bonds					
Funding Source: RDA tax increment revenues						Funding Source: RDA tax increment revenues					
Fiscal Year	Available Revenue	Debt Service Requirements			Coverage	Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total				Principal	Interest	Total	
2011	\$44,300,878	\$155,000	\$238,250	\$393,250	112.65						
2012	25,114,631	165,000	230,500	395,500	63.50						
2013											
2014											
2015											
2016											
2017											

RDA All Non-housing (A)						
Funding Source: RDA tax increment revenues						
Fiscal Year	Available Revenue	Debt Service Requirements			Coverage	
		Principal	Interest	Total		
2011	\$44,300,878	\$1,535,000	\$3,379,644	\$4,914,644	9.01	
2012	25,114,631	1,600,000	3,317,319	4,917,319	5.11	
2013		1,490,000	3,030,181	4,520,181		
2014		1,545,000	2,971,344	4,516,344		
2015		1,605,000	2,904,331	4,509,331		
2016		1,680,000	2,834,619	4,514,619		
2017		1,745,000	2,761,756	4,506,756		

Note: Redevelopment Agencies abolished as of 1/31/2012.
Numbers for 2012 include the first and second RPTTF distributions received.

(A) Shows coverage of all non-housing bonds pledged to tax increment.
Source: City of South San Francisco, Department of Finance

**CITY OF SOUTH SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**



Year	Estimated City Population (1)	City Personal Income (2) (in thousands)	City Per Capita Personal Income (2)	City Unemployment Rate (3)	San Mateo County Population (1)	City Population % of County
2007	62,143	1,903,016	30,623	4.7%	733,496	8.47%
2008	63,512	1,964,028	30,924	6.0%	739,469	8.59%
2009	65,000	1,948,798	29,982	10.3%	745,858	8.71%
2010	65,872	1,918,061	29,118	10.7%	754,285	8.73%
2011	64,307	1,932,618	30,053	9.7%	729,443	8.82%
2012	65,127	1,982,857	30,446	6.3%	735,678	8.85%
2013	65,710	2,005,666	30,523	5.2%	747,373	8.79%
2014	65,749	2,033,156	30,923	4.5%	745,635	8.82%
2015	64,585	2,114,826	32,744	3.6%	765,135	8.44%
2016	65,451	2,167,750	33,120	3.2%	764,797	8.56%

Notes:

** All data were updated to reflect the City of South San Francisco's current information available through HDL, Coren & Cone

Data Sources:

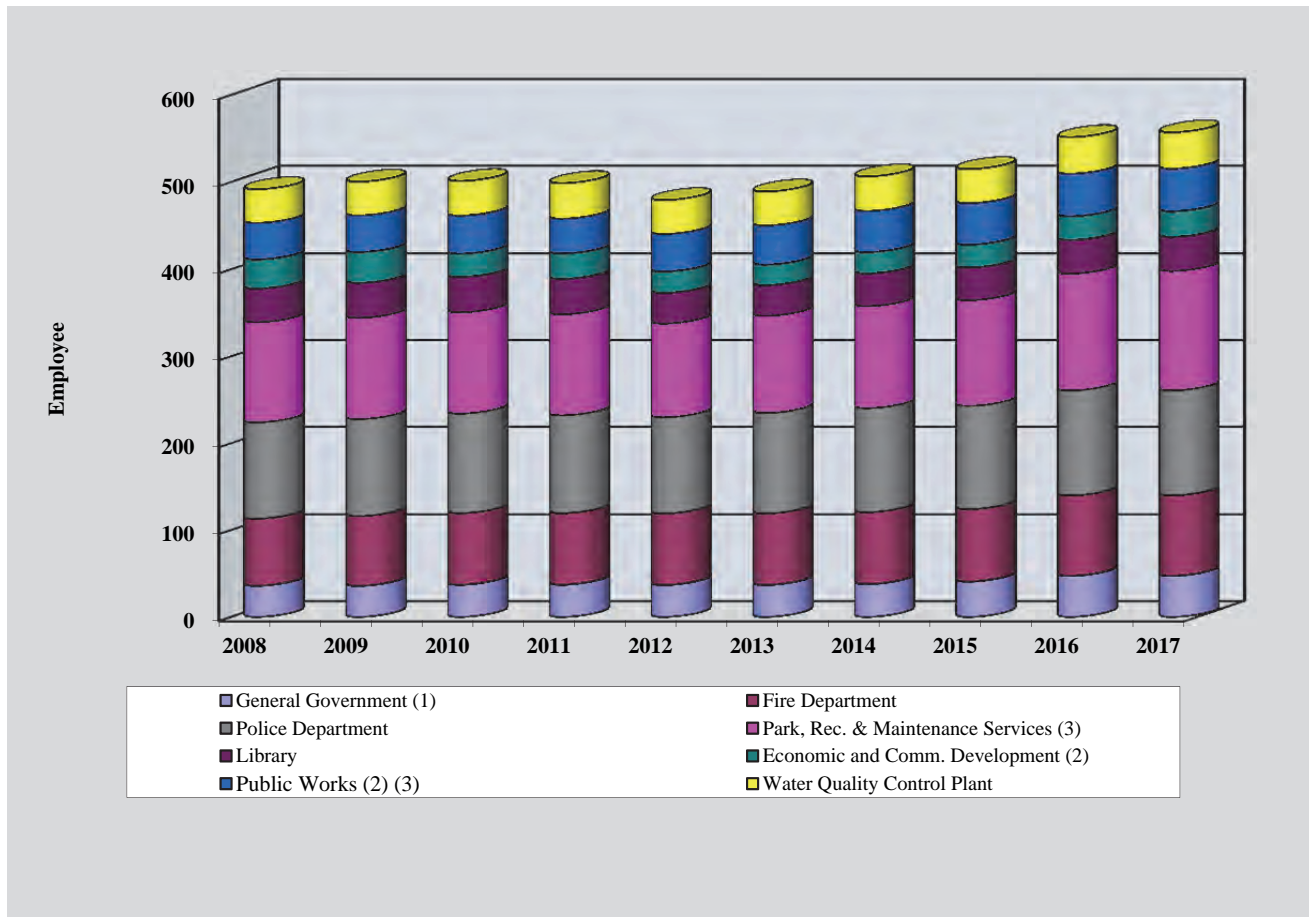
- (1) Population: HDL/California State Dept of Finance.
- (2) Personal and per capita income: HDL, Coren & Cone
- (3) Unemployment Data: HDL/California Employment Development Department

