



City of San Mateo



Popular Annual Financial Report

Fiscal Year Ended June 30, 2020



Table of Contents

ABOUT OUR CITY

| | |
|--|----|
| About Our City | 1 |
| Message to Readers | 2 |
| City of San Mateo at a Glance | 3 |
| Revenue: Where does the Money Come From? | 5 |
| Expense: Where does the Money Go? | 9 |
| Financial Highlights and Net Position | 11 |
| Statement of Net Position | 12 |
| Statement of Activities | 13 |
| What do We Own? | 14 |
| What do We Owe? | 15 |
| Accounting Glossary | 16 |
| City Council & Awards | 17 |

The City of San Mateo is in San Mateo County and is situated 19 miles south of San Francisco and 30 miles north of San Jose. The City covers an area of 14.6 square miles and includes tidelands from the Bay to the east and coastal mountains to the west. With its Mediterranean climate, residents enjoy warm, sunny summers and mild damp winters, ideal for various recreational activities in the City's many neighborhoods and regional parks.

One of the larger suburbs of the San Francisco Peninsula, San Mateo is bordered by the cities of Burlingame to the north, Foster City to the east, Belmont to the south, and Hillsborough to the west. Based on projections from the California Department of Finance, the City of San Mateo had an estimated 2020 population projection of over 103,000, compared to the over 773,200 residents in San Mateo County.

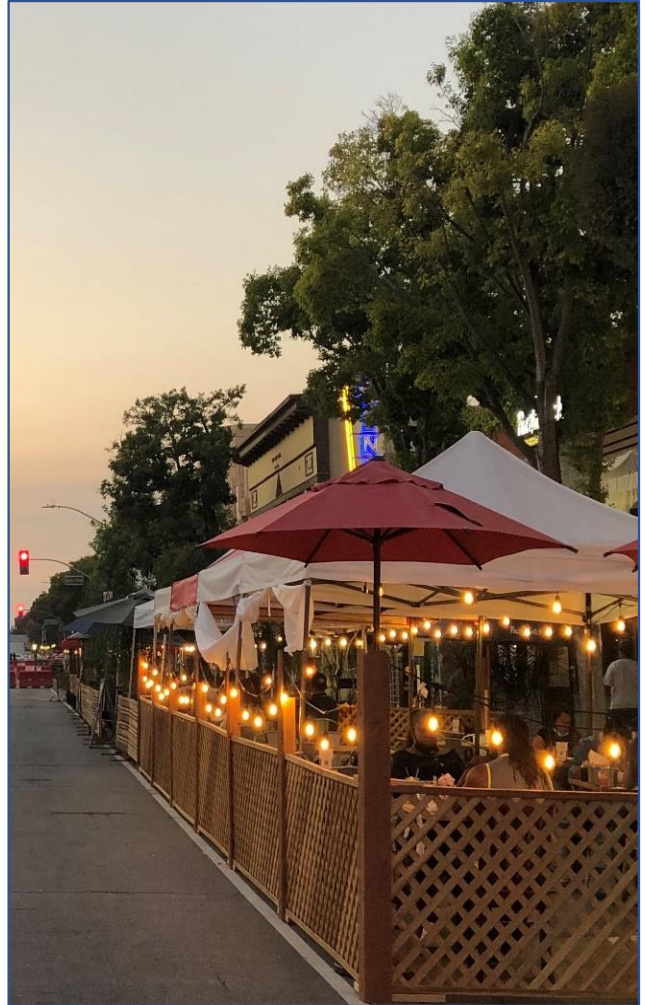


MESSAGE TO READERS

The City is pleased to present its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020. The purpose of PAFR is to provide an overview of the City's financial condition in an easy to understand format.

The financial information presented in the PAFR is derived from the City's Comprehensive Annual Financial Report (CAFR) and is presented here in the summarized form. The CAFR outlines the City's fiscal year 2019-20 in detail, includes financial statements audited by Badawi & Associates, and is prepared in conformance with Generally Accepted Accounting Principles (GAAP). The City received an unmodified opinion that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. The amounts within the CAFR were arrived at by employing accrual and modified accrual basis accounting techniques as prescribed by the Governmental Accounting Standards Board (GASB). While the unaudited financial data in this report conforms with GAAP, some of the detail and disclosures are not necessarily GAAP-based.

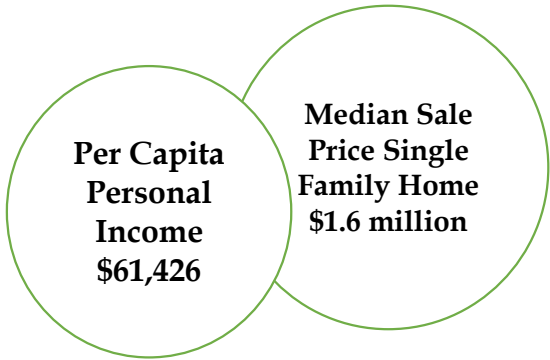
The PAFR does not include all funds of the City. Individuals who desire to review the audited GAAP-based, full disclosure financial statements should refer to the City's CAFR, which is available on the City's website at www.cityofsanmateo.org or email the City's Finance Director at rlee@cityofsanmateo.org.



CITY OF SAN MATEO AT A GLANCE

General Information

San Mateo is one of the larger suburbs of the San Francisco Peninsula. City unemployment rate is 9.7%. Median age is 39.2.



City Facilities

| |
|-------------------------|
| 6 Fire stations |
| 1 Police station |
| 1 Main Library |
| 2 Branch Libraries |
| 2 Swimming Pools |
| 16 Tennis Courts |
| 1 Municipal Golf Course |
| 35 Parks |
| 6 Community Centers |

Sewer Services

| |
|--|
| Number of customers 28,366 |
| Wastewater treatment plant 1 |
| Sanitary sewer 260 miles |
| Storm drains 148 |
| Pump station 37 |
| Max daily treatment capacity: 15.7 million gallons per day |
| Average daily sewage treatment: 9.9 million gallons per day |

Other Statistics

| |
|---------------------------------------|
| Building Permits Issued 3,345 |
| Building Inpections 15,890 |
| Business License Issued 8,072 |
| Library Annual Circulation 921,979 |
| Library Visits 422,226 |
| P & R Course Registration 23,412 |
| Recreation Facility Rental 827 |
| Picnic Rental 1,165 |
| Police Patrol Units 40 |
| Police Arrests 2,112 |
| Parking Violations 23,300 |

CITY OF SAN MATEO AT A GLANCE

City of San Mateo at a Glance (Continued)

Top 10 Principal Employers

| Business Name | 2020 | |
|---|---------------------|---------------------------------|
| | Number of Employees | Percent of Total Employment (%) |
| County of San Mateo Medical Center* | 1,352 | 2.25% |
| Sony Interactive Entertainment America, Playstation America | 1,244 | 2.07% |
| San Mateo-Foster City Unified School District | 1,115 | 1.86% |
| San Mateo Union High School District** | 1,033 | 1.72% |
| Franklin Templeton Investor | 904 | 1.50% |
| San Mateo County Behavioral Health | 630 | 1.05% |
| Net Suite Inc | 600 | 1.00% |
| Rakuten | 600 | 1.00% |
| City of San Mateo | 457 | 0.76% |
| San Mateo Community College District | 409 | 0.68% |
| Total Top 10 Employers | 8,344 | 13.88% |

Total Labor Force (1) 60,100

Source: MuniServices, LLC

Results based on direct correspondence with city's local businesses.

