

NEW ISSUE

RATINGS

BOOK-ENTRY ONLY

S&P: "AA"

Fitch: "AA"

(See "CONCLUDING INFORMATION - Ratings on the Bonds" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS."

\$24,925,000

**GLENDALE MUNICIPAL FINANCING AUTHORITY
2019 LEASE REVENUE REFUNDING BONDS**

Dated: Date of Delivery

Due: As shown on the inside front cover page

The Glendale Municipal Financing Authority 2019 Lease Revenue Refunding Bonds (the "Bonds") are being issued to refinance an existing lease and certain related outstanding certificates of participation and to pay the costs incurred in connection with the issuance of the Bonds. The Bonds are payable from the revenues pledged under the Indenture, as defined herein, consisting primarily of lease payments (the "Lease Payments") to be made by the City of Glendale (the "City") to the Glendale Municipal Financing Authority (the "Authority") as rental for certain City-owned property (the "Leased Property") pursuant to a Lease Agreement, as defined herein, and from certain funds held under the Indenture and insurance or condemnation awards. The City is required under the Lease Agreement to make Lease Payments in each fiscal year in consideration of the use and possession of the Leased Property from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, subject to abatement, as described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein.

Interest on the Bonds is payable semiannually on December 1 and June 1 of each year, commencing December 1, 2019, until maturity or earlier special redemption. See "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the City and the Authority by the City Attorney, and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about June 25, 2019 through the facilities of The Depository Trust Company (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein).

The date of the Official Statement is June 11, 2019.

\$24,925,000
GLENDALE MUNICIPAL FINANCING AUTHORITY
2019 LEASE REVENUE REFUNDING BONDS

MATURITY SCHEDULE

(Base CUSIP®† 378441)

Maturity Date	Principal	Interest	Reoffering	Reoffering	
<u>June 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP®†</u>
2020	\$1,830,000	5.00%	1.17%	103.544	AA7
2021	1,835,000	5.00	1.18	107.279	AB5
2022	1,930,000	5.00	1.19	110.950	AC3
2023	2,025,000	5.00	1.20	114.555	AD1
2024	2,125,000	5.00	1.22	118.043	AE9
2025	2,230,000	5.00	1.28	121.188	AF6
2026	2,345,000	5.00	1.34	124.154	AG4
2027	2,460,000	5.00	1.40	126.941	AH2
2028	2,585,000	5.00	1.50	129.159	AJ8
2029	2,710,000	5.00	1.58	131.324	AK5
2030	2,850,000	5.00	1.70	132.797	AL3

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City or the Municipal Advisor and are included solely for the convenience of the holders of the Bonds. None of the Authority, the City or the Municipal Advisor is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the Authority and the City with respect to the Bonds that has been deemed “final” by the Authority and the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

No Offering May be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City, the Municipal Advisor or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of This Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Bonds, the Lease Agreement, the Indenture or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City Clerk for further information. See “INTRODUCTION - Summaries Not Definitive.”

Bonds are Exempt From Securities Laws Registration. The issuance, sale and delivery of the Bonds has not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the execution, sale and delivery of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, any press release and any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Stabilization of and Changes to Offering Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

City Website. The City maintains a website. The information on such website is not part of this Official Statement and is not intended to be relied on by investors with respect to the Bonds unless specifically set forth or incorporated herein.

CITY OF GLENDALE, CALIFORNIA

CITY COUNCIL MEMBERS*

Ara Najarian, *Mayor*
Vrej Agajanian, *Councilmember*
Paula Devine, *Councilmember*
Vartan Gharpetian, *Councilmember*

CITY STAFF

Yasmin K. Beers, *City Manager*
Roubik Golanian, *Assistant City Manager, Management Services*
John Takhtalian, *Deputy City Manager, Management Services*
Philip Lanzafame, *Director of Community Development*
Michele Flynn, *Interim Director of Finance*
Michael J. Garcia, *City Attorney*
Gillian van Muyden, *Chief Assistant City Attorney*
Ardashes “Ardy” Kassakhian, *City Clerk*
Rafi Manoukian, *City Treasurer*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Jones Hall,
A Professional Law Corporation
San Francisco, California

Municipal Advisor

Harrell & Company Advisors, LLC
Orange, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

* One Council seat is vacant as of June 7, 2019. See “CITY OF GLENDALE - General Organization” herein.

TABLE OF CONTENTS

<p>INTRODUCTION1</p> <p style="padding-left: 20px;">The City and the Authority 1</p> <p style="padding-left: 20px;">Purpose 1</p> <p style="padding-left: 20px;">Security and Sources of Repayment2</p> <p style="padding-left: 20px;">Limited Obligation.....2</p> <p style="padding-left: 20px;">No Reserve Fund3</p> <p style="padding-left: 20px;">General Fund Transfer Litigation.....3</p> <p style="padding-left: 20px;">Legal Matters3</p> <p style="padding-left: 20px;">Tax Matters3</p> <p style="padding-left: 20px;">Offering of the Bonds3</p> <p style="padding-left: 20px;">Summaries Not Definitive3</p> <p>THE FINANCING PLAN.....4</p> <p style="padding-left: 20px;">The Refunding Plan4</p> <p style="padding-left: 20px;">Estimated Sources and Uses of Funds4</p> <p>THE LEASED PROPERTY5</p> <p>THE BONDS5</p> <p style="padding-left: 20px;">General Provisions.....5</p> <p style="padding-left: 20px;">Redemption.....6</p> <p style="padding-left: 20px;">Scheduled Debt Service on the Bonds7</p> <p style="padding-left: 20px;">Additional Bonds8</p> <p>SOURCES OF PAYMENT FOR THE BONDS8</p> <p style="padding-left: 20px;">General.....8</p> <p style="padding-left: 20px;">Lease Payments; Abatement8</p> <p style="padding-left: 20px;">No Reserve Fund10</p> <p style="padding-left: 20px;">Insurance Relating to the Property.....10</p> <p style="padding-left: 20px;">Remedies on Default.....11</p> <p>CITY OF GLENDALE.....11</p> <p style="padding-left: 20px;">General Information.....11</p> <p style="padding-left: 20px;">General Organization.....11</p> <p style="padding-left: 20px;">Governmental Services12</p> <p style="padding-left: 20px;">Transportation13</p> <p style="padding-left: 20px;">Population13</p> <p style="padding-left: 20px;">Per Capita Personal Income14</p> <p style="padding-left: 20px;">Employment and Industry.....15</p> <p style="padding-left: 20px;">Commercial Activity.....17</p> <p style="padding-left: 20px;">Building Activity19</p> <p>FINANCIAL INFORMATION19</p> <p style="padding-left: 20px;">Financial Policies.....19</p> <p style="padding-left: 20px;">Strategic Planning23</p> <p style="padding-left: 20px;">Budgetary Process and Administration.....23</p> <p style="padding-left: 20px;">Economic Conditions and Outlook.....25</p> <p style="padding-left: 20px;">Comparative General Fund Revenues and Expenditures26</p> <p style="padding-left: 20px;">Ad Valorem Property Taxes29</p> <p style="padding-left: 20px;">Local Taxes33</p> <p style="padding-left: 20px;">Employee Relations and Collective Bargaining38</p> <p style="padding-left: 20px;">Retirement Plans38</p> <p style="padding-left: 20px;">Other Post Employment Benefits.....49</p>	<p style="padding-left: 20px;">Risk Management51</p> <p style="padding-left: 20px;">City Investment Policy and Portfolio.....52</p> <p style="padding-left: 20px;">Outstanding Indebtedness of the City53</p> <p style="padding-left: 20px;">Direct and Overlapping Debt53</p> <p style="padding-left: 20px;">Financial Statements55</p> <p>RISK FACTORS.....60</p> <p style="padding-left: 20px;">The Lease Payments60</p> <p style="padding-left: 20px;">Natural Hazards61</p> <p style="padding-left: 20px;">Cybersecurity65</p> <p style="padding-left: 20px;">State Budget65</p> <p style="padding-left: 20px;">Limited Recourse on Default; No Acceleration67</p> <p style="padding-left: 20px;">Enforcement of Remedies.....67</p> <p style="padding-left: 20px;">Bankruptcy.....67</p> <p style="padding-left: 20px;">Constitutional Limitation on Taxes and Expenditures69</p> <p style="padding-left: 20px;">General Fund Transfer Litigation.....73</p> <p style="padding-left: 20px;">Early Redemption Risk.....75</p> <p style="padding-left: 20px;">Loss of Tax Exemption on the Bonds75</p> <p style="padding-left: 20px;">Tax Cuts and Jobs Act.....75</p> <p style="padding-left: 20px;">IRS Audit of Tax-Exempt Bond Issues75</p> <p style="padding-left: 20px;">Secondary Market Risk.....75</p> <p style="padding-left: 20px;">Substitution or Removal of Property76</p> <p>LEGAL MATTERS76</p> <p style="padding-left: 20px;">Enforceability of Remedies.....76</p> <p style="padding-left: 20px;">Approval of Legal Proceedings.....76</p> <p style="padding-left: 20px;">Absence of Litigation.....76</p> <p>TAX MATTERS.....77</p> <p style="padding-left: 20px;">Tax-Exemption.....77</p> <p style="padding-left: 20px;">Other Tax Considerations.....77</p> <p>CONCLUDING INFORMATION78</p> <p style="padding-left: 20px;">Ratings on the Bonds78</p> <p style="padding-left: 20px;">Underwriting78</p> <p style="padding-left: 20px;">The Municipal Advisor78</p> <p style="padding-left: 20px;">Continuing Disclosure79</p> <p style="padding-left: 20px;">Additional Information79</p> <p style="padding-left: 20px;">References.....79</p> <p style="padding-left: 20px;">Execution79</p> <p>APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS</p> <p>APPENDIX B - CITY AUDITED FINANCIAL STATEMENTS</p> <p>APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE</p> <p>APPENDIX D - PROPOSED FORM OF BOND COUNSEL OPINION</p> <p>APPENDIX E - THE BOOK-ENTRY SYSTEM</p>
---	---

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$24,925,000

GLENDALE MUNICIPAL FINANCING AUTHORITY 2019 LEASE REVENUE REFUNDING BONDS

This Official Statement which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Glendale Municipal Financing Authority (the “Authority”) 2019 Lease Revenue Refunding Bonds (the “Bonds”), in the aggregate principal amount of \$24,925,000.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the Bonds, see the summary included in “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

The City and the Authority

The City of Glendale (the “City”) was incorporated as a general law city in 1906 and became a charter city in 1921. The City, which is located at the foot of the Verdugo Mountains, is the fourth largest city in Los Angeles County (the “County”) and spans over 30 square miles. Adjacent cities include Burbank and Pasadena. The City provides a full range of municipal services, which include public safety (police, fire and paramedic), streets, sanitation, refuse collection, sewer, electric and water utilities, parks and recreation, planning and zoning, and housing and community development (see “CITY OF GLENDALE” herein).

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The City and the Glendale Housing Authority formed the Authority by the execution of a joint exercise of powers agreement (“JPA Agreement”) on April 9, 2019.

Under the JPA Agreement, the Authority is authorized to provide funds to acquire or construct and to refinance public capital improvements, and to refinance obligations of its members issued for such purposes, through the issuance of bonds in accordance with the Joint Powers Act.

The Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor serves as the Chairman of the Authority. The City Manager acts as the Executive Director, the City Clerk acts as the Secretary, the City Treasurer acts as the Treasurer and the City’s Director of Finance acts as the Chief Financial Officer of the Authority.

Purpose

The Bonds are being issued to refinance an existing lease relating to the City’s outstanding Variable Rate Demand Certificates of Participation (2000 Police Building Project) (the “2000 Certificates”) and to pay the costs of issuing the Bonds. See “THE FINANCING PLAN” herein.

Security and Sources of Repayment

The Bonds are secured under an Indenture of Trust, dated as of June 1, 2019, (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”) (see “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein).

The Bonds are payable from the revenues pledged under the Indenture. The revenues consist primarily of lease payments (the “Lease Payments”) to be made by the City to the Authority as the rental for real property and improvements thereon (the “Leased Property”) and from certain funds held under the Indenture and investment earnings thereon (collectively with the Lease Payments, the “Revenues”), and from net proceeds of insurance or condemnation awards with respect to the Leased Property. See “THE LEASED PROPERTY” herein.

Pursuant to a Site Lease, dated as of June 1, 2019 (the “Site Lease”), by and between the Authority and the City, the City has leased the Leased Property to the Authority. The Authority has subleased the Leased Property back to the City under the Lease Agreement, dated as of June 1, 2019, by and between the City and the Authority (the “Lease Agreement”). The Lease Payments are to be made by the City pursuant to the Lease Agreement.

Under the Lease Agreement and, subject to abatement, the City is required to make the Lease Payments from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due. The City has covenanted in the Lease Agreement to take such actions as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments subject to complete or partial abatement of such Lease Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from damage or loss of all or any portion of the Leased Property. All of the Authority’s right, title and interest in and to the Lease Agreement (apart from certain rights to receive Additional Payments, as defined therein, to the extent payable to the Authority and to indemnification), including the right to receive Lease Payments under the Lease Agreement, are assigned to the Trustee under the Indenture and under the Assignment Agreement, dated as of June 1, 2019 (the “Assignment Agreement”), for the benefit of Bondholders.

The Authority may issue additional bonds, notes or other indebtedness which are payable out of the Revenues in whole or in part, as provided in the Indenture. See “THE BONDS - Additional Bonds.”

For a summary of the Indenture, the Lease Agreement and the Site Lease, see “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in “APPENDIX A.”

In general, the City is required under the Lease Agreement to pay to the Authority specified amounts for use and possession of the Leased Property which amounts are calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the Bonds. The City is also required to pay any taxes and assessments levied on the Leased Property and all costs of maintenance and repair of the Leased Property. Except for the Authority’s right, title and interest in and to the Lease Payments and otherwise to the Lease Agreement which have been assigned to the Trustee, no funds or properties of the Authority or the City are pledged to or otherwise liable for the Bonds or any other obligations of the Authority (see “RISK FACTORS” herein).

Limited Obligation

THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF

THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Reserve Fund

The Authority will not fund a reserve fund for the Bonds.

General Fund Transfer Litigation

The City is in the process of defending litigation relating to the certain transfers of funds from its electric utility to its General Fund. The City does not expect the outcome of this litigation to impair its ability to pay Lease Payments. See “RISK FACTORS – General Fund Transfer Litigation.”

Legal Matters

The legal proceedings relating to the issuance of the Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the City and the Authority by the City Attorney and by Jones Hall, A Professional Law Corporation, San Francisco, California as Disclosure Counsel.

Tax Matters

In the opinion of Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See “TAX MATTERS” and Appendix D hereto.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indenture and by Resolution No. GMFA-19-02 of the Authority adopted on April 16, 2019.

Offering and Delivery of the Bonds. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about June 25, 2019 through the facilities of The Depository Trust Company (“DTC”). See “APPENDIX E - THE BOOK-ENTRY SYSTEM.”

Summaries Not Definitive

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease Agreement, the Assignment Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Municipal Advisor. Copies of these documents may be obtained after delivery of the Bonds at the trust office of the Trustee, The Bank of New York Mellon Trust Company, N.A., Los Angeles, California or from the City at 613 E. Broadway, Glendale, California 91206.

THE FINANCING PLAN

The Refunding Plan

On the Closing Date, a portion of the proceeds of the Bonds will be transferred to The Bank of New York Mellon Trust Company, N.A., the 2000 Certificates trustee (the “2000 Trustee”) for deposit into the lease payment fund established for the 2000 Certificates, under certain Irrevocable Refunding Instructions dated as of June 25, 2019 (the “Refunding Instructions”) delivered by the Authority and the City to 2000 Trustee. The amount deposited will be sufficient to redeem the \$29,895,000 outstanding 2000 Certificates on the Closing Date, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date of redemption.

The lien of the 2000 Certificates and related lease of property securing the 2000 Certificates will be discharged, terminated and of no further force and effect upon the deposit with the 2000 Trustee of the amounts required pursuant to the Refunding Instructions. The funds deposited in the lease payment fund for the 2000 Certificates will not be available to pay debt service on the Bonds.

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds, and will apply them as follows:

Sources of Funds

Par Amount of Bonds	\$24,925,000.00
Original Issue Premium	5,326,919.70
2000 Certificates Lease Payment Fund	<u>522.25</u>
Total Sources	<u>\$30,252,441.95</u>

Uses of Funds

Transfer to 2000 Trustee	\$29,943,470.12
Underwriter’s Discount	68,082.98
Costs of Issuance Fund ⁽¹⁾	<u>240,888.85</u>
Total Uses	<u>\$30,252,441.95</u>

⁽¹⁾ Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee, rating fees, costs of printing the Official Statement, and other costs of issuance of the Bonds.

THE LEASED PROPERTY

The Leased Property consists of 2.35 acres of land, developed with the City's Police Operations Building and Parking Facility and located at 131 North Isabel Street (collectively, the "Police Facilities"). Pursuant to the terms of the Site Lease, the City leases the Leased Property to the Authority. Pursuant to the terms of the Lease, the Authority leases the Leased Property back to the City.

The Police Facilities. The Police Operations Building consists of a four-story building of approximately 165,000 square feet including a 10,000 square foot basement and 32,000 square foot jail. The jail is a state of the art fully automated podular jail facility with 48 jail cells for 96 inmates. The adjacent Parking Facility is five stories with 328 spaces. Construction of the Police Facilities was completed in 2003 and was funded with proceeds of the 2000 Certificates.

The Police Operations Building is insured for property damage at replacement cost in the total amount of \$52.7 million replacement value. The Parking Facility is insured for property damage at replacement cost in the total amount of \$12 million replacement value. Pursuant to the Lease, the City and the Authority will agree and determine that the Lease Payments required to be made under the Lease Agreement represents the fair rental value of the Leased Property. The Police Facilities are not currently insured for earthquake (see "RISK FACTORS - NATURAL HAZARDS - Seismic Considerations"), and the City is not obligated to maintain earthquake insurance during the term of the Lease Agreement, even though the City may insure the Police Facilities at some future date in its sole discretion. The Police Facilities are not located in a 100-year Flood Plain.

As described in "RISK FACTORS - Limited Recourse on Default; No Acceleration," the Lease Agreement permits the Trustee to take possession of and re-lease the Leased Property in the event of a default by the City under the Lease. However, any such re-leasing of the Police Facilities may be limited by the nature of the facility.

Substitution or Release of Property. Under the terms of the Lease Agreement, the City may substitute other property for the Leased Property, or any portion thereof, and may release portions of the Leased Property provided that certain conditions set forth in the Lease Agreement are met. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE - Substitution and Release of Property."

THE BONDS

General Provisions

The Bonds will be issued in the form of fully registered Bonds in the principal amount of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof, on December 1, 2019 and each June 1 and December 1 thereafter (each, an "Interest Payment Date") until maturity. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal on the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it will bear interest from such Interest Payment Date, (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date,

except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

Book-Entry System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to participants in DTC's book-entry only system, which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Redemption

No Optional Redemption. The Bonds are not subject to optional redemption prior to their respective stated maturities.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to redemption as a whole, or in part by lot on a pro-rata basis among maturities, on any date, from Net Proceeds required to be used for such purpose under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium. As provided in the Indenture, in the event any Additional Bonds are then outstanding, the Additional Bonds shall also be subject to special mandatory redemption from such Net Proceeds, on a pro rata basis among maturities with the outstanding Bonds.

The Net Proceeds, as defined in the Indenture, mean amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof. In accordance with this definition, and pursuant to the Lease Agreement, in the event that the proceeds from casualty insurance or a condemnation award are used to trigger a redemption of bonds (instead for the repair or the replacement of the Leased Property), such money will be used to redeem the Bonds and Additional Bonds, if any. See "SOURCES OF PAYMENT FOR THE BONDS - Insurance Relating to the Property." There can be no assurance that such proceeds will be adequate to redeem all of the Bonds and Additional Bonds, if any. In the event that Net Proceeds are to be applied to the redemption of the Bonds, and Additional Bonds (if any are issued pursuant to the terms and conditions of the Indenture) are outstanding, the Net Proceeds will be applied to redeem a proportionate amount of Bonds and Additional Bonds, based on the outstanding principal amount (see "RISK FACTORS - The Lease Payments - Insurance" herein).

Notice of Redemption. If a special mandatory redemption is authorized or required, the Trustee shall mail notice of such redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

So long as DTC is the registered Owner of the Bonds, all such notices will be provided to DTC as the Owner, without respect to the beneficial ownership of the Bonds. See “APPENDIX E - THE BOOK-ENTRY SYSTEM.”

Effect of Redemption. Notice of any special mandatory redemption having been duly given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Partial Redemption. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

Scheduled Debt Service on the Bonds

The following is a schedule of Lease Payments and therefore the total scheduled debt service on the Bonds, assuming no special mandatory redemption of Bonds prior to maturity.

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Total</u>	<u>Annual Total</u>
December 1, 2019		\$ 540,041.67	\$ 540,041.67	
June 1, 2020	\$1,830,000.00	623,125.00	2,453,125.00	\$ 2,993,166.67
December 1, 2020		577,375.00	577,375.00	
June 1, 2021	1,835,000.00	577,375.00	2,412,375.00	2,989,750.00
December 1, 2021		531,500.00	531,500.00	
June 1, 2022	1,930,000.00	531,500.00	2,461,500.00	2,993,000.00
December 1, 2022		483,250.00	483,250.00	
June 1, 2023	2,025,000.00	483,250.00	2,508,250.00	2,991,500.00
December 1, 2023		432,625.00	432,625.00	
June 1, 2024	2,125,000.00	432,625.00	2,557,625.00	2,990,250.00
December 1, 2024		379,500.00	379,500.00	
June 1, 2025	2,230,000.00	379,500.00	2,609,500.00	2,989,000.00
December 1, 2025		323,750.00	323,750.00	
June 1, 2026	2,345,000.00	323,750.00	2,668,750.00	2,992,500.00
December 1, 2026		265,125.00	265,125.00	
June 1, 2027	2,460,000.00	265,125.00	2,725,125.00	2,990,250.00
December 1, 2027		203,625.00	203,625.00	
June 1, 2028	2,585,000.00	203,625.00	2,788,625.00	2,992,250.00
December 1, 2028		139,000.00	139,000.00	
June 1, 2029	2,710,000.00	139,000.00	2,849,000.00	2,988,000.00
December 1, 2029		71,250.00	71,250.00	
June 1, 2030	<u>2,850,000.00</u>	<u>71,250.00</u>	<u>2,921,250.00</u>	<u>2,992,500.00</u>
Total	\$24,925,000.00	\$7,977,166.67	\$32,902,166.67	\$32,902,166.67

Additional Bonds

The Authority may at any time issue one or more series of “Additional Bonds” payable from Lease Payments on a parity with the Bonds subject to certain conditions precedent set forth in the Indenture (see “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - INDENTURE OF TRUST - Additional Bonds”).

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, means:

- (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in the provisions of the Lease Agreement relating to release and indemnification of the Authority, and (ii) any Additional Rent (consisting of certain administrative costs due to the Authority and the Trustee under the Lease Agreement), and
- (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Revenues will include Net Proceeds not used to rebuild or replace the Leased Property that are required to be applied to the payment or redemption of Bonds and any Additional Bonds under the Lease Agreement and the Indenture. See “Insurance Relating to the Property” below.

As defined in the Indenture, “Supplemental Lease Payments” means the amounts payable by the City as additional amounts of rental for the use and occupancy of the Leased Property and pledged or assigned for the payment of any bonds, notes or other obligations, including but not limited to an issue of Additional Bonds, the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, including any prepayment of any such Supplemental Lease Payments and including any amounts payable upon a delinquency in the payment of such Supplemental Lease Payments, subject to the terms and conditions of the Lease Agreement.

As security for the Bonds, the Authority will assign to the Trustee for the payment of the Bonds the Authority’s rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the City under the Lease Agreement.

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power.

Lease Payments; Abatement

The City is required to pay the Lease Payments to the Authority for use of the Leased Property, which are equal to the principal of and interest due with respect to the Bonds. The Lease Agreement requires the City to make Lease Payments to the Authority at least 5 business days preceding each Interest Payment Date. Lease Payments to be paid by the City are assigned to the Trustee under the Assignment Agreement, and are to be transmitted by the City directly to the Trustee. The Indenture provides that the Lease Payments will be deposited in the Bond Fund maintained by the Trustee under the Indenture and applied to pay the principal and interest on the Bonds.

The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make annual appropriations for all such Lease Payments. The Lease Agreement provides that the several actions required by such covenants are deemed to be and shall be construed to be duties imposed by law and that it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants in the Lease Agreement agreed to be carried out and performed by the City.

California law requires, and the Lease Agreement provides, that the Lease Payments may be abated in whole or in part if portions of the Leased Property are destroyed, damaged or condemned. The amount of Lease Payments shall be abated during any period in which, by reason of material damage or destruction of any component of the Leased Property, or all or part of the Leased Property being taken by condemnation or eminent domain, there is substantial interference with the use and occupancy of the Leased Property by the City. The amount of such abatement shall be an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged, destroyed or removed from use by the City. In the event of any damage or destruction or taking under power of eminent domain, the Lease Agreement shall continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage or destruction or taking.

Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement by reason of damage, destruction, or unavailability of all or a portion of the Leased Property to the extent that: (i) the fair rental value of the portions of the Leased Property not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City, as determined by the City, is equal to or greater than the unpaid principal components of the Lease Payments; or (ii) the proceeds of rental interruption insurance and/or amounts on deposit in the Insurance and Condemnation Fund and/or the Bond Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

During any period of abatement of Lease Payments, the Trustee shall pay principal and interest on the Bonds allocable to such portions of the Leased Property from proceeds of insurance or condemnation award (if any) on a pro-rata basis. The reduced Lease Payments may not be sufficient to pay principal and interest on the Bonds in the amounts and at the rates set forth therein. The City's reduced Lease Payments will constitute the total Lease Payments. In the event and to the extent the Lease Payments and other amounts available to the Trustee under the Indenture are subject to abatement, there could be insufficient amounts to pay principal of and interest on the Bonds in full, and such insufficiency would not constitute a default by the City under the Indenture, the Lease Agreement or otherwise.

If on June 1, 2030, the Indenture is not discharged by its terms, or if the Lease Payments shall have been abated at any time and for any reason, then the term of the Lease Agreement shall be extended until the Indenture shall be discharged by its terms.

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power. The obligation of the City to pay Lease Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute a debt of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

The City has other obligations payable from its General Fund and may enter into other obligations payable from its General Fund without the consent of the Bond Owners. To the extent the City issues such obligations, funds available to pay Lease Payments may be reduced. See "FINANCIAL INFORMATION -

Outstanding Indebtedness of the City” and “RISK FACTORS - The Lease Payments - Lease Payments are Limited Obligations of the City” herein.

No Reserve Fund

The Authority will not fund a reserve fund for the Bonds.

Insurance Relating to the Property

The Lease Agreement requires the City to maintain comprehensive general public liability and property damage insurance and fire insurance with extended coverage on the Leased Property. The City is also required to maintain rental interruption insurance covering loss of the use of any part of the Leased Property in an amount equal to the maximum Lease Payments due in any two consecutive fiscal years. The City is not required to maintain earthquake insurance with respect to the buildings and, therefore, damage from earthquakes is not currently covered and is not likely to be covered in future years.

See “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE AGREEMENT - Insurance” and “RISK FACTORS - The Lease Payments - Insurance” herein.

In the event the Leased Property is damaged or destroyed by an event of which the Leased Property is insured, the Net Proceeds of any insurance award resulting from such damage to or destruction of any portion of the Leased Property by fire or other casualty shall be paid by the City to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee. If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds as described under the caption “THE BONDS - Redemption - Special Mandatory Redemption From Insurance or Condemnation Proceeds.” Notwithstanding the foregoing sentence, however, if the Leased Property is damaged or destroyed in full, the Net Proceeds of such insurance must be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to redeem all of the Outstanding Bonds. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The amount of the Lease Payments will be adjusted or abated (but only after all available moneys have been depleted) during any period in which damage or destruction to the Leased Property or condemnation of the Leased Property substantially interferes with the City’s use and possession thereof. See “RISK FACTORS - The Lease Payments - Abatement” herein.

The Lease Agreement also requires the City to insure title to the Leased Property in an amount not less than the initial principal amount of the Bonds. Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth under the caption “THE BONDS - Redemption - Special Mandatory Redemption From Insurance or Condemnation Proceeds.”

If there are not sufficient insurance proceeds to complete repair of the Leased Property, the Lease Payment schedule will be proportionally reduced in accordance with the Lease Agreement. Such reduced Lease Payments may not be sufficient to pay principal and interest with respect to the Bonds. Such reduction would not constitute a default under either the Indenture or the Lease Agreement.

Remedies on Default

If the City defaults in performance of its obligations under the Lease Agreement, the Trustee, as assignee of the Authority, may elect not to terminate the Lease Agreement and may re-enter and relet the Leased Property and may enforce the Lease Agreement and hold the City liable for all Lease Payments on an annual basis while re-entering and reletting the Leased Property. Such re-entry and reletting shall not effect a surrender of the Lease Agreement. Alternatively, the Trustee may elect to terminate the Lease Agreement and may re-enter and relet the Leased Property and seek to recover all costs, losses or damages caused by the City's default. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE AGREEMENT - Events of Default."

CITY OF GLENDALE

General Information

The City encompasses over 30 square miles and is located in northwestern Los Angeles County, in the eastern portion of the San Fernando Valley. Neighboring cities include Pasadena and Burbank. Glendale is approximately 7 miles from downtown Los Angeles, 15 miles from Los Angeles International Airport and minutes from the Burbank-Glendale-Pasadena Airport. The City is home to over 200,000 people, making it the fourth largest city in the County.

General Organization

The City of Glendale was incorporated in 1906 and became a charter city in 1921. The City operates under the council/manager form of government. The City is governed by a five-member council consisting of members elected at large for four-year alternating terms, with a Mayor selected from the members. Positions of City Manager and City Attorney are filled by appointments of the City Council. The City has approximately 1,588 budgeted full-time positions in Fiscal Year 2018-19.

The current members of the City Council, the expiration dates of their terms and key administrative personnel are set forth below. One City Council seat is vacant as of June 7, 2019 and the City Council may appoint a person to fill the seat until the next regular City election in March 2020.

CITY COUNCIL

<u>Council Member</u>	<u>Term Expires</u>
Ara Najarian, <i>Mayor</i>	March 2022
Vrej Agajanian	March 2022
Paula Devine	March 2020
Vartan Gharpetian	March 2020

CHIEF ADMINISTRATIVE PERSONNEL

Yasmin K. Beers, *City Manager*
Roubik Golanian, *Assistant City Manager, Management Services*
John Takhtalian, *Deputy City Manager, Management Services*
Philip Lanzafame, *Director of Community Development*
Michele Flynn, *Interim Director of Finance*
Michael J. Garcia, *City Attorney*
Gillian van Muyden, *Chief Assistant City Attorney*
Ardashes "Ardy" Kassakhian, *City Clerk*
Rafi Manoukian, *City Treasurer*

Governmental Services

The City provides a full range of municipal services.

Public Safety and Welfare

The City's Police Department provides law enforcement services and addresses quality of life issues in Glendale. Specific responsibilities include 9-1-1 emergency response; proactive law enforcement; traffic enforcement and collision investigation; crime investigation and case preparation; community and school policing; and administration of the city jail facility. The Police Department is organized into the following four Divisions: Administrative Services, Field Services, Investigative Services, and Office of the Chief. The mission of the Glendale Fire Department is to protect life and property by providing the highest level of service to the community. Through nine strategically located fire stations, a Fire Prevention and Environmental Management Center, a Regional Training Facility, the Verdugo Fire Communications Center and the Emergency Operations Center, the Fire Department works to maintain a safe community and contribute to an improved quality of life. The Fire Department is organized into the following seven Divisions: Administration, Operations, EMS, Training and Safety, Emergency Services (Disaster Preparedness), Fire Prevention/Environmental Management Center and Verdugo Fire Communications Center.

Public Services

City services include building permit and inspection, planning and zoning, public infrastructure maintenance, street cleaning, traffic signal maintenance and municipal code compliance. Additional City services include parkway and median maintenance and improvements, sewer and storm drain maintenance, zoning and development administration, environmental review, code enforcement and street tree maintenance.

The City's Glendale Water and Power ("GWP") department operates the City-owned electric system and water system, and provides those services to virtually all customers within the City boundaries. The City's Public Works department oversees the City's sewer service and refuse collection. The City owns its own landfill. Natural gas service is provided by the Southern California Gas Company.

Community Services

The City's Library, Arts & Culture Department contributes to Glendale's quality of life by meeting the ongoing educational and cultural needs of the community. Through its many programs and services the Department encourages adult and early childhood literacy, serves as a vital center for civic engagement, and offers a community gathering place for long time and newly arrived residents. Resources include books, online databases, downloadable books and music, compact discs, DVDs, magazines, newspapers, e-books, hotspots, and e-readers. Programs include author appearances; a community read for adults, teens and children; book discussion groups; computer instruction; Adult Literacy; English as a Second Language conversation classes; citizenship classes; story hours; special performers; and summer reading programs for children, teens and adults.

The City operates a central library and seven branches. The Central Library is 92,000 square feet and houses over 400,000 volumes, including a very comprehensive business collection. The Brand Library, the largest branch, located in the historic El Miradero mansion, includes an art gallery, retail hall and nationally recognized art and music collections.

The mission of the Community Services & Parks Department is to enhance the quality of life by providing safe, well-maintained parks and public places; preserving open space and historic resources; providing services that address the physical, recreational, social and economic needs of the community; and creating opportunities for renewal, growth, and enrichment. The City currently maintains 47 parks and recreation

facilities totaling 286.2 acres of developed parkland. Within these parks and facilities the city also maintains one sports complex, one golf course, one community pool, four community centers, four historic sites, 19 sports fields, 28 playgrounds and 33 restroom facilities.

Glendale is also home to the Glendale Symphony Orchestra, the historic Alex Theatre and the Glendale Centre Theatre.

The Public Works Department, Transit Division operates a fixed route public bus system known as the Beeline and a demand response public transit program serving elderly and persons with disabilities known as Dial-A-Ride. Both programs serve the communities of Glendale, La Crescenta, Montrose and La Canada Flintridge.

The Transit Division also manages approximately 500 bus stops within the City of Glendale, as well as, the Glendale Transportation Center (“GTC”). GTC is a multimodal transportation center serving commuter rail services for Amtrak and Metrolink as well as bus services for Amtrak, Beeline and LA Metrolink.

Education

Students living in the City are served by the Glendale Unified School District. There are several junior and state colleges and universities within commuting distance from the City including the Glendale Community College located in the City.

Transportation

The City is bisected by the Ventura Freeway (State Route 134), a transportation corridor connecting with Highway 101 and Interstate 405 to the west and Interstate 5 and Interstate 210 to the east. The portion of State Route 2 located along the eastern edge of the City is known as the Glendale Freeway and provides access to downtown Los Angeles, and also connects with the Ventura Freeway and Interstate 5.

Population

The following table provides population growth for Glendale and Los Angeles County between 2015 and 2019.

**TABLE NO. 1
CHANGE IN POPULATION
GLENDALE AND LOS ANGELES COUNTY
2015 – 2019**

January 1	<u>GLENDALE</u>		<u>LOS ANGELES COUNTY</u>		
	<u>Year</u>	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
	2015	199,807		10,155,753	
	2016	200,716	0.5%	10,185,851	0.3%
	2017	201,500	0.4%	10,226,920	0.4%
	2018	204,782	1.6%	10,254,658	0.3%
	2019	206,283	0.7%	10,253,716	0.0%
% Change Between 2015 - 2019			3.2%	1.0%	

Source: State of California, Department of Finance, “E-4 Population Estimates for Cities, Counties and the State, 2011-2019, with 2010 Census Benchmark” Sacramento, California, May 2019.

Per Capita Personal Income

The most recent available per capita personal income information for Glendale, Los Angeles County, the State of California and the United States is summarized in the following table.

TABLE NO. 2
PER CAPITA PERSONAL INCOME
CITY OF GLENDALE, LOS ANGELES COUNTY, CALIFORNIA AND UNITED STATES
2013 – 2017

<u>Year</u>	<u>Glendale</u>	<u>Los Angeles County</u> ⁽¹⁾	<u>State of California</u> ⁽¹⁾	<u>United States</u> ⁽¹⁾
2013	\$29,269	\$49,010	\$49,173	\$44,826
2014	28,912	52,130	52,237	47,025
2015	28,351	55,366	55,679	48,940
2016	29,163	56,851	57,497	49,831
2017	30,368	58,419	59,796	51,640

⁽¹⁾ For Los Angeles County, State of California and United States, per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2011-2016 reflect county population estimates available as of March 2018.

Note: All dollar estimates are in thousands current dollars (not adjusted for inflation). Statistics presented in thousands of dollars do not indicate more precision than statistics presented in millions of dollars.

Last updated: March 6, 2019.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; and City of Glendale Comprehensive Annual Financial Report.

Employment and Industry

As of March 2019, the civilian labor force for the City was approximately 104,100 of whom 99,900 were employed. The unadjusted unemployment rate as of March 2019 was 4.1% for the City as compared to 4.4% for the County and 4.6% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2014 through 2018 are shown in the following table.

**TABLE NO. 3
CITY OF GLENDALE
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2014</u>				
City of Glendale	100,700	92,600	8,100	8.0%
Los Angeles County	4,992,600	4,580,300	412,300	8.3%
California	18,714,700	17,310,900	1,403,800	7.5%
United States	155,922,000	146,305,000	9,617,000	6.2%
<u>2015</u>				
City of Glendale	100,600	94,100	6,400	6.4%
Los Angeles County	4,989,800	4,659,700	330,100	6.6%
California	18,851,100	17,681,800	1,169,200	6.2%
United States	157,130,000	148,834,000	8,296,000	5.3%
<u>2016</u>				
City of Glendale	101,600	96,700	4,900	4.8%
Los Angeles County	5,041,400	4,776,700	264,800	5.3%
California	19,044,500	18,002,800	1,041,700	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9%
<u>2017</u>				
City of Glendale	103,700	99,100	4,500	4.4%
Los Angeles County	5,096,500	4,853,800	242,700	4.8%
California	19,205,300	18,285,500	919,800	4.8%
United States	160,320,000	153,337,000	6,982,000	4.4%
<u>2018</u>				
City of Glendale	104,600	100,000	4,600	4.4%
Los Angeles County	5,136,300	4,896,500	239,800	4.7%
California	19,398,200	18,582,800	815,400	4.2%
United States	162,075,000	155,761,000	6,314,000	3.9%

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department and United States Bureau of Labor Statistics.

The City is located in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “Metropolitan Division”). Wage and salary workers by industry for each of the years 2015 through 2019 in the Metropolitan Division is presented in Table No. 4 below.

TABLE NO. 4
LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

<u>Industry</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Government	574.2	583.8	594.2	596.7	601.6
Other Services	150.5	151.2	154.1	157.9	163.8
Leisure and Hospitality	474.0	495.6	514.6	527.8	533.0
Educational and Health Services	742.3	769.1	798.4	823.3	840.3
Professional and Business Services	583.3	590.5	601.8	612.5	627.1
Financial Activities	212.2	218.3	219.3	222.2	216.4
Information	205.8	229.4	212.9	225.9	215.7
Transportation, Warehousing and Utilities	175.2	183.9	195.3	199.4	206.4
Service Producing					
Retail Trade	415.4	417.8	418.9	421.4	415.8
Wholesale Trade	222.0	221.0	220.7	222.5	223.1
Manufacturing					
Nondurable Goods	160.3	158.9	150.3	143.2	138.9
Durable Goods	207.9	205.7	202.0	202.3	205.5
Goods Producing					
Construction	121.7	131.5	135.0	142.5	147.6
Mining and Logging	<u>3.0</u>	<u>2.6</u>	<u>2.0</u>	<u>1.9</u>	<u>2.0</u>
Total Nonfarm	4,247.8	4,359.3	4,419.5	4,499.5	4,537.2
Farm	<u>5.5</u>	<u>5.4</u>	<u>5.7</u>	<u>4.3</u>	<u>5.2</u>
Total (all industries)	<u>4,253.3</u>	<u>4,364.7</u>	<u>4,425.2</u>	<u>4,503.8</u>	<u>4,542.4</u>

⁽¹⁾ Annually, as of March.

Source: State of California Employment Development Department, Labor Market Information Division, “*Industry Employment & Labor Force - by month March 2018 Benchmark.*”

**TABLE NO. 5
CITY OF GLENDALE
PRINCIPAL EMPLOYERS**

The principal employers operating within the City and their respective number of employees as of June 30, 2018 are as follows:

<u>Name of Company</u>	<u>Employment ⁽¹⁾</u>	<u>Type of Business/Service</u>
Glendale Adventist Medical Center	2,700	Health Care
Glendale Unified School District	2,617	Education
City of Glendale	2,025	Government
Dream Works Animation Skg Inc/NBC Universal	1,685	Entertainment
Glendale Community College	1,677	Education
Glenair Inc.	1,500	Electrical Connector Accessories
Glendale Memorial Hospital	1,075	Health Care
USC Verdugo Hills Hospital	850	Health Care
Public Storage	366	Self-Storage Company
Acco Engineered Systems	305	Mechanical Systems

⁽¹⁾ Both full-time and hourly employees are included.

Source: City of Glendale Comprehensive Annual Financial Report.

Service Titan and Age of Learning have recently located or expanded offices in the City and are expected to be included in the City's principal employers shown in Table No. 5 for the year ended June 30, 2019.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for the City of Glendale for 2012 through 2016 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

**TABLE NO. 6
CITY OF GLENDALE
TOTAL TAXABLE TRANSACTIONS
(in thousands)
2012 – 2016**

<u>Year</u>	<u>Retail and</u>		<u>Food Services</u>		<u>Total Taxable</u>		<u>Issued Sales</u>	
	<u>Food Services</u>	<u>% Change</u>	<u>Permits</u>	<u>Transactions</u>	<u>% Change</u>	<u>Permits</u>		
2012	\$2,172,558		3,649	\$2,681,917		5,416		
2013	2,243,597	3.3%	3,631	2,742,032	2.2%	5,333		
2014	2,853,882	27.2%	3,844	3,431,594	25.2%	5,578		
2015	3,583,109	25.6%	3,928	4,221,235	23.0%	6,277		
2016	3,191,204	(10.9%)	3,965	3,842,146	(9.0%)	6,340		

Source: California State Board of Equalization, "Taxable Sales in California Report" and "Taxable Sales in California Cities, by Type of Business."

See "FINANCIAL INFORMATION - Local Taxes" herein for a further discussion of City sales tax.

The following table compares taxable transactions by type of business for the City of Glendale for the years 2012 through 2016 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

**TABLE NO. 7
CITY OF GLENDALE
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
2012 – 2016**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Retail and Food Services</i>					
Clothing and Clothing					
Accessories Stores	\$ 363,780	\$ 372,690	\$ 385,658	\$ 399,828	\$ 430,537
General Merchandise Stores	193,006	207,481	234,699	234,442	234,535
Food and Beverage Stores	138,465	143,637	149,979	170,637	164,725
Food Services and Drinking Places	302,601	316,482	350,492	387,501	414,115
Home Furnishings and					
Appliance Stores	72,012	71,359	#	1,132,736	677,245
Building Materials and Garden					
Equipment and Supplies	96,518	102,299	110,907	122,169	130,444
Motor Vehicle and Parts Dealers	586,066	609,900	666,409	748,329	750,945
Gasoline Stations	217,549	208,578	203,407	167,792	164,836
Other Retail Group	<u>202,561</u>	<u>211,171</u>	<u>752,331</u> #	<u>219,675</u>	<u>223,822</u>
Total Retail and Food Services	2,172,558	2,243,597	2,853,882	3,583,109	3,191,204
<i>All Other Outlets</i>	<u>509,359</u>	<u>498,435</u>	<u>577,712</u>	<u>638,126</u>	<u>650,942</u>
Total All Outlets	<u>\$2,681,917</u>	<u>\$2,742,032</u>	<u>\$3,431,594</u>	<u>\$4,221,235</u>	<u>\$3,842,146</u>

Sales omitted because their publication would result in the disclosure of confidential information. These are included with "Other Retail Group" when possible.

Note: Detail may not compute to total due to rounding.

Source: California State Board of Equalization, "Taxable Sales in California Report" and "Taxable Sales in California Cities, by Type of Business."

Building Activity

The following table summarizes building activity and valuations for the City of Glendale for the five Fiscal Years 2013-14 through 2017-18.

**TABLE NO. 8
CITY OF GLENDALE
BUILDING ACTIVITY AND VALUATION
2013-14 through 2017-18**

Valuations (in Thousands)	2013/14	2014/15	2015-16	2016-17	2017-18
Single Family Residential	\$ 3,630	\$ 2,648	\$ 4,895	\$ 2,680	\$ 4,475
Multi-Family/Commercial	<u>106,424</u>	<u>202,182</u>	<u>90,445</u>	<u>92,240</u>	<u>74,842</u>
Total	<u>\$110,054</u>	<u>\$204,830</u>	<u>\$ 95,340</u>	<u>\$ 94,920</u>	<u>\$ 79,317</u>
New Dwelling Units					
Single Family	11	8	12	8	28
Multi-Family/Commercial	<u>14</u>	<u>21</u>	<u>17</u>	<u>9</u>	<u>26</u>
Total	<u>25</u>	<u>29</u>	<u>29</u>	<u>17</u>	<u>54</u>

Source: City of Glendale.

FINANCIAL INFORMATION

Financial Policies

Budget-Related Policies. The City Council has adopted the following financial policies as a primary guide for the preparation of the City's annual budget:

- The City will maintain a balanced operating budget for all governmental funds with ongoing resources equal to or greater than ongoing expenditures.
- The City will prepare and maintain a multi-year General Fund Forecast on an annual basis. Forecasts for other funds will be prepared by the appropriate department on an as needed basis. Forecasts for revenues and expenditures should be conservative and based on a variety of factors that shall include but not be limited to the following: (1) historical trends; (2) anticipated external factors that could have a significant impact on revenues and expenditures; (3) input from City personnel and economic forecasts from recognized agencies and publications; (4) new fees or increase to existing fees enacted for the upcoming year; and (5) professional judgment by the forecaster.
- Resources for the Capital Improvement Program shall be:
 - All of the Scholl Canyon Royalty Fees. For Fiscal Year 2018-19, 100% of sales tax revenues will be deposited to the General Fund with a 2% transfer of these revenues to the Capital Improvement Fund.
 - The Gas Tax Fund whose resources shall consist of all Gas Tax revenues.
 - The resources for the Scholl Canyon Landfill Post-Closure fund will consist of a transfer of \$4,560,000 from the Capital Improvement Fund.

- The Parks Mitigation Fee Fund, Library Mitigation Fee Fund, and Parks Quimby Fund will derive their resources from Parks and Library Mitigation Fees (AB 1600), Parks Quimby Fee, and fund balance from prior years.
- Any transfers from the General Fund to the Capital Improvement Fund will be determined each year during the Budget process.
- The City shall self-insure against future claims and limit the total loss per incident by purchasing the appropriate excess liability coverage when deemed cost effective to do so.
- The City shall establish Internal Service Funds on an as needed basis for a variety of functions and services that are collectively shared by departments city-wide including employee benefits, insurance, information services (technology), and fleet maintenance and acquisition.
 - All Internal Services Funds shall be self-supporting via a rate that is allocated to the user departments. The particular methodology may be unique to each Internal Service Fund and costs will be allocated in a reasonable manner as deemed appropriate by the Director of Finance.
 - Rates for all Internal Service Funds shall be annually reviewed and adjusted, if needed, to ensure current and future claims and capital acquisition and/or replacement relative to each Internal Service Fund are funded. Except as otherwise noted, the goal is to avoid funding on a “pay-go” basis for major capital acquisition and/or replacement in these funds.
 - If a fund balance deficit exists in a given Internal Service Fund, a rate will be developed that will amortize the deficit over a fixed period of time as determined by the City Manager. The goal is to eliminate fund balance deficits as soon as reasonably possible.
 - The City will strive to maintain adequate cash, not less than the claims payable, in each self-insurance Internal Service Fund.
 - To the extent possible, all costs associated with an Internal Service Fund’s purpose shall be paid for out of said fund and allocated to user departments based on a pre-determined methodology.
 - Costs associated for the maintenance, replacement, and acquisition of the City’s fleet and other heavy equipment shall be centralized in the Fleet/Equipment Management Fund. Fleet rates will be reviewed and developed annually and will be allocated to the appropriate departments. For governmental funds, the fleet charge shall include a maintenance and operation component, and a capital replacement component. For proprietary funds, the fleet charge shall consist of a maintenance and operation component only. Proprietary funds will fund their capital replacement through their own unreserved fund balance.
 - All costs associated with the acquisition and maintenance of information services (i.e. software, computer hardware, etc.) shall be paid from the appropriate Internal Service Funds.
- The City will continue to fund all City governmental capital improvements on a “pay-as-you-go” or cash basis, but recognize that there may be times when an alternate financing strategy may be appropriate. Each strategy (General Obligation Bonds, Certificates of Participation, and Lease-Back arrangements, etc.) needs to be considered in light of the specific project and the consequences of each financing strategy.

- Whenever possible, the City shall use special assessment, revenue, or other self-supporting bonds instead of general obligations bonds, so those benefiting from the improvements will bear all or part of the cost of the project financed.
 - The City shall not use long-term debt for current operations.
 - The City shall maintain good communications with bond rating agencies regarding its financial conditions. The City shall comply with all bond coverage ratios, covenants and disclosure requirements.
- The City will continue to fund post-employment liabilities on a “pay-as-you-go” or cash basis as the expense is paid out.
- The City will not leverage borrowed money for purposes of increased investment return nor to increase its borrowing capacity.
- The City will continue to comply with all the requirements of Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (“GASB”) statements. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, recommends an adoption of a formal comprehensive fund balance policy to serve as the framework upon which consistent operations may be built and sustained.
 - Non-spendable Fund Balance – At the end of each fiscal year, the City will report the portion of the fund balance that is not in spendable form as Non-spendable Fund Balance on the financial statements.
 - Restricted Fund Balance – The restricted fund balances are restricted for specific purposes by third parties or legislative action.
 - Committed Fund Balance – The committed fund balances include amounts that can be used only for specific purposes determined by the formal action of the City Council, as they are the highest level of decision-making authority. Council must have at least a 3 to 2 vote to pass a resolution for the specific purpose. These committed amounts cannot be used for any other purpose unless the City Council remove or change the specified use through the same type of formal action taken to establish the commitment.
 - Assigned Fund Balances – The City Manager or his/her designee is authorized by the City Council to assign fund balance in the “Assigned” category, which is comprised of amounts intended to be used by the City for specific purposes but are not restricted or committed.
 - Unassigned General Fund, Fund Balance – The City will strive to maintain a General Fund Reserve (including the Charter required reserve) of 35% and not less than 25% of the budget.
- The City will pursue cost recovery for services funded by governmental funds incorporating defined budgets, specific goals, and measurable milestones.
- The City will pursue collection activities that will yield the highest amount of revenue that is due to the City while minimizing the costs incurred to do so.
- The City will continue to maintain an Investment Committee whose primary purpose is to serve in an advisory role. The Investment Committee will function under its own prescribed procedures as defined by its adopted charter.

- The City will continue to maintain an Audit Committee whose primary purpose is to serve in an advisory role. The Audit Committee will function under its own prescribed procedures as defined by its adopted charter.

Debt and Liability-Related Policies. These Financial Policies include:

Debt Management Policy – The City Council formally established the City’s Debt Management Policy on December 12, 2017. This policy includes guidelines for the issuance of debt, including the types of debt that may be issued, responsibilities for debt management activities, maintenance of appropriate internal controls, post issuance compliance, and other related issues.

Continuing Disclosure Compliance Policy – The City Council formally established the City’s Continuing Disclosure Compliance Policy on April 16, 2019. This policy identifies the staff member of the City with the responsibility for reviewing all reporting requirements for all bond issues, being familiar with the listed events that require notice, and preparing and timely filing of reports and notices.

Other Financial Policies.

Charter Reserve Policy – As described under “Budget Policies,” the City’s unassigned General Fund reserve balance policy is targeted at 35% of the annual operating budget, including the Charter required reserve, and will be at a minimum, no less than 25% of the annual operating budget. The City’s Charter requires a general reserve fund at least equal to 50% of the total amount of the anticipated ad valorem tax receipts for that year.

Investment Policy – The City’s current Investment Policy was most recently approved on October 9, 2018. This policy is updated at least annually to reflect current best practices and changes to the law. The Investment Policy imposes certain restrictions on the City’s investment management that consistent with those authorized under State law. The City Treasurer is also advised by an Investment Committee.

Internal Control Policy – The City’s internal control guidelines identify those with responsibility for ensuring the effectiveness of policies and procedures designed to implement internal controls. These guidelines further describe the internal control components used to achieve the objectives of (1) ensuring the effectiveness and efficiency of operations; (2) safeguarding of assets against loss and unauthorized use or disposition; (3) ensuring the validity, accuracy and reliability of accounting records and financial reports; and (4) promoting adherence to prescribed management policies and procedures and regulatory requirements.

Fraud Policy - This policy is set forth in order to address fraud, waste, and abuse in City government and establishes reasonable standards of ethical conduct for all City employees, officers, vendors, consultants, contractors, outside agencies and/or any other parties with a business relationship with the City. It is the intent of this policy to establish minimum expectations relative to employee and officer behavior and conduct in the execution of their duties as representatives of the City.

Strategic Planning

Several years ago, the City engaged in a community based strategic planning endeavor as part of the City's long range planning efforts. As a result of the many community meetings and the City Council's participation in the process, the City subsequently adopted the following City Council priorities:

- Fiscal Responsibility
- Exceptional Customer Service
- Economic Vibrancy
- Informed & Engaged Community
- Safe & Healthy Community
- Balanced, Quality Housing
- Community Services & Facilities
- Infrastructure & Mobility
- Arts & Culture
- Sustainability

These Council priorities not only help to guide the development of the City's budget and departmental strategic goals, but also serve as a basis for gauging departmental key performance indicators which measure the programs and services provided by the City. These indicators strive to measure both quantitative and qualitative data that is representative of the City's many operations.

The City is in the process of updating the Strategic Plan. In addition, various departments also prepare individual strategic plans to address their specific needs. For example, the GWP adopted its strategic plan in 2015, the Library and Arts & Culture Department has embarked on an update to their last strategic plan developed in 2012. The Fire Department has a strategic plan adopted in 2010, the Public Works Department has developed a Zero Waste Strategic Plan, an update to which will be completed in Fiscal Year 2019-20, and the Community Development Department has implemented a Tech Cluster Strategic Plan.

Budgetary Process and Administration

The City Council is required to adopt an annual budget for the general, debt service, special revenue, enterprise, and internal service fund types. The City Council annually adopts the capital improvement program for the capital projects funds. The City of Glendale budget presents the Capital Improvement Projects on a ten-year plan basis, with the "Future Years" column representing a cumulative five-year projection. The City Council only approves and authorizes one year of the Capital Improvement Projects. Unspent Capital Improvement Projects in the prior years' budget is carried forward into the new fiscal year. Therefore, an annual budget comparison on multi-year projects is impractical.

All proprietary fund types are accounted for on a cost of service method (net income); therefore, budget comparisons are impractical. Also, the City is not legally mandated to report the results of operations for these enterprise and internal service fund types on a budget comparison basis, and so budgetary data related to these funds have not been presented.

The City utilizes an "encumbrance system." Under this procedure, encumbrance accounting is used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities and appropriations in the General Fund lapse at the end of the year. Therefore, encumbrances are not reserved for commitments made, and budget carryovers may be submitted for the remaining encumbrance. All commitments incurred in the General Fund will be paid with the new budget and approved budget carryovers in the following year, and open capital project appropriations carry over to the next year.

Budget Preparation and Adoption

The City, in establishing the budgetary data reflected in the basic financial statements and supplementary information, utilizes the following procedures:

- The City Charter requires that the City Manager submits to the City Council a proposed budget for the coming year on or before June 1st. The operating budget includes both the sources and types of funds for the proposed expenditures.
- After the Budget is prepared for review, it is the City's policy to conduct annual budget study sessions that usually occur in April and May of each year. Topics that will usually be presented include the General Fund forecast, proposed departmental budgets for the upcoming year, proposed capital improvement projects for the upcoming year, and proposed new fees and increases to existing fees. The purpose of these meetings is to inform the community of the programs, services, and projects to be funded in the upcoming year. In addition, this affords the City Council an opportunity to review the proposed budget, ask questions, and prioritize programs and services. Lastly, the public study sessions provide a public forum for the City to conduct its fiscal affairs in an open and transparent manner which is consistent with the City's strategic goals of Fiscal Responsibility and an Informed and Engaged Community.
- In May or June, a public hearing is conducted to obtain citizen input, with the final budget being adopted no later than July 1st.
- The budget is amended during the fiscal year to reflect all transfers and amendments.
- The level of appropriated budgetary control is at the fund level except for the General Fund, which is at the department level. The appropriation may exist across different categories including, salary and fringe benefits, maintenance and operation, and capital outlay. There is no limit as to how much can be shifted between categories as long as the total appropriation does not exceed what Council approved at the department level for General Fund and the fund level for all other funds.

Budgetary Controls

On at least a monthly basis, Budget staff review actual expenditures against the authorized annual budget. The budgetary controls are setup at the fund level within each department. City Manager may authorize transfer of appropriation within different functions at the fund level. The system is setup to control expenditures against budget at two levels within each fund:

Appropriation Level-system checks actual transaction against category level spending within each fund (Salaries & Benefits, Maintenance & Operation, Capital Outlay, and Capital Improvement).

Project Ledger Level-system checks actual transaction against the project budget within the system. There is a one-to-one relationship between the project and the budget. Hence, even if funding is available within the total appropriation for a said fund, if the project itself does not have enough appropriation, the system will generate a budget control error and stop the transaction from going through.

Having the above budgetary controls in place insures that all transactions processed within the system are within the City Council authorized budget for the fiscal year. Additionally, for the General Fund, a quarterly budget update report is presented to Council. These reports provide the details on how departmental expenditures are tracking and summarize the adjustments that have been approved by City Council post budget adoption. This process further insures that all supplemental adjustments made to the city-wide budget post budget adoption have been authorized by City Council. Furthermore, on an annual basis, external auditors review the budget and verify that adjustments made to the budget after adoption are supported by Resolutions of Appropriation.

Economic Conditions and Outlook

The City's local economy benefits from being part of the larger Los Angeles area economy and has produced steady growth in property assessed values over the last several years due to a significant amount on new construction. However, the City is expecting much more modest growth in general sales tax. Sales tax is over 20% of the General Fund budget and approximately 25% of the sales and use tax is generated from auto sales and leasing. In order to diversify its revenue base, the City is working diligently to attract new upscale hotels that would generate transient occupancy tax (which is now only 3.1% of the City's General Fund revenues). Hyatt Place recently opened in the City, and 3 additional hotels are under construction with completion expected in 2020.

The City has spent considerable effort to attract technology companies to its downtown to diversify its existing employer base of financial, health and entertainment companies, as well as public sector employers. As a result, Service Titan has recently leased 125,000 square feet of office space and many additional big and small technology companies have located in the City in recent years.

The City continues to provide and expand the lifestyle amenities desired by different age and income groups. In its effort to become an "18-hour City," it has developed retail, restaurant and entertainment options to satisfy a variety of interests. The development of luxury apartments within walking distance to the downtown office buildings has helped to create an environment where workers stay in the City after business hour.

As for most California public agencies, rising pension costs continue to be a challenge for the City. The City Council took a proactive step to address the matter by voting to establish an irrevocable Pension Rate Stabilization Trust at the time of the Fiscal Year 2017-18 budget adoption, and the City's plan is to draw on this fund to defray future pension costs increases which are projected to reach their peak in 2031.

The City is anticipating that the legal challenges to its long-standing and charter-mandated transfer from its electric utility will be resolved without a significant impact to the General Fund (see "RISK FACTORS – General Fund Transfer Litigation" herein). Therefore, the City does not expect the final outcome of the litigation to impair its ability to pay Lease Payments.

Like other cities, with record employment and increasing housing costs, the City is also challenged by an increased need for affordable housing. The City's voters recently approved a sales tax measure to provide funding for core services and programs, as well as affordable housing needs. These new taxes will also help the City address aging infrastructure repair and replacement.

Property Tax. The City's assessed value has increased 25% since 2015, resulting in continued property tax growth. Southern California has set a new high for median home prices, and home sales will reflect higher value on the assessor's tax roll. This valuation increase is coupled with value added from new construction of hotels and apartment units in the downtown business district and the completion of the Americana at Brand lifestyle center's retail and residential components.

Sales Tax and Measure S. Sales and use tax is the City's second largest revenue to the General Fund. The City is anticipating a modest 1.6% growth in the basic sales tax for 2019-20. Approximately 15% of the sales tax comes from countywide sales tax pool allocations. This allocation is expected to generally increase as on-line shopping continues its upward trend, and hopefully offsets and decrease in brick and mortar stores sales. In November 2018, City voters approved "Measure S," an ongoing $\frac{3}{4}$ cent sales tax to be levied specifically for the City. The sales tax was implemented on April 1, 2019. The City is currently budgeting \$30 million in new Measure S sales tax and will utilize \$23.5 million for one-time capital projects in Fiscal Year 2019-20.

Transient Occupancy Tax. As noted, the transient occupancy tax represents approximately 3.1% of Fiscal Year 2019-20 revenues. With the opening of 3 new hotels currently under construction in 2020, the City should realize an increase in this revenue source in future years. The City has invited proposals for 2 additional hotels in the “Mid-Brand Boulevard” district, on City-owned property in its effort to expand this revenue source.

Utility Users’ Tax. The City’s utility users’ tax has remained relatively constant year over year, although a small decrease is projected based on changing telecommunication trends.

Utility Transfer. The City’s charter provides for a transfer of up to 25% of the City’s Electric Utility revenues to the General Fund, and the City currently transfers approximately 10%. There have been legal challenges to this transfer as further described under the caption transfers to the General Fund from its Electric Utility (the “General Fund Transfer,” or “GFT”). See “RISK FACTORS - General Fund Transfer Litigation.”

Salaries and Benefits. Most of the City’s negotiated agreements with employee bargaining units are effective through 2020. As described above, the City’s pension cost continue to rise and the annual payment of the current pension unfunded liability is expected to continue increasing until it peaks in 2031. The City deposited \$26.5 million in an irrevocable trust fund in fiscal year 2017-18 to provide a resource to defray some of these increased costs in future years. The City expects that draws of those funds will occur starting in 2026. The City’s other post-retirement benefits are only available to certain current retirees and there are no new employees being added to the retirement health plan.

Fund Balance Reserves. In addition to the Pension Stabilization Reserve, the City Charter requires a reserve equal to 50% of the anticipated property tax revenues. For Fiscal Year 2019-20, the City Charter Reserve will be approximately \$32 million. When added to the anticipated unassigned fund balance, the City expects to meet their General Fund Reserve Fund policy minimum of least 25% (see “Budget-Related Policies” above).

Fiscal Year 2018-19 and 2019-20. The City expects to have savings from not fully expending the amounts budgeted for Fiscal Year 2018-19 of approximately \$9.5 million due to staff vacancies and lower spending. The City’s revenues, not including \$7.5 million expected from new Measure S-generated sales tax in 2018-19, are projected to be \$1.9 million less than budgeted. Including new Measure S-generated sales tax the City expects a net \$8.3 million increase in fund balance as of June 30, 2018, most of which will be assigned for new Measure S-related one-time expenditures. The City’s Fiscal Year 2019-20 budget is essentially balanced after accounting for \$30 million of new Measure S-generated sales tax, less \$23.5 million of such amounts transferred to the Capital Improvement Fund for one-time projects, including affordable housing.

Comparative General Fund Revenues and Expenditures

The City’s General Fund Budget includes programs which are provided on a largely city-wide basis. The programs and services are financed primarily by the City’s share of property taxes, sales tax, revenues from the State, and charges for services provided.

Budget and Actual Comparisons

A comparison of the General Fund actual results for Fiscal Years 2016-17 and 2017-18, Fiscal Year 2018-19 Budget estimated results for 2018-19 and the Fiscal Year 2019-20 preliminary Budget is shown in Table No. 9.

General Fund Revenues

The General Fund revenues in Table No. 9 that follows are categorized as:

- Taxes, detailed in “Table No. 15 - General Fund Tax Revenues by Source,” include general property tax (including property tax in-lieu of motor vehicle license fees and residual property tax from the Successor Agency), sales tax, utility users’ tax, transient occupancy tax, franchise tax (cable, gas, telephone), landfill host assessment and the property transfer tax;
- Licenses & Permits include building permits, business license permits, variance permits, plan check fees, street permits and dog license fees;
- GSA Reimbursement is the loan repayment from the Successor Agency (formerly known as the Glendale Redevelopment Agency) to the General Fund, of which 20% is required to be transferred to the Low & Moderate Income Housing Asset Fund under State law;
- Revenues from Other Agencies mainly consist of federal, State and local grants;
- Charges for Services are generally known as user fees that are charged for a variety of services provided to the general public, including library fees, recreation fees, fire fees, special police fees, emergency medical service transportation fees, map and publication fees and code enforcement fees;
- Fines & Forfeitures are derived from the collection of penalties for violations of statutory offenses, administrative rules, confiscated property, and court fees;
- Interfund Revenue is the revenue derived from the City’s cost allocation plan for charging the cost of service of General Fund central service departments to a variety of funds outside the General Fund;
- Use of Money and Property includes interest and investment revenues, rent and lease income; and
- Miscellaneous Revenues consist of revenues such as sale of property, collections from advertising, unclaimed money and contributions and donations.
- Transfers in from the Glendale Water and Power Electric Fund and the City’s Refuse Fund.

The largest components of Fiscal Year 2019-20 General Fund budgeted revenues are property tax (26%), sales tax (21%), utility users’ tax (12%), interfund revenues (8%) and transfers in (9%).

General Fund Expenditures

The General Fund expenditures in Table No. 9 that follows are categorized by governmental function. Each function generally includes salaries and benefits, materials and supplies, and contractual services.

Salaries and Benefits include direct personnel costs, benefits, health insurance costs and workers’ compensation and unemployment insurance costs. Materials and supplies include non-personnel operating costs. Contractual services includes contracts for professional and general services.

Public safety expenditures represent approximately 62.1% of the total budgeted General Fund expenditures for Fiscal Year 2019-20.

TABLE NO. 9
CITY OF GLENDALE
GENERAL FUND REVENUES AND EXPENDITURES
(in Thousands)

	2016-17	2017-18	2018-19	2018-19	2019-20	%
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Estimated</u>	<u>Preliminary Budget</u>	<u>Change ⁽¹⁾</u>
Revenues:						
Property tax	\$ 55,217	\$ 58,445	\$ 61,538	\$61,538	\$64,043	4.1%
Sales tax ⁽²⁾	38,835	57,703	44,685	52,185	51,903	(0.5)%
Utility users' tax	28,605	27,805	29,855	28,455	28,162	(1.0)%
Other taxes	13,946	14,660	16,279	15,170	16,690	10.0%
Licenses and permits	10,265	10,914	9,725	9,725	10,685	9.9%
Revenue from other agencies	289	694	100	539	104	(80.7)%
Charges for services ⁽³⁾	3,951	10,575	9,206	9,206	16,270	76.7%
Fines and forfeitures	2,533	2,548	2,500	2,500	3,260	30.4%
Interfund revenue ⁽⁴⁾	13,996	17,410	19,582	19,582	19,310	(1.4)%
Use of money and property ⁽⁵⁾	3,633	4,241	1,550	1,550	2,289	47.7%
GSA reimbursement ⁽⁶⁾	12,511	4,885	10,040	10,040	3,733	(62.8)%
Miscellaneous revenue	1,335	1,801	1,164	1,342	4,646	246.2%
Transfers in	<u>21,062</u>	<u>21,312</u>	<u>22,186</u>	<u>22,186</u>	<u>21,427</u>	(3.4)%
Total Revenue	206,178	232,993	228,410	234,018	242,522	3.6%
Expenditures:						
General Government	28,830	28,282	35,480	37,261 ⁽⁷⁾	37,709	1.2%
Police	74,703	80,531	87,315	87,651	89,023	1.6%
Fire	49,167	56,976	59,415	61,834	62,154	0.5%
Public Works	13,309	13,849	15,248	16,150	15,104	(6.5)%
Housing, health and community development	4,402	3,910	3,011	4,545	7,183 ⁽⁸⁾	58.0%
Parks, recreation and community services	12,459	12,348	12,831	12,988	17,900 ⁽⁹⁾	37.8%
Library	9,209	10,161	10,560	10,664	11,005	3.2%
Capital outlay	336	669	-	-	-	0.0%
Budget savings ⁽¹⁰⁾	-	-	-	(9,529)	-	100.0%
Transfers out	<u>9,240 ⁽¹¹⁾</u>	<u>12,066 ⁽¹²⁾</u>	<u>3,926 ⁽¹³⁾</u>	<u>4,199</u>	<u>3,239</u>	(22.9)%
Total Expenditures	201,655	218,792	227,786	225,763	243,317	7.8%
Net change in fund balance	4,523	14,201	623	8,255	(795)	
Beginning fund balance	<u>88,346</u>	<u>92,869</u>	<u>107,070</u>	<u>107,070</u>	<u>115,325 ⁽³⁾</u>	
Ending fund balance	<u>\$ 92,869</u>	<u>\$107,070</u>	<u>\$107,693</u>	<u>\$115,325 ⁽³⁾</u>	<u>\$114,530</u>	
Fund Balance:						
Non-Spendable	\$ 267	\$ 305	\$ 305	\$ 305	\$ 305	
Restricted/Assigned ⁽¹⁴⁾	31,901	59,347	59,347	67,909	68,943	
Unassigned	<u>60,701</u>	<u>47,418</u>	<u>48,041</u>	<u>47,111</u>	<u>45,282</u>	
Total	\$ 92,869	\$107,070	\$107,693	\$115,325	\$114,530	

See Footnotes on the following page.

Source: City of Glendale.

Footnotes to Table No. 9:

- (1) Change between 2018-19 estimates and 2019-20 preliminary budget.
- (2) Reflects new Measure M sales tax commencing April 1, 2019. See Table No. 17.
- (3) The City combined the Emergency Medical Services Fund (“EMSF”) with the General Fund beginning in 2017-18. The EMSF included emergency medical response fees of approximately \$5.1 million in 2016-17. The increase to the charges for services category for 2019-20 is due to combining the following other funds with the General Fund: Recreation Fund, Filming Fund, and Special Events Fund. This presentation added approximately \$6 million in revenues and expenditures to the General Fund for 2019-20. Any fund balance in these funds at June 30, 2019 will transfer to the General Fund, but the City expects to transfer the same to its Capital Improvement Fund.
- (4) Interfund revenue is based on overhead and other cost allocations.
- (5) Beginning in Fiscal Year 2018-19, landfill gas royalties were eliminated.
- (6) The GSA payment is calculated pursuant to a formula contained in the Dissolution Act. See “Ad Valorem Property Taxes – Redevelopment - Related Property Tax Considerations.” Under the Dissolution Act, 20% of any GSA reimbursement is required to be transferred to the City’s Low & Moderate Income Housing Asset Fund. The GSA fluctuates from year to year, and there is approximately \$10 million remaining to be paid to the City after Fiscal Year 2019-20.
- (7) Increase in Fiscal Year 2018-19 resulting from budgeting full staffing, staffing increases and increasing salaries and benefits cost.
- (8) Net increase for one-time expenditure of Measure S sales tax, less \$1.1 million for completed housing project in 2018-19.
- (9) Includes \$4.1 million in expenditures related to the former Recreation Fund describes in (3) above.
- (10) Based on operating expenditures incurred through March 31, 2019, the City anticipates not all 2018-9 estimated expenditures will occur by June 30, 2019 based on vacancies and other factors.
- (11) Includes \$4.5 million transfer to the Capital Improvement Fund in Fiscal Year 2016-17 and \$2.5 million transfer to the Low & Moderate Income Housing Asset Fund required based on the GSA reimbursement.
- (12) Includes \$10 million transfer to the Capital Improvement Fund in Fiscal Year 2017-18.
- (13) Includes \$2 million transfer to the Low & Moderate Income Housing Asset Fund required based on the GSA reimbursement.
- (14) Includes Charter Reserve and Pension Stabilization Reserve. See “Financial Statements - GASB Statement No. 54 Fund Balance Reserves” below.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a \$20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector. The

exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Property taxes on the unsecured roll become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Taxable Property and Assessed Valuation. Set forth in Table No. 10 are historical assessed valuations for taxable property within the City. Article XIII A of the California Constitution prescribes the method for determining the full cash value of real property and the maximum ad valorem tax on real property. The full cash value, once established, is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the California Consumer Price Index. There may also be declines in valuations if the California Consumer Price Index is negative.