CITY OF SOUTH SAN FRANCISCO
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2016-17</u>			<u>2007-08</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Genentech Inc.	8,637	1	13.2%	9,000	2	14.1%
Costco Wholesale (3 stores)	834	2	1.3%	798	5	1.3%
Life Technologies Corporation	622	3	1.0%			
Amgen San Francisco LLC	500	4	0.8%			
Successfactors, Inc.	352	5	0.5%			
ZS Associates, Inc.	252	6	0.4%			
American ETC Inc/Royal Laundry	249	7	0.4%			
SBM Site Services LLC	245	8	0.4%			
Tobi.com, LLC	227	9	0.3%			
Holiday Inn	224	10	0.3%			
United Airlines				9,000	1	14.1%
Kaiser				1,100	3	1.7%
SSF School District				950	4	1.5%
United Parcel Service				732	6	1.1%
Amgen				676	7	1.1%
Exelixis				545	8	0.9%
Cell Genesys				377	9	0.6%
Actuate				350	10	
Subtotal	<u>12,142</u>		<u>18.6%</u>	<u>23,528</u>		<u>36.9%</u>
Total City Population	<u>65,451</u>			<u>63,744</u>		

Source:
SSF Business License Database- Business licenses expiring 12/31/17.
CAFR 2007-08

CITY OF SOUTH SAN FRANCISCO
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years (Adopted Operating Budget)



Functions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government (1)	35.67	35.60	37.00	37.00	36.60	36.60	37.60	40.60	47.10	47.10
Fire Department	77.48	80.48	82.48	82.48	82.48	82.48	82.98	83.48	92.68	92.68
Police Department	110.85	111.65	114.65	112.65	110.65	115.65	119.75	118.87	120.87	120.87
Park, Rec. & Maintenance Services (3)	115.15	116.37	116.34	116.05	107.86	111.66	117.21	121.31	134.16	137.19
Library	38.68	40.21	40.81	40.81	35.34	35.35	37.66	37.71	38.71	39.26
Economic and Comm. Development (2)	33.35	35.35	26.45	28.95	24.45	23.45	24.40	26.15	27.15	29.40
Public Works (2) (3)	42.00	42.10	43.85	40.05	43.03	45.02	47.21	47.68	49.00	49.00
Water Quality Control Plant	38.59	38.59	39.54	40.64	38.82	38.82	39.63	39.06	41.74	41.50
Total	491.77	500.35	501.12	498.63	479.23	489.03	506.44	514.86	551.41	557.00

Notes:

1. City Manager, Council members, City Treasurer, City Clerk, HR, IT and Finance are under General Government.
2. Oversight of the Engineering has been moved from Economic and Community Development to Public Works.
3. Oversight of Parks and Common Greens was moved from PW to Parks, Rec and Maintenance Services

Source: City of South San Francisco Adopted Operating Budget FY 2016-17

CITY OF SOUTH SAN FRANCISCO
Operating Indicators by Function/Program
Last Five Fiscal Years