* Count includes San Mateo Medical Center, as well as outside clinic locations.

**Includes Capuchino and Burlingame HS which aren't in the City of San Mateo.

1.) Total City Labor Force for 2019-20 provided by EDD Labor Force Data.

Principal Sales Tax Producers

| 2020 | | 2020 | |
|----------------------------------|----------------------|-------------------------------|----------------------|
| Taxpayer | Business Type | Taxpayer | Business Type |
| Apple Stores | Furniture/ Appliance | Personalized Beauty Discovery | Miscellaneous Retail |
| Arco AM/PM Mini Marts | Service Stations | Peter Pan BMW | Auto Sales - New |
| Better Source Liquidators | Office Equipment | Ross Stores | Apparel Stores |
| Chevron Service Stations | Service Stations | Safeway Stores | Food Markets |
| CVS/Pharmacy | Drug Stores | Shell Service Stations | Service Stations |
| Exxon Service Stations | Service Stations | Target Stores | Department Stores |
| Financial Services Vehicle Trust | Leasing | The Cheesecake Factory | Restaurants |
| Gas & Shop Service Stations | Service Stations | The Shane Company | Miscellaneous Retail |
| Goprocamera.Com | Recreation Products | Total Wine & More | Liquor Stores |
| Home Depot | Bldg.Matls-Retail | Union 76 Service Stations | Service Stations |
| Macy's Department Store | Department Stores | Walgreen's Drug Stores | Drug Stores |
| Marshall's Stores | Apparel Stores | Whole Foods Market | Food Markets |
| Nordstrom Department Store | Department Stores | | |

Source: MuniServices, LLC

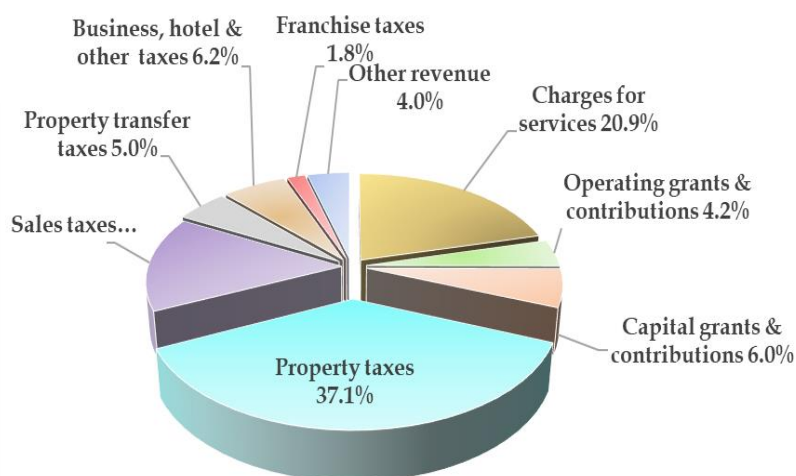
REVENUE: WHERE DOES THE MONEY COME FROM?

Governmental Activities

Governmental activities reflect the City's basic services, including general government, community development, public safety, public works, parks and recreation, and library. These services are principally financed by property, sales, and other taxes. Governmental activities increased the City's total net position by \$1.2 million. Key elements contributing to the increase are listed below.

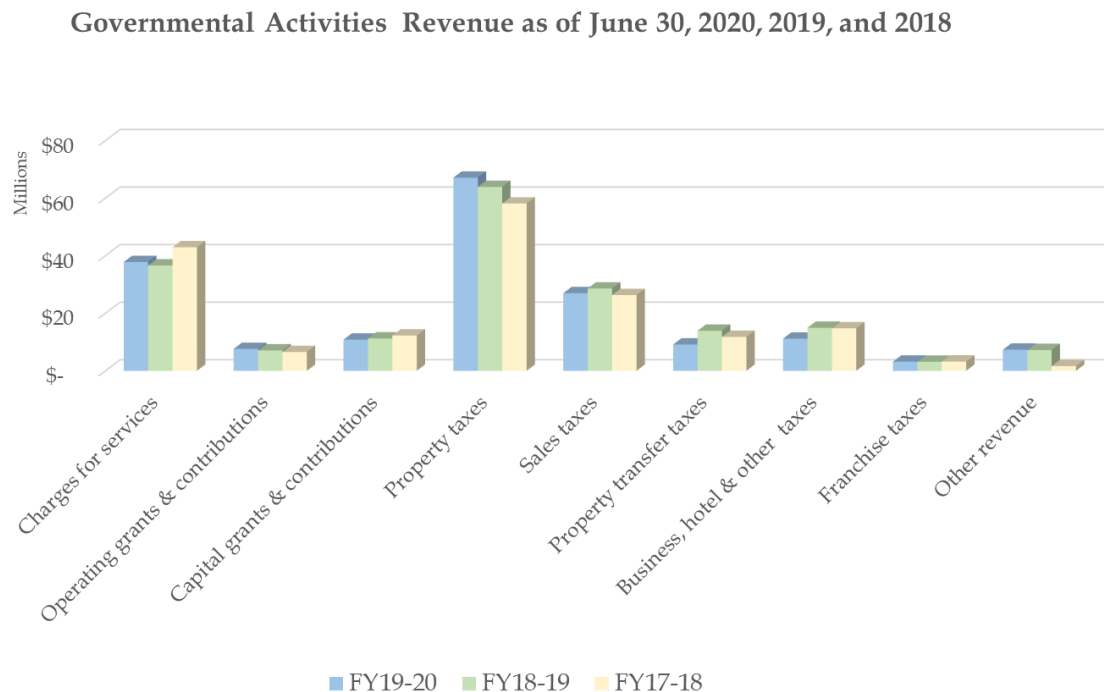
| REVENUE | FY19-20 Amount | FY19-20 % | FY18-19 Amount | FY17-18 Amount | FY19 - FY20 Amount Change | FY19 - FY20 % Change |
|----------------------------------|-----------------------|---------------|-----------------------|-----------------------|------------------------------|-------------------------|
| Charges for services | \$ 37,799,958 | 20.9% | \$ 36,609,926 | \$ 42,926,109 | \$ 1,190,032 | 3.3% |
| Operating grants & contributions | 7,613,730 | 4.2% | 7,091,483 | 6,527,822 | 522,247 | 7.4% |
| Capital grants & contributions | 10,814,961 | 6.0% | 11,235,278 | 12,254,621 | (420,317) | -3.7% |
| Property taxes | 67,106,048 | 37.1% | 63,899,034 | 58,137,331 | 3,207,014 | 5.0% |
| Sales taxes | 26,958,595 | 14.9% | 28,606,235 | 26,313,958 | (1,647,640) | -5.8% |
| Property transfer taxes | 9,137,370 | 5.0% | 13,918,129 | 11,778,074 | (4,780,759) | -34.3% |
| Business, hotel & other taxes | 11,173,135 | 6.2% | 14,947,968 | 14,777,396 | (3,774,833) | -25.3% |
| Franchise taxes | 3,170,550 | 1.8% | 3,134,906 | 3,208,096 | 35,644 | 1.1% |
| Other revenue | 7,323,971 | 4.0% | 7,222,833 | 1,651,704 | 101,138 | 1.4% |
| Total revenue | \$ 181,098,318 | 100.0% | \$ 186,665,792 | \$ 177,575,111 | \$ (5,567,474) | -3.0% |