Proposition 8 provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The City did not experience any significant Proposition 8 reductions in property values during the recent recession, although assessed value remained level between 2009 and 2010. Assessed values have continued to increase each year thereafter. See “RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Article XIII A” and “- Proposition 8 Adjustments” herein.

TABLE NO. 10
CITY OF GLENDALE
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY
(in thousands)

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>% Change</u>
2008-09	\$22,588,450	
2009-10	22,589,799	0.0%
2010-11	22,892,818	1.3%
2011-12	23,288,046	1.7%
2012-13	23,501,791	0.9%
2013-14	24,503,084	4.3%
2014-15	25,784,746	5.2%
2015-16	27,224,163	5.6%
2016-17	28,721,609	5.5%
2017-18	30,468,250	6.1%

Note: These values reported by the County of Los Angeles after the tax roll is equalized may be different than values shown as of June 30 each fiscal year in the statistical section of the City’s Comprehensive Annual Financial Report.

Source: City of Glendale Comprehensive Annual Financial Report.

The County of Los Angeles Auditor-Controller reported a total assessed value of \$31.9 billion for the equalize tax roll for Fiscal Year 2018-19, an increase of 4.8% compared to Fiscal Year 2017-18.

Largest Taxpayers. The principal property taxpayers for Fiscal Year 2017-18 are as shown in Table No. 11. The City does not anticipate any material changes to this list for Fiscal Year 2018-19.

**TABLE NO. 11
CITY OF GLENDALE
LARGEST PROPERTY TAXPAYERS
(in thousands)**

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percent of Total</u>
Walt Disney World Company	\$ 615,344	2.02%
Glendale Mall Associates LLC	591,112	1.94%
Americana at Brand LLC	223,622	0.73%
La Hana Ow LLC	191,578	0.63%
NA Glendale LLC	186,578	0.61%
GPI 500 Brand Limited	181,906	0.60%
DWF V 655 North Central LLC	180,600	0.59%
CP IV Glendale LLC	179,065	0.59%
Wells Reit Glendale CA LLC	154,400	0.51%
Camden USA INC	<u>146,134</u>	<u>0.48%</u>
	<u>\$2,650,339</u>	<u>8.70%</u>

Source: City of Glendale.

Property Tax Collections. Property tax levies and collections for the City are set forth in Table No. 12. The amount of the levy of property tax revenue that can be allocated to the City depends upon the actual collections of taxes within the City. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the City of property tax revenues.

**TABLE NO. 12
CITY OF GLENDALE
SECURED TAX LEVIES AND COLLECTIONS ⁽¹⁾
(in thousands)**

Fiscal Year Ended	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy	Percentage of Levy	Collections in Subsequent Years	Total Tax Collections	Percentage of Levy
2014	\$26,846	\$26,823	100%	\$197	\$27,020	101%
2015	27,703	27,227	98%	160	27,387	99%
2016	29,323	28,789	98%	(44)	28,745	98%
2017	31,075	30,455	98%	372	30,827	99%
2018	33,511	32,932	98%	-	32,932	98%

⁽¹⁾ Includes City property taxes and redevelopment agency tax increment, prior to any passthroughs to other agencies.

Source: City of Glendale and Los Angeles County Auditor-Controller.

Redevelopment - Related Property Tax Considerations. The California Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the “incremental value”) occurring after the year the project area was formed. In effect, local taxing authorities, such as the City, realized tax revenues only on the assessed value of such property at the time the redevelopment project was created for the duration of such redevelopment project. Although Assembly Bill No. 26 (“AB X1 26”), enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as such statutory provisions may be amended from time to time the “Dissolution Act”).

There are two redevelopment projects (“Redevelopment Projects”) in the City. Table No. 13 sets forth total assessed valuations and redevelopment agency incremental values.

**TABLE NO. 13
CITY OF GLENDALE
TOTAL AND NET PROPERTY TAX VALUATIONS
(in thousands)**

<u>Fiscal Year</u>	<u>Total Assessed Valuation</u>	<u>Redevelopment Agency Incremental Value</u>	<u>Net Value</u>	<u>Percent Change</u>
2014-15	\$25,784,746	\$4,450,748	\$21,333,998	
2015-16	27,224,163	4,706,101	22,518,062	5.6%
2016-17	28,721,609	5,083,026	23,638,583	5.0%
2017-18	30,468,250	5,337,394	25,130,856	6.3%
2018-19	31,923,405	5,547,983	26,375,422	5.0%

Source: Los Angeles Auditor-Controller.

In the first year after redevelopment agencies were statutorily dissolved, the Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controller for distribution to affected taxing entities within the project areas of the former redevelopment agencies.

The Dissolution Act also provides for proceeds of the sale of land owned by redevelopment agencies at the time of their statutory dissolution to be remitted to the applicable county auditor-controller for distribution to the affected taxing entities within the applicable redevelopment project area (including the City with respect to its Redevelopment Projects) in proportion to such taxing entity’s share of property tax revenues in the tax rate area for the applicable fiscal year.

Further, under the Dissolution Act, taxing entities within the Redevelopment Projects, such as the City, are to receive distributions (in proportion to such taxing entity’s share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value of the Redevelopment Projects on each June 1 and January 2, after payment of: (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the former redevelopment agency and its successor agency

are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area incremental value are expected to increase over time.

The table below summarizes the distributions received by the City of its share of residual amounts of property taxes derived from the Redevelopment Projects from Fiscal Year 2014-15 to 2017-18 with expected amounts for 2018-19. These amounts are shown as residual property tax revenues in Table No. 16.

**TABLE NO. 14
CITY OF GLENDALE
CITY SHARE OF RESIDUAL PROPERTY TAXES
ATTRIBUTABLE TO THE REDEVELOPMENT PROJECTS**

<u>Fiscal Year</u>	<u>Residual Property Taxes</u>
2014-15	\$4,171,954
2015-16	3,085,319
2016-17	3,328,364
2017-18	2,185,654
2018-19 ⁽¹⁾	3,275,000

⁽¹⁾ Estimated.

Source: City of Glendale and Glendale Successor Agency, based on information compiled from Los Angeles County Auditor-Controller.

Property Taxes in Lieu of Motor Vehicle License Fees. The motor vehicle license fee (“VLF”) is an annual fee on the ownership of a registered vehicle in California. The City received a portion of VLF collected state-wide, until State budget changes altered the payment from a distribution of VLF to a payment of property taxes in lieu of VLF. The total amount budgeted for Fiscal Year 2019-20 is approximately \$23 million and is shown in Table No. 16 as “Property tax in lieu of VLF.”

Local Taxes

In addition to ad valorem taxes on real property, the City receives the following non-real estate local taxes (see “RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Proposition 218” herein):

Sales and Use Taxes. Sales tax is collected and distributed by the California Department of Tax and Fee Administration (“CDTFA” - formerly the State Board of Equalization). Each local jurisdiction receives an amount equal to 1% of taxable sales within their jurisdiction. On November 6, 2018, voters in the City approved “Measure S,” the levy of an additional 3/4% sales tax, commencing April 1, 2019. The Measure S sales tax is estimated to generate about \$7.5 million in Fiscal Year 2018-19, which will be deposited into the General Fund. Measure S sales tax is estimated to generate approximately \$30 million in Fiscal Year 2019-20. Of this \$30 million, the City expects \$6.5 million will be deposited into the General Fund, and \$23.5 million will be deposited into the Capital Improvement Fund.

The figures shown in Table No. 17 for sales tax revenues for Fiscal Years 2014-15 and 2015-16 include certain property tax that the City received in lieu of sales tax because of the “Triple Flip.” On March 2, 2004, voters approved a bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion in bonds to finance the Fiscal Year 2002-03 and Fiscal Year 2003-04 State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through a process dubbed the “Triple Flip.”

Under the “Triple Flip,” one-quarter of local governments’ 1% share of the sales tax imposed on taxable transactions within their jurisdiction was redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provided for property taxes in the Educational Revenue Augmentation Fund (“ERAF”) to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. The swap of sales taxes for property taxes terminated once the deficit financing bonds were repaid in September 2015. The City treated the Triple Flip property tax revenue as sales tax in its financial statements. There was a final one-time Triple Flip adjustment payment in 2015-16, causing that year’s payment to be higher than prior years.

The City also receives a portion of a permanent statewide ½ cent sales tax increase approved by voters in 1993 by Proposition 172. Sales tax generated by this increase is recorded in the General Fund and used to offset certain expenses for public safety.

CDTFA Determination Regarding Certain Sales Tax. On September 24, 2007, HdL Companies (“HdL”), which is the City’s sales tax consultant, submitted petitions to the CDTFA on behalf of all their client cities regarding Case ID 606763 and Case ID 606835 (Sales v. Use Tax/Place of Allocation). These cases pertain to the City of Buena Park and a local business (hereafter referred to as Taxpayer).

The Taxpayer sells computer hardware and peripherals to government and business accounts. After signing a tax sharing agreement with the City of Buena Park, the Taxpayer began reporting these transactions as sales tax and allocating the local 1% sales tax to their office in the City of Buena Park. According to CDTFA, since the merchandise is shipped from out of state, the applicable tax is a use tax that should be allocated to the various countywide pools for distribution to all cities in the affected county based on delivery. The Taxpayer contended that the terms of their sales agreements stipulate that title passes at the time of delivery in this state, and therefore the transactions are subject to sales tax. However, CDTFA stated that title cannot pass after the seller has given the merchandise to a common carrier.

In both their Allocation Group Decision and Supplemental Decision, CDTFA granted the HdL petitions and ruled that the tax was a use tax and should be distributed via the countywide pools. The City of Buena Park appealed both decisions, and the matter was been elevated to the CDTFA Appeals Division. After further review, the CDTFA Appeals Division determined that the City of Buena Park would receive a portion of the sales tax revenues; however, the majority of the sales tax revenue would be reallocated to the Countywide Pool as a use tax.

In spring 2014, the Taxpayer moved their California office from Buena Park to Glendale and has continued the same practice by allocating the 1% sales tax to their office in the City of Glendale. The Taxpayer is appealing the matter as well and until the matter is settled, they intend to allocate sales to their Glendale office, to the extent they believe the allocation is supported by the facts. Per HdL, since the resolution of the dispute is still pending for the Glendale office, all or portion of local revenue received by the City could later be taken away by the CDTFA and redistributed through the countywide pools. HdL recommended that the City set aside any revenues received from this Taxpayer. Therefore, starting in Fiscal Year 2013-14, the City had been accruing a liability related to the sales tax revenues generated by this Taxpayer, until this matter was resolved and settled by all parties involved.

In spring 2017, the City requested that CDTFA look into this matter in more detail and determine whether some or all of the sales taxes generated from the Glendale Office by the Taxpayer should remain with the City. The District Office started an investigation and based on their filed audit, determined that the City will receive certain percentage from the sales tax revenues. On March 16, 2018, the City received the final determination letter from the CDTFA and considered the audit closed. As such, the liability account was closed as of June 30, 2018, and the remaining revenues were recognized to the General Fund.

The California Revenue and Taxation Code, Section 7056 sets forth requirements and conditions for the disclosure of CDTFA records, and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from the sales and use tax of the CDTFA. Therefore, the sales taxes specific to this taxpayer are not disclosed.

Utility Users' Tax. The City levies a utility users tax, which was first levied pursuant to an ordinance enacted in 1969. The rate was last amended in 2009 and approved by a majority of voters in a November 2009 election. A current tax rate of 7% applies to electricity, water, and gas services, with a rate of 6.5% applying to telecom and video services.

Franchise Taxes. The City levies franchise fees on its cable television, telephone and gas franchises by agreement.

Transient Occupancy Tax. The City levies a transient occupancy tax on hotel and motel bills. The City's current transient occupancy tax ordinance provides for a rate of 12%. The rate was last modified by ordinance adopted in 2015 and approved by a majority of voters in a November 2015 election.

Property Transfer Tax. This is the documentary stamp tax which is assessed for recordation of real property transfers.

Landfill Host Assessment. The City charges an assessment based on tonnage.

There is no time limit established for the collection of the utility users tax, Measure S sales tax, franchise tax, transient occupancy tax or landfill host assessments. See "RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Proposition 218" herein.

A history of actual tax revenue by source are shown, together with estimates for Fiscal Year 2018-19 and the budget for Fiscal Year 2019-20 in Table Nos. 15, 16 and 17.

TABLE NO. 15
GENERAL FUND TAX REVENUES BY SOURCE
(in thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19	2018-19	2019-20	% of 2019-20
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Estimated</u>	<u>Budget</u>	<u>Revenues</u>
Property tax ⁽¹⁾	\$ 50,883	\$ 51,709	\$ 55,217	\$ 58,445	\$ 61,538	\$ 61,538	\$ 64,043	26.4%
Sales tax ⁽²⁾	34,199	44,451	38,835	57,703	44,685	52,185	51,903	21.4%
Utility users tax	27,766	28,662	28,605	27,805	29,855	28,455	28,162	11.6%
Franchise tax	2,780	2,693	2,634	2,406	2,700	2,700	3,950	1.6%
Transient occupancy tax	4,467	6,426	6,600	6,999	8,559	7,450	7,500	3.1%
Property transfer tax	1,132	1,078	1,242	1,251	1,020	1,020	1,040	0.4%
Landfill host assessment	<u>2,222</u>	<u>3,034</u>	<u>3,470</u>	<u>4,004</u>	<u>4,000</u>	<u>4,000</u>	<u>4,200</u>	<u>1.7%</u>
Total	\$123,449	\$138,053	\$136,603	\$158,613	\$152,357	\$157,348	\$160,798	66.3%

⁽¹⁾ See detail Table No. 16.

⁽²⁾ See detail Table No. 17.

Source: City of Glendale.

TABLE NO. 16
PROPERTY TAX REVENUE DETAIL
(in thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19	2018-19	2019-20
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Estimated</u>	<u>Preliminary Budget</u>
General property tax	\$28,566	\$29,466	\$31,678	\$34,818	\$35,863	\$35,863	\$37,486
Property tax in lieu of VLF	18,145	19,158	20,211	21,441	22,400	22,400	23,383
Successor Agency residual	<u>4,172</u>	<u>3,085</u>	<u>3,328</u>	<u>2,186</u>	<u>3,275</u>	<u>3,275</u>	<u>3,174</u>
Total property tax	\$50,883	\$51,709	\$55,217	\$58,445	\$61,538	\$61,538	\$64,043

Source: City of Glendale.

TABLE NO. 17
SALES TAX REVENUE DETAIL
(in thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19	2018-19	2019-20
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Estimated</u>	<u>Preliminary Budget</u>
Sales tax	\$24,619	\$30,851	\$37,010	\$46,801	\$42,700	\$42,700	\$43,403
ERAF shift	<u>7,824</u>	<u>11,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Base 1% sales tax	32,443	42,673	37,010	46,801	42,700	42,700	43,403
Measure S - 3/4% sales tax	-	-	-	-	-	7,500 ⁽¹⁾	6,500 ⁽²⁾
Sales tax audit recovery	-	-	-	9,000	-	-	-
Prop 172 sales tax	<u>1,756</u>	<u>1,778</u>	<u>1,825</u>	<u>1,902</u>	<u>1,985</u>	<u>1,985</u>	<u>2,000</u>
Total sales tax	\$34,199	\$44,451	\$38,835	\$57,703	\$44,685	\$52,185	\$51,903

⁽¹⁾ Represents 100% of anticipated revenues in Fiscal Year 2018-19 (collections began April 1, 2019).

⁽²⁾ In Fiscal Year 2019-20, \$23.5 million of the anticipated \$30 million revenues will be deposited in the City's Capital Improvement Fund, with the balance deposited in the General Fund.

Source: City of Glendale.

Employee Relations and Collective Bargaining

City employees are represented by five bargaining units. The largest unit is the Glendale City Employees' Association which represents approximately 42.5% of all City employees. Most City employees are covered by negotiated agreements, or a separate Executive Compensation and Benefits resolution adopted by the City Council.

<u>Bargaining Unit</u>	<u>Expiration Date of Memorandum of Understanding</u>
Glendale City Employees' Association	June 30, 2020
Glendale Fire Fighters' Association	June 30, 2021
Glendale Management Association:	
- General Managers	June 30, 2020
- Sworn Fire Managers	June 30, 2022
- Sworn Police Managers	June 30, 2019
Glendale Police Officers Association	June 30, 2019
IBEW – International Association of Electrical Workers, Local 18 - Unit 40	June 30, 2019

The City is negotiating with the three bargaining units whose contracts expire June 30, 2019. No adjustment to salaries and benefits has been made to the Fiscal Year 2019-20 budget pending resolution of negotiations. The City will make any required budget amendments once the new negotiated agreements are finalized.

Retirement Plans

Defined Benefit Plan

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Plan Description. The City provides retirement benefits, disability benefits, periodic cost-of-living adjustments, and death benefits to plan members and beneficiaries (the "Plans"). The Plans are part of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. Benefit provisions are established by State statute and by City resolution covering separate employee bargaining groups. The Plans as described herein cover two separate employee groups - Miscellaneous and Public Safety.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), which made changes to CalPERS Plans, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For non-safety CalPERS participants hired after the Implementation Date, PEPRA changed the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increased the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also: (i) requires all new participants enrolled in CalPERS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary to a maximum of 8% of salary, (ii) requires CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in Social Security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Benefit Tiers. In 2011 the City established two tiers of benefits for employees in each of the employee plans, based on date of hire (“Tier 1” and “Tier 2”). Benefits were reduced for Tier 2 employees hired on or after January 1, 2011.

Due to PEPRA, the City added a benefit tier in each employee group for employees subject to PEPRA (“PEPRA Tier”). Ultimately, PEPRA is expected to reduce the City’s long-term pension obligation as existing employees retire and new employees are hired to replace them.

Funding Policy. Active members in the Plans are required to contribute a percent of their annual covered salary as shown in the charts above. All employees pay their own employee contributions towards retirement.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire Date	Miscellaneous		
	Prior to <u>January 1, 2011</u>	Between January 1, 2011 and <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.5% @ 55	2% @ 55	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+	50-63+	52-67+
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.4% to 2.4%	1.0% to 2.5%

Hire Date	Safety		
	Prior to <u>January 1, 2011</u>	Between January 1, 2011 and <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
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	50-55+	50-55+	50-57+
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%

Employees Covered. At June 30, 2018, the following employees were covered by the benefit terms for each plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	1,694	604
Inactive employees entitled to but not yet receiving benefits	1,647	94
Active employees	<u>1,356</u>	<u>385</u>
Total	4,697	1,083

Funding Policy. Active members in the Plan are required to contribute a percent of their annual covered salary as shown in the chart below. All employees pay their own employee contributions towards retirement.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 rates of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Starting for Fiscal Year 2017-18, the contribution for the unfunded liability is a fixed amount, rather than a rate of the payroll. The City converts the fixed amount into a rate based on the payroll, and combines it with the normal cost rate to calculate the total employer contribution rate.

In Fiscal Year 2017-18, for the Miscellaneous Plan, the normal cost rate is 8.321%, the amount for the unfunded liability is \$16,760,000, and the prepayment amount for the unfunded liability is \$16,165,000. The City chose the prepayment option to pay the \$16,165,000 in July 2017, instead of paying 1/12th of \$16,760,000 on a monthly basis. For Fiscal Year 2017-18, the City calculates the rate for the unfunded liability to be 17.721%.

The City's Miscellaneous Plan member contribution rates and employer contribution rates for Fiscal Year 2017-18, including the employees' cost sharing toward the employer rates, are shown in the table below:

Miscellaneous Plan						
Employee Group	CalPERS Membership	Retirement Formula	Member Contribution Rate	Employer Contribution Rate		
				Employees' Cost Sharing	City Portion	Total
Council Member	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	23.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	23.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	23.042%	26.042%
Executive	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	22.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	22.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	22.042%	26.042%
GCEA ⁽¹⁾	Classic (1st Tier)	2.5% @ 55	12.00%	0.00% ⁽²⁾	22.042%	22.042%
	Classic (2nd Tier)	2.0% @ 55	11.00%	0.00% ⁽²⁾	22.042%	22.042%
	PEPRA (3rd Tier)	2.0% @ 62	9.75%	0.00% ⁽²⁾	22.042%	22.042%
IBEW ⁽³⁾	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	23.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	23.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	23.042%	26.042%
GMA ⁽⁴⁾	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	22.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	22.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	22.042%	26.042%

⁽¹⁾ GCEA - Glendale City Employee Association.

⁽²⁾ Effective May 2013, GCEA members' cost sharing rate (3% - 4%) became part of their member contribution rate.

⁽³⁾ IBEW - International Brotherhood of Electrical Workers.

⁽⁴⁾ GMA - Glendale Management Association.

In Fiscal Year 2017-18, for the Safety Plan, the normal cost rate is 18.813%, the amount for the unfunded liability is \$13,416,000, and the prepayment amount for the unfunded liability is \$12,940,000. The City chose the prepayment option to pay the \$12,940,000 in July 2017, instead of paying 1/12th of \$13,416,000 on a monthly basis. For Fiscal Year 2017-18, the City calculates the rate for the unfunded liability to be 25.586%.

The City’s Safety Plan member contribution rates and employer contribution rates for Fiscal Year 2017-18, including the employees’ cost sharing toward the employer rates, are shown in the table below:

Safety Plan						
Employee Group	CalPERS Membership	Retirement Formula	Member Contribution Rate	Employer Contribution Rate		
				Employees’ Cost Sharing	City Portion	Total
Executive - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
Executive - Police	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
GMA – Fire ⁽¹⁾	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
GMA – Police ⁽¹⁾	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	40.899%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	40.899%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	40.899%	44.399%
GFFA ⁽²⁾	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	40.899%	44.399%
GPOA ⁽³⁾	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	40.899%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	40.899%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	1.75%	42.649%	44.399%

(1) GMA - Glendale Management Association.

(2) GFFA - Glendale Fire Fighter Association.

(3) GPOA - Glendale Police Officer Association.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The total pension liabilities in the June 30, 2016 actuarial valuations, rolled forward to June 30, 2017, using standard update procedures, were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study (“Experience Study”) for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Changes in Actuarial Assumptions. Changes in actuarial assumptions generally take two years to affect a City’s contribution rate due to the time required by CalPERS to calculate and implement the change. For example, a change made effective July 1, 2017 will be reflected in the City’s contribution rates (normal cost or unfunded liability) for Fiscal Year 2019-20.

On March 14, 2012, the CalPERS Board of Administration approved a change in the inflation assumption used in the actuarial assumptions used to determine employer contribution rates. This reduced the assumed investment return from 7.75% to 7.50%, reduced the long-term payroll growth assumption from 3.25% to 3.0%, and adjusted the inflation component of individual salary scales from 3% to 2.75%.

On April 17, 2013, the CalPERS Board of Administration approved a plan: (i) to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS’ Chief Actuary stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers about future contribution rates. These changes accelerate the repayment of unfunded liabilities (including CalPERS’ Fiscal Year 2009 market losses) of the City’s Plans in the near term. These changes were reflected beginning with the June 30, 2014 actuarial valuation and affect contribution rates for Fiscal Year 2015-16.

On February 18, 2014, the CalPERS Board of Administration approved changes to actuarial assumptions and methods based upon a recently completed experience study. These changes include: moving from using smoothing of the market value of assets to obtain the actuarial value of assets to direct smoothing of employer contribution rates; increased life expectancy; changes to retirement ages (earlier for some groups and later for others); lower rates of disability retirement; and other changes.

On November 18, 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund’s unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. The policy establishes a mechanism to reduce the discount rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when

investment returns outperform the existing discount rate, currently 7.5%, by at least four percentage points. CalPERS staff modeling anticipates the policy will result in a lowering of the discount rate to 6.5% in about 21 years, improve funding levels gradually over time and cut risk in the pension system by lowering the volatility of investment returns.

More information about the funding risk mitigation policy can be accessed through CalPERS' web site at the following website address: <https://www.calpers.ca.gov/page/newsroom/calpers-news/2015/adopts-funding-risk-mitigation-policy>. The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.

On December 21, 2016, the CalPERS Board of Administration approved an incremental lowering of the discount rate from 7.5% to 7.0% over the following three Fiscal Years. For Fiscal Years 2017-18, 2018-19 and 2019-20, the Board of Administration approved discount rates of 7.375%, 7.25% and 7.0%, respectively. While the full impact of the discount rate changes on the City is not yet reflected in the City's contribution rates, CalPERS expects such changes to increase the City's employer rates by approximately 2% of normal cost as a percent of payroll for the Miscellaneous Plan and by approximately 3.5% for the Safety Plan. CalPERS also expects the discount rate changes to result in increased unfunded accrued liability payments for employers, and estimates that the City will see such payments increase by 30% to 40%. Based on the revised discount rates, over the next seven years the City expected its annual payments to double compared to the amount paid in Fiscal Year 2017-18.

On February 13, 2018, the Board of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated.

Contribution Rates. The contribution requirements of Plan members and the City are established by CalPERS. As noted, CalPERS modified the calculation of the contribution rates beginning in Fiscal Year 2017-18. CalPERS now represents only the employer's normal cost as a percentage of payroll, and includes a dollar amount for the amortization of the unfunded actuarial liability (UAL). Shown in Table No. 18 are the actual or CalPERS projections of the normal cost and amortization of the UAL for the City. For comparison, the normal cost for 2016-17 was 8.355% for the Miscellaneous Plan and 19.022% for the Safety Plan.

**TABLE NO. 18
PROJECTED EMPLOYER RETIREMENT CONTRIBUTIONS**

<u>Fiscal Year</u>	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Normal Cost</u>	<u>Amortize UAL</u>	<u>Normal Cost</u>	<u>Amortize UAL</u>
2017-18	8.321%	\$16,759,848	18.813%	\$13,416,099
2018-19	8.599%	20,295,669	19.589%	15,860,473
2019-20 ⁽¹⁾	9.535%	24,048,223	20.582%	18,514,935
2020-21 ⁽¹⁾	10.300%	26,393,000	21.900%	20,351,000
2021-22 ⁽¹⁾	10.300%	29,383,000	21.900%	22,606,000
2022-23 ⁽¹⁾	10.300%	31,940,000	21.900%	24,526,000

⁽¹⁾ Projected by CalPERS based on various assumptions as of July 2018.

Source: California Public Employees' Retirement System.

As shown in the rates tables, in addition to the required member contributions, the City employees also contribute a portion of the required employer contribution, based on bargaining units' MOUs. The required employer contributions to the Miscellaneous and Safety plans were \$23,741,000 and \$22,470,000, respectively, for the year ended June 30, 2018. The breakdown of the required employer contribution between the City portion and the employee portion is as follows:

<u>Plan</u>	<u>Annual Required Employer Contribution</u>	<u>City Contribution</u>	<u>Employees' Cost Sharing</u>
Miscellaneous	\$23,741,000	\$20,205,000	\$3,536,000
Safety:			
Police	13,033,000	12,200,000	833,000
Fire	<u>9,437,000</u>	<u>8,443,000</u>	<u>994,000</u>
Total Safety	<u>22,470,000</u>	<u>20,643,000</u>	<u>1,827,000</u>
Total	\$46,211,000	\$40,848,000	\$5,363,000

Source: City of Glendale Comprehensive Annual Financial Report.

Annual Pension Contributions. A four-year history of the City's required annual pension contributions is shown in the table below. The required contribution was determined as part of an annual actuarial valuation. The City has funded 100% of the actuarially determined contribution ("ADC"). The most recent actuarial assumptions are described under the caption "Actuarial Methods and Assumptions Used to Determine Total Pension Liability."

**TABLE NO. 19
FIVE-YEAR TREND INFORMATION FOR ANNUAL PENSION CONTRIBUTIONS**

<u>Fiscal Year</u>	<u>ADC for Miscellaneous Plan</u>	<u>ADC for Safety Plan</u>
2014-15	\$13,357,000	\$16,772,000
2015-16	16,519,000	18,257,000
2016-17	18,972,000	19,984,000
2017-18	23,741,000	22,740,000

Source: City of Glendale Comprehensive Annual Financial Report.

Pension Liabilities. The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The City's changes in net pension liability for the Plans between July 1, 2015 and June 30, 2018 was as follows:

TABLE NO. 20
CHANGES IN NET PENSION LIABILITY BY PLAN
MISCELLANEOUS PLAN
(in thousands)

	Fiscal Year			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 15,513	\$ 13,413	\$ 14,372	\$ 14,951
Interest on the total pension liability	74,508	73,104	71,411	69,351
Differences between expected and actual experience	(11,313)	(12,487)	(8,835)	-
Changes of assumptions	62,163	-	(17,578)	-
Benefit payments, including refunds of employee contributions	<u>(52,599)</u>	<u>(51,297)</u>	<u>(50,059)</u>	<u>(47,552)</u>
Net change in total pension liability	88,272	22,733	9,311	36,750
Total pension liability - beginning	<u>1,009,768</u>	<u>987,035</u>	<u>977,724</u>	<u>940,974</u>
Total pension liability - ending (A)	<u>1,098,040</u>	<u>1,009,768</u>	<u>987,035</u>	<u>977,724</u>
Plan fiduciary net position				
Plan to plan resource movement	2	-	(25)	-
Contributions from the employer	18,558	16,517	13,344	14,431
Contributions from employees	8,518	8,092	8,142	8,202
Net investment income	82,439	3,709	17,215	117,615
Benefit payments, including refunds of employee contributions	(52,599)	(51,297)	(50,059)	(47,552)
Administrative expense	<u>(1,101)</u>	<u>(469)</u>	<u>(881)</u>	<u>-</u>
Net change in fiduciary net position	55,817	(23,448)	(12,264)	92,696
Plan fiduciary net position - beginning	<u>745,881</u>	<u>769,329</u>	<u>781,593</u>	<u>688,897</u>
Plan fiduciary net position - ending (B)	<u>801,698</u>	<u>745,881</u>	<u>769,329</u>	<u>781,593</u>
Net pension liability - ending (A) - (B)	<u>\$ 296,342</u>	<u>\$ 263,887</u>	<u>\$ 217,706</u>	<u>\$ 196,131</u>
as a percentage of the total pension liability	73.01%	73.87%	77.94%	79.94%
Covered payroll	\$ 86,433	\$ 85,575	\$ 83,956	\$ 88,064
Net pension liability as a percentage of covered payroll	342.86%	308.37%	259.31%	222.71%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Source: City of Glendale Comprehensive Annual Financial Report.

TABLE NO. 21
CHANGES IN NET PENSION LIABILITY BY PLAN
SAFETY PLAN
(in thousands)

	Fiscal Year			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 14,641	\$ 12,975	\$ 13,038	\$ 13,249
Interest on the total pension liability	56,003	54,489	52,434	50,558
Differences between expected and actual experience	(7,654)	(3,055)	(5,684)	-
Changes of assumptions	47,703	-	(13,128)	-
Benefit payments, including refunds of employee contributions	(38,186)	(36,522)	(34,522)	(34,522)
Net change in total pension liability	72,507	27,887	12,138	31,153
Total pension liability - beginning	<u>754,987</u>	<u>727,100</u>	<u>714,962</u>	<u>683,809</u>
Total pension liability - ending (A)	<u>827,494</u>	<u>754,987</u>	<u>727,100</u>	<u>714,962</u>
Plan fiduciary net position				
Plan to plan resource movement	(2)	-	-	-
Contributions from the employer	19,843	18,266	16,789	14,887
Contributions from employees	4,305	4,517	4,394	4,716
Net investment income	55,289	2,584	11,489	77,826
Benefit payments, including refunds of employee contributions	(38,186)	(36,522)	(34,522)	(32,654)
Administrative expense	<u>(743)</u>	<u>(314)</u>	<u>(579)</u>	<u>-</u>
Net change in fiduciary net position	40,506	(11,469)	(2,429)	64,775
Plan fiduciary net position - beginning	<u>503,155</u>	<u>514,624</u>	<u>517,053</u>	<u>452,278</u>
Plan fiduciary net position - ending (B)	<u>543,661</u>	<u>503,155</u>	<u>514,624</u>	<u>517,053</u>
Net pension liability - ending (A) - (B)	<u>\$283,833</u>	<u>\$251,832</u>	<u>\$212,476</u>	<u>\$197,909</u>
as a percentage of the total pension liability	65.70%	66.64%	70.78%	72.32%
Covered payroll	\$ 49,687	\$ 47,925	\$ 47,947	\$ 47,523
Net pension liability as a percentage of covered payroll	571.24%	525.47%	443.15%	416.45%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Source: City of Glendale Comprehensive Annual Financial Report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's net pension liability at June 30, 2017, calculated using the discount rate of 7.15%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	Miscellaneous Plan	Safety Plan	
	Net Pension Liability	Net Pension Liability	Total
	<u>(in '000's)</u>	<u>(in '000's)</u>	<u>(in '000's)</u>
Net Pension Liability 1% Decrease in Discount Rate	\$445,850	\$399,747	\$845,597
Net Pension Liability at June 30, 2017 Discount Rate	296,342	283,833	580,175
Net Pension Liability 1% Increase in Discount Rate	173,514	189,163	362,677

Source: City of Glendale Comprehensive Annual Financial Report.

See Note 9 of the City's Comprehensive Annual Financial Report included in "APPENDIX B" for further information about the Plan.

Supplemental Retirement Plan

In May 2012, in an effort to substantially reduce staffing levels to address a projected \$15.4 million General Fund shortfall for Fiscal Year 2012-13, the City contracted with Public Agency Retirement Services (PARS) to offer an early retirement incentive plan to provide supplemental retirement benefit payments to eligible employees in addition to the benefit payments the employees will receive from the California Public Employees' Retirement System ("CalPERS"). To be eligible to participate in the plan, the employees must have been a Glendale City Employee Association ("GCEA") or Glendale Management Association ("GMA") employee, be at least 50 years of age as of September 1, 2012, and have a minimum 5 years of CalPERS service credit. The employees needed to resign from the City by August 31, 2012. The plan offered 5% of the employees' final pay, which the employees could choose various options to receive the payment, such as unmodified lifetime monthly payment, or higher fixed monthly payment for a fixed number of years. There were 122 employees who participated in the plan.

In October 2012, the City provided the same early retirement incentive plan to the employees represented by International Brotherhood of Electrical Workers Association ("IBEW"), and also offered an extension of the incentive program to employees represented by GCEA and GMA. The same parameters were applied for the extension of the incentive program, with the exception of the retirement eligibility date and date of separation advancing to October 31, 2012. There were 30 additional employees participating in the second phase. The plan is closed, and \$45,000 was paid to PARS in Fiscal Year 2017-18.

Public Agency Retirement Services (PARS)

The PARS Trust, created in 1991, is a trust arrangement established to provide economies of scale and efficiencies of administration to public agencies that adopt it to hold the assets of their agency retirement plans maintained for the benefit of their employees. The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) amended the Internal Revenue Code to mandate that employees of public agencies, who are not members of their employer's existing retirement system as of January 1, 1992, be covered under Social Security or an alternate plan. The PARS ARS Plan satisfies the OBRA 90 Federal Requirements. It is intended that this plan and the trust established to hold the assets of the plan shall be qualified under Section 401(a) and tax-exempt under Section 501(a) of the Internal Revenue Code of 1986, as amended, and meet the requirements of California Government Code Sections 53215 through 53224 providing how pension trusts must be established by public agencies. Through PARS, agencies have the ability to design and control retirement plans according to their own specific needs, including specific collective bargaining requirements. The City adopted the PARS ARS Plan, effective September 1, 1999 as an alternate plan to Social Security for the hourly employees who are not eligible for participation in the City's CalPERS retirement plan.

Any City hourly employee who is not eligible to enroll in the CalPERS retirement plan is enrolled in PARS ARS instead of social security. After completing 1,000 work hours within a fiscal year, hourly employees are eligible to enroll in CalPERS retirement plan. For each pay period, employees contribute 6.2%, and the

City contributes 1.3% of employee earnings into employees' PARS account. Both contributions are made on pre-tax basis. For Fiscal Year 2017-18, PARS payments were \$92,000 and \$19,000 for employee portion and employer portion, respectively. The amount of the City's outstanding liability is zero, since the plan is fully funded, and it's a defined contribution plan. A participant in the PARS ARS Plan becomes eligible to receive his/her funds when one of the following events occurs: separation, retirement, permanent and total disability, and change of employment status to a position covered by another retirement system or death.

Other Post Employment Benefits

Plan Description. The City's defined benefit City of Glendale Retiree Benefits Plan (Plan), (known as "other post employment benefits" or "OPEB"), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The City provides Medicare Part A reimbursements to retirees and their spouses if the retirees were hired in the City prior to April 1, 1986, and ineligible for premium-free Medicare Part A.

The City also provides cash subsidy for medical insurance premiums to three groups of retirees: (1) retirees who retired before July 1, 2001, and the length of the subsidy was pre-determined based on the retirees' sick leave balances at the time of retirement. The subsidy is capped by the actual premium, and the unreduced city-paid amount continues to surviving spouses if the retirees die prior to the pre-determined payment period; (2) retirees who retired before June 1, 2016 with a minimum of 10 years of City service, enroll in a City sponsored medical plan and meet the annual income requirement. The eligibility and subsidy amount are evaluated on an annual basis. This is a lifetime subsidy for the eligible retirees except it will discontinue at age 65 for the retirees with enhanced pension benefits. The benefit will continue to surviving spouses, if applicable; (3) the surviving spouses and dependents of deceased retirees if the retirees retired before June 1, 2008 and enrolled in Anthem Blue Cross PPO at the time of the death, and the length of subsidy is two years.

The City also provides cash subsidy for medical insurance premium to surviving spouses and dependents of active non-safety employees who pass away during their employment with the City. The subsidy is two years for the City Council, the Executives and the GMA employees, regardless of the medical insurance plans enrolled at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in Anthem Blue Cross PPO at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in HMO plans at the time of the death and if the employees' death is a result of injuries incurred in the performance of his/her assigned duties. At the same time, the City provides cash subsidy for dental insurance premium to surviving spouses and dependents of active safety employees who pass away during their employment with the City. The subsidy continues until the spouses turn 65 and the children turn 26 (if applicable).

The above benefits offered to retirees are no longer available to new entrants because of the restriction of the retirement dates. Benefits payments made by the City for the year ended June 30, 2018 were \$507,000.

At June 30, 2017, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit payments	89
Inactive employees entitled to but not yet receiving benefit payments	251
Active employees	<u>1,399</u>
Total	<u>1,739</u>

Schedule of Changes in Net OPEB Liability. The obligation of the City to contribute to the plan is established and may be amended by the City Council.

As of June 30, 2018, the City has not established a trust or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. The City finances these postemployment benefits on a pay-as-you-go basis. Its share of the annual premiums for these benefits are payable as they become due. The cost of retiree health care insurance benefits is recognized as expenditures as insurance premiums are paid. For fiscal year ended June 30, 2018, \$507,000 of postemployment benefit expenditures were paid.

Funded Status and Funding Progress. The net OPEB liability as of June 30, 2018 is calculated as shown below. The schedule of funding progress, included in the required supplementary information section of the City’s Comprehensive Annual Financial Report, will present multi-year trend information about whether the actuarial value of plan assets (if any) is increasing or decreasing over time relative to the actuarial accrued liability for the benefits. However, since Fiscal Year 2017-18 is the first year of implementation of new GASB disclosures for OPEB liabilities, the Fiscal Year 2017-18 Comprehensive Annual Financial Report shows only one year of information.

TABLE NO. 22
CHANGES IN NET OPEB LIABILITY
(in thousands)

	Measurement Date <u>June 30, 2017</u>
Total OPEB liability - June 30, 2017	\$ 17,465
Service cost	57
Interest on total OPEB liability	493
Changes in assumptions	(1,790)
Benefit payments	<u>(487)</u>
Net change in total OPEB liability	<u>(1,727)</u>
Total OPEB liability - June 30, 2018	<u>\$ 15,738</u>
Plan fiduciary net position as a percentage of the total pension liability	0.0%
Covered - employee payroll	\$150,107
Net OPEB liability as a percentage of covered-employee payroll	10.48%

Source: City of Glendale Comprehensive Annual Financial Report.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the June 30, 2017 actuarial valuation, the entry age normal actuarial cost method was used to value liabilities. Under the entry age normal cost method, an average age at hire and average retirement age are determined for eligible employees. The actuarial assumptions included (1) a 3.58% discount rate, (2) inflation of 2.75%, (3) Medicare Part A premium increases of 3.75% and (4) medical plan premiums (cost) rate increase of 6.5% to 7.5%% for year 2019, decreasing over time.

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City retains risks for the following types of liabilities: workers' compensation, unemployment insurance, general auto, dental, medical and vision as well as public liability through separate internal service funds. The City purchased several commercial insurance policies from third-party insurance companies for errors and omissions of its officers and employees, and destruction of assets as well as excess workers' compensation and general public liability claims. The City also purchases property, aviation and employee dishonesty insurance. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for Fiscal Year 2018-19 is as follows:

<u>Insurance Type</u>	<u>Program Limits</u>	<u>Deductible/SIR (self-insured retention)</u>
Excess Liability Insurance	\$25,000,000	\$2,000,000 SIR per occurrence
D & O Employment Practices	2,000,000	\$250,000 SIR non-safety; \$500,000 SIR safety
Excess Workers' Comp Employer's Liability Insurance	Statutory	\$2,000,000 SIR per occurrence
Property Insurance (GWP)	400,000,000	Various deductibles up to \$250,000
Property Insurance (Non-GWP)	490,000,000	\$25,000 deductible all locations
Aviation Insurance (Police Helicopter)	50,000,000	Various deductibles
Employee Dishonesty - Crime Policy	3,000,000	\$25,000
Cyber Insurance	5,000,000	\$150,000

Changes in the claims and judgements liability balance for the Fiscal Years ended June 30, 2016, 2017 and 2018 including a provision for incurred but not reported claims were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Beginning Balance (in '000's)</u>	<u>Claims and Changes (in '000's)</u>	<u>Claims Payments (in '000's)</u>	<u>Ending Balance (in '000's)</u>
2015-16	\$43,202	\$38,566	\$39,826	\$41,942
2016-17	41,942	53,767	44,315	51,394
2017-18	51,394	42,708	40,834	53,268

Source: City of Glendale Comprehensive Annual Financial Report.

There have been no significant changes to insurance coverage as compared to last year and the City has not experienced settlements in excess of insurance coverage during the past three years.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. Under the City's most current investment policy dated October 9, 2018, and in accordance with the Government Code, the City may invest in the following types of investments subject to certain limitations on maturity and amount:

U.S. Treasury Securities	Banker's Acceptances
Federal Agencies Securities	Negotiable Certificates of Deposit
State of California and Other California Local Agencies	Time Deposits (FDIC Insured or Collateralized Certificates of Deposit)
Obligations of Other States	Money Market Mutual Funds
Medium Term Notes	Local Agency Investment Fund (LAIF)
Commercial Paper	Los Angeles County Treasury Pool

As of April 30, 2019, the market value of the City Treasurer's investment portfolio (including cash) was \$784.9 million. The diversification of the City Treasurer's investment portfolio assets as of such date is shown in the following table.

<u>Type of Investment</u>	<u>% of Combined Portfolio</u>
Commercial Paper	4.20%
Corporate	27.32
Federal Agency Callable Bonds	3.80
Federal Agency Term Notes	17.01
LA County Pool	3.95
LAIF- City	8.14
LAIF - GFA	8.14
Obligations of Other States	9.00
State & Municipal Bonds	8.91
Treasury Notes	<u>9.54</u>
	100.0% ⁽¹⁾

⁽¹⁾ May not add due to rounding.

Source: City of Glendale.

The weighted average maturity of the investment portfolio was 709 days.

Outstanding Indebtedness of the City

Other than the Bonds, the City has no outstanding indebtedness other than its net pension liability, its OPEB obligation, its claims liability, and compensated absences. This list excludes obligations of the GWP, City Enterprise Funds which are payable solely from net revenues of its Electric Fund or Water Fund. It also excludes obligations of the Successor Agency to the Glendale Redevelopment Agency payable from deposits of tax increment to the Glendale Successor Agency Private Purpose Trust Fund.

The City also has the following commitments and contingent liabilities (excluding power purchase agreements of the GWP):

- (a) The City has numerous claims and pending legal proceedings that generally involve accidents regarding its citizens on City property and employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. In the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the City's financial position, results of operations, or cash flows.
- (b) As described under the heading “RISK FACTORS - General Fund Transfer Litigation,” the City may be required to rebate certain amounts of the prior years’ GFT to the extent that the GFT caused its rates to exceed its non-GFT costs and non-rate revenue.

Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by HdL Coren & Cone, Inc., as of June 30, 2018. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. Any inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to HdL Coren & Cone.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations are not payable from the City’s General Fund nor are they necessarily obligations secured by property within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE NO. 23
CITY OF GLENDALE
DIRECT AND OVERLAPPING DEBT
as of June 30, 2018
(in thousands)

	Gross Bonded Debt <u>Balance</u>	Percentage Applicable to <u>Glendale</u>	Amount Applicable to <u>Glendale</u>
Direct debt:			
Certificates of Participation (COPs)	\$ 31,880	100%	\$ 31,880
Section 108 (Series 2011-A)	908	100%	908
Loans Payable	594	100%	<u>594</u>
Total direct debt			<u>33,382</u>
Overlapping debt:			
Metropolitan Water District	29,354	2.186%	642
Glendale CCD DS 2002 Series C	6,514	89.232%	5,813
Glendale CCD 2002, 2011 Series E	3,735	89.232%	3,333
Glendale CCD DS 2002, 2013 Series F	13,995	89.232%	12,488
Glendale CCD DS 2014 REF Bonds	24,715	89.232%	22,054
Glendale CCD DS 2016 Series A	122,000	89.232%	108,863
Pasadena CCD DS 2002, 2006 Series D	3,595	0.174%	6
Pasadena CCD DS 2002, 2009 Series E (BABS)	25,295	0.174%	44
Pasadena CCD DS 2014 REF Series A	15,325	0.174%	27
Pasadena CCD DS 2016 REF Series A	32,900	0.174%	57
Glendale USD DS 2009 REF Bonds	7,420	89.232%	6,621
Glendale USD DS 2010 REF Bonds	18,735	89.232%	16,717
Glendale USD DS 2010 REF Bonds Series B	15,595	89.232%	13,916
Glendale USD DS 2011 Series A Bonds	22,615	89.232%	20,180
Glendale USD DS 2011 REF Bonds	2,414	89.232%	2,154
Glendale USD DS 2011 Series A1 CREB	4,300	89.232%	3,837
Glendale USD DS 2012 Refund Bonds	61,595	89.232%	54,962
Glendale USD DS 2015 Ref Bonds Series A	101,851	89.232%	90,884
Glendale USD DS 2011 Series C	64,635	89.232%	57,675
La Canada USD DS 1995 SD	1,433	2.046%	29
La Canada USD DS 1999 Series A	1,670	2.046%	34
La Canada USD DS 2004 Series B	325	2.046%	7
La Canada USD DS 2004 Series C	100	2.046%	2
La Canada USD DS 2011 Refund Bond	47,030	2.046%	<u>962</u>
Total overlapping debt			<u>421,307</u>
 Total direct and overlapping debt			 <u>\$454,689</u>

Source: HdL Coren & Cone.

Financial Statements

The City's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller. The audited financial statements also conform to the principles and standards for public financial reporting established by the National Council of Government Accounting and the Governmental Accounting Standards Board ("GASB").

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The City retained the firm of Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, California, to examine the general purpose financial statements of the City as of and for the Fiscal Year ended June 30, 2018. The following tables summarize the audited Balance Sheet and audited Statement of Revenues, Expenditures and Changes in Fund Balance of the City's General Fund for Fiscal Years 2013-14 through 2017-18.

See "APPENDIX B" hereto for the audited financial statements for the Fiscal Year ended June 30, 2018. The City has not requested, and the auditor has not provided, any review or update of such statements in connection with the inclusion in this Official Statement.

GASB Statement No. 54 Fund Balance Reserves. GASB No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, which are amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. GASB No. 54 also provides for additional classification as "restricted," "committed," "assigned," and "unassigned" based on the relative strength of the constraints that control how specific amounts can be spent.

The following table shows General Fund fund balances as of June 30, 2016, 2017 and 2018:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Restricted:			
City Charter	\$24,870,000	\$27,296,000	\$ 28,115,000
Pension Stabilization	-	-	27,605,000
Assigned:			
Economic Development	4,526,000	4,033,000	3,530,000
Emergency Medical Services	2,000,000	-	-
Capital Projects	800,000	572,000	97,000
Unassigned	<u>55,954,000</u>	<u>60,701,000</u>	<u>47,418,000</u>
Fund Balance excluding Nonspendable	88,150,000	92,602,000	106,765,000
Nonspendable	<u>196,000</u>	<u>267,000</u>	<u>305,000</u>
Total Fund Balance	\$88,346,000	\$92,869,000	\$107,070,000

The City Charter requires that the City Council maintain a permanent revolving fund known as the general reserve fund, for the purpose of keeping the payment of the running expenses of the City on a cash basis. This fund shall be maintained in an amount sufficient to meet all legal demands against the treasury for the period of each fiscal year prior to the collection of ad valorem taxes. The City Council shall have power to transfer from the general reserve fund to any fund or funds, such sum or sums as may be required for the purpose of placing such fund or funds, as nearly as possible, on a cash basis. All money so transferred from the general reserve fund is required to be returned thereto on or before the end of the fiscal year in which said transfers are made; provided, that in any fiscal year in which the total balance in such general reserve fund exceeds fifty (50) percent of the total amount of the anticipated ad valorem tax receipts for that year, the City Council may appropriate such excess for any City purpose without returning the same. The amount shown in the table above restricted for "City Charter" complies with this provision.

GASB Statements Regarding Pension and OPEB Liabilities. GASB has issued various statements relating to the reporting of pension and other post-retirement benefit liabilities and expense, and most recently, new accounting and financial reporting requirements for OPEB plans. The required reporting of net pension liability was incorporated into the City's financial statements for the Fiscal Year ending June 30, 2015 and the required reporting of net OPEB liability was incorporated into the City's financial statements for the Fiscal Year ending June 30, 2018. The audited financial statements of the City for the Fiscal Year ended June 30, 2018 included in "APPENDIX B" contain additional information about the retirement plan liabilities and the OPEB liability.

See Note 1 in the City's audited financial statements attached in "APPENDIX B" for a discussion of additional accounting changes.

TABLE NO. 24
CITY OF GLENDALE
GENERAL FUND BALANCE SHEET
As of June 30
(in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assets					
Pooled cash and investments	\$ 56,528	\$ 70,171	\$ 94,426	\$117,811	\$ 78,002
Restricted cash and investments	-	-	-	-	27,605 ⁽¹⁾
Interest receivable	236	207	290	444	454
Accounts receivable, net	12,881	14,588	20,947	17,737	14,833
Due from other funds	12,040	8,560	7,974	3,731	5,493
Advance to other funds	1,946	1,946	-	-	-
Inventories	372	385	107	196	189
Prepaid items	266	174	89	71	116
Loans receivable	<u>13,613</u>	<u>12,104</u>	<u>40,133</u>	<u>27,828</u>	<u>23,271</u>
Total assets	<u>\$ 97,882</u>	<u>\$108,135</u>	<u>\$163,966</u>	<u>\$167,818</u>	<u>\$149,963</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	4,807	13,955	4,597	5,905	5,597
Due to other funds	-	-	1,733	-	-
Wages and benefits payable	6,292	5,930	6,423	7,471	7,441
Unearned revenue	-	18	-	-	-
Deposits	4,512	4,153	4,698	5,612	6,584
Other liabilities ⁽²⁾	<u>-</u>	<u>-</u>	<u>17,992</u>	<u>28,001</u>	<u>-</u>
Total liabilities	<u>15,611</u>	<u>24,056</u>	<u>35,443</u>	<u>46,989</u>	<u>19,622</u>
Deferred Inflows of resources:					
Unavailable revenues	<u>13,614</u>	<u>12,104</u>	<u>40,177</u>	<u>27,960</u>	<u>23,271</u>
Total liabilities and deferred inflows of resources	<u>\$ 29,225</u>	<u>\$ 36,160</u>	<u>\$ 75,620</u>	<u>\$ 74,949</u>	<u>\$ 42,893</u>

Continued on next page.

⁽¹⁾ The City established a pension rate stabilization (Section 115) trust in Fiscal Year 2017-18.

⁽²⁾ See “Local Taxes - Sales and Use Taxes - CDTFA Determination Regarding Certain Sales Tax” and the release of amounts reserved for a potential reallocating of sales tax.

**TABLE NO. 24
CITY OF GLENDALE
GENERAL FUND BALANCE SHEET
As of June 30
(in thousands)**

Continued from previous page.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund balances:					
Nonspendable:					
Inventory	\$ 372	\$ 385	\$ 107	\$ 196	\$ 189
Advance to other funds	1,946	1,946	-	-	-
Prepaid	266	174	89	71	116
Restricted for:					
City Charter	22,593	23,433	24,870	27,296	28,115
Pension stabilization	-	-	-	-	27,605
Assigned to:					
Economic development	-	3,418	4,526	4,033	3,530
Emergency medical services	-	-	2,000	-	-
Capital projects	7,000	800	800	572	97
Building maintenance	-	1,000	-	-	-
Unassigned:	<u>36,480</u>	<u>40,819</u>	<u>55,954</u>	<u>60,701</u>	<u>47,418</u>
Total fund balances	<u>68,657</u>	<u>71,975</u>	<u>88,346</u>	<u>92,869</u>	<u>107,070</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 97,882</u>	<u>\$108,135</u>	<u>\$163,966</u>	<u>\$167,818</u>	<u>\$149,963</u>

Source: City of Glendale Comprehensive Annual Financial Reports.

TABLE NO. 25
CITY OF GLENDALE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended June 30
(in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Property taxes	\$ 47,623	\$ 50,883	\$ 51,709	\$ 55,217	\$ 58,445
Sales tax	33,373	34,199	44,451 ⁽¹⁾	38,835	57,703 ⁽²⁾
Utility users tax	27,018	27,766	28,662	28,605	27,805
Other taxes	9,565	10,601	13,231	13,946	14,660
Revenue from other agencies	272	1,313	950	289	694
Licenses and permits	9,187	10,617	9,741	10,265	10,914
Fines and forfeitures	915	802	2,701	2,533	2,548
Charges for services	2,327	3,218	3,806	3,951	10,575 ⁽³⁾
Use of money and property	3,746	5,343	9,364	16,144	9,126
Interfund revenue	16,182	16,577	14,950	13,996	17,410
Miscellaneous revenue	<u>2,267</u>	<u>1,883</u>	<u>2,199</u>	<u>1,335</u>	<u>1,801</u>
Total Revenues	<u>152,475</u>	<u>163,202</u>	<u>181,764</u>	<u>185,116</u>	<u>211,681</u>
Expenditures:					
Current:					
General government	27,005	27,236	25,303	28,830	28,282
Community promotion	59	-	-	-	-
Police	66,201	69,024	71,232	74,703	80,531
Fire	41,244	42,555	45,541	49,167	56,976
Public works	17,301	17,547	18,335	13,309	13,849
Housing, health and community development	616	3,042	3,885	4,402	3,910
Employment programs	263	-	-	-	-
Parks, recreation and community services	9,457	9,703	10,402	12,459	12,348
Library	7,681	7,900	8,218	9,209	10,161
Capital outlay	<u>147</u>	<u>65</u>	<u>93</u>	<u>336</u>	<u>669</u>
Total Expenditures	<u>169,974</u>	<u>177,072</u>	<u>183,009</u>	<u>192,415</u>	<u>206,726</u>
Excess of revenues over expenditures	<u>(17,499)</u>	<u>(13,870)</u>	<u>(1,245)</u>	<u>(7,299)</u>	<u>4,955</u>
Other financing sources (uses):					
Transfers in	23,657	23,407	21,257	21,062	21,312
Transfers out	<u>(390)</u>	<u>(6,219)</u>	<u>(3,641)</u>	<u>(9,240)</u>	<u>(12,066)</u>
Total other financing sources (uses)	<u>23,267</u>	<u>17,188</u>	<u>17,616</u>	<u>11,822</u>	<u>9,246</u>
Net change in fund balances	5,768	3,318	16,371	4,523	14,201
Fund balances , July 1	<u>62,889</u>	<u>68,657</u>	<u>71,975</u>	<u>88,346</u>	<u>92,869</u>
Fund balances, June 30	<u>\$ 68,657</u>	<u>\$ 71,975</u>	<u>\$ 88,346</u>	<u>\$ 92,869</u>	<u>\$107,070</u>

(1) Includes one-time final “Triple-Flip” payment. See Table No. 17.

(2) Includes sales tax audit recovery of \$9 million. See Table No. 17.

(3) Includes emergency medical response fees formerly recorded in a separate fund.

Source: City of Glendale Comprehensive Annual Financial Reports.

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

The Lease Payments

Lease Payments are Limited Obligations of the City. The Lease Payments and other payments due under the Lease Agreement (including a proportionate share of the costs of improvement, repair and maintenance of the Leased Property and taxes, other governmental charges and assessments levied against the Leased Property) are not secured by any pledge of taxes or other revenues of the City but are payable from yearly appropriations of any funds lawfully available to the City. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other services before paying Lease Payments and other payments due under the Lease Agreement. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues (see "Constitutional Limitation on Taxes and Expenditures" below). To the extent these types of events or other events adversely affecting the funds available to the City occur in any year, the funds available to pay Lease Payments may be decreased.

The City has entered into other obligations which constitute additional charges against its revenues and may enter into additional obligations in the future. To the extent that additional obligations are incurred by the City, the funds available to the City to pay Lease Payments may be decreased (see "FINANCIAL INFORMATION - Outstanding Indebtedness of the City" herein). In addition, the amount, if any, of refund of prior years' General Fund Transfer has not been finalized. See "General Fund Transfer Litigation" below.

Abatement. Except to the extent that amounts are available (i) in the Lease Payment Fund under the Indenture, (ii) from proceeds of rental interruption insurance, or (iii) as payments due from third parties due to a delay in reconstructing the Leased Property, the amount of Lease Payments and Additional Payments shall be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation of the Leased Property or defects in the title with respect to the Leased Property there is substantial interference with the use and possession of all or a portion of the Leased Property by the City. The amount of such abatement shall be such that the resulting Lease Payments, exclusive of the amounts described above, do not exceed the fair rental value (as determined by the City) for the use and possession of the portion of the Leased Property not damaged, destroyed, interfered with or taken. Such abatement shall continue for the period commencing with such damage, destruction, interference or taking and ending with the substantial completion of the replacement or work of repair or the removal of the title defect causing such interference with use. The Lease Agreement shall continue in full force and effect following an event of abatement and the City waives any right to terminate the Lease Agreement by virtue of an abatement event.

In the event that such funds are insufficient to make all payments due on the Bonds and any Additional Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease Agreement or Indenture for nonpayment under such circumstances. Failure to pay principal, or interest with respect to the Bonds as a result of abatement of the City's obligation to make Lease Payments under the Lease Agreement is not an event of default under the Indenture or the Lease Agreement. In the event that Lease Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely - since the Lease Agreement does not require earthquake or flood insurance - and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds but has covenanted in the Lease Agreement to use its best efforts to repair or replace the Leased Property from other lawfully available funds to the extent that the Net Proceeds are insufficient. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE AGREEMENT - Abatement of Lease Payments."

Notwithstanding the provisions of the Lease Agreement and the Indenture specifying the extent of abatement of Lease Payments and the application of other funds in the event of the City's failure to have use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Lease Payments of the City may not be sufficient to pay all of the remaining principal and interest represented by the Bonds and Additional Bonds.

Insurance. The Lease Agreement obligates the City to obtain and keep in force various forms of insurance to assure repair or replacement of the Leased Property in the event of damage or destruction to the Leased Property and to maintain rental interruption insurance in an amount equal to maximum annual Lease Payments in any two consecutive years (see "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE AGREEMENT - Insurance" herein). The Lease Agreement does not require earthquake or flood insurance, and the City does not currently maintain earthquake or flood insurance on the Leased Property. See "Natural Hazards" below. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease Agreement. In addition, certain risks may not be covered by such property insurance (see "SOURCES OF PAYMENT FOR THE BONDS - Insurance Relating to the Property" herein).

In the event the Leased Property is partially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that Lease Payments will be partially or completely abated. If any Leased Property so damaged or destroyed is not repaired or replaced within the period during which the proceeds of rental interruption insurance are available, any such abatement could prevent the City from timely paying Lease Payments.

Discovery of a Hazardous Substance That Would Limit the Beneficial Use of the Leased Property. In general, the owners and lessees of a parcel may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 sometimes referred to as CERCLA or the Superfund Act, is the most well-known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or lessee) is obligated to remedy a hazardous substance condition of property whether or not the owner (or lessee) had any involvement in creating or handling the hazardous substance. The effect, therefore, should the Leased Property be affected by a hazardous substance, might be to limit the beneficial use of the Leased Property upon discovery and during remediation. The City is not aware of any such condition on the Leased Property.

Natural Hazards

Seismic Considerations. According to the Safety Element of the City's General Plan, the main faults impacting the City include the Sierra Madre, the Verdugo and the Raymond faults. The Sierra Madre fault is a reverse fault that extends across the northern portion of the City, at the base of the San Gabriel Mountains. A portion of the Sierra Madre fault extending through the City is zoned under the Alquist-Priolo Earthquake Fault Zoning Act, so geological evaluations to locate the fault are mandated by State law if developments or re-developments amounting to more than 50 percent of the value of the structure are proposed within this zone. The eastern end of the Sierra Madre fault has not been zoned by the State, but it is recommended herein that geologic studies modeled after the Alquist-Priolo requirements be obligatory for this portion of the fault.

The Verdugo fault, which extends across the central portion of the City, is thought to be a left-lateral strike-slip fault, similar to the Raymond fault, which is located immediately south of the City. The trace of the Verdugo fault has been mostly obscured by development, except at two locations, at Brand Park in Glendale and at Palm Park in Burbank. Geologic studies to locate the fault at both of these parks have been inconclusive. Therefore, it is proposed that geological studies to evaluate the potential for surface fault rupture should be required for the Verdugo fault only for certain types of development, such as critical

facilities. Similarly, geological investigations of the Sycamore Canyon, Hollywood and York Boulevard faults should also be required for certain types of development.

A worst-case scenario earthquake (maximum magnitude) for the City would involve rupture of the Verdugo fault, given that this fault lies directly below extensively developed portions of the City. Both the Sierra Madre and Raymond faults can also cause earthquakes that have the potential to severely impact the City. Several other faults farther away have the potential to generate earthquakes that would be felt in the City, but these do not need to cause any damage in the City, especially if the City prepares for the worst-case (Verdugo fault) event. For example, the San Andreas fault has the highest probability of causing an earthquake in southern California in the near future, but this fault is sufficiently far from Glendale that ground shaking expected in the City as a result of this earthquake is not expected to be any stronger than shaking as a result of earthquakes on faults closer to the City.

Shallow ground water levels (< 50 feet from the ground surface) occur or have occurred historically only in some portions of the City, generally along the Los Angeles River drainage in the southwestern portion of the City, and in the lower reaches of some of the canyons. Shallow ground water has also been reported in the Verdugo Wash area north of the Verdugo fault. Seasonal fluctuations in groundwater levels, and the introduction of residential irrigation requires that site-specific investigations be completed to support these generalizations in areas mapped as potentially susceptible to liquefaction. Some areas of the City may also be susceptible to seismically induced settlement. Sites near the base of the San Gabriel and Verdugo Mountains, at the valley margins, may be particularly vulnerable as a result of differential settlement at the bedrock-alluvial contact.

The City's hillsides are vulnerable to slope instability due primarily to the fractured, crushed and weathered condition of the bedrock, and the steep terrain. Over steepened slopes along the large drainage channels are also locally susceptible to slope instability. The probability of large bedrock landslides occurring is relatively low; therefore, the source of potential losses due to slope instability arises primarily from the occurrence of smaller slope failures in the form of small slides, slumps, soil slips, debris flows and rock falls. The initiation of such failures is generally tied to a preceding event, such as wildfire, heavy winter storms, seismic activity, or man's activities.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur. Seismic activity may also reduce or eliminate the use and occupancy of the Leased Property by the City. The City carries no earthquake insurance on City facilities, including the Leased Property.

Flooding. The Verdugo Wash is the main stream in the City. Verdugo Wash and several of its tributaries have been confined to man-made channels since the late 1930s. In most years, this system carries little water, but periodically the area experiences a severe wet winter, and Verdugo Wash water flows increase significantly and may lead to some flooding. Storm events can generate debris flows in the upper reaches of the watershed, at and near the base of the San Gabriel Mountains, and at the base of the Verdugo Hills. This is more likely to happen in wet years in areas recently burned by wildfires. Debris flooding has occurred previously in many of the canyons near the Glendale area. A study of Verdugo Wash conducted in 1978 for the Los Angeles Department of Public Works shows that the channel could accommodate the estimated peak flows everywhere, except in the area immediately north of where Verdugo Wash joins the Los Angeles River. In fact, this area is known to flood regularly during winter storms. Nevertheless, in 1979, the Federal Emergency Management Agency (FEMA) determined that, "for all practical purposes no part of the community would be inundated by the base flood. . .", and therefore, that the entire community would be classified as Zone C (area of minimal flood hazards where the purchase of flood insurance is not mandatory). In 1984, FEMA again informed the City that no Special Flood Hazard Areas were present within the corporate limits of the City at that time, and thus that the City was placed in Zone D, which has no mandatory flood insurance purchase requirements.

There are five dams in the Glendale area that meet State requirements that inundation maps for these facilities be maintained. During 2018, as a result of State legislation, new inundation maps were prepared and submitted to the State Department of Water Resources, Division of Safety of Dams for their review and approval due in 2019. Additionally, as part of this effort, new Emergency Action Plans were created for each dam and submitted to the Governor's Office of Emergency Services for review and approval due in 2019. All of the larger structures are more than 50 years old and each facility is monitored and maintained on a continuous basis by City Water Division Staff and inspected annually by the State to ensure best practices for dam maintenance are ongoing. The inundation maps for each of the five dams were completed using a "worst case" scenario of complete dam failure regardless of the location of the dam. Each of the Emergency Action Plans were written within State guidelines for the type of failure, such as "slow developing" or "imminent failure" with appropriate response actions for each case. In addition to the five dams, there are 23 other potable water storage facilities of various types of construction including steel and concrete water storage tanks, as well as five recycled water tanks, located throughout the City. All of the steel tanks are fitted with flexible joints that can accommodate some of the lateral and vertical movements associated with an earthquake.

If flooding were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur. The City carries no flood insurance on City facilities including the Leased Property.

Fire Hazards. The portions of the San Rafael Hills and the Verdugo and San Gabriel Mountains within City limits are mapped as having a high fire hazard due to the steep topography of the area, the presence of high fuel load flammable vegetation, and limited access. In fact, Glendale's Fire Department places nearly two-thirds of the City in the high fire hazard area. The historical record supports this mapping: since the late 1800s, the entire northern two-thirds of the City have burned at least once. The climate often contributes to the fire risk. Dried out vegetation from the hot summer months is exposed to Santa Ana wind conditions in the fall. Such winds become extremely erratic when combined with winds generated from burning vegetation and can stress fire-fighting resources and reduce fire-fighting success. In addition, large mountainous areas in City contain rough topography, which not only facilitates the spread of fire, but also impedes or hinders responding fire-fighting personnel and equipment. Traffic congestion in the urban areas and long travel distances and narrow, winding roads in the hillsides and mountains also can hinder fire department response to the urban-wildland interface areas. These areas have a history of fires, with some areas experiencing a wildland fire at least once a decade. Residents in all of these areas need to recognize that they live in a hazardous area, and that they are responsible for maintaining their properties. This includes, but is not limited to, establishing a fire-resistant landscape consistent with City's 1993 Hillside Management Plan, and building with fire-resistant materials in accordance with City's Building and Safety Code. This is especially critical in some of the older, pre-fire planning developments in the mountainous, high-fire hazard areas where access is limited by narrow roads with no secondary outlet and steep grades, which hamper the Fire Department's response.

To reduce the wildland fire hazard, especially at the urban-wildland interface, the City has adopted an aggressive fuel modification ordinance that requires property owners to maintain a defensible space around their properties. The Fire Department conducts annual inspections of residences and lots in the City to ensure compliance with the fuel modification ordinance, and issues notices of violation where appropriate. However, in recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can further lead to the destruction of homes. There can be no assurances that wildfires won't occur within the City.

Several major earthquake-generating faults within the City could trigger multiple fires (such as from downed electrical lines or broken gas mains), disrupt life-line services (water supply) and trigger other geologic hazards, such as landslides or rock falls, which could block roads and hinder disaster response. In addition, freeways, railways, and pipelines within the City introduce significant fire and other risks for

which the City must respond. Earthquake-induced fires pose a risk in the developed, downtown areas of the City, the result of downed electric lines, broken gas mains, and tipped-over appliances. Loss estimation models conducted for this study indicate that earthquakes on the Sierra Madre, Verdugo, Raymond and Hollywood faults have the potential to cause significant fire-after-earthquake losses in the City of Glendale. Multiple ignitions over a broad area of the City can tax the local Fire Department, especially if the water reservoirs or water mains are also damaged during the earthquake.

If wildfire or earthquake-induced fire were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Lease Payments would be likely to occur.

There is no assurance that, in the event of a natural disaster, sufficient City reserves or Federal Emergency Management Agency assistance would be available for the repair or replacement of the Leased Property.

The City has adopted a Natural Hazards Mitigation Plan. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk, and is required to comply with Federal Emergency Management Agency requirements for disaster relief funding.

If such events described above occur, the City's emergency response to such an event may add unanticipated expenditures to the General Fund budget, some or all of which may not be reimbursed by federal or state disaster funding, and, if reimbursed, may not be received by the City in a timely manner. This could lead to reduced ability by the City to make Lease Payments.

Hazards Other Than Natural Hazards. There are five large-quantity and more than 250 small-quantity generators of hazardous materials in the City. There are also eight facilities listed in the Toxics Release Inventory that are known to have released hazardous materials of concern into the air – the EPA monitors these facilities closely to reduce the potential of future emissions at concentrations above the acceptable limits. The actual number of unauthorized releases of hazardous materials into the environment is fairly small, as documented in the Federal and State databases reviewed. Of 55 underground storage tank leaks, only one is known to have impacted a potable groundwater source. The rest have either impacted soil only, or non-potable sources of water.

Some of the significant hazardous sites are located within or adjacent to a liquefaction susceptible area, or in an unstable slope area, and two of the sites are located within or adjacent to a dam inundation area. None of the significant hazardous sites identified in the City are located in or adjacent to a high fire hazard area. Given that all of Glendale is susceptible to high to very high ground motions as a result of an earthquake on either the Verdugo, Sierra Madre or Raymond fault, all hazardous materials sites should provide for, at a minimum, secondary containment of hazardous substances, including segregation of reactive chemicals, in accordance with the most recent California Fire Code and City Fire Code amendments.