	2013	2014	2015	2016	2017
Function/Program					
Public safety:					
Fire:					
Inspections conducted	2,369	2,574	1,817	2,563	3,426
Police:					
Police calls for service	33,657	29,359	31,532	32,477	33,313
Law violations:					
Part I crimes	1,874	1,780	1,874	2,126	2,103
Physical arrests (adult and juvenile)	2,081	2,158	1,933	2,071	1,870
Traffic violations	3,632	4,175	3,828	4,211	3,785
Parking violations	14,648	16,597	13,378	12,006	15,291
Public works					
Street resurfacing (miles) (Eng Div)	3	22	(2) 0	2	8
Potholes repaired (square miles)	0.13	0.20	0.11	2	0
Asphalt used for street repairs (tons)	287	435	250	151	94
Culture and recreation:					
Recreation class participants	27,184	26,694	26,879	(3) 23,399	23,939
Library:					
Total items borrowed	701,721	686,491	(1) 643,630	565,806	558,106
Items in collection	188,394	185,482	(1) 130,106	(4) 208,400	209,895
Wastewater					
Residential connections	16,466	16,482	16,470	16,491	16,488
Commercial connections	1,566	1,562	1,560	1,561	1,562
Other connections	127	128	128	131	140
Average daily sewage treatment (millions of gallons)	9.27	8.28	8.89	7.92	8.41

Note: N/A denotes information not available.

- (1) Year 2015 decrease is due to clearing out of outdated and damaged items in the collection. Prior to Grand library's remodel, most of the outdated items are already cleaned out.
- (2) Street resurfacing project estimated early next year (2016).
- (3) Registration counts have excluded all withdrawals from the classes for the year while the numbers in 2011-2015 did not.
- (4) New items added for Grand Library and electronic books are also included.

CITY OF SOUTH SAN FRANCISCO
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
Public safety:										
Fire stations	5	5	5	5	5	5	5	5	5	5
Police stations	1	1	1	1	(6) 1	(6) 1	1	1	1	1
Police Fleet	(1) 45	(2) 48	(2) 48	52	51	51	(8) 50	53	53	52
Public works										
Miles of streets	127	127	127	127	127	127	127	127	127	127
Street lights	3,779	3,779	4,156	4,160	4,160	(7) 4,505	4,505	4,505	4,505	4,505
Parking District lights	20	20	20	20	20	20	20	20	20	(9) 16
Traffic Signals	70	70	73	74	74	74	74	74	76	76
Culture and recreation:										
Community services:										
City parks	28	28	28	28	28	28	28	28	28	28
City parks acreage	190	190	190	190	190	190	190	190	190	190
Playgrounds	24	24	24	24	24	24	24	24	24	24
City trails	6	6	6	6	6	6	6	6	6	6
Community gardens	1	1	1	1	1	1	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Senior centers	2	2	2	(4) 1	1	1	1	1	1	1
Skate Park			(3) 1	1	1	1	1	1	1	1
Dog park			(3) 1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	7	7	7	7	7	7	7	7	7
Basketball Courts	12	12	12	12	12	12	12	12	12	12
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	5	5	5	5	5	5	5	5	5	5
Library:										
City Libraries (6)	2	2	2	2	2	2	2	2	2	2
Wastewater										
Miles of sanitary sewers	164	164	164	164	164	164	164	164	164	164
Miles of storm sewers	125	125	125	125	125	125	125	125	125	125
Number of treatment plants	1	1	1	1	1	1	1	1	1	1

Source: ssf.net/depts/rcs; Director of Rec & Comm Services; Superintendent of parks & Maintenance

- (1) Police patrol units consists of 35 marked/unmarked cars, 6 motorcycles, 1 SWAT and 3 cushman.
- (2) Year 2009, the 3 units added are not new. These are units that was not included on the previous Fleet count.
- (3) Year 2010, Skate park and dog park was added on the list.
- (4) The only senior center is Magnolia Center but programming still continues at El Camino.
- (5) Community Learning Center not included on count as it is only a homework center not a library.
- (6) Police substation located behind Miller parking garage not included.
- (7) Includes all lights in SSF billed as LS-2 from PG&E
- (8) One less motorcycle from last year.

CITY OF SOUTH SAN FRANCISCO
Miscellaneous Information
Last Three Fiscal Years

Collection and Use of 1% Special Transient Occupancy Tax (TOT) Approved by Voters as

	2015	2016	2017
Transient Occupancy Tax Detail			
9% TOT collected	\$11,652,726	\$12,054,093	\$12,256,007
1% Measure I Special Tax	1,294,747	1,339,344	1,361,779
Total TOT Collection	\$12,947,474	\$13,393,436	\$13,617,786
1% Measure I Special Tax Use			
Police	258,949	267,869	272,356
Fire	258,949	267,869	272,356
Library	258,949	267,869	272,356
Parks	258,949	267,869	272,356
Recreation	258,949	267,869	272,356
Total 1% Measure I Special Tax	\$1,294,747	\$1,339,344	\$1,361,779

* Note: Measure I, a one percent supplemental special tax to the already existing 9% general transient occupancy tax (TOT) was approved on Nov. 2, 2004 and took effect January 1, 2005. Special tax was earmarked for use to supplement Police, Fire, Library, and Parks and Recreation expenditures.