- ❖ Total revenue from governmental activities for the fiscal year was \$181.1 million.
- ❖ The most significant revenue sources of governmental activities are property taxes (37.1%) and charges for services (20.9%).



REVENUE: WHERE DOES THE MONEY COME FROM?

Governmental Activities (Continued)



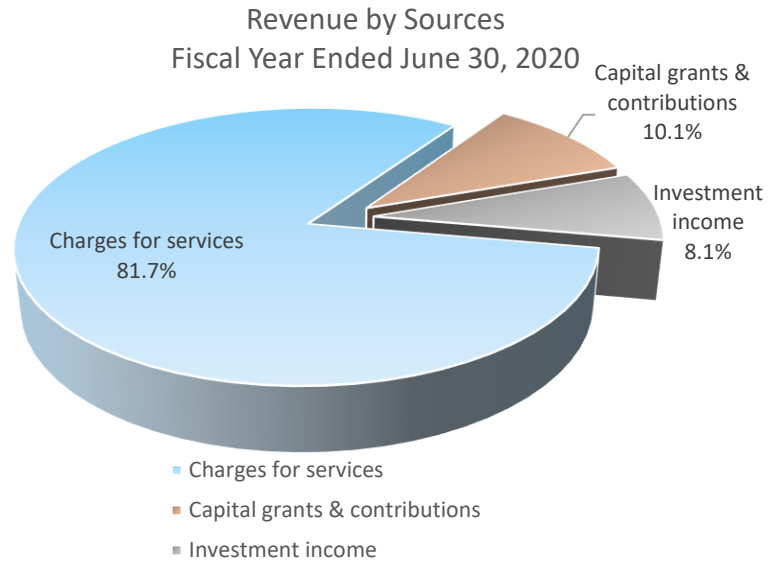
Revenue Highlights

- ❖ Property tax revenues increased due to an increase in the assessed value of land and improvements, the sale of properties which reset assessed value to market rate, and new developments that were added to the City's property tax roll.
- ❖ While property transfer tax revenues decreased to \$9.1 million compared to the historic high of \$13.9 million in the prior year, the local real estate market was able to adapt and perform despite the challenge of the COVID-19 pandemic.
- ❖ The shelter-in-place health order and closure of non-essential business during the last quarter of the fiscal year had a negative impact on sales tax revenues, which decreased by \$1.6 million.
- ❖ COVID-19's impact on the global tourism industry was immediate and severe, with regional hotel occupancy rates reaching a nadir of below 10%, which in turn resulted in a \$3.3 million decline in transient occupancy tax (TOT) compared to the prior fiscal year.

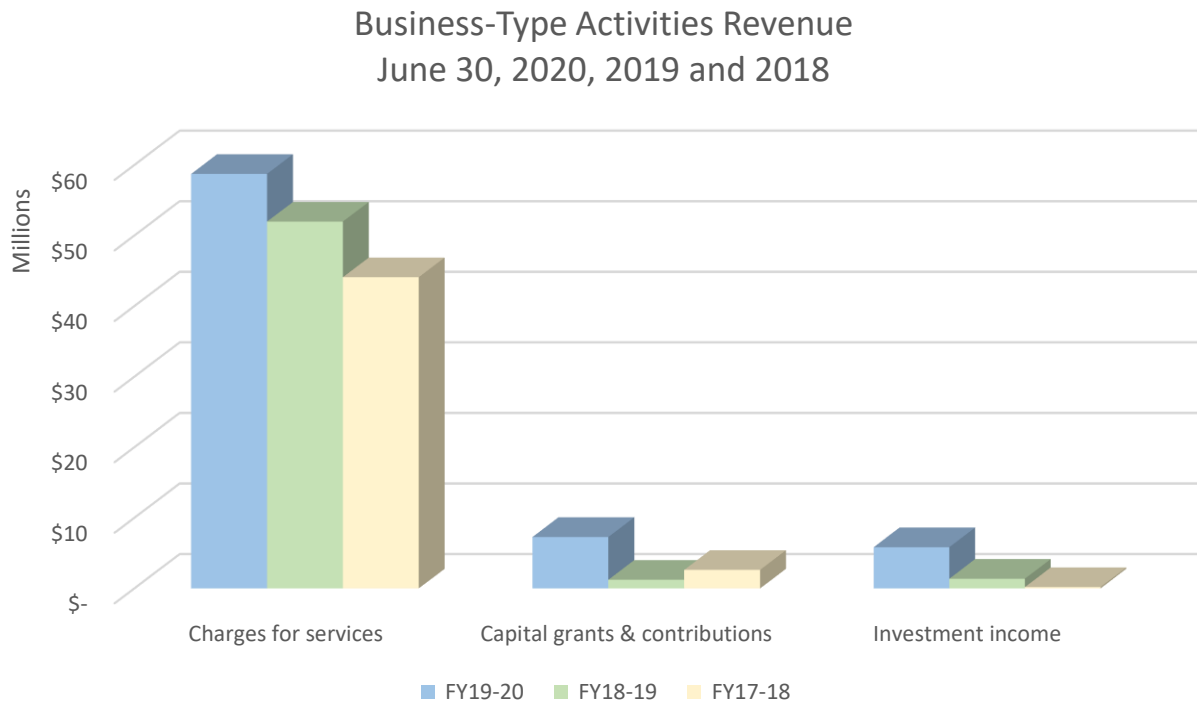
REVENUE: WHERE DOES THE MONEY COME FROM?