The City of Glendale's Environmental Management Center ("EMC") is charged with the responsibility of conducting compliance inspections for facilities in the City that handle hazardous material, generate or treat a hazardous waste and/or operate an underground storage tank. All new installations of underground storage tanks require an inspection, along with the removal, of the old tanks. The EMC coordinates hazardous material planning and appropriate response efforts with city departments, as well as local, and State agencies. The Office of Emergency Services for Glendale is tasked with coordinating the City's disaster operations. The goal of these agencies is to improve public and private sector readiness, and to mitigate local impacts resulting from natural or technological emergencies. Both agencies are branches of the Glendale Fire Department that deals with the planning for and response to the natural and technological disasters in the City of Glendale. The EMC is also tasked with administering a household hazardous waste collection plan for the City of Glendale in accordance with the California Integrated Solid Waste Management Act of 1989 (AB 939).

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private or other electronic sensitive information, the City is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The City has never had a major cyber breach that resulted in a financial loss. The City provides training to its staff on phishing and safe browsing and how to avoid potential cyber threats. However, no assurances can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat or breach. Although the City maintains insurance coverage for cyber security losses should a successful breach ever occur, the cost of any such disruption or remedying damage caused by future attacks could be substantial and in excess of such insurance coverage.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the City and the Municipal Advisor believe to be reliable; however, neither the City nor the Municipal Advisor guarantees the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable by or the responsibility of the State of California.

State Budget. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget to the State Legislature (the "Legislature") by no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Prior to Fiscal Year 2010-11, the State budget had to be adopted by a two-thirds vote of each house of the Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

Potential Impact of State of California Financial Condition on the City. During the most recent recession, the State faced a structural deficit that resulted in substantial annual deficits and reductions in expenditures. Although the State has had a budget surplus in the more recent fiscal years, according to the

State there remain a number of major risks and pressures that threaten the State's financial condition, including the threat of recession, potential changes to federal fiscal policies and unfunded long-term liabilities of more than \$200 billion related to pensions and other post-retirement benefits. These risks and financial pressures could result in future reductions or deferrals in amounts payable to the City. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources.

No prediction can be made by the City as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

State Legislative Shifts of Property Tax Allocation. From time to time, the State has realigned certain property tax revenue to deal with its budget problems. Since 1992-93, the State has required that local agencies including cities remit a portion of property taxes received to augment school funding. These funds are deposited in each county's Education Revenue Augmentation Fund ("ERAF"). These property taxes (approximately 17.5%) are permanently excluded from the City's property tax revenues.

On July 24, 2009, the Legislature approved amendments to the 2009-10 Budget to close its anticipated \$26.3 billion budget shortfall. The approved amendments included borrowing from local governments by withholding of the equivalent of 8% of Fiscal Year 2008-09 property related tax revenues from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State was required to repay with interest within three years. The first (and to date, only) shift occurred in Fiscal Year 2009-10. Fiscal Year 2012-13 was the first year that another shift was allowable, but the State has not implemented another borrowing yet.

On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of \$15 billion in bonds to finance the Fiscal Year 2002-03 and Fiscal Year 2003-04 State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction were redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provided for property taxes in the ERAF to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provided for schools to receive other state general fund revenues. The swap of sales taxes for property taxes terminated once the deficit financing bonds were repaid in September 2015. The City treated the Triple Flip property tax revenue as sales tax in its financial statements.

The City also received a portion of Department of Motor Vehicles license fees ("VLF") collected statewide. Several years ago, the State-wide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the "VLF backfill." The State VLF backfill was phased out and as of 2011-12 all of the VLF is now received through an in lieu payment from State property tax revenues.

Limited Recourse on Default; No Acceleration

If an event of default occurs and is continuing under the Lease Agreement, there is no remedy of acceleration of any Lease Payments which have not come due and payable in accordance with the Lease Agreement. The City will continue to be liable for Lease Payments as they become due and payable in accordance with the Lease Agreement if the Trustee does not terminate the Lease Agreement, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest. In addition, the enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time-consuming.

The Lease Agreement permits the Trustee to take possession of and re-lease the Leased Property in the event of a default by the City under the Lease Agreement. Even if the Trustee could readily re-lease the Leased Property, the rents may not be sufficient to enable it to pay principal of and interest on the Bonds in full when due. Any such re-leasing of the Leased Property would be subject to existing encumbrances thereon. In addition, since the Police Facilities are used for essential governmental services of the city, no assurances can be given that a court would permit the Authority or the Trustee to exercise the remedies which are granted under the Lease Agreement to re-enter and re-let the Leased Property. See "THE LEASED PROPERTY" herein.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease Agreement and the Indenture may be limited by and are subject to the limitations on legal remedies against cities, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "Bankruptcy" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against municipal entities in the State. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the Bonds, the Indenture, the Site Lease, the Lease Agreement, the Assignment Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against cities and counties in the State. See "Bankruptcy" below.

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease Agreement, the rights and remedies in the Lease Agreement may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. However, a debtor may not assume or reject executory contracts to loan money or to make a financial accommodation, such as the Indenture. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the revenues in the funds pledged thereunder, including Lease Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Lease Payments are actually received by the Trustee following payment by the City. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of the Owners of the Bonds. In the event of a bankruptcy filed by the City and the subsequent rejection of the Lease Agreement by the City, the Trustee is entitled to recover possession of the Leased Property, although as discussed above no assurances can be given that a Court would permit such action to be taken by the Trustee due to the essential governmental purposes served by the Leased Property. In addition, the Trustee would have a claim for damages against the City, although such claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan (the “Plan of Adjustment”) for the adjustment of the City’s debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan of Adjustment may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Bonds if the Bankruptcy Court finds that the Plan of Adjustment is fair and equitable and in the best interests of creditors.

In a bankruptcy of the City, if a material unpaid liability is owed to CalPERS or any other pension system (collectively the “Pension Systems”) on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City’s ability to make Lease Payments. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled as issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including the Cities of Stockton and San Bernardino.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9

proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Bonds if the Bankruptcy Court finds that the Plan is fair and equitable. In a bankruptcy the Authority could challenge the assignment of the Site Lease and the Lease Agreement, and the Trustee and/or the Owners of the Bonds could be required to litigate these issues to protect their interests.

Constitutional Limitation on Taxes and Expenditures

State Initiative Measures Generally. Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Voters have exercised this power through the adoption of Proposition 13 ("Article XIII A") and similar measures, such as Propositions 22 and 26 approved in the general election held on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease Agreement.

Article XIII A. Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data. Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances. There may also be declines in valuations if the California Consumer Price Index is negative.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and prepayment charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms "purchase" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses, and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same city, to transfer the old residence's assessed value to the new residence. In the March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessed value. Proposition 193 amended Article XIII A so that grandparents may transfer

to their grandchildren whose parents are deceased, their principal residences, and the first \$1,000,000 of other property without a reappraisal of assessed value.

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the California Consumer Price Index used for purposes of the inflation factor, there was a decrease of 0.237% in 2009-10 – applied to the 2010-11 tax roll – reflecting the actual change in the California Consumer Price Index, as reported by the State Department of Finance. For each fiscal year since Article XIII A has become effective (the 1978-79 Fiscal Year), the annual increase for inflation has been at least 2% except in ten fiscal years as shown below:

<u>Tax Roll</u>	<u>Percentage</u>	<u>Tax Roll</u>	<u>Percentage</u>
1981-82	1.000%	2010-11	(0.237)%
1995-96	1.190%	2011-12	0.753%
1996-97	1.110%	2014-15	0.454%
1998-99	1.853%	2015-16	1.998%
2004-05	1.867%	2016-17	1.525%

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. The City experienced Proposition 8 reductions in property values between 2009 and 2011. See “FINANCIAL INFORMATION - Ad Valorem Property Taxes - Taxable Property and Assessed Valuation” herein.

Article XIII B. On November 6, 1979, California voters approved Proposition 4, or the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the annual appropriations of the State and any city, county, city and county, school district, authority or other political subdivision of the State. The “base year” for establishing such appropriations limit is the 1978-79 Fiscal Year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by or for the entity and the proceeds of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues, certain State subventions, and the proceeds to an entity of government, from (1) regulatory licenses, user charges and user fees, to the extent that such charges and fees exceed the costs reasonably borne in providing the regulation, product or service, and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

In the June 1990 election, the voters approved Proposition 111 amending the method of calculation of State and local appropriations limits. Proposition 111 made several changes to Article XIII B. First, the term “change in the cost of living” was redefined as the change in the California per capita personal income (“CPCPI”) for the preceding year. Previously, the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986-87 limit by the CPCPI for the three subsequent years. Third and lastly, Proposition 111 excluded appropriations for “qualified capital outlay for Fiscal Year 1990-91 as defined by the legislature” from proceeds of taxes.

Section 7910 of the Government Code requires the City to adopt a formal appropriations limit for each fiscal year. The City's appropriations limit for 2018-19 is \$307,052,768. The City's appropriations subject to the limit for 2018-19 are \$154,045,587. Based on this, the appropriations limit is not expected to have any impact on the ability of the City to continue to budget and appropriate the Lease Payments as required by the Lease.

Proposition 62. Proposition 62 was a statutory initiative adopted in the November 1986 general election. Proposition 62 added Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior written approval, the amount thereof must be withheld from the levying entity's allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

Proposition 218. On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIII A the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Article XIID. Proposition 218 added voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairment of contracts.

Proposition 218 provides that, effective July 1, 1997, fees that are charged "as an incident of property ownership" may not "exceed the funds required to provide the property related services" and may only be charged for services that are "immediately available to the owner of the property."

The City levies a franchise tax on its cable television, telephone and gas utility franchises. This tax has not been submitted for approval by voters. See “FINANCIAL INFORMATION - Local Taxes” herein for a discussion of these taxes.

The City does not expect the application of Proposition 218 will have a material adverse impact on its ability to pay Lease Payments.

Voter-Approved Taxes. Glendale levies a utility users tax. The utility users tax was first levied pursuant to an ordinance of the City Council adopted in 1969. In November, 2009, by a 67% affirmative vote, voters ratified the tax and approved amendments to the City’s Utility User Tax ordinance, which modernized the definitions of the telephone user tax portion to include, among other things, VoIP, IP-TV, text messaging, paging, and private communication services. The amendment reduced the rate for telecom and video services subject to the tax from 7% to 6.5%, keeping the rate for electricity, water and gas service at 7%. In December 2015, in response to an initiative petition, the City Council adopted a resolution calling a special election in June 2016 for the submission of a measure to repeal the utility users tax on gas, electric and water service. The measure received only a 29% affirmative vote, and as a consequence, the repeal of the tax failed.

The City levies a transient occupancy tax on hotel and motel bills. In November 2015, voters in the City approved an increase of the tax which raised the tax rate from 10% to 12%, by a majority vote of 60%.

In November 2018, voters approved a general $\frac{3}{4}$ cent sales tax to be levied and collected on behalf of the City, by majority vote of 55%.

There is no time limit established for the collection of the utility users tax, the transient occupancy tax or the sales tax.

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004-05 and 2005-06. Proposition 1A provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any 10-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

For Fiscal Year 2009-10, 8% of the City’s property tax revenues were diverted to the State as a result of a Proposition 1A suspension.

Proposition 1A also provides that if the State reduces the vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 22. On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26. On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The City does not expect the provisions of Proposition 26 to materially impede its ability to pay Lease Payments when due (see “General Fund Transfer Litigation” below).

Future Initiatives. From time to time other initiative measures could be adopted, limiting or otherwise affecting the ability of the City to increase revenues and appropriations.

General Fund Transfer Litigation

The City is currently litigating two related cases regarding its 2013 electric rates and transfer from the Electric Fund to the General Fund, which were filed in the Los Angeles Superior Court in 2014 (together, the “2014 lawsuits”). In July 2018, the Glendale Coalition for a Better Government filed a petition for writ of mandate challenging the City’s adopted 2018 electric rates on similar grounds, and the lawsuit has been set for trial in February 2020.

The 2014 lawsuits challenged the City’s electric rate plan which includes transfers of electric revenue from the Glendale Water & Power Electric Fund to the General Fund (the “GFT”). The City Charter provides that the City may transfer 25% of electric operating revenues to the General Fund. The City has made the GFT under the authority of its City Charter since it was approved in 1921, although not recently for the fully authorized 25%. Recent GFT information is shown below:

<u>Fiscal Year</u>	<u>GFT</u>	<u>% of Electric Operating Revenues</u>	<u>% of General Fund Revenues</u>
2017-18	\$20,162,000	10%	8.7%
2018-19 Estimated	21,036,000	10%	9.0%
2019-20 Budget	20,277,000	10%	8.4%

The 2013 electric rates were challenged primarily on the grounds they violated Proposition 26, in that it constituted a “tax.” See “Constitutional Limitations on Taxes and Expenditures - Proposition 26” above. The trial court concluded that the 2013 electric rates violated Proposition 26 and ordered that the City credit ratepayers for the GFT in the cumulative amount of the transfer beginning with Fiscal Years 2013-14, plus interest. Lastly, the trial court ordered that credits for any subsequent years be added to the total that would accrue. The trial court has also issued a writ of mandate commanding the City to cease to include the GFT in the electric rates charged to consumers unless and until a majority of the Glendale electorate approves the tax in the rates.

On appeal, the appellate court reversed the trial court and remanded the judgments to the trial court. Among other things, the appellate court found that any invalid “tax” in the 2013 rates was not necessarily equivalent to the GFT. Rather, the appellate court found that there is an unlawful tax only to the extent that rate revenues exceed lawful expenses of the utility, whether or not electric rates actually cover all lawful expenses identified when setting rates. The appellate court also found that to the extent the City maintained a “tax” - in the proportion of excess revenues to costs - prior to Propositions 26’s adoption in 2010, it could continue to maintain said tax at the same rate going forward. The appellate court reversed the portion of the trial court’s judgement declaring the 2013 rates invalid and requiring rebates in the amount of the annual transfers, and remanded the cases to the trial court to make certain factual determine regarding the amount of the tax, if any. The City believes it will be able to demonstrate that the amount of the "tax" has not increased for the rate plan years at issue and thus no refunds/credits will be required.

Under a decision rendered in a separate case, Proposition 26 has been held not to limit the use of revenues raised from sources other than rates and charges levied on users of the enterprise, such as wholesale revenues and sales to other utilities (“non-rate revenues”). To the extent the GFT can be allocated to such non-rate revenues, the amount of the GFT would not be precluded by Proposition 26. The City believes that it will be able to demonstrate that the amount of such non-rate revenues is sufficient to offset amounts that would otherwise be required to be rebated to ratepayers. A trial setting conference on the remand is set for June 2, 2019.

The City adopted a new electric rate plan in 2018, which it believes complies with the appellate court's conclusion that the GFT is not a tax if it is less than non-rate revenues (and in some cases, amounts to recover the capital replacement reserves and other expenses not fully funded in prior years). The adoption of the 2018 electric rate plan ends the accrual of any new potential refund of the GFT (but not interest) under the original trial court decision, which would now be limited to transfers made during the period Fiscal Year 2013-14 to 2017-18 plus interest. As noted above, the GFT component of the 2018 electric rate plan is also being challenged.

No assurances can be given that the General Fund Transfer will be permitted in the future, or that any amount of the prior GFT will not be subject to rebate. However, the City expects to defend the foregoing litigation vigorously and believes that it has a sound factual basis to establish that the GFT can continue to be made, and that no rebates of prior GFTs will be required, as a result of the allowable treatment of non-rate revenues. Further, the General Fund would have the ability to repay any refund to the electric utility over the same period of time that the original transfers were made (5 years in the case of the challenge to the 2013 electric rates).

If a substantial reduction of future General Fund Transfers is required, or if substantial rebates of prior GFTs are required to be made, the City may offset or mitigate the effect of such reductions or rebates utilizing various short-term options, including budget reductions and use of all available sources, while exploring longer term solutions as subsequent voter approval of all or any portion of the future GFT. However, the City does not expect the outcome of the litigation to materially impede its ability to pay Lease Payments when due.

Early Redemption Risk

Early payment of the Lease Payments and early redemption of the Bonds may occur in whole or in part without premium, on any date if the Leased Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance. See “THE BONDS - Redemption - Special Mandatory Redemption From Insurance or Condemnation Proceeds.”

Loss of Tax Exemption on the Bonds

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were executed and delivered as a result of future acts or omissions of the Authority or the City in violation of its covenants contained in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity.

In addition, Congress has recently adopted and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Authority and the City can provide no assurance that federal tax law will not change while the Bonds are outstanding or that any such changes will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (Pub. L. No. 115-97, 131 Stat. 2054 (2017)) (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Internal Revenue Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could adversely affect the assessed values of residences in the City. However, the City cannot predict the effect that the Tax Act may have on its finances.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (“IRS”) has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the IRS is likely to treat the Authority or the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority or the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

Substitution or Removal of Property

The Lease Agreement provides that, upon the satisfaction of the other conditions specified therein, the City may substitute other public facilities or real property for all or any portion of the Leased Property or release all or a portion of the Leased Property from the leasehold of the Lease Agreement. The Lease Agreement requires (a) that any project which will comprise the Leased Property after such a substitution or removal, in each lease year during the remaining term of the Lease Agreement must have an annual fair rental value at least equal to the maximum annual Lease Payments payable under the Lease Agreement attributable to the Leased Property prior to the substitution or removal, as determined by the City on the basis of commercially reasonable evidence of the annual fair rental value of the Lease Property after the substitution or removal and (b) that the useful life of the Leased Property after substitution or removal equals or exceeds the remaining term of the Lease Agreement. Such a substitution or removal could have an adverse impact on the security for the Bonds, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution or removal.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Lease Agreement, the Site Lease, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the City, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Lease Agreement, the Site Lease and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and the Lease Agreement, and as to the validity of the Bonds. See "APPENDIX D" hereto for the proposed form of Bond Counsel's opinion.

The Authority and the City have no knowledge of any fact or other information which would indicate that the Indenture, the Lease Agreement, the Site Lease or the Bonds are not enforceable against the Authority and the City, as applicable, except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on for the City and the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and by the City Attorney. Fees payable Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Absence of Litigation

The Authority and the City will each furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the Lease Agreement or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indenture, the Site Lease and the Lease Agreement are to be executed or delivered or the Bonds are to be delivered or affecting the validity thereof.

There exists lawsuits and claims against the City that are incidental to the ordinary course of the City's operations. In the view of the City's management and City Attorney, [there is no litigation, present or pending against the City, that will individually or in the aggregate impair the City's ability to make Lease Payments when due.

TAX MATTERS

Tax-Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue premium is disregarded.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

Other Tax Considerations

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above, including any opinion regarding federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

In addition, future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

CONCLUDING INFORMATION

Ratings on the Bonds

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Fitch Ratings, Inc. ("Fitch") have assigned their ratings of "AA" and "AA", respectively to the Bonds. Such ratings reflects only the views of each rating agency and any desired explanation of the significance of such rating should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

Except as otherwise required in the Continuing Disclosure Certificate, the City undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by either rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Underwriting

The Bonds were sold to Morgan Stanley & Co. LLC (the "Underwriter") at competitive bid. The Underwriter is offering the Bonds at the initial offering prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter will purchase the Bonds at a price equal to \$30,183,836.72, which amount represents the principal amount of the Bonds, plus an original issue premium of \$5,326,919.70 and less an Underwriter's discount of \$68,082.98. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter's discount.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority and the City with the assistance of the Municipal Advisor who advised the Authority and the City as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein received from sources other than the City has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

The City will provide annually certain financial information and data relating to the City by not later than February 1 in each year commencing February 1, 2020 (the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the “Rule”). The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the City’s Disclosure Certificate attached in “APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The City has adopted a Continuing Disclosure Compliance Policy. See “FINANCIAL INFORMATION - Financial Policies - Debt and Liability-Related Policies.”

The 2000 Certificates were variable rate obligations exempt from the Rule.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease Agreement, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture, the Site Lease and the Lease Agreement may be obtained after delivery of the Bonds from the City at 613 E. Broadway, Glendale, California 91206.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement by the Executive Director of the Authority and the City Manager of the City has been duly authorized by the Authority and by the City, respectively.

GLENDALE MUNICIPAL FINANCING AUTHORITY

By: /s/ Yasmin K. Beers
Executive Director

CITY OF GLENDALE

By: /s/ Yasmin K. Beers
City Manager

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Site Lease, Lease Agreement and the Indenture of Trust relating to the Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

DEFINITIONS

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

“Additional Bonds” means any notes, bonds or other obligations of the Authority issued under the Indenture, which are payable from and secured by a pledge of and lien on the Revenues on a parity with the Bonds.

“Additional Rental Payments” means the amounts of additional rental which are payable by the City under the Lease Agreement.

“Assignment Agreement” means the Assignment Agreement dated as of June 1, 2019, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

“Authority” means the Glendale Municipal Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement dated as of April 9, 2019, and under the laws of the State of California.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Bond Year” means each twelve-month period extending from June 2 in one calendar year to June 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including June 1, 2020.

“Bonds” means the \$24,925,000 aggregate principal amount of Glendale Municipal Financing Authority 2019 Lease Revenue Refunding Bonds authorized by and at any time Outstanding under this Indenture. The term “Bonds” includes any Additional Bonds to the extent set forth in the Supplemental Indenture authorizing the issuance thereof.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

“City” means the City of Glendale, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California.

“Closing Date” means the date of original issuance of the Bonds.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2019, so long as any Bonds remain unpaid.

“Lease Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding such Interest Payment Date.

“Lease Payments” means the amounts payable by the City under the Lease Agreement as rental for the Leased Property, including any early payment thereof and including any amounts payable upon a delinquency in the payment thereof, but excluding Additional Rental Payments.

“Leased Property” means the real property described in Appendix A to the Lease Agreement, together with all improvements and facilities at any time situated thereon, consisting generally of the land and public improvements located generally at 131 North Isabel Street in the City.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Office” means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust business is conducted.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Bond registration books of the Trustee.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under the Lease Agreement; (b) the Site and Facilities Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following:

- (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.
- (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (d) Bank deposit products and interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), which may include the Trustee and its affiliates, provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or are collateralized by Permitted Investments described in clauses (a), (b) or (c) above.
- (e) Commercial paper rated, at the time of purchase, “A-1+” or better by S&P.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the

Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

“Refunding Instructions” means the Irrevocable Refunding Instructions dated the Closing Date and executed by the City and the Authority, directing the 2000 Trustee to prepay the 2000 Lease Payments and the 2000 COPs and to hold and apply the proceeds of the Bonds and other funds for such purpose.

“Revenues” means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any Additional Rental Payments; (b) all Supplemental Lease Payments to the extent such Supplemental Lease Payments are pledged to the payment of Additional Bonds; and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and assigns.

“Supplemental Lease Payments” means the amounts payable by the City under the Lease Agreement, including any early payment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“2000 COPs” means the City’s outstanding Variable Rate Demand Certificates Participation (2000 Police Building Project), originally issued in the aggregate principal amount of \$64,200,000.

“2000 Trustee” means Bank of New York Mellon Trust Company, N.A., its successors and assigns, as successor trustee for the 2000 COPs.

SITE LEASE

Under the Site Lease, the City leases the Leased Property to the Authority in consideration of the agreement by the Authority to pay to the Trustee, on behalf of the City, as and for advance rental of the Leased Property, a sum equal to the available net proceeds of sale of the Bonds. No further rent payment is due by the Authority for the lease of the Leased Property under the Site Lease. The Site Lease is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture. In the event of any release or substitution of property

under the Lease Agreement as described below, the description of the property leased under the Site Lease will be modified accordingly.

LEASE AGREEMENT

Lease of Leased Property; Term

Under the Lease Agreement, the Authority leases the Leased Property back to the City. The Lease Agreement is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture.

Lease Payments

The City agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property. On each Lease Payment Date, the City is obligated to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the City under the Lease Agreement. Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid.

Source of Payments; Budget and Appropriation

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease Agreement relating to abatement.

The City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. Such covenant constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

Abatement of Lease Payments

Abatement Due to Eminent Domain. If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (a) the Lease Agreement shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and
- (b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments

represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Abatement Due to Damage or Destruction. The Lease Payments are also subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. Lease Payments may be paid with proceeds of rental interruption insurance during such period. In the event of any such damage or destruction, the Lease Agreement continues in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

Substitution of Property

The City has the option at any time and from time to time, to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), upon satisfaction of all of the following requirements which are declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment of the Lease Agreement which adds the legal description of the Substitute Property and deletes therefrom the legal description of the Former Property.
- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate under the Lease Agreement in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to serve a governmental function of the City.
- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement.
- (g) The City has filed with the Authority and the Trustee a written certificate of the City or other written evidencing stating that the estimated value of the Substitute Property is at least equal to the

estimated value of the Former Property, and that the useful life of the Substitute Property at least extends to June 1, 2030.

- (h) The City has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property. The Authority and the City will execute, deliver and cause to be recorded all documents required to discharge the Site and Facilities Lease, the Lease Agreement and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site and Facilities Lease, the Lease Agreement and the Assignment Agreement.

Release of Property

The City has the option at any time and from time to time to release any portion of the Leased Property from the Lease Agreement (the "Released Property") provided that the City has satisfied all of the following requirements which are declared to be conditions precedent to such release:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Los Angeles County Recorder sufficient memorialization of, an amendment of the Lease Agreement which removes the Released Property from the Site and Facilities Lease and the Lease Agreement.
- (c) The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease Agreement following such release is at least equal to the aggregate original principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease Agreement following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.
- (d) The City has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site and Facilities Lease, the Lease Agreement and the Assignment Agreement of record against the Released Property.

Maintenance, Utilities, Taxes and Modifications

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property are the responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease Agreement. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Bond Owners, the Authority and the Trustee:

Public Liability Insurance. The City shall maintain or cause to be maintained throughout the Term of the Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which it has been paid.

If any insurance required pursuant to this provision is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

Casualty Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; provided that earthquake insurance shall not be required under any circumstances. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. Such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

Rental Interruption Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the

hazards covered in the insurance required by the casualty insurance described above in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Recordation and Title Insurance. On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and the Lease Agreement, or a memorandum thereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Los Angeles County Recorder, and (b) obtain a CLTA title insurance policy from Stewart Title Guaranty Company insuring the City's leasehold estate in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy shall be applied towards the prepayment of the remaining Lease Payments under the Lease Agreement.

Assignment; Subleases

The Authority has assigned certain of its rights under the Lease Agreement to the Trustee under the Assignment Agreement. The City may not assign any of its rights in the Lease Agreement. The City may sublease all or a portion of the Property, but only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause interest on the Bonds to become subject to federal or State of California personal income taxes.

Amendment of Lease Agreement

The Authority and the City may at any time amend or modify any of the provisions of the Lease Agreement, but only: (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- to add to the covenants and agreements of the City contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the City;
- to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, to conform to the original intention of the City and the Authority;
- to modify, amend or supplement the Lease Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;

- to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property as described above;
- to obligate the City to pay Supplemental Lease Payments which constitute additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such Supplemental Lease Payments are pledged or assigned for the payment of any bonds, notes or other obligations, including but not limited to an issue of Additional Bonds, the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has filed with the Trustee a Written Certificate of the City stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original principal amount of the Bonds and all such other bonds, notes or other obligations, and (C) the City has filed with the Trustee written evidence that such amendments will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds; or
- in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

Events of Default

Each of the following constitutes an Event of Default under and as defined in the Lease Agreement:

- Failure by the City to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.
- Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- Certain events relating to the insolvency or bankruptcy of the City.

Remedies on Default

Upon the occurrence and continuance of any Event of Default, the Authority has the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Authority does not elect to terminate the Lease Agreement, the City remains liable to pay all Lease Payments as they come due and liable for damages resulting from such Event of Default. Any amounts collected by the Authority from the re-letting of the Leased Property will be credited towards the unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be applied as set forth in the Indenture. Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee and the Bond Owner as provided in the Indenture.

The Trustee has no right to accelerate Lease Payments and, due to the governmental nature of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

INDENTURE OF TRUST

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. The moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuing the Bonds and other related financing costs from time to time upon receipt of written requests of the Authority. On September 1, 2019, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account and shall thereupon close the Costs of Issuance Fund. Amounts so transferred to the Interest Account shall be applied by the Trustee to pay interest next coming due and payable on the Bonds.

Bond Fund; Deposit and Transfer of Amounts Therein. All Revenues will be deposited by the Trustee in the Bond Fund promptly upon receipt. On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) *Interest Account.* The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on such date on all outstanding Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it comes due and payable, including accrued interest on any Bonds redeemed prior to maturity.

- (b) *Principal Account.* The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity thereof.

Insurance and Condemnation Fund; Application of Net Proceeds. Any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the City or the Authority in the event of any such accident or destruction will be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. All proceeds deposited in the Insurance and Condemnation Fund and not so applied to redeem the Outstanding Bonds will be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee will be paid to the City. The Trustee will be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (b) of this Section and in each case, will be fully protected in relying thereon.

If the City fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property which has been damaged or destroyed, then such Net Proceeds will be applied to the redemption of Bonds on the next available redemption date or be applied to the redemption of any Additional Bonds in accordance with the documents authorizing the issuance thereof.

Notwithstanding the foregoing, however, in the event of damage or destruction of the Leased Property in full, the Net Proceeds of such insurance are required to be used by the City to rebuild or replace the Leased Property if such proceeds are not sufficient to redeem outstanding Bonds and outstanding Additional Bonds, on a pro rata basis, equal in aggregate principal amount to the unpaid Lease Payments and Supplemental Lease Payments.

Investment of Funds; Determination of Value of Investments

All moneys in any of the funds or accounts held by the Trustee under the Indenture will be invested by the Trustee solely in Permitted Investments as directed by the Authority in advance of the making of such investments. In the absence of any such direction of the Authority, the Trustee will invest any such moneys in Permitted Investments consisting of money market funds. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the Bond Fund. For the purpose of determining the amount in any fund or account established under the Indenture, the value of investments credited to such fund will be calculated at the market value thereof, in accordance with the procedures specified in the Indenture.

Covenants of the Authority

Payment of Bonds. The Authority will punctually pay or cause to be paid the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, but only out of the Revenues and other amounts pledged for such payment as provided in the Indenture. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing herein limits or affects the ability of the Authority to issue or incur Additional Bonds under the Indenture.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries will be made of all transactions relating to the proceeds of the Bonds, the Revenues, the Lease Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the City, during regular business hours and upon reasonable prior notice and under reasonable circumstances.

Issuance of Additional Bonds. Notwithstanding anything therein to the contrary, the Authority has the right to issue Additional Bonds pursuant to a Supplemental Indenture, which are payable from and secured by a pledge of and lien on the Revenues on a parity with the pledge and lien which secure the Bonds, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing;
- (b) The City and the Authority have entered into an amendment or supplement to the Lease, pursuant to which the City has agreed to pay Supplemental Lease Payments for the use and occupancy of the Leased Property under the Lease, which Supplemental Lease Payments provide additional Revenues which are sufficient to pay the principal of and interest on such Additional Bonds when due;
- (c) The City and the Authority have filed a written certificate with the Trustee stating that the estimated value of the Leased Property is at least equal to the sum of the aggregate original principal amount of

the Bonds plus the aggregate original principal amount of such Additional Bonds;

- (d) Interest on such Additional Bonds shall be payable solely on June 1 and December 1, and the principal of such Additional Bonds shall be payable solely on June 1; and
- (e) The Authority shall deliver to the Trustee a Written Certificate of the Authority certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Additional Bonds set forth in the Indenture have been satisfied.

Tax Covenants. The Authority may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of the Tax Code. The Authority will calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under the Tax Code, at the times and in the manner required under the Tax Code.

Lease Agreement. The Trustee will promptly collect all amounts (to the extent any such amounts are available for collection) due from the City pursuant to the Lease Agreement. Subject to the provisions of the Indenture governing the enforcement of remedies upon the occurrence of an Event of Default, the Trustee is required to enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease Agreement.

Amendment of Indenture

The Indenture may be modified or amended at any time by a Supplemental Indenture with the prior written consents of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture may also be modified or amended at any time by a supplemental indenture, without the consent of any Bond Owners, to the extent permitted by law, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture do not materially adversely affect the interests of the Bond Owners, including, without limitation, for any one or more of the following purposes:

- To add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority.
- To cure any ambiguity, inconsistency or omission in the Indenture, or correct any defective provision in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, so long as such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel filed with the Trustee.
- To modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.
- To modify, amend or supplement the Indenture so as to cause interest on the Bonds to remain excludable from gross income under the Tax Code.
- To facilitate the issuance of additional obligations of the City under the Lease Agreement.
- To facilitate the issuance of any Additional Bonds in accordance with the Indenture.
- To facilitate the removal or substitution of property under the Lease Agreement.

Events of Default

Events of Default Defined. The following events constitute events of default under the Indenture:

- Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- Failure to pay any installment of interest on the Bonds when due.
- Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the

Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- The occurrence and continuation of any Event of Default under and as defined in the Lease Agreement. See "LEASE AGREEMENT - Events of Default" above.

Remedies. Upon the occurrence and during the continuance of any Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time outstanding the Trustee shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default. If an Event of Default has occurred and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under the Indenture; and
- (b) To the payment of the principal of and interest then due on the Bonds and any Additional Bonds (upon presentation of the Bonds and Additional Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the

amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds and Additional Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds and Additional Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds and Additional Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

- such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- the Owners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Indenture;
- said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee; and
- no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then outstanding.

Discharge of Indenture

The Authority may pay and discharge the indebtedness on any or all of the outstanding Bonds in any one or more of the following ways:

- by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;
- by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay such Bonds; or
- by delivering to the Trustee, for cancellation by it, all of such Bonds.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds will not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds will cease, terminate, become void and be completely discharged and satisfied, subject to the Indenture. In such event, upon the Written Request of the Authority, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment of any of such Bonds not theretofore surrendered for such payment. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B
CITY AUDITED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]



City of Glendale, California
**Comprehensive Annual
Financial Report**



Fiscal Year Ended June 30, 2018

Each year, the Glendale Police and Fire Departments receive over 100,000 emergency calls. Quite often, these calls involve life or death situations where every second counts. Despite a vast and diverse population, the City of Glendale continues to maintain exceptional levels of safety. In fact, it is no surprise that Glendale Police and Fire strive to be among the fastest responders in emergency situations. And the numbers don't lie. The average fire emergency response time in Glendale last year was 4 minutes and 26 seconds. This year, the Glendale Fire Department is on the scene in an average of 4 minutes and 21 seconds. That's 2 percent faster. The average Glendale Police Department response time this year was 4 minutes and 3 seconds. That is 16 percent faster than last year's average of 4 minutes and 49 seconds. Presently, the sistering agencies continue to join forces and explore new safety and control techniques that can be applied to future emergencies and outbreaks. With an increasing demand for services, this partnership provides opportunities to truly innovate. In Glendale, collaboration is key.



City of Glendale, California
City Council



Zareh Sinanyan
MAYOR



Ara Najarian
COUNCILMEMBER



Paula Devine
COUNCILMEMBER



Vartan Gharpetian
COUNCILMEMBER



Vrej Agajanian
COUNCILMEMBER



City of Glendale, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Prepared by the Finance Department - Accounting Section

Robert P. Elliot, CPA, Director of Finance
Michele Flynn, CPA, CIA, CGAP, Assistant Director of Finance

City of Glendale, California

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
(Not Covered by Independent Auditors' Report)		
Letter of Transmittal		i
Officials of the City of Glendale		xi
Organizational Chart of the City of Glendale		xii
Certificate of Achievement for Excellence in Financial Reporting		xiii
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis		5
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position.....	Exhibit A-1	23
Statement of Activities	Exhibit A-2	25
Fund Financial Statements:		
Balance Sheet – Governmental Funds	Exhibit B-1	26
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	Exhibit B-2	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	Exhibit C-1	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit C-2	30
Statement of Revenues and Other Financing Sources – Budget and Actual – General Fund	Exhibit D-1	31
Statement of Expenditures and Other Financing Uses – Budget and Actual – General Fund	Exhibit D-2	33
Statement of Revenues – Budget and Actual – Housing Assistance Fund	Exhibit D-3	38
Statement of Expenditures – Budget and Actual – Housing Assistance Fund	Exhibit D-4	39
Statement of Net Position – Proprietary Funds	Exhibit E-1	40
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	Exhibit E-2	42
Statement of Cash Flows – Proprietary Funds	Exhibit E-3	43
Statement of Net Position – Fiduciary Fund	Exhibit F-1	45
Statement of Changes in Net Position – Fiduciary Fund	Exhibit F-2	46
Notes to the Basic Financial Statements		47
Required Supplementary Information		107

Combining and Individual Fund Statements:

Combining Balance Sheet – Nonmajor Governmental Funds	Exhibit G-1	113
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	Exhibit G-2	114
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds	Exhibit H-1	117
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	Exhibit H-2	126
Schedule of Revenues and Other Financing Sources – Budget and Actual – Nonmajor Governmental Funds – Special Revenue Funds	Exhibit H-3	135
Schedule of Expenditures and Other Financing Uses – Budget and Actual – Nonmajor Governmental Funds – Special Revenue Funds	Exhibit H-4	139
Combining Balance Sheet – Nonmajor Governmental Funds – Debt Service Fund	Exhibit I-1	147
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Debt Service Fund	Exhibit I-2	148
Schedule of Revenues and Other Financing Sources – Budget and Actual – Nonmajor Governmental Funds – Debt Service Fund	Exhibit I-3	149
Schedule of Expenditures and Other Financing Uses – Budget and Actual – Nonmajor Governmental Funds – Debt Service Fund	Exhibit I-4	150
Combining Balance Sheet – Nonmajor Governmental Funds – Capital Projects Funds	Exhibit J-1	153
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Projects Funds	Exhibit J-2	155
Combining Statement of Net Position – Proprietary Funds – Nonmajor Enterprise Funds	Exhibit K-1	159
Combining Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – Nonmajor Enterprise Funds	Exhibit K-2	160
Combining Statement of Cash Flows – Proprietary Funds – Nonmajor Enterprise Funds	Exhibit K-3	161
Combining Statement of Net Position – Internal Service Funds	Exhibit L-1	165
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	Exhibit L-2	169
Combining Statement of Cash Flows – Internal Service Funds	Exhibit L-3	173

STATISTICAL SECTION

(Not Covered by Independent Auditors' Report)

Net Position by Component	Schedule 1	177
Changes in Net Position	Schedule 2	178
Fund Balances of Governmental Funds	Schedule 3	184
Changes in Fund Balances of Governmental Funds	Schedule 4	186
Electric Revenue by Type of Customers	Schedule 5	188
Electric Rates	Schedule 6	190
Principal Electric Payer Groups	Schedule 7	191
Assessed Value and Actual Value of Taxable Property	Schedule 8	192
Direct and Overlapping Property Tax Rates	Schedule 9	193
Principal Property Tax Payers	Schedule 10	195
Property Tax Levies and Collections	Schedule 11	196
Ratios of Outstanding Debt by Type	Schedule 12	197
Direct and Overlapping Governmental Activities Debt	Schedule 13	199
Legal Debt Margin Information	Schedule 14	200
Pledged-Revenue Coverage	Schedule 15	201
Demographic and Economic Statistics	Schedule 16	203
Principal Employers	Schedule 17	204
Authorized Salaried Positions by Department	Schedule 18	205
Operations Indicators by Function/Program	Schedule 19	207
Capital Asset Statistics by Function/Program	Schedule 20	211
Schedule of Credits	Schedule 21	215

Introductory Section

The Introductory Section of the Comprehensive Annual Financial Report provides general information of the City of Glendale, California's structure and its personnel, as well as information useful in assessing the City's financial condition. This section includes the:

- Letter of Transmittal
- City's Organizational Chart and List of Principal Officials
- Government Finance Officer Association Certificate of Achievement for Excellence in Financial Reporting





November 30, 2018

The Honorable Mayor and City Council
City of Glendale
Glendale, California

Council Members:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Glendale (the City) for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the City. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse, and compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

The financial reporting entity includes all the funds of the primary government (The City of Glendale), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are in substance, part of the primary government. Accordingly, the Glendale Housing Authority and the City of Glendale Financing Authority are reported in the appropriate funds of the City's financial report.

Profile of the City of Glendale

The City of Glendale is located northeast of Los Angeles in the foothills of the San Gabriel Mountains. The City was incorporated on February 16, 1906 under the general laws of the state of California. The City Charter was adopted on March 29, 1921. The City provides the full range of municipal services. This includes public safety (police, fire and paramedic), streets and sanitation, refuse collection, sewer, hazardous disposal, electric and water utilities, parking, parks and recreation, library, public improvements, planning and zoning, housing and community development and general administrative and support services.

Noted for its high quality of life and fiscal stability, Glendale is the fourth largest city in Los Angeles County, encompassing 30.6 square miles and serving over 205,000 residents. The City operates under a council-manager form of government, with a five-member council elected at large to four-year overlapping terms, in addition to an elected City Clerk and City Treasurer. The mayor is elected by the City Council for

a one-year term and is the presiding officer of the Council. The City Council is responsible for passing ordinances, adopting the budget, appointing various boards and commissions, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

Factors Affecting the Glendale Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Glendale operates.

The Local Economy – Continued capital investment is seen throughout the City in the form of business expansion as well as businesses attraction to Glendale’s central location, public safety record and robust business environment. Of particular note is the entertainment industry which remains rooted in Southern California, with the Verdugo Region (Glendale/Burbank) particularly known for production (pre & post), animation, visual effects, and digital distribution. Glendale continues to benefit from growth in this sector through companies co-locating with powerhouses Disney and DreamWorks, and hundreds of ancillary production and equipment firms. The implementation of the Glendale Tech Strategy continues to strengthen local tech firms such as Service Titan, Legal Zoom, and Beyond Limits. Also of note are Glendale’s regional shopping centers, the Glendale Galleria, Americana at Brand and Brand Boulevard of Cars. Several large development projects either recently completed or underway in Glendale will provide approximately 4,000 new residential units and 210,000 square feet of commercial space. Hotel development and tourism are also on the rise. The Hyatt Place, Hampton Inn, Aloft Hotel and Hotel Louise join top performing hotels like Embassy Suites and Hilton. Such investments by the business community indicate a continued confidence in Glendale. Hotels are supported by strong corporate presence and the three local hospitals. Overall, Glendale’s economy is one of the most diverse within the Los Angeles region largely due to a healthy mix of business and industry that operates within its borders.

Economic Development Highlights – The City focuses on collaborative strategies to create jobs, generate revenue, and improve the quality of life for residents, the business community, and visitors of Glendale. Throughout the years, the City has encouraged economic development through proactive efforts to target and attract businesses; improve Class A office vacancies; provide support to existing businesses through concierge services; create a workforce development program that is operated by the Verdugo Jobs Center; promote City-wide branding and marketing efforts; and adopt strategic planning methods. Economic Development accomplishments for FY 2017-18 were focused around three main goals:

1. **Asset Management:** Glendale actively employs ways to provide additional value of City assets through proactive, profitability-focused management practices. The priority was to achieve the highest and best use of City facilities through an effective asset management strategy. Accomplishments include:
 - Concluded negotiations for a new lease for the Verdugo Jobs Center offices.
 - Advanced the Arts & Entertainment District through enhanced activities, such as the Summer of Soccer World Cup viewing parties, beautification efforts on Artsakh Avenue, and Request for Proposals seeking urban design firms.
 - Continued proposed Armenian American Museum and Cultural Center negotiations and redesign of the Central Park Block.

- 2. Business Attraction:** The City is committed to attracting business and investment to Glendale in an effort to create a diverse economy. This is done through Business Concierge services and fast-track permitting, broker relationships, site selection assistance, utility consultation, and connecting potential businesses with resource marketing campaigns and support. The priorities were to establish an 18-Hour City and the furtherance of the Tech Strategic Plan. Accomplishments in business attraction include:
- Further developed broker relationships through events, such as the Brokers Reception held at Nestle.
 - Implemented Glendale Tech Strategy, and received City Council authorization to release a Request for Proposals for an accelerator program.
 - Successfully hosted the second Glendale Tech Week in October 2017, including generating \$25,000 in a prize package for a Pitchfest in an effort to support local entrepreneurs.
 - Created more jobs and generated sales tax through public investment of the following: Antaeus Theatre Company, Service Titan, Laemmle Theatre and Lofts, Hyatt Place, and the Breweryard.
 - Continued to build on the 18-hour city and quality of life by adding new businesses such as: John Sparr Tavern, Cauldron Ice Cream, 85°C Bakery Cafe, Gold's Gym, Electric Pussycat Lounge, Heritage Eatery, It's Boba Time, Menchies, Mix N'Match Burger, Museum of Selfies, Nespresso Boutique, Plate and Petal, Rolling Factory, See's Candies, Tesla, The Void, Warby Parker.
- 3. Business Services:** Recognizing that a majority of job growth in any community is generated by the businesses already located there, Glendale focuses on services to businesses to propel economic growth. Harnessing the power of the thousands of businesses in the City and the nearly 100,000 employees, the City's priority was to strengthen neighborhood districts and the businesses within them. Accomplishments related to this effort include:
- Introduced GRIT, the Glendale Relationship Initiation Team, to gauge satisfaction in doing business with the City, County, and the State. More than 100 businesses were visited.
 - Assisted nearly 3,000 current and expanding businesses with resources to further drive business in the community.
 - Hosted first Executives in Innovation Roundtable on June 11, 2018, attracting top leadership from companies in Glendale.
 - Introduced the Meet Me In Montrose campaign as a way to drive more customers to this quaint shopping district in North Glendale.
 - Supported neighborhoods through collaborative projects, such as the installation of the Rancho and Foothill monument signs.

Employment – According to the data obtained from the California State Department of Finance Demographic Research Unit, the 2018 population for the City of Glendale is 205,536. The Glendale labor force includes 103,900 residents in 2018 (16 years of age or over), according to the Employment Development Department Labor Market Information Division (EDD-LMID). Census data also shows that there are 29,153 businesses located in Glendale (2017).

According to Census data, occupational employment data shows the following results based on 2012-2016 American Consumer Survey (ACS) Five-Year Estimates: 40,770 people in Glendale were employed in management, business, arts, or science occupations (the single largest group) with median annual earnings of \$66,294; 24,253 were employed in sales and office occupations (second largest) with median annual earnings of \$40,632; and 15,942 were employed in service occupations (the third largest group) with median annual earnings of \$29,542. Median household income for Glendale residents recorded at \$56,069, and the poverty rate was 14.7%, according to ACS. The information provided below includes additional employment statistics pertaining to the City of Glendale and the surrounding region.

- **Unemployment Levels** – In December 2007, at the start of the Great Recession, the Glendale unemployment rate was 4.8%; by the (reported) end of the Recession in June 2010, the rate had peaked to 10.1% and declined to 8.1% in June 2013, demonstrating the recovery period following the Recession. The Glendale unemployment rate again measured 4.8% in June 2018, equaling its pre-recession level.
- **Industry Employment Status** – According to Dunn & Bradstreet, by employment, the top six Glendale industries in 2017 were: Healthcare with 17,075 employed earning an average salary of \$46,016 and recording a Location Quotient (LQ) for the industry of 1.35. An industry recording an LQ of 1.00 or more, demonstrates a local concentration of the industry located in the City of Glendale that is equal to or higher than the national average. The Retail industry recorded 15,241 employed earning an average salary of \$36,935 and an LQ of 1.35, while Professional Services recorded 8,564 employed with an average salary of \$102,863 and an LQ of 1.07. The fourth industry is Public Administration and Education with 11,333 employed earning an average salary of \$67,828 and an LQ of 0.66; Information Based Industries with 5,563 employed earning an average salary of \$120,937 and an LQ of 1.67; and Eating and Drinking with 6,965 employed earning an average salary of \$22,461 and an LQ of 0.96.
- **Large Employers** – DreamWorks Animation, Walt Disney Imagineering, Glendale Adventist, and Glendale Memorial Medical Center remained among the City's largest employers in FY 2017-18.

Fastest Growing Occupations – Current EDD projections indicate that through 2024 the fastest growing occupations in Los Angeles County will include:

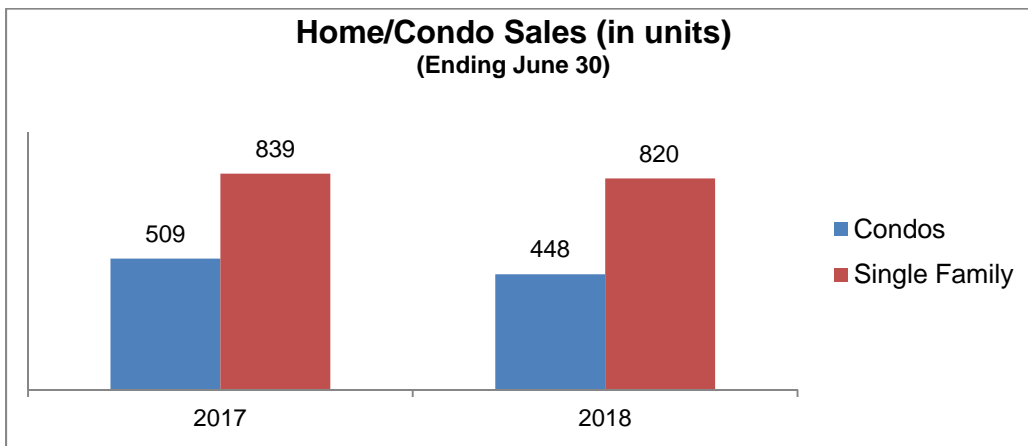
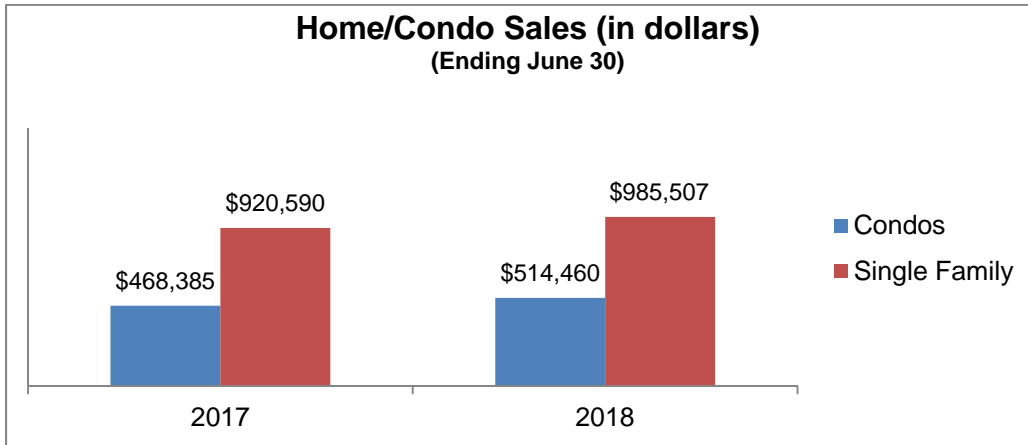
1. Personal Care Aides
2. Statisticians
3. Reinforcing Iron and Rebar Workers
4. Brickmasons and Blockmasons
5. Helpers-Brickmasons, Blockmasons, Stonemasons, and Tile and Marble Setters
6. Cooks, Restaurant
7. Nurse Practitioners
8. Floor Layers, Except Carpet, Wood, and Hard Tiles
9. Home Health Aides
10. Web Developers
11. Operations Research Analysts
12. Occupational Therapy Assistants
13. Law Teachers, Postsecondary
14. Massage Therapists
15. Roofers
16. Physical Therapist Aides
17. Biomedical Engineers
18. Helpers-Painters, Paperhangers, Plasterers, and Stucco Masons
19. Combined Food Preparation and Serving Workers, Including Fast Food
20. Marriage and Family Therapists

Trends – The EDD-LMID also reports that industry employment, which includes self-employment, private household workers, farm, and nonfarm employment in Los Angeles County, is expected to reach 5,063,300 by 2024, an increase of 12.7% over the 10-year projections period. 12 of 13 nonfarm industry sectors are projected to grow between 2014 and 2024.

Total non-farm employment is projected to grow by nearly 535,700 jobs by 2024, with 75% of all projected nonfarm job growth concentrated in three industry sectors: (1) Educational services (private), health care, and social assistance, (2) Leisure and hospitality, and (3) Professional and business services. Educational services (private), health care, and social assistance is projected to add the most jobs (208,800) and is expected to be the fastest growing at 29%. Leisure and hospitality is projected to add 110,300 jobs, led by a growth of 88,900 jobs in restaurants and other eating places. Professional and business services is projected to add 81,200 jobs with more than half the growth expected to occur in the professional, scientific, and technical services sector (41,700).

Occupational employment forecasts approximately 608,000 new jobs from industry growth and more than 1 million job openings from replacement needs for a combined total of approximately 1.6 million job openings. The top three occupations with the most job openings are personal care aides; combined food preparation and serving workers, including fast food; and retail salespersons. These occupations have median wages ranging from \$9.64 to \$11.19 per hour and require no formal educational credential. Higher-skilled occupations, requiring a bachelor's degree or higher, include registered nurses, management analysts, accountants and auditors. 20% of the overall fastest growing occupations are in construction and extraction. Occupations range from helpers such as painters, paperhangers, plasterers, and stucco masons that require no formal educational credential and earn a median annual wage of \$19,688 to law teachers, postsecondary that require a doctoral or professional degree and earn a median annual wage of \$134,887.

Housing – Based on the “2017 Annual Report” issued by the Los Angeles Office of the Assessor, Glendale experienced a net taxable property value increase of 6.1%, which was slightly more than the increase experienced countywide at 6.0%. According to the City’s property tax consultant, HdL, Glendale’s housing market fell in sales volume (number of units sold) and showed an increase in an average home price of \$985,507 in FY 2017-18, compared to \$920,590 in FY 2016-17. The condominium sales also showed a decline in sales volume and an increase in an average price of \$514,460 for FY 2017-18, compared to \$468,385 for FY 2016-17.



Local Government Finance

The southland’s slow economic recovery, legal challenges to the long-standing and charter-mandated General Fund Transfer from Glendale Water & Power, escalating pension rates, and the State’s imprudent efforts to address its budget deficit by claiming for itself billions of dollars in repayments owed to cities by their own Redevelopment Agencies, have all combined to make these past few years some of the most difficult for budgeting in recent history. However, the managers and staff from each department, as well as the City Council, have pressed on. In spite of the difficulty involved in preparing this budget, they have approached challenges in a professional and constructive manner. The City’s focus clearly remains on developing a structurally balanced financial plan that best serves the needs of the diverse community. Through the vision of the Glendale City Council, the City is able to balance new growth while preserving a rich and honored heritage.

This positive indicator reduced unemployment rates aligns with the City's forecasted revenue growth which averages to 9.1% across the key General Fund revenue sources of property and sales taxes. Long-term growth rates for General Fund revenues are projected to grow rather modestly, averaging about 2.8% annually over the next five years. Although Glendale continues to face challenges, such as increased pension costs, a deficit in the Workers' Compensation Fund, and aging infrastructure, the City of Glendale is confident that it will embrace these challenges and move its community forward with a focus on its purpose and goals.

One thing that will affect the Glendale's future finances in a very positive way is the passing of Measure S (The Glendale Quality of Life and Essential Services Protection Measure) on November 6, 2018. The measure is a local sales tax increase of 0.75%, effective April 1, 2019, and is expected to generate approximately \$30 million annually for the General Fund.

Long-term Financial Planning

Financial Challenges – Despite the fact that the economy is improving and the economic indicators are all trending positively, the City still faces notable challenges in the coming years. The General Fund remains highly dependent on sales taxes generated, in particular, from automobiles sales. Revenues from auto sales have steadily risen over the past few years following the Great Recession; however, an economic downturn could place that revenue stream in jeopardy. In order to diversify the City's potential revenue stream opportunities, staff and City Council are working diligently to attract new upscale hotels that would generate considerable occupancy tax revenue for the City.

The possible loss of the voter-approved General Fund Transfer (GFT) from Glendale Water & Power's (GWP) electrical operations still looms. Currently at about \$20 million per year, the transfer has been a feature of the City's General Fund revenue stream since the 1940s. When established, the water and power utility was meant for helping the City grow, as well as to bring revenue into the City's General Fund. This inflow of funding helped City Councils through the years keep Glendale a low-tax city (i.e. only 13.7 cents on the property tax dollar comes to the City of Glendale; there is no business license tax, etc.). And, although the City Charter allows for a maximum transfer of up to 25% of gross operating revenues from the electrical operations, the GFT has never risen to that level; indeed, the current transfer is at approximately 10% of retail operating revenues.

What does the potential loss of the GFT mean to our organization? For the time being, the City will continue to move forward with the status quo. After having experienced deep cuts across all departments in recent years, this organization is currently running as lean as it ever has. The loss of the transfer would, without doubt, mean cuts directly to the essential programs and services our community depends on day in and day out. Hence, there would be no alternative but to make cuts that would drastically impact the quality of life for our community. Specifically, the City Council would need to consider cuts to Libraries, Parks, Fire, and Police. The effects of these cuts would be experienced in the form of reduced hours at libraries and parks, the closing of libraries and parks, and the contracting out of Police and Fire services with the County of Los Angeles.

Moving forward, the City’s continuing challenge is to minimize the negative impact on the community and customers from past restructuring efforts and ensure the City adds ongoing value to the taxpayers. Glendale’s vision is accomplished through a combination of the Council’s priorities, the City’s strategic goals, and key performance indicators. With the FY 2018-19 budget process, Council has reaffirmed the following priorities:

- Fiscal Responsibility
- Exceptional Customer Service
- Economic Vibrancy
- Informed & Engaged Community
- Safe & Healthy Community
- Balanced, Quality Housing
- Community Services & Facilities
- Infrastructure & Mobility
- Arts & Culture
- Sustainability

Cash Management – To obtain flexibility in cash management, the City employs a pooled cash system. Under the City’s pooling concept, all available cash is invested daily in various securities, while still maintaining reasonable liquidity to meet maturing obligations and maximizing return through the use of competitive rate comparisons from various investment sources.

The City manages its pooled idle cash and investments under a formal investment policy that follows the guidelines of the State of California Government Code, which is then reviewed by the Investment Committee and adopted by the City Council.

The following table presents a comparison of the City’s cash and investments for previous four fiscal years.

	Fiscal year ended June 30,			
	2018	2017	2016	2015
Cash and investments	\$ 815,777,000	765,797,000	682,529,000	567,084,000

Risk Management – The City is self-insured up to \$2 million for claims filed under the comprehensive general liability and Workers’ Compensation insurance programs. The City purchases excess liability insurance policies for general liability claims to cover losses up to \$25 million, and an amount up to statutory limits for the Workers’ Compensation program. The City also purchases Property/Casualty, Aviation, Employment Practices, Directors and Officers, Cyber Security, and other smaller insurance policies for specific activities. Insurance coverage and the associated premiums are reviewed annually to ensure the City is properly covered.

The City’s Risk Management program is comprised of Insurance Services and Employee Safety. The primary goal of Insurance Services is to effectively address potential risk factors that affect both the City and its employees. The Safety Section works with City Departments to evaluate and mitigate workplace hazards, assist in providing safety training, conduct accident investigations, and ensure compliance with Cal/OSHA regulations.

Risk Management staff, in conjunction with the Finance Department, annually reviews internal funding levels to address claims costs. Internal insurance costs are charged to each department and based on analysis of recent claims costs, as well as the outstanding reserves. Input from an actuarial study, performed annually, is considered in assessing the charges.

Independent Audit

The City's financial statements have been audited by the firm of Vavrinek, Trine, Day & Company, LLP, a public accounting firm fully licensed and qualified to perform audits of local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Glendale, California for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Glendale, California's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report. Their unmodified opinion on the City's basic financial statements is included within this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and other financial reporting and compliance with legal requirements, and on compliance and internal control over compliance for each major federal program selected. These reports are available in the City's separately issued *Single Audit Report*.

Award

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the past twenty three fiscal years ended June 30, 1995 through June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This award is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement for Excellence requirements and we will be submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for their contribution in the preparation of this report.

In closing, without the leadership and support of the Glendale City Council, City Manager, and the Assistant City Manager, the preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Robert Elliot", with a stylized flourish at the end.

ROBERT P. ELLIOT, CPA
DIRECTOR OF FINANCE

City of Glendale, California

Officials of the City of Glendale

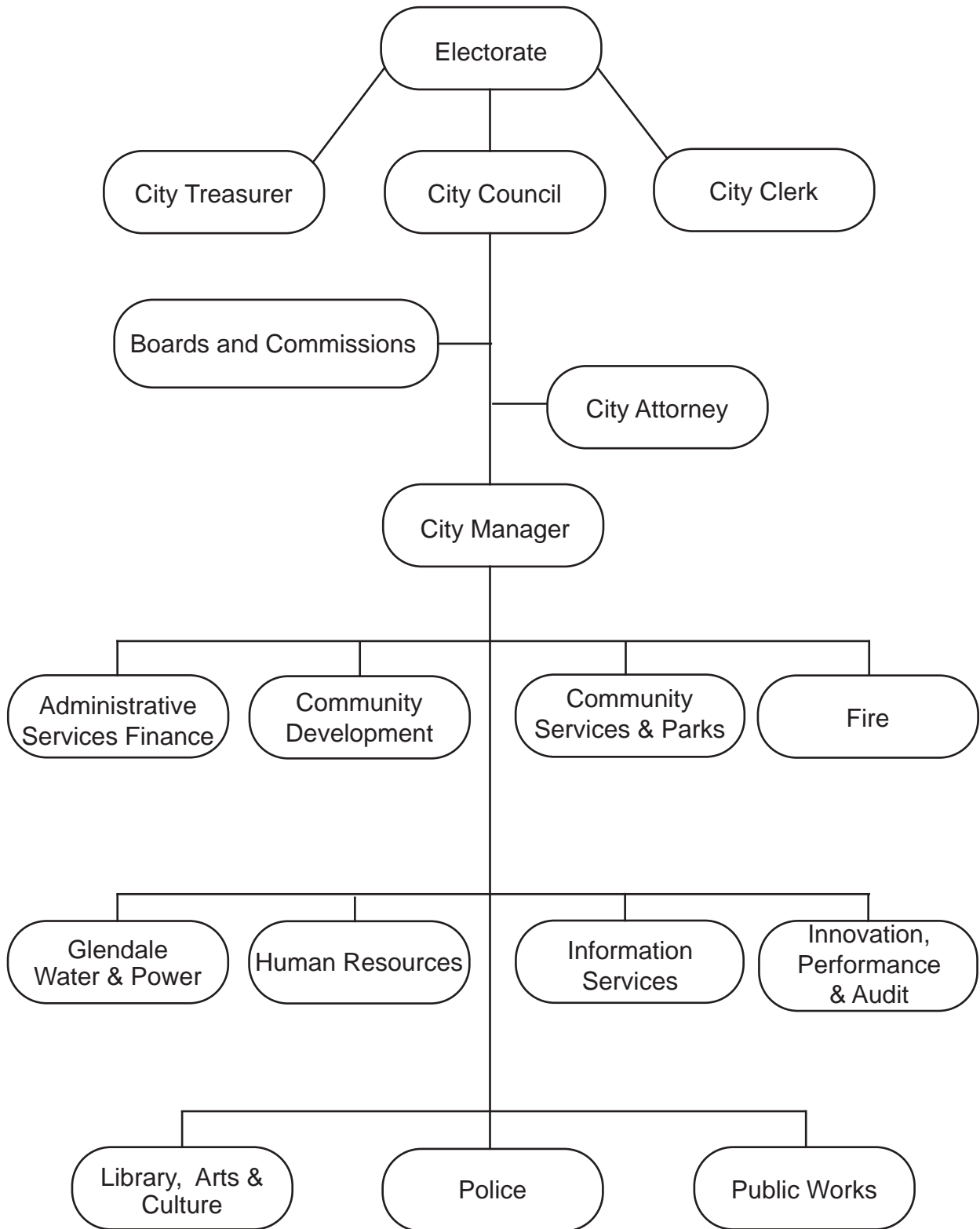
June 30, 2018

Administration and Executive Management Team

City Manager	Yasmin K. Beers
Assistant City Manager	Roubik Golanian
Deputy City Manager	John Takhtalian
Director of Innovation, Performance, & Audit	Elena Bolbolian
Interim Chief Information Officer	Jason Bradford
Director of Community Services & Parks	Onnig Bulanikian
Director of Library, Arts & Culture	Cindy Cleary
Director of Human Resources	Matthew Doyle
Director of Finance	Robert P. Elliot, CPA
Fire Chief	Gregory Fish
City Attorney	Michael J. Garcia
Director of Public Works	Roubik Golanian
City Clerk	Ardashes Kassakhian
Director of Community Development	Philip Lanzafame
Director of Communications & Community Relations	Thomas R. Lorenz
City Treasurer	Rafi Manoukian, CPA
Police Chief	Carl Povilaitis
General Manager of Glendale Water & Power	Stephen Zurn

City of Glendale, California

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Glendale for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 23rd consecutive year that the City of Glendale has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Glendale California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

This page is left blank intentionally.

Financial Section

The Financial Section of the Comprehensive Annual Financial Report contains the following:

- Independent Auditors' Report
- Required Supplementary Information-
Management's Discussion and Analysis (MD & A)
- City's basic financial statement, which includes the following:
 - The Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Basic Financial Statements





VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Glendale
City of Glendale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Glendale, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As described in Note 18 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions and the schedule of changes in total OPEB liability and related ratios, 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, combining and individual nonmajor fund financial statements and other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 30, 2018

This page is left blank intentionally.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

As management of the City of Glendale (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – x of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of FY 2017-18 by \$1,595,079 (net position), which was comprised of net investment in capital assets of \$1,327,367, restricted net position of \$174,225 and unrestricted net position of \$93,487. The unrestricted net position consisted of a negative \$195,007 for governmental activities and \$288,494 for business-type activities. The negative unrestricted net position for governmental activities was primarily due to the recognition of net pension liability.
- The City's total net position increased by \$40,956. Most of this increase was attributable to an increase in sales taxes and charges for services.
- As of the close of FY 2017-18, the City's governmental funds reported combined ending fund balances of \$331,848, an increase of \$43,917 in comparison with the prior year. About 12.9% of this total amount, \$42,728 was unassigned and available for spending at the government's discretion.
- At the end of FY 2017-18, City Charter Section 15 general reserve of \$28,115, and unassigned fund balance of \$47,418 for the General Fund totaled \$75,533, representing about 35.1% of the original FY 2017-18 budget of \$215,043. Due to the Council's decision to participate in the pension rate stabilization program starting FY 2017-18, the minimum General Fund reserve level changes from 30.0% to 25.0% of the annual operating budget, and the targeted General Fund reserve level remains at 35.0% of the annual operating budget.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and 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 financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, fire, public works, transportation, housing, health, and community development, employment programs, public service, parks, recreation, and community services, library, and interest and fiscal charges. The business-type activities of the City include fire communications, sewer, refuse disposal, electric, and water.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate housing authority and financing authority for which the City is financially accountable. The housing authority and the financing authority, although legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 46 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for General Fund, Housing Assistance Fund and Capital Improvement Fund, all of which are considered to be major funds. Data from the other 43 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

The City adopts an annual budget for its General Fund, special revenue and debt service fund types. Budgetary comparison information has been provided for the above fund types to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 26-39 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its refuse disposal, fire communications, sewer, and electric and water utility operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, information services and infrastructure, joint helicopter operation, building maintenance, uninsurable litigation, employee benefits, and various other insurances.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, electric, and water operations, all of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 40-44 of this report.

Fiduciary funds. A fiduciary fund is used to account for resources held for the benefit of parties outside the City. The City maintains one fiduciary fund – Glendale Successor Agency Trust Fund, a Private-Purpose Trust Fund.

Since the resources of fiduciary fund are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on pages 45-46 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-106 of this report.

The combining statements referred to earlier in connection with nonmajor governmental and enterprise funds and internal service funds are presented immediately following the required supplementary information, which can be found on pages 107-111 of this report. Combining and individual fund statements can be found on pages 113-176 of this report.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

Government-wide Financial Analysis

The government-wide financial analysis contains comparative information from the prior year.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,595,079 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (83.3%) reflected its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that was still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Glendale's Net Position
As of June 30,**

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 532,548	513,766	413,756	384,677	946,304	898,443
Capital assets	958,831	956,546	641,740	655,479	1,600,571	1,612,025
Total assets	1,491,379	1,470,312	1,055,496	1,040,156	2,546,875	2,510,468
Deferred outflows of resources	114,414	84,920	32,598	27,580	147,012	112,500
Total assets and deferred outflows of resources	1,605,793	1,555,232	1,088,094	1,067,736	2,693,887	2,622,968
Current liabilities	55,156	81,211	40,060	39,261	95,216	120,472
Noncurrent liabilities	628,775	566,302	348,370	344,023	977,145	910,325
Total liabilities	683,931	647,513	388,430	383,284	1,072,361	1,030,797
Deferred inflows of resources	21,956	23,240	4,491	6,495	26,447	29,735
Total liabilities and deferred inflows of resources	705,887	670,753	392,921	389,779	1,098,808	1,060,532
Net investment in capital assets	926,357	922,498	401,010	409,287	1,327,367	1,331,785
Restricted	168,556	124,491	5,669	5,669	174,225	130,160
Unrestricted	(195,007)	(162,510)	288,494	263,001	93,487	100,491
Total net position	\$ 899,906	884,479	695,173	677,957	1,595,079	1,562,436

As noted earlier, 10.9% of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$93,487 may be used to meet the government's ongoing obligations to citizens and creditors. Of this total, \$288,494 is in business-type activities such as electric, water, and sewer utilities.

CITY OF GLENDALE

Management’s Discussion and Analysis

June 30, 2018

(in thousands)

Governmental activities. Governmental activities increased the City’s net position by \$23,740. Key elements of this increase are as follows:

- Sales tax revenue increased by \$21,062 (51.3%) during the current fiscal year. The increase is mainly due to the outcome of a sales tax audit conducted by the California Department of Tax and Fee Administration (CDTFA) and closing of a liability account and transferring of the remaining revenues to the General Fund.