Business-Type Activities

Enterprise Fund is used to report business-type activities, which are financed in whole or in part by fees charged to external parties for goods or services. The City has a sewer enterprise operation. The Sewer Fund reports the activities of the wastewater collection and treatment system, which provide service to the residents of the City and some neighboring cities.



Total Business-Type Activities Revenues: \$71.9 million



*Note: FY 17-18 amount included Golf and Sewer fund.

REVENUE: WHERE DOES THE MONEY COME FROM?

Business-Type Activities (Continued)

| REVENUE | FY19-20 Amount | FY19-20 % | FY18-19 Amount | FY17-18 Amount |
|--------------------------------|----------------------|---------------|----------------------|----------------------|
| Charges for services | \$ 58,741,767 | 81.7% | \$ 51,981,922 | \$ 44,098,712 |
| Capital grants & contributions | 7,290,894 | 10.1% | 1,231,712 | 2,628,892 |
| Investment income | 5,845,282 | 8.1% | 1,379,769 | 189,713 |
| Total | \$ 71,877,943 | 100.0% | \$ 54,593,403 | \$ 46,917,317 |

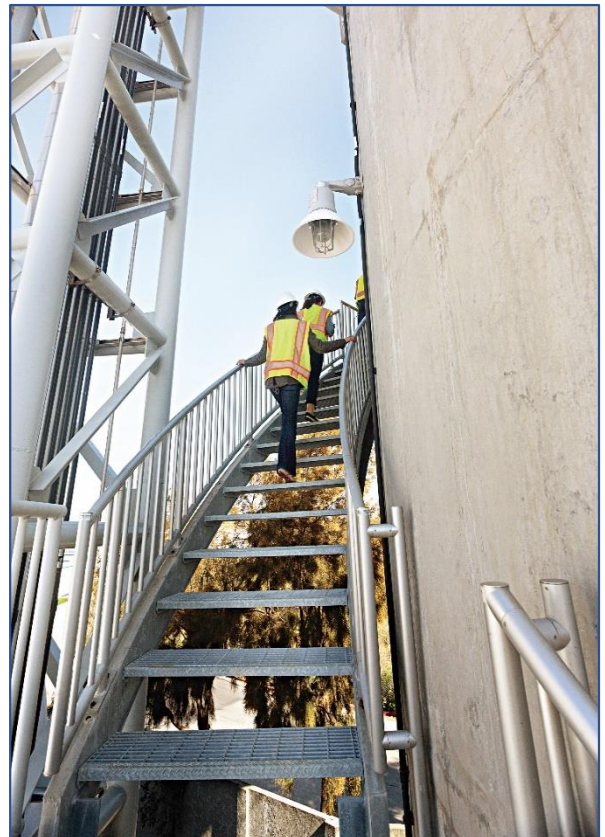
*Note: FY 17-18 amount included Golf and Sewer fund.

Revenue Highlights

❖ This year, the Sewer Fund increase the City's net position by \$32.7 million.

❖ Total program revenue of \$66 million (made up of Charges for Services and Capital Grants & Contributions) were \$12.8 million higher, or 24.1% compared with the prior year. The increase was primarily due to the increase in the City's sewer service charge rate. The fiscal year ended June 30, 2020 marked the second year of an approved five-year sewer service rate increase to fund the Clean Water Program's capital needs and to better stabilize revenue recovery by changing the sewer service charges from being solely based on volume to being half fixed cost and half volumetric.

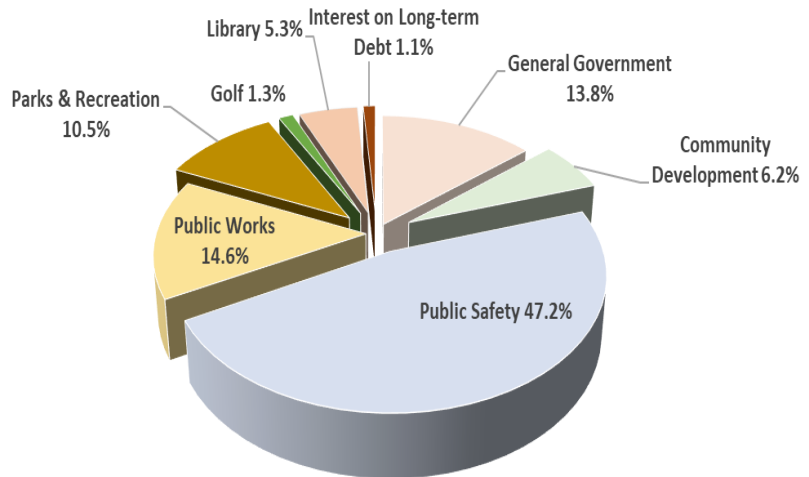
❖ Revenue from capital grants and contributions increased from \$1.2 million to \$7.3 million, reflecting capital contributions from regional customers related to the Clean Water Program.



EXPENSE: WHERE DOES THE MONEY GO?

Governmental Activities

Total expenditure of all governmental activities for the fiscal year were \$179.9 million, an increase of \$17.4 million, or 10.7%. The increase was primarily attributable to public safety expenses, which increased by \$12.6 million, from \$72.4 million in the prior fiscal year to \$85.0 million. The increase was largely representative of the total pension expense recognized pursuant to GASB Statement No. 68 for the safety pension plan in the measurement period ended June 30, 2019.



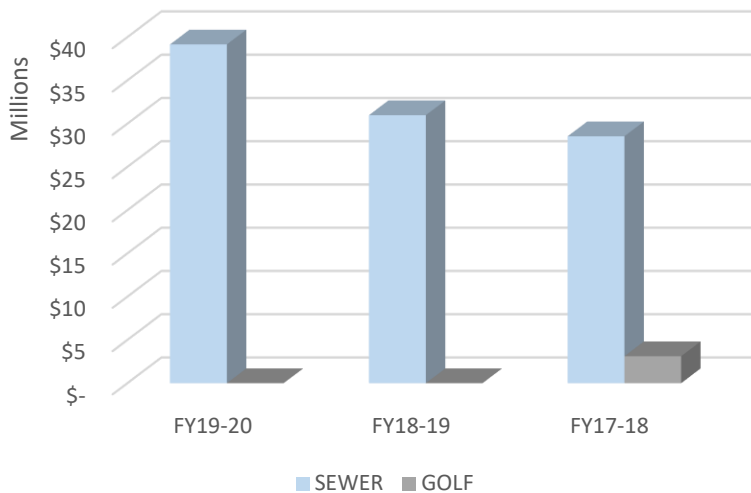
Governmental Funds: Three-Year City Expenditures by Type

| | FY19-20 Amount | FY19-20 Percentage | FY18-19 Amount | FY17-18 Amount | FY19 - FY20 Amount Change | FY19 - FY20 % Change |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|-------------------------|
| General Government | \$ 24,844,817 | 13.8% | \$ 22,520,951 | \$ 16,253,149 | \$ 2,323,866 | 10.3% |
| Community Development | 11,079,458 | 6.2% | 10,689,333 | 8,968,176 | 390,125 | 3.6% |
| Public Safety | 84,968,332 | 47.2% | 72,388,649 | 78,040,802 | 12,579,683 | 17.4% |
| Public Works | 26,353,672 | 14.6% | 25,294,822 | 22,900,784 | 1,058,850 | 4.2% |
| Parks & Recreation | 18,827,857 | 10.5% | 18,589,445 | 17,723,370 | 238,412 | 1.3% |
| Golf | 2,363,389 | 1.3% | 2,413,326 | - | (49,937) | -2.1% |
| Library | 9,546,338 | 5.3% | 9,088,444 | 8,409,588 | 457,894 | 5.0% |
| Interest on Long-term Debt | 1,967,739 | 1.1% | 1,545,181 | 1,282,632 | 422,558 | 27.3% |
| Total expenditures | \$ 179,951,602 | 100.0% | \$ 162,530,151 | \$ 153,578,501 | \$ 17,421,451 | 10.7% |

EXPENSE: WHERE DOES THE MONEY GO?

Business-Type Activities

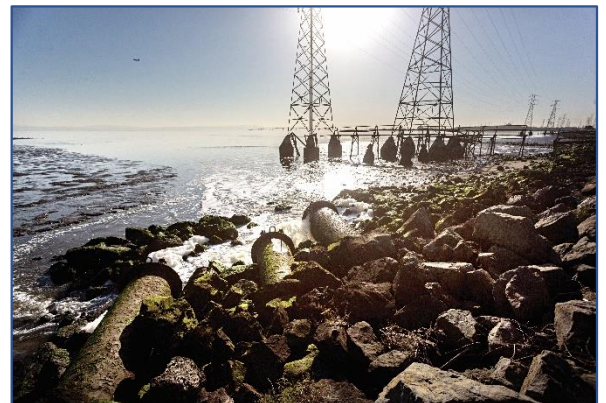
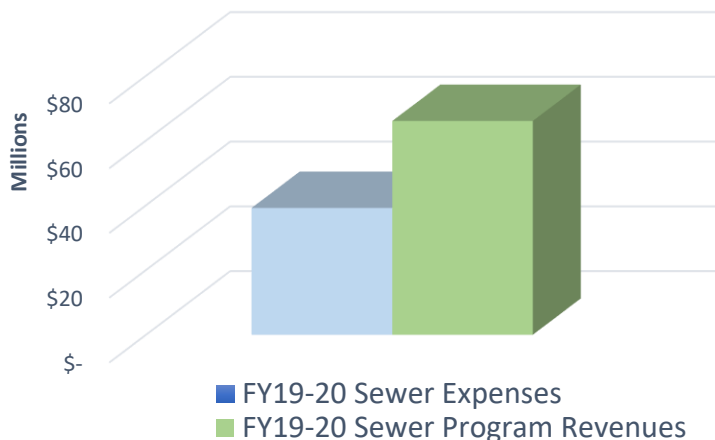
**Business-Type Activities Expense
June 30, 2020, 2019 & 2018**



Total business-type activities expenses were \$39.2 million, an increase of \$8.2 million, or 26.5%, compared to the prior year. The increase was primarily due to the additional interest expense from the 2019 Wastewater Bonds that were issued in the prior fiscal year, where the first debt service payment was accounted for in the year ended June 30, 2020.

| FY19-20 Sewer | | | |
|---------------|----------------------|-----------|-------------------|
| | Expenses | | Program Revenues |
| Sewer | \$ 39,159,040 | \$ | 66,032,661 |
| Total | \$ 39,159,040 | \$ | 66,032,661 |

Expenses and Program Revenues



FINANCIAL HIGHLIGHTS & NET POSITION

Financial Highlights for the fiscal year 2020

- ❖ The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$611.7 million (net position). The total net position includes \$534.9 million for net investment in capital assets, \$59.7 million for restricted net position, and \$17.1 million for unrestricted net position.
- ❖ Primary government total revenues were \$253.0 million, an increase of 4.8% compared to the prior year, which reflects a \$17.3 million increase in business-type activities total revenues offset by a \$5.6 million decrease in governmental activities total revenues. Business-type activities total revenues increased to \$71.9 million, a 31.7% increase compared to the prior year, which was primarily due to an approved sewer service charge rate increase. Governmental activities accounted for \$181.1 million in total revenues, which decreased 3.0% compared to the prior fiscal year, largely due to the impact of COVID-19 on the City's tax revenues (other than property tax).
- ❖ Primary government total expenditures increased by \$25.6 million to \$219.1 million. The majority of the 13.2% increase was primarily reflected in public safety and sewer expenses. Public safety expenses increased by \$12.6 million to \$85.0 million, largely due to its share of pension expense from the measurement period of June 30, 2018, pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68.
- ❖ The City's business-type activities accounted for \$39.2 million in sewer expenses, which was an increase of \$8.2 million compared to the prior fiscal year. The increase was directly attributable to the interest expense from the 2019 Wastewater Bonds that were issued in the prior fiscal year to provide funding for capital improvements for the Clean Water Program.
- ❖ Net pension liability increased \$10.8 million to \$230.5 million, which was a 4.9% increase from the prior year. As of June 30, 2019 (the latest available data), the City's mature defined benefit pension plan's funding ratios were 72.3% for the Miscellaneous plan and 63.3% for the Safety plan.
- ❖ The net OPEB liability as of June 30, 2019, was \$11.0 million, which was \$4.4 million less than the prior fiscal year. The reduction reflected a \$3.1 million reduction in the total OPEB liability and a \$1.3 million increase in California Employers' Retiree Benefit Trust (CERBT), the City's OPEB trust fund. The funded ratio of the plan was 33.6%.