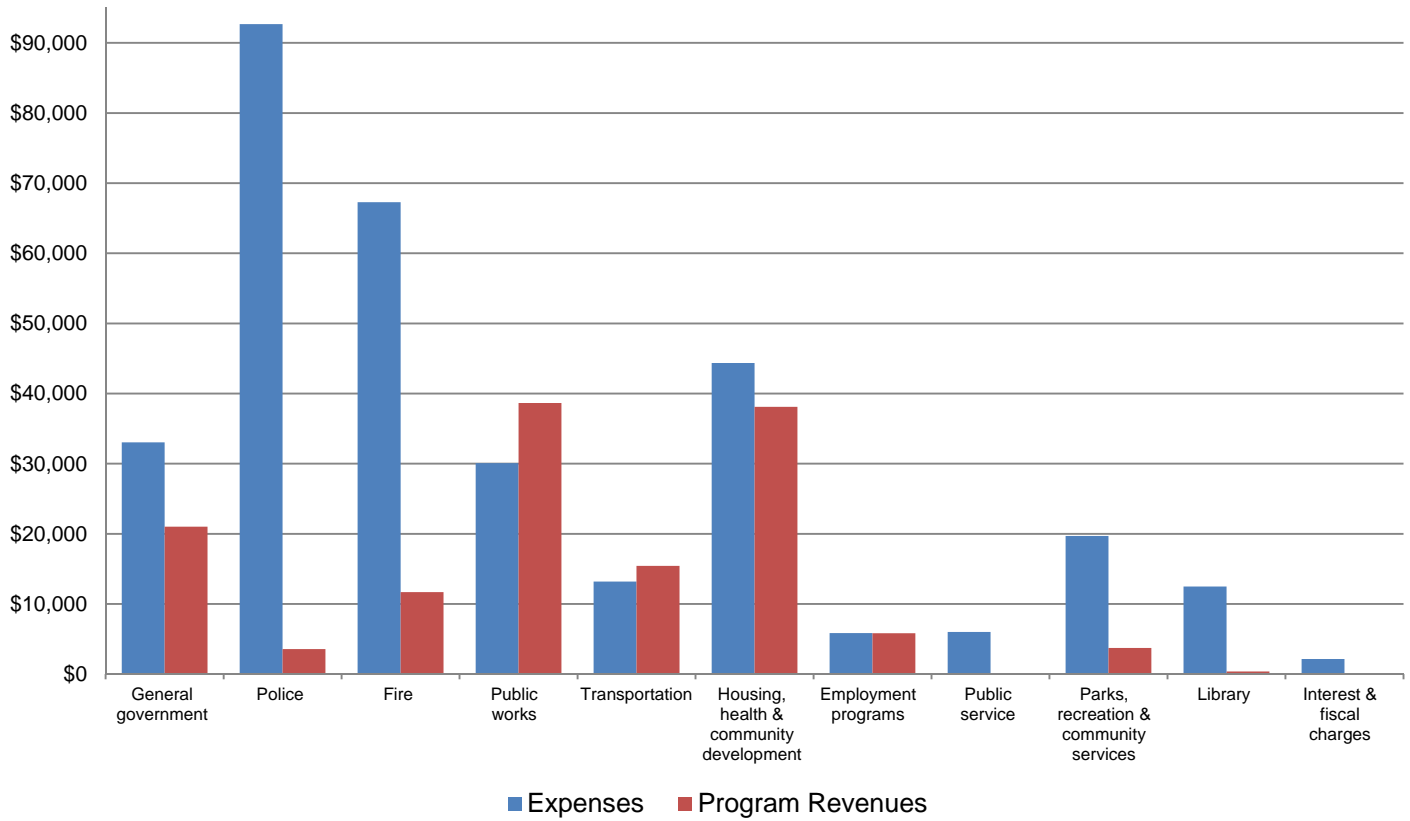
California Department of Tax and Fee Administration (CDTFA – formerly known as Board of Equalization or BOE) transitioned to a new Centralized Revenue Opportunity System (CROS) on May 7, 2018, and due to the enhanced allocation schedule under the new system, tax distributions to local governments will be accelerated going forward. Under traditional method the advances approximated quarterly tax due in four payments consisting of 1st Advance 27%, 2nd Advance 27%, 3rd Advance 36%, and final True-up 10%. Under the new method the future advances will approximate quarterly tax due in three payments consisting of 1st Advance 27%, 2nd Advance 27%, and the final True-up 46%. This change includes the 2nd Quarter 2018 revenues for FY 2017-18.

Below is the anticipated new allocation schedule:

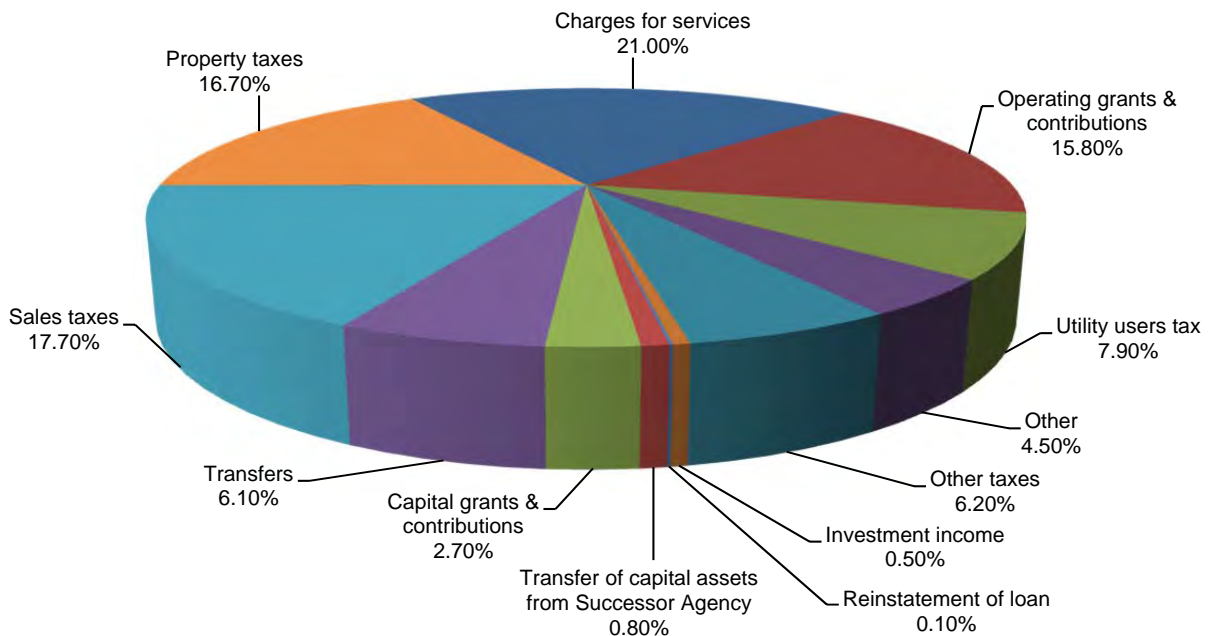
Sales Period	1 st Quarter			2 nd Quarter			3 rd Quarter			4 th Quarter		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Advance/Clean – Up Payments	27%	46%	27%	27%	46%	27%	27%	46%	27%	27%	46%	27%
Clean-Up Dates (Approx.)		2/22			5/23			8/24			11/28	
Remittance Dates (Approx.)	1/24	2/24	3/24	4/24	5/24	6/24	7/24	8/24	9/24	10/24	11/28	12/27

- Charges for services increased by \$8,047 (12.3%) compared to prior fiscal year. The increase is mainly driven by \$3,768 of cost allocation, \$1,066 of landfill tipping fee, \$504 of emergency medical response, \$209 fire fees and \$375 of special fire fees.
- Compared to prior fiscal year, property tax revenue increased by \$3,228 (5.8%). The increase is attributable to the growth in home values and the strong real estate market in the City.
- Other taxes increased by \$786 (3.7%) compared to prior fiscal year. The increase is mainly driven by landfill host assessments and transient occupancy tax. The landfill host assessment revenues increased because of the increased tonnage at the landfill. The transient occupancy tax increased because of the improved economy.
- Capital grants and contributions increased by \$671 (7.6%) during the current fiscal year. The City received \$1,411 new revenue in FY 2017-18 due to the passage of Senate Bill 1 (SB1) in April 2017. The increase from new revenue is offset by a decrease in the City’s reimbursement from grants. The major contributor to the decrease in City’s reimbursement from grant is Measure R Regional Grant. The City received \$2,294 less in FY 2017-18 compare to FY 2016-17.
- Governmental activities expense increased by \$28,933 (9.7%) during the current fiscal year. The increase is mostly driven by \$25,592 of pension expenses. The decrease in discount rate from 7.65% in FY 2016-17 to 7.15% in FY 2017-18 is the main contributor to the increase of the pension expenses.

Expenses and Program Revenues – Governmental Activities



Revenues, Transfers, Special items, and Other increases by Source – Governmental Activities



CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

**City of Glendale's Change in Net Position
For the Fiscal Year Ended June 30,**

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 73,492	65,445	309,820	307,259	383,312	372,704
Operating grants and contributions	55,448	56,317	72	207	55,520	56,524
Capital grants and contributions	9,447	8,776	12	61	9,459	8,837
General revenues:						
Taxes:						
Property taxes	58,445	55,217	-	-	58,445	55,217
Sales taxes	62,158	41,096	-	-	62,158	41,096
Utility users tax	27,805	28,605	-	-	27,805	28,605
Other taxes	21,784	20,998	-	-	21,784	20,998
Investment income	1,815	1,262	1,315	1,859	3,130	3,121
Other	15,748	22,377	9,693	8,559	25,441	30,936
Reinstatement of loans	328	206	-	-	328	206
Total revenues	<u>326,470</u>	<u>300,299</u>	<u>320,912</u>	<u>317,945</u>	<u>647,382</u>	<u>618,244</u>
Expenses:						
General government	33,037	29,958	-	-	33,037	29,958
Police	92,679	80,687	-	-	92,679	80,687
Fire	67,285	59,228	-	-	67,285	59,228
Public works	30,072	28,021	-	-	30,072	28,021
Transportation	13,196	14,215	-	-	13,196	14,215
Housing, health and community development	44,349	41,831	-	-	44,349	41,831
Employment program	5,848	6,099	-	-	5,848	6,099
Public service	5,999	6,751	-	-	5,999	6,751
Parks, recreation and community services	19,697	18,710	-	-	19,697	18,710
Library	12,485	9,590	-	-	12,485	9,590
Interest and fiscal charges	2,139	2,763	-	-	2,139	2,763
Fire communications	-	-	4,126	3,399	4,126	3,399
Sewer	-	-	20,383	16,697	20,383	16,697
Refuse disposal	-	-	20,844	19,448	20,844	19,448
Electric	-	-	188,573	186,772	188,573	186,772
Water	-	-	48,458	43,400	48,458	43,400
Total expenses	<u>326,786</u>	<u>297,853</u>	<u>282,384</u>	<u>269,716</u>	<u>609,170</u>	<u>567,569</u>
Excess before transfers and special item	(316)	2,446	38,528	48,229	38,212	50,675
Transfers	21,312	21,060	(21,312)	(21,060)	-	-
Special item: Transfer of capital assets from Successor Agency	<u>2,744</u>	<u>15,117</u>	<u>-</u>	<u>-</u>	<u>2,744</u>	<u>15,117</u>
Change in net position	<u>23,740</u>	<u>38,623</u>	<u>17,216</u>	<u>27,169</u>	<u>40,956</u>	<u>65,792</u>
Net position – Beginning of the year, as restated (Note 19)	<u>876,166</u>	<u>845,856</u>	<u>677,957</u>	<u>650,788</u>	<u>1,554,123</u>	<u>1,496,644</u>
Net position – End of the year	<u>\$ 899,906</u>	<u>884,479</u>	<u>695,173</u>	<u>677,957</u>	<u>1,595,079</u>	<u>1,562,436</u>

CITY OF GLENDALE

Management's Discussion and Analysis

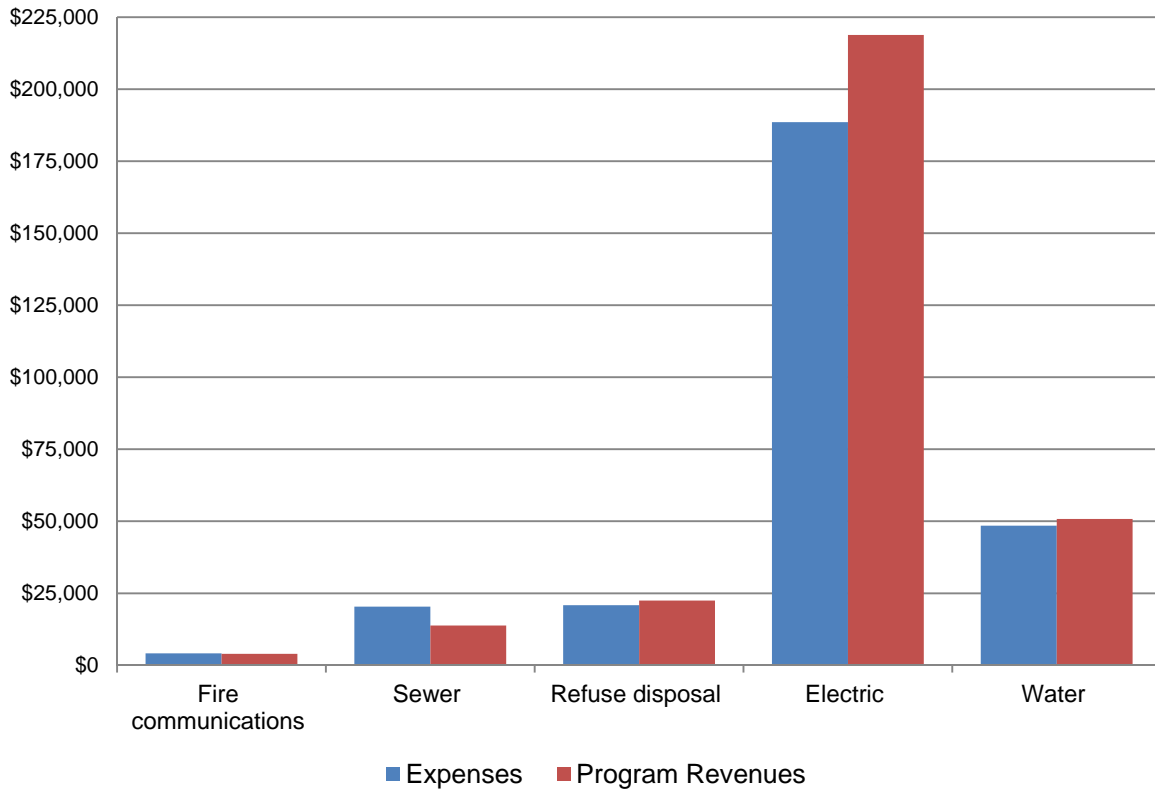
June 30, 2018

(in thousands)

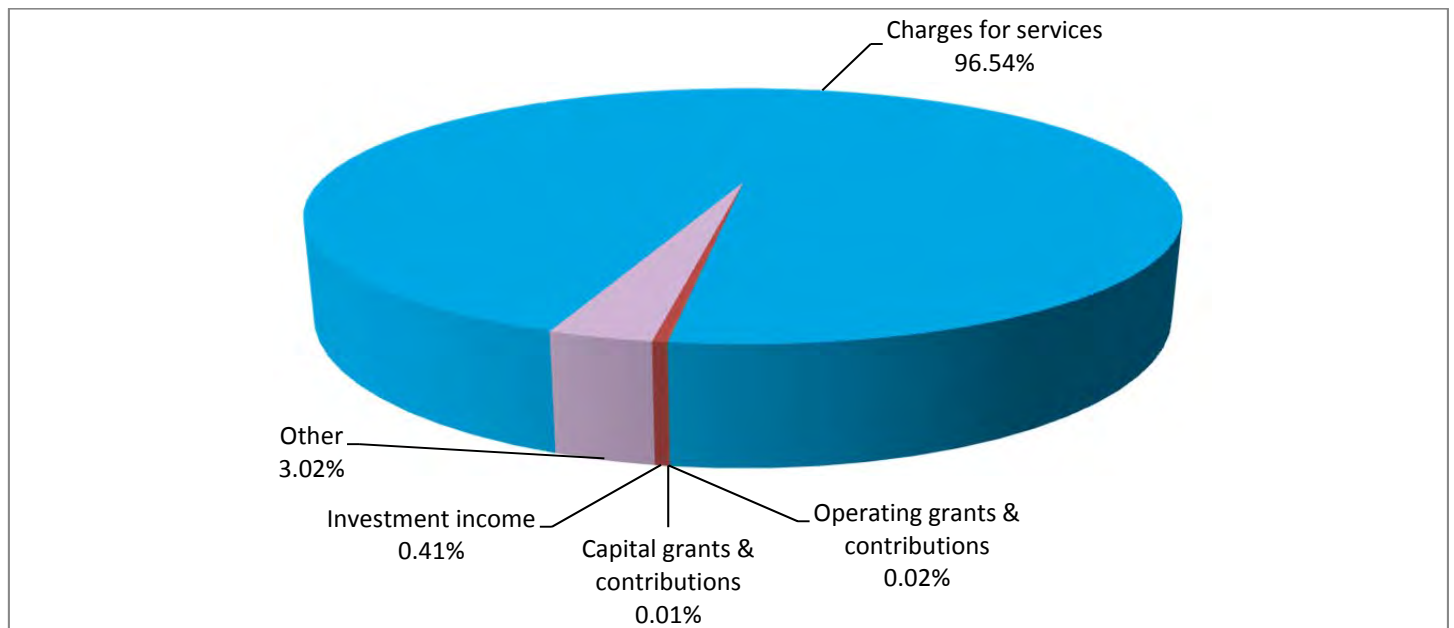
Business-type activities. Business-type activities net position increased by \$17,216. Key elements of this increase are as follows:

- Charges for services increased by \$2,561 (0.8%) during the current fiscal year. The slight increase was primarily due to Water Fund's higher retail revenues reflecting its last phase of 4% rate increase with higher water consumption and putting the Water utility on its continued path to financial recovery. Electric Fund, Sewer Fund, Refuse Fund and Fire Communication Fund's charges for services remain stable compared to prior fiscal year.
- Operating and capital grants and contributions decreased by \$184 (68.7%) during the current fiscal year. The decrease was primarily due to receiving less grant reimbursements compared to prior fiscal year as a result of full completion of the Enhanced Reduction/Coagulation/Filtration (RCF) Testing project funded by MWD in removing chromium 6 from drinking water, less grant reimbursements from CalRecycle to install recycling containers and less grant reimbursements from State of California for the Verdugo Communications Center residual funds.
- Investment income decreased by \$544 (29.3%) during the current fiscal year as a result of a decline in the fair market value of investments.
- Other revenues increased by \$1,134 (13.2%) during the current fiscal year. The increase was primarily due to higher miscellaneous revenue in Electric Fund as a result of increased collections on delinquent customer accounts and increased customer-paid revenues for mixed-use residential developments in the City.
- Sewer Fund expense increased by \$3,686 (22.1%) during the current fiscal year. The increase was mainly due to higher cost allocation charges and increased pension expenses as a result of a decrease in discount rate.
- Electric Fund expenses increased by \$1,801 (1.0%) during the current fiscal year. The slight increase was mainly due to higher transmission & distribution and customer services expenses due to increased operation & maintenance activities, which offset the decrease in production expenses as a result of lower purchased power activity.
- Water Fund expenses increased by \$5,058 (11.7%) during the current fiscal year. The increase was mainly due to higher transmission & distribution and customer services expenses due to increased operation and maintenance activities. The production expenses in general remained on par compared to prior year level.
- Other expenses increased by \$2,123 (9.3%) during the current fiscal year. The increase was mainly due to higher cost allocation charges and increased pension expenses as a result of a decrease in discount rate in Refuse Fund and Fire Communication Fund.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$331,848, an increase of \$43,917 in comparison with the prior year. About 12.9% of this total amount, \$42,728, constituted unassigned fund balance, which was available for spending at the government's discretion. The remainder of fund balance in the amount of \$289,120 was not available for new spending because it was either nonspendable, restricted, committed or assigned. Nonspendable fund balance was \$2,850. Restricted fund balance was \$193,182, which was constrained by external creditors, grantors, laws or regulations of other governments and enabling legislation. Committed fund balance was \$89,461, and the assigned fund balance was \$3,627.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance and the City Charter Section 15 general reserve of the General Fund were \$47,418 and \$28,115, respectively, while total fund balance was \$107,070. As a measure of the General Fund's liquidity, it may be useful to compare the total of City Charter Section 15 general reserve and unassigned fund balance to total fund expenditures. City Charter Section 15 general reserve and unassigned fund balance, totaling \$75,533, represented about 34.5% of FY 2017-18 General Fund expenditures plus transfers, \$218,792.

The fund balance of the City's General Fund had a net increase of \$14,201 during the current fiscal year. This net increase is primarily due to the following reasons:

- Compared to prior fiscal year, property tax revenue increased by \$3,228, which was mainly due to the growth in home values and the strong real estate market in the City.
- Compared to prior fiscal year, sales tax revenue increased by \$18,868, which was mainly due to the outcome of a sales tax audit conducted by the California Department of Tax and Fee Administration (CDTFA) and the closing of a liability account and transferring the remaining revenues to the General Fund. This is further explained on Note 13 – Contingent Liabilities and Commitments: Certain Tax Revenues.
- Compared to prior fiscal year, other taxes revenue increased by \$714, which was mainly due to higher landfill host assessments and transient occupancy tax. The landfill host assessment revenues increased because of the increased tonnage at the landfill. The transient occupancy tax increased because of the improved economy.
- Compared to prior fiscal year, licenses and permits increased by \$649, which was mainly due to the revenue from planning and building permits. Because of strong housing market and increased demands for developments in the City, more planning and building permits were issued during the fiscal year.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

- Compared to prior fiscal year, charge for services increased by \$6,624, which was mainly due to the increase in emergency medical response revenue. Because of the closing of the Emergency Medical Services Fund into the General Fund effective June 30, 2017, the emergency medical response revenue is reported in the General Fund in FY 2017-18.

The Housing Assistance Fund (Section 8 grant) had a fund balance of \$5,554, an increase of \$465, compared to the prior fiscal year. The main reason was that the City spent less administrative expenditures than the earned administrative revenue due to efficient and effective administrative operations.

The Capital Improvement Fund had a fund balance of \$23,917. In comparison with the prior fiscal year, the fund balance increased by \$10,512. Compared to prior fiscal year, more revenues were received for two main reasons: (1) \$1,066 more landfill royalty tipping fee because of increased tonnage at the landfill, and (2) a one-time transfer of \$9,000 from the General Fund to finance capital improvement within the City.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, net position was composed of \$204,673 for the Sewer Fund, \$331,787 for the Electric Fund, \$125,275 for the Water Fund, and \$39,088 for the nonmajor enterprise funds.

The net position of the Sewer Fund decreased by \$6,488 during the current fiscal year. The decrease was mainly attributable to lower single-family residential water usage during the winter months due to water conservation and increase in operating expenses due to new city cost allocation practice and increase in pension expenses mainly due to the decrease in discount rate from 7.65% in FY 2016-17 to 7.15% in FY 2017-18.

The net position of the Electric Fund increased by \$15,883 during the current fiscal year. The increase in net position was mainly due to stable electric retail sales as the Electric Fund continued year 5 of the electric rate increase of 2% in FY 2017-18 and a slight increase in operating expenses due to higher transmission & distribution and customer accounting & sales costs.

The net position of the Water Fund increased by \$4,478 during the current fiscal year. The increase in net position was due to higher water retail sales as the Water Fund continued year 4 of the water rate increase of 4% despite the absence of the drought rate revenue in FY 2017-18. The operating expenses increased compared to the prior year level due to increased transmission & distribution and customer services activities.

The net position of nonmajor enterprise funds increased by \$767 during the current fiscal year. Although there is a positive net position change in the current fiscal year, the net position compared to previous fiscal year decreased mainly due to increase in pension expenses as a result of decrease in discount rate from FY 2016-17 to FY2017-18. The overall increase in net position was primarily attributable to continued stable operations of Refuse Disposal Fund in providing residents refuse collection and disposal services, as well as Fire Communication Fund in providing residents of its member cities an emergency coordinated assistance services.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

General Fund Budgetary Highlights

In comparison to the FY 2017-18 final General Fund revenue budget, the actual revenues received had a net increase of \$8,805. Some of the revenue categories such as property taxes, licenses and permits, and charges for services came in higher when compared with budget to actual revenues due to strong housing market and increased demand for development in the City. Additionally, there was a significant increase in sales tax category, which was mainly due to the outcome of the sales tax audit conducted by the California Department of Tax and Fee Administration (CDTFA) and closing of the liability account and transferring the remaining revenues to the General Fund. This is further explained on Note 13 - Contingent Liabilities and Commitments: Certain Tax Revenues. In contrast to these increases some of the revenue categories such as utility users tax, other taxes, and interfund revenues came short when compared with budget to actual revenues. It's worth noting that the decrease in telecommunication tax under the utility users tax category is mainly due to wireless customers shifting from conventional contracts to prepaid wireless services.

In FY 2017-18, the final expense budget increased by \$17,256 in comparison to the original expense budget. The increase is driven by the following items: \$3,855 for budget carryovers, \$1,151 for salaried and hourly cost of living adjustments, \$477 for firefighter recruit academy, \$389 for Police and Fire's portion of the costs resulting from La Tuna Canyon Fire, \$143 for downtown holiday trolley service, \$330 for a ballot measure amending the City Charter relating to the date of the general municipal election, \$270 for Police department to replace nine dispatch consoles, \$489 to replace various Fire equipments and \$9,000 transfer of General Fund to the Capital Improvement Fund to fund for the following projects: 1) Fremont Park Renovation and Design; 2) Central Park Block Project; 3) Maryland Street and Alley Improvements; 4) Purchase of Maryland Rental Units.

Compared to the FY 2017-18 final General Fund expense budget, the actual expenditures were underspent by \$13,507. The variance is mainly due to salaries & benefits savings in the amount of \$6,477 as a result of vacancies, expenditures for contractual services throughout various departments in the amount of \$3,177, and capital outlay items in the amount of \$1,272, which were not completed by the end of the fiscal year. Although much of the vacant positions have been eliminated in the General Fund, vacancies still exist across almost every department as a result of employee turnovers. Some of the major outstanding items or projects that contributed to the variance were the Laemmle project in the amount of \$1,100 and the Central Block project in the amount of \$238 under Economic Development, and the Central Library's radio frequency identification equipment in the amount of \$97. The General Fund transfer was overspent by \$101 due to the 1.75% transfer of sales tax revenue to the Capital Improvement Fund coming in higher than anticipated.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$1,600,571 (net of \$878,464 accumulated depreciation, \$11,025 accumulated gas depletion and \$49,526 accumulated amortization). This investment in capital assets includes land, natural gas reserve, buildings and improvements, machinery and equipment, infrastructure, intangible assets, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was 0.7%; this represents a 0.2% increase for governmental activities and a 2.1% decrease for business-type activities.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

Major capital asset events during the current fiscal year included the following:

- In FY 2017-18, the City purchased 4 Dial a Ride vans and 2 Dial a Ride buses in the amount of \$516, 2 Pierce Fire Engines in the amount of \$1,379 and 2 Fire ambulances in the amount of \$401.
- The following projects contributed to the increase in the capital and intangible assets in the Sewer Fund: \$2,901 for Los Angeles-Glendale Water Reclamation Plant, \$3,016 for Hyperion Wastewater System and \$5,136 for Chevy Chase Sewer Diversion. The City is upgrading the Los Angeles – Glendale Water Reclamation Plant and Hyperion Wastewater Treatment Plant and Conveyance System Facilities to meet federal and state mandates. The Chevy Chase Sewer Diversion project is for constructing approximately 4,300 linear feet of gravity sewer pipeline.
- Electric Fund increased in capital assets is mostly driven by capital improvement projects such as \$3,653 repowering of new gas units in Grayson Power Plant and \$422 to replace the catalyst in Unit 9.
- The following capital improvement projects contributing to the capital assets increased in Water Fund: \$935 for extension of the recycled water mains to Hoover High School, Eleanor Toll Middle School and Mark Keppel Elementary School. \$902 for improvement of site and slope at various water facilities in order to insure the safety of GWP staff when accessing the facilities and to protect the facilities and adjacent properties for road and slope failures.
- The timely reviewing and closing of capital improvement projects resulted in a higher depreciation expense.

City of Glendale's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 421,820	421,748	9,557	9,557	431,377	431,305
Natural gas reserve	-	-	22,150	22,149	22,150	22,149
Buildings and improvements	413,513	400,720	276,064	271,976	689,577	672,696
Machinery and equipment	127,426	134,686	583,019	562,591	710,445	697,277
Infrastructure	325,498	324,734	156,433	152,130	481,931	476,864
Construction in progress	36,617	48,882	60,827	76,681	97,444	125,563
Intangible assets	1,001	-	105,661	102,644	106,662	102,644
Total capital assets	<u>1,325,875</u>	<u>1,330,770</u>	<u>1,213,711</u>	<u>1,197,728</u>	<u>2,539,586</u>	<u>2,528,498</u>
Less: Accumulated depreciation	(367,014)	(374,224)	(511,450)	(486,024)	(878,464)	(860,248)
Less: Accumulated gas depletion	-	-	(11,025)	(9,854)	(11,025)	(9,854)
Less: Accumulated amortization	(30)	-	(49,496)	(46,371)	(49,526)	(46,371)
Net of depreciation, depletion, and amortization	<u>\$ 958,831</u>	<u>956,546</u>	<u>641,740</u>	<u>655,479</u>	<u>1,600,571</u>	<u>1,612,025</u>

Additional information on the City's capital assets can be found in Note 6 on pages 68-69.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

Long-term debt and liabilities. The City's total debt and liabilities decreased by \$4,951 (1.2%) in FY 2017-18. The decrease was mainly due to a combination of items such as an increase of claims payable of \$1,874; an increase of compensated absences of \$1,530; and an increase of landfill postclosure care of \$1,553; as well as decreases in other debt through regular annual debt retirements.

City of Glendale's Debt and Liabilities

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Claims payable	\$ 53,268	51,394	-	-	53,268	51,394
Compensated absences	22,584	21,395	6,450	6,109	29,034	27,504
Landfill postclosure care	48,612	47,059	-	-	48,612	47,059
Certificates of Participation (COPs)	31,880	33,785	-	-	31,880	33,785
Other long-term liabilities:						
Capital Lease-Fire equipment lease						
2009 – Wells Fargo	-	262	-	-	-	262
2011 HUD Section 108 loan	908	1,111	-	-	908	1,111
Loans payable	594	-	-	-	594	-
Total other long-term liabilities	1,502	1,373	-	-	1,502	1,373
Bonds payable:						
Electric Revenue Bonds, 2008 series	-	-	-	1,880	-	1,880
Electric Revenue Bonds, 2013 refunding series	-	-	21,403	22,539	21,403	22,539
Electric Revenue Bonds, 2013 series	-	-	60,020	61,307	60,020	61,307
Electric Revenue Bonds, 2016 refunding series	-	-	85,127	87,085	85,127	87,085
Water Revenue Bonds, 2008 series	-	-	43,655	45,089	43,655	45,089
Water Revenue Bonds, 2012 series	-	-	35,096	35,533	35,096	35,533
Total bonds payable	-	-	245,301	253,433	245,301	253,433
Total long-term debt and liabilities	\$ 157,846	155,006	251,751	259,542	409,597	414,548

Credit ratings

Municipal bond ratings provide investors with a simple way to compare the relative investment quality of different bonds. Bond ratings express the opinions of the rating agencies as to the issuer's ability and willingness to pay debt service when it is due. In general, the credit rating analysis includes the evaluation of the relative strengths and weaknesses of the following four factors as they affect an issuer's ability to pay debt and service: fiscal, economic, debt and administrative/management factors. The City continues to receive high general credit ratings from all three national rating agencies, despite the difficult financial and economic conditions the national and local economy has been faced with and continues to have a strong capacity to meet its financial commitments on obligations.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

The City's bond ratings as of June 30, 2018 are as follows:

Debt Issue	Moody's	Standard & Poor's (S & P)	Fitch Ratings'
Issuer credit rating (Implied General Obligation)	Aa2	AA+	AA+
Certificates of Participation (COPs)	Aa3	-	AA
Electric revenue bonds, 2013 refunding series	Aa3	AA-	A+
Electric revenue bonds, 2013 series	Aa3	AA-	A+
Electric revenue bonds, 2016 refunding series	-	AA-	A+
Water revenue bonds, 2008 series	A1	A+	A+
Water revenue bonds, 2012 series	A1	A+	A+

Electric revenue bonds, 2008 series were fully redeemed on February 1, 2018.

Legal Debt Margins

Under the City Charter, the total bonded debt of the city shall at no time exceed 15% of the net assessed value of all real and personal property within the City limits ("debt limit"). General obligation debt is debt secured by the City's property tax revenues. As of June 30, 2018, the City's net assessed value of taxable property was \$24.2 billion and has no general obligation debt.

Debt Administration

Finance works to ensure that the City meets its debt administration obligations to:

- Pay debt service timely;
- Monitor trustee-held accounts and guaranteed investment contracts;
- Comply with bond covenants and Internal Revenue Service (IRS) rules and regulations;
- Provide continuing disclosure and other reports to the municipal bond market;
- Manage liquidity and credit enhancement contracts.

Continuing Disclosure

On November 10, 1994, the Securities and Exchange Commission ("SEC") adopted amendments to existing federal regulations ("Rule 15c-12" or the "Rule") under which municipalities issuing securities on or after July 3, 1995 are required to:

- Prepare official statements meeting current requirements of the Rule;
- Annually file certain financial information and operating data with national and state repositories;
- Prepare announcements of the significant events enumerated in the Rule.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

As of June 30, 2018, the City had 5 series of bonds subject to Continuing Disclosure requirements. The City prepares the Continuing Disclosure (financial and operating information) for its 5 series bonds and engaged a dissemination agent, the Trustee to disseminate such disclosures. These disclosures are disseminated through the use of Electronic Municipal Market Access ("EMMA"), the Municipal Securities Rulemaking Board's ("MSRB") disclosure website. Timely and accurate communication with the municipal marketplace is vital in retaining the City's creditworthiness and market access. Continuing Disclosure and compliance reporting constitute a significant part of Debt Management's compliance activity for the life of each series of bonds.

Additional information on the City's long-term debt can be found in Note 8 on pages 70-75 of this report.

Economic Factors and Next Year's Budget and Rates

Over the upcoming years, the U.S. economy is expected to remain on a fairly steady growth, and with continued job advancement and low unemployment rates, consumer spending is expected to stay on an upward trail for FY 2018-19. With the recent tax overhaul, and assuming that consumers indeed see increased annual after-tax earnings, personal consumption expenditures are expected to grow by 1.8% during 2018, a slight drop from the 2.7% growth of 2017. Combined with concerns surrounding political uncertainty, and at the same time, optimism for a healthy and growing economy, economists project a 2.3% growth in GDP for 2018, slightly down from a 2.4% increase in 2017.

California remains the largest economy when compared to any other state in the U.S. (14.1% of total U.S. GDP) and it is forecasted to grow an additional 2.7% during 2018, which is faster than the nation's projected growth of 2.3%. However, even with the stable growth in GDP, California's economy has slowed down from the years of 2014 and 2015 when the growth rate was close to 4.0%. Over the duration of 2017, almost all major industry sectors in California have increased in number of jobs. At the forefront of private sector job growth are the healthcare, hospitality, and construction industries. For the manufacturing and natural resources industries, although the sectors continue to shed jobs annually, they are expected to stabilize and add jobs in the upcoming years. In consideration to these assumptions, California's unemployment rate is expected to continue its gradual decline from 4.8% in 2017 to 4.4% in 2018. With continued improvements in the labor market, personal income should increase by 2.9% with persistent growth forecasted for 2018.

More locally, Los Angeles County is expected to experience further improvements to its unemployment rate, dropping from 4.6% in 2017 to 4.3% in 2018. It is forecasted that all industry sectors will be adding jobs over the upcoming two years with the strongest in the private sector being the healthcare, hospitality, Administrative, Construction, and Retail Trade. With this, total personal income across the county is expected to increase by 2.9% in 2018, slightly down from 3.8% in 2017. As for the housing market, the median home price in Los Angeles County has experienced an increase of 8.0% in 2017 and is forecasted to see an additional increase of 5.6% in 2018.

The City's FY 2018-19 Budget incorporates the policy direction of the City Council for services and programs to address the needs of the community, which is structurally balanced with projected resources available to support all projected expenditures. The total budget for FY 2018-19 is \$887,300 and includes all City funds, departments and programs.

The General Fund's budget is \$227,800 from which the City pays for services commonly associated with local government: police and fire services, libraries, parks, public works, and administration. FY 2018-19 General Fund budget reflects an anticipated surplus of \$1,600. This is a vast improvement relative to FY 2017-18 when the City adopted with a budget gap of \$629.

CITY OF GLENDALE

Management's Discussion and Analysis

June 30, 2018

(in thousands)

The FY 2018-19 General Fund adopted budget reflects an increase of \$12,700, when compared to FY 2017-18 adopted budget. The increase in the Salaries & Benefits category included \$2,150 for program and service level adjustments in personnel costs that were added across multiple General Fund departments, and \$1,800 for Worker's Compensation which is mainly due to an increase in the safety internal service fund rates. The increase in Salaries & Benefits is also the result of a budgeted \$6,300 increase in PERS costs (net of employee cost sharing). CalPERS' sustained significant investment losses during the Great Recession, the impacts of which continue to reverberate through just about every government agency in the state. Hence, Glendale is not alone in seeing higher employer costs from CalPERS due to the City's obligation to pick up the partial tab for those investment losses and CalPERS' low returns in subsequent years. Due to the recent adoption of more conservative actuarial and investment policies by the CalPERS Board (e.g. lowering their anticipated rate of return and extending the life expectancy of annuitants), the City has been advised by our outside actuary to continue to expect increases to our annual costs going forward. These risk mitigation policies will eventually rebuild the CalPERS fund and lower the burden on local governments that have committed to provide reasonable retirements for their employees.

With rising PERS costs, the City Council took a proactive step to address the matter by voting to establish a Pension Rate Stabilization Trust (i.e. a Section 115 Trust) at the time of the FY 2017-18 budget adoption, and approved for a deposit of funding in July 2017. Glendale joined a group of more than 80 public agencies across the state to have adopted this rate-stabilization strategy. Since the establishment of the trust, City Council has authorized the deposit of \$26,500 of one-time surplus revenues. This decision demonstrates the City Council's intent to keep rising PERS costs at a containable level—ideally below 20% of the Adopted General Fund Budget. City staff is actively assessing other strategies to address the trend in rising PERS costs and will work to implement more solutions in the coming years.

For FY 2018-19, the Adopted Budget for the Special Revenue Funds reflects an increase of \$12,600 when compared to the FY 2017-18 Adopted Budget. The most notable of these increases include \$5,500 in the Housing Assistance Fund due to an increase in anticipated revenue to be received, and a \$2,800 increase to support transit projects funded by the Measure R Sub-regional Return Fund.

As for the City's Capital Improvement Program Funds, there is an increase of \$12,400 compared to FY 2017-18 primarily due to the increase in the General Fund's support of the City's Capital Improvement Program in the amount of \$10,200. The majority of this funding is from one-time sales tax money that was received through an audit performed by the State of California. Some of the major and exciting projects that are in store for the City of Glendale includes the design and enhancement of the Artsakh Paseo and Alley, the renovation of Fremont Park, and the master design of the Central Park block.

For the Internal Service Funds, there is a net increase of \$6,500 compared to FY 2017-18. The major increases are attributable to a \$2,000 increase in the Fleet/Equipment Management Fund due to requests for more capital outlay, vehicle maintenance and equipment, and a \$4,900 increase in the ISD Infrastructure Fund due to an increase in project appropriation. Aging technology infrastructure supported by the ISD Funds and the need to fund future replacement of vehicles in the Fleet/Equipment Replacement Fund continue to pose financial challenges that need to be addressed in the coming years.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance, 141 North Glendale Avenue, Suite 346, Glendale, CA 91206.

This page is left blank intentionally.

Exhibit A-1

CITY OF GLENDALE

Statement of Net Position

June 30, 2018 (in thousands)

	Governmental Activities	Business-type Activities	Total
Assets and deferred outflows of resources			
Current assets:			
Pooled cash and investments	\$ 402,337	202,716	605,053
Cash and investments with fiscal agent	52	8,648	8,700
Investment-gas/electric commodity	-	1,500	1,500
Interest receivable	1,933	1,441	3,374
Accounts receivable, net	33,210	39,167	72,377
Internal balances	(800)	800	-
Inventories	396	6,955	7,351
Prepaid items	4,489	11,460	15,949
Total current assets	<u>441,617</u>	<u>272,687</u>	<u>714,304</u>
Noncurrent assets:			
Capital assets, net of depreciation:			
Land	421,820	9,557	431,377
Natural gas reserve	-	11,125	11,125
Buildings and improvements	243,760	171,012	414,772
Machinery and equipment	39,979	232,300	272,279
Infrastructure	215,684	100,754	316,438
Construction in progress	36,617	60,827	97,444
Intangible	971	56,165	57,136
Total capital assets	<u>958,831</u>	<u>641,740</u>	<u>1,600,571</u>
Designated cash and investments	-	135,400	135,400
Restricted cash and investments	59,455	5,669	65,124
Loans receivable	30,495	-	30,495
Property held for resale	981	-	981
Total noncurrent assets	<u>1,049,762</u>	<u>782,809</u>	<u>1,832,571</u>
Total assets	<u>1,491,379</u>	<u>1,055,496</u>	<u>2,546,875</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	113,907	28,027	141,934
Loss on refunding	-	4,571	4,571
Deferred outflows related to OPEB	507	-	507
Total deferred outflows of resources	<u>114,414</u>	<u>32,598</u>	<u>147,012</u>
Total assets and deferred outflows of resources	<u>\$ 1,605,793</u>	<u>1,088,094</u>	<u>2,693,887</u>

(Continued)

CITY OF GLENDALE

Statement of Net Position

June 30, 2018 (in thousands)

	Governmental Activities	Business-type Activities	Total
Liabilities, deferred inflows of resources and net position			
Current liabilities:			
Accounts payable	\$ 18,401	18,476	36,877
Accrued wages and withholding	9,675	3,424	13,099
Interest payable	101	4,364	4,465
Claims payable	14,369	-	14,369
Compensated absences	2,433	704	3,137
Certificates of participation	1,985	-	1,985
Bonds payable	-	8,068	8,068
Unearned revenues	580	-	580
Deposits	6,806	5,024	11,830
Other liabilities	806	-	806
Total current liabilities	<u>55,156</u>	<u>40,060</u>	<u>95,216</u>
Noncurrent liabilities:			
Claims payable	38,899	-	38,899
OPEB liability	15,738	-	15,738
Compensated absences	20,151	5,746	25,897
Landfill postclosure	48,612	-	48,612
Net pension liability	474,784	105,391	580,175
Certificates of participation	29,895	-	29,895
Bonds payable	-	237,233	237,233
Other liabilities	696	-	696
Total noncurrent liabilities	<u>628,775</u>	<u>348,370</u>	<u>977,145</u>
Total liabilities	<u>683,931</u>	<u>388,430</u>	<u>1,072,361</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	20,363	4,491	24,854
Deferred inflows related to OPEB	1,593	-	1,593
Total deferred inflows of resources	<u>21,956</u>	<u>4,491</u>	<u>26,447</u>
Total liabilities and deferred inflows of resources	<u>705,887</u>	<u>392,921</u>	<u>1,098,808</u>
Net position:			
Net investment in capital assets	926,357	401,010	1,327,367
Restricted			
City Charter - Sec. 15 general reserve	28,115	-	28,115
Pension stabilization	27,605	-	27,605
Federal and state grants	6,854	-	6,854
Public safety	2,594	-	2,594
Youth employment	44	-	44
Transportation	30,324	-	30,324
Landscaping district	207	-	207
Low and moderate housing	20,459	-	20,459
Air quality improvement	518	-	518
SCAQMD emission controls	-	5,669	5,669
Cable access	3,401	-	3,401
Electric public benefit AB1890	5,146	-	5,146
State gas tax mandates	4,405	-	4,405
Capital projects	38,884	-	38,884
Unrestricted	<u>(195,007)</u>	<u>288,494</u>	<u>93,487</u>
Total net position	<u>\$ 899,906</u>	<u>695,173</u>	<u>1,595,079</u>

CITY OF GLENDALE

Statement of Activities

Fiscal Year Ended June 30, 2018 (in thousands)

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position			
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental Activities:							
General government	\$ 33,037	20,810	36	180	(12,011)	-	(12,011)
Police	92,679	1,487	1,755	328	(89,109)	-	(89,109)
Fire	67,285	9,672	1,982	35	(55,596)	-	(55,596)
Public works	30,072	29,117	1,072	8,453	8,570	-	8,570
Transportation	13,196	7,115	8,313	-	2,232	-	2,232
Housing, health and community development	44,349	177	37,893	46	(6,233)	-	(6,233)
Employment programs	5,848	1,691	3,894	225	(38)	-	(38)
Public service	5,999	-	-	-	(5,999)	-	(5,999)
Parks, recreation and community services	19,697	3,285	335	113	(15,964)	-	(15,964)
Library	12,485	138	168	67	(12,112)	-	(12,112)
Interest and fiscal charges	2,139	-	-	-	(2,139)	-	(2,139)
Total governmental activities	326,786	73,492	55,448	9,447	(188,399)	-	(188,399)
Business-type activities:							
Fire communications	4,126	3,984	3	-	-	(139)	(139)
Sewer	20,383	13,806	-	-	-	(6,577)	(6,577)
Refuse disposal	20,844	22,417	69	-	-	1,642	1,642
Electric	188,573	218,842	-	-	-	30,269	30,269
Water	48,458	50,771	-	12	-	2,325	2,325
Total business-type activities	282,384	309,820	72	12	-	27,520	27,520
Total primary government	\$ 609,170	383,312	55,520	9,459	(188,399)	27,520	(160,879)
General revenues:							
Taxes:							
Property taxes				\$ 58,445	-		58,445
Sales taxes				62,158	-		62,158
Utility users tax				27,805	-		27,805
Other taxes				21,784	-		21,784
Investment income				1,815	1,315		3,130
Other				15,748	9,693		25,441
Reinstatement of loans				328	-		328
Transfers				21,312	(21,312)		-
Special item:							
Transfer of capital assets from Successor Agency				2,744	-		2,744
Total general revenues, transfers and special item				212,139	(10,304)		201,835
Change in net position				23,740	17,216		40,956
Net position, July 1, as restated				876,166	677,957		1,554,123
Net position, June 30				\$ 899,906	695,173		1,595,079

Exhibit B-1
CITY OF GLENDALE
 Balance Sheet
 Governmental Funds
 June 30, 2018 (in thousands)

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Assistance Fund	Capital Improvement Fund		
Assets					
Pooled cash and investments	\$ 78,002	3,194	22,704	169,859	273,759
Cash and investments with fiscal agent	-	-	-	52	52
Restricted cash and investments	27,605	-	-	31,850	59,455
Interest receivable	454	12	-	680	1,146
Accounts receivable, net	14,833	193	1,834	13,077	29,937
Due from other funds	5,493	-	-	-	5,493
Inventories	189	-	-	-	189
Prepaid items	116	2,498	-	47	2,661
Loans receivable	23,271	-	-	-	23,271
Property held for resale	-	-	-	981	981
Total assets	149,963	5,897	24,538	216,546	396,944
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	5,597	91	595	7,533	13,816
Due to other funds	-	-	-	5,278	5,278
Loans payable	-	-	-	594	594
Interest payable	-	-	-	92	92
Wages and benefits payable	7,441	127	26	1,068	8,662
Unearned revenues	-	-	-	580	580
Deposits	6,584	-	-	222	6,806
Total liabilities	19,622	218	621	15,367	35,828
Deferred inflows of resources:					
Unavailable revenues	23,271	125	-	5,872	29,268
Total liabilities and deferred inflows of resources	\$ 42,893	343	621	21,239	65,096

(Continued)

Exhibit B-1
CITY OF GLENDALE
 Balance Sheet
 Governmental Funds
 June 30, 2018 (in thousands)

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Housing Assistance Fund	Capital Improvement Fund		
Fund Balances:					
Nonspendable:					
Inventory	\$ 189	-	-	-	189
Prepaid	116	2,498	-	47	2,661
Restricted for:					
Property held for resale	-	-	-	981	981
City Charter - Sec. 15 general reserve	28,115	-	-	-	28,115
Pension stabilization	27,605	-	-	-	27,605
Federal and state grants	-	3,056	-	3,798	6,854
Public safety	-	-	-	2,594	2,594
Youth employment	-	-	-	44	44
Transportation	-	-	-	30,324	30,324
Landscaping district	-	-	-	207	207
Low and moderate housing	-	-	-	12,254	12,254
Air quality improvement	-	-	-	518	518
Cable access	-	-	-	3,401	3,401
Electric public benefit AB1890	-	-	-	5,146	5,146
State gas tax mandates	-	-	-	4,405	4,405
Landfill postclosure	-	-	-	31,850	31,850
Capital projects	-	-	-	38,884	38,884
Committed to:					
Debt service	-	-	-	16,429	16,429
Urban art	-	-	-	6,974	6,974
Public safety	-	-	-	333	333
Impact fee funded projects	-	-	-	24,565	24,565
Capital projects	-	-	23,917	-	23,917
Filming	-	-	-	945	945
Recreation	-	-	-	3,775	3,775
Hazardous Materials	-	-	-	2,885	2,885
Parking	-	-	-	9,638	9,638
Assigned to:					
Economic development	3,530	-	-	-	3,530
Capital projects	97	-	-	-	97
Unassigned:	47,418	-	-	(4,690)	42,728
Total fund balances	107,070	5,554	23,917	195,307	331,848
Total liabilities, deferred inflows of resources and fund balances	\$ 149,963	5,897	24,538	216,546	396,944

CITY OF GLENDALEReconciliation of Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2018 (in thousands)

Fund balances of governmental funds		\$	331,848
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets are not included as financial resources in the governmental funds:			
Land	\$	421,820	
Buildings and improvements		243,588	
Equipment		17,077	
Infrastructure		215,684	
Intangible		584	
Construction in progress		<u>29,110</u>	927,863
Long-term debt not included in the governmental funds:			
Due within one year:			
Certificates of participation		(1,985)	
2011 HUD Section 108 loan		<u>(212)</u>	(2,197)
Due more than one year:			
Certificates of participation		(29,895)	
Landfill postclosure		(48,612)	
2011 HUD Section 108 loan		<u>(696)</u>	(79,203)
Accrued interest payable for the current portion of interest due is not included in the governmental funds:			
2011 HUD Section 108 loan			(8)
Unavailable revenue in the governmental funds is revenue in the statement of activities			29,268
Loans receivable housing long term - non-forgiven portion			7,224
Deferred outflows of resources related to pensions			113,907
Deferred inflows of resources related to pensions			(20,363)
Net pension liability			(474,784)
Deferred outflows of resources related to OPEB			507
Deferred inflows of resources related to OPEB			(1,593)
OPEB liability			(15,738)
Internal service funds are used to charge the cost of certain activities to individual funds, such as self insurance, and post employment benefits. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position:			
Other improvements, net		172	
Equipment, net		22,901	
Intangibles, net		388	
Construction in progress		7,508	
Other assets and liabilities, net		<u>52,206</u>	<u>83,175</u>
Net position of governmental activities		\$	<u><u>899,906</u></u>

Exhibit C-1

CITY OF GLENDALE

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Major Funds				Total Governmental Funds
	General Fund	Housing Assistance Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
Revenues:					
Property taxes	\$ 58,445	-	-	-	58,445
Sales tax	57,703	-	-	4,455	62,158
Utility users tax	27,805	-	-	-	27,805
Other taxes	14,660	-	-	7,124	21,784
Revenue from other agencies	694	31,954	-	37,656	70,304
Licenses and permits	10,914	-	-	2,826	13,740
Fines and forfeitures	2,548	-	-	2,752	5,300
Charges for services	10,575	-	6,543	22,844	39,962
Use of money and property	9,126	51	-	989	10,166
Interfund revenue	17,410	-	-	-	17,410
Miscellaneous revenue	1,801	29	-	2,494	4,324
Total revenues	211,681	32,034	6,543	81,140	331,398
Expenditures:					
Current:					
General government	28,282	-	-	584	28,866
Police	80,531	-	-	2,042	82,573
Fire	56,976	-	60	3,140	60,176
Public works	13,849	-	986	8,709	23,544
Transportation	-	-	-	14,271	14,271
Housing, health and community development	3,910	31,569	-	5,500	40,979
Employment programs	-	-	-	5,680	5,680
Public service	-	-	-	5,951	5,951
Parks, recreation and community services	12,348	-	156	4,139	16,643
Library	10,161	-	58	1,010	11,229
Capital outlay	669	-	2,975	12,546	16,190
Debt service:					
Interest	-	-	-	583	583
Principal	-	-	-	2,108	2,108
Total expenditures	206,726	31,569	4,235	66,263	308,793
Excess of revenues over expenditures	4,955	465	2,308	14,877	22,605
Other financing sources (uses):					
Transfers in	21,312	-	10,204	3,862	35,378
Transfers out	(12,066)	-	(2,000)	-	(14,066)
Total other financing sources (uses)	9,246	-	8,204	3,862	21,312
Net change in fund balances	14,201	465	10,512	18,739	43,917
Fund balances, July 1	92,869	5,089	13,405	176,568	287,931
Fund balances, June 30	\$ 107,070	5,554	23,917	195,307	331,848

Exhibit C-2

CITY OF GLENDALE

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2018 (in thousands)

Net change in fund balances - total governmental funds		\$	43,917
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures			18,464
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation and amortization expenses			(20,751)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:			
Certificates of participation	\$	1,905	
2011 HUD Section 108		<u>203</u>	2,108
Landfill postclosure care liability increased from prior year			(1,553)
Unavailable revenue in the governmental funds are recognized as revenues in the statement of activities			(370)
Governmental funds report OPEB benefits paid to retirees as expenditures. However, in the statement of activities, OPEB expense is measured as the change in total OPEB liability and the amortization of deferred outflows and inflows related to OPEB. This amount represents the net change in OPEB related amounts			154
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts			(20,623)
Accrued interest 2011 Section 108 loan			(1)
Reinstatement of loans from former Redevelopment Agency to the City			328
Payment of loans from former Redevelopment Agency to the City			(4,885)
Transfer of capital assets from Successor Agency			2,744
Change in net position of internal service funds allocated to governmental activities:			
Capital assets		2,827	
Depreciation		(1,890)	
Amortization		(9)	
Interest - Fire Equipment Lease 2009		(4)	
Other revenue/(expenses)		<u>3,284</u>	<u>4,208</u>
Change in net position for governmental activities		\$	<u><u>23,740</u></u>

Exhibit D-1

CITY OF GLENDALE

Statement of Revenues and Other Financing Sources - Budget and Actual

General Fund

Fiscal Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Over/(Under)
Property taxes	\$ 56,229	57,429	58,445	1,016
Sales taxes:				
Sales tax	39,111	40,111	46,801	6,690
Sales tax audit findings	-	9,000	9,000	-
State 1/2% sales tax	1,905	1,905	1,902	(3)
Total	41,016	51,016	57,703	6,687
Utility users tax	30,054	29,354	27,805	(1,549)
Other Taxes:				
Franchise tax	2,800	2,800	2,406	(394)
Occupancy tax	8,059	8,059	6,999	(1,060)
Property transfer tax	1,000	1,100	1,251	151
Landfill host assessment	3,000	3,500	4,004	504
Total	14,859	15,459	14,660	(799)
Licenses and permits:				
Dog licenses	150	150	170	20
Building permits	5,700	5,700	6,330	630
Green building initiative SB 1473	-	-	1	1
American Disability Act SB 1186	-	-	11	11
Plan check fees	400	400	443	43
Planning permits	1,470	1,600	1,923	323
Grading permits	102	102	125	23
Street permits	1,000	1,000	1,109	109
Business license permits	575	575	628	53
Business registration license	200	200	174	(26)
Total	9,597	9,727	10,914	1,187
Fines and forfeitures-traffic safety fines	2,622	2,522	2,548	26
Use of money and property:				
Interest and investment revenue	1,020	1,020	2,474	1,454
Interest and investment GASB 31	-	-	(1,242)	(1,242)
Landfill gas royalties	2,475	2,475	2,473	(2)
Rental income	550	550	536	(14)
Loan repayment	4,885	4,885	4,885	-
Total	8,930	8,930	9,126	196
Revenue from other agencies:				
State grants	12	12	-	(12)
State SB 90	100	100	130	30
Motor vehicle in lieu fee	-	-	106	106
Special fire revenue	-	-	376	376
Local grants	-	50	82	32
Total	\$ 112	162	694	532

(Continued)

Exhibit D-1

CITY OF GLENDALE

Statement of Revenues and Other Financing Sources - Budget and Actual

General Fund

Fiscal Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Over/(Under)
Miscellaneous revenue:				
Donations and contributions	\$ -	-	15	15
Sponsorships	45	45	60	15
Advertising revenue	130	130	120	(10)
Miscellaneous revenue	1,281	1,281	1,606	325
Total	1,456	1,456	1,801	345
Charges for services:				
Zoning subdivision fees	200	200	197	(3)
City clerk fees	-	-	1	1
Map and publication fees	90	90	68	(22)
Filing-certification fee	20	20	34	14
Special police fees	800	800	981	181
Vehicle tow admin cost recovery (VTACR)	450	450	444	(6)
Fire fees	1,274	1,274	1,428	154
Emergency medical response	5,150	5,150	5,877	727
Paramedic membership fee	90	90	100	10
Code enforcement fees	40	40	80	40
Administrative citations	40	40	84	44
Outreach revenue	30	30	13	(17)
Express plan check fees	425	425	769	344
Final map checking fees	-	-	3	3
Excavation fees	224	224	229	5
Construction inspection fees	154	154	125	(29)
Collectible jobs	35	35	27	(8)
Library fines and fees	90	90	48	(42)
Program/registration revenue	11	11	10	(1)
Credit/Debit card service fee	100	100	74	(26)
Merchant fee charges	(100)	(100)	(58)	42
Graphics fees	100	100	40	(60)
Total	9,223	9,223	10,575	1,352
Interfund revenue:				
Charges to enterprise funds for:				
Benefits cost recovery	500	-	-	-
Cost allocation revenue	17,600	17,600	17,410	(190)
Total	18,100	17,600	17,410	(190)
Other financing sources:				
Transfers in	21,310	21,310	21,312	2
Total revenues and transfers	\$ 213,508	224,188	232,993	8,805

Exhibit D-2
CITY OF GLENDALE
Statement of Expenditures and Other
Financing Uses - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2018 (in thousands)

	Salaries and Benefits			Variance With Final Budget (Over)/Under
	Original Budget	Final Budget	Actual	
General government:				
City clerk	\$ 700	713	620	93
Elections	43	44	3	41
City treasurer	640	651	642	9
City manager	3,157	3,200	3,004	196
Innovation, performance and audit	1,119	1,131	879	252
Legal	3,400	3,452	3,247	205
Finance	4,004	4,085	3,785	300
Planning	8,316	8,476	8,358	118
Personnel	2,352	2,342	2,046	296
Non-departmental	-	-	-	-
Total	<u>23,731</u>	<u>24,094</u>	<u>22,584</u>	<u>1,510</u>
Police	<u>67,251</u>	<u>67,496</u>	<u>66,043</u>	<u>1,453</u>
Fire	<u>48,423</u>	<u>49,334</u>	<u>47,850</u>	<u>1,484</u>
Public works	<u>6,257</u>	<u>6,415</u>	<u>5,532</u>	<u>883</u>
Housing, health and community development:				
Economic development	1,641	1,669	1,336	333
Community development administration	1,594	1,623	1,295	328
Total	<u>3,235</u>	<u>3,292</u>	<u>2,631</u>	<u>661</u>
Parks, recreation and community services	<u>7,130</u>	<u>7,291</u>	<u>6,981</u>	<u>310</u>
Library	<u>6,602</u>	<u>6,724</u>	<u>6,548</u>	<u>176</u>
Total expenditures and transfers	<u>\$ 162,629</u>	<u>164,646</u>	<u>158,169</u>	<u>6,477</u>

(Continued)

Exhibit D-2
CITY OF GLENDALE
Statement of Expenditures and Other
Financing Uses - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2018 (in thousands)

	Maintenance and Operation			
	Original Budget	Final Budget	Actual	Variance With Final Budget (Over)/Under
General government:				
City clerk	\$ 279	292	160	132
Elections	404	734	230	504
City treasurer	112	187	133	54
City manager	1,219	1,357	1,061	296
Innovation, performance and audit	134	134	70	64
Legal	294	294	229	65
Finance	996	1,146	915	231
Planning	3,034	3,673	2,393	1,280
Personnel	645	695	507	188
Non-departmental	-	-	-	-
Total	7,117	8,512	5,698	2,814
Police	13,370	13,437	14,488	(1,051)
Fire	9,797	10,153	9,126	1,027
Public works	8,643	8,915	8,317	598
Housing, health and community development:				
Economic development	1,387	2,877	992	1,885
Community development administration	201	266	287	(21)
Total	1,588	3,143	1,279	1,864
Parks, recreation and community services	5,259	5,605	5,367	238
Library	3,934	3,982	3,613	369
Total expenditures and transfers	\$ 49,708	53,747	47,888	5,859

(Continued)

Exhibit D-2
CITY OF GLENDALE
Statement of Expenditures and Other
Financing Uses - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2018 (in thousands)

	Capital Outlay			Variance With Final Budget (Over)/Under
	Original Budget	Final Budget	Actual	
General government:				
City clerk	\$ -	-	-	-
Elections	-	-	-	-
City treasurer	-	-	-	-
City manager	-	20	20	-
Innovation, performance and audit	-	-	-	-
Legal	-	-	-	-
Finance	-	-	-	-
Planning	-	-	-	-
Personnel	-	-	-	-
Non-departmental	-	-	-	-
Total	-	20	20	-
Police	-	343	24	319
Fire	126	572	50	522
Public works	-	-	-	-
Housing, health and community development:				
Economic development	-	397	25	372
Community development administration	-	-	-	-
Total	-	397	25	372
Parks, recreation and community services	-	49	48	1
Library	-	560	502	58
Total expenditures and transfers	\$ 126	1,941	669	1,272

(Continued)

Exhibit D-2
CITY OF GLENDALE
Statement of Expenditures and Other
Financing Uses - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2018 (in thousands)

	Transfers			Variance With Final Budget (Over)/Under
	Original Budget	Final Budget	Actual	
General government:				
City clerk	\$ -	-	-	-
Elections	-	-	-	-
City treasurer	-	-	-	-
City manager	-	-	-	-
Innovation, performance and audit	-	-	-	-
Legal	-	-	-	-
Finance	-	-	-	-
Planning	-	-	-	-
Personnel	-	-	-	-
Non-departmental	2,580	11,965	12,066	(101)
Total	2,580	11,965	12,066	(101)
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Housing, health and community development:				
Economic development	-	-	-	-
Community development administration	-	-	-	-
Total	-	-	-	-
Parks, recreation and community services	-	-	-	-
Library	-	-	-	-
Total expenditures and transfers	\$ 2,580	11,965	12,066	(101)

(Continued)

Exhibit D-2
CITY OF GLENDALE
Statement of Expenditures and Other
Financing Uses - Budget and Actual
General Fund
Fiscal Year Ended June 30, 2018 (in thousands)

	Total			Variance With Final Budget (Over)/Under
	Original Budget	Final Budget	Actual	
General government:				
City clerk	\$ 979	1,005	780	225
Elections	447	778	233	545
City treasurer	752	838	775	63
City manager	4,376	4,577	4,085	492
Innovation, performance and audit	1,253	1,265	949	316
Legal	3,694	3,746	3,476	270
Finance	5,000	5,231	4,700	531
Planning	11,350	12,149	10,751	1,398
Personnel	2,997	3,037	2,553	484
Non-departmental	2,580	11,965	12,066	(101)
Total	<u>33,428</u>	<u>44,591</u>	<u>40,368</u>	<u>4,223</u>
Police	<u>80,621</u>	<u>81,276</u>	<u>80,555</u>	<u>721</u>
Fire	<u>58,346</u>	<u>60,059</u>	<u>57,026</u>	<u>3,033</u>
Public works	<u>14,900</u>	<u>15,330</u>	<u>13,849</u>	<u>1,481</u>
Housing, health and community development:				
Economic development	3,028	4,943	2,353	2,590
Community development administration	1,795	1,889	1,582	307
Total	<u>4,823</u>	<u>6,832</u>	<u>3,935</u>	<u>2,897</u>
Parks, recreation and community services	<u>12,389</u>	<u>12,945</u>	<u>12,396</u>	<u>549</u>
Library	<u>10,536</u>	<u>11,266</u>	<u>10,663</u>	<u>603</u>
Total expenditures and transfers	<u>\$ 215,043</u>	<u>232,299</u>	<u>218,792</u>	<u>13,507</u>

Exhibit D-3

CITY OF GLENDALE

Statement of Revenues - Budget and Actual

Housing Assistance Fund

Fiscal Year Ended June 30, 2018 (in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
Revenues:				
Use of money and property	\$ 10	10	51	41
Revenue from other agencies	31,868	31,855	31,954	99
Miscellaneous revenue	-	13	29	16
Total revenues	<u>\$ 31,878</u>	<u>31,878</u>	<u>32,034</u>	<u>156</u>

Exhibit D-4

CITY OF GLENDALE

Statement of Expenditures - Budget and Actual

Housing Assistance Fund

Year Ended June 30, 2018 (in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (Over)/Under</u>
Current:				
Housing, health and community development:				
Salaries and benefits	\$ 2,658	2,704	2,194	510
Maintenance and operations	29,824	29,894	29,375	519
Capital	30	30	-	30
Total expenditures	\$ 32,512	32,628	31,569	1,059

Exhibit E-1
CITY OF GLENDALE
Statement of Net Position
Proprietary Funds
June 30, 2018 (in thousands)

	Business-type Activities - Enterprise Funds					
	Sewer Fund	Electric Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets and deferred outflows of resources						
Current assets:						
Pooled cash and investments	\$ 30,145	110,464	19,631	42,476	202,716	128,578
Cash with fiscal agent	-	2,080	4,170	-	6,250	-
Investment with fiscal agent	-	2,398	-	-	2,398	-
Interest receivable	120	1,032	117	172	1,441	786
Investment-gas/electric commodity	-	1,500	-	-	1,500	-
Accounts receivable, net	1,988	27,155	7,484	2,540	39,167	3,273
Inventories	-	6,955	-	-	6,955	208
Prepaid items	-	11,460	-	-	11,460	1,829
Total current assets	32,253	163,044	31,402	45,188	271,887	134,674
Noncurrent assets:						
Capital assets:						
Land	578	6,306	1,034	1,639	9,557	-
Natural gas reserve	-	22,150	-	-	22,150	-
Buildings and improvements	140,919	66,187	61,700	7,258	276,064	214
Machinery and equipment	2,099	512,054	45,673	23,193	583,019	53,302
Infrastructure	-	-	156,433	-	156,433	-
Intangible	105,661	-	-	-	105,661	417
Accumulated depreciation	(40,770)	(355,618)	(92,187)	(22,875)	(511,450)	(30,443)
Accumulated natural gas depletion	-	(11,025)	-	-	(11,025)	-
Accumulated amortization	(49,496)	-	-	-	(49,496)	(29)
Construction in progress	24,493	25,978	9,577	779	60,827	7,508
Total capital assets	183,484	266,032	182,230	9,994	641,740	30,969
Designated cash and investments	-	124,100	11,300	-	135,400	-
Restricted cash and investments	-	5,669	-	-	5,669	-
Total non-current assets	183,484	395,801	193,530	9,994	782,809	30,969
Total assets	215,737	558,845	224,932	55,182	1,054,696	165,643
Deferred outflows of resources:						
Deferred outflows related to pensions	1,608	16,281	5,328	4,810	28,027	-
Loss on refunding	-	4,571	-	-	4,571	-
Total assets and deferred outflows of resources	\$ 217,345	579,697	230,260	59,992	1,087,294	165,643

(Continued)

Exhibit E-1
CITY OF GLENDALE
Statement of Net Position
Proprietary Funds
June 30, 2018 (in thousands)

	Business-type Activities - Enterprise Funds					
	Sewer Fund	Electric Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities, deferred inflows of resources and net position						
Current liabilities:						
Accounts payable	\$ 6,117	7,794	3,693	872	18,476	4,589
Wages and benefits payable	168	2,008	594	654	3,424	1,012
Due to other funds	-	-	-	-	-	215
Interest payable	-	3,004	1,360	-	4,364	-
Claims payable	-	-	-	-	-	14,369
Compensated absences	-	-	-	-	-	3,137
Bonds payable	-	6,126	1,942	-	8,068	-
Deposits	339	3,121	1,137	427	5,024	-
Total current liabilities	6,624	22,053	8,726	1,953	39,356	23,322
Noncurrent liabilities:						
Claims payable	-	-	-	-	-	38,899
Compensated absences	-	-	-	-	-	25,897
Bonds payable	-	160,424	76,809	-	237,233	-
Net pension liability	5,805	62,837	18,600	18,149	105,391	-
Total noncurrent liabilities	5,805	223,261	95,409	18,149	342,624	64,796
Total liabilities	12,429	245,314	104,135	20,102	381,980	88,118
Deferred inflows of resources:						
Deferred inflows related to pensions	243	2,596	850	802	4,491	-
Total liabilities and deferred inflows of resources	12,672	247,910	104,985	20,904	386,471	88,118
Net position:						
Net Investment in capital assets	183,484	104,053	103,479	9,994	401,010	30,969
Restricted						
SCAQMD emission controls	-	5,669	-	-	5,669	-
Unrestricted	21,189	222,065	21,796	29,094	294,144	46,556
Total net position	\$ 204,673	331,787	125,275	39,088	700,823	77,525

Some amounts reported for business-type activities in the statement of net position are different because the net adjustment pertains to items on the statement of net position of certain internal service funds reported with business-type activities.

	(5,650)
Total net position of business-type activities	\$ 695,173

Exhibit E-2

CITY OF GLENDALE

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Business-type Activities - Enterprise Funds					
	Sewer Fund	Electric Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 13,806	218,842	50,771	26,401	309,820	96,278
Miscellaneous revenue	159	6,566	2,428	478	9,631	1,829
Total operating revenue	13,965	225,408	53,199	26,879	319,451	98,107
Operating expenses:						
Maintenance and operation	14,425	157,718	39,820	23,609	235,572	36,776
Claims and settlement	-	-	-	-	-	50,884
Equipment Purchased	-	-	-	-	-	1,564
Depreciation	3,025	24,947	5,856	1,601	35,429	3,726
Gas depletion	-	1,171	-	-	1,171	-
Amortization	3,125	-	-	-	3,125	18
Total operating expenses	20,575	183,836	45,676	25,210	275,297	92,968
Operating income (loss)	(6,610)	41,572	7,523	1,669	44,154	5,139
Non operating revenues (expenses):						
Use of money and property	122	925	161	176	1,384	650
Intergovernmental grants	-	-	-	72	72	1,001
Interest expense	-	(6,452)	(3,218)	-	(9,670)	(6)
Total non operating revenues (expenses)	122	(5,527)	(3,057)	248	(8,214)	1,645
Income before capital grants and contributions and transfers	(6,488)	36,045	4,466	1,917	35,940	6,784
Capital grants and contributions	-	-	12	-	12	-
Transfers out	-	(20,162)	-	(1,150)	(21,312)	-
Change in net position	(6,488)	15,883	4,478	767	14,640	6,784
Net position, July 1	211,161	315,904	120,797	38,321		70,741
Net position, June 30	\$ 204,673	331,787	125,275	39,088		77,525

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.