Statement of Net Position

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

STATEMENT OF NET POSITION

Statement of Net Position (Continued)

The biggest portion of the City's net position, about 87.4% or \$534.9 million, reflects its net investment in capital assets less any outstanding related debt used to acquire those assets. The City's capital assets themselves cannot be used to liquidate the City's debt; therefore, the resources needed to repay the debt must be provided from other sources. \$59.7 million of the City's net position is subject to external restrictions. The remaining \$17.1 million of net position is unrestricted.

STATEMENT OF NET POSITION (Dollar Amounts in millions)

| | Governmental Activities | | | Business-Type Activities | | | Total Primary Government | | |
|---|-------------------------|-----------------|----------------|--------------------------|-----------------|-----------------|--------------------------|-----------------|-----------------|
| | 19-20 | 18-19 | 17-18 | 19-20 | 18-19 | 17-18 | 19-20 | 18-19 | 17-18 |
| Current and other assets | \$ 351.3 | \$ 284.9 | \$257.6 | \$247.8 | \$ 286.4 | \$ 16.6 | \$ 599.1 | \$ 571.3 | \$ 274.2 |
| Capital assets | 430.9 | 421.4 | 415.4 | 303.6 | 230.7 | 204.8 | \$ 734.5 | 652.1 | 620.2 |
| Total assets | 782.2 | 706.3 | 673.0 | 551.4 | 517.1 | 221.4 | 1,333.6 | 1,223.4 | 894.4 |
| Deferred employer pension contributions | 19.0 | 20.0 | 18.4 | 1.6 | 1.4 | 1.3 | 20.6 | 21.4 | 19.7 |
| Deferred outflows - pension related amounts | 9.0 | 15.9 | 26.8 | 0.6 | 0.6 | 2.2 | 9.6 | 16.5 | 29.0 |
| Deferred outflows - OPEB related amounts | 1.6 | 1.7 | 1.6 | 0.2 | 0.3 | 0.3 | 1.8 | 2.0 | 1.9 |
| Deferred loss of refunding | 1.1 | 1.0 | 1.0 | 0.1 | 0.2 | 0.4 | 1.2 | 1.2 | 1.4 |
| Total deferred outflows of resources | 30.7 | 38.6 | 47.8 | 2.5 | 2.5 | 4.2 | 33.2 | 41.1 | 52.0 |
| Current liabilities | 46.6 | 39.7 | 32.6 | 8.4 | 4.7 | 4.0 | 55.0 | 44.4 | 36.6 |
| Non-current liabilities | 342.5 | 287.0 | 282.7 | 350.4 | 352.0 | 84.0 | 692.9 | 639.0 | 366.7 |
| Total liabilities | 389.1 | 326.7 | 315.3 | 358.8 | 356.7 | 88.0 | 747.9 | 683.4 | 403.3 |
| Deferred inflows - pension related amounts | 3.5 | 2.9 | 3.7 | 0.3 | 0.3 | 0.4 | 3.8 | 3.2 | 4.1 |
| Deferred inflows - OPEB related amounts | 3.0 | 0.1 | 0.1 | 0.5 | - | | 3.5 | 0.1 | 0.1 |
| Total deferred inflows of resources | 6.5 | 3.0 | 3.8 | 0.8 | 0.3 | 0.4 | 7.3 | 3.3 | 4.1 |
| Net position: | | | | | | | | | |
| Net investment in capital assets | 380.8 | 374.8 | 373.2 | 154.1 | 137.3 | 136.9 | 534.9 | 512.1 | 510.1 |
| Restricted | 58.6 | 57.0 | 56.2 | 1.1 | 1.1 | 3.0 | 59.7 | 58.1 | 59.2 |
| Unrestricted | (22.0) | (16.6) | (27.7) | 39.1 | 24.2 | (2.7) | 17.1 | 7.6 | (30.4) |
| Total net position | \$ 417.4 | \$ 415.2 | \$401.7 | \$194.4 | \$ 162.6 | \$ 137.2 | \$ 611.8 | \$ 577.8 | \$ 538.9 |

STATEMENT OF ACTIVITIES

Statement of Activities

The Statement of Activities presents information on revenues and expenses of the City and the change in net position. Overall, total revenues from governmental activities were \$181.1 million, a \$5.6 million (3.0%) decrease over the prior fiscal year, largely reflecting the impact of COVID-19 on the City's tax revenues. For the same period, expenses totaled \$179.9 million.

STATEMENT OF ACTIVITIES (Amounts in millions)