	2,576
Changes in net position of business-type activities	\$ 17,216

Exhibit E-3
CITY OF GLENDALE
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018 (in thousands)

	Business-type Activities - Enterprise Funds					
	Sewer Fund	Electric Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:						
Cash from customers	\$ 13,909	227,613	53,351	26,991	321,864	97,723
Cash paid to employees	(3,390)	(31,793)	(9,189)	(10,336)	(54,708)	(21,464)
Cash paid to suppliers	(7,005)	(129,773)	(29,590)	(12,284)	(178,652)	(63,754)
Net cash provided by operating activities	3,514	66,047	14,572	4,371	88,504	12,505
Cash flows from noncapital financing activities:						
Amounts received from other funds	582	-	-	-	582	-
Amounts paid to other funds	-	-	-	-	-	(367)
Transfers out	-	(20,162)	-	(1,150)	(21,312)	-
Operating grants received	-	-	-	72	72	1,001
Loan payments received	-	-	-	78	78	-
Net cash provided (used) by noncapital financing activities	582	(20,162)	-	(1,000)	(20,580)	634
Cash flows from capital and related financing activities:						
Interest on long-term debt	-	(6,551)	(3,247)	-	(9,798)	(22)
Principal payments and premiums	-	(6,262)	(1,870)	-	(8,132)	-
Payments on capital lease	-	-	-	-	-	(262)
Capital grants received	-	-	12	-	12	-
Acquisition of property, plant, gas reserves and equipment	(11,216)	(8,825)	(4,471)	(1,474)	(25,986)	(5,576)
Net cash (used) by capital and related financing activities	(11,216)	(21,638)	(9,576)	(1,474)	(43,904)	(5,860)
Cash flows from investing activities:						
Investment - gas/electric commodity	-	(5)	-	-	(5)	-
Interest received	148	581	101	131	961	500
Net cash provided by investing activities	148	576	101	131	956	500
Net increase (decrease) in cash and cash equivalents	(6,972)	24,823	5,097	2,028	24,976	7,779
Cash and cash equivalents at July 1	37,117	217,490	30,004	40,448	325,059	120,799
Cash and cash equivalents at June 30	\$ 30,145	242,313	35,101	42,476	350,035	128,578

(Continued)

Exhibit E-3

CITY OF GLENDALE

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2018 (in thousands)

	Business-type Activities - Enterprise Funds					
	Sewer Fund	Electric Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (6,610)	41,572	7,523	1,669	44,154	5,139
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	3,025	24,947	5,856	1,601	35,429	3,726
Gas depletion	-	1,171	-	-	1,171	-
Amortization	3,125	-	-	-	3,125	18
Pension expense	132	2,545	1,033	1,000	4,710	-
(Increase) Decrease Accounts receivable net	(56)	2,205	152	112	2,413	(384)
(Increase) Inventories	-	(1,285)	-	-	(1,285)	(16)
(Increase) Decrease Prepaid expenses	-	(2,546)	-	-	(2,546)	46
Decrease Deferred charges	-	236	-	-	236	-
Increase (Decrease) Accrued wages payable	(17)	58	179	15	235	(270)
Increase Compensated absences	-	-	-	-	-	1,530
Increase (Decrease) Accounts payable	3,866	(2,549)	(251)	(90)	976	842
Increase (Decrease) Deposits	49	(307)	80	64	(114)	-
Increase Claims payable	-	-	-	-	-	1,874
Total adjustments	10,124	24,475	7,049	2,702	44,350	7,366
Net cash provided by operating activities	\$ 3,514	66,047	14,572	4,371	88,504	12,505
Noncash investing, capital, and financing activities:						
Decrease in fair value of investments	\$ (392)	(3,379)	(383)	(566)	(4,720)	(1,736)
Reconciliation of Statement of Cash Flows to Statement of Net Position:						
Pooled cash and investments	\$ 30,145	110,464	19,631	42,476	202,716	128,578
Cash with fiscal agent	-	2,080	4,170	-	6,250	-
Designated cash and investments	-	124,100	11,300	-	135,400	-
Restricted cash and investments	-	5,669	-	-	5,669	-
Cash and cash equivalents at June 30	\$ 30,145	242,313	35,101	42,476	350,035	128,578

Exhibit F-1
CITY OF GLENDALE
Statement of Net Position
Fiduciary Fund
June 30, 2018 (in thousands)

	Glendale Successor Agency Private Purpose Trust Fund
Assets and deferred outflows of resources	
Current assets:	
Cash and investments	\$ 75,812
Cash and investments with fiscal agent	11,628
Restricted cash and investments	29
Loans receivable	1,158
Total current assets	<u>88,627</u>
Noncurrent assets:	
Land	33
Buildings and improvements	377
Accumulated depreciation	(254)
Total noncurrent assets	<u>156</u>
Total assets	<u>88,783</u>
Deferred outflows of resources:	
Loss on refunding	2,094
Total assets and deferred outflows of resources	<u>90,877</u>
Liabilities and net position	
Current liabilities:	
Accounts payable and accrued liabilities	24
Interest payable	409
Bonds payable	10,106
Loans payable to the City	10,040
Total current liabilities	<u>20,579</u>
Noncurrent liabilities:	
Bonds payable	74,238
Loans payable to the City	13,231
Total noncurrent liabilities	<u>87,469</u>
Total liabilities	<u>108,048</u>
Net position (deficit) held in trust	\$ <u><u>(17,171)</u></u>

Exhibit F-2

CITY OF GLENDALE

Statement of Changes in Net Position

Fiduciary Fund

Fiscal Year Ended June 30, 2018 (in thousands)

	Glendale Successor Agency Private Purpose Trust Fund
Additions:	
Property tax	\$ 28,290
Interest income	944
Total additions	<u>29,234</u>
Deductions:	
Interest and amortization expense on bonds	4,687
Depreciation	9
Operating expenses	549
Total deductions	<u>5,245</u>
Change in net position before special items	<u>23,989</u>
Special items:	
Reinstatement of loans	(328)
Transfer of capital assets to the City	<u>(2,744)</u>
Total special items	<u>(3,072)</u>
Change in net position	20,917
Net position held in trust (deficit), July 1	<u>(38,088)</u>
Net position held in trust (deficit), June 30	<u>\$ (17,171)</u>

Notes to the Basic Financial Statements

Notes to the Basic
Financial Statements



CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

Note		Page
(1)	Summary of Significant Accounting Policies	48
(2)	Stewardship, Compliance and Accountability	57
(3)	Cash and Investments	58
(4)	Loans Receivable	65
(5)	Interfund Transactions	67
(6)	Capital Assets	68
(7)	Property Held for Resale	70
(8)	Long-term Debt and Liabilities	70
(9)	Pension Plans	76
(10)	Other Post Employment Benefits Than Pensions (OPEB)	85
(11)	Net Deficits of Individual Funds	89
(12)	Risk Management	89
(13)	Contingent Liabilities and Commitments	90
(14)	Jointly Governed Organizations	94
(15)	Successor Agency Trust for Assets of Former Redevelopment Agency	97
(16)	Subsequent Event	104
(17)	Pronouncements Issued But Not Yet Implemented	104
(18)	Implementation of Pronouncements	105
(19)	Restatement	106

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements present the financial results of the City of Glendale, California (the City) and its component units as required by generally accepted accounting principles in the United States of America. Component units are legally separate entities for which the primary government is financially accountable. The City has two component units: the Glendale Housing Authority (the Housing Authority) and the City of Glendale Financing Authority (the Financing Authority). The City Council serves as the Board of the Housing Authority and the Financing Authority. Management of the City has operational responsibility for the Housing Authority and the Financing Authority as these component units are essentially managed in the same manner as other City departments. Also, the Financing Authority provides financial services entirely to the City. Therefore, these entities are reported as blended component units within the City's comprehensive annual financial report (CAFR). Both the City and its blended component units have a June 30 year-end.

Component Units

The Housing Authority was established by the Glendale City Council in 1975. The Housing Authority is responsible for the administration of Department of Housing and Urban Development (HUD) funded Housing Choice Voucher rental assistance program (often called "Section 8"), which is funded annually. The Housing Authority also administers six other affordable housing program funds on behalf of the City, including the HUD HOME entitlement grant, the HUD Continuum of Care grant, the HUD Shelter Plus Care grant, the Low and Moderate Income Housing Asset Fund (former 20% Redevelopment Set Aside funds program income dollars), the state funded BEGIN grant for First Time Home Buyers in the Doran Gardens homeownership development, and the Affordable Housing Trust Fund which receives density bonus, inclusionary and other local affordable housing funds. The Housing Authority's mission is to provide decent, safe, and sanitary dwellings for low to moderate income families, to preserve existing affordable housing, and to increase the supply and quality of new affordable housing. The Housing Authority's financial data and transactions are included within the special revenue funds, and no separate financial report is issued for the Authority.

The Financing Authority was established on December 7, 1999, by a joint powers authority between the City of Glendale and the Glendale Redevelopment Agency. The stated purpose was to provide financial assistance to the City in connection with the construction and improvement of a Police Services Building located at west side of Isabel Street between Wilson and Broadway in the City of Glendale. On July 11, 2000, the Financing Authority issued \$64,200 in variable rate demand certificates of participation for the construction of the Police Services Building. The Financing Authority's financial data and transactions are included within the debt service funds, and no separate financial report is issued for the Financing Authority.

The Glendale Economic Development Corporation (GEDC), formed in July 2014, was established to implement and meet the needs of the City's Economic Development program. Its goals were to provide physical, economic, and educational development, redevelopment, and revitalization efforts within the City. Additionally, these efforts attempted to assist and support the City in the expansion of job opportunities, stimulate economic development, contribute to the physical improvements of the City, and implement, assist and support the City in developmental activities and programs. The overall objective of the GEDC was to expand businesses and support residents. While these goals and objectives have certainly been met in various forms and in activities pursued by the Community Development Department, it was decided that the GEDC should be dissolved due to inactivity. The official dissolution of the GEDC occurred on June 12, 2018.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City except for the fiduciary fund. The effect of interfund activity has been removed from these statements except for the interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental, proprietary, and the fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized by funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues, and expenditures or expenses, as appropriate. The City reports a total of 67 funds, which are comprised of the General Fund, 1 fiduciary fund, 36 special revenue funds, 1 debt service fund, 8 capital project funds, 5 enterprise funds, and 15 internal service funds.

Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used, current liabilities are assigned to the fund from which they are paid, and the difference between governmental fund assets and deferred outflows, and liabilities and deferred inflows is the fund balance.

The following comprise the City's major governmental funds:

- General Fund: Used to account for all financial resources, except those required to be accounted for in another fund.
- Housing Assistance - Special Revenue Fund: Used to account for monies received and expended by the City under Section 8 of the Federal Housing and Urban Development Act for housing assistance to low and moderate income families.
- Capital Improvement - Capital Project Fund: Used to account for financial resources used for major capital projects of the general government operations. The City has categorized the capital improvement fund as a major fund for public interest reasons. The City believes that this judgmentally determined major fund is particularly important to the financial statements users.

Other governmental funds consist of debt service funds which are used to account for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on long-term debt of the City of Glendale, special revenue funds which account for revenue derived from specific sources as required by law or regulation, and capital projects funds which are used to account for financial resources used for the acquisition of major capital facilities other than those financed by special revenue and proprietary funds.

Proprietary Fund Types

Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector.

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services which are supported primarily by user charges. The following comprise the City's major enterprise funds:

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

- Sewer Fund – Used to account for operations and maintenance of the sewer system. This service is primarily contracted with the City of Los Angeles.
- Electric Fund – Used to account for the operations of the City-owned electric utility services.
- Water Fund – Used to account for the operations of the City-owned water utility services.

Other nonmajor enterprise funds consist of Refuse Disposal and Fire Communication Funds. The Refuse Disposal Fund is used for the operations of the City-owned refuse collection and disposal services. The Fire Communication Fund is used for the monies received and expended, for the tri-city (Burbank, Glendale, and Pasadena) fire communication operations as the lead City.

Additionally, Internal service funds account for fleet management, technology and wireless equipment management and replacement, building maintenance, compensated absences, retiree health savings plan, other post-employment benefits, and risk management services (including claims for workers' compensation, general liability, medical, dental, vision, and unemployment) provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Fiduciary Fund Type

The fiduciary fund is used to account for resources held for the benefit of parties outside the City. The City maintains one fiduciary fund, the Glendale Successor Agency Private Purpose Trust Fund.

Since the resources of the fiduciary fund are not available to support the City's programs, it is not reflected in the City's government-wide financial statements. The accounting used for the fiduciary fund is based on the economic measurement focus and the accrual basis of accounting.

Effective February 1, 2012, due to AB 1x 26, the dissolution of Redevelopment Agencies throughout California, the activities of the dissolved Glendale Redevelopment Agency are recorded in the Glendale Successor Agency Private Purpose Trust Fund.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for the landfill host assessment and landfill loyalty tipping fee that are collected within 90 days. Under the modified accrual basis of accounting, expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, other post employment benefits (OPEB), claims and judgments, are recorded only when payment is due.

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

Intergovernmental revenues are recognized in the period when all eligibility requirements imposed by the provider are met, and amounts are available.

Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash. However, since investment earnings are measurable and available, they are recorded as earned.

All property taxes are collected and allocated by the County of Los Angeles to the various taxing entities. Property taxes are determined annually as of January 1st and attached as enforceable liens on real property as of July 1st. Taxes are levied on both secured and unsecured property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. The secured property taxes are due November 1st and February 1st and are delinquent if not paid by December 10th and April 10th, respectively. Property taxes on the unsecured roll are due on the March 1st lien date and become delinquent if unpaid on August 31st. Property tax revenues are recognized in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year for governmental funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance or Net Position

Cash and Investments

The City combines the cash and investments of all funds into a pool except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's portion of the pooled cash and investments is displayed on the governmental funds' balance sheets, the proprietary funds' statement of net position, or the fiduciary fund's statement of net position. Governmental Activities have \$402,337 and Business-type Activities have \$202,716 in pooled cash and investments as of June 30, 2018.

The City values its cash and investments at fair value in the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee, adopted by the City Council and follows the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required more than normal operating needs.

Interest income from the pooled cash and investments is allocated to all funds, except the Capital Improvement Fund, on a monthly basis based upon the prior month-end cash balance of the fund and as a percentage of the month-end total pooled cash balance.

For purposes of the statement of cash flow of the proprietary fund types, cash, and cash equivalents include all pooled cash and investments, restricted cash, and cash with fiscal agents with an original maturity of three months or less. The City considers the cash and investments pool to be a demand deposit account where funds may be withdrawn and deposited at any time without prior notice or penalty.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Cash and Investments with Fiscal Agents

The City hired Bank of New York Mellon as its trustee or fiscal agent to oversee the implementation of a bond or trust indenture for the City's Certificates of Participation, Electric Revenue Bonds and Water Revenue Bonds. As of June 30, 2018, the City maintains cash and investments with fiscal agents of \$52 in Governmental Activities, \$4,478 in Electric Fund and \$4,170 in Water Fund.

Restricted Cash and Investments

Governmental Activities have \$59,455 in restricted cash and investments as of June 30, 2018. \$27,605 in the General Fund is for the investments for the pension rate stabilization program that is invested in an Internal Revenue Code Section 115 Trust Fund and \$31,850 in the Landfill Postclosure capital project fund is for the postclosure maintenance cost of Scholl Canyon landfill.

Electric Fund has \$5,669 in restricted cash and investments for the environmental compliance funds mandated by South Coast Air Quality Management District (SCAQMD) as of June 30, 2018. \$4,978 is in SCAQMD restricted cash dedicated for environmental projects in compliance with reductions in nitrogen oxides for the utility boilers and the gas turbines, and \$691 is in SCAQMD restricted cash for environmental projects dedicated to the reduction of emission and improvement of public health in Glendale.

Investments-Gas/Electric Commodity

Investment-gas/electric commodity represents the City's implementation of a program to purchase and sell options, calls and puts, in natural gas futures contracts at strike prices. These transactions allow the City to stabilize the ultimate purchase price of natural gas for the City's power plant. These, and other transactions, also give the City the ability to manage its overall exposure to fluctuations in the purchase price of natural gas. The options are carried at fair market value. The City has \$1,500 in restricted investment-gas/electric commodity as of June 30, 2018.

Designated Cash and Investments

The cash reserve policies for the Electric Fund and Water Fund were adopted by the City Council in 2003 and subsequently revised in 2006 to ensure long-term sustainable financial health for electric and water operations. Its provisions call for an annual review of the cash reserves to determine if the recommended levels are sufficient. The currently approved cash reserve levels are \$124,100 for the Electric Fund and \$11,300 for the Water Fund as adopted by the City Council on August 29, 2006. As of June 30, 2018, \$124,100 was designated for the Electric Fund in the following categories: \$57,700 for operating reserve, \$40,400 for contingency reserve; \$10,000 for rate stabilization reserve, and \$16,000 for gas reserve project. As of June 30, 2018, \$11,300 was designated for the Water Fund in the following categories: \$3,800 for operating reserve, \$6,500 for contingency reserve, and \$1,000 for rate stabilization reserve. As part of the Electric and Water cost of service and rate studies conducted in FY 2017-18, the consultants determined the existing cash reserve funding levels are sufficient.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Receivables

Interest Receivable – The City accrues interest earned but not received.

Accounts Receivables – These are comprised primarily of revenues that have been earned but not yet received by the City as of June 30th from individual customers, private entities, and government agencies. This account includes accrued revenues due from other agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures or expenses incurred but not yet reimbursed by the grantors. Also, included in this amount are property taxes, sales taxes, to name a few, are earned but not received from the County of Los Angeles as of June 30th of each year. The unbilled services for utility and other services delivered to customers but not billed as of June 30th because of their billing cycle timings. Management determines the allowance for doubtful accounts by evaluating individual customer accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivable, delinquent notices are sent out to customers with outstanding balances after 30 days. After 60 days, accounts still outstanding are forwarded to a collection agency.

Loans Receivable – The City currently has two types of loans receivable: (1) from Glendale Successor Agency for enforceable obligations with the City after the dissolution of Glendale Redevelopment Agency, and (2) from various Glendale residents and organizations for affordable housing assistance. See Note 4 for more information.

Interfund Transactions

Interfund services provided and used would be treated as revenues and expenditures or expenses if the funds are involved. External organizations to the City's government are accounted for as revenues, referred to as seller funds, and expenditures or expenses, referred to as purchaser funds, in the funds involved. For the fiscal year ended June 30, 2018, the General Fund recorded \$17,410 as interfund revenue for general government services provided to other funds.

Due to/from Other Funds are used when a fund has a temporary cash overdraft. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Transfers in or out are authorized budgetary exchanges of cash between funds.

Inventories and Prepaid Items

Inventories, consisting primarily of construction and maintenance materials as well as tools held by the Electric and Water enterprise funds, are stated at cost, using the weighted average cost method or disposal value. Inventory shown in the General Fund and Fleet/Equipment Management Fund consists of expendable supplies held for consumption. The consumption method of accounting is used where inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method, such as insurance, energy purchases, rent, etc.

Capital Assets

Capital assets including land, buildings, improvements, mobile equipment, equipment, intangible, and infrastructure assets (e.g. roads, sidewalks, traffic lights and signals, street lights, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide and respective proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5 or more and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund, special revenue and capital project funds, and as assets in the government-wide financial statements to the extent the City's capitalization is met. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Building and improvements, infrastructure and equipment assets are depreciated using the straight-line depreciation at the beginning of the following fiscal year over the following estimated useful lives:

Assets	Years
Building and Improvements	
General Structure and Parking Lot Landscaping Improvements	10
Building and Parking Lot Improvements	20
Land Improvements	30
Parks and Wastewater Capacity Upgrades	40
Transmission-Off System	50
Local Sewer System	80
Machinery and Equipment	
Police Patrol Vehicles	3
Computer Systems	5
Passenger Cars, Pickup/Refuse	6
Cargo Vans, Street Sweepers	7
Dump/Tractor/Trailer Trucks	10
Helicopters	20
Emergency Response Engines	20
Intangible	
Wastewater Treatment Plan and Conveyance System Facilities	40
Computer Software	2-8
Infrastructure (non-sewer)	
Traffic Signals	15
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs, Tunnels, and Potable-Hydrants	40
Streets, Paved Streets, Paved Alleys and Sidewalks	50
Potable-Mains	75

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. The first acquisition was completed on July 1, 2005, with the total cost to the participants at \$306,100. The City's initial share in the project was \$13,100 or 4.28%. Subsequently, capital drilling costs of \$9,050 had been capitalized. As of June 30, 2018, the balance for Natural Gas Reserve Project, net of accumulated natural gas depletion was \$11,125.

Long-term Debt

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary and fiduciary fund statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred. In the governmental funds' statement of revenues, expenditures and changes in fund balances, issuance of debt is recorded as other financing source or use in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

Pension

For purposes of measuring the net pension liability and deferred outflows or 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 (Plan's) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable by the benefit terms. Investments are reported at fair value. See Note 9 for more information.

Compensated Absences

The total compensated absences liability for the City is \$29,034, which comprises of liabilities from two internal service funds: Employee Benefits Fund and Retiree Health Savings Plan Benefits Fund.

The City records the expense and liability for its employees' earned but unused accumulated vacation and overtime in the Employee Benefits Fund. As of June 30, 2018, the liability is \$14,957, and the City has \$14,658 available in cash dedicated to this liability in the fund.

The City also provides sick leave conversion benefits through the Retiree Health Savings Plan (RHSP). Employees earn one day of sick leave per month and the unused sick leave hours are converted to a dollar amount and deposited in the employee's RHSP account at retirement or termination with 20 years of City service. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying from personal funds. The sick leave conversion rates range from \$0.022 to \$0.031 for each hour of sick leave balance, based on the memoranda of understanding agreements between the City and the unions. The sick leave conversions related expense and liability are recorded in the Retiree Health Savings Plan Benefits Fund. As of June 30, 2018, the liability is \$14,077, and the City has \$15,979 available in cash dedicated to this liability in the Fund.

Based on the most recent actuarial valuation dated June 30, 2017, the actuarial accrued liability for the RHSP is \$14,424. The City has a cash reserve of \$13,507 in the RHSP Benefits Fund, which is dedicated to providing benefits, so the unfunded actuarial accrued liability is \$917 as of June 30, 2017. As of June 30, 2018, the City has \$15,979 cash reserve for RHSP, and the actuarial accrued liability rolling forward from FY 2016-17 to FY 2017-18 is \$14,077, so the unfunded actuarial accrued liability is \$1,902. The actuarial accrued liability takes into account an estimate of future sick leave usage, additional sick leave accumulation for current active employees, the investment return of 3.75%, and no increase for sick leave conversion hourly rate.

Other Post Employment Benefits (OPEB)

The City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. See Note 10 for more information.

Unearned Revenue

The unearned revenue liability reports amounts received in advance of providing goods or services. When the goods or services are provided, this account balance is decreased, and a revenue account is increased.

Property Held for Resale

Land and buildings acquired for future sale to developers have been capitalized and are shown as real property held for resale in the accompanying financial statements. Property held for resale is carried at the lower of cost or net realizable value (realizable value less cost to sell).

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Fund Balance

Fund balance classifications for governmental fund types comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In the fund financial statements, the governmental funds may report nonspendable, restricted, committed, assigned, and unassigned fund balances to show the level of constraint governing the use of the funds.

- Nonspendable fund balances cannot be spent because they are in a nonspendable form, or are required to be maintained intact.
- Restricted fund balances are restricted for specific purposes by third parties or enabling legislation.
- Committed fund balances include amounts that can be used only for specific purposes determined by the formal action through a resolution of the City Council, as they are the highest level of decision-making authority. Council must have at least a 3 to 2 vote to pass a resolution for the specific purpose. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment.
- Assigned fund balances comprise amounts intended to be used by the City for specific purposes but are not restricted or committed. The City Council, in the City's most recently adopted budget resolutions, has delegated the authority to assign fund balances to the City Manager or his/her designee. The financial policies of the City are also updated to reflect this delegation of authority.
- Unassigned fund balances are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories and include all deficit amounts in all other governmental funds.

When both restricted and unrestricted resources are available for an incurred expenditure, it is the City's policy to spend restricted resources first then unrestricted resources as necessary. When unrestricted resources are available for incurred expenditures, it is the City's policy to use committed amounts first, followed by assigned amounts, and then unassigned amounts.

Net Position

The net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and deferred outflows of resources, and is reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. The net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation externally adopted by the citizens of the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then the unrestricted resources as they are needed.

The government-wide statement of net position reports \$174,225 of restricted net position, of which \$48,574 is restricted by enabling legislation. The City Charter requires \$28,115 in restricted net position to be set aside to meet the legal demands against the treasury during the beginning of the new budget period prior to the receipt of ad valorem taxes. Pursuant to redevelopment laws of the State of California, \$20,459 is restricted for low and moderate housing.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources or expenses until then. For current or advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debts (i.e., deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. When the City makes the pension contributions and OPEB payments after the measurement date, the City reports deferred outflows of resources. When there is an increase in pension expense arising from the recognition of change in assumptions and of differences between projected and actual earnings on pension plan investments, the City reports a deferred outflow of resources until the increase is recognized in expense. The City's deferred outflows of resources as of June 30, 2018 is \$147,012, which consists of \$4,571 loss on refunding, \$141,934 related to pensions and \$507 related to OPEB.

In addition to liabilities, the statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources or revenues until then. When there is a decrease in pension and OPEB expense arising from the recognition of changes in assumptions and of differences between expected and actual experience, the City reports a deferred inflow of resources until the decrease is recognized in expense. The City's deferred inflows of resources as of June 30, 2018 is \$26,447, which consists of \$24,854 related to pensions and \$1,593 related to OPEB. When a receivable is recorded in governmental fund financial statements but the revenue is not available, the City reports a deferred inflow of resources until the revenue becomes available. The City has recorded deferred inflows of resources – unavailable revenues of \$23,271 in the General Fund, \$125 in the Housing Assistance Fund, and \$5,872 in the nonmajor governmental funds.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City Council is required to adopt an annual budget for the general, debt service, special revenue, enterprise, and internal service fund types. The City Council annually adopts the capital improvement program for the capital projects funds. The City of Glendale budget presents the Capital Improvement Projects on a ten-year plan basis, with the "Future Years" column representing a cumulative five-year projection. The City Council only approves and authorizes one year of the Capital Improvement Projects. Unspent Capital Improvement Projects in the prior years' budget is carried forward into the new fiscal year. Therefore, an annual budget comparison on multi-year projects is impractical.

All proprietary fund types are accounted for on a cost of service method (net income); therefore, budget comparisons are impractical. Also, the City is not legally mandated to report the results of operations for these enterprise and internal service fund types on a budget comparison basis, and so budgetary data related to these funds have not been presented.

The City utilizes an "encumbrance system." Under this procedure, encumbrance accounting is used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities and appropriations in the General Fund lapse at the end of the year. Therefore, encumbrances are not reserved for commitments made, and budget carryovers may be submitted for the remaining encumbrance. All commitments incurred in the General Fund will be paid with the new budget and approved budget carryovers in the following year, and open capital project appropriations carry over to the next year.

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

The City, in establishing the budgetary data reflected in the basic financial statements and supplementary information, utilizes the following procedures:

- The City Charter requires that the City Manager submits to the City Council a proposed budget for the coming year on or before June 1st. The operating budget includes both the sources and types of funds for the proposed expenditures.
- In May or June, a public hearing is conducted to obtain citizen input, with the final budget being adopted no later than July 1st.
- The budget is amended during the fiscal year to reflect all transfers and amendments.
- The level of appropriated budgetary control is at the fund level except for the General Fund, which is at the department level. The appropriation may exist across different categories including, salary and fringe benefits, maintenance and operation, and capital outlay. There is no limit as to how much can be shifted between categories as long as the total appropriation does not exceed what Council approved at the department level for General Fund and the fund level for all other funds.

The following General Fund departments and funds over expended their appropriations as of June 30, 2018:

Funds	Amounts Over Expended
General Fund:	
Non-departmental	\$ 101
Filming Fund	101
Fire Mutual Aid Fund	1,301
Special Events Fund	218
Police Building Project Debt Service Fund	207

NOTE 3 – CASH AND INVESTMENTS

Governmental and business-type activities:

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

Investments	\$ 737,587
Cash and investments with fiscal agents	8,700
	<u>746,287</u>
Cash held in financial institutions	69,490
Total	<u>\$ 815,777</u>

The following amounts are reflected in the government-wide statement of net position:

Pooled cash and investments	\$ 605,053
Restricted cash and investments	65,124
Cash and investments with fiscal agents	8,700
Investment – gas/electric commodity	1,500
Designated cash and investments	135,400
Total	<u>\$ 815,777</u>

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Authorized Investments

Allowable investments for the portfolio of the City of Glendale are limited by California State Government Code Sections 53600 et seq. They are further restricted by the City Treasurer's investment strategy. Percentages of Investment Participation and percentages of Maximum Participation apply at the time of purchase. Purchase transactions may not exceed \$10,000, nor exceed five-year maturities. Exceptions can only be approved by the City Council. The City Treasurer may invest or deposit in the following types of investments:

	<u>Maximum Maturity</u>	<u>Maximum Investment Participation</u>	<u>Maximum Investment Exposure</u>
U.S. Treasury Notes	5 years	100%	None
Federal Agencies Securities	5 years	100%	None
State of California and California Local Agencies Obligation of Other States	N/A	15%	5% per issuer
Medium Term Notes	N/A	10%	5% per issuer
Commercial Paper (A1, P1, F1 min. rating)	5 years	30%	5% per issuer
Bankers' Acceptances (A1, P1, F1 min. rating)	270 days	25%	10% per issuer
Time Deposits (FDIC Insured)	180 days	30%	10% per bank
Negotiable Certificates of Deposit (A1, P1, F1 min. rating)	1 year	10%	5% per issuer
Local Agency Investment Fund (State Pool)	1 year	30%	5% per issuer
	N/A	LAIF maximum (\$65 MM per account)	None
Money Market Mutual Funds	90 days	20%	10% per mutual fund
Los Angeles County Treasury Pool	N/A	10%	None

Investments Authorized by Debt Agreements

The provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds and reserve funds held by fiscal bond agents. Permitted investments are specified in related trust agreements.

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Interest Rate Risk

Interest rate risk is the risk that fluctuations in market rates may adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Governmental and business-type activities:

	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Commercial Paper	\$ 64,470	64,470	-	-	-
Federal Agency Term Notes	105,643	9,934	24,497	71,212	-
Federal Agency Callable Bonds	24,392	4,992	-	19,400	-
Medium Term Notes	191,411	17,963	23,723	149,725	-
Obligations of Other States	55,306	15,028	11,439	28,839	-
State and Municipal Bonds	71,701	20,410	21,981	29,310	-
State Investment Pool	67,873	67,873	-	-	-
Los Angeles County Pool	50,426	50,426	-	-	-
U.S. Treasury Notes	70,144	4,944	4,911	60,289	-
Held by Other Financial Institutions:					
Money Market Accounts	8,616	8,616	-	-	-
Section 115 Trust Fund:					
Money Market Accounts	879	879	-	-	-
Money Market Mutual Funds	26,726	26,726	-	-	-
Held by Fiscal Agents:					
Money Market Accounts	6,302	6,302	-	-	-
Guaranteed Investment Contracts	2,398	-	-	-	2,398
	<u>\$ 746,287</u>	<u>298,563</u>	<u>86,551</u>	<u>358,775</u>	<u>2,398</u>

Credit Risks

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City purchases investments only in the most risk-adverse instruments, such as Aaa rated government securities, Aaa, Aa or A rated corporate securities, A1, P1, F1 rated commercial paper, negotiable certificates of deposit, and banker's acceptance securities. Investments in State of California and California Local Agencies must be rated "A" or better by a nationally recognized rating service. The City's Investment Policy requires the City to sell medium-term notes with a credit rating below S&P's and Fitch's BBB grade or Moody's Baa2 unless the City Council approves the City Treasurer's recommendation that the security should be retained.

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Governmental and business-type activities:

	Total	Moody's Rating as of June 30, 2018							
		A1	A2	Aa1	Aa2	Aa3	Aaa	P1	Unrated
Commercial Paper	\$ 64,470	-	-	-	-	-	-	64,470	-
Federal Agency Term Notes	105,643	-	-	-	-	-	105,643	-	-
Federal Agency Callable Bonds	24,392	-	-	-	-	-	24,392	-	-
Medium Term Notes	191,411	13,973	8,914	35,644	52,438	17,620	57,913	-	4,909
Obligations of Other States	55,306	-	-	13,651	3,559	-	1,619	-	36,477
State and Municipal Bonds	71,701	465	1,270	-	12,260	29,696	-	-	28,010
State Investment Pool	67,873	-	-	-	-	-	-	-	67,873
Los Angeles County Pool	50,426	-	-	-	-	-	-	-	50,426
U.S. Treasury Notes	70,144	-	-	-	-	-	70,144	-	-
Held by Other Financial Institutions:									
Money Market Accounts	8,616	-	-	-	-	-	-	-	8,616
Section 115 Trust Fund:									
Money Market Accounts	879	-	-	-	-	-	-	-	879
Money Market Mutual Funds	26,726	-	-	-	-	-	-	-	26,726
Held by Fiscal Agents:									
Money Market Accounts	6,302	-	-	-	-	-	6,302	-	-
Guaranteed Investment Contracts	2,398	-	-	-	-	-	-	-	2,398
	<u>\$ 746,287</u>	<u>14,438</u>	<u>10,184</u>	<u>49,295</u>	<u>68,257</u>	<u>47,316</u>	<u>266,013</u>	<u>64,470</u>	<u>226,314</u>

Concentration Risk

The investment policy of the City limits the amounts that may be invested in any one issuer to 5%, 10% per bank for bankers' acceptances, 10% per issuer for commercial paper, or 10% per fund for money market mutual fund. This limit excludes investments in U.S. treasury securities, federal agencies securities, Local Agency Investment Fund and Los Angeles County Pool.

Investments in any one issuer that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal Agency Callable Bonds	\$ 4,885
	Federal Agency Term Notes	64,243
	Total	<u>\$ 69,128</u>
FNMA	Federal Agency Callable Bonds	\$ 4,867
	Federal Agency Term Notes	27,251
	Total	<u>\$ 32,118</u>

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government agency will not be able to recover its deposits or will not be able to recover investment securities that are in possession of an outside party. All of a depositor's accounts at an insured depository institution, including non-interest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250 for each deposit insurance ownership category. The amounts of deposits are collateralized under California law. The Code requires that a financial institution secures deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law unless waived by the governmental unit.

The custodial risk for investments is also twofold. An investment trade transaction occurs between a government agency and counterparty, such as a broker or a dealer. Counterparty risk is the risk that in the event of the failure of a brokerage or dealer to deliver securities after government agency has made payment. The City of Glendale prevents counterparty risk by requiring all trade transactions to be done on a delivery versus payment arrangement.

A government agency uses an independent third-party custodian or safe-keeper to domicile the securities in its portfolio. The City of Glendale uses Bank of America as its third-party safekeeping servicer, and prevents custodial or safekeeping risk by having all securities purchased and owned by the City of Glendale registered in the name of the City, separated from other client securities portfolios, and segregated from securities owned by the bank.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investment in this pool is reported in the accompanying financial statements at fair value based upon the City's pro-rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio, in relation to the amortized cost of that portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not registered with the Securities and Exchange Commission (SEC) and is not rated.

Investment in Los Angeles County Pool

The City is a voluntary participant in the Los Angeles County Pooled Investment Fund (LACPIF) that is regulated by California Government Code Section 27136 and managed by the Los Angeles County Treasurer. The City's investment in this Pool is reported in the accompanying financial statements of net position and prepared using the accrual basis of accounting. Investments are reported at fair value. The cash flow needs of the participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of participants. The balance available for withdrawal is based on the accounting records maintained by LACPIF. LACPIF is not registered with the Securities and Exchange Commission (SEC) and is not rated.

Investment in Internal Revenue Code Section 115 Trust Fund

The City reviewed the City's obligation to fund the pension obligations and determined that it served the City's interests to pre-fund those benefits. In July 2017, the City Council approved and adopted the funding for a Pension Rate Stabilization Program IRC Section 115 Trust. The Pension Stabilization Trust is a tax-qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund pension obligations. The Plan Discretionary Trustee is U.S. Bank and U.S. Bank has delegated investment management responsibilities to High Mark Capital Management, and Public Agencies Retirement Services (PARS) is the Trust Administrator. The City elected the 'Moderately Conservative HighMark Plus' investment approach with a blended investment objective strategy. The primary objective is to provide current income with capital appreciation as secondary objective. The Plan's target rate of return is 5 percent. The asset target allocations for this objective are 3 percent cash source, 50% equity and 47% fixed income. The City funded the trust account totaling \$26,500 in fiscal year 2017-18 and reported as restricted assets and fund balance. The value of the Plan as of June 30, 2018 was \$27,605 of which all was placed in cash money market and money market mutual fund accounts.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Fair Value Measurement

The City categorizes 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 the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF and LACPIF are made on the basis of \$1 and not fair value. Accordingly, the City's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2018. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City's treasury pools asset market prices are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.

For investments classified within Level 2 of the fair value hierarchy, the City's custodians generally uses a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

The City does not have any investments that are measured using Level 3 inputs.

As of June 30, 2018, the City has the following fair value measurements:

	Balance at June 30, 2018	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Commercial Paper	\$ 64,470	-	64,470	-
Federal Agency Term Notes	105,643	-	105,643	-
Federal Agency Callable Bonds	24,392	-	24,392	-
Medium Term Notes	191,411	-	191,411	-
Obligations of Other States	55,306	-	55,306	-
State and Municipal Bonds	71,701	-	71,701	-
U.S. Treasury Notes	70,144	-	70,144	-
Section 115 Trust Fund:				
Money Market Mutual Funds	26,726	26,726	-	-
Total investments by fair value level	<u>609,793</u>	<u>26,726</u>	<u>583,067</u>	<u>-</u>
Investments measured at amortized costs or not subject to fair value hierarchy:				
Los Angeles County Pool	50,426			
State Investment Pool	67,873			
Held by Other Financial Institutions:				
Money Market Accounts	8,616			
Section 115 Trust Fund:				
Money Market Accounts	879			
Held by Fiscal Agents:				
Guaranteed Investment Contracts	2,398			
Money Market Accounts	<u>6,302</u>			
Total investments measured at amortized costs or not subject to fair value hierarchy	<u>136,494</u>			
	<u>\$ 746,287</u>			

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

NOTE 4 – LOANS RECEIVABLE

Verdugo Fire Communications

The Verdugo Fire Communications Center (Verdugo) is a regional dispatch center that was established by the founding cities of Burbank, Glendale, and Pasadena. Verdugo currently dispatches for fourteen fire agencies as dispatching services for the City of Vernon Fire Department began on July 1, 2016. To begin dispatching services, the Vernon Fire Department's equipment and infrastructure needed to be updated and configured to be able to establish connectivity to the Verdugo system. Upon review of the cost associated with the updates and configuration, the tri-city Fire Chiefs agreed, with the approval of the City of Vernon's and the City of Glendale's City Council, to loan the funding to the City of Vernon and executed a promissory note on February 26, 2016. The loan receivable amount was estimated to be \$200, with agreed upon terms of no loan fee or accruing interest, and is required to be repaid within the first two years of the approved dispatch agreement over four semi-annual payments. As of June 30, 2018, the loan receivable was fully paid.

Successor Agency

In February 2012, the Dissolution Act (Assembly Bill x1 26; amended by AB 1484 in June 2012 and SB 107 in September 2015) dissolved California redevelopment agencies and directed their wind-down activities. In Glendale, the City chose to serve as the Glendale Successor Agency ("Agency"). This action impacted the reporting entity of the City of Glendale that had previously reported the redevelopment agency within it and as a blended component unit. Commencing on February 1, 2012, the assets and activities of the dissolved redevelopment agency were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency from governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (gain) in its financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Since February 2012, the Agency has completed a series of reports, audits and reviews, and approvals with approval from the Oversight Board and state Department of Finance ("DOF"). These have included two detailed Due Diligence Reviews to determine unobligated fund balances available for transfer to the affected taxing entities. Once the excess funds were distributed to the taxing entities, Glendale received a Finding of Completion (FOC) in May 2013. Following the FOC, Glendale needed to address its real property assets. Thus, Glendale prepared a Long Range Property Management Plan (LRPMP) which was approved by DOF on April 16, 2014. On May 24, 2016, the DOF approved a revision to Glendale's LRPMP to reflect the property at 300 E. Broadway as government use.

With the passage of Senate Bill 107, the requirement to prepare biannual payment schedules known as Recognized Obligation Payment Schedules (ROPS) was replaced with an annual ROPS.

As of June 30, 2018, the reinstated loan amount is \$23,271 which includes \$328 of capitalized interest for FY 2017-18.

Housing

The Housing Authority has offered various housing loans to the residents of the City to create and maintain affordable housing for low and moderate income households. Four different types of housing loans are currently or were formerly funded from Community Development Block Grant (CDBG grant), HOME grant, Low and Moderate Income Housing Asset Fund (LMIHA) program income, and Building Equity and Growth in Neighborhoods Grant (BEGIN grant) funds. Certain Housing Authority loans will be forgiven or restructured when all requirements are met. Because of the uncertainty of collectability, the City has established a policy not to record forgivable and contingent loans on the financial statements. The non-forgivable loans are recorded on the financial statements.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

- *Single Family Home Rehabilitation Loan*

The program was funded by the CDBG grant, HOME grant, and LMIHA. It provided funds for moderate rehabilitation of owner-occupied homes for low and moderate income households. The deferred payment loan is interest-bearing with simple interest rates ranging from 0% to 4% annually for up to 10 years, and with a loan amount up to \$25. Generally, the loan is repaid at the time of sale or transfer of the property and is secured by a deed of trust on the property. This program was eliminated in February 2012; however, there are existing loans receivable. As of June 30, 2018, \$1,685 is outstanding, which is recorded in governmental activities in the government-wide financial statement.

- *First Time Home Buyer Loan*

The program is funded by the HOME grant, LMIHA, and BEGIN grant, and has two categories.

Down Payment Assistance – Resale Homes Purchase. The program provided funds for down payment and affordability gap assistance for the purchase of a resale home by a low or moderate income first time home buyer household. Loan terms varied from 30 to 45 years and required either a 5% simple annual interest rate paid monthly, or a 0% simple annual interest rate with no monthly payments. All loans are second mortgage deferred payment and forgivable up to \$75. If the property is sold, transferred, or no longer owner-occupied before the term expires, the borrower must repay the original principal amount plus an appreciation share. This program was eliminated in February 2012; however, there are existing loans receivable. As of June 30, 2018, \$3,018 is outstanding. As of June 30, 2018, the non-forgivable amount is \$0.

Down Payment Assistance – New Construction Homes Purchase. For new construction units, the amount of the loan is based on the amount of the affordability gap. The loan is secured by a deed of trust on the property and affordable housing covenants. Loans fall into two types. One type is the deferred payment forgivable loan with a loan term of 30 to 45 years; the loan is forgiven at the end of the loan term. If the property is sold, transferred, or no longer owner-occupied before the term expires, the borrower must repay the original principal amount plus an appreciation share. A small set of loans funded through the American Dream Down Payment Assistance Program are forgiven at a set percentage of the principal amount each year. A second type of loan is a deferred payment loan with resale restrictions. This includes the most recent HOME funded loans that are subject to resale restrictions and must be resold to low-income home buyers if sold before the end of the term. As of June 30, 2018, the forgivable loan amount at the end of the term is \$4,138, and is not recorded on the financial statements. The Doran Gardens project loans funded through the BEGIN grant are deferred loans and are to be repaid at the end of the 30-year term. As of June 30, 2018, the non-forgivable amount is \$5,539 and is recorded in governmental activities in the government-wide financial statement.

- *New Construction and Acquisition/Rehabilitation Rental Development Loan*

The program is funded by the HOME grant and LMIHA and provides funds for new construction, acquisition or rehabilitation of affordable rental housing. Loan terms and loan underwriting requirements are negotiated with the developer on a project-by-project basis. The loan is secured by a deed of trust and affordable housing covenants on the property. Loans provide gap assistance to make housing units affordable to low and moderate income households, and units must be rented at an affordable rent. Leveraging of funds with other sources and contribution of developer equity is required. Loans may be second mortgage deferred payment loans, which require loan principal plus interest to be repaid at the end of the loan term, and residual receipt payments are required on some deferred loans. Also, loans may be permanent financing first mortgage loans at below-market interest rates, and monthly amortized payments are required. Such loans would be provided when credit conditions or loan costs are not feasible for the project. As of June 30, 2018, the amount of forgivable or contingent loans is \$96,343, which is not recorded on the financial statements.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

NOTE 5 – INTERFUND TRANSACTIONS

The composition of interfund balances consists of due to/from other funds, advances to/from other funds, and transfers. Due to/from other funds are temporary cash overdrafts between funds. Advances to/from other funds represent an interfund loan extending beyond one year and some advances are formal lending agreements between funds.

Due to/from other funds as of June 30, 2018 consist of the following:

Due to General Fund from:
Nonmajor governmental funds \$ 5,278

Due to General Fund from:
Internal service funds \$ 215

The City reports transfers between many of its funds. The sum of all transfers presented in the following table agrees with the sum of interfund transfers presented in the government-wide, governmental and proprietary fund financial statements. Transfers are used to (1) subsidize the activities of other funds and (2) move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them.

	<u>Amount</u>	<u>Purpose</u>
Transfers to General Fund from:		
Electric Fund	\$ 20,162	Fund general fund operations per Charter
Nonmajor enterprise funds	<u>1,150</u>	Fund general fund operations
	21,312	
Transfers to Capital Improvement Fund from:		
General Fund	10,204	Fund capital improvement projects
Transfers to nonmajor governmental funds from:		
General Fund	977	20% of City GSA loan payment
General Fund	85	Nutritional Meals Grant matching
General Fund	800	Fund Police Building Project debt service
Capital Improvement Fund	<u>2,000</u>	Fund Scholl Canyon Landfill reserve
	<u>3,862</u>	
Total Interfund Transfers	<u>\$ 35,378</u>	

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

NOTE 6 – CAPITAL ASSETS

Capital asset for Governmental activities for the year ended June 30, 2018 was as follows:

	Balance at July 1	Increases	Decreases	Reclass	Adjustments- transferred from fiduciary fund*	Balance at June 30**
Capital assets, not being depreciated:						
Land	\$ 421,748	-	-	-	72	421,820
Construction in progress	48,882	13,655	-	(25,920)	-	36,617
Total assets not being depreciated	470,630	13,655	-	(25,920)	72	458,437
Depreciable capital assets:						
Building and improvements	400,720	1,296	(470)	9,295	2,672	413,513
Machinery and equipment	134,686	6,476	(14,500)	764	-	127,426
Infrastructure	324,734	2,602	(16,853)	15,015	-	325,498
Total other capital assets at cost	860,140	10,374	(31,823)	25,074	2,672	866,437
Amortizable intangible assets:						
Intangible assets	-	243	-	758	-	1,001
Less accumulated depreciation:						
Building and improvements	159,871	10,207	(325)	-	-	169,753
Machinery and equipment	95,494	6,462	(14,497)	(12)	-	87,447
Infrastructure	118,859	7,808	(16,853)	-	-	109,814
Total accumulated depreciation	374,224	24,477	(31,675)	-	-	367,014
Less amortization:						
Intangible assets	-	18	-	12	-	30
Total assets being depreciated and amortized, net	485,916	(13,878)	(148)	25,832	2,672	500,394
Governmental activities capital assets, net	\$ 956,546	(223)	(148)	(88)	2,744	958,831

*Includes \$72 of land and \$2,672 of buildings and improvements that was transferred to the governmental activities from fiduciary fund.

**\$57,110 and \$61,441 of buildings, improvements, machinery, equipment, construction in progress and intangible assets for FY2017 and FY2018 respectively from internal service funds are included in governmental activities. \$27,973 and \$30,472 of accumulated depreciation and amortization for FY2017 and FY2018 respectively from internal service funds are included in governmental activities.

Depreciation and amortization expense was charged to functions of the City's governmental activities for the year ended June 30, 2018 as follows:

Depreciation	
General Government	\$ 2,307
Police	2,082
Fire	1,147
Public Works	12,907
Parks, Recreation and Community Services	2,785
Library	1,101
Housing, Health and Community Development	2,148
Total depreciation expense	24,477
Amortization	18
Total depreciation and amortization expense	\$ 24,495

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Capital asset for Business-type activities for the year ended June 30, 2018 was as follows:

	Balance at July 1	Increases	Decreases	Reclass	Balance at June 30
Capital assets, not being depreciated:					
Land	\$ 9,557	-	-	-	9,557
Construction in progress	76,681	17,241	-	(33,095)	60,827
Total assets not being depreciated	86,238	17,241	-	(33,095)	70,384
Depreciable capital assets:					
Building and improvements	271,976	3,324	-	764	276,064
Machinery and equipment	562,591	2,312	(10,003)	28,119	583,019
Infrastructure	152,130	91	-	4,212	156,433
Total other capital assets at cost	986,697	5,727	(10,003)	33,095	1,015,516
Depletable capital assets:					
Natural gas reserve	22,149	1	-	-	22,150
Amortizable intangible assets:					
Intangible assets	102,644	3,017	-	-	105,661
Less accumulated depreciation:					
Building and improvements	99,312	5,740	-	-	105,052
Machinery and equipment	334,465	26,257	(10,003)	-	350,719
Infrastructure	52,247	3,432	-	-	55,679
Total accumulated depreciation	486,024	35,429	(10,003)	-	511,450
Less accumulated natural gas depletion:					
Natural gas reserve	9,854	1,171	-	-	11,025
Less amortization:					
Intangible assets	46,371	3,125	-	-	49,496
Total assets being depreciated, depleted, and amortized, net	569,241	(30,980)	-	33,095	571,356
Business-type activities capital assets, net	\$ 655,479	(13,739)	-	-	641,740

Depreciation, depletion and amortization expense was charged to functions of the City's business-type activities for the year ended June 30, 2018 as follows:

Depreciation	
Sewer	\$ 3,025
Electric	24,947
Water	5,856
Refuse Disposal	1,390
Fire Communication	211
Total depreciation expense	35,429
Depletion - Electric	1,171
Amortization - Sewer	3,125
Total depreciation, depletion, and amortization expense	\$ 39,725

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

NOTE 7 – PROPERTY HELD FOR RESALE

Governmental activities – Home Grant Fund property held for resale at June 30, 2018:

<u>Acquisition Date</u>	<u>Location</u>	<u>Carrying Value</u>
May 2015	634 and 700 E. Lomita	\$ <u>981</u>

NOTE 8 – LONG-TERM DEBT AND LIABILITIES

The City's long-term debt and liabilities as of June 30, 2018 consists of the following:

	<u>Issuance Amount</u>	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2018</u>	<u>Due within one year</u>
Governmental Activities						
Claims payable	\$ -	51,394	42,709	40,835	53,268	14,369
Compensated absences	-	21,395	9,814	8,625	22,584	2,433
Landfill postclosure care	-	47,059	1,553	-	48,612	-
Certificates of Participation (COPs)	64,200	33,785	-	1,905	31,880	1,985
Other long-term liabilities:						
Capital Lease-Fire equipment lease						
2009 – Wells Fargo	2,299	262	-	262	-	-
2011 HUD Section 108 Loan	2,000	1,111	-	203	908	212
Loans payable	1,444	-	1,444	850	594	594
Total other long-term liabilities	5,743	1,373	1,444	1,315	1,502	806
Total Governmental Activities long-term liabilities	\$ 69,943	155,006	55,520	52,680	157,846	19,593

For the governmental activities, claims payable and compensated absences are primarily liquidated by the respective internal service funds.

	<u>Issuance Amount</u>	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2018</u>	<u>Due within one year</u>
Business-type Activities						
Compensated absences	\$ -	6,109	3,095	2,754	6,450	704
Bonds payable:						
Electric Revenue Bonds, 2008 series	60,000	1,880	-	1,880	-	-
Electric Revenue Bonds, 2013 refunding series	20,510	19,610	-	935	18,675	975
Electric Revenue Bonds, 2013 series	60,000	57,285	-	1,130	56,155	1,175
Electric Revenue Bonds, 2016 refunding series	72,615	71,170	-	1,185	69,985	2,844
Electric Revenue Bonds premium	-	22,867	-	1,132	21,735	1,132
Water Revenue Bonds, 2008 series	50,000	43,760	-	1,370	42,390	1,421
Water Revenue Bonds, 2012 series	35,000	35,000	-	415	34,585	436
Water Revenue Bonds premium	-	1,861	-	85	1,776	85
Total bonds payable	298,125	253,433	-	8,132	245,301	8,068
Total Business-type Activities long-term liabilities	\$ 298,125	259,542	3,095	10,886	251,751	8,772

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

The City of Glendale Financing Authority

Variable Rate Demand Certificates of Participation (COPs) - 2000 Police Building Project

The COPs were issued pursuant to the resolutions adopted by the City Council and the board of directors of the Glendale Financing Authority on June 6, 2000. The proceeds of the COPs were used to (a) finance for the acquisition, construction and improvement of a police building (the "Police Building"), (b) establish a reserve fund of \$5,000 in accordance with the trust agreement, and (c) pay for the costs incurred to issue the COPs. Since the issuance of the COPs in 2000 until July 8, 2013, the COPs were subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on five days' notice and delivery to the City's Remarketing Agent.

On May 28, 2013, the City and the Financing Authority adopted Resolution No. 13-76 and Resolution GFA-13-02 respectively, accepting Bank of America's proposal for a Direct Purchase Index Floater (Direct Purchase Agreement) of the Glendale COPs to replace the Standby Bond Purchase Agreement. The direct purchase loan with Bank of America relating to the Certificates of Participation for the Police Building is subject to a mandatory tender for purchase at a price of par plus accrued interest on the earliest of the: (i) mandatory tender date of three years from closing, (ii) date on which the Certificates are converted to another interest rate mode, (iii) or occurrence of an event of default. The variable interest rates were based on 70.0% of monthly LIBOR Index plus a fixed spread of 0.40%.

On May 17, 2016, the City and the Financing Authority adopted Resolution No. 16-82 and Resolution GFA-16-01 respectively, approving a second 3-year contract with Bank of America to purchase Glendale Variable Rate Demand Certificates of Participation. The variable interest rates are based on 70.0% of monthly LIBOR Index plus a fixed spread of 0.48%. Under the Direct Purchase Agreement, the COPs mature in annual installments ranging from \$1,985 to \$3,480 from FY 2018-19 to FY 2029-30. As of June 30, 2018, the principal balance was \$31,880. The average monthly interest rate for FY 2017-18 was 1.52%.

The Financing Authority has leased the Police building back to the City pursuant to a lease agreement dated July 1, 2000. The bond indebtedness is secured by a lease to the City and is payable from rental payments received under terms of the lease agreement. The annual lease payments from the City are to be at a rate sufficient to meet debt service requirements of the outstanding bond indebtedness on the leased premises.

The City of Glendale Housing Authority

HUD Section 108 Loan (Series 2011-A)

Section 108 Loan of \$2,000 was used to acquire and rehabilitate an Emergency Shelter and Homeless Access Center at 1948 Gardena Avenue, Glendale for the S.H. Ho Hope and Compassion Center, a non-profit organization. HUD administers the Section 108 Loan Guarantee program, and the program's purpose is to fill funding gaps on major community / economic development projects throughout the country. The Section 108 Loan Guarantee program was created as part of the original Housing and Community Development Act of 1974. Section 108 obligations are permanently financed through underwritten public offerings. This was the City's second time receiving a Section 108 loan. The City received the loan in November 2011. The term of the loan is ten years with an interest rate of 2.56% and the total interest is \$210. The City has pledged current and future CDBG funds as principal security for the loan. The principal amounts range from \$212 to \$242 annually from FY 2018-19 to FY 2021-22. The Section 108 loan payment is budgeted as a CDBG project each year based on the payment schedule.

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

Capital Improvement Projects

Landfill Postclosure Care Costs

Pursuant to Assembly Bill 2448 and the regulations established by the California Integrated Waste Management Board (Board), landfill operators are required to submit an initial cost estimate of postclosure maintenance and to establish a financial mechanism to demonstrate the availability of funding to conduct postclosure maintenance activities. The City selected a trust fund as the financial mechanism and the Board approved this. The City Treasurer was designated as the trustee to ensure that the City set aside annual required deposits. The City subcontracts with Los Angeles County Sanitation District (Sanitation District) to operate Scholl Canyon and as part of this contract, the County is responsible for the closure cost of Scholl Canyon. The City is responsible for the postclosure maintenance cost of Scholl Canyon. According to Los Angeles County Sanitation District's records, the permitted capacity filled between August 18, 1989 and July 10, 2017 was 11.41 million tons. The permitted capacity filled between July 11, 2017 and July 10, 2018 was 0.40 million tons. The total permitted capacity as of August 18, 1989 remains 14.75 million tons. Therefore, the City has 2.94 million tons unfilled capacity remaining. Using an inflation factor from the Sanitation Districts of 1.018, the total estimated care postclosure cost is \$60,714. Using the data above, the amount of \$48,612 is recognized as a long-term liability on the Statement of Net Position. Accordingly, the portion of the estimated total obligation for landfill postclosure costs that has not been recognized in the financial statements is \$12,102. The City records the annual provision for the required landfill deposits as designated cash in the Landfill Postclosure Fund. At the end of June 30, 2018, the City has set aside \$31,850 of this in the Landfill Postclosure Fund. The total current cost of landfill postclosure care is an estimate subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Capital Lease - Fire Equipment Lease 2009

In December 2008, the City entered into a Master Governmental Lease-Purchase Agreement (the "Master Lease") with Wells Fargo Equipment Finance, Inc. to provide funds for acquisition of fire apparatus, which include one new Pierce Heavy Duty Rescue System mounted on a new 2009 International 7400 Chassis together with all attachments and accessories and four new Pierce 2000 GPM Quantum Triple Combination Pumper Truck Systems mounted on new 2008 Quantum Chassis together with all attachments and accessories. The total cost of the equipment funded was \$2,299 with an annual interest rate of 4.0%. The City makes lease payments each year consisting of principal and interest for a term of ten years commencing in FY 2008-09. The annual lease payment is \$273. Payments are due on December 15 annually. As of June 30, 2018, the capital lease was fully paid.

Loans Payable

In December 2014, the City entered into an agreement with Modern Parking, Inc. ("Agreement") for the procurement and installation of a modernized Parking Access and Revenue Control System (PARCS) for City-owned downtown parking garages. This PARCS replacement contains new automated vehicle exits, updated payment acceptance options (primarily credit card), more thorough auditing reports for improved revenue controls, and an updated camera and intercom system. The total cost of the equipment was \$1,851 with an effective annual interest rate of 6.0%. Subject to the terms of the Agreement, once substantial completion has occurred, the City will pay Modern Parking the monthly amortization payment amount. The substantial completion occurred in November 2017. The City made a deposit of \$406 upon execution of the "Agreement" and made total payments of \$850 as of June 30, 2018. The outstanding balance of the loan agreement as of June 30, 2018 was \$594.

Business-type Activities:

Enterprise Funds

Electric Revenue Bonds, 2008 Series

The Electric utility of Glendale Water and Power issued \$60,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

The Electric Revenue Bonds, 2008 Series were partially refunded in May 2016 with the Electric Revenue Bonds, 2016 Refunding Series. After the issuance of the Electric Revenue Bonds, 2016 Refunding Series, \$1,880 of the partially defeased 2008 Bonds matured at its redemption date on February 1, 2018. \$58,120 of the 2008 Bonds were refunded and deposited into an Escrow Fund established pursuant to an Escrow Agreement dated May 1, 2016 and was fully redeemed on February 1, 2018 at a redemption price of 100% of the principal amount plus accrued interest.

Electric Revenue Bonds, 2013 Refunding Series

The Electric utility of Glendale Water & Power issued \$20,510 in revenue bonds in March 2013 to provide funds to refund all of the City's outstanding Electric Revenue Bonds, 2003 Series and pay cost of issuance. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2003 Series through a legal defeasance.

The current refunding resulted in the recognition of a deferred outflow of resources of \$112 as of June 30, 2018, and is being amortized through FY 2031-32. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$4,478 on parity with other Electric revenue bonds. The bonds mature in regularly increasing amounts ranging from \$975 to \$1,805 annually from FY 2018-19 to FY 2031-32.

Electric Revenue Bonds, 2013 Series

The Electric utility of Glendale Water & Power issued \$60,000 in revenue bonds in December 2013 to finance (1) the costs of acquisition and construction of certain improvements to the City's electric public utility (the "Electric System"), (2) making a deposit to the parity reserve fund, and (3) paying the cost of issuance of the 2013 Bonds.

The terms of the 2013 Electric Revenue Bonds' (2013 Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account. The bonds mature in regularly increasing amounts ranging from \$1,175 to \$3,795 annually from FY 2018-19 to FY 2042-43.

Electric Revenue Bonds, 2016 Refunding Series

The Electric utility of Glendale Water & Power issued \$72,615 in revenue bonds in May 2016 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2006 Refunding Series, a portion of the City's outstanding Electric Revenue Bonds, 2008 Series, and paying the costs of issuance of the 2016 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2006 Refunding Series and a portion of the outstanding Electric Revenue Bonds, 2008 Series through a legal defeasance. The advance refunding resulted in the recognition of a deferred outflow of resources of \$4,459 as of June 30, 2018, and is being amortized through FY 2037-38.

The terms of the Electric Revenue Bonds, 2016 Refunding Series' (2016 Refunding Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account.

The bonds mature in regularly increasing amounts ranging from \$2,700 to \$4,715 annually from FY 2018-19 to FY 2037-38. The 2016 Refunding Bonds maturing on or prior to February 1, 2026 are not subject to redemption prior to maturity. The 2016 Refunding Bonds maturing on and after February 1, 2027 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2026, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2016 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

The Electric utility has pledged future electric customer revenues, net of specified operating expenses, to repay \$213,125 in electric revenue bonds. Proceeds from the bonds financed the costs of the acquisition and construction of certain improvements to the City's electric public system. The bonds are payable solely from Electric Fund's net revenues and is expected to require the net revenues to be at least equal to 1.10 times the amount of the annual debt services as it become due each fiscal year. The total principal and interest remaining to be paid on the bonds through FY 2042-43 is \$229,929. Principal and interest paid and total net available revenues for FY 2017-18 were \$12,576 and \$66,222, respectively.

Water Revenue Bonds, 2008 Series

The Water Utility of Glendale Water & Power issued \$50,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Water System of the City.

The terms of the 2008 Water Revenue Bonds' (2008 Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$2,836.

The bonds mature in regularly increasing amounts ranging from \$1,420 to \$3,060 annually from FY 2018-19 to FY 2037-38. The 2008 Bonds maturing on or prior to February 1, 2018 are not subject to redemption prior to maturity. The 2008 bonds maturing on and after February 1, 2019 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2018, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2008 Bonds to be redeemed, together with accrued interest to the redemption date.

Water Revenue Bonds, 2012 Series

The Water Utility of Glendale Water & Power issued \$35,000 in revenue bonds in December 2012 to finance the costs of acquisition and construction of certain improvements to the Water System of the City.

The terms of the 2012 Water Revenue Bonds' (2012 Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$1,334.

The bonds mature in regularly increasing amounts ranging from \$435 to \$4,945 annually from FY 2018-19 to FY 2041-42. The 2012 Bonds maturing on or prior to February 1, 2022 are not subject to redemption prior to maturity. The 2012 bonds maturing on and after February 1, 2023 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on August 1, 2022, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2012 Bonds to be redeemed, together with accrued interest to the redemption date.

The Water utility has pledged future water customer revenues, net of specified operating expenses, to repay \$85,000 in water revenue bonds. Proceeds from the bonds financed the costs of the acquisition and construction of certain improvements to the City's water system. The bonds are payable solely from Water Fund's net revenues and is expected to require the net revenues to be at least equal to 1.25 times the amount of the annual debt services as it become due each fiscal year. The total principal and interest remaining to be paid on the bonds through 2043 is \$124,491. Principal and interest paid and total net available revenues for FY 2017-18 were \$5,119 and \$12,977, respectively.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Annual Debt Service Requirement Schedule

The annual debt service requirement schedule for governmental and business-type activities is as follows:

Fiscal Year	Police Building Project (COPs) Governmental Activities		Loans Payable Governmental Activities	
	Interest	Principal	Interest	Principal
2019	\$ 405	1,985	41	594
2020	425	2,070	-	-
2021	437	2,155	-	-
2022	442	2,320	-	-
2023	437	2,405	-	-
2024-2028	1,766	14,155	-	-
2029-2031	290	6,790	-	-
	<u>\$ 4,202</u>	<u>31,880</u>	<u>41</u>	<u>594</u>

Fiscal Year	Section 108 (2011 Series) Loan Governmental Activities		Electric and Water Revenue Bonds Business-type Activities	
	Interest	Principal	Interest	Principal
2019	\$ 18	212	10,336	6,851
2020	14	222	10,000	7,149
2021	9	232	9,650	7,500
2022	3	242	9,287	7,845
2023	-	-	8,901	8,220
2024-2028	-	-	37,463	47,440
2029-2033	-	-	25,877	50,720
2034-2038	-	-	16,150	50,015
2039-2043	-	-	4,966	36,050
	<u>\$ 44</u>	<u>908</u>	<u>132,630</u>	<u>221,790</u>

Fiscal Year	Total Governmental Activities		Total Business-type Activities		Total Debt Service
	Interest	Principal	Interest	Principal	
2019	\$ 464	2,791	10,336	6,851	20,442
2020	439	2,292	10,000	7,149	19,880
2021	446	2,387	9,650	7,500	19,983
2022	445	2,562	9,287	7,845	20,139
2023	437	2,405	8,901	8,220	19,963
2024-2028	1,766	14,155	37,463	47,440	100,824
2029-2033	290	6,790	25,877	50,720	83,677
2034-2038	-	-	16,150	50,015	66,165
2039-2043	-	-	4,966	36,050	41,016
	<u>\$ 4,287</u>	<u>33,382</u>	<u>132,630</u>	<u>221,790</u>	<u>392,089</u>

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

NOTE 9 – PENSION PLANS

California Public Employees' Retirement System

General Information about the Pension Plans

Plan Description

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 at <http://www.calpers.ca.gov>.

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 for Classic members and age 52 for PEPRA members, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The death benefit is as follows:

If eligible to retire, the Pre-retirement Option 2W Death Benefit; or the Basic Death Benefit of a refund of contributions, plus interest; and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months); and 1959 Survivor Benefit Program Level 4* (may not be payable if the Special Death Benefit is elected).

If not eligible to retire, the Basic Death Benefit of a refund of contributions, plus interest; and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months); and 1959 Survivor Benefit Program Level 4* (may not be payable if the Special Death Benefit is elected).

**1959 Survivor Benefit Program Level 4 may not be applicable if there is no eligible Spouse/Registered Domestic Partner and an unmarried eligible dependent child under age 22. An eligible surviving spouse/registered domestic partner may be entitled to the 1959 Survivor Benefit Program Level 4 benefits as long as they have care of an eligible child (unmarried dependent child of the member living with the member in a parent-child relationship, while under age 22) or the surviving spouse/registered domestic partner is at least age 62 (age 60 at Level 4 and under the Indexed Level). An eligible surviving spouse/registered domestic partner may remarry and continue to receive the allowance.*

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

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

	Miscellaneous		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-63+	52-67+
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.4% to 2.4%	1.0% to 2.5%
	Safety		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-55+	50-57+
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%

Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms for each plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	1,694	604
Inactive employees entitled to but not yet receiving benefits	1,647	94
Active employees	1,356	385
Total	<u>4,697</u>	<u>1,083</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 rates of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Starting for FY 2017-18, the contribution for the unfunded liability is a fixed amount, rather than a rate of the payroll. The City converts the fixed amount into a rate based on the payroll, and combines it with the normal cost rate to calculate the total employer contribution rate.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

In FY 2017-18, for the Miscellaneous Plan, the normal cost rate is 8.321%, the amount for the unfunded liability is \$16,760, and the prepayment amount for the unfunded liability is \$16,165. The City chose the prepayment option to pay the \$16,165 in July 2017, instead of paying 1/12th of \$16,760 on a monthly basis. For FY 2017-18, the City calculates the rate for the unfunded liability to be 17.721%.

The City's Miscellaneous Plan member contribution rates and employer contribution rates for FY 2017-18, including the employees' cost sharing toward the employer rates, are shown in the table below:

Miscellaneous Plan						
Employee Group	CalPERS Membership	Retirement Formula	Member Contribution Rate	Employer Contribution Rate		
				Employees' Cost Sharing	City Portion	Total
Council Member	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	23.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	23.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	23.042%	26.042%
Executive	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	22.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	22.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	22.042%	26.042%
GCEA	Classic (1st Tier)	2.5% @ 55	12.00%	0.00%*	22.042%	22.042%
	Classic (2nd Tier)	2.0% @ 55	11.00%	0.00%*	22.042%	22.042%
	PEPRA (3rd Tier)	2.0% @ 62	9.75%	0.00%*	22.042%	22.042%
IBEW	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	23.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	23.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	23.042%	26.042%
GMA	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	22.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	22.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	22.042%	26.042%

GCEA - Glendale City Employee Association

IBEW - International Brotherhood of Electrical Workers

GMA - Glendale Management Association

* Effective May 2013, GCEA members' cost sharing rate (3%-4%) became part of their member contribution rate.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

In FY 2017-18, for the Safety Plan, the normal cost rate is 18.813%, the amount for the unfunded liability is \$13,416, and the prepayment amount for the unfunded liability is \$12,940. The City chose the prepayment option to pay the \$12,940 in July 2017, instead of paying 1/12th of \$13,416 on a monthly basis. For FY 2017-18, the City calculates the rate for the unfunded liability to be 25.586%.

The City's Safety Plan member contribution rates and employer contribution rates for FY 2017-18, including the employees' cost sharing toward the employer rates, are shown in the table below:

Safety Plan						
Employee Group	CalPERS Membership	Retirement Formula	Member Contribution Rate	Employer Contribution Rate		
				Employees' Cost Sharing	City Portion	Total
Executive - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
Executive - Police	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
GMA - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
GMA - Police	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	40.899%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	40.899%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	40.899%	44.399%
GFFA	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	40.899%	44.399%
GPOA	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	40.899%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	40.899%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	1.75%	42.649%	44.399%

GMA - Glendale Management Association
 GFFA - Glendale Fire Fighter Association
 GPOA - Glendale Police Officer Association

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

As shown in the rates tables, in addition to the required member contributions, the City employees also contribute a portion of the required employer contribution, based on bargaining units' MOUs. The required employer contributions to the Miscellaneous and Safety plans were \$23,741 and \$22,470, respectively, for the year ended June 30, 2018. The breakdown of the required employer contribution between the City portion and the employee portion is as follows:

Plan	Annual Required Employer Contribution	City Contribution	Employees' Cost Sharing
Miscellaneous	\$ 23,741	20,205	3,536
Safety			
Police	13,033	12,200	833
Fire	9,437	8,443	994
Total Safety	22,470	20,643	1,827
Total	\$ 46,211	40,848	5,363

Net Pension Liability

The City's net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increase	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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 2014 experience study report. All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

For the measurement date June 30, 2017, the accounting discount rate reduced from 7.65% to 7.15%.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Discount Rates

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10 *</u>	<u>Real Return Years 11+ **</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
Total	100.00%		

*An expected inflation of 2.5% used for this period.

**An expected inflation of 3.0% used for this period.

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Changes in the Net Pension Liability

The changes in the Net Pension Liability measured as of June 30, 2017 for each plan is as follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
Balance at June 30, 2017	\$ 1,009,768	745,881	263,887
Changes in the year:			
Service cost	15,513	-	15,513
Interest on the total pension liability	74,508	-	74,508
Changes of assumptions	62,163	-	62,163
Differences between actual and expected experience	(11,313)	-	(11,313)
Net plan to plan resource movement	-	2	(2)
Contribution from the employer	-	18,558	(18,558)
Contribution from the employees	-	8,518	(8,518)
Net investment income	-	82,439	(82,439)
Benefit payments, including refunds of employee contributions	(52,599)	(52,599)	-
Administrative expense	-	(1,101)	1,101
Net changes	<u>88,272</u>	<u>55,817</u>	<u>32,455</u>
Balance at June 30, 2018	<u>\$ 1,098,040</u>	<u>801,698</u>	<u>296,342</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
Balance at June 30, 2017	\$ 754,987	503,155	251,832
Changes in the year:			
Service cost	14,641	-	14,641
Interest on the total pension liability	56,003	-	56,003
Changes of assumptions	47,703	-	47,703
Differences between actual and expected experience	(7,654)	-	(7,654)
Net plan to plan resource movement	-	(2)	2
Contribution from the employer	-	19,843	(19,843)
Contribution from the employees	-	4,305	(4,305)
Net investment income	-	55,289	(55,289)
Benefit payments, including refunds of employee contributions	(38,186)	(38,186)	-
Administrative expense	-	(743)	743
Net changes	<u>72,507</u>	<u>40,506</u>	<u>32,001</u>
Balance at June 30, 2018	<u>827,494</u>	<u>543,661</u>	<u>283,833</u>
Total for both plans at June 30, 2018	<u>\$ 1,925,534</u>	<u>1,345,359</u>	<u>580,175</u>

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of each Plan, calculated using the discount rate of 7.15%, 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:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 445,850	399,747	845,597
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 296,342	283,833	580,175
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 173,514	189,163	362,677

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported net pension liability, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety Plans as follows:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities:			
Miscellaneous plan	\$ 190,951	47,692	7,647
Safety plan	283,833	66,215	12,716
Total	\$ 474,784	113,907	20,363
Business-type activities:			
Miscellaneous plan	\$ 105,391	28,027	4,491

Miscellaneous Plan:

For the year ended June 30, 2018, the City recognized pension expense of \$34,640. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 23,741	-
Changes of assumptions	40,727	567
Differences between expected and actual experience	-	11,571
Net differences between projected and actual earnings on plan investments	11,251	-
Total	\$ 75,719	12,138

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

The amount of \$23,741 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, 2019.

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

<u>Year ended June 30,</u>	<u>Amounts</u>
2019	\$ 12,371
2020	28,768
2021	4,742
2022	<u>(6,041)</u>
Total	<u>\$ 39,840</u>

Safety Plan:

For the year ended June 30, 2018, the City recognized pension expense of \$36,351. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 22,470	-
Changes of assumptions	35,778	3,751
Differences between expected and actual experience	-	8,965
Net differences between projected and actual earnings on plan investments	<u>7,967</u>	<u>-</u>
Total	<u>\$ 66,215</u>	<u>12,716</u>

The amount of \$22,470 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, 2019.

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

<u>Year ended June 30,</u>	<u>Amounts</u>
2019	\$ 4,697
2020	17,164
2021	13,140
2022	<u>(3,972)</u>
Total	<u>\$ 31,029</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Supplemental Retirement Plan

In May 2012, in an effort to substantially reduce staffing levels to address a projected \$15,400 General Fund shortfall for FY 2012-13, the City contracted with Public Agency Retirement Services (PARS) to offer an early retirement incentive plan to provide supplemental retirement benefit payments to eligible employees in addition to the benefit payments the employees will receive from the California Public Employees' Retirement System (CalPERS). To be eligible to participate in the plan, the employees must have been a Glendale City Employee Association (GCEA) or Glendale Management Association (GMA) employee, be at least 50 years of age as of September 1, 2012, and have a minimum 5 years of CalPERS service credit. The employees needed to resign from the City by August 31, 2012. The plan offered 5% of the employees' final pay, which the employees could choose various options to receive the payment, such as unmodified lifetime monthly payment, or higher fixed monthly payment for a fixed number of years. There were 122 employees who participated in the plan.

In October 2012, the City provided the same early retirement incentive plan to the employees represented by International Brotherhood of Electrical Workers Association (IBEW), and also offered an extension of the incentive program to employees represented by GCEA and GMA. The same parameters were applied for the extension of the incentive program, with the exception of the retirement eligibility date and date of separation advancing to October 31, 2012. There were 30 additional employees participating in the second phase. The plan is closed, and \$45 was paid to PARS in FY 2017-18.

Public Agency Retirement Services (PARS)

The PARS Trust, created in 1991, is a trust arrangement established to provide economies of scale and efficiencies of administration to public agencies that adopt it to hold the assets of their agency retirement plans maintained for the benefit of their employees. The Omnibus Budget Reconciliation Act of 1990 (OBRA 90) amended the Internal Revenue Code to mandate that employees of public agencies, who are not members of their employer's existing retirement system as of January 1, 1992, be covered under Social Security or an alternate plan. The PARS ARS Plan satisfies the OBRA 90 Federal Requirements. It is intended that this plan and the trust established to hold the assets of the plan shall be qualified under Section 401(a) and tax-exempt under Section 501(a) of the Internal Revenue Code of 1986, as amended, and meet the requirements of California Government Code Sections 53215 through 53224 providing how pension trusts must be established by public agencies. Through PARS, agencies have the ability to design and control retirement plans according to their own specific needs, including specific collective bargaining requirements. The City adopted the PARS ARS Plan, effective September 1, 1999 as an alternate plan to Social Security for the hourly employees who are not eligible for participation in the City's CalPERS retirement plan.

Any City hourly employee who is not eligible to enroll in the CalPERS retirement plan is enrolled in PARS-ARS instead of social security. After completing 1,000 work hours within a fiscal year, hourly employees are eligible to enroll in CalPERS retirement plan. For each pay period, employees contribute 6.2%, and the City contributes 1.3% of employee earnings into employees' PARS account. Both contributions are made on pre-tax basis. For FY 2017-18, PARS payments were \$92 and \$19 for employee portion and employer portion, respectively. The amount of the City's outstanding liability is zero, since the plan is fully funded, and it's a defined contribution plan. A participant in the PARS ARS Plan becomes eligible to receive his/her funds when one of the following events occurs: separation, retirement, permanent and total disability, and change of employment status to a position covered by another retirement system or death.

NOTE 10 – Other Post Employment Benefits Than Pensions (OPEB)

Plan Description

The City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

Benefits Provided

The City provides Medicare Part A reimbursements to retirees and their spouses if the retirees were hired in the City prior to April 1, 1986, and ineligible for premium-free Medicare Part A.

The City also provides cash subsidy for medical insurance premiums to three groups of retirees: (1) retirees who retired before July 1, 2001, and the length of the subsidy was pre-determined based on the retirees' sick leave balances at the time of retirement. The subsidy is capped by the actual premium, and the unreduced city-paid amount continues to surviving spouses if the retirees die prior to the pre-determined payment period; (2) retirees who retired before June 1, 2016 with a minimum of 10 years of City service, enroll in a City sponsored medical plan and meet the annual income requirement. The eligibility and subsidy amount are evaluated on an annual basis. This is a lifetime subsidy for the eligible retirees except it will discontinue at age 65 for the retirees with enhanced pension benefits. The benefit will continue to surviving spouses, if applicable; (3) the surviving spouses and dependents of deceased retirees if the retirees retired before June 1, 2008 and enrolled in Anthem Blue Cross PPO at the time of the death, and the length of subsidy is two years.

The City also provides cash subsidy for medical insurance premium to surviving spouses and dependents of active non-safety employees who pass away during their employment with the City. The subsidy is two years for the City Council, the Executives and the GMA employees, regardless of the medical insurance plans enrolled at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in Anthem Blue Cross PPO at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in HMO plans at the time of the death and if the employees' death is a result of injuries incurred in the performance of his/her assigned duties. At the same time, the City provides cash subsidy for dental insurance premium to surviving spouses and dependents of active safety employees who pass away during their employment with the City. The subsidy continues until the spouses turn 65 and the children turn 26 (if applicable).

The above benefits offered to retirees are no longer available to new entrants because of the restriction of the retirement dates. Benefits payments made by the City for the year ended June 30, 2018 were \$507.

Employees Covered by Benefit Terms

At June 30, 2017, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit payments	89
Inactive employees entitled to but not yet receiving benefit payments	251
Active employees	<u>1,399</u>
Total	<u><u>1,739</u></u>

Total OPEB Liability

The City's total OPEB liability of \$15,738 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	June 30, 2017
Measurement date	June 30, 2017
Discount rate	3.58%
General inflation	2.75% per annum
Medicare Part A premium increases	3.75%/year (inflation + 1%) Not related to health care trend
Healthcare cost trend rate	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

The discount rate was based on the Bond Buyer 20-Bond GO index.

Mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study. Post-retirement mortality was projected fully generational using Society of Actuaries (SOA) Scale MP-2017.

Changes in the Total OPEB Liability

The changes in the total OPEB liability measured as of June 30, 2017 is as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 17,465
Changes in the year:	
Service cost	57
Interest	493
Assumption changes	(1,790)
Benefit payments	(487)
Net changes	<u>(1,727)</u>
Balance at June 30, 2018	<u>\$ 15,738</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB 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 discount rate:

	<u>2.58%</u>	<u>3.58%</u>	<u>4.58%</u>
Total OPEB Liability	\$ 18,268	15,738	13,702

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease (Trend -1%)</u>	<u>Current Trend Rates</u>	<u>1% Increase (Trend +1%)</u>
Total OPEB Liability	\$ 15,530	15,738	15,985

Non-Medicare trend rate of 7.5%, decreasing to an ultimate rate of 4.0% in 2076 and later years. Medicare trend rate of 6.5%, decreasing to an ultimate rate of 4.0% in 2076 and later years.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$353. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB payments made subsequent to the measurement date	\$ 507	
Changes of assumptions		\$ 1,593

The amount of \$507 reported as deferred outflows of resources related to OPEB payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	<u>Amounts</u>
2019	\$ (197)
2020	(197)
2021	(197)
2022	(197)
2023	(197)
Thereafter	(608)
Total	<u>\$ (1,593)</u>

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

NOTE 11 – NET DEFICITS OF INDIVIDUAL FUNDS

As of June 30, 2018, the following funds have negative fund balances or net position:

Governmental funds:

Special revenue funds:

CDBG Fund	\$	2
Continuum of Care Grant Fund		97
Grant Fund		620
Measure H Fund		52
PW Special Grants Fund		84
Measure R Regional Return Fund		1,846
Fire Grant Fund		179

Capital projects funds:

CIP Reimbursement Fund	\$	1,763
------------------------	----	-------

Proprietary funds:

Internal service funds:

Compensation Insurance Fund	\$	9,213
Medical Insurance Fund		596
Employee Benefits Fund		38
Post Employment Benefits Fund		229

The CDBG Fund, Continuum of Care Grant Fund, Grant Fund, Measure H Fund, PW Special Grants Fund, Measure R Regional Return Fund, Fire Grant Fund and CIP Reimbursement Fund are reimbursement type funds. The City requests reimbursement of actual expenditures. As such, there will always be a timing difference between revenues and expenditures resulting in a deficit, as revenues do not represent available resources.

Compensation Insurance Fund – The deficit has decreased in FY 2017-18 due to the premium increases. The City will continue to increase future premiums to eliminate the deficit.

Medical Insurance Fund – The deficit has decreased in FY 2017-18 due to premium increases. The City will increase future premiums to eliminate the deficit.

Employee Benefits Fund – The deficit has increased in FY 2017-18 due to large payouts. The City will continue to increase premiums in the future to eliminate the deficit.

Post Employment Benefits Fund – The deficit was a result of large postemployment benefits payouts. The City will increase future premiums to eliminate the deficit.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City retains risks for the following types of liabilities: workers' compensation, unemployment insurance, general auto, dental, medical and vision as well as public liability through separate internal service funds. The City purchased several commercial insurance policies from third-party insurance companies for errors and omissions of its officers and employees, and destruction of assets as well as excess workers' compensation and general public liability claims. The City also purchases property, aviation and employee dishonesty insurance. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for FY 2017-18 is as follows:

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Insurance Type	Program Limits	Deductible/SIR (self-insured retention)
Excess Liability Insurance	\$ 25,000	\$2,000 SIR per occurrence
D & O Employment Practices	2,000	\$250 SIR non-safety; \$500 SIR safety
Excess Workers' Comp Employer's Liability Insurance	Statutory	\$2,000 SIR per occurrence
Property Insurance (GWP)	250,000	Various deductibles up to \$250
Property Insurance (Non-GWP)	500,000	\$25 deductible all locations
Aviation Insurance (Police Helicopter)	50,000	Various deductibles
Employee Dishonesty – Crime Policy	5,000	\$25
Cyber Insurance	5,000	\$100

Operating funds are charged a premium and the internal service funds recognize the corresponding revenue. Claims expenses are recorded in the internal service funds. Premiums are evaluated periodically and increases are charged to the operating funds to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses.

Claims payable liability has been established in these funds based on estimates of incurred but not reported and litigated claims. Management believes that provisions for claims at June 30, 2018 are adequate to cover the cost of claims incurred to date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates. A reconciliation of the changes in the aggregate liabilities for Liability Insurance Fund, Compensation Insurance Fund and Medical Insurance Fund for claims for the current fiscal and the prior fiscal year are as follows:

Fiscal Year	Beginning Balance	Claims and Charges	Claim Payments	Ending Balance
2016-17	\$ 41,942	53,767	44,315	51,394
2017-18	\$ 51,394	42,708	40,834	53,268

The City has numerous claims and pending legal proceedings that generally involve accidents regarding its citizens on City property and employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. In the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the City's financial position, results of operations, or cash flows.

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

Power Purchase Agreements

The City first participated in the Boulder Canyon Project for electric service from the Hoover Power Plant in 1937 for a term of 50 years, which expired on May 31, 1987. In January 1987, the City renewed the contract with the United States Bureau of Reclamation providing for the advancement of funds for the Hoover Uprating Project and Western Area Power Administration for the purchase of power from the project. The renewed contract is for a term of 30 years from 1987 to 2017. In September 2016, the Boulder Canyon Project agreement was amended and restated to extend the term through September 30, 2067. The City is entitled to 20.198 megawatts.

In August 2003, the City entered into a 25-year contract, cancelable after 20 years, with PPM Energy, Inc. for the purchase of 9 megawatts of capacity from wind-powered resources in California. The City began taking delivery of the energy on September 1, 2003.

In June 2005, the City entered into a 25-year power sales agreement with the Southern California Public Power Authority (SCPPA) for the Ormat Geothermal Energy Project for purchase of up to 3 megawatts of the project electric energy. The project began commercial operation in January 2006.

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

In October 2006, the City entered into a 16-year contract with PPM Energy, Inc. for the purchase of 10 megawatts of capacity from wind-powered resources in Wyoming. The City began taking delivery of the energy under WSPP master agreement from July 1, 2006 through September 30, 2006. The contract term started on October 1, 2006.

In November 2007, City Council approved a purchase power agreement with SCPPA for the purchase of 20 megawatts of renewable energy from Pebble Springs Wind Generation Facility for a term of 18-years. The project began commercial operation in January 2009.

In September 2014, the City entered into a 25-year contract with Skylar Resources LP for the procurement of 50 megawatts of firmed renewable solar. At least fifty percent of 50 megawatts/hour is guaranteed by the seller to qualify as Portfolio Content Category 1 (PCC1) renewable energy on an annual basis. In November 2015, the transaction was bifurcated into 2 separate renewable energy transactions, one with a term of December 1, 2015 through December 31, 2019, and the other with a term of January 1, 2020 through November 20, 2040. The 4-year transaction was subsequently novated to Morgan Stanley Capital Group. The City began taking delivery of the energy on December 2015. In June 2017, the 21-year contract with Skylar was terminated and replaced concurrently with a new power purchase agreement with a higher percentage of renewable and zero-carbon energy. Under the new agreement, Skylar is obligated to deliver at least 55% PCC1 renewable and 20% zero-carbon energy.

Certain Sales Tax Revenues

On September 24, 2007, HdL Companies (HdL), which is the City's sales tax consultant, submitted petitions to the California Department of Tax and Fee Administration (CDTFA – formerly known as Board Equalization or BOE) on behalf of all their client cities regarding Case ID 606763 and Case ID 606835 (Sales v. Use Tax/Place of Allocation). These cases pertain to the City of Buena Park and a local business (hereafter referred to as Taxpayer).

The Taxpayer sells computer hardware and peripherals to government and business accounts. After signing a tax sharing agreement with the City of Buena Park, the Taxpayer began reporting these transactions as sales tax and allocating the local 1% tax to their office in the City of Buena Park.

According to CDTFA, since the merchandise is shipped from out of state, the applicable tax is a use tax that should be allocated to the various countywide pools based on delivery. The Taxpayer contends that the terms of their sales agreements stipulate that title passes at the time of delivery in this state, and therefore the transactions are subject to sales tax. However, CDTFA states that title cannot pass after the seller has given the merchandise to a common carrier.

In both their Allocation Group Decision and Supplemental Decision, CDTFA granted the HdL petitions and ruled that the tax was a use tax and should be distributed via the countywide pools. The City of Buena Park has appealed both decisions, and the matter has been elevated to the CDTFA Appeals Division.

After further review, the CDTFA Appeals Division determined that the City of Buena Park would receive portion of the sales tax revenues; however, majority of the sales tax revenue would be reallocated to the Countywide Pool as a use tax.

In spring 2014, the Taxpayer moved their California office from Buena Park to Glendale and has continued the same practice by allocating the 1% sales tax to their office in the City of Glendale. The Taxpayer is appealing the matter as well and until the matter is settled, they intend to allocate sales to their Glendale office, to the extent they believe the allocation is supported by the facts.

Per HdL, since the resolution of the dispute is still pending for the Glendale office, all or portion of local revenue received by the City could later be taken away by the CDTFA and redistributed through the countywide pools. HdL has recommended that the City set aside any revenues received from this Taxpayer. Therefore, starting in FY 2013-14, the City has been accruing a liability related to the sales tax revenues generated by this Taxpayer, until this matter is resolved and settled by all parties involved.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

In spring 2017, the City requested that CDTFA look into this matter in more detail and determine whether some or all of the sales taxes generated from the Glendale Office by the Taxpayer should remain with the City. The District Office started an investigation and based on their filed audit, determined that the City will receive certain percentage from the sales tax revenues.

On March 16, 2018, the City received the final determination letter from the CDTFA and considered the audit closed. As such, the liability account was closed as of June 30, 2018, and the remaining revenues were recognized to the General Fund.

The California Revenue and Taxation Code, Section 7056 sets forth requirements and conditions for the disclosure of CDTFA records, and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from the sales and use tax of the CDTFA. Therefore, the sales taxes specific to this taxpayer are not disclosed.

General Fund Transfer Litigation

The City is currently litigating two appeals regarding the City's 2013 electric rates and transfer from the Electric Fund to the General Fund. The two cases, Glendale Coalition for a Better Government v. City of Glendale, L.A. Superior Court Case No. BS147376, Court of Appeal Case No. B281994 ("Coalition" lawsuit); Saavedra et al. v. City of Glendale, L.A. Superior Court Case No. BC539160, Court of Appeal Case No. B281991 ("IBEW" lawsuit), were filed in 2014. A lawsuit challenging the 2018 electric rates on similar grounds was filed in July 2018. In July 2018, the Coalition filed a lawsuit challenging the City's 2018 electric rate plan on similar grounds. Glendale Coalition for a Better Government v. City of Glendale, L.A. Superior Court Case No. BS174485 ("Coalition II" lawsuit). The Coalition II lawsuit is stayed pending the outcome of the appeals in the first two matters.

The 2014 lawsuits challenge the City's August 2013 electric rate plan ("2013 Electric Rate Plan") which includes transfers of electric revenue from the Glendale Water & Power Electric Fund to the General Fund ("General Fund Transfer" or "GFT"). The GFT is made under the authority of the City Charter, Article XI, Section 22, which provides:

"At the end of each fiscal year an amount equal to twenty-five (25) per centum of the operating revenues of the department of Glendale Water and Power for such year, excluding receipts from water or power supplied to other cities or utilities at wholesale rates, shall be transferred from said Glendale Water and Power surplus fund to the general reserve fund; provided, that the council may annually, at or before the time for adopting the general budget for the ensuing fiscal year, reduce said amount or wholly waive such transfer if, in its opinion, such reduction or waiver is necessary to insure the sound financial position of said department of Glendale Water and Power and it shall so declare by resolution."

The City discontinued making transfers from the water fund in 2011. Thus, the City currently transfers only electric revenue from GWP to the General Fund. In FY2017-18, the City transferred \$20,162 or 10% of GWP electric operating revenues (in accordance with the City Charter's definition of operating revenues) to the GWP surplus fund, then to the City's general reserve fund, then to the City's general budget fund, in accordance with the requirements of the Charter. The amount of the GFT was equal to 8.7% of the City's General Fund revenues for FY 2017-18.

Among other causes of action, the petitioners challenged the 2013 Electric Rate Plan on the grounds the rate plan violated Proposition 26 (a voter-approved initiative that amended Articles XIIC and XIID of the California Constitution). Proposition 26 defines "any levy, charge or exaction of any kind" imposed by a local government as a "tax" that must be approved by the voters of the local jurisdiction, unless the levy, charge or exaction falls within one of seven exemptions. (Article XIIC, §1(e)) The City contends that electric rates fall within the exception for any "charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing service." The trial court concluded that the 2013 Electric Rate Plan was a tax because the rate plan included the GFT which the court concluded is not a cost of service or an appropriate component of cost of service.

In the remedy phase of the trial, the trial court concluded that the amount of the unconstitutional tax is the amount of the GFT in the years since the 2013 Electric Rate Plan became effective. The trial court ordered a remedy requiring

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

the City to credit ratepayers the amount of the GFT since the electric rates were increased (and refund the GFT to the Electric Revenue fund in the same amount). That number is \$56,950 plus interest for FY 2013-14, FY 2014-15, and FY 2015-16. The trial court further ordered a credit for FY 2016-17 in the amount of \$19,857, plus interest. Lastly, the trial court ordered that credits for fiscal years 2017-18 and subsequent years will accrue, if applicable at \$1,634 per month plus interest. The trial court's order provides that the total amount to be credited is to be credited back over approximately the same amount of time that the transfers were made, starting from the effective date of the 2013 Electric Rate Plan (the time is approximate because credits are based on actual usage which will vary). By way of example but not limitation, if the time between the 2013 Electric Rate Plan to the date of final judgment, including all appeals, is five years and the City has continued to make transfers during that period, then the City will have approximately five years to credit the entire amount of the transfers plus accumulated interest if it is unsuccessful in its appeals.

The court has also issue a writ of mandate commanding the City to cease to include the GFT in the electric rates charged to consumers unless and until a majority of Glendale electorate approves the tax in the rates.

City Appeal

The City appealed the judgment in the 2014 lawsuits. The appeal has stayed enforcement of the judgments. As such, status quo will remain in effect during the pendency of the appeal.

Management is of the opinion that the GFT, adopted by the voters and which pre-dates adoption of Proposition 26, is not thereby vitiated by Proposition 26. Moreover, the City is appealing the remedy ordered by the court. There were wholesale funds sufficient to fund the transfers made as part of the 2013 Electric Rate Plan and also the 2013 Electric Rate Plan did not fully account for reserves that could be paid out of rate revenue. Indeed, during the pendency of the City's appeals, the California Supreme Court held that a similar transfer of funds from Redding's electric utility to its general fund (a "payment in lieu of taxes" or "PILOT") did not violate Proposition 26. Citizens for Fair REU Rates v. City of Redding (2018) 6 Cal.5th 1. In Redding, the Supreme Court held that the PILOT was not a tax and that because Redding's non-rate revenue (revenue received from sources other than imposing rates on customers) exceeded the amount of its PILOT, there was no transfer of rate payments to the general fund. The Supreme Court concluded that the revenue received from rates did not exceed the utility's costs. Glendale argues that Redding requires reversal of the Coalition and IBEW lawsuits since its rate revenues do not exceed all of its costs as Glendale has non-rate revenues that were deducted from its revenue requirement and the 2013 rate plan did not recover all costs it was legally entitled to recover.

Coalition Cross Appeal

Finally, it should be noted that the Coalition has filed a cross-appeal. The Coalition contended, and the trial agreed, that the City's prior accounting practices related to GWP, while compliant with Generally Accepted Accounting Principles ("GAAP"), violated specified provisions of the City Charter. The trial court issued a permanent injunction enjoining the City from merging some Charter mandated funds, splitting up others and making the GFT directly from the electric revenue fund to the General Fund without accounting for the appropriate fund transfers required by the Charter. The City has not appealed Charter fund and accounting issues portion of the trial court's ruling, and entered a response (return of the writ) stating its compliance with this portion of the court's orders. The Coalition has filed a cross-appeal contending that the City should have been required to pay back transfers even further going back from the 2013 Electric Rate Plan. The trial court ruled that the Charter accounting violations did not require a refund of additional monies from the General Fund to the Electric Fund since the utility always had sufficient cash to make the transfers.

Status of Appeals

The Second District Court of Appeal heard oral argument in the appeals of the 2013 lawsuits on October 2, 2018 and the matter was submitted. The court must issue its decision no later 90 days later, or December 31, 2018. Due to announced court changeover, it is anticipated the court will issue its decision no later than December 14, 2018.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Petitions for Rehearing or Review

After the Court of Appeal issues its decision, either party (or both depending on the outcome) can request a petition for rehearing before the Court of Appeal and/or a petition for review to the California Supreme Court. Decisions to grant a petition for rehearing or a petition for a review are discretionary decisions with the Court of Appeal and California Supreme Court, respectively. Decisions by a party to request a rehearing or petition for review will extend the case out 90-180 days. If a petition for review is granted by the California Supreme Court, the case would be extended at least a year and likely 2 or 3 years.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

Joint Power Agreement for San Fernando Valley Council of Governments

The San Fernando Valley Council of Governments (SFVCOG) was created through a Joint Power Agreement in 2010. The City is an active member of the SFVCOG. Other member jurisdictions currently participating include the City of Los Angeles with 7 board representatives for each City Council district located entirely or partially in the San Fernando Valley, 2 board representatives from each of the Los Angeles County Supervisorial Districts located entirely or partially in the San Fernando Valley, and one representative each from the Cities of Burbank, Glendale, San Fernando and Santa Clarita. In its official capacity, the SFVCOG acts as a planning sub-region for the Southern California Association of Governments (SCAG) and focuses on promoting better regional coordination of planning and transportation planning efforts in the San Fernando Valley. The SFVCOG also engages in local, regional, state and federal grant development programming for the region.

Joint Power Agreement for Arroyo Verdugo Communities

The Arroyo Verdugo Communities was created through a Joint Power Agreement in 2017. The City is an active member of the Arroyo Verdugo Communities. Other members include City of Burbank, City La Canada Flintridge, City of Pasadena, City of South Pasadena and County of Los Angeles. The purpose of the creation of the Joint Power Authority is to provide a vehicle for the members to coordinate regional and cooperative planning, primarily in the area of transportation and determining how to prioritize regional transportation projects and allocation of Measure M funds and other public monies, including building a more connective transportation system between the member agencies.

“Take or Pay” Contracts

The City has entered into twelve “Take or Pay” contracts, which require payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the City’s share of current and long-term obligations. Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. These contracts provide for current and future electric generating capacity and transmission of energy for City residents. Through these contracts, the City purchased approximately 58% of its total energy requirements during FY 2017-18. With a few exceptions, the City is obligated to pay the amortized cost of indebtedness regardless of the ability of the counterparty to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain “step-up” provisions obligating the City to pay a share of the obligations of any defaulting participant.

- The Intermountain Power Agency (IPA), a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah and associated transmission lines, called the Intermountain Power Project (IPP). The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts. The City through contract is obligated for 30 megawatts or 1.70% of the generation. In addition, the City entered into an “Excess Power Sales Agreement” with the IPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the City to additional shares that can vary from year to year. As of June 30, 2018,

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Glendale's excess entitlement share is 0.46%. The total City's obligation from IPP is between 35 and 38 megawatts.

The City joined the Southern California Public Power Authority (SCPPA) on November 1, 1980. This authority, consisting of the California cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District, was formed for the purpose of financing future power resources. The City has entered into eleven projects with SCPPA.

- The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of 3 units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of capacity and associated energy (approximately 5.91% of total Palo Verde output), of which the City receives 9.9 megawatts or 4.40% of SCPPA's entitlement. As of June 30, 2018, Glendale's share is 4.40%.
- The second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is currently rated at 2,400 megawatts. The City's share of the line is 2.27% or approximately 55 megawatts. As of June 30, 2018, Glendale's share is 2.27%.
- The third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3 (SJ), located in New Mexico. SCPPA members are entitled to 208 megawatts. The City is obligated for 20 megawatts or 9.80% of the SCPPA entitlement. In July 2015, the City Council authorized the SCPPA to execute, on Glendale's behalf, a set of three agreements that collectively shut down Unit 3 at the coal-fired San Juan Power Plant in New Mexico at the end of December 2017. The termination of operations at San Juan Unit 3 will help GWP achieve California state goals regarding the reduction of greenhouse gas emissions. Under the Mine Reclamation and Plant Decommissioning Agreements, Glendale shares the responsibility for any liability arising from operations after the December 2017 exit date. As such a liability for decommissioning the power plant cannot be determined at this time. As of June 30, 2018, Glendale's share is 9.80%.
- The fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The City is obligated for 90 megawatts or 11.04% of the SCPPA entitlement. As of June 30, 2018, Glendale's share is 11.04%.
- The fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The City's participation shares in the components range from 11.76% to 22.73%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the City's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical coal energy is readily available. As of June 30, 2018, Glendale's share is 14.80%.
- The sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power's generation station complex adjacent to Magnolia Boulevard in Burbank, California. The project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The City is obligated for 40 megawatts or 16.53% of the project's output. As of June 30, 2018, Glendale's generation cost share is 16.53% and indenture cost share is 17.25%.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

- The seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the City entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 3,500 MMBtu per day at a discounted price below a spot market price index. The delivery of natural gas started in July 2008. As of June 30, 2018, Glendale's share is 23.00%.
- The eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 megawatts capacity wind farm. The 25 year purchase power agreement with SCPPA is for the purchase of 10.00% (approximately 5 megawatts) of the capacity of the project. The City has sold its output entitlement share to Los Angeles Department of Water and Power (LADWP) but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event LADWP should default. As of June 30, 2018, Glendale's share is 10.00%.
- The ninth project financed through SCPPA is the Tieton Hydropower Project (THP) located near the town of Tieton in Yakima County, Washington. The Project has a maximum capacity of approximately 20 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacifiCorp's Tieton Substation. The City is obligated for approximately 6.8 megawatts or 50.00% of the project's output. As of June 30, 2018, Glendale's share is 50.00%.
- The tenth project financed through SCPPA is Windy Point/Windy Flats project (WP) located in Klickitat County in the state of Washington. The Project has a maximum capacity of approximately 262.2 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 20 megawatts or 7.63% of the renewable energy output from the Project. The City has sold its output entitlement share to Los Angeles Department of Water and Power (LADWP) but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event LADWP should default. As of June 30, 2018, Glendale's share is 7.63%.
- The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard County, Utah. The Project has a capacity of approximately 102 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 5 megawatts or 4.90% of the Project's output. The City has sold its output entitlement share to Los Angeles Department of Water and Power (LADWP) but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event LADWP should default. As of June 30, 2018, Glendale's share is 4.90%.

Take-or-Pay commitments expire upon contract expiration date or final maturity of outstanding bonds for each project, whichever is later. Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP)	2027	2.16%
Palo Verde Project (PV)	2030	4.40%
Southern Transmission System (STS)	2027	2.27%
San Juan Project (SJ)	2018	9.80%
Mead-Adelanto Project (MA)	2030	11.04%
Mead-Phoenix Project (MP)	2030	14.80%
Magnolia Power Project (MPP)	2036	17.25%
Natural Gas Prepaid Project (NGPP)	2035	23.00%
Linden Wind Energy Project (LIN)	2035	10.00%
Tieton Hydropower Project (THP)	2040	50.00%
Windy Point/Windy Flats Project (WP)	2030	7.63%
Milford II Wind Project (MIL2)	2031	4.90%

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

A summary of the City's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2018:

Fiscal Year	IPP	STS	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2019	\$ 4,912	1,766	2,358	951	2,590	4,684	1,007	1,667	3,093	623	23,651
2020	4,269	1,547	2,339	941	2,589	4,858	1,004	1,668	3,090	622	22,927
2021	3,812	1,773	1,747	698	20,954	5,066	1,007	1,668	3,089	622	40,436
2022	2,324	2,114	-	-	2,216	5,245	1,004	1,665	3,085	622	18,275
2023	2,296	1,624	-	-	1,941	5,309	1,003	1,665	3,081	620	17,539
2024-2028	239	4,513	-	-	9,182	29,728	5,006	9,077	15,366	3,095	76,206
2029-2033	-	-	-	-	9,459	35,048	4,963	8,222	9,182	2,464	69,338
2034-2038	-	-	-	-	12,225	16,296	2,820	8,191	-	-	39,532
2039-2043	-	-	-	-	-	-	-	6,536	-	-	6,536
Total	\$ 17,852	13,337	6,444	2,590	61,156	106,234	17,814	40,359	39,986	8,668	314,440

In addition to debt service, the City's entitlement requires the payment for fuel costs, operating and maintenance (O&M), administrative and general (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for fiscal year 2018 and 2017 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2018	\$8,044	2,975	808	2,498	247	206	4,652	1,831	-	1,372	-	-	22,633
2017	\$8,008	2,651	690	4,769	196	253	4,591	1,508	-	1,371	-	-	24,037

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

In February 2012, the Dissolution Act (Assembly Bill x1 26; amended by AB 1484 in June 2012 and SB 107 in September 2015) dissolved California redevelopment agencies and directed their wind-down activities. In Glendale, the City chose to serve as the Glendale Successor Agency ("Agency"). This action impacted the reporting entity of the City of Glendale that had previously reported the redevelopment agency within it and as a blended component unit. Commencing on February 1, 2012, the assets and activities of the dissolved redevelopment agency were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency from governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (gain) in its financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Since February 2012, the Agency has completed a series of reports, audits and reviews, and approvals with approval from the Oversight Board and state Department of Finance ("DOF"). These have included two detailed Due Diligence Reviews to determine unobligated fund balances available for transfer to the affected taxing entities. Once the excess funds were distributed to the taxing entities, Glendale received a Finding of Completion (FOC) in May 2013. Following the FOC, Glendale needed to address its real property assets. Thus, Glendale prepared a Long Range Property Management Plan (LRPMP) which was approved by DOF on April 16, 2014. On May 24, 2016, the DOF approved a revision to Glendale's LRPMP to reflect the property at 300 E. Broadway as government use.

With the passage of Senate Bill 107, the requirement to prepare biannual payment schedules known as Recognized Obligation Payment Schedules (ROPS) was replaced with an annual ROPS.

On February 6, 2013, and again on February 11, 2014, Glendale received approval from its Oversight Board to reinstate its City-Agency loans, however, the DOF refused to approve the Oversight Board's action contending that the Agency had incorrectly calculated the interest earned on the loans. Following unsuccessful efforts to

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

informally resolve the disagreement by meeting and conferring with the DOF, on August 14, 2014, the City and Agency filed suit against the DOF for a determination that the Agency had correctly calculated interest on the loans. On April 16, 2015, the Sacramento Superior Court issued an order and judgment finding for the Agency and City and holding the DOF had abused its discretion when it rejected the Oversight Board's action reinstating the City-Agency loans using the historic Local Agency Investment Fund (LAIF) rates for calculating the interest earned thereon. The Oversight Board subsequently approved a Recognized Obligation Payment Schedule (ROPS) that included the reinstated City-Agency loans using the interest rate calculation recognized by the Court's 2015 order and judgment, but DOF denied the entire balance of the reinstated loans. Following another round of unsuccessful efforts to informally resolve the dispute by meeting and conferring with the DOF, on July 28, 2015, the City and Agency filed another lawsuit against the DOF seeking to overturn the DOF's decision to reject the reinstated loans. On February 18, 2016, the Sacramento Superior Court entered its Judgment granting the City's and Agency's writ and reversing the DOF's decision to deny the reinstated loans as enforceable obligations. The annual loan payment amount is determined by a formula specified in the Dissolution Act.

In 2011, the Agency issued \$50,000 in Subordinate Taxable Tax Allocation Bonds, the proceeds of which were to be deposited with the Trustee pursuant to the Indenture of Trust. The Dissolution Act initially froze all the 2011 Bond Proceeds, including the Agency's \$50,000, but subsequently authorized redevelopment agencies to spend a sliding-scale percentage of the proceeds for housing and non-housing purposes established by the Bonds depending on when the agency bonds were issued. With respect to 2011 Bonds, Glendale is authorized to spend 30% of non-housing bond proceeds (5% immediately and an additional 25% upon approval of the Agency's Last and Final ROPS) and 100% of the housing proceeds. On January 18, 2018, the Oversight Board approved a resolution authorizing a bond expenditure agreement which would transfer bond proceeds to the City and Housing Authority, respectively, in amounts authorized by law subject to the DOF approval of the Agency's Last and Final ROPS. Although the bond expenditure agreement did not specify any amounts and was expressly contingent of the DOF's approval of the Last and Final ROPS, the DOF nonetheless disapproved the Agency's Bond Expenditure Agreement alleging that the Agreement was premature, and that the Agreement would also impermissibly authorize transfer of bond reserves. On January 24, 2018, the Oversight Board approved the ROPS with line items authorizing transfer of 5% of the non-housing bond proceeds and 100% of the housing bond proceeds, but the DOF also disapproved these ROPS line items because DOF disagrees as to how the percentage of "proceeds" should be calculated. The Agency believes that the proceed percentages should be calculated based on the commonly understood meaning of what constitutes bond "proceeds", which are typically understood to mean par amount of the bonds, in this case \$50,000, which is the aggregate principal amount delivered to the trustee for application to the payment of costs, deposit into the required reserve account, and transfer to the redevelopment and housing funds. In contrast, the DOF believes that the percentage of "proceeds" should be calculated only after reducing the proceeds by the amount of the required reserves. The Agency and DOF attempts to informally resolve the disagreement over the meaning of "proceeds" were unsuccessful and on June 28, 2018, the City and Agency filed a Petition for Writ of Mandate to overturn the DOF's rejection of the bond transfer agreement and the ROPS line items authorizing transfer of a certain percentages of the bond proceeds. This matter has been set for a hearing to take place on January 25, 2019.

Effective July 1, 2018, the Oversight Board to the Glendale Successor Agency was dissolved and replaced with a Consolidated Oversight Board to be administered by the County of Los Angeles.

The Agency is currently disposing of the last real-property asset ("Maryland Exchange Commercial Building") in its LRPMP.

Cash and Investments

The Fiduciary fund's cash and investments as of June 30, 2018 consist of the following:

Cash and investments	\$ 75,841
Cash and investments with fiscal agents	11,628
Total	<u>\$ 87,469</u>

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

The following amounts are reflected in the fiduciary statement of net position:

Cash and investments	\$ 75,812
Restricted cash and investments	29
Cash and investments with fiscal agents	11,628
Total	<u>\$ 87,469</u>

Interest Rate Risk

Interest rate risk is the risk that fluctuations in market rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The City manages Successor Agency’s investment exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

	Total	Remaining Maturity (in months)	
		12 Months or Less	More than 60 Months
Commercial Paper	\$ 32,393	32,393	-
State Investment Pool	31,949	31,949	-
Money Market Mutual Fund	11,498	11,498	-
Held by Fiscal Agents:			
Guaranteed Investment Contracts	6,580	-	6,580
Money Market Accounts	5,049	5,049	-
	<u>\$ 87,469</u>	<u>80,889</u>	<u>6,580</u>

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City invests Successor Agency’s investments only in the most risk-adverse instruments, such as Aaa rated government securities, Aaa, Aa, or A rated corporate securities, and A1, P1, F1 rated commercial paper, negotiable certificates of deposit and banker’s acceptance securities. The City’s Investment Policy requires the City to sell medium term notes with a credit rating below S&P’s and Fitch’s BBB grade or Moody’s Baa2, unless the City Council approves the City Treasurer’s recommendation that the security should be retained.

	Total	Moody’s Rating as of June 30, 2018		
		Aaa	P1	Unrated
Commercial Paper	\$ 32,393	-	32,393	-
State Investment Pool	31,949	-	-	31,949
Money Market Mutual Fund	11,498	11,498	-	-
Held by Fiscal Agents:				
Guaranteed Investment Contracts	6,580	-	-	6,580
Money Market Accounts	5,049	-	5,049	-
	<u>\$ 87,469</u>	<u>11,498</u>	<u>37,442</u>	<u>38,529</u>

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

Concentration Risk

The investment policy of the City covers the Glendale Successor Agency and limits the amounts that may be invested in any one issuer to 5%, 10% per bank for bankers' acceptances, 10% per issuer for commercial paper or 10% per fund for money market mutual fund. This limit excludes investments in U.S. Treasury securities, federal agencies securities, Local Agency Investment Fund and Los Angeles County Pool.

Investments in any one issuer that represents 10% or more for commercial paper of total Successor Agency investments are as follows:

Issuer	Investment Type	Reported Amount
JP Morgan Securities	Commercial Paper	\$ 7,999
MUFG Bank LDT NY	Commercial Paper	7,485
Sumitomo Mitsui Trust	Commercial Paper	9,945
		\$ 25,429

Fair Value Measurements

The City categorizes Successor Agency's 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 the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). See note 3 for additional information on the three levels of the fair value hierarchy.

As of June 30, 2018, the Successor Agency has the following fair value measurements:

	Balance at June 30, 2018	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Commercial Paper	\$ 32,393	-	32,393	-
Total investments by fair value level	32,393	-	32,393	-
Investments measured at amortized costs or not subject to fair value hierarchy:				
State Investment Pool	31,949			
Money Market Mutual Funds	11,498			
Held by Fiscal Agents:				
Guaranteed Investment Contracts	6,580			
Money Market Accounts	5,049			
Total investments measured at amortized costs or not subject to fair value hierarchy	55,076			
	\$ 87,469			

CITY OF GLENDALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018
(in thousands)

Capital Assets

	Balance at July 1	Increases	Decreases	Adjustments- transferred to governmental activities	Balance at June 30
Fiduciary fund:					
Capital assets, not being depreciated:					
Land	\$ 105	-	-	(72)	33
Construction in progress	2,672	-	-	(2,672)	-
Total assets not being depreciated	2,777	-	-	(2,744)	33
Depreciable capital assets:					
Building and improvements	377	-	-	-	377
Less accumulated depreciation:					
Building and improvements	245	9	-	-	254
Total assets being depreciated, net	132	(9)	-	-	123
Fiduciary fund capital assets, net	\$ 2,909	(9)	-	(2,744)	156

Long-Term Debt

The Glendale Successor Agency's (Fiduciary Fund) bond ratings as of June 30, 2018 are as follows:

Debt Issue	Moody's	Standard & Poor's (S & P)	Fitch Ratings'
2011 GRA subordinate taxable tax allocation bonds	-	A+	-
2013 GSA tax allocation bonds, refunding series	-	A-	-
2016 GSA tax allocation bonds, refunding series	-	A-	-

Continuing Disclosure

On November 10, 1994, the Securities and Exchange Commission ("SEC") adopted amendments to existing federal regulations ("Rule 15c-12" or the "Rule") under which municipalities issuing securities on or after July 3, 1995 is required to:

- Prepare official statements meeting current requirements of the Rule;
- Annually file certain financial information and operating data with national and state repositories;
- Prepare announcements of the significant events enumerated in the Rule.

As of June 30, 2018, the Glendale Successor Agency (Agency) had 1 tax-exempt tax allocation bond and 2 subordinate taxable tax allocation bonds. The Agency engages a consultant to prepare and disseminate continuing disclosure for its 2 tax-exempt tax allocation bonds and 1 subordinate taxable tax allocation bonds. These disclosures are disseminated through the use of Electronic Municipal Market Access ("EMMA"), the Municipal Securities Rulemaking Board's ("MSRB") disclosure website. Timely and accurate communication with the municipal marketplace is vital in retaining the City's creditworthiness and market access. Continuing Disclosure and compliance reporting constitute a significant part of Debt Management's compliance activity for the life of each series of bonds.

CITY OF GLENDALE

Notes to the Basic Financial Statements
 Fiscal Year Ended June 30, 2018
 (in thousands)

The Fiduciary fund's long-term debts as of June 30, 2018 consist of the following:

	Issuance Amount	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Due within one year
Fiduciary Activities						
2011 GRA Subordinate Taxable Tax Allocation Bonds	\$ 50,000	39,280	-	3,300	35,980	3,560
2013 GSA Tax Allocation Refunding Bonds	44,985	29,675	-	5,470	24,205	5,685
2016 GSA Tax Allocation Refunding Bonds	20,810	20,810	-	-	20,810	-
GRA/GSA Tax Allocation Bonds premium	-	4,210	-	861	3,349	861
Loans Payable to the City	40,133	27,828	328	4,885	23,271	10,040
Total Fiduciary Activities	\$ 155,928	121,803	328	14,516	107,615	20,146

Subordinate Taxable Tax Allocation Bonds, 2011 Series

The former Glendale Redevelopment Agency (the "Agency") issued \$50,000 in 2011 subordinate taxable tax allocation bonds with an average rate of 6.75% for 14 years. The Bonds were issued to finance redevelopment projects and low and moderate income housing activities; to fund the reserve requirement for the Bonds; and to provide for the costs of issuing the Bonds. The bonds mature in amounts ranging from \$3,560 to \$7,210 from FY 2018-19 to FY 2024-25. For the security of the non-housing portion of the Bonds, the Agency grants a first pledge of and lien on all of the subordinate tax revenues consisting of non-housing tax revenues on parity with the pledge and lien which secure any parity debt. For the security of the housing portion of the Bonds, the Agency grants a first pledge of and lien on all of the subordinate tax revenues consisting of housing tax revenues, on parity with the pledge and lien which secures any parity debt. Subordinate tax revenues are pledged to the payment of principal, interest and discounts on the Bonds pursuant to the Indenture until the Bonds are paid, or until moneys are set-aside irrevocably for that purpose. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2018, the principal balance is \$35,980.

Tax Allocation Bonds, 2013 Refunding Series

The Glendale Successor Agency (the "GSA") issued \$44,985 in 2013 tax allocation bonds with an average rate of 4.81% for the refunding of the former Glendale Redevelopment Agency's (the "Agency") outstanding Central Glendale Redevelopment Project Tax Allocation Bonds, 2002 Series and the Tax Allocation Bonds, 2003 Refunding Series (the "Prior Bonds"), and to pay the cost of issuance of the 2013 Bonds. The 2013 Bonds mature in regularly increasing principal amounts ranging from \$5,685 to \$6,455 from FY 2018-19 to FY 2021-22. The advance refunding of Tax Allocation Bonds, 2002 Series and the Tax Allocation Bonds, 2003 Refunding Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. The deferred loss on refunding as of June 30, 2018 for \$913 is recognized and reported in the financial statements as a deferred outflows of resources and is being amortized through FY 2020-21. The refunding of the 2002 and 2003 Tax Allocation Bonds were approved by the Oversight Board and the DOF, to provide savings until the Refunding Bonds are repaid. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2018, the principal balance is \$24,205.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Subordinate Tax Allocation Bonds, 2016 Refunding Series

The Glendale Successor Agency (the "GSA") issued \$20,810 in 2016 tax allocation refunding bonds with an average rate of 1.74% to refinance the former Glendale Redevelopment Agency's (the "Agency") outstanding Central Glendale Redevelopment Project Tax Allocation Bonds, 2010 Series. The 2016 Bonds mature in regularly increasing principal amounts ranging from \$6,665 to \$7,210 from FY 2022-23 to FY 2024-25. The advance refunding of Tax Allocation Bonds, 2010 Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. The deferred loss on refunding as of June 30, 2018 for \$1,181 is recognized and reported in the financial statements as a deferred outflows of resources and is being amortized through FY 2024-25.

The refunding of the 2010 Tax Allocation Bonds was approved by the Oversight Board and the DOF, to provide savings until the Refunding Bonds are repaid. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2018, the principal balance is \$20,810.

Loans Payable

On February 6, 2013, and again on February 11, 2014, Glendale received approval from its Oversight Board to reinstate its City-Agency loans; however, the DOF refused to approve the Oversight Board's action contending that the Agency had incorrectly calculated the interest earned on the loans. Following unsuccessful efforts to informally resolve the disagreement by meeting and conferring with the DOF, on August 14, 2014, the City and Agency filed suit against the DOF for a determination that the Agency had correctly calculated interest on the loans. On April 16, 2015, the Sacramento Superior Court issued an order and judgment finding for the Agency and City and holding the DOF had abused its discretion when it rejected the Oversight Board's action reinstating the City-Agency Loans using the historic LAIF rates for calculating the interest earned thereon. The Oversight Board subsequently approved a Recognized Obligation Payment Schedule (ROPS) that included the reinstated City-Agency loans using the interest rate calculation recognized by the Court's 2015 order and judgment, but DOF denied the entire balance of the reinstated loans. Following another round of unsuccessful efforts to informally resolve the dispute by meeting and conferring with the DOF, on July 28, 2015, the City and Agency filed another lawsuit against the DOF seeking to overturn the DOF's decision to reject the reinstated loans. On February 18, 2016, the Sacramento Superior Court entered its Judgment granting the City's and Agency's writ and reversing the DOF's decision to deny the reinstated loans as enforceable obligations. The annual loan payment amount is determined by a formula specified in the Dissolution Act. The DOF has approved, and the County Auditor-Controller has paid Glendale via the ROPS process, \$4,885 in FY 2017-18.

Furthermore, 20% of any loan repayment is required to be deducted and transferred to the City's Low and Moderate Income Housing Asset Fund. \$977 was transferred in FY 2017-2018 to the Low and Moderate Income Housing Asset Fund. As of June 30, 2018, the reinstated loan amount is \$23,271 which includes \$328 of capitalized interest for FY 2017-18.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

Glendale Successor Agency annual debt service requirement schedule:

Fiscal Year	GSA Tax Allocation Bonds Fiduciary Fund		Loans Payable to the City Fiduciary Fund		Total Debt Service
	Interest	Principal	Interest	Principal	
2019	\$ 4,656	9,245	-	10,040	23,941
2020	4,137	9,745	-	4,411	18,293
2021	3,557	10,280	-	4,410	18,247
2022	2,909	10,905	-	4,410	18,224
2023	2,186	12,810	-	-	14,996
2024-2026	1,860	28,010	-	-	29,870
	<u>\$ 19,305</u>	<u>80,995</u>	<u>-</u>	<u>23,271</u>	<u>123,571</u>

Net Position (Deficits)

A \$17,171 deficit in net position is reported in fiduciary fund as of June 30, 2018. The primary reason for the deficit is due to the outstanding tax allocation bonds and outstanding Agency loan to the City.

NOTE 16 – SUBSEQUENT EVENT

On November 6, 2018, Glendale voters approved Measure S: The Glendale Quality of Life and Essential Services Protection Measure. The measure is a local sales tax increase of 0.75%, which would bring Glendale's sales tax from 9.5% to 10.25% effective April 1, 2019, and is expected to generate approximately \$30 million annually. Glendale City Council adopted an ordinance authorizing the California Department of Tax and Fee Administration (CDTFA) to administer the local sales tax increase and has codified it in the Glendale Municipal Code under Chapter 4.30 – Transactions and Use Tax.

NOTE 17 – PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

- GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations. The Statement is effective for periods beginning after June 15, 2018.
- GASB Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for periods beginning after December 15, 2018.
- GASB Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for periods beginning after December 15, 2019.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

- GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities government should include when disclosing information related to debt. The Statement is effective for periods beginning after June 15, 2018.
- GASB Statement No. 90 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

NOTE 18 – IMPLEMENTATION OF PRONOUNCEMENTS

The City has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2018:

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement was implemented effective July 1, 2017.
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement was implemented effective July 1, 2017 and did not have a material effect on the financial statements.
- GASB Statement No. 85 – *OMNIBUS 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement was implemented effective July 1, 2017 and did not have a material effect on the financial statements.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement was implemented effective July 1, 2017 and did not have a material effect on the financial statements.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. This statement was early implemented effective July 1, 2017 and did not have a material effect on the financial statements.

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

(in thousands)

NOTE 19 – RESTATEMENT

A prior period adjustment of \$8,313 was made to decrease the beginning net position of the governmental activities in accordance with the implementation of GASB 75. The adjustment was made to record the reversal of the net OPEB obligation, the beginning total OPEB liability and deferred outflows of resources for benefit payments made subsequent to the measurement date.

The restatement of beginning net position for Governmental Activities is summarized as follows:

	<u>June 30, 2017</u> <u>Previously Stated</u>	<u>Restatement</u>	<u>July 1, 2017</u> <u>Restated</u>
Net OPEB Obligation	\$ (8,665)	8,665	-
OPEB Liability		(17,465)	(17,465)
Deferred Outflows		<u>487</u>	487
Net Position - Beginning	\$ 884,479	(8,313)	876,166

CITY OF GLENDALE
Required Supplementary Information
Last Ten Fiscal Years
(in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous Plan

	Fiscal Year			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 15,513	13,413	14,372	14,951
Interest on the total pension liability	74,508	73,104	71,411	69,351
Differences between expected and actual experience	(11,313)	(12,487)	(8,835)	-
Changes of assumptions	62,163	-	(17,578)	-
Benefit payments, including refunds of employee contributions	(52,599)	(51,297)	(50,059)	(47,552)
Net change in total pension liability	88,272	22,733	9,311	36,750
Total pension liability - beginning	1,009,768	987,035	977,724	940,974
Total pension liability - ending (A)	<u>1,098,040</u>	<u>1,009,768</u>	<u>987,035</u>	<u>977,724</u>
Plan fiduciary net position				
Plan to plan resource movement	2	-	(25)	-
Contributions from the employer	18,558	16,517	13,344	14,431
Contributions from employees	8,518	8,092	8,142	8,202
Net investment income	82,439	3,709	17,215	117,615
Benefit payments, including refunds of employee contributions	(52,599)	(51,297)	(50,059)	(47,552)
Administrative expense	(1,101)	(469)	(881)	-
Net change in fiduciary net position	55,817	(23,448)	(12,264)	92,696
Plan fiduciary net position - beginning	745,881	769,329	781,593	688,897
Plan fiduciary net position - ending (B)	<u>801,698</u>	<u>745,881</u>	<u>769,329</u>	<u>781,593</u>
Net pension liability - ending (A) - (B)	\$ <u>296,342</u>	<u>263,887</u>	<u>217,706</u>	<u>196,131</u>
as a percentage of the total pension liability	73.01%	73.87%	77.94%	79.94%
Covered payroll	\$ 86,433	85,575	83,956	88,064
Net pension liability as a percentage of covered payroll	342.86%	308.37%	259.31%	222.71%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four years of data are shown.

CITY OF GLENDALE
 Required Supplementary Information
 Last Ten Fiscal Years
 (in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios - Safety Plan

	Fiscal Year			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 14,641	12,975	13,038	13,249
Interest on the total pension liability	56,003	54,489	52,434	50,558
Differences between expected and actual experience	(7,654)	(3,055)	(5,684)	-
Changes of assumptions	47,703	-	(13,128)	-
Benefit payments, including refunds of employee contributions	(38,186)	(36,522)	(34,522)	(32,654)
Net change in total pension liability	72,507	27,887	12,138	31,153
Total pension liability - beginning	754,987	727,100	714,962	683,809
Total pension liability - ending (A)	<u>827,494</u>	<u>754,987</u>	<u>727,100</u>	<u>714,962</u>
Plan fiduciary net position				
Plan to plan resource movement	(2)	-	-	-
Contributions from the employer	19,843	18,266	16,789	14,887
Contributions from employees	4,305	4,517	4,394	4,716
Net investment income	55,289	2,584	11,489	77,826
Benefit payments, including refunds of employee contributions	(38,186)	(36,522)	(34,522)	(32,654)
Administrative expense	(743)	(314)	(579)	-
Net change in fiduciary net position	40,506	(11,469)	(2,429)	64,775
Plan fiduciary net position - beginning	503,155	514,624	517,053	452,278
Plan fiduciary net position - ending (B)	<u>543,661</u>	<u>503,155</u>	<u>514,624</u>	<u>517,053</u>
Net pension liability - ending (A) - (B)	<u>\$ 283,833</u>	<u>251,832</u>	<u>212,476</u>	<u>197,909</u>
Plan fiduciary net position as a percentage of the total pension liability	65.70%	66.64%	70.78%	72.32%
Covered payroll	\$ 49,687	47,925	47,947	47,523
Net pension liability as a percentage of covered payroll	571.24%	525.47%	443.15%	416.45%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four years of data are shown.

CITY OF GLENDALE
 Required Supplementary Information
 Last Ten Fiscal Years
 (in thousands)

Schedule of Plan Contributions - Miscellaneous Plan

	Fiscal Year			
	2018	2017	2016	2015
Actuarially determined contributions	\$ 23,741	18,972	16,519	13,357
Contributions in relation to the actuarially determined contribution	(23,741)	(18,972)	(16,519)	(13,357)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$ 91,026	86,433	85,575	83,956
Contributions as a percentage of covered payroll	26.082%	21.950%	19.304%	15.910%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of June 30th, three years prior to the end of fiscal year in which contributions are reported.

Actuarial cost method

Entry age normal cost method

Amortization method

Level percentage of payroll. Beginning with the 2015 actuarial valuation, new gains or losses are amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes) over a 20 year period with no ramp. Changes in actuarial assumptions, or changes in actuarial methodology over a 20-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. Changes in liability due to a golden handshake over a period of 5 years.

Asset valuation method

15 year smoothed market. Beginning with the 2013 actuarial valuation, the market value method was used.

Discount rate

7.50% (net of administrative expenses)

Projected salary increases

3.30% to 14.20%, depending on age, service, and type of employment. Beginning with the 2014 actuarial valuation, 3.20% to 12.20%, depending on age, service, and type of employment.

Inflation

2.75%

Payroll growth

3.00%

Retirement age

59

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four years of data are shown.

CITY OF GLENDALE
 Required Supplementary Information
 Last Ten Fiscal Years
 (in thousands)

Schedule of Plan Contributions - Safety Plan

	Fiscal Year			
	2018	2017	2016	2015
Actuarially determined contributions	\$ 22,470	19,984	18,257	16,772
Contributions in relation to the actuarially determined contribution	(22,470)	(19,984)	(18,257)	(16,772)
Contribution deficiency (excess)	-	-	-	-
Covered payroll	\$ 50,535	49,687	47,925	47,947
Contributions as a percentage of covered payroll	44.464%	40.220%	38.095%	34.980%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of June 30th, three years prior to the end of fiscal year in which contributions are reported.

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll. Beginning with the 2015 actuarial valuation, new gains or losses are amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes) over a 20 year period with no ramp. Changes in actuarial assumptions, or changes in actuarial methodology over a 20-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. Changes in liability due to a golden handshake over a period of 5 years.
Asset valuation method	15 year smoothed market. Beginning with the 2013 actuarial valuation, the market value method was used.
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20%, depending on age, service, and type of employment. Beginning with the 2014 actuarial valuation, 3.40% to 20.00%, depending on age, service, and type of employment.
Inflation	2.75%
Payroll growth	3.00%
Retirement age	54

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four years of data are shown.

CITY OF GLENDALE
 Required Supplementary Information
 Last Ten Fiscal Years
 (in thousands)

Schedule of Changes in Total OPEB Liability and Related Ratios

	Fiscal Year
	<u>2018</u>
Total OPEB liability	
Service cost	\$ 57
Interest on the total OPEB liability	493
Changes of assumptions	(1,790)
Benefit payments	(487)
Net change in total OPEB liability	<u>(1,727)</u>
Total OPEB liability - beginning	<u>17,465</u>
Total OPEB liability - ending	<u>15,738</u>
Covered-employee payroll	\$ 150,107
Total OPEB liability as a percentage of covered employee payroll	10.48%
Measurement date	June 30, 2017

Note:

FY 2018 is the first year of implementation of GASB 75; therefore, only one year of data is shown.

This page is left blank intentionally.

Nonmajor Governmental Funds

This section of the CAFR provides information on each individual governmental fund, except for those major governmental funds reported in the basic financial statements: General Fund, Housing Assistance Fund and Capital Improvement Fund. This section includes special revenue funds, debt service funds, and capital projects funds.



CITY OF GLENDALE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2018 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Pooled cash and investments	\$ 84,814	16,362	68,683	169,859
Cash and investments with fiscal agent	-	52	-	52
Restricted cash and investments	-	-	31,850	31,850
Interest receivable	344	66	270	680
Accounts receivable, net	9,320	-	3,757	13,077
Prepaid items	47	-	-	47
Property held for resale	981	-	-	981
Total assets	<u>95,506</u>	<u>16,480</u>	<u>104,560</u>	<u>216,546</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	5,031	-	2,502	7,533
Due to other funds	3,491	-	1,787	5,278
Loans payable	594	-	-	594
Interest payable	41	51	-	92
Wages and benefits payable	995	-	73	1,068
Unearned revenues	580	-	-	580
Deposits	203	-	19	222
Total liabilities	<u>10,935</u>	<u>51</u>	<u>4,381</u>	<u>15,367</u>
Deferred inflows of resources:				
Unavailable revenues	3,634	-	2,238	5,872
Total liabilities and deferred inflows of resources	<u>14,569</u>	<u>51</u>	<u>6,619</u>	<u>21,239</u>
Fund Balances:				
Nonspendable:				
Prepaid	47	-	-	47
Restricted for:				
Property held for resale	981	-	-	981
Federal and state grants	3,798	-	-	3,798
Public safety	2,594	-	-	2,594
Youth employment	44	-	-	44
Transportation	30,324	-	-	30,324
Landscaping district	207	-	-	207
Low and moderate housing	12,254	-	-	12,254
Air quality improvement	518	-	-	518
Cable access	3,401	-	-	3,401
Electric public benefit AB 1890	5,146	-	-	5,146
State gas tax mandates	-	-	4,405	4,405
Landfill postclosure	-	-	31,850	31,850
Capital projects	-	-	38,884	38,884
Committed to:				
Debt service	-	16,429	-	16,429
Urban art	6,974	-	-	6,974
Public safety	333	-	-	333
Impact fee funded projects	-	-	24,565	24,565
Filming	945	-	-	945
Recreation	3,775	-	-	3,775
Hazardous materials	2,885	-	-	2,885
Parking	9,638	-	-	9,638
Unassigned:	(2,927)	-	(1,763)	(4,690)
Total fund balances	<u>80,937</u>	<u>16,429</u>	<u>97,941</u>	<u>195,307</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 95,506</u>	<u>16,480</u>	<u>104,560</u>	<u>216,546</u>

CITY OF GLENDALE

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

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:				
Sales taxes	\$ 4,455	-	-	4,455
Other taxes	7,124	-	-	7,124
Revenue from other agencies	24,901	-	12,755	37,656
Licenses and permits	775	-	2,051	2,826
Fines and forfeitures	2,752	-	-	2,752
Charges for services	22,844	-	-	22,844
Use of money and property	705	77	207	989
Miscellaneous revenue	2,289	-	205	2,494
Total revenues	65,845	77	15,218	81,140
Expenditures:				
Current:				
General government	584	-	-	584
Police	2,032	4	6	2,042
Fire	3,140	-	-	3,140
Public works	7,423	-	1,286	8,709
Housing, health and community development	5,499	-	1	5,500
Employment programs	5,680	-	-	5,680
Public service	5,951	-	-	5,951
Transportation	14,271	-	-	14,271
Parks, recreation and community services	3,960	-	179	4,139
Library	969	-	41	1,010
Capital outlay	6,087	-	6,459	12,546
Debt service:				
Interest	63	520	-	583
Principal	203	1,905	-	2,108
Total expenditures	55,862	2,429	7,972	66,263
Excess (deficiency) of revenues over (under) expenditures	9,983	(2,352)	7,246	14,877
Other financing sources:				
Transfers in	1,062	800	2,000	3,862
Net change in fund balances	11,045	(1,552)	9,246	18,739
Fund balances, July 1	69,892	17,981	88,695	176,568
Fund balances, June 30	\$ 80,937	16,429	97,941	195,307

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes, as required by law or administrative regulation.



SPECIAL REVENUE FUNDS

- 201 - CDBG Fund - To account for monies received and expended by the City as a participant in the Federal Community Development Block Grant (CDBG) Program.
- 203 - Home Grant Fund - To account for monies received and expended by the City under the HOME Investment Partnerships Program to strengthen public-private partnerships and to preserve and provide affordable housing.
- 204 - Continuum of Care Grant Fund - To account for monies received and expended by the City under the Continuum of Care Grant Program to address the homeless needs of the City.
- 205 - Emergency Solutions Grant Fund - To account for monies received and expended by the City under the Emergency Solutions Grant Program to address the homeless needs of the City.
- 206 - Workforce Investment and Opportunity Act Fund - To account for monies received and expended for the federal, state and local-funded job training programs.
- 209 - Affordable Housing Trust Fund - To account for monies received from inclusionary housing fees in the San Fernando Road Corridor Redevelopment Project Area, from affordable housing density bonus fees and miscellaneous program income, and expended for affordable housing development, monitoring, and administration.
- 210 - Urban Art Fund - To account for the art fees collected from the City developments that are committed to support the public art installation and maintenance, in accordance with the City's Urban Art Program Guidelines.
- 211 - Glendale Youth Alliance Fund - To account for monies received and expended in the youth employment programs.
- 212 - BEGIN Affordable Homeownership Fund - To account for monies received and expended by the City under the Building Equity and Growth in Neighborhoods (BEGIN) grant to provide down payment assistance or homeowner rehabilitation loans to low and moderate income homebuyers.
- 213 - Low & Moderate Income Housing Asset Fund - To account for monies received and expended for low and moderate income housing activities pursuant to AB1484.
- 216 - Grant Fund - To account for miscellaneous grant monies received and expended by the City that are not accounted for in other specific grant funds.
- 217 - Filming Fund - To account for monies received and expended by the City and committed to filming activities.
- 222 - Measure M Local Return Fund - To account for monies received from the ½ cent sales tax increase approved in November 2016 by Los Angeles County voters and the related transportation and traffic congestion expenses.
- 224 - Measure H Fund - To account for monies received from the ¼ cent sales tax increase approved in March 2017 by Los Angeles County voters and the related homeless services and prevention expenses.
- 251 - Air Quality Improvement Fund - To account for monies received from South Coast Air Quality Management District and expended on air pollution reduction.
- 252 - PW Special Grants Fund - To account for various grants received and expended by the City in the Public Works (PW) department.
- 253 - San Fernando Landscape District Fund - To account for assessments and expenditures associated with the San Fernando Road Corridor (SFRC) Landscape and Maintenance District Project.
- 254 - Measure R Local Return Fund - To account for monies received from the ½ cent sales tax increase approved in November 2008 by Los Angeles County voters, and the related transportation and street expenses.

- 255 - Measure R Regional Return Fund - To account for monies received from the various grants that are funded by the Measure R, which is the ½ cent sales tax increase approved in November 2008 by Los Angeles County voters, and the related transportation and street project expenses.
- 256 - Transit Prop A Local Return Fund - To account for monies received from a portion of the sales tax via Prop A which is restricted to transportation-related activities.
- 257 - Transit Prop C Local Return Fund - To account for monies received from a portion of the sales tax via Prop C which is restricted to transportation-related activities.
- 258 - Transit Utility Fund - To capture the revenues and expenses associated with the operation of fixed route and demand response transit services for reporting to state and federal regulators.
- 260 - Asset Forfeiture Fund - To account for the proceeds of money or property seized as a result of illegal activity which is restricted to law enforcement uses.
- 261 - Police Special Grants Fund - To account for various grants received and expended by the City in the Police department.
- 262 - Supplemental Law Enforcement Fund - To account for monies received from the State of California to provide funding for local agencies for the Citizen's Option for Public Safety Program (COPS).
- 265 - Fire Grant Fund - To account for grant monies received and expended for fire prevention programs.
- 266 - Fire Mutual Aid Fund - To account for the reimbursements received from either the Federal government or the State of California that are committed for the City's fire strike team labor costs, fire equipment charges as well as overhead costs incurred by the City in assisting fire incidents outside of the City's jurisdiction.
- 267 - Special Events Fund - To account for the monies received from the Police and Fire special events that are committed for the related personnel and operation costs.
- 270 - Nutritional Meals Grant Fund - To account for monies received from Federal assistance programs for senior citizen services.
- 275 - Library Fund - To account for the various grant monies and donations received from Federal, State and local agencies that are restricted for library services.
- 280 - Cable Access Fund - To account for the cable access fee that is restricted to provide for resources to broadcast the City Council meetings and other various commissions, forums, etc.
- 291 - Electric Public Benefit Fund - To account for the fee assessed on the electric customers to fund public benefit programs such as low income projects, research and development and demonstration program as mandated by State of California, AB 1890.
- 501 - Recreation Fund - To account for the user fees collected from the recreation programs of the Community Services and Parks department that are committed to provide variety of recreational opportunities, enrichment programs, and social service programs for all ages and abilities.
- 510 - Hazardous Disposal Fund - To account for the revenues from hazardous permits and waste disposal fees that are committed to recycle household hazardous waste, in order to divert this waste from landfill.
- 520 - Parking Fund - To account for the parking revenues collected from the operations of City owned public parking lots and garages that are committed to operate City owned parking structures, public parking lots and the administration of the residential preferential parking program.