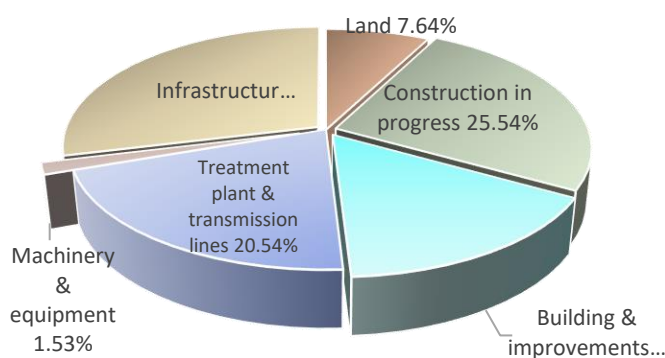
| | Governmental Activities | | | Business-Type Activities | | | Total Primary Government | | |
|---|----------------------------|-----------------|-----------------|-----------------------------|-----------------|-----------------|-----------------------------|-----------------|-----------------|
| | 19-20 | 18-19 | 17-18 | 19-20 | 18-19 | 17-18 | 19-20 | 18-19 | 17-18 |
| Revenues: | | | | | | | | | |
| Program revenues: | | | | | | | | | |
| Charges for services | \$ 37.8 | \$ 36.6 | \$ 42.9 | \$ 58.7 | \$ 52.0 | \$ 44.1 | \$ 96.5 | \$ 88.6 | \$ 87.0 |
| Operating grants and contributions | 7.6 | 7.1 | 6.5 | - | - | - | 7.6 | 7.1 | 6.5 |
| Capital grants and contributions | 10.8 | 11.2 | 12.3 | 7.3 | 1.2 | 2.6 | 18.1 | 12.4 | 14.9 |
| General revenues: | | | | | | | | | |
| Property taxes | 67.1 | 64.0 | 58.1 | - | - | - | 67.1 | 64.0 | 58.1 |
| Sales taxes | 27.0 | 28.6 | 26.3 | - | - | - | 27.0 | 28.6 | 26.3 |
| Property transfer taxes | 9.1 | 13.9 | 11.8 | - | - | - | 9.1 | 13.9 | 11.8 |
| Business, hotel & other taxes | 11.2 | 15.0 | 14.9 | - | - | - | 11.2 | 15.0 | 14.9 |
| Franchise taxes | 3.2 | 3.1 | 3.2 | - | - | - | 3.2 | 3.1 | 3.2 |
| Investment earnings | 7.4 | 7.2 | 1.5 | 5.9 | 1.4 | 0.2 | 13.2 | 8.6 | 1.7 |
| Total revenues | 181.1 | 186.7 | 177.5 | 71.9 | 54.6 | 46.9 | 253.0 | 241.3 | 224.4 |
| Expenses: | | | | | | | | | |
| General government | 24.8 | 22.5 | 16.3 | - | - | - | 24.8 | 22.5 | 16.3 |
| Community development | 11.1 | 10.7 | 9.0 | - | - | - | 11.1 | 10.7 | 9.0 |
| Public safety | 85.0 | 72.4 | 78.0 | - | - | - | 85.0 | 72.4 | 78.0 |
| Public works | 26.4 | 25.3 | 22.9 | - | - | - | 26.4 | 25.3 | 22.9 |
| Parks and recreation | 18.8 | 18.6 | 17.7 | - | - | - | 18.8 | 18.6 | 17.7 |
| Library | 9.6 | 9.1 | 8.4 | - | - | - | 9.6 | 9.1 | 8.4 |
| Interest on long term debt | 2.0 | 1.5 | 1.3 | - | - | - | 2.0 | 1.5 | 1.3 |
| Sewer | - | - | - | 39.2 | 31.0 | 28.5 | 39.2 | 31.0 | 28.5 |
| Golf | 2.4 | 2.4 | - | - | - | 3.2 | 2.4 | 2.4 | 3.2 |
| Total expenses | 179.9 | 162.5 | 153.6 | 39.2 | 31.0 | 31.7 | 219.3 | 193.5 | 185.3 |
| Increase (decrease) in net position before special items and transfers | 1.2 | 24.2 | 23.9 | 32.7 | 23.6 | 15.2 | 33.9 | 47.8 | 39.1 |
| Transfers | - | (1.8) | (0.5) | - | 1.8 | 0.5 | - | - | - |
| Transfer of property from trust fund | - | - | - | - | - | - | - | - | - |
| Other revenue | - | - | - | - | - | - | - | - | - |
| Transfers of fire activities | - | (8.9) | - | - | - | - | - | (8.9) | - |
| Total transfers | - | (10.7) | (0.5) | - | 1.8 | 0.5 | - | (8.9) | - |
| Change in net position | 1.2 | 13.5 | 23.4 | 32.7 | 25.4 | 15.7 | 33.9 | 38.9 | 39.1 |
| Net position - Beginning of Year (restated)* | 416.2 | 401.7 | 378.3 | 161.6 | 137.2 | 121.5 | 577.9 | 538.9 | 499.8 |
| Net position - End of year | \$ 417.4 | \$ 415.2 | \$ 401.7 | \$ 194.4 | \$ 162.6 | \$ 137.2 | \$ 611.8 | \$ 577.8 | \$ 538.9 |

* Restated to correct the allocation of pension related balances for the City's Miscellaneous Pension Plan in FY2018-19 and to implement GASB Statement No.84.

WHAT DO WE OWN?

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$734.5 million, which is \$82.5 million (12.7%) more than the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure - park facilities, roads, highways, bridges, lighting systems, sewer and storm systems, and the golf course. Major capital asset activity during the current fiscal year included city-wide sanitary sewer and storm improvements, city-wide street rehabilitation and reconstruction, and the rail corridor grade separation. Depreciation expense of \$23.3 million was recorded as a current year expense.

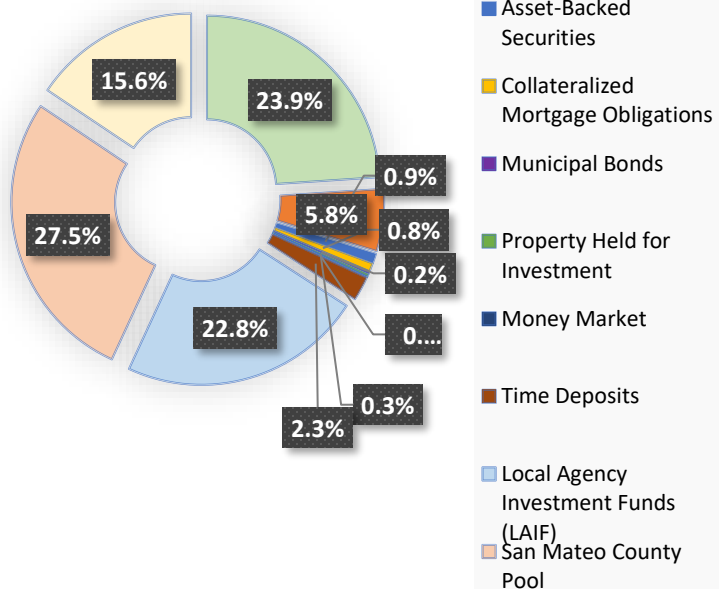


| | Balance (net of depreciation) | % |
|--------------------------------------|-------------------------------|----------------|
| Land | \$ 56,116,300 | 7.64% |
| Construction in progress | 187,587,577 | 25.54% |
| Building & improvements | 116,914,149 | 15.92% |
| Treatment plant & transmission lines | 150,856,794 | 20.54% |
| Machinery & equipment | 11,261,151 | 1.53% |
| Infrastructure | 211,762,094 | 28.83% |
| Total capital assets | \$ 734,498,065 | 100.00% |

Investment Management

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. As of June 30, 2020, investments held in the City's Treasury had a fair value of \$329.4 million.