Exhibit H-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Funds -
 Special Revenue Funds
 June 30, 2018 (in thousands)

	CDBG Fund	Home Grant Fund	Continuum Of Care Grant Fund	Emergency Solutions Grant Fund
Assets				
Pooled cash and investments	\$ -	1,085	-	-
Interest receivable	-	4	-	-
Accounts receivable, net	352	41	632	47
Prepaid items	-	-	47	-
Property held for resale	-	981	-	-
Total assets	352	2,111	679	47
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	50	244	241	24
Due to other funds	282	-	426	23
Wages and benefits payable	20	3	12	-
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Total liabilities	352	247	679	47
Deferred inflows of resources:				
Unavailable revenues	2	41	97	-
Total liabilities and deferred inflows of resources	354	288	776	47
Fund Balances:				
Nonspendable:				
Prepaid	-	-	47	-
Restricted for:				
Property held for resale	-	981	-	-
Federal and state grants	-	842	-	-
Public safety	-	-	-	-
Youth employment	-	-	-	-
Transportation	-	-	-	-
Landscaping district	-	-	-	-
Low and moderate housing	-	-	-	-
Air quality improvement	-	-	-	-
Cable access	-	-	-	-
Electric public benefit AB 1890	-	-	-	-
Committed to:				
Urban art	-	-	-	-
Public safety	-	-	-	-
Filming	-	-	-	-
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:	(2)	-	(144)	-
Total fund balances (deficits)	(2)	1,823	(97)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 352	2,111	679	47

Exhibit H-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Funds -
 Special Revenue Funds
 June 30, 2018 (in thousands)

	Workforce Investment and Opportunity Act Fund	Affordable Housing Trust Fund	Urban Art Fund	Glendale Youth Alliance Fund
Assets				
Pooled cash and investments	\$ 1,099	2,214	6,951	29
Interest receivable	-	9	28	-
Accounts receivable, net	740	-	-	113
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	1,839	2,223	6,979	142
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	186	-	5	1
Due to other funds	-	-	-	-
Wages and benefits payable	141	-	-	97
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Total liabilities	327	-	5	98
Deferred inflows of resources:				
Unavailable revenues	1	-	-	-
Total liabilities and deferred inflows of resources	328	-	5	98
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	-
Restricted for:				
Property held for resale	-	-	-	-
Federal and state grants	1,511	-	-	-
Public safety	-	-	-	-
Youth employment	-	-	-	44
Transportation	-	-	-	-
Landscaping district	-	-	-	-
Low and moderate housing	-	2,223	-	-
Air quality improvement	-	-	-	-
Cable access	-	-	-	-
Electric public benefit AB 1890	-	-	-	-
Committed to:				
Urban art	-	-	6,974	-
Public safety	-	-	-	-
Filming	-	-	-	-
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:	-	-	-	-
Total fund balances (deficits)	1,511	2,223	6,974	44
Total liabilities, deferred inflows of resources and fund balances	\$ 1,839	2,223	6,979	142

Exhibit H-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Funds -
 Special Revenue Funds
 June 30, 2018 (in thousands)

	BEGIN Affordable Homeownership Fund	Low & Moderate Income Housing Asset Fund	Grant Fund	Filming Fund
Assets				
Pooled cash and investments	\$ 1	10,209	-	954
Interest receivable	-	42	-	4
Accounts receivable, net	-	168	896	4
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	1	10,419	896	962
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	-	365	11	-
Due to other funds	-	-	848	-
Wages and benefits payable	-	23	4	17
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Total liabilities	-	388	863	17
Deferred inflows of resources:				
Unavailable revenues	-	-	653	-
Total liabilities and deferred inflows of resources	-	388	1,516	17
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	-
Restricted for:				
Property held for resale	-	-	-	-
Federal and state grants	1	-	-	-
Public safety	-	-	-	-
Youth employment	-	-	-	-
Transportation	-	-	-	-
Landscaping district	-	-	-	-
Low and moderate housing	-	10,031	-	-
Air quality improvement	-	-	-	-
Cable access	-	-	-	-
Electric public benefit AB 1890	-	-	-	-
Committed to:				
Urban art	-	-	-	-
Public safety	-	-	-	-
Filming	-	-	-	945
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:	-	-	(620)	-
Total fund balances (deficits)	1	10,031	(620)	945
Total liabilities, deferred inflows of resources and fund balances	\$ 1	10,419	896	962

Exhibit H-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Funds -
 Special Revenue Funds
 June 30, 2018 (in thousands)

	Measure M Local Return Fund	Measure H Fund	Air Quality Improvement Fund	PW Special Grants Fund
Assets				
Pooled cash and investments	\$ 2,104	-	465	-
Interest receivable	8	-	2	-
Accounts receivable, net	-	42	67	49
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	2,112	42	534	49
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	-	-	16	-
Due to other funds	-	52	-	84
Wages and benefits payable	-	-	-	-
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Total liabilities	-	52	16	84
Deferred inflows of resources:				
Unavailable revenues	-	42	-	49
Total liabilities and deferred inflows of resources	-	94	16	133
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	-
Restricted for:				
Property held for resale	-	-	-	-
Federal and state grants	-	-	-	-
Public safety	-	-	-	-
Youth employment	-	-	-	-
Transportation	2,112	-	-	-
Landscaping district	-	-	-	-
Low and moderate housing	-	-	-	-
Air quality improvement	-	-	518	-
Cable access	-	-	-	-
Electric public benefit AB 1890	-	-	-	-
Committed to:				
Urban art	-	-	-	-
Public safety	-	-	-	-
Filming	-	-	-	-
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:	-	(52)	-	(84)
Total fund balances (deficits)	2,112	(52)	518	(84)
Total liabilities, deferred inflows of resources and fund balances	\$ 2,112	42	534	49

Exhibit H-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Funds -
 Special Revenue Funds
 June 30, 2018 (in thousands)

	San Fernando Landscape District Fund	Measure R Local Return Fund	Measure R Regional Return Fund	Transit Prop A Local Return Fund
Assets				
Pooled cash and investments	\$ 206	11,604	-	11,211
Interest receivable	1	47	-	35
Accounts receivable, net	1	-	1,846	635
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	208	11,651	1,846	11,881
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	1	127	415	733
Due to other funds	-	-	1,389	-
Wages and benefits payable	-	1	42	24
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Total liabilities	1	128	1,846	757
Deferred inflows of resources:				
Unavailable revenues	-	-	1,846	154
Total liabilities and deferred inflows of resources	1	128	3,692	911
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	-
Restricted for:				
Property held for resale	-	-	-	-
Federal and state grants	-	-	-	-
Public safety	-	-	-	-
Youth employment	-	-	-	-
Transportation	-	11,523	-	10,970
Landscaping district	207	-	-	-
Low and moderate housing	-	-	-	-
Air quality improvement	-	-	-	-
Cable access	-	-	-	-
Electric public benefit AB 1890	-	-	-	-
Committed to:				
Urban art	-	-	-	-
Public safety	-	-	-	-
Filming	-	-	-	-
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:	-	-	(1,846)	-
Total fund balances (deficits)	207	11,523	(1,846)	10,970
Total liabilities, deferred inflows of resources and fund balances	\$ 208	11,651	1,846	11,881

Exhibit H-1
CITY OF GLENDALE
Combining Balance Sheet
Nonmajor Governmental Funds -
Special Revenue Funds
June 30, 2018 (in thousands)

	Transit Prop C Local Return Fund	Transit Utility Fund	Asset Forfeiture Fund	Police Special Grants Fund
Assets				
Pooled cash and investments	\$ 5,671	-	2,243	-
Interest receivable	32	-	8	1
Accounts receivable, net	627	-	-	951
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	6,330	-	2,251	952
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	502	-	143	4
Due to other funds	-	-	-	244
Wages and benefits payable	24	-	5	42
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	60	46
Loans payable	-	-	-	-
Total liabilities	526	-	208	336
Deferred inflows of resources:				
Unavailable revenues	85	-	-	233
Total liabilities and deferred inflows of resources	611	-	208	569
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	-
Restricted for:				
Property held for resale	-	-	-	-
Federal and state grants	-	-	-	-
Public safety	-	-	2,043	383
Youth employment	-	-	-	-
Transportation	5,719	-	-	-
Landscaping district	-	-	-	-
Low and moderate housing	-	-	-	-
Air quality improvement	-	-	-	-
Cable access	-	-	-	-
Electric public benefit AB 1890	-	-	-	-
Committed to:				
Urban art	-	-	-	-
Public safety	-	-	-	-
Filming	-	-	-	-
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:	-	-	-	-
Total fund balances (deficits)	5,719	-	2,043	383
Total liabilities, deferred inflows of resources and fund balances	\$ 6,330	-	2,251	952

Exhibit H-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Funds -
 Special Revenue Funds
 June 30, 2018 (in thousands)

	Supplemental Law Enforcement Fund	Fire Grant Fund	Fire Mutual Aid Fund	Special Events Fund
Assets				
Pooled cash and investments	\$ 181	-	311	7
Interest receivable	1	-	7	-
Accounts receivable, net	-	9	376	19
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	182	9	694	26
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	-	33	-	-
Due to other funds	-	143	-	-
Wages and benefits payable	14	3	-	12
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Total liabilities	14	179	-	12
Deferred inflows of resources:				
Unavailable revenues	-	9	375	-
Total liabilities and deferred inflows of resources	14	188	375	12
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	-
Restricted for:				
Property held for resale	-	-	-	-
Federal and state grants	-	-	-	-
Public safety	168	-	-	-
Youth employment	-	-	-	-
Transportation	-	-	-	-
Landscaping district	-	-	-	-
Low and moderate housing	-	-	-	-
Air quality improvement	-	-	-	-
Cable access	-	-	-	-
Electric public benefit AB 1890	-	-	-	-
Committed to:				
Urban art	-	-	-	-
Public safety	-	-	319	14
Filming	-	-	-	-
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:	-	(179)	-	-
Total fund balances (deficits)	168	(179)	319	14
Total liabilities, deferred inflows of resources and fund balances	\$ 182	9	694	26

Exhibit H-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Funds -
 Special Revenue Funds
 June 30, 2018 (in thousands)

	Nutritional Meals Grant Fund	Library Fund	Cable Access Fund	Electric Public Benefit Fund
Assets				
Pooled cash and investments	\$ 7	1,467	3,276	4,680
Interest receivable	-	6	14	19
Accounts receivable, net	20	11	111	956
Prepaid items	-	-	-	-
Property held for resale	-	-	-	-
Total assets	27	1,484	3,401	5,655
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	16	23	-	463
Due to other funds	-	-	-	-
Wages and benefits payable	11	17	-	46
Interest payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Total liabilities	27	40	-	509
Deferred inflows of resources:				
Unavailable revenues	-	-	-	-
Total liabilities and deferred inflows of resources	27	40	-	509
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	-
Restricted for:				
Property held for resale	-	-	-	-
Federal and state grants	-	1,444	-	-
Public safety	-	-	-	-
Youth employment	-	-	-	-
Transportation	-	-	-	-
Landscaping district	-	-	-	-
Low and moderate housing	-	-	-	-
Air quality improvement	-	-	-	-
Cable access	-	-	3,401	-
Electric public benefit AB 1890	-	-	-	5,146
Committed to:				
Urban art	-	-	-	-
Public safety	-	-	-	-
Filming	-	-	-	-
Recreation	-	-	-	-
Hazardous materials	-	-	-	-
Parking	-	-	-	-
Unassigned:				
Total fund balances (deficits)	-	1,444	3,401	5,146
Total liabilities, deferred inflows of resources and fund balances	\$ 27	1,484	3,401	5,655

Exhibit H-1
CITY OF GLENDALE
Combining Balance Sheet
Nonmajor Governmental Funds -
Special Revenue Funds
June 30, 2018 (in thousands)

	Recreation Fund	Hazardous Disposal Fund	Parking Fund	Total Nonmajor Special Revenue Funds
Assets				
Pooled cash and investments	\$ 4,070	3,069	11,700	84,814
Interest receivable	16	13	47	344
Accounts receivable, net	16	495	96	9,320
Prepaid items	-	-	-	47
Property held for resale	-	-	-	981
Total assets	4,102	3,577	11,843	95,506
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	24	81	1,323	5,031
Due to other funds	-	-	-	3,491
Wages and benefits payable	206	74	157	995
Interest payable	-	-	41	41
Unearned revenues	-	537	43	580
Deposits	97	-	-	203
Loans payable	-	-	594	594
Total liabilities	327	692	2,158	10,935
Deferred inflows of resources:				
Unavailable revenues	-	-	47	3,634
Total liabilities and deferred inflows of resources	327	692	2,205	14,569
Fund Balances:				
Nonspendable:				
Prepaid	-	-	-	47
Restricted for:				
Property held for resale	-	-	-	981
Federal and state grants	-	-	-	3,798
Public safety	-	-	-	2,594
Youth employment	-	-	-	44
Transportation	-	-	-	30,324
Landscaping district	-	-	-	207
Low and moderate housing	-	-	-	12,254
Air quality improvement	-	-	-	518
Cable access	-	-	-	3,401
Electric public benefit AB 1890	-	-	-	5,146
Committed to:				
Urban art	-	-	-	6,974
Public safety	-	-	-	333
Filming	-	-	-	945
Recreation	3,775	-	-	3,775
Hazardous materials	-	2,885	-	2,885
Parking	-	-	9,638	9,638
Unassigned:	-	-	-	(2,927)
Total fund balances (deficits)	3,775	2,885	9,638	80,937
Total liabilities, deferred inflows of resources and fund balances	\$ 4,102	3,577	11,843	95,506

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	CDBG Fund	Home Grant Fund	Continuum Of Care Grant Fund	Emergency Solutions Grant Fund
Revenues:				
Sales taxes	\$ -	-	-	-
Other taxes	-	-	-	-
Revenue from other agencies	1,557	76	2,398	162
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	18	-	-
Miscellaneous revenue	-	368	-	-
Total revenues	1,557	462	2,398	162
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Transportation	-	-	-	-
Housing, health and community development	1,216	417	2,124	146
Employment programs	-	-	-	-
Public service	-	-	-	-
Parks, recreation and community services	-	-	-	-
Library	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest	22	-	-	-
Principal	203	-	-	-
Total expenditures	1,441	417	2,124	146
Excess (deficiency) of revenues over (under) expenditures	116	45	274	16
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	116	45	274	16
Fund balances (deficits), July 1	(118)	1,778	(371)	(16)
Fund balances (deficits), June 30	\$ (2)	1,823	(97)	-

(Continued)

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	Workforce Investment and Opportunity Act Fund	Affordable Housing Trust Fund	Urban Art Fund	Glendale Youth Alliance Fund
Revenues:				
Sales taxes	\$ -	-	-	-
Other taxes	-	-	-	-
Revenue from other agencies	4,706	-	-	-
Licenses and permits	-	-	763	-
Fines and forfeitures	-	-	-	-
Charges for services	6	4	-	1,805
Use of money and property	-	10	22	-
Miscellaneous revenue	176	14	-	2
Total revenues	4,888	28	785	1,807
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Transportation	-	-	-	-
Housing, health and community development	-	-	-	-
Employment programs	3,849	-	-	1,747
Public service	-	-	-	-
Parks, recreation and community services	-	-	-	-
Library	-	-	183	-
Capital outlay	-	-	-	-
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	3,849	-	183	1,747
Excess (deficiency) of revenues over (under) expenditures	1,039	28	602	60
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	1,039	28	602	60
Fund balances (deficits), July 1	472	2,195	6,372	(16)
Fund balances (deficits), June 30	\$ 1,511	2,223	6,974	44

(Continued)

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	BEGIN Affordable Homeownership Fund	Low & Moderate Income Housing Asset Fund	Grant Fund	Filming Fund
Revenues:				
Sales taxes	\$ -	-	-	-
Other taxes	-	-	-	-
Revenue from other agencies	-	-	497	-
Licenses and permits	-	-	-	12
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	880
Use of money and property	-	52	-	15
Miscellaneous revenue	-	1,180	23	-
Total revenues	-	1,232	520	907
Expenditures:				
Current:				
General government	-	-	-	584
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Transportation	-	-	-	-
Housing, health and community development	-	1,158	378	-
Employment programs	-	-	-	-
Public service	-	-	-	-
Parks, recreation and community services	-	-	4	-
Library	-	-	-	-
Capital outlay	-	-	550	-
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	-	1,158	932	584
Excess (deficiency) of revenues over (under) expenditures	-	74	(412)	323
Other financing sources:				
Transfers in	-	977	-	-
Net change in fund balances	-	1,051	(412)	323
Fund balances (deficits), July 1	1	8,980	(208)	622
Fund balances (deficits), June 30	\$ 1	10,031	(620)	945

(Continued)

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	Measure M Local Return Fund	Measure H Fund	Air Quality Improvement Fund	PW Special Grants Fund
Revenues:				
Sales taxes	\$ 2,118	-	-	-
Other taxes	-	-	-	-
Revenue from other agencies	-	58	254	107
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	5	-
Use of money and property	(6)	-	1	-
Miscellaneous revenue	-	-	-	-
Total revenues	2,112	58	260	107
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	128
Transportation	-	-	167	-
Housing, health and community development	-	26	-	-
Employment programs	-	84	-	-
Public service	-	-	-	-
Parks, recreation and community services	-	-	-	-
Library	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	-	110	167	128
Excess (deficiency) of revenues over (under) expenditures	2,112	(52)	93	(21)
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	2,112	(52)	93	(21)
Fund balances (deficits), July 1	-	-	425	(63)
Fund balances (deficits), June 30	\$ 2,112	(52)	518	(84)

(Continued)

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	San Fernando Landscape District Fund	Measure R Local Return Fund	Measure R Regional Return Fund	Transit Prop A Local Return Fund
Revenues:				
Sales taxes	\$ -	2,337	-	-
Other taxes	-	-	-	-
Revenue from other agencies	-	-	2,396	3,762
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	14
Use of money and property	-	34	-	41
Miscellaneous revenue	80	-	-	5
Total revenues	80	2,371	2,396	3,822
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Public works	45	-	273	-
Transportation	-	-	-	3,262
Housing, health and community development	-	32	-	-
Employment programs	-	-	-	-
Public service	-	-	-	-
Parks, recreation and community services	-	-	-	-
Library	-	-	-	-
Capital outlay	-	545	2,112	11
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	45	577	2,385	3,273
Excess (deficiency) of revenues over (under) expenditures	35	1,794	11	549
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	35	1,794	11	549
Fund balances (deficits), July 1	172	9,729	(1,857)	10,421
Fund balances (deficits), June 30	\$ 207	11,523	(1,846)	10,970

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	Transit Prop C Local Return Fund	Transit Utility Fund	Asset Forfeiture Fund	Police Special Grants Fund
Revenues:				
Sales taxes	\$ -	-	-	-
Other taxes	-	-	-	-
Revenue from other agencies	3,114	1,182	-	1,365
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	295	-
Charges for services	21	6,837	-	61
Use of money and property	11	-	5	7
Miscellaneous revenue	-	141	-	31
Total revenues	3,146	8,160	300	1,464
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	219	812
Fire	-	-	-	-
Public works	-	-	-	-
Transportation	2,682	8,160	-	-
Housing, health and community development	2	-	-	-
Employment programs	-	-	-	-
Public service	-	-	-	-
Parks, recreation and community services	-	-	-	-
Library	-	-	-	-
Capital outlay	64	-	156	691
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	2,748	8,160	375	1,503
Excess (deficiency) of revenues over (under) expenditures	398	-	(75)	(39)
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	398	-	(75)	(39)
Fund balances (deficits), July 1	5,321	-	2,118	422
Fund balances (deficits), June 30	\$ 5,719	-	2,043	383

(Continued)

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	Supplemental Law Enforcement Fund	Fire Grant Fund	Fire Mutual Aid Fund	Special Events Fund
Revenues:				
Sales taxes	\$ -	-	-	-
Other taxes	-	-	-	-
Revenue from other agencies	309	340	1,730	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	706
Use of money and property	-	-	(9)	-
Miscellaneous revenue	-	35	-	-
Total revenues	<u>309</u>	<u>375</u>	<u>1,721</u>	<u>706</u>
Expenditures:				
Current:				
General government	-	-	-	-
Police	331	-	-	670
Fire	-	114	1,601	29
Public works	-	-	-	-
Transportation	-	-	-	-
Housing, health and community development	-	-	-	-
Employment programs	-	-	-	-
Public service	-	-	-	-
Parks, recreation and community services	-	-	-	-
Library	-	-	-	-
Capital outlay	-	43	-	-
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	<u>331</u>	<u>157</u>	<u>1,601</u>	<u>699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22)</u>	<u>218</u>	<u>120</u>	<u>7</u>
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	(22)	218	120	7
Fund balances (deficits), July 1	<u>190</u>	<u>(397)</u>	<u>199</u>	<u>7</u>
Fund balances (deficits), June 30	<u>\$ 168</u>	<u>(179)</u>	<u>319</u>	<u>14</u>

(Continued)

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	Nutritional Meals Grant Fund	Library Fund	Cable Access Fund	Electric Public Benefit Fund
Revenues:				
Sales taxes	\$ -	-	-	-
Other taxes	-	-	-	7,124
Revenue from other agencies	309	169	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	90	498	-
Use of money and property	-	(8)	8	11
Miscellaneous revenue	41	67	-	-
Total revenues	350	318	506	7,135
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Public works	-	-	-	-
Transportation	-	-	-	-
Housing, health and community development	-	-	-	-
Employment programs	-	-	-	-
Public service	-	-	-	5,951
Parks, recreation and community services	448	-	-	-
Library	-	786	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest	-	-	-	-
Principal	-	-	-	-
Total expenditures	448	786	-	5,951
Excess (deficiency) of revenues over (under) expenditures	(98)	(468)	506	1,184
Other financing sources:				
Transfers in	85	-	-	-
Net change in fund balances	(13)	(468)	506	1,184
Fund balances (deficits), July 1	13	1,912	2,895	3,962
Fund balances (deficits), June 30	\$ -	1,444	3,401	5,146

(Continued)

Exhibit H-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	Recreation Fund	Hazardous Disposal Fund	Parking Fund	Total Nonmajor Special Revenue Funds
Revenues:				
Sales taxes	\$ -	-	-	4,455
Other taxes	-	-	-	7,124
Revenue from other agencies	4	55	351	24,901
Licenses and permits	-	-	-	775
Fines and forfeitures	-	-	2,457	2,752
Charges for services	3,274	1,891	6,752	22,844
Use of money and property	458	7	28	705
Miscellaneous revenue	85	-	41	2,289
Total revenues	3,821	1,953	9,629	65,845
Expenditures:				
Current:				
General government	-	-	-	584
Police	-	-	-	2,032
Fire	-	1,396	-	3,140
Public works	-	-	6,977	7,423
Transportation	-	-	-	14,271
Housing, health and community development	-	-	-	5,499
Employment programs	-	-	-	5,680
Public service	-	-	-	5,951
Parks, recreation and community services	3,508	-	-	3,960
Library	-	-	-	969
Capital outlay	190	14	1,711	6,087
Debt service:				
Interest	-	-	41	63
Principal	-	-	-	203
Total expenditures	3,698	1,410	8,729	55,862
Excess (deficiency) of revenues over (under) expenditures	123	543	900	9,983
Other financing sources:				
Transfers in	-	-	-	1,062
Net change in fund balances	123	543	900	11,045
Fund balances (deficits), July 1	3,652	2,342	8,738	69,892
Fund balances (deficits), June 30	\$ 3,775	2,885	9,638	80,937

Exhibit H-3

CITY OF GLENDALE

Schedule of Revenues and Other Financing Sources - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Over/(Under)
CDBG Fund:				
Revenue from other agencies	\$ 1,675	1,675	1,557	(118)
Total	1,675	1,675	1,557	(118)
Home Grant Fund:				
Use of money and property	-	-	18	18
Revenue from other agencies	900	900	76	(824)
Miscellaneous revenue	59	59	368	309
Total	959	959	462	(497)
Continuum of Care Grant Fund:				
Revenue from other agencies	2,372	2,372	2,398	26
Total	2,372	2,372	2,398	26
Emergency Solutions Grant Fund:				
Revenue from other agencies	263	263	162	(101)
Total	263	263	162	(101)
Workforce Investment and Opportunity Act Fund:				
Revenue from other agencies	5,752	6,134	4,706	(1,428)
Charges for services	-	-	6	6
Miscellaneous revenue	30	30	176	146
Total	5,782	6,164	4,888	(1,276)
Affordable Housing Trust Fund:				
Use of money and property	8	8	10	2
Charges for services	-	-	4	4
Miscellaneous revenue	12	12	14	2
Total	20	20	28	8
Urban Art Fund:				
Use of money and property	60	60	22	(38)
Licenses and permits	293	293	763	470
Total	353	353	785	432
Glendale Youth Alliance Fund:				
Charges for services	1,904	1,984	1,805	(179)
Miscellaneous revenue	-	-	2	2
Total	1,904	1,984	1,807	(177)
BEGIN Affordable Homeownership Fund:				
Miscellaneous revenue	300	300	-	(300)
Total	300	300	-	(300)
Low & Moderate Income Housing Asset Fund:				
Use of money and property	61	61	52	(9)
Miscellaneous revenue	246	281	1,180	899
Transfers	977	977	977	-
Total	\$ 1,284	1,319	2,209	890

(Continued)

Exhibit H-3

CITY OF GLENDALE

Schedule of Revenues and Other Financing Sources - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Over/(Under)
Grant Fund:				
Revenue from other agencies	\$ 1,813	2,172	497	(1,675)
Miscellaneous revenue	-	-	23	23
Total	<u>1,813</u>	<u>2,172</u>	<u>520</u>	<u>(1,652)</u>
Filming Fund:				
Use of money and property	4	4	15	11
Licenses and permits	-	-	12	12
Charges for services	711	711	880	169
Total	<u>715</u>	<u>715</u>	<u>907</u>	<u>192</u>
Measure M Local Return Fund:				
Sales taxes	1,800	1,831	2,118	287
Use of money and property	10	10	(6)	(16)
Total	<u>1,810</u>	<u>1,841</u>	<u>2,112</u>	<u>271</u>
Measure H Fund:				
Revenue from other agencies	-	243	58	(185)
Total	<u>-</u>	<u>243</u>	<u>58</u>	<u>(185)</u>
Air Quality Improvement Fund:				
Use of money and property	-	-	1	1
Revenue from other agencies	255	255	254	(1)
Charges for services	6	6	5	(1)
Total	<u>261</u>	<u>261</u>	<u>260</u>	<u>(1)</u>
PW Special Grants Fund:				
Revenue from other agencies	-	-	107	107
Total	<u>-</u>	<u>-</u>	<u>107</u>	<u>107</u>
San Fernando Landscape District Fund:				
Use of money and property	1	1	-	(1)
Miscellaneous revenue	90	90	80	(10)
Total	<u>91</u>	<u>91</u>	<u>80</u>	<u>(11)</u>
Measure R Local Return Fund:				
Sales taxes	2,300	2,300	2,337	37
Use of money and property	100	100	34	(66)
Total	<u>2,400</u>	<u>2,400</u>	<u>2,371</u>	<u>(29)</u>
Measure R Regional Return Fund:				
Revenue from other agencies	2,600	5,867	2,396	(3,471)
Total	<u>\$ 2,600</u>	<u>5,867</u>	<u>2,396</u>	<u>(3,471)</u>

(Continued)

Exhibit H-3

CITY OF GLENDALE

Schedule of Revenues and Other Financing Sources - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Over/(Under)
Transit Prop A Local Return Fund:				
Use of money and property	\$ 100	100	41	(59)
Revenue from other agencies	3,760	3,760	3,762	2
Charges for services	100	100	14	(86)
Miscellaneous revenue	-	-	5	5
Total	<u>3,960</u>	<u>3,960</u>	<u>3,822</u>	<u>(138)</u>
Transit Prop C Local Return Fund:				
Use of money and property	40	40	11	(29)
Revenue from other agencies	3,100	3,100	3,114	14
Charges for services	30	30	21	(9)
Total	<u>3,170</u>	<u>3,170</u>	<u>3,146</u>	<u>(24)</u>
Transit Utility Fund:				
Revenue from other agencies	1,175	1,175	1,182	7
Charges for services	8,688	8,688	6,837	(1,851)
Miscellaneous revenue	81	81	141	60
Total	<u>9,944</u>	<u>9,944</u>	<u>8,160</u>	<u>(1,784)</u>
Asset Forfeiture Fund:				
Use of money and property	-	-	5	5
Fines and forfeitures	-	-	295	295
Total	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>
Police Special Grants Fund:				
Use of money and property	-	-	7	7
Revenue from other agencies	554	1,307	1,365	58
Charges for services	42	195	61	(134)
Miscellaneous revenue	110	110	31	(79)
Total	<u>706</u>	<u>1,612</u>	<u>1,464</u>	<u>(148)</u>
Supplemental Law Enforcement Fund:				
Revenue from other agencies	436	436	309	(127)
Total	<u>436</u>	<u>436</u>	<u>309</u>	<u>(127)</u>
Fire Grant Fund:				
Revenue from other agencies	287	574	340	(234)
Miscellaneous revenue	4	37	35	(2)
Total	<u>291</u>	<u>611</u>	<u>375</u>	<u>(236)</u>
Fire Mutual Aid Fund:				
Use of money and property	-	-	(9)	(9)
Revenue from other agencies	300	300	1,730	1,430
Total	<u>300</u>	<u>300</u>	<u>1,721</u>	<u>1,421</u>
Special Events Fund:				
Charges for services	481	481	706	225
Total	<u>\$ 481</u>	<u>481</u>	<u>706</u>	<u>225</u>

(Continued)

Exhibit H-3

CITY OF GLENDALE

Schedule of Revenues and Other Financing Sources - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Over/(Under)
Nutritional Meals Grant Fund:				
Revenue from other agencies	\$ 313	314	309	(5)
Miscellaneous revenue	45	45	41	(4)
Transfers	85	85	85	-
Total	<u>443</u>	<u>444</u>	<u>435</u>	<u>(9)</u>
Library Fund:				
Use of money and property	12	12	(8)	(20)
Revenue from other agencies	-	197	169	(28)
Charges for services	107	107	90	(17)
Miscellaneous revenue	45	45	67	22
Total	<u>164</u>	<u>361</u>	<u>318</u>	<u>(43)</u>
Cable Access Fund:				
Use of money and property	25	25	8	(17)
Charges for services	500	500	498	(2)
Total	<u>525</u>	<u>525</u>	<u>506</u>	<u>(19)</u>
Electric Public Benefit Fund:				
Other taxes	7,588	7,588	7,124	(464)
Use of money and property	31	31	11	(20)
Total	<u>7,619</u>	<u>7,619</u>	<u>7,135</u>	<u>(484)</u>
Recreation Fund:				
Use of money and property	469	469	458	(11)
Revenue from other agencies	4	4	4	-
Charges for services	3,143	3,143	3,274	131
Miscellaneous revenue	70	70	85	15
Total	<u>3,686</u>	<u>3,686</u>	<u>3,821</u>	<u>135</u>
Hazardous Disposal Fund:				
Use of money and property	10	10	7	(3)
Revenue from other agencies	55	55	55	-
Charges for services	1,532	1,532	1,891	359
Miscellaneous revenue	33	33	-	(33)
Total	<u>1,630</u>	<u>1,630</u>	<u>1,953</u>	<u>323</u>
Parking Fund:				
Use of money and property	50	50	28	(22)
Revenue from other agencies	-	-	351	351
Charges for services	6,300	6,300	6,752	452
Fines and forfeitures	3,700	3,700	2,457	(1,243)
Miscellaneous revenue	50	50	41	(9)
Total	<u>10,100</u>	<u>10,100</u>	<u>9,629</u>	<u>(471)</u>
Total revenues and other financing sources	<u>\$ 68,057</u>	<u>73,878</u>	<u>66,907</u>	<u>(6,971)</u>

Exhibit H-4

CITY OF GLENDALE

Schedule of Expenditures and Other Financing Uses - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget (Over)/Under
CDBG Fund:				
Housing, health and community development:				
Salaries and benefits	\$ 293	303	286	17
Maintenance and operations	701	2,075	930	1,145
Capital projects	450	889	-	889
Debt service	230	230	225	5
Total	<u>1,674</u>	<u>3,497</u>	<u>1,441</u>	<u>2,056</u>
Home Grant Fund:				
Housing, health and community development:				
Salaries and benefits	51	54	61	(7)
Maintenance and operations	908	4,384	356	4,028
Total	<u>959</u>	<u>4,438</u>	<u>417</u>	<u>4,021</u>
Continuum of Care Grant Fund:				
Housing, health and community development:				
Salaries and benefits	252	1,524	236	1,288
Maintenance and operations	1,273	2,116	1,888	228
Total	<u>1,525</u>	<u>3,640</u>	<u>2,124</u>	<u>1,516</u>
Emergency Solutions Grant Fund:				
Housing, health and community development:				
Salaries and benefits	3	7	1	6
Maintenance and operations	177	196	145	51
Total	<u>180</u>	<u>203</u>	<u>146</u>	<u>57</u>
Workforce Investment and Opportunity Act Fund:				
Employment and job training services:				
Salaries and benefits	3,508	4,464	2,619	1,845
Maintenance and operations	2,315	3,200	1,230	1,970
Total	<u>5,823</u>	<u>7,664</u>	<u>3,849</u>	<u>3,815</u>
Affordable Housing Trust Fund:				
Housing, health and community development:				
Maintenance and operations	20	20	-	20
Capital	-	39	-	39
Total	<u>20</u>	<u>59</u>	<u>-</u>	<u>59</u>
Urban Art Fund:				
Library:				
Maintenance and operations	293	293	183	110
Total	<u>\$ 293</u>	<u>293</u>	<u>183</u>	<u>110</u>

(Continued)

Exhibit H-4

CITY OF GLENDALE

Schedule of Expenditures and Other Financing Uses - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget (Over)/Under
Glendale Youth Alliance Fund:				
Employment and job training services:				
Salaries and benefits	\$ 1,697	1,849	1,539	310
Maintenance and operations	207	207	208	(1)
Total	<u>1,904</u>	<u>2,056</u>	<u>1,747</u>	<u>309</u>
BEGIN Affordable Homeownership Fund:				
Housing, health and community development:				
Maintenance and operations	300	302	-	302
Total	<u>300</u>	<u>302</u>	<u>-</u>	<u>302</u>
Low & Moderate Income Housing Asset Fund:				
Housing, health and community development:				
Salaries and benefits	384	387	387	-
Maintenance and operations	1,228	3,483	771	2,712
Capital	-	886	-	886
Total	<u>1,612</u>	<u>4,756</u>	<u>1,158</u>	<u>3,598</u>
Grant Fund:				
General government:				
Salaries and benefits	122	133	61	72
Maintenance and operations	2	2,861	321	2,540
Capital	799	985	550	435
Total	<u>923</u>	<u>3,979</u>	<u>932</u>	<u>3,047</u>
Filming Fund:				
General government:				
Salaries and benefits	367	369	468	(99)
Maintenance and operations	114	114	116	(2)
Total	<u>481</u>	<u>483</u>	<u>584</u>	<u>(101)</u>
Measure M Local Return Fund:				
Transit:				
Maintenance and operations	1,200	1,231	-	1,231
Total	<u>1,200</u>	<u>1,231</u>	<u>-</u>	<u>1,231</u>
Measure H Fund:				
Parks, recreation and community services:				
Salaries and benefits	-	25	14	11
Maintenance and operations	-	218	96	122
Total	<u>\$ -</u>	<u>243</u>	<u>110</u>	<u>133</u>

(Continued)

Exhibit H-4

CITY OF GLENDALE

Schedule of Expenditures and Other Financing Uses - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget (Over)/Under
Air Quality Improvement Fund:				
Transit:				
Salaries and benefits	\$ 191	191	106	85
Maintenance and operations	136	136	61	75
Total	<u>327</u>	<u>327</u>	<u>167</u>	<u>160</u>
PW Special Grants Fund:				
Public works:				
Salaries and benefits	-	-	13	(13)
Maintenance and operations	-	219	115	104
Total	<u>-</u>	<u>219</u>	<u>128</u>	<u>91</u>
San Fernando Landscape District Fund:				
Public works:				
Maintenance and operations	91	91	45	46
Total	<u>91</u>	<u>91</u>	<u>45</u>	<u>46</u>
Measure R Local Return Fund				
Transit:				
Salaries and benefits	-	-	5	(5)
Maintenance and operations	-	-	27	(27)
Capital	401	9,528	545	8,983
Total	<u>401</u>	<u>9,528</u>	<u>577</u>	<u>8,951</u>
Measure R Regional Return Fund:				
Public works:				
Salaries and benefits	-	-	268	(268)
Maintenance and operations	-	-	5	(5)
Capital	1,765	7,138	2,112	5,026
Total	<u>1,765</u>	<u>7,138</u>	<u>2,385</u>	<u>4,753</u>
Transit Prop A Local Return Fund:				
Transit:				
Salaries and benefits	161	165	120	45
Maintenance and operations	4,041	4,041	3,142	899
Capital	-	3,953	11	3,942
Total	<u>4,202</u>	<u>8,159</u>	<u>3,273</u>	<u>4,886</u>
Transit Prop C Local Return Fund:				
Transit:				
Salaries and benefits	476	484	257	227
Maintenance and operations	3,479	3,479	2,427	1,052
Capital	50	448	64	384
Total	<u>\$ 4,005</u>	<u>4,411</u>	<u>2,748</u>	<u>1,663</u>

(Continued)

Exhibit H-4

CITY OF GLENDALE

Schedule of Expenditures and Other Financing Uses - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget (Over)/Under
Transit Utility Fund:				
Transit:				
Salaries and benefits	\$ 504	512	469	43
Maintenance and operations	9,440	9,440	7,691	1,749
Total	<u>9,944</u>	<u>9,952</u>	<u>8,160</u>	<u>1,792</u>
Asset Forfeiture Fund:				
Public safety:				
Salaries and benefits	439	439	49	390
Maintenance and operations	336	336	170	166
Capital	-	-	156	(156)
Total	<u>775</u>	<u>775</u>	<u>375</u>	<u>400</u>
Police Special Grants Fund:				
Public safety:				
Salaries and benefits	619	2,139	685	1,454
Maintenance and operations	163	427	127	300
Capital	-	137	691	(554)
Total	<u>782</u>	<u>2,703</u>	<u>1,503</u>	<u>1,200</u>
Supplemental Law Enforcement Fund:				
Public safety:				
Salaries and benefits	430	430	326	104
Maintenance and operations	6	7	5	2
Total	<u>436</u>	<u>437</u>	<u>331</u>	<u>106</u>
Fire Grant Fund:				
Public safety:				
Salaries and benefits	-	14	86	(72)
Maintenance and operations	4	373	28	345
Capital	-	-	43	(43)
Total	<u>4</u>	<u>387</u>	<u>157</u>	<u>230</u>
Fire Mutual Aid Fund:				
Public safety:				
Salaries and benefits	293	293	1,601	(1,308)
Maintenance and operations	7	7	-	7
Total	<u>300</u>	<u>300</u>	<u>1,601</u>	<u>(1,301)</u>
Special Events Fund:				
Public safety:				
Salaries and benefits	427	427	641	(214)
Maintenance and operations	54	54	58	(4)
Total	<u>\$ 481</u>	<u>481</u>	<u>699</u>	<u>(218)</u>

(Continued)

Exhibit H-4

CITY OF GLENDALE

Schedule of Expenditures and Other Financing Uses - Budget and Actual

Nonmajor Governmental Funds - Special Revenue Funds

Year Ended June 30, 2018 (in thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget (Over)/Under
Nutritional Meals Grant Fund:				
Parks, recreation and community services:				
Salaries and benefits	\$ 224	228	226	2
Maintenance and operations	219	220	222	(2)
Total	<u>443</u>	<u>448</u>	<u>448</u>	<u>-</u>
Library Fund:				
Library:				
Salaries and benefits	56	141	103	38
Maintenance and operations	639	969	683	286
Total	<u>695</u>	<u>1,110</u>	<u>786</u>	<u>324</u>
Cable Access Fund:				
General government:				
Capital	-	39	-	39
Total	<u>-</u>	<u>39</u>	<u>-</u>	<u>39</u>
Electric Public Benefit Fund:				
Public service:				
Salaries and benefits	684	693	730	(37)
Maintenance and operations	7,600	7,600	5,221	2,379
Total	<u>8,284</u>	<u>8,293</u>	<u>5,951</u>	<u>2,342</u>
Recreation Fund:				
Parks, recreation and community services:				
Salaries and benefits	2,508	2,542	2,379	163
Maintenance and operations	1,359	1,359	1,129	230
Capital	364	2,225	190	2,035
Total	<u>4,231</u>	<u>6,126</u>	<u>3,698</u>	<u>2,428</u>
Hazardous Disposal Fund:				
Public safety:				
Salaries and benefits	1,105	1,122	1,083	39
Maintenance and operations	485	485	313	172
Capital	50	50	14	36
Total	<u>1,640</u>	<u>1,657</u>	<u>1,410</u>	<u>247</u>
Parking Fund:				
Public Works:				
Salaries and benefits	3,172	3,217	2,589	628
Maintenance and operations	6,164	6,247	4,388	1,859
Capital	518	3,671	1,711	1,960
Debt service	-	-	41	(41)
Total	<u>9,854</u>	<u>13,135</u>	<u>8,729</u>	<u>4,406</u>
Total expenditures and other financing uses	<u>\$ 65,554</u>	<u>108,560</u>	<u>55,862</u>	<u>52,698</u>

This page is left blank intentionally.

Debt Service Funds

Debt Service Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest on general long-term debt of the City of Glendale.



DEBT SERVICE FUND

- 303 - Police Building Project Debt Service Fund - To accumulate monies for the payment of interest and principal of the 2000 Police Building Project Variable Rate Demands Certificates of Participation. The debt service is financed via lease payments from the City to the Financing Authority.

This page is left blank intentionally.

Exhibit I-1
CITY OF GLENDALE
 Combining Balance Sheet
 Nonmajor Governmental Fund - Debt Service Fund
 June 30, 2018 (in thousands)

		<u>Police Building Project Debt Service Fund</u>
Assets		
Pooled cash and investments	\$	16,362
Cash and investments with fiscal agent		52
Interest receivable		66
		<hr/>
Total assets		<u>16,480</u>
 Liability and fund balance		
Liability:		
Interest payable		51
Fund Balance:		
Committed to:		
Debt service		<u>16,429</u>
Total liability and fund balance	\$	<u>16,480</u>

Exhibit I-2

CITY OF GLENDALE

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

Nonmajor Governmental Fund - Debt Service Fund

Fiscal Year Ended June 30, 2018 (in thousands)

	<u>Police Building Project Debt Service Fund</u>
Revenues:	
Use of money and property	\$ <u>77</u>
Expenditures:	
Current:	
Administration	4
Debt service	
Interest	520
Principal	<u>1,905</u>
Total expenditures	<u>2,429</u>
Excess of revenues (under) expenditures	<u>(2,352)</u>
Other financing sources:	
Transfers in	<u>800</u>
Net change in fund balance	(1,552)
Fund balance, July 1	<u>17,981</u>
Fund balance, June 30	<u>\$ <u>16,429</u></u>

Exhibit I-3

CITY OF GLENDALE

Schedule of Revenues and Other Financing Sources - Budget and Actual

Nonmajor Governmental Fund - Debt Service Fund

Fiscal Year Ended June 30, 2018 (in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
Police Building Project Debt Service Fund				
Interest and investment revenue	\$ 181	181	77	(104)
Transfers in	800	800	800	-
Total revenues and other financing sources	<u>\$ 981</u>	<u>981</u>	<u>877</u>	<u>(104)</u>

Exhibit I-4

CITY OF GLENDALE

Schedule of Expenditures and Other Financing Uses - Budget and Actual

Nonmajor Governmental Fund - Debt Service Fund

Fiscal Year Ended June 30, 2018 (in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget (Over)/Under</u>
Police Building Project Debt Service Fund				
Administration	\$ 3	3	4	(1)
Debt service	2,219	2,219	2,425	(206)
Total expenditures and other financing uses	<u>\$ 2,222</u>	<u>2,222</u>	<u>2,429</u>	<u>(207)</u>

Capital Projects Funds

Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays of major capital facilities other than those financed by Proprietary Funds.



CAPITAL PROJECTS FUNDS

- 402 - State Gas Tax Fund - To account for monies received and expended from state gas tax allocations and Senate Bill 1 for street improvement purposes.
- 403 - Landfill Postclosure Fund - To account for monies reserved for the post-closure maintenance cost of Scholl Canyon landfill.
- Development Impact Fee Funds:

City Council adopted Ordinance No. 5575 on September 11, 2007, in accordance with California AB1600 later on codified under State Government Code section 66006, allowing the City to impose development impact fees on new residential, commercial, office and industrial developments to mitigate the cost of developing new or rehabilitating existing parks and recreational facilities, developing new libraries and/or adding to existing collections in order to maintain adequate parks and library services for those new residents. The Development Impact Fees are broken down into the following three funds:

- 405 - Parks Mitigation Fee Fund - To account for the parks revenue collected as impact fees and usage of these funds for allowed projects. In addition, this fund will also be used to guarantee adequate interest accumulation and disbursements of unused funds.
 - 407 - Library Mitigation Fee Fund - To account for the library revenue collected as impact fees and usage of these funds for allowed projects. In addition, this fund will also be used to guarantee adequate interest accumulation and disbursement of unused funds.
 - 408 - Parks Quimby Fee Fund - To account for the fees imposed for park or recreational purposes as a condition to the approval of a tentative map or parcel map and usage of these funds for allowed projects. In addition, this fund will also be used to guarantee adequate interest accumulation and disbursements of unused funds.
- 409 - CIP Reimbursement Fund - To account for monies received and expended for CIP projects that are funded by non-City money, such as grants and joint ventures.
 - 410 - SF Corridor Tax Share Fund - County of Los Angeles' contribution (passback) to City of Glendale of 60% of County's share of tax increment (pass through) funds from the San Fernando Road Corridor Redevelopment Project Area to be used by the City to construct regional public improvement projects benefiting the County.

This page is left blank intentionally.

Exhibit J-1

CITY OF GLENDALE

Combining Balance Sheet

Nonmajor Governmental Funds-

Capital Projects Funds

June 30, 2018 (in thousands)

	State Gas Tax Fund	Landfill Postclosure Fund	Parks Mitigation Fee Fund	Library Mitigation Fee Fund
Assets				
Pooled cash and investments	\$ 5,363	-	22,948	1,606
Restricted cash and investments	-	31,850	-	-
Interest receivable	20	-	95	7
Accounts receivable, net	428	-	-	-
Total assets	5,811	31,850	23,043	1,613
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	1,393	-	107	-
Due to other funds	-	-	-	-
Wages and benefits payable	13	-	9	1
Deposits	-	-	-	-
Total liabilities	1,406	-	116	1
Deferred inflows of resources:				
Unavailable revenues	-	-	-	-
Total liabilities and deferred inflows of resources	1,406	-	116	1
Fund Balances:				
Restricted for:				
State gas tax mandates	4,405	-	-	-
Landfill postclosure	-	31,850	-	-
Capital projects	-	-	-	-
Committed to:				
Impact fee funded projects	-	-	22,927	1,612
Unassigned:	-	-	-	-
Total fund balances	4,405	31,850	22,927	1,612
Total liabilities, deferred inflows of resources and fund balances	\$ 5,811	31,850	23,043	1,613

(Continued)

Exhibit J-1

CITY OF GLENDALE

Combining Balance Sheet

Nonmajor Governmental Funds-

Capital Projects Funds

June 30, 2018 (in thousands)

	Parks Quimby Fee Fund	CIP Reimbursement Fund	SF Corridor Tax Share Fund	Total Nonmajor Capital Projects Funds
Assets				
Pooled cash and investments	26	-	38,740	68,683
Restricted cash and investments	-	-	-	31,850
Interest receivable	-	-	148	270
Accounts receivable, net	-	3,329	-	3,757
Total assets	26	3,329	38,888	104,560
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	-	1,002	-	2,502
Due to other funds	-	1,787	-	1,787
Wages and benefits payable	-	46	4	73
Deposits	-	19	-	19
Total liabilities	-	2,854	4	4,381
Deferred inflows of resources:				
Unavailable revenues	-	2,238	-	2,238
Total liabilities and deferred inflows of resources	-	5,092	4	6,619
Fund Balances:				
Restricted for:				
State gas tax mandates	-	-	-	4,405
Landfill postclosure	-	-	-	31,850
Capital projects	-	-	38,884	38,884
Committed to:				
Impact fee funded projects	26	-	-	24,565
Unassigned:	-	(1,763)	-	(1,763)
Total fund balances	26	(1,763)	38,884	97,941
Total liabilities, deferred inflows of resources and fund balances	26	3,329	38,888	104,560

Exhibit J-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	State Gas Tax Fund	Landfill Postclosure Fund	Parks Mitigation Fee Fund	Library Mitigation Fee Fund
Revenues:				
Revenue from other agencies	\$ 5,389	-	-	-
Licenses and permits	-	-	1,813	214
Use of money and property	1	-	80	5
Miscellaneous revenue	-	-	-	-
Total revenues	5,390	-	1,893	219
Expenditures:				
Current:				
Housing, health and community development	-	-	-	-
Police	-	-	-	-
Public works	893	-	-	-
Parks, recreation and community services	-	-	166	-
Library	-	-	-	41
Capital outlay	2,349	-	1,220	277
Total expenditures	3,242	-	1,386	318
Excess of revenues over (under) expenditures	2,148	-	507	(99)
Other financing source:				
Transfers in	-	2,000	-	-
Net change in fund balances	2,148	2,000	507	(99)
Fund balances (deficits), July 1	2,257	29,850	22,420	1,711
Fund balances (deficits), June 30	\$ 4,405	31,850	22,927	1,612

(Continued)

Exhibit J-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects Funds
Fiscal Year Ended June 30, 2018 (in thousands)

	Parks Quimby Fee Fund	CIP Reimbursement Fund	SF Corridor Tax Share Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Revenue from other agencies	\$ -	2,499	4,867	12,755
Licenses and permits	24	-	-	2,051
Use of money and property	1	-	120	207
Miscellaneous revenue	-	205	-	205
Total revenues	25	2,704	4,987	15,218
Expenditures:				
Current:				
Housing, health and community development	-	1	-	1
Police	-	6	-	6
Public works	-	339	54	1,286
Parks, recreation and community services	-	13	-	179
Library	-	-	-	41
Capital outlay	-	2,613	-	6,459
Total expenditures	-	2,972	54	7,972
Excess of revenues over (under) expenditures	25	(268)	4,933	7,246
Other financing source:				
Transfers in	-	-	-	2,000
Net change in fund balances	25	(268)	4,933	9,246
Fund balances (deficits), July 1	1	(1,495)	33,951	88,695
Fund balances (deficits), June 30	\$ 26	(1,763)	38,884	97,941

Nonmajor Enterprise Funds

This section of the CAFR provides information on nonmajor enterprise funds, which are used to account for operations that provide goods or services to the general public that are financed primarily by a user charge or where the periodic measurement of net income is deemed appropriate.



NONMAJOR ENTERPRISE FUNDS

- 530 - Refuse Disposal Fund - To account for operations of the City-owned refuse collection and disposal service.
- 701 - Fire Communication Fund - To account for monies received and expended, as the lead city, for the tri-city (Burbank, Glendale and Pasadena) Verdugo Fire Communication operations.

This page is left blank intentionally.

Exhibit K-1

CITY OF GLENDALE

Combining Statement of Net Position

Proprietary Funds - Nonmajor Enterprise Funds

June 30, 2018 (in thousands)

	Refuse Disposal Fund	Fire Communication Fund	Total Nonmajor Enterprise Funds
Assets and deferred outflows of resources			
Current assets:			
Pooled cash and investments	\$ 34,391	8,085	42,476
Interest receivable	138	34	172
Accounts receivable, net	2,540	-	2,540
Total current assets	<u>37,069</u>	<u>8,119</u>	<u>45,188</u>
Noncurrent assets:			
Capital assets:			
Land	1,639	-	1,639
Buildings and improvements	7,258	-	7,258
Machinery and equipment	18,268	4,925	23,193
Accumulated depreciation	(18,691)	(4,184)	(22,875)
Construction in progress	-	779	779
Total capital assets	<u>8,474</u>	<u>1,520</u>	<u>9,994</u>
Total assets	<u>45,543</u>	<u>9,639</u>	<u>55,182</u>
Deferred outflow of resources:			
Deferred outflows related to pensions	3,766	1,044	4,810
Total assets and deferred outflows of resources	<u>49,309</u>	<u>10,683</u>	<u>59,992</u>
Liabilities, deferred inflows of resources and net position			
Current liabilities:			
Accounts payable	859	13	872
Wages and benefits payable	471	183	654
Deposits	427	-	427
Total current liabilities	<u>1,757</u>	<u>196</u>	<u>1,953</u>
Noncurrent liabilities:			
Net pension liability	14,888	3,261	18,149
Total liabilities	<u>16,645</u>	<u>3,457</u>	<u>20,102</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	607	195	802
Total liabilities and deferred inflows of resources	<u>17,252</u>	<u>3,652</u>	<u>20,904</u>
Net position:			
Net investment in capital assets	8,474	1,520	9,994
Unrestricted	23,583	5,511	29,094
Total net position	<u>\$ 32,057</u>	<u>7,031</u>	<u>39,088</u>

Exhibit K-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds - Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Refuse Disposal Fund	Fire Communication Fund	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 22,417	3,984	26,401
Miscellaneous revenues	11	467	478
Total operating revenues	<u>22,428</u>	<u>4,451</u>	<u>26,879</u>
Operating expenses:			
Salaries and benefits	8,309	3,042	11,351
Maintenance and operations	11,346	912	12,258
Depreciation	1,390	211	1,601
Total operating expenses	<u>21,045</u>	<u>4,165</u>	<u>25,210</u>
Operating income	<u>1,383</u>	<u>286</u>	<u>1,669</u>
Non operating revenues:			
Interest revenue	146	30	176
Intergovernmental grant	69	3	72
Total non operating revenues, net	<u>215</u>	<u>33</u>	<u>248</u>
Income before transfers	<u>1,598</u>	<u>319</u>	<u>1,917</u>
Transfer out	<u>(1,150)</u>	<u>-</u>	<u>(1,150)</u>
Change in net position	448	319	767
Net position, July 1	<u>31,609</u>	<u>6,712</u>	<u>38,321</u>
Net position, June 30	<u>\$ 32,057</u>	<u>7,031</u>	<u>39,088</u>

Exhibit K-3

CITY OF GLENDALE

Combining Statement of Cash Flows

Proprietary Funds - Nonmajor Enterprise Funds

Year Ended June 30, 2018 (in thousands)

	Refuse Disposal Fund	Fire Communication Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash from customers	\$ 22,540	4,451	26,991
Cash paid to employees	(7,755)	(2,581)	(10,336)
Cash paid to suppliers	(11,215)	(1,069)	(12,284)
Net cash provided by operating activities	<u>3,570</u>	<u>801</u>	<u>4,371</u>
Cash flows from noncapital financing activities:			
Operating transfers out	(1,150)	-	(1,150)
Operating grants received	69	3	72
Loan payments received	-	78	78
Net cash provided (used) by noncapital financing activities	<u>(1,081)</u>	<u>81</u>	<u>(1,000)</u>
Cash flows from capital and related financing activities:			
Acquisition of property, plant, and equipment	(694)	(780)	(1,474)
Cash flows from investing activities:			
Interest received	110	21	131
Net increase in cash and cash equivalents	1,905	123	2,028
Cash and cash equivalents at July 1	32,486	7,962	40,448
Cash and cash equivalents at June 30	<u>34,391</u>	<u>8,085</u>	<u>42,476</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	1,383	286	1,669
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,390	211	1,601
Pension expense	585	415	1,000
Decrease Accounts receivable net	112	-	112
Increase (Decrease) Accrued wages payable	(31)	46	15
Increase (Decrease) Accounts payable	67	(157)	(90)
Increase Deposits	64	-	64
Total adjustments	<u>2,187</u>	<u>515</u>	<u>2,702</u>
Net cash provided by operating activities	<u>\$ 3,570</u>	<u>801</u>	<u>4,371</u>
Noncash investing, capital, and financing activities:			
Decrease in fair value of investments	(453)	(113)	(566)

This page is left blank intentionally.

Internal Service Funds

This section of the CAFR provides information on each individual internal service fund. Internal service funds are used by the City to centralize certain services and then allocate the cost of those services to the user departments on a cost reimbursement basis. User fund charges from internal service funds with capital assets typically consist of two components: a maintenance/service component and a capital replacement component. User fund charges from self-insurance internal service funds generally are based on claims experience of the user department.



INTERNAL SERVICE FUNDS

- 601 - Fleet/Equipment Management Fund - To account for equipment replacement resources which are derived from periodic charges to governmental operations to ensure timely replacement of equipment.
- 602 - Joint Helicopter Operation Fund - To account for resources and expenses for the operation of the Joint Law Enforcement Air Support Unit between City of Glendale and City of Burbank.
- 603 - ISD Infrastructure Fund - To account for technological equipment replacement resources which are derived from periodic charges to governmental operations to ensure timely replacement of the technological equipment.
- 604 - ISD Applications Fund - To account for major ISD Applications resources which are derived from periodic charges to governmental operations to ensure timely replacement of the major application software.
- 607 - Building Maintenance Fund - To account for maintenance, repairs or services necessary to sustain facility operations at approximately one hundred City owned facilities.
- 610 - Unemployment Insurance Fund - To finance and account for unemployment claims. Resources are derived from unemployment insurance charges to various City operations. Unemployment claims are reimbursed to the State Employment Department which disburses the unemployment claims.
- 612 - Liability Insurance Fund - To account for financing and disbursement of City self-insurance funds for uninsurable litigation activities, general liability and auto liability claims. Charges, in lieu of insurance premiums, are made periodically to City operations to provide the self-insurance resources.
- 614 - Compensation Insurance Fund - To finance and account for the City's workers' compensation claims. Funding is derived from charges in lieu of actual premiums to various City operations to provide the self-insurance resources.
- 615 - Dental Insurance Fund - To finance and account for the City's dental insurance program for its employees. Funding is derived from charges in lieu of actual premiums to various City operations to provide the self-insurance resources.
- 616 - Medical Insurance Fund - To finance and account for the City's medical insurance program for its employees. Funding is derived from charges in lieu of actual premiums to various City operations to provide the self-insurance resources.
- 617 - Vision Insurance Fund - To finance and account for the City's vision insurance program for its employees. Funding is derived from charges in lieu of actual premiums to various City operations to provide the self-insurance resources.
- 640 - Employee Benefits Fund - To account for the resources and the liability for employees' compensated absences (vacation and comp time).
- 641 - Retiree Health Savings Plan (RHSP) Benefits Fund - To account for the resources and the liability for employees' sick leave conversion under RHSP plan.
- 642 - Post Employment Benefits Fund - To account for the resources and the liability for all the benefits provided after the employees' separation from the City.
- 660 - ISD Wireless Fund - To account for the operation of the citywide radio system, including maintenance, replacement and acquisition of equipment.

This page is left blank intentionally.

Exhibit L-1

CITY OF GLENDALE

Combining Statement of Net Position

Internal Service Funds

June 30, 2018 (in thousands)

	Fleet/ Equipment Management Fund	Joint Helicopter Operation Fund	ISD Infrastructure Fund	ISD Applications Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 19,782	3,555	5,439	10,313
Interest receivable	81	13	23	42
Accounts receivable, net	5	138	-	-
Inventories	208	-	-	-
Prepaid items	1,325	-	-	-
Total current assets	<u>21,401</u>	<u>3,706</u>	<u>5,462</u>	<u>10,355</u>
Capital assets:				
Buildings and improvements	-	-	214	-
Machinery and equipment	34,704	3,517	5,245	8
Intangible assets	-	-	58	359
Accumulated depreciation	(22,979)	(2,015)	(1,847)	(8)
Accumulated amortization	-	-	-	(29)
Construction in progress	15	-	1,421	5,632
Total capital assets	<u>11,740</u>	<u>1,502</u>	<u>5,091</u>	<u>5,962</u>
Total assets	<u>33,141</u>	<u>5,208</u>	<u>10,553</u>	<u>16,317</u>
Liabilities and net position				
Current liabilities:				
Accounts payable	787	37	361	266
Wages and benefits payable	213	8	129	138
Due to other funds	-	-	-	-
Claims payable	-	-	-	-
Compensated absences	-	-	-	-
Total current liabilities	<u>1,000</u>	<u>45</u>	<u>490</u>	<u>404</u>
Noncurrent liabilities:				
Claims payable	-	-	-	-
Compensated absences	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,000</u>	<u>45</u>	<u>490</u>	<u>404</u>
Net position:				
Net investment in capital assets	11,740	1,502	5,091	5,962
Unrestricted	20,401	3,661	4,972	9,951
Total net position (deficit)	<u>\$ 32,141</u>	<u>5,163</u>	<u>10,063</u>	<u>15,913</u>

(Continued)

Exhibit L-1
CITY OF GLENDALE
Combining Statement of Net Position
Internal Service Funds
June 30, 2018 (in thousands)

	Building Maintenance Fund	Unemployment Insurance Fund	Liability Insurance Fund	Compensation Insurance Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 3,849	877	16,100	32,814
Interest receivable	16	3	326	134
Accounts receivable, net	-	6	770	1,051
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Total current assets	<u>3,865</u>	<u>886</u>	<u>17,196</u>	<u>33,999</u>
Capital assets:				
Buildings and improvements	-	-	-	-
Machinery and equipment	-	-	-	101
Intangible assets	-	-	-	-
Accumulated depreciation	-	-	-	(89)
Accumulated amortization	-	-	-	-
Construction in progress	-	-	-	-
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>
Total assets	<u>3,865</u>	<u>886</u>	<u>17,196</u>	<u>34,011</u>
Liabilities and net position				
Current liabilities:				
Accounts payable	251	-	151	32
Wages and benefits payable	172	-	20	214
Due to other funds	-	-	-	-
Claims payable	-	-	5,120	8,379
Compensated absences	-	-	-	-
Total current liabilities	<u>423</u>	<u>-</u>	<u>5,291</u>	<u>8,625</u>
Noncurrent liabilities:				
Claims payable	-	-	4,300	34,599
Compensated absences	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>4,300</u>	<u>34,599</u>
Total liabilities	<u>423</u>	<u>-</u>	<u>9,591</u>	<u>43,224</u>
Net position:				
Net investment in capital assets	-	-	-	12
Unrestricted	3,442	886	7,605	(9,225)
Total net position (deficit)	<u>\$ 3,442</u>	<u>886</u>	<u>7,605</u>	<u>(9,213)</u>

Exhibit L-1
CITY OF GLENDALE
Combining Statement of Net Position
Internal Service Funds
June 30, 2018 (in thousands)

	Dental Insurance Fund	Medical Insurance Fund	Vision Insurance Fund	Employee Benefits Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 1,064	604	498	14,658
Interest receivable	5	2	2	63
Accounts receivable, net	45	825	9	198
Inventories	-	-	-	-
Prepaid items	-	504	-	-
Total current assets	1,114	1,935	509	14,919
Capital assets:				
Buildings and improvements	-	-	-	-
Machinery and equipment	-	-	-	-
Intangible assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated amortization	-	-	-	-
Construction in progress	-	-	-	-
Total capital assets	-	-	-	-
Total assets	1,114	1,935	509	14,919
Liabilities and net position				
Current liabilities:				
Accounts payable	87	1,661	15	-
Wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Claims payable	-	870	-	-
Compensated absences	-	-	-	2,007
Total current liabilities	87	2,531	15	2,007
Noncurrent liabilities:				
Claims payable	-	-	-	-
Compensated absences	-	-	-	12,950
Total noncurrent liabilities	-	-	-	12,950
Total liabilities	87	2,531	15	14,957
Net position:				
Net investment in capital assets	-	-	-	-
Unrestricted	1,027	(596)	494	(38)
Total net position (deficit)	\$ 1,027	(596)	494	(38)

Exhibit L-1

CITY OF GLENDALE

Combining Statement of Net Position

Internal Service Funds

June 30, 2018 (in thousands)

	Retiree Health Savings Plan (RHSP) Benefits Fund	Post Employment Benefits Fund	ISD Wireless Fund	Total Internal Service Funds
Assets				
Current assets:				
Pooled cash and investments	\$ 15,979	-	3,046	128,578
Interest receivable	65	-	11	786
Accounts receivable, net	214	12	-	3,273
Inventories	-	-	-	208
Prepaid items	-	-	-	1,829
Total current assets	<u>16,258</u>	<u>12</u>	<u>3,057</u>	<u>134,674</u>
Capital assets:				
Buildings and improvements	-	-	-	214
Machinery and equipment	-	-	9,727	53,302
Intangible assets	-	-	-	417
Accumulated depreciation	-	-	(3,505)	(30,443)
Accumulated amortization	-	-	-	(29)
Construction in progress	-	-	440	7,508
Total capital assets	<u>-</u>	<u>-</u>	<u>6,662</u>	<u>30,969</u>
Total assets	<u>16,258</u>	<u>12</u>	<u>9,719</u>	<u>165,643</u>
Liabilities and net position				
Current liabilities:				
Accounts payable	-	26	915	4,589
Wages and benefits payable	-	-	118	1,012
Due to other funds	-	215	-	215
Claims payable	-	-	-	14,369
Compensated absences	1,130	-	-	3,137
Total current liabilities	<u>1,130</u>	<u>241</u>	<u>1,033</u>	<u>23,322</u>
Noncurrent liabilities:				
Claims payable	-	-	-	38,899
Compensated absences	12,947	-	-	25,897
Total noncurrent liabilities	<u>12,947</u>	<u>-</u>	<u>-</u>	<u>64,796</u>
Total liabilities	<u>14,077</u>	<u>241</u>	<u>1,033</u>	<u>88,118</u>
Net position:				
Net investment in capital assets	-	-	6,662	30,969
Unrestricted	2,181	(229)	2,024	46,556
Total net position (deficit)	<u>\$ 2,181</u>	<u>(229)</u>	<u>8,686</u>	<u>77,525</u>

Exhibit L-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenses
and Changes in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Fleet/ Equipment Management Fund	Joint Helicopter Operation Fund	ISD Infrastructure Fund	ISD Applications Fund
Operating revenues:				
Charges for services	\$ 12,855	1,275	6,708	6,402
Miscellaneous revenues	3	-	-	-
Total operating revenues	<u>12,858</u>	<u>1,275</u>	<u>6,708</u>	<u>6,402</u>
Operating expenses:				
Salaries and benefits	3,435	134	2,347	2,725
Maintenance and operations	5,485	575	2,665	3,238
Equipment purchased	36	-	1,132	-
Claims and settlements	-	-	-	-
Depreciation	1,550	103	929	1
Amortization	-	-	-	18
Total operating expenses	<u>10,506</u>	<u>812</u>	<u>7,073</u>	<u>5,982</u>
Operating income (loss)	<u>2,352</u>	<u>463</u>	<u>(365)</u>	<u>420</u>
Non operating revenues (expenses):				
Interest revenue	131	210	17	37
Grant revenue	-	-	-	-
Interest expense	(4)	-	-	-
Total non operating revenues (expenses), net	<u>127</u>	<u>210</u>	<u>17</u>	<u>37</u>
Income (loss)	<u>2,479</u>	<u>673</u>	<u>(348)</u>	<u>457</u>
Change in net position	2,479	673	(348)	457
Net position (deficit), July 1	<u>29,662</u>	<u>4,490</u>	<u>10,411</u>	<u>15,456</u>
Net position (deficit), June 30	<u>\$ 32,141</u>	<u>5,163</u>	<u>10,063</u>	<u>15,913</u>

(Continued)

Exhibit L-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenses
and Changes in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Building Maintenance Fund	Unemployment Insurance Fund	Liability Insurance Fund	Compensation Insurance Fund
Operating revenues:				
Charges for services	\$ 7,929	100	4,930	17,016
Miscellaneous revenues	-	-	664	1,087
Total operating revenues	<u>7,929</u>	<u>100</u>	<u>5,594</u>	<u>18,103</u>
Operating expenses:				
Salaries and benefits	2,916	-	326	1,940
Maintenance and operations	3,838	2	1,848	1,476
Equipment purchased	52	-	-	-
Claims and settlements	-	59	6,283	12,967
Depreciation	-	-	-	3
Amortization	-	-	-	-
Total operating expenses	<u>6,806</u>	<u>61</u>	<u>8,457</u>	<u>16,386</u>
Operating income (loss)	<u>1,123</u>	<u>39</u>	<u>(2,863)</u>	<u>1,717</u>
Non operating revenues (expenses):				
Interest revenue	11	3	53	93
Grant revenue	-	-	-	-
Interest expense	-	-	-	-
Total non operating revenues (expenses), net	<u>11</u>	<u>3</u>	<u>53</u>	<u>93</u>
Income (loss)	<u>1,134</u>	<u>42</u>	<u>(2,810)</u>	<u>1,810</u>
Change in net position	1,134	42	(2,810)	1,810
Net position (deficit), July 1	<u>2,308</u>	<u>844</u>	<u>10,415</u>	<u>(11,023)</u>
Net position (deficit), June 30	<u>\$ 3,442</u>	<u>886</u>	<u>7,605</u>	<u>(9,213)</u>

(Continued)

Exhibit L-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenses
and Changes in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Dental Insurance Fund	Medical Insurance Fund	Vision Insurance Fund	Employee Benefits Fund
Operating revenues:				
Charges for services	\$ 1,328	23,257	225	6,144
Miscellaneous revenues	-	22	-	47
Total operating revenues	1,328	23,279	225	6,191
Operating expenses:				
Salaries and benefits	-	-	-	31
Maintenance and operations	39	1,087	6	21
Equipment purchased	-	-	-	-
Claims and settlements	1,332	21,584	215	6,200
Depreciation	-	-	-	-
Amortization	-	-	-	-
Total operating expenses	1,371	22,671	221	6,252
Operating income (loss)	(43)	608	4	(61)
Non operating revenues (expenses):				
Interest revenue	4	-	2	43
Grant revenue	-	-	-	-
Interest expense	-	-	-	-
Total non operating revenues (expenses), net	4	-	2	43
Income (loss)	(39)	608	6	(18)
Change in net position	(39)	608	6	(18)
Net position (deficit), July 1	1,066	(1,204)	488	(20)
Net position (deficit), June 30	\$ 1,027	(596)	494	(38)

(Continued)

Exhibit L-2

CITY OF GLENDALE

Combining Statement of Revenues, Expenses
and Changes in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Retiree Health Savings Plan (RHSP) Benefits Fund	Post Employment Benefits Fund	ISD Wireless Fund	Total Internal Service Funds
Operating revenues:				
Charges for services	\$ 3,629	202	4,278	96,278
Miscellaneous revenues	-	-	6	1,829
Total operating revenues	<u>3,629</u>	<u>202</u>	<u>4,284</u>	<u>98,107</u>
Operating expenses:				
Salaries and benefits	16	-	1,019	14,889
Maintenance and operations	16	11	1,580	21,887
Equipment purchased	-	-	344	1,564
Claims and settlements	1,635	609	-	50,884
Depreciation	-	-	1,140	3,726
Amortization	-	-	-	18
Total operating expenses	<u>1,667</u>	<u>620</u>	<u>4,083</u>	<u>92,968</u>
Operating income (loss)	<u>1,962</u>	<u>(418)</u>	<u>201</u>	<u>5,139</u>
Non operating revenues (expenses):				
Interest revenue	44	-	2	650
Grant revenue	-	-	1,001	1,001
Interest expense	-	-	(2)	(6)
Total non operating revenues (expenses), net	<u>44</u>	<u>-</u>	<u>1,001</u>	<u>1,645</u>
Income (loss)	<u>2,006</u>	<u>(418)</u>	<u>1,202</u>	<u>6,784</u>
Change in net position	2,006	(418)	1,202	6,784
Net position (deficit), July 1	<u>175</u>	<u>189</u>	<u>7,484</u>	<u>70,741</u>
Net position (deficit), June 30	<u>\$ 2,181</u>	<u>(229)</u>	<u>8,686</u>	<u>77,525</u>

Exhibit L-3

CITY OF GLENDALE

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Fleet/ Equipment Management Fund	Joint Helicopter Operation Fund	ISD Infrastructure Fund	ISD Applications Fund
Cash flows from operating activities:				
Cash from customers	\$ 12,864	1,323	6,708	6,402
Cash paid to employees	(3,447)	(137)	(2,353)	(2,702)
Cash paid to suppliers	(5,208)	(557)	(3,877)	(3,315)
Net cash provided (used) by operating activities	<u>4,209</u>	<u>629</u>	<u>478</u>	<u>385</u>
Cash flows from noncapital financing activities:				
Amounts paid to other funds	-	-	-	-
Operating grants received	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Interest on long-term debt	(10)	-	-	-
Payments on capital lease	(262)	-	-	-
Acquisition of property, plant, and equipment	(3,162)	2	(99)	(1,612)
Net cash provided (used) by capital and related financing activities	<u>(3,434)</u>	<u>2</u>	<u>(99)</u>	<u>(1,612)</u>
Cash provided by investing activities:				
Interest received	108	205	10	32
Net increase (decrease) in cash and cash equivalents	<u>883</u>	<u>836</u>	<u>389</u>	<u>(1,195)</u>
Cash and cash equivalents at July 1	<u>18,899</u>	<u>2,719</u>	<u>5,050</u>	<u>11,508</u>
Cash and cash equivalents at June 30	<u><u>19,782</u></u>	<u><u>3,555</u></u>	<u><u>5,439</u></u>	<u><u>10,313</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	2,352	463	(365)	420
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,550	103	929	1
Amortization	-	-	-	18
(Increase) Decrease Accounts receivable, net	6	48	-	-
(Increase) Inventories	(16)	-	-	-
(Increase) Decrease Prepaid expenses	54	-	-	-
Increase (Decrease) Accrued wages payable	(12)	(3)	(6)	23
Increase Compensated absences	-	-	-	-
Increase (Decrease) Accounts payable	275	18	(80)	(77)
Increase (Decrease) Claims payable	-	-	-	-
Total adjustments	<u>1,857</u>	<u>166</u>	<u>843</u>	<u>(35)</u>
Net cash provided (used) by operating activities	<u>\$ 4,209</u>	<u>629</u>	<u>478</u>	<u>385</u>
Noncash investing, capital, and financing activities:				
Decrease in fair value of investments	(266)	(41)	(75)	(137)

(Continued)

Exhibit L-3

CITY OF GLENDALE

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Building Maintenance Fund	Unemployment Insurance Fund	Liability Insurance Fund	Compensation Insurance Fund
Cash flows from operating activities:				
Cash from customers	\$ 7,929	100	5,079	18,204
Cash paid to employees	(2,906)	-	(340)	(2,271)
Cash paid to suppliers	(4,038)	(61)	(6,504)	(13,762)
Net cash provided (used) by operating activities	<u>985</u>	<u>39</u>	<u>(1,765)</u>	<u>2,171</u>
Cash flows from noncapital financing activities:				
Amounts paid to other funds	-	-	-	-
Operating grants received	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Interest on long-term debt	-	-	-	-
Payments on capital lease	-	-	-	-
Acquisition of property, plant, and equipment	-	-	-	(1)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Cash provided by investing activities:				
Interest received	-	3	40	56
Net increase (decrease) in cash and cash equivalents	<u>985</u>	<u>42</u>	<u>(1,725)</u>	<u>2,226</u>
Cash and cash equivalents at July 1	<u>2,864</u>	<u>835</u>	<u>17,825</u>	<u>30,588</u>
Cash and cash equivalents at June 30	<u><u>3,849</u></u>	<u><u>877</u></u>	<u><u>16,100</u></u>	<u><u>32,814</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	1,123	39	(2,863)	1,717
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	-	3
Amortization	-	-	-	-
(Increase) Decrease Accounts receivable, net	-	-	(515)	101
(Increase) Inventories	-	-	-	-
(Increase) Decrease Prepaid expenses	-	-	-	-
Increase (Decrease) Accrued wages payable	10	-	(14)	(331)
Increase Compensated absences	-	-	-	-
Increase (Decrease) Accounts payable	(148)	-	110	17
Increase (Decrease) Claims payable	-	-	1,517	664
Total adjustments	<u>(138)</u>	<u>-</u>	<u>1,098</u>	<u>454</u>
Net cash provided (used) by operating activities	<u>\$ 985</u>	<u>39</u>	<u>(1,765)</u>	<u>2,171</u>
Noncash investing, capital, and financing activities:				
Decrease in fair value of investments	(52)	(12)	(226)	(445)

(Continued)

Exhibit L-3

CITY OF GLENDALE

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Dental Insurance Fund	Medical Insurance Fund	Vision Insurance Fund	Employee Benefits Fund
Cash flows from operating activities:				
Cash from customers	\$ 1,328	23,296	225	6,172
Cash paid to employees	-	-	-	(5,210)
Cash paid to suppliers	(1,376)	(22,989)	(219)	(21)
Net cash provided (used) by operating activities	(48)	307	6	941
Cash flows from noncapital financing activities:				
Amounts paid to other funds	-	-	-	-
Operating grants received	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-
Cash flows from capital and related financing activities:				
Interest on long-term debt	-	-	-	-
Payments on capital lease	-	-	-	-
Acquisition of property, plant, and equipment	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-	-
Cash provided by investing activities:				
Interest received	3	(2)	2	24
Net increase (decrease) in cash and cash equivalents	(45)	305	8	965
Cash and cash equivalents at July 1	1,109	299	490	13,693
Cash and cash equivalents at June 30	1,064	604	498	14,658
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(43)	608	4	(61)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
Amortization	-	-	-	-
(Increase) Decrease Accounts receivable, net	-	17	-	(19)
(Increase) Inventories	-	-	-	-
(Increase) Decrease Prepaid expenses	-	(8)	-	-
Increase (Decrease) Accrued wages payable	-	-	-	-
Increase Compensated absences	-	-	-	1,021
Increase (Decrease) Accounts payable	(5)	(3)	2	-
Increase (Decrease) Claims payable	-	(307)	-	-
Total adjustments	(5)	(301)	2	1,002
Net cash provided (used) by operating activities	\$ (48)	307	6	941
Noncash investing, capital, and financing activities:				
Decrease in fair value of investments	(15)	(8)	(7)	(200)

(Continued)

Exhibit L-3

CITY OF GLENDALE

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2018 (in thousands)

	Health Savings Plan (RSHP) Benefits Fund	Post Employment Benefits Fund	ISD Wireless Fund	Total Internal Service Funds
Cash flows from operating activities:				
Cash from customers	\$ 3,608	201	4,284	97,723
Cash paid to employees	(1,142)	-	(956)	(21,464)
Cash paid to suppliers	(16)	(614)	(1,197)	(63,754)
Net cash provided (used) by operating activities	2,450	(413)	2,131	12,505
Cash flows from noncapital financing activities:				
Amounts paid to other funds	-	215	(582)	(367)
Operating grants received	-	-	1,001	1,001
Net cash provided (used) by noncapital financing activities	-	215	419	634
Cash flows from capital and related financing activities:				
Interest on long-term debt	-	-	(12)	(22)
Payments on capital lease	-	-	-	(262)
Acquisition of property, plant, and equipment	-	-	(704)	(5,576)
Net cash provided (used) by capital and related financing activities	-	-	(716)	(5,860)
Cash provided by investing activities:				
Interest received	22	3	(6)	500
Net increase (decrease) in cash and cash equivalents	2,472	(195)	1,828	7,779
Cash and cash equivalents at July 1	13,507	195	1,218	120,799
Cash and cash equivalents at June 30	15,979	-	3,046	128,578
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	1,962	(418)	201	5,139
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	1,140	3,726
Amortization	-	-	-	18
(Increase) Decrease Accounts receivable, net	(21)	(1)	-	(384)
(Increase) Inventories	-	-	-	(16)
(Increase) Decrease Prepaid expenses	-	-	-	46
Increase (Decrease) Accrued wages payable	-	-	63	(270)
Increase Compensated absences	509	-	-	1,530
Increase (Decrease) Accounts payable	-	6	727	842
Increase (Decrease) Claims payable	-	-	-	1,874
Total adjustments	488	5	1,930	7,366
Net cash provided (used) by operating activities	\$ 2,450	(413)	2,131	12,505
Noncash investing, capital, and financing activities:				
Decrease in fair value of investments	(215)	-	(37)	(1,736)

Statistical Section (UNAUDITED)

The statistical section provides mostly trend data and nonfinancial information useful in assessing the City's financial condition. Because of the special character of the data presented in the statistical section (i.e., data of prior years, nonfinancial data), the section does not fall within the scope of the 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.
- Revenue Capacity – These schedules contain information to help the reader assess the City's two most significant local revenue sources, the electric revenue and the property tax.
- 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.
- 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.
- Operation 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.