| | Fair value | Percentage |
|--------------------------------------|-----------------------|---------------|
| U.S. Treasury & Agencies | \$ 78,900,691 | 23.9% |
| Corporate Notes | 19,099,297 | 5.8% |
| Asset-Backed Securities | 2,844,110 | 0.9% |
| Collateralized Mortgage Obligations | | |
| Obligations | 2,570,648 | 0.8% |
| Municipal Bonds | 698,848 | 0.2% |
| Property Held for Investment | 867,900 | 0.3% |
| Money Market | 40,733 | 0.0% |
| Time Deposits | 7,422,564 | 2.3% |
| Local Agency Investment Funds (LAIF) | 74,956,398 | 22.8% |
| San Mateo County Pool | 90,634,338 | 27.5% |
| California Asset Mgmt Program | 51,407,181 | 15.6% |
| Total Investment | \$ 329,442,708 | 100.0% |



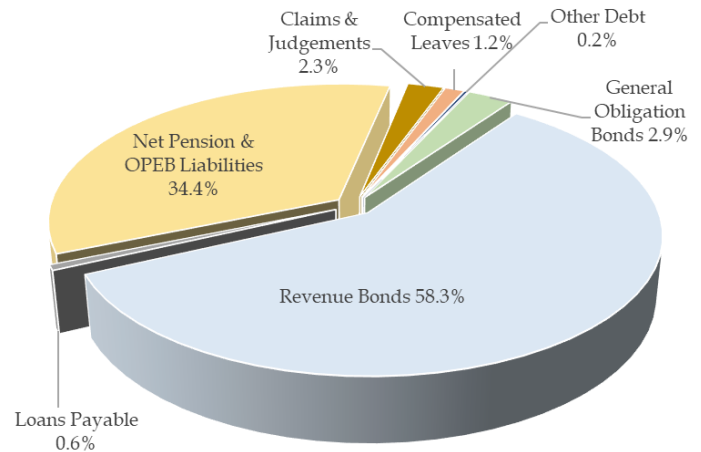
WHAT DO WE OWE?

Outstanding Debt

As of the fiscal year ended June 30, 2020, the City had a total outstanding debt of \$702.2 million. Of this amount, \$20.6 million comprises debt backed by the full faith and credit of the City. The remainder of outstanding debt is primarily composed of bonds secured by specified revenue sources; e.g., sewer charges, and loans.

| | Balance * | % |
|--------------------------------|----------------|--------|
| General Obligation Bonds | \$ 20,584,186 | 2.9% |
| Revenue Bonds | 409,107,888 | 58.3% |
| Loans Payable | 4,322,640 | 0.6% |
| Net Pension & OPEB Liabilities | 241,559,373 | 34.4% |
| Claims & Judgements | 16,408,000 | 2.3% |
| Compensated Leaves | 8,645,753 | 1.2% |
| Other Debt | 1,608,449 | 0.2% |
| Total outstanding debt | \$ 702,236,289 | 100.0% |

* Balance is net of premium/discount



Debt Management

In June of 2019, the City of San Mateo and the Estero Municipal Improvement District/City of Foster City jointly issued the 2019 Series Wastewater Revenue Bonds of \$270,000,000 (2019 Wastewater Bonds) through a joint powers financing authority, the San Mateo-Foster City Public Financing Authority (Authority). Of the total issuance amount, the City is responsible for \$236,180,000.

The City's rating for General Obligation Bonds is AA+ from Standard & Poor's and Aaa from Moody's. Standard & Poor's has assigned a rating of Aa2 for the City's revenue bonds. State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limit for the City is approximately \$4.3 billion, and at June 30, 2020, the City was only at 0.48% of its legal debt limit.

Net Pension Liability & Other Post-Employment Benefits Liability (OPEB)

The City has two agent multiple-employer defined benefit pension plans with the California Public Employees' Retirement System (CalPERS). The City's net pension liability increased \$10.8 million to \$230.5 million, which was a 4.9% increase from the prior year. As of June 30, 2019 (the latest available data), the City's mature defined benefit pension plan's funding ratios were 72.3% for the Miscellaneous plan and 63.3% for the Safety plan.

The City administered a single-employer defined benefit post-employment healthcare plan with CalPERS. Net OPEB liability as of June 30, 2019, was \$11.0 million, and the funded ratio of the plan was 33.6%. As of June 30, 2019 (the latest available data), 374 retirees were receiving post-employment healthcare benefits from the City.

ACCOUNTING GLOSSARY

The following terms are used in this report and are defined below.

Assets

Resources owned by the City that are expected to benefit future operations.

Charges for services

Revenues generated from licenses, permits, fees, fines, forfeitures, and charges paid by the recipients of goods and services offered by the City programs.

Deferred inflows of resources

Acquisition of net position applicable to future reporting periods.

Deferred outflow of resources

Consumption of net position applicable to future reporting periods.

Liabilities

Debt or obligations of the City.

Net investment in capital assets

City's investment in capital assets, less any related outstanding debt used to acquire those assets.

Net position

The City's net worth is equal to assets + deferred outflows of resources – liabilities – deferred inflows of resources.

Operating/capital grants and contributions

Grants and contributions received from other governments, organizations, and individuals that are restricted in some manner.

Primary Government

All of the governmental and business-type activities belonging to the City of San Mateo.

Restricted Funds

Funds that are not available for use because they have been set aside for a specific purpose or project.

Unrestricted Funds

Funds available to use for any legal purpose appropriate to the City operations.



CITY COUNCIL & AWARDS



San Mateo City Hall
330 West 20th Avenue
San Mateo, CA 94403
www.cityofsanmateo.org
Facebook Twitter YouTube Instagram Nextdoor @CityofSanMateo

SAN MATEO CITY COUNCIL



FROM LEFT: AMOURENCE LEE, ERIC RODRIGUEZ (DEPUTY MAYOR), JOE GOETHALS (MAYOR), DIANE PAPAN, RICK BONILLA



DREW CORBETT
CITY MANAGER

The City of San Mateo is proud to have received two awards from the Government Finance Officers Association. The GFOA is a professional association of public officials to enhance and promote the professional management of government for public benefits, and to advance excellence in public finance.

GFOA awarded the Certificate of Achievement for Excellence in Financial Reporting for the City's CAFR for the year ended June 30, 2019. This marks the City's thirtieth consecutive year receiving this award.

GFOA also presented the City an Award for Outstanding Achievement in Popular Annual Financial Reporting for the City's PAFR for the year ended June 30, 2019.



RICHARD LEE
FINANCE DIRECTOR

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of San Mateo
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

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California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



City of San Mateo
Finance Department
330 W. 20th Avenue
San Mateo, CA 94403
www.cityofsanmateo.org

Want to know more? The City of San Mateo's website contains additional financial information, including the Comprehensive Annual Financial Report (CAFR) and the Popular Annual Financial Report (PAFR).

The City's website is a great resource for information on all services and events.

Meeting agendas, minutes, and recording of past City Board meetings are also available.