Schedule 1

CITY OF GLENDALE

Net Position by Component

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental activities:					
Net investment in capital assets	\$ 926,357	922,498	888,998	882,741	829,862
Restricted	168,556	124,491	110,281	74,413	73,323
Unrestricted	(195,007) ⁽¹⁾	(162,510) ⁽¹⁾	(153,423) ⁽¹⁾	(315,057) ⁽¹⁾	47,188
Total governmental activities net position	<u>899,906</u>	<u>884,479</u>	<u>845,856</u>	<u>642,097</u>	<u>950,373</u>
Business-type activities:					
Net investment in capital assets	401,010	409,287	422,656	437,125	484,467
Restricted	5,669	5,669	5,669	5,669	5,669
Unrestricted	288,494	263,001	222,463	159,220	210,397
Total business-type activities net position	<u>695,173</u>	<u>677,957</u>	<u>650,788</u>	<u>602,014</u>	<u>700,533</u>
Primary government:					
Net investment in capital assets	1,327,367	1,331,785	1,311,654	1,319,866	1,314,329
Restricted	174,225	130,160	115,950	80,082	78,992
Unrestricted	93,487	100,491	69,040	(155,837)	257,585
Total primary government net position	<u>\$ 1,595,079</u>	<u>1,562,436</u>	<u>1,496,644</u>	<u>1,244,111</u>	<u>1,650,906</u>

	Fiscal Year				
	2013	2012 ⁽²⁾	2011	2010	2009
Governmental activities:					
Net investment in capital assets	\$ 816,785	802,729	814,946	806,721	782,170
Restricted	70,047	40,119	53,953	56,854	56,506
Unrestricted	62,419	104,152	85,930	91,582	113,761
Total governmental activities net position	<u>949,251</u>	<u>947,000</u>	<u>954,829</u>	<u>955,157</u>	<u>952,437</u>
Business-type activities:					
Net investment in capital assets	516,774	545,511	526,011	476,440	448,099
Restricted	5,669	5,669	15,474	13,864	14,047
Unrestricted	159,224	140,283	159,353	208,562	238,443
Total business-type activities net position	<u>681,667</u>	<u>691,463</u>	<u>700,838</u>	<u>698,866</u>	<u>700,589</u>
Primary government:					
Net investment in capital assets	1,333,559	1,348,240	1,340,957	1,283,161	1,230,269
Restricted	75,716	45,788	69,427	70,718	70,553
Unrestricted	221,643	244,435	245,283	300,144	352,204
Total primary government net position	<u>\$ 1,630,918</u>	<u>1,638,463</u>	<u>1,655,667</u>	<u>1,654,023</u>	<u>1,653,026</u>

Notes:

- (1) From FY2015 to FY2018, the negative unrestricted net position for governmental activities was due to the recognition of net pension liability pursuant to GASB Statement No. 68.
- (2) In FY2012, only seven months of the Glendale Redevelopment Agency transactions was included in the governmental activities due to ABx1 26 - Redevelopment Agencies Dissolution on February 1, 2012. The transactions for the remainder of the fiscal year were recorded in the Glendale Successor Agency Private Purpose Trust Fiduciary Fund.

Source: City Finance Department

Not covered by independent auditors' report

Schedule 2

CITY OF GLENDALE

Changes in Net Position

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses					
Governmental activities:					
General government	\$ 33,037	29,958	20,335	47,822	64,776
Police	92,679	80,687	72,274	74,596	71,299
Fire	67,285	59,228	51,386	48,796	47,370
Public works	30,072	28,021	31,925	26,558	41,126
Transportation	13,196	14,215	14,367	15,222	-
Housing, health, and community development	44,349	41,831	39,860	42,472	38,536
Employment programs	5,848	6,099	5,265	5,557	5,642
Public service	5,999	6,751	6,230	5,895	5,173
Parks, recreation and community services	19,697	18,710	15,889	13,325	12,372
Library	12,485	9,590	8,222	8,392	7,893
Interest and fiscal charges	2,139	2,763	2,203	1,398	2,553
Total governmental activities expenses	<u>326,786</u>	<u>297,853</u>	<u>267,956</u>	<u>290,033</u>	<u>296,740</u>
Business-type activities:					
Recreation	-	-	-	2,584 (1)	2,338
Hazardous disposal	-	-	-	1,511 (1)	1,170
Fire communications	4,126	3,399	3,149	2,965	2,521
Parking	-	-	-	7,702 (1)	6,317
Sewer	20,383	16,697	15,327	17,421	14,353
Refuse disposal	20,844	19,448	18,518	18,519	16,143
Electric	188,573	186,772	172,647	187,864	179,322
Water	48,458	43,400	42,017	45,068	42,927
Total business-type activities expenses	<u>282,384</u>	<u>269,716</u>	<u>251,658</u>	<u>283,634</u>	<u>265,091</u>
Total primary government expenses	<u>\$ 609,170</u>	<u>567,569</u>	<u>519,614</u>	<u>573,667</u>	<u>561,831</u>

Notes:

(1) Effective FY 2015, Recreation, Hazardous Disposal and Parking Funds were reclassified from enterprise funds to special revenue funds.

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 2

CITY OF GLENDALE

Changes in Net Position

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 20,810	16,601	17,554	18,554	17,895
Police	1,487	1,282	1,229	1,087	759
Fire	9,672	8,405	8,242	6,330	2,206
Public works	29,117	23,629	20,732	14,469	19,544
Transportation	7,115	10,632	9,882	6,849	-
Housing, health, and community development	177	118	68	55	57
Employment programs	1,691	1,711	1,509	1,401	1,486
Parks, recreation and community services	3,285	2,984	2,999	11	11
Library	138	83	156	174	171
Operating grants and contributions	55,448	56,317	56,398	55,415	63,195
Capital grants and contributions	9,447	8,776	8,083	6,969	11,134
Total governmental activities program revenues	<u>138,387</u>	<u>130,538</u>	<u>126,852</u>	<u>111,314</u>	<u>116,458</u>
Business-type activities:					
Charges for services:					
Recreation	-	-	-	2,773 (1)	2,813
Hazardous disposal	-	-	-	1,632 (1)	1,598
Fire communications	3,984	3,794	3,515	3,253	3,191
Parking	-	-	-	9,303 (1)	8,897
Sewer	13,806	13,859	14,273	15,790	15,576
Refuse disposal	22,417	22,319	21,769	21,989	21,195
Electric	218,842	218,686	217,467	215,956	196,263
Water	50,771	48,601	49,972	47,520	43,069
Operating grants and contributions	72	207	54	120	299
Capital grants and contributions	12	61	305	2,306	796
Total business-type activities program revenues	<u>309,904</u>	<u>307,527</u>	<u>307,355</u>	<u>320,642</u>	<u>293,697</u>
Total primary government program revenues	<u>448,291</u>	<u>438,065</u>	<u>434,207</u>	<u>431,956</u>	<u>410,155</u>
Net (Expense) / Revenue					
Governmental activities	(188,399)	(167,315)	(141,104)	(178,719)	(180,282)
Business-type activities	<u>27,520</u>	<u>37,811</u>	<u>55,697</u>	<u>37,008</u>	<u>28,606</u>
Total primary government net expense	<u>\$ (160,879)</u>	<u>(129,504)</u>	<u>(85,407)</u>	<u>(141,711)</u>	<u>(151,676)</u>

Notes:

(1) Effective FY 2015, Recreation, Hazardous Disposal and Parking Funds were reclassified from enterprise funds to special revenue funds.

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 2

CITY OF GLENDALE

Changes in Net Position

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 58,445	55,217	51,709	50,883	47,623
Sales tax	62,158	41,096	46,651	36,330	35,408
Utility users tax	27,805	28,605	28,662	27,766	27,018
Other taxes	21,784	20,998	20,378	17,305	15,512
Investment income	1,815	1,262	8,456	1,561	1,776
Other	15,748	22,377	25,988	22,766	30,097
Reinstatement of loans	328	206	28,029	-	-
Transfers	21,312	21,060	19,524	62,859	23,970
Special items:					
Transfer of capital assets from Successor Agency	2,744	15,117	6,729	22,087	-
Elimination of OPEB implied subsidy	-	-	82,247	-	-
Extraordinary gain (loss)	-	-	26,490	-	-
Total governmental activities	<u>212,139</u>	<u>205,938</u>	<u>344,863</u>	<u>241,557</u>	<u>181,404</u>
Business-type activities:					
Investment income	1,315	1,859	4,899	1,915	2,725
Other	9,693	8,559	7,702	8,593	11,505
Transfers	(21,312)	(21,060)	(19,524)	(62,859)	(23,970)
Total business-type activities	<u>(10,304)</u>	<u>(10,642)</u>	<u>(6,923)</u>	<u>(52,351)</u>	<u>(9,740)</u>
Total primary government	<u>201,835</u>	<u>195,296</u>	<u>337,940</u>	<u>189,206</u>	<u>171,664</u>
Change in net position					
Governmental activities	23,740	38,623	203,759	62,838	1,122
Business-type activities	<u>17,216</u>	<u>27,169</u>	<u>48,774</u>	<u>(15,343)</u>	<u>18,866</u>
Total primary government	<u>\$ 40,956</u>	<u>65,792</u>	<u>252,533</u>	<u>47,495</u>	<u>19,988</u>

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 2

CITY OF GLENDALE

Changes in Net Position

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2013	2012 (1)	2011	2010	2009
Expenses					
Governmental activities:					
General government	\$ 33,432	22,151	25,700	24,157	23,508
Police	72,997	72,160	69,926	66,923	64,113
Fire	50,880	61,917	57,138	55,743	50,793
Public works	39,349	42,192	41,598	38,529	35,903
Transportation	-	-	-	-	-
Housing, health, and community development	44,534	45,387	69,965	70,813	49,563
Employment programs	6,080	6,197	5,925	7,397	5,432
Public service	4,490	6,369	8,029	8,249	6,729
Parks, recreation and community services	12,326	12,804	16,449	15,578	16,229
Library	8,338	8,209	9,127	9,241	9,162
Interest and fiscal charges on bonds	1,932	10,871	12,696	17,232	7,311
Total governmental activities expenses	<u>274,358</u>	<u>288,257</u>	<u>316,553</u>	<u>313,862</u>	<u>268,743</u>
Business-type activities:					
Recreation	2,820	2,754	2,622	2,645	2,552
Hazardous disposal	1,709	1,507	1,745	1,848	1,680
Fire communications	3,291	3,528	3,289	3,306	2,790
Parking	7,683	7,674	7,763	7,609	6,520
Sewer	14,585	15,148	15,756	17,874	12,195
Refuse disposal	19,197	18,794	18,893	18,101	16,450
Electric	172,509	200,120	188,569	170,423	192,326
Water	41,862	40,937	35,790	34,953	33,886
Total business-type activities expenses	<u>263,656</u>	<u>290,462</u>	<u>274,427</u>	<u>256,759</u>	<u>268,399</u>
Total primary government expenses	<u>\$ 538,014</u>	<u>578,719</u>	<u>590,980</u>	<u>570,621</u>	<u>537,142</u>

Notes:

- (1) In FY2012, only seven months of the Glendale Redevelopment Agency transactions was included in the governmental activities due to ABx1 26 - Redevelopment Agencies Dissolution on February 1, 2012. The transactions for the remainder of the fiscal year were recorded in the Glendale Successor Agency Private Purpose Trust Fiduciary Fund.

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 2

CITY OF GLENDALE

Changes in Net Position

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2013	2012 (1)	2011	2010	2009
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 16,249	16,738	17,276	13,922	9,890
Police	746	758	779	1,136	1,164
Fire	8,327	15,553	13,774	12,070	11,221
Public works	18,647	13,401	11,685	10,170	10,990
Housing, health, and community development	67	58	51	37	45
Employment programs	1,512	1,831	1,631	1,427	980
Parks, recreation and community services	15	8	13	9	15
Library	170	201	226	239	221
Operating grants and contributions	59,855	61,877	63,166	69,905	55,942
Capital grants and contributions	17,949	6,103	9,040	6,905	6,912
Total governmental activities program revenues	<u>123,537</u>	<u>116,528</u>	<u>117,641</u>	<u>115,820</u>	<u>97,380</u>
Business-type activities:					
Charges for services:					
Recreation	2,645	2,648	2,640	2,353	2,394
Hazardous disposal	1,559	1,547	1,530	1,533	1,550
Fire communications	3,288	3,223	3,337	3,199	2,890
Parking	8,699	8,303	7,853	8,944	7,111
Sewer	16,143	15,716	14,977	14,709	15,440
Refuse disposal	21,704	20,457	20,776	19,941	19,911
Electric	173,701	196,007	187,801	176,903	207,177
Water	44,605	41,359	36,637	35,716	36,068
Operating grants and contributions	223	96	161	421	738
Capital grants and contributions	1,203	6,590	16,238	7,440	3,292
Total business-type activities program revenues	<u>273,770</u>	<u>295,946</u>	<u>291,950</u>	<u>271,159</u>	<u>296,571</u>
Total primary government program revenues	<u>397,307</u>	<u>412,474</u>	<u>409,591</u>	<u>386,979</u>	<u>393,951</u>
Net (Expense) / Revenue					
Governmental activities	(150,821)	(171,729)	(198,912)	(198,042)	(171,363)
Business-type activities	<u>10,114</u>	<u>5,484</u>	<u>17,523</u>	<u>14,400</u>	<u>28,172</u>
Total primary government net expense	\$ <u>(140,707)</u>	<u>(166,245)</u>	<u>(181,389)</u>	<u>(183,642)</u>	<u>(143,191)</u>

Notes:

- (1) In FY2012, only seven months of the Glendale Redevelopment Agency transactions was included in the governmental activities due to ABx1 26 - Redevelopment Agencies Dissolution on February 1, 2012. The transactions for the remainder of the fiscal year were recorded in the Glendale Successor Agency Private Purpose Trust Fiduciary Fund.

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 2

CITY OF GLENDALE

Changes in Net Position

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2013	2012 (1)	2011	2010	2009
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 45,943	59,197	79,714	80,422	77,060
Sales taxes	33,789	31,874	30,030	27,594	22,755
Utility users tax	26,968	26,632	26,802	27,827	28,798
Other taxes	14,594	14,181	13,857	13,891	22,268
Investment income	(85) (2)	2,953	4,066	5,806	8,143
Other	13,401	21,370	17,948	18,077	16,368
Reinstatement of loans	-	-	-	-	-
Transfers	25,299	24,007	26,167	25,167	26,100
Gain on exchange of land	-	-	-	1,978	-
Contributions	-	-	-	-	(1,712)
Special items:					
Extraordinary gain (loss)	(6,423)	(16,314)	-	-	-
Total governmental activities	<u>153,486</u>	<u>163,900</u>	<u>198,584</u>	<u>200,762</u>	<u>199,780</u>
Business-type activities:					
Investment income	231	1,927	2,089	4,770	8,331
Other	8,270	7,221	8,527	4,274	3,614
Transfers	(25,299)	(24,007)	(26,167)	(25,167)	(26,100)
Contributions	-	-	-	-	1,712
Total business-type activities	<u>(16,798)</u>	<u>(14,859)</u>	<u>(15,551)</u>	<u>(16,123)</u>	<u>(12,443)</u>
Total primary government	<u>136,688</u>	<u>149,041</u>	<u>183,033</u>	<u>184,639</u>	<u>187,337</u>
Change in net position					
Governmental activities	2,665	(7,829)	(328)	2,720	28,417
Business-type activities	<u>(6,684)</u>	<u>(9,375)</u>	<u>1,972</u>	<u>(1,723)</u>	<u>15,729</u>
Total primary government	\$ <u>(4,019)</u>	<u>(17,204)</u>	<u>1,644</u>	<u>997</u>	<u>44,146</u>

Notes:

- (1) In FY2012, only seven months of the Glendale Redevelopment Agency transactions was included in the governmental activities due to ABx1 26 - Redevelopment Agencies Dissolution on February 1, 2012. The transactions for the remainder of the fiscal year were recorded in the Glendale Successor Agency Private Purpose Trust Fiduciary Fund.
- (2) In FY2013, the negative investment income was due to the net decrease in the fair value of investments pursuant to GASB Statement No. 31.

Source: City Finance Department

Not covered by independent auditors' report

Schedule 3

CITY OF GLENDALE

Fund Balances of Governmental Funds

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Non spendable:	\$ 305	267	196	2,505	2,584
Restricted for:					
City Charter – Sec.15 general reserve	28,115	27,296	24,870	23,433	22,593
Pension stabilization	27,605	-	-	-	-
Committed to:					
Capital projects fund	-	-	-	-	7,000
Assigned to:					
Economic development	3,530	4,033	4,526	3,418	-
Capital	97	572	800	800	-
Building maintenance	-	-	-	1,000	-
Emergency medical services	-	-	2,000	-	-
Unassigned	<u>47,418</u>	<u>60,701</u>	<u>55,954</u>	<u>40,819</u>	<u>36,480</u>
Total general fund	<u>107,070</u>	<u>92,869</u>	<u>88,346</u>	<u>71,975</u>	<u>68,657</u>
All Other Governmental Funds					
Non spendable:	2,545	2,396	3,197	3,177	2,212
Restricted for:					
Property held for resale	981	981	-	-	-
Federal and state grants	6,854	5,929	5,621	5,129	4,745
Public safety	2,594	2,730	1,820	1,465	1,197
Youth employment	44	-	52	4	18
Transportation	30,324	25,471	22,297	19,965	17,019
Landscaping district	207	172	139	99	63
Low and moderate housing	12,254	11,175	9,642	9,219	9,820
Air quality improvement	518	425	370	293	276
Cable access	3,401	2,895	2,434	1,833	1,237
Electric public benefit AB1890	5,146	3,962	3,609	2,788	1,960
State gas tax mandates	4,405	2,257	3,240	2,868	7,044
Landfill postclosure	31,850	29,850	27,850	25,850	23,850
Capital projects funds	38,884	33,951	29,034	-	-
Committed to:					
Debt service funds	16,429	17,981	19,287	21,522	23,841
Capital projects fund	23,917	13,405	11,295	9,374	1,991
Impact fee funded projects	24,565	24,132	26,078	14,227	5,562
Public safety	333	206	13	121	116
Urban art	6,974	6,372	5,275	4,283	2,437
Filming	945	622	373	-	-
Recreation	3,775	3,652	3,548	3,602	-
Hazardous materials	2,885	2,342	2,057	1,646	-
Parking	9,638	8,738	7,511	6,776	-
Assigned to:					
Capital projects funds	-	-	-	-	-
Unassigned	<u>(4,690)</u>	<u>(4,582)</u>	<u>(9,345)</u>	<u>(5,960)</u>	<u>(10,327)</u>
Total all other governmental funds	<u>\$ 224,778</u>	<u>195,062</u>	<u>175,397</u>	<u>128,281</u>	<u>93,061</u>

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 3

CITY OF GLENDALE

Fund Balances of Governmental Funds

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2013	2012 ⁽¹⁾	2011 ⁽²⁾	2010	2009
General Fund					
Non spendable:	\$ 2,579	558	49,425	71,521	68,840
Restricted for:					
City Charter – Sec.15 general reserve	22,228	21,156	21,105	20,619	19,320
Assigned to:					
Economic development	-	-	117	-	-
Unassigned	<u>38,082</u>	<u>37,852</u>	<u>63,408</u>	<u>28,331</u>	<u>37,503</u>
Total general fund	<u>62,889</u>	<u>59,566</u>	<u>134,055</u>	<u>120,471</u>	<u>125,663</u>
All Other Governmental Funds					
Non spendable:	2,275	2,257	14,459	22,311	21,485
Restricted for:					
Federal and state grants	4,571	3,395	4,735	4,915	4,437
Private endowments	-	1,400	1,759	-	-
Public safety	1,127	1,295	-	6,101	6,397
Youth employment	-	52	10,606	-	-
Transportation	15,569	12,927	53	9,854	12,197
Landscaping district	48	43	9,419	55	24
Low and moderate housing	15,605	18,963	286	13,964	14,737
Air quality improvement	269	214	792	280	659
Cable access	783	379	862	650	573
Electric public benefit AB1890	1,308	186	14,435	1,641	3,282
State gas tax mandates	8,539	12,466	22,100	-	-
Landfill postclosure	22,350	22,100	24,071	-	-
Redevelopment activities	-	-	-	-	2,211
Debt service funds	-	-	-	49,286	54,486
Capital projects funds	-	-	12,856	37,341	19,534
Committed to:					
Debt service funds	31,590	34,087	52,330	-	-
Capital projects fund	2,213	-	-	-	-
Impact fee funded projects	5,830	4,457	2,209	-	-
Public safety	116	179	170	-	-
Urban art	1,893	984	18	-	-
Assigned to:					
Capital projects funds	-	8,020	-	-	-
Unassigned	<u>(8,167)</u>	<u>(9,520)</u>	<u>(7,393)</u>	<u>(16,833)</u>	<u>(13,752)</u>
Total all other governmental funds	<u>\$ 105,919</u>	<u>113,884</u>	<u>163,767</u>	<u>129,565</u>	<u>126,270</u>

Notes:

- (1) In FY2012, only seven months of the Glendale Redevelopment Agency transactions was included in the governmental activities due to ABx1 26 - Redevelopment Agencies Dissolution on February 1, 2012. The transactions for the remainder of the fiscal year were recorded in the Glendale Successor Agency Private Purpose Trust Fiduciary Fund.
- (2) Effective FY2011, pursuant to GASB Statement No. 54, this schedule has been modified to establish the following classifications: nonspendable, restricted, committed, assigned and unassigned.

Source: City Finance Department

Not covered by independent auditors' report

Schedule 4

CITY OF GLENDALE

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues:					
Property taxes	\$ 58,445	55,217	51,709	50,883	47,623
Sales tax	62,158	41,096	46,651	36,330	35,408
Utility users tax	27,805	28,605	28,662	27,766	27,018
Other taxes	21,784	20,998	20,378	17,305	15,512
Revenue from other agencies	70,304	71,590	61,332	69,677	71,755
Licenses and permits	13,740	14,053	23,263	21,592	10,528
Fines and forfeitures	5,300	5,317	4,299	1,413	1,638
Charges for services	39,962	37,012	35,876	21,741	19,393
Use of money and property	10,166	17,244	11,820	5,970	4,996
Interfund revenue	17,410	13,996	14,950	16,577	16,182
Sales of property	-	-	-	-	- (1)
Miscellaneous revenue	4,324	9,235	4,105	6,542	3,577 (1)
Total revenues	331,398	314,363	303,045	275,796	253,630
Expenditures:					
Current:					
General government	28,866	29,286	25,767	27,250	27,187
Community promotion	-	-	-	-	59
Police	82,573	76,908	73,196	71,599	69,623
Fire	60,176	56,598	53,425	47,901	46,848
Public works	23,544	23,351	28,518	20,038	33,310
Transportation	14,271	13,251	13,341	13,780	-
Housing, health and community development	40,979	40,102	39,865	42,464	39,449
Employment programs	5,680	6,254	5,603	5,589	5,808
Public service	5,951	6,720	6,381	5,896	5,325
Parks, recreation and community services	16,643	16,511	14,139	10,451	10,331
Library	11,229	9,660	8,655	8,452	8,143
Capital outlay	16,190	30,208	13,433	16,054	23,930
Debt service:					
Interest	583	374	268	242	806
Principal	2,108	2,014	2,981	2,973	13,850
Total expenditures	308,793	311,237	285,572	272,689	284,669
Excess of revenues over (under) expenditures	22,605	3,126	17,473	3,107	(31,039)
Other financing sources (uses):					
Transfers in	35,378	32,302	25,165	43,650	28,331
Transfers out	(14,066)	(11,240)	(5,641)	(8,219)	(4,382)
Total other financing sources (uses)	21,312	21,062	19,524	35,431	23,949
Extraordinary gain (loss)	-	-	26,490	-	-
Net change in fund balances	\$ 43,917	24,188	63,487	38,538	(7,090)
Debt service as a percentage of noncapital expenditures	0.9%	0.9%	1.2%	1.3%	5.6%

Notes:

(1) Effective FY2014, "Sales of property" is included under "Miscellaneous revenue."

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 4

CITY OF GLENDALE

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (in thousands)

(accrual basis of accounting)

	Fiscal Year				
	2013	2012	(1) 2011	2010	2009
Revenues:					
Property taxes	\$ 45,943	59,197	79,714	80,422	77,060
Sales tax	33,789	31,874	30,030	27,594 (2)	-
Utility users tax	26,968	26,632	26,802	27,827 (2)	-
Other taxes	14,594	14,181	13,857	13,891 (2)	73,820
Revenue from other agencies	75,055	62,819	84,204	80,322	56,558
Licenses and permits	10,866	11,409	8,836	5,601	4,911
Fines and forfeitures	1,446	1,683	2,032	3,026	2,667
Charges for services	19,848	25,885	23,174	22,445	21,992
Use of money and property	2,550	5,112	11,084	9,651 (3)	9,483
Intergovernmental revenue	-	-	-	- (3)	2,040
Interfund revenue	14,921	14,902	14,943	12,012	7,699
Sales of property	49	52	28	10	144
Miscellaneous revenue	6,744	5,211	1,623	3,347	5,621
Total revenues	252,773	258,957	296,327	286,148	261,995
Expenditures:					
Current:					
General government	22,826	19,535	21,327	20,215	20,465
Community promotion	111	89	106	55	105
Police	68,224	66,848	65,000	61,677	60,726
Fire	47,639	56,957	52,750	51,468	50,190
Public works	30,831	32,911	33,935	34,033	30,520
Transportation	-	-	-	-	-
Housing, health and community development	44,997	44,186	67,044	74,402	45,868
Employment programs	6,028	6,091	5,794	5,060	3,118
Public service	4,656	6,500	7,970	8,053	6,674
Parks, recreation and community services	9,938	11,957	12,856	12,852	13,460
Library	7,923	8,714	8,322	8,343	8,643
Capital outlay	28,320	19,053	31,236	41,043	42,445
Debt service:					
Interest	241	5,124	5,920	4,516	4,651
Principal	3,476	9,971	10,908	10,398	8,306
Fiscal agent fees	-	-	-	-	80
Total expenditures	275,210	287,936	323,168	332,115	295,251
Excess of revenues over (under) expenditures	(22,437)	(28,979)	(26,841)	(45,967)	(33,256)
Other financing sources (uses):					
Issuance of long-term debt	-	2,002	50,000	31,081	14,000
Original/Issue discount	-	-	(2,032)	-	-
Cost of issuance	-	-	(583)	-	-
Transfers in	29,039	69,415	54,771	67,019	37,479
Transfers out	(3,740)	(44,863)	(27,529)	(54,030)	(14,646)
Total other financing sources (uses)	25,299	26,554	74,627	44,070	36,833
Extraordinary gain (loss)	(7,504)	(121,947)	-	-	-
Net change in fund balances	\$ (4,642)	(124,372)	47,786	(1,897)	3,577
Debt service as a percentage of noncapital expenditures	1.5%	5.7%	5.6%	5.1%	5.1%

Notes:

- (1) In FY2012, only seven months of the Glendale Redevelopment Agency transactions was included in the governmental activities due to ABx1 26 - Redevelopment Agencies Dissolution on February 1, 2012. The transactions for the remainder of the fiscal year were recorded in the Glendale Successor Agency Private Purpose Trust Fiduciary Fund.
- (2) Effective FY2010, "Other taxes" are split among "Sales tax", "Utility users tax", and "Other taxes".
- (3) Effective FY2010, "Intergovernmental revenues" is included under "Use of money and property."

Source: City Finance Department

Not covered by independent auditors' report

CITY OF GLENDALE

Electric Revenue by Type of Customers

Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Electric Fund					
Number of customers:					
Residential	75,589 (3)	74,783	74,176	73,678	72,975
Commercial	13,043	12,967	12,938	12,869	12,801
Industrial	196	211	212	214	218
Public street and highway lighting	21	21	21	21	18
Total number of customers	88,849	87,982	87,347	86,782	86,012
Megawatt-hour units sold:					
Residential	369,703 (3)	372,746	383,783	372,426	352,861
Commercial	337,282	334,185	335,019	337,388	327,660
Industrial	331,859	346,427	362,867	361,719	370,321
Public street and highway lighting	9,205	9,247	9,182	8,543	8,530
Total retail megawatt-hour sales	1,048,049	1,062,605	1,090,851	1,080,076	1,059,372
Sales to other utilities	404,785 (2)	521,782	461,124 (1)	512,846	351,348
Wholesale	-	-	- (1)	173,938	331,831
Total megawatt-hour sales	1,452,834	1,584,387	1,551,975	1,766,860	1,742,551
Revenue from energy sales:					
Residential	\$ 74,609,549 (3)	73,139,123	73,924,071	67,754,324	59,905,509
Commercial	66,961,824	64,986,543	64,213,540	61,746,578	55,750,676
Industrial	59,813,317	60,766,034	63,310,702	59,626,227	52,437,492
Public street and highway lighting	6,366	6,401	6,413	3,465	6,145
Sales to other utilities	17,451,139 (2)	19,788,257	16,012,599 (1)	19,041,456	13,032,317
Wholesale	-	-	- (1)	7,783,689	15,130,477
Total energy sales	\$ 218,842,195	218,686,358	217,467,325	215,955,739	196,262,616

Notes:

- (1) Effective FY2016, wholesale and sales to other utilities have been combined into one account.
- (2) Reductions in the purchases and sales of MWHs correlates to the decrease in sales to other utilities. The decrease in sales to other utilities was mainly due to lower volumes as a result of changing market demand and price volatility.
- (3) In FY2018, there was an increase in customers due to recently completed residential developments. Even though megawatt-hour sales decreased, due to weather, conservation and solar installations, revenue has increased due to a 2% rate increase effective July 1, 2017.

Source: Glendale Water & Power Department

Not covered by independent auditors' report

Schedule 5

CITY OF GLENDALE

Electric Revenue by Type of Customers

Last Ten Fiscal Years

	Fiscal Year				
	2013	2012	2011	2010	2009
Electric Fund					
Number of customers:					
Residential	72,625	72,220	72,030	71,866	71,643
Commercial	12,769	12,898	12,698	12,690	12,664
Industrial	217	222	216	226	229
Street lights	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total number of customers	<u>85,629</u>	<u>85,358</u>	<u>84,962</u>	<u>84,800</u>	<u>84,554</u>
Megawatt-hour units sold:					
Residential	393,136	368,237	357,604	378,460	389,872
Commercial	335,404	319,478	305,908	322,377	341,639
Industrial	389,872	397,144	377,698	392,273	410,663
Public street and highway lighting	<u>9,284</u>	<u>9,335</u>	<u>9,240</u>	<u>9,200</u>	<u>9,216</u>
Total retail megawatt-hour sales	<u>1,127,696</u>	<u>1,094,194</u>	<u>1,050,450</u>	<u>1,102,310</u>	<u>1,151,390</u>
Sales to other utilities	61,407 (2)	493,511	487,753	108,731	76,272
Wholesale	<u>235,847 (2)</u>	<u>404,319</u>	<u>396,933</u>	<u>76,934</u>	<u>128,556 (1)</u>
Total megawatt-hour sales	<u>1,424,950</u>	<u>1,992,024</u>	<u>1,935,136</u>	<u>1,287,975</u>	<u>1,356,218</u>
Revenue from energy sales:					
Residential	\$ 58,412,020	54,282,734	53,557,580	59,515,595	66,450,032
Commercial	51,393,589	49,217,022	47,557,202	52,574,031	60,278,592
Industrial	49,396,516	50,624,670	49,084,732	54,368,173	61,862,315
Public street and highway lighting	9,553	7,010	4,288	3,022	2,054
Sales to other utilities	1,686,183 (2)	23,049,142	17,437,568	6,942,319	7,695,258
Wholesale	<u>12,802,646 (2)</u>	<u>18,826,834</u>	<u>20,159,819</u>	<u>3,500,143</u>	<u>10,888,493 (1)</u>
Total energy sales	<u>\$ 173,700,508</u>	<u>196,007,412</u>	<u>187,801,189</u>	<u>176,903,283</u>	<u>207,176,744</u>

Notes:

- (1) In FY2009, fluctuations in wholesale sales volume and revenue were due to changing market demand and price volatility.
- (2) In FY2013, reductions in the purchases and sales of MWHs correlates to the decrease in wholesale revenue and sales to other utility revenue.

Source: Glendale Water & Power Department

Not covered by independent auditors' report

Schedule 6

CITY OF GLENDALE

Electric Rates (Dollars per Kilowatt Hour)

Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Customer class:					
Residential	\$ 0.2018	0.1962	0.1926	0.1819	0.1693
Commercial	0.1985	0.1945	0.1917	0.1830	0.1696
Industrial	0.1802	0.1754	0.1745	0.1648	0.1412
Lighting	0.0007	0.0007	0.0007	0.0004	0.0006

	Fiscal Year				
	2013	2012	2011	2010	2009
Customer class:					
Residential	\$ 0.1486	0.1474	0.1498	0.1573	0.1704
Commercial	0.1532	0.1541	0.1555	0.1631	0.1764
Industrial	0.1267	0.1275	0.1300	0.1386	0.1506
Lighting	0.0010	0.0008	0.0005	0.0003	0.0002

- These are the average rates for the indicated customer classes, including energy cost adjustment charge.
- On August 13, 2013, the City Council approved an 8% system average rate increase effective September 13, 2013. The City Council also approved electric rates to become effective July 1 of each of the 4 successive years in the amounts of 7%, 5%, 2%, and 2%. The rate plan puts the Electric Utility on the path to restore financial health by generating positive annual net income by fiscal year ending June 30, 2016, supporting a bond issue of \$60 million.

Source: Glendale Water & Power Department

Not covered by independent auditors' report

Schedule 7

CITY OF GLENDALE

Principal Electric Payer Groups

Current Year and Nine Years Ago

Electric Payer Groups	Fiscal Year 2018			Fiscal Year 2009		
	Electric Charges	Rank	Percentage of Total City Electric Charges	Electric Charges	Rank	Percentage of Total City Electric Charges
High-Rise Buildings	\$ 10,120,556	1	4.62%	\$ 6,013,561	5	2.90%
Entertainment Industry	9,670,414	2	4.42%	10,854,865	2	5.24%
Hospitals/Medical Facilities	8,733,467	3	3.99%	11,503,062	1	5.55%
Retail Stores/Malls	8,449,728	4	3.86%	10,763,939	3	5.20%
Government Agencies	6,732,838	5	3.08%	7,365,033	4	3.55%
Manufacturing	5,604,345	6	2.56%	3,147,171	8	1.52%
Grocery Stores	2,590,319	7	1.18%	4,555,965	7	2.20%
Schools/Colleges	2,444,326	8	1.12%	5,140,093	6	2.48%
Hotels/Motels	1,740,981	9	0.80%	1,642,773	10	0.79%
Utilities	770,881	10	0.35%	2,946,716	9	1.42%
Total	\$ 56,857,855		25.98%	\$ 63,933,178		30.86%

Individual customer's information is not public record and cannot be released without customer's permission. Therefore, top ten electric payer group is presented instead of top ten customers.

Source: Glendale Water & Power Department

Not covered by independent auditors' report

Schedule 8

CITY OF GLENDALE

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years (in thousands)

<u>Fiscal Year</u>	<u>Residential Property</u> (1)	<u>Commercial Property</u> (1)	<u>Industrial Property</u> (1)	<u>Other Property</u> (1)
2009	\$ 15,785,560	\$ 4,548,563	\$ 771,577	\$ 2,233,232
2010	15,588,384	4,649,949	774,196	2,318,317
2011	15,706,014	4,574,190	777,581	2,379,814
2012	16,233,512	4,785,127	761,299	2,047,080
2013	16,484,941	4,914,713	792,069	2,098,219
2014	17,201,465	5,110,372	794,497	2,158,685
2015	18,011,191	5,478,688	793,977	2,303,967
2016	19,174,809	5,654,668	819,354	2,382,344
2017	20,120,531	5,931,797	834,016	2,523,204
2018	21,469,246	6,378,762	956,811	2,578,659

<u>Fiscal Year</u>	<u>Less: Tax-Exempt Property</u> (2)	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u> (3)(4)
2009	\$ 750,483	\$ 22,588,450	0.26764
2010	741,047	22,589,799	0.26915
2011	544,780	22,892,818	0.27303
2012	538,972	23,288,046	0.27112
2013	788,151	23,501,791	0.27241
2014	761,935	24,503,084	0.13096
2015	803,077	25,784,746	0.13108
2016	807,012	27,224,163	0.13128
2017	687,939	28,721,609	0.13152
2018	915,228	30,468,250	0.13097

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Notes:

- (1) "Assessed" values are reflected.
- (2) Both the Homeowners' Exemption and Exempt Use Code categories are reflected.
- (3) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.
- (4) In FY2011, as a result of moving all data to a different database/system, HdL's revenue calculations were revised and refined, resulting in changes to prior year total direct rates. Nevertheless, HdL encourages users of its data to leave prior year data unchanged on their schedules.

Source: HdL Coren & Cone

Not covered by independent auditors' report

Schedule 9

CITY OF GLENDALE

Direct and Overlapping Property Tax Rates (Rate Per \$100 of Taxable Value)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City's Share of 1% Levy Per Prop 13</u>	<u>Redevelopment Rate</u>	<u>Total Direct Tax Rate</u> (1)
2009	0.13573	1.00430	0.26764
2010	0.13573	1.00430	0.26915
2011	0.13573	1.00370	0.27303
2012	0.13573	1.00370	0.27112
2013	0.13573	N/A (2)	0.27241
2014	0.13573	N/A	0.13096
2015	0.13573	N/A	0.13108
2016	0.13573	N/A	0.13128
2017	0.13573	N/A	0.13152
2018	0.13573	N/A	0.13097

Direct & Overlapping Rates

<u>Fiscal Year</u>	<u>Basic Levy</u>	<u>Glendale Community College</u>	<u>Glendale Unified School District</u>	<u>La Canada Unified School District</u>
2009	1.00000	0.02119	0.04560	0.06475
2010	1.00000	0.02366	0.04603	0.07043
2011	1.00000	0.02344	0.03541	0.07329
2012	1.00000	0.02452	0.04551	0.07086
2013	1.00000	0.02466	0.04395	0.06974
2014	1.00000	0.02341	0.03917	0.06722
2015	1.00000	0.02220	0.05974	0.06477
2016	1.00000	0.02123	0.05062	0.06173
2017	1.00000	0.02119	0.05699	0.06105
2018	1.00000	0.03489	0.05285	0.05913

- In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.
- Redevelopment rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

Notes:

- (1) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.
- (2) Effective FY2013, due to the dissolution of the Glendale Redevelopment Agency (GRA) on February 1, 2012, the redevelopment rate is not applicable going forward.

Source: HdL Coren & Cone

Not covered by independent auditors' report

(Continued)

CITY OF GLENDALE

Direct and Overlapping Property Tax Rates (Rate Per \$100 of Taxable Value)

Last Ten Fiscal Years

Direct & Overlapping Rates				
<u>Fiscal Year</u>	<u>LACC District Debt Service 2008, 2012 Series F</u>	<u>LACC District</u>	<u>LAUSD Measure K 2010 Series Ky</u>	<u>LAUSD</u>
2009	0.00000	0.02212	0.00000	0.12478
2010	0.00000	0.02311	0.00000	0.15181
2011	0.00000	0.04031	0.00000	0.18696
2012	0.00000	0.03530	0.00000	0.16819
2013	0.01119	0.03756	0.00001	0.17560
2014	0.00000	0.04454	N/A	0.14644
2015	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A

Direct & Overlapping Rates				
<u>Fiscal Year</u>	<u>Metropolitan Water District</u>	<u>Pasadena Community College District Debt Service 2002, 2006 Series D</u>	<u>Pasadena Community College District</u>	<u>Total Direct & Overlapping Tax Rates</u>
2009	0.00430	0.00000	0.01742	1.30015
2010	0.00430	0.00000	0.02300	1.34234
2011	0.00370	0.00000	0.01986	1.38297
2012	0.00370	0.00000	0.01956	1.36763
2013	0.00350	0.00225	0.01830	1.38676
2014	0.00350	N/A	0.01899	1.34327
2015	0.00350	N/A	0.01032	1.16053
2016	0.00350	N/A	0.00872	1.14580
2017	0.00350	N/A	0.00885	1.15158
2018	0.00350	N/A	0.00819	1.15856

- In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
- City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.
- RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

Source: HdL Coren & Cone

Not covered by independent auditors' report

Schedule 10

CITY OF GLENDALE

Principal Property Tax Payers

Current Year and Nine Years Ago (in thousands)

Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Walt Disney World Company	\$ 615,344	1	2.02%			
Glendale Mall Associates LLC	591,112	2	1.94%			
Americana at Brand LLC	223,622	3	0.73%			
La Hana Ow LLC	191,578	4	0.63%			
NA Glendale LLC	186,578	5	0.61%			
GPI 500 Brand Limited	181,906	6	0.60%			
DWF V 655 North Central LLC	180,600	7	0.59%			
CP IV Glendale LLC	179,065	8	0.59%			
Wells Reit Glendale CA LLC	154,400	9	0.51%	\$ 159,883	4	0.71%
Camden USA INC	146,134	10	0.48%			
GGP Homart II				437,340	1	1.94%
Walt Disney Pictures and TV				360,725	2	1.60%
PR Glendale Plaza Office California LLC				218,785	3	0.97%
Legacy Partners II Glendale N Br and LLC				147,912	5	0.65%
SPUSV5 500 Brand				144,095	6	0.64%
Pacific Theatre Exhibition Corps				138,946	7	0.62%
Metropolitan Life Insurance Company				126,645	8	0.56%
Glendale I. Napi				113,144	9	0.50%
Maguire Properties 611 N Brand LLC				97,744	10	0.43%
Total	\$ <u>2,650,339</u>		<u>8.70%</u>	\$ <u>1,945,219</u>		<u>8.62%</u>

Source: HdL Coren & Cone

Not covered by independent auditors' report

CITY OF GLENDALE

Property Tax Levies and Collections

Last Ten Fiscal Years (in thousands)

City							
Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy			Collections in Subsequent Years ⁽⁵⁾	Total Collections to Date ⁽¹⁾	
		Amount	Percentage of Levy	Amount		Percentage of Levy	
2009	\$ 24,731	\$ 23,552	95%	\$ 1,201	\$ 24,753	100%	
2010	23,814	22,698	95%	902	23,600	99%	
2011	24,737	23,811	96%	620	24,431	99%	
2012	25,402	24,726	97%	554	25,280	100%	
2013	24,839	25,612	103% ⁽²⁾	528	26,140	105%	
2014	26,846	26,823	100%	197	27,020	101%	
2015	27,703	27,227	98%	160	27,387	99%	
2016	29,323	28,789	98%	(44) ⁽³⁾	28,745	98%	
2017	31,075	30,455 ⁽⁴⁾	98%	372 ⁽⁴⁾	30,827	99%	
2018	33,511	32,932	98%	-	32,932	98%	

Redevelopment Agency/Successor Agency							
Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy			Collections in Subsequent Years ⁽⁵⁾	Total Collections to Date ⁽¹⁾	
		Amount	Percentage of Levy	Amount		Percentage of Levy	
2009	\$ 36,408	\$ 34,667	95%	\$ 283	\$ 34,950	96%	
2010	41,442	39,884	96%	383	40,267	97%	
2011	39,048	37,801	97%	265	38,066	97%	
2012	37,958	16,643 ⁽⁶⁾	44%	-	16,643	44%	
2013	-	42,203 ⁽⁷⁾	-	-	42,203	-	
2014	-	20,039 ⁽⁷⁾	-	-	20,039	-	
2015	-	10,709 ⁽⁷⁾	-	-	10,709	-	
2016	-	22,457 ⁽⁷⁾	-	-	22,457	-	
2017	-	16,407 ⁽⁷⁾	-	-	16,407	-	
2018	-	28,290 ⁽⁷⁾	-	-	28,290	-	

Notes:

- (1) Education Revenue Augmentation Fund (ERAF) III payment to State, ERAF in lieu of Vehicle License Fee, SB211 Proposition Share for Central Project, supplemental property tax, and property tax penalty are excluded from property tax collections when compared to property tax levied in this schedule.
- (2) The amount collected during this fiscal year exceeded the Levy amount, which was mainly due to property tax (tax increment) collection timing for a few huge parcels in the Central Project Area.
- (3) The negative collection is due to refunds to property owners for overpayment in prior years, which mainly resulted from lower property values.
- (4) Revised since FY2017 CAFR release, due to updated numbers.
- (5) Delinquent taxes should be reported by levy year rather than by collection year. [GASB-S44: 21c; 2005 GAAFR, page 307].
- (6) This amount only includes Property Tax Increment collections from July 2011 through January 2012 due to ABx1 26 - Redevelopment Agencies Dissolution effective February 1, 2012.
- (7) Effective February 1, 2012, the Property Tax receipts from the County of LA to pay the former Redevelopment Agency's obligations are recorded in the Glendale Successor Agency Private Purpose Trust Fiduciary Fund.

Sources:

- (I) County of Los Angeles Department of Auditor-Controller
- (II) City Finance Department

Not covered by independent auditors' report

CITY OF GLENDALE

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (in thousands)

Governmental Activities							
Fiscal Year	Certificates of Participation (COPs)	Capital Leases	HUD Section 108 (2002-A)	HUD Section 108 (2011-A)	Loans Payable	Development Loan Program (RDLP)	Total Government Activities
2009	\$ 55,500	10,540	690	-	-	-	66,730
2010	54,000	8,866	690	-	-	4,643	68,199
2011	52,400	7,121	470	-	-	4,643	64,634
2012	50,700	5,302	240	2,000	-	4,643	62,885
2013	48,900	3,405	-	1,839	-	4,643	58,787
2014	41,195	1,426	-	1,669	-	-	44,290
2015	38,400	757	-	1,491	-	-	40,648
2016	35,605	514	-	1,305	-	-	37,424
2017	33,785	262	-	1,111	-	-	35,158
2018	31,880	- (3)	-	908	594	-	33,382

Business-type Activities					
Fiscal Year	2003 Electric Revenue Bond	2006 Electric Revenue Bond	2008 Electric Revenue Bond	2013 Electric Refunding Bond	2013 Electric Revenue Bond
2009	\$ 27,350	34,482	61,630	-	-
2010	26,533	33,515	61,573	-	-
2011	25,718	32,481	61,516	-	-
2012	24,811	31,371	61,459	-	-
2013	- (1)	31,484	61,403	24,276 (1)	-
2014	-	30,106	61,342	24,042	64,490
2015	-	28,726	61,284	23,841	63,766
2016	-	- (2)	1,880 (2)	23,640	62,565
2017	-	-	1,880	22,539	61,307
2018	-	-	- (4)	21,403	60,020

Business-type Activities				
Fiscal Year	2016 Electric Refunding Bond	2008 Water Revenue Bond	2012 Water Revenue Bond	Total Business-type Activities
2009	\$ -	51,851	-	175,313
2010	-	51,787	-	173,408
2011	-	51,722	-	171,437
2012	-	51,657	-	169,298
2013	-	50,418	35,617	203,198
2014	-	49,138	35,595	264,713
2015	-	47,829	35,575	261,021
2016	89,303 (2)	46,479	35,554	259,421
2017	87,085	45,089	35,533	253,433
2018	85,127	43,655	35,096	245,301

Notes:

- (1) In FY2013, the 2003 Electric Revenue Bond was refunded by 2013 Electric Refunding Bond.
(2) In FY2016, the 2006 Electric Revenue Bond and the majority of 2008 Electric Revenue Bond were refunded by 2016 Electric Refunding Bond.
(3) In FY2018, the 2009 fire equipment lease from Wells Fargo was paid in full.
(4) In FY2018, the 2008 Electric Revenue Bond was fully redeemed.

Source: City Finance Department

Not covered by independent auditors' report

(Continued)

Schedule 12

CITY OF GLENDALE

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (in thousands)

Fiscal Year	Government Activities	Business-type Activities	Total Primary Government	Total Personal Income	Percentage of Personal Income	Population	Per Capita
2009	\$ 66,730	175,313	242,043	5,695,235	4.25%	207	1.168
2010	68,199	173,408	241,607	5,572,397	4.34%	208	1.162
2011	64,634	171,437	236,071	5,390,591	4.38%	192	1.227
2012	62,885	169,298	232,183	5,731,457	4.05%	193	1.205
2013	58,787	203,198	261,985	5,782,449	4.53%	194	1.353
2014	44,290	264,713	309,003	5,736,724	5.39%	196	1.577
2015	40,648	261,021	301,669	5,758,750	5.24%	199	1.515
2016	37,424	259,421	296,845	5,726,902	5.18%	202	1.470
2017	35,158	253,433	288,591	5,883,577	4.91%	202	1.430
2018	33,382	245,301	278,683	6,241,717	4.46%	206	1.353

For Successor Agency debt by types:

Fiscal Year	Fiduciary Activities				
	2002	2003	2010	2011	2013
	GRA Tax Allocation Bond	GRA Tax Allocation Bond	GRA Tax Allocation Bond	GRA Tax Allocation Bond	GRA Tax Allocation Bond
2009	\$ 37,626	46,418	-	-	-
2010	35,355	43,658	26,621	-	-
2011	33,008	40,758	26,644	50,000	-
2012	30,583	37,708	26,667	47,967	-
2013	28,078	34,563	26,691	46,528	-
2014	-	-	26,563	44,883	49,062
2015	-	-	26,312	43,163	43,020
2016	-	-	- (1)	40,713	37,376
2017	-	-	-	38,119	31,577
2018	-	-	-	34,964	25,564

Fiscal Year	Fiduciary Activities			
	2016	Low & Mod	Loans	Total
	GRA Tax Allocation Bond	Loans Payable	Payable	
2009	\$ -	13,352	-	97,396
2010	-	10,716	-	116,350
2011	-	7,991	-	158,401
2012	-	5,171	-	148,096
2013	-	2,254	-	138,114
2014	-	-	13,613	134,121
2015	-	-	12,104	124,599
2016	24,742 (1)	-	40,133	142,964
2017	24,279	-	27,828	121,803
2018	23,816	-	23,271	107,615

Due to the dissolution of the Glendale Redevelopment Agency (GRA) on February 1, 2012, all of the GRA's debt have been moved to Glendale Successor Agency Private Purpose Trust Fiduciary Fund.

Notes:

(1) In FY2016, the 2010 GRA Tax Allocation Bond was refunded by 2016 GRA Tax Allocation Bond.

Source: City Finance Department

Not covered by independent auditors' report

Schedule 13

CITY OF GLENDALE

Direct and Overlapping Governmental Activities Debt

As of June 30, 2018 (in thousands)

	Gross Bonded Debt Balance	Percentage Applicable to Glendale	Amount Applicable to Glendale
Direct debt:			
Certificates of Participation (COPs)	\$ 31,880	100%	\$ 31,880
Section 108 (Series 2011-A)	908	100%	908
Loans Payable	594	100%	594
Total direct debt			<u>33,382</u>
Overlapping debt:			
Metropolitan Water District	29,354	2.186%	642
Glendale CCD DS 2002 Series C	6,514	89.232%	5,813
Glendale CCD 2002, 2011 Series E	3,735	89.232%	3,333
Glendale CCD DS 2002, 2013 Series F	13,995	89.232%	12,488
Glendale CCD DS 2014 REF Bonds	24,715	89.232%	22,054
Glendale CCD DS 2016 Series A	122,000	89.232%	108,863
Pasadena CCD DS 2002, 2006 Series D	3,595	0.174%	6
Pasadena CCD DS 2002, 2009 Series E (BABS)	25,295	0.174%	44
Pasadena CCD DS 2014 REF Series A	15,325	0.174%	27
Pasadena CCD DS 2016 REF Series A	32,900	0.174%	57
Glendale USD DS 2009 REF Bonds	7,420	89.232%	6,621
Glendale USD DS 2010 REF Bonds	18,735	89.232%	16,717
Glendale USD DS 2010 REF Bonds Series B	15,595	89.232%	13,916
Glendale USD DS 2011 Series A Bonds	22,615	89.232%	20,180
Glendale USD DS 2011 REF Bonds	2,414	89.232%	2,154
Glendale USD DS 2011 Series A1 CREB	4,300	89.232%	3,837
Glendale USD DS 2012 Refund Bonds	61,595	89.232%	54,962
Glendale USD DS 2015 Ref Bonds Series A	101,851	89.232%	90,884
Glendale USD DS 2011 Series C	64,635	89.232%	57,675
La Canada USD DS 1995 SD	1,433	2.046%	29
La Canada USD DS 1999 Series A	1,670	2.046%	34
La Canada USD DS 2004 Series B	325	2.046%	7
La Canada USD DS 2004 Series C	100	2.046%	2
La Canada USD DS 2011 Refund Bond	47,030	2.046%	962
Total overlapping debt			<u>421,307</u>
Total direct and overlapping debt			<u>\$ 454,689</u>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city.

The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Sources:

- (I) City Finance Department
- (II) HdL Coren & Cone

Not covered by independent auditors' report

CITY OF GLENDALE

Legal Debt Margin Information

Last Ten Fiscal Years (in thousands)

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value						\$ <u>24,244,692</u> (1)
Debt limit (15% of assessed value)						3,636,704 (2)
Less debt applicable to limit						-
Legal debt margin						\$ <u>3,636,704</u>

	Fiscal Year				
	<u>2018</u> (1)	<u>2017</u> (1)	<u>2016</u> (1)	<u>2015</u> (1)	<u>2014</u> (1)
Debt limit	\$ 3,636,704	3,442,765	3,251,258	3,085,271	2,945,332
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	\$ <u>3,636,704</u>	<u>3,442,765</u>	<u>3,251,258</u>	<u>3,085,271</u>	<u>2,945,332</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

	Fiscal Year				
	<u>2013</u> (1)	<u>2012</u> (1)	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt limit	\$ 2,829,443	2,809,769	3,433,923	3,388,470	3,388,268
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>147,872</u>	<u>107,985</u>	<u>88,936</u>
Legal debt margin	\$ <u>2,829,443</u>	<u>2,809,769</u>	<u>3,286,051</u>	<u>3,280,485</u>	<u>3,299,332</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	4.31%	3.19%	2.62%

Notes:

- (1) As a result of ABx1 26, the Net Assessed Value calculation does not include the assessed valuations for the former Glendale Redevelopment Agency's project areas (Central District: \$3,815,568; San Fernando Corridor District: \$2,407,990). Accordingly, the debt associated with the Glendale Redevelopment Agency became obligations of the Successor Agency, which is a separate legal entity. As such, this debt will no longer be included in the Legal Debt Margin calculation.
- (2) Under City Charter, the total bonded debt of the city shall at no time exceed a total of 15 percent of the assessed valuation of all property taxable for city purposes.

Sources:

- (I) City Finance Department
(II) HdL Coren & Cone

Not covered by independent auditors' report

CITY OF GLENDALE

Pledged-Revenue Coverage

Last Ten Fiscal Years (in thousands)

Electric Revenue Bonds								
Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage		
				Principal	Interest			
2009	\$ 208,881	\$ 168,478 (1)	\$ 40,403	\$ 1,805	\$ 5,591	5.46		
2010	178,804	142,787	36,017	1,855	5,658	4.79		
2011	191,153	159,806	31,347	1,905	5,576	4.19		
2012	199,462	174,000	25,462	1,965	5,488	3.42		
2013	177,565	144,645	32,920	2,020	5,372	4.45		
2014	203,633	162,800	40,833	1,290	6,706	5.11		
2015	219,861 (3)	154,053 (2)	65,808	1,920	8,498	6.32		
2016	223,319	143,915	79,404	2,460	7,960	7.62		
2017	222,756	154,554	68,202	3,445	6,508	6.85		
2018	223,940	157,718	66,222	5,130	7,446	5.27		

Water Revenue Bonds								
Fiscal Year	Gross Revenues	Less: Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage		
				Principal	Interest			
2009	\$ 37,242	\$ 28,934 (1)	\$ 8,308	\$ -	\$ 2,188	3.80		
2010	37,006	29,125	7,881	-	2,310	3.41		
2011	39,166	29,128	10,038	-	2,310	4.35		
2012	43,237	34,823	8,414	-	2,310	3.64		
2013	47,205	35,797	11,408	1,175	2,970	2.75		
2014	45,666 (4)	40,611	5,055	1,210	3,658	1.04		
2015	51,094 (3)	36,694 (2)	14,400	1,245	3,463	3.06		
2016	52,218	34,271	17,947	1,285	3,426	3.81		
2017	50,430	34,109	16,321	1,325	3,387	3.46		
2018	52,797	39,820	12,977	1,785	3,334	2.54		

Notes:

- (1) From FY2009-FY2014, depreciation expenses are excluded in calculating debt service coverage ratio.
- (2) Effective FY2015, depreciation, gas depletion, transfers, and interest expense are excluded in calculating debt service coverage ratio.
- (3) Effective FY2015, revenues available for debt service include charges for services, miscellaneous revenues, and use of money and property, and exclude customer paid capital revenues.
- (4) This amount is net of \$3.4 million fireline refund resulted from over charging customers in the prior years.

Source: City Finance Department

Not covered by independent auditors' report

CITY OF GLENDALE

Pledged-Revenue Coverage

Last Ten Fiscal Years (in thousands)

Tax Allocation Bonds recorded in Fiduciary Fund (1)									
<u>Fiscal Year</u>	Property Tax		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage
	Increment	(2)	(2)	(2)	Principal	Interest			
2009	\$ 21,561	\$ 5,900	\$ 15,661		\$ 4,780	\$ 3,808	1.82		
2010	25,254	17,166 (3)	8,088		4,980	3,599	0.94		
2011	22,693 (4)	8,296 (4)	14,397		4,995	5,201	1.41		
2012	25,237 (5)	4,538 (6)	20,699		5,425	8,839	1.45		
2013	27,456 (5)	4,275 (6)	23,181		7,330	8,091	1.50		
2014	27,678 (5)	2,998 (6)	24,680		7,795	6,477	1.73		
2015	31,937 (5)	3,410 (6)	28,527		7,095	7,636	1.94		
2016	35,493 (5)	4,557 (6)	30,936		7,985	6,439	2.14		
2017	33,814 (5)	4,869 (6)	28,946		7,995	5,778	2.10		
2018	38,608 (5)	5,426 (6)	33,182		8,770	5,145	2.38		

Notes:

- (1) Due to the dissolution of the Glendale Redevelopment Agency (GRA) on February 1, 2012, all of the GRA's debt have been moved to Glendale Successor Agency Private Purpose Fiduciary Fund.
- (2) The amounts in this column exclude depreciation expenses for all ten years.
- (3) In FY2010, the Operating Expenses increase was due to the GRA's transfer to "SERAF" in the amount of \$11.2 million.
- (4) In FY2011, the Property Tax Increment and Operating Expenses were restated to reflect the "SERAF" transfer of \$2.3 million.
- (5) This is the gross amount of former Tax Increment that was available to the Successor Agency from the Central Glendale Redevelopment Project.
- (6) Tax sharing and administrative costs for the Central Glendale Redevelopment Project.

Source: City Finance Department

Not covered by independent auditors' report

Schedule 16

CITY OF GLENDALE

Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u> (I)	<u>Per Capita Personal Income</u> (II)	<u>Total Personal Income</u>	<u>Median Age</u> (II)
2009	207,303	\$ 27,473	\$ 5,695,235,319	41.2
2010	207,902	26,803	5,572,397,306	39.0
2011	192,473	28,007	5,390,591,311	40.0
2012	192,654	29,750	5,731,456,500	40.6
2013	193,652	29,860	5,782,448,720	41.0
2014	195,799	29,269	5,730,840,931	41.1
2015	199,182	28,912	5,758,749,984	40.7
2016	201,668	28,351	5,717,489,468	41.0
2017	201,748	29,163	5,883,576,924	41.2
2018	205,536	30,368	6,241,717,248	41.0

<u>Fiscal Year</u>	<u>Percent High School Graduate or Higher</u> (II)	<u>Percent Bachelor's Degree or Higher</u> (II)	<u>School Enrollment</u> (III)	<u>Unemployment Rate</u> (II)
2009	83.3%	35.8%	50,606	6.5%
2010	83.2%	36.0%	51,139	10.1%
2011	84.4%	37.2%	48,582	11.1%
2012	85.2%	38.8%	48,146	10.7%
2013	85.1%	39.0%	47,892	8.1%
2014	84.6%	38.3%	48,488	6.6%
2015	84.4%	38.2%	45,723	8.0%
2016	84.2%	37.9%	46,180	6.5%
2017	84.4%	37.9%	45,671	5.1%
2018	85.1%	39.0%	45,720	4.8%

Sources:

- (I) Population data are based on data obtained from the California State Department of Finance Demographic Research Unit, Population Estimates for California Cities, January 1 of every year (E-1).
- (II) Data are based on information provided by HdL Coren & Cone on calendar year basis. For example, fiscal year 2018 data is from calendar year 2017.
- (III) Enrollment data are based on Glendale Unified School District and Glendale Community College District school attendance reports.

Not covered by independent auditors' report

Schedule 17
CITY OF GLENDALE
 Principal Employers
 Current Year and Nine Years Ago

Employer	2018			2009		
	(l) Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Glendale Adventist Med Center	2,700	1	2.60%	2,126	2	2.23%
Glendale Unified School District	2,617	2	2.52%	1,085	7	1.14%
City of Glendale	2,025	3	1.95%	2,216	1	2.33%
Dream Works Animation Skg Inc/NBC Universal	1,685	4	1.62%			
Glendale Community College	1,677	5	1.61%	1,408	5	1.48%
Glenair Inc	1,500	6	1.44%			
Glendale Memorial Hospital (3)	1,075	7	1.03%	1,433	4	1.50%
USC Verdugo Hills Hospital	850	8	0.82%			
Public Storage	366	9	0.35%	1,111	6	1.17%
Acco Engineered Systems	305	10	0.29%	824	9	0.86%
Nestle Company				1,521	3	1.60%
Walt Disney Imagineering				928	8	0.97%
Diagnostic Laboratories				740	10	0.78%

Starting in FY2012, companies that have requested a confidentiality waiver from the state to block the release of employment data are not included.

Notes:

- (1) Both actual full-time and hourly employees are included.
- (2) In FY2018, the percentage of total employment is calculated using a baseline of 103,900 workers employed in Glendale, data provided by EDD. In FY2009, the percentage of total employment was calculated using a baseline of 95,300 workers employed in Glendale.
- (3) In FY2018, Glendale Memorial Medical Center renamed to Glendale Memorial Hospital.

Sources:

- (l) FY2018 data, with the exception of the City of Glendale data, is from MuniServices LLC. FY2018 City of Glendale data is from the City Finance Department.

Not covered by independent auditors' report

CITY OF GLENDALEAuthorized Salaried Positions by Department
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Department:					
Administrative Services - Finance (1)	36.35	38.27	37.27	30.27	35.27
City Attorney	18.31	18.31	18.21	17.21	18.26
City Clerk	6.00	6.30	6.30	6.00	7.00
City Treasurer	5.00	5.00	5.00	5.00	5.00
Community Development	118.64	119.09	118.19	90.54	100.10 (2)
Community Services & Parks	100.25	100.33	98.38	97.38	105.37
Development Services	-	-	-	-	-
Fire:					
Sworn	166.00	164.00	164.00	163.00	157.00
Civilians	43.00	45.00	44.00	42.00	42.00
Glendale Water & Power	327.50	328.50	326.00	312.00	315.00
Human Resources	23.90	23.90	23.85	18.85	20.85
Information Services	42.00	42.00	42.00	40.00	50.00
Innovation, Performance & Audit	6.00 (4)	-	-	-	-
Library, Arts & Culture	47.00	47.00	47.00	45.00	50.00
Management Services	21.75	22.00	22.00	30.70	31.20
Parks, Recreation & Community Services	-	-	-	-	-
Planning	-	-	-	-	-
Police:					
Sworn	243.50	243.10	243.10	241.10	252.60
Civilians	97.50	96.50	96.50	99.00	99.00
Public Works:					
Sworn	0.50	0.90	0.90	0.90	0.90
Civilians	283.80	283.80	282.30	281.05	298.45
Total	<u>1,587.00</u>	<u>1,584.00</u>	<u>1,575.00</u>	<u>1,520.00</u> (3)	<u>1,588.00</u>

Notes:

- (1) Administrative Services Department includes data for Purchasing.
- (2) Effective FY2014, the position count in Community Development includes one (1) unclassified budgeted position.
- (3) The FY2015 position count was adjusted to reflect revised position counts after retirement/separation incentive.
- (4) In FY2018, the Innovation, Performance & Audit Department was created.

Source: City's Budget book.

Not covered by independent auditors' report

CITY OF GLENDALEAuthorized Salaried Positions by Department
Last Ten Fiscal Years

	Fiscal Year				
	2013	2012	2011 ⁽²⁾	2010	2009
Department:					
Administrative Services - Finance ⁽¹⁾	31.05	34.05	35.05	31.90 ⁽³⁾	43.40
City Attorney	18.16	20.16	20.16	12.30	10.80
City Clerk	7.00	10.00	10.00	10.00	10.00
City Treasurer	5.00	5.00	5.00	5.00	5.00
Community Development	98.24	135.99 ⁽⁴⁾	-	-	-
Community Development & Housing	-	-	-	102.47	103.63
Community Planning	-	-	85.01	-	-
Community Redevelopment & Housing	-	-	50.48	-	-
Community Services & Parks	107.70 ⁽⁶⁾	158.38	165.05	-	-
Development Services	-	-	-	18.23	18.23
Fire:					
Sworn	168.00	177.00	179.00	185.00	187.00
Civilians	43.25	47.00	46.00	45.00	49.00
Glendale Water & Power	330.00	415.50	408.00	416.15	426.15
Human Resources	20.85	27.85	28.00	31.00	31.00
Information Services	47.75	52.00	50.00	42.00	45.00
Library, Arts & Culture	50.00	59.00	61.00	64.00	65.00
Management Services	27.00	32.82 ⁽⁵⁾	30.00	31.00 ⁽³⁾	26.00
Parks, Recreation & Community Services	-	-	-	128.00	134.00
Planning	-	-	-	26.95	27.95
Police:					
Sworn	252.60	253.60	255.10	255.10	258.10
Civilians	99.00	105.00	107.00	108.00	120.00
Public Works:					
Sworn	0.90	0.90	0.90	0.90	0.90
Civilians	297.50	339.75	353.25	391.00	380.84
Total	<u>1,604.00</u> ⁽⁷⁾	<u>1,874.00</u>	<u>1,889.00</u>	<u>1,904.00</u>	<u>1,942.00</u>

Notes:

- (1) Administrative Services Department includes data for Purchasing.
- (2) Effective FY2011, central support staff (e.g. Administrative Services, City Attorney, Human Resources) that were charged to other funds were shifted back to their home departments and included in the citywide cost allocation plan. The data in FY2011 reflects realignment and renaming of Planning, Development Services, Parks, Recreation and Community Services, and Community Development and Housing.
- (3) Prior to FY2010, Graphics was part of the Administrative Services Department. Starting FY2010, Graphics is part of Management Services.
- (4) The data in FY2012 reflects the renaming of Community Planning and Community Redevelopment and Housing into Community Development.
- (5) Effective FY2012, the position count in Management Services includes the five (5) Councilmembers.
- (6) Effective FY2013, the position count in Community Services & Parks includes three (3) unclassified budgeted positions.
- (7) The FY2013 position count was adjusted per balancing strategies.

Source: City's Budget book.

Not covered by independent auditors' report

CITY OF GLENDALEOperations Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2018	2017	2016	2015	2014
Police:					
Physical arrests	4,749	4,751	5,555	5,515	5,768
Parking violations	72,553 (1)	63,644	63,137	69,376	71,958
Traffic violations	17,508 (2)	20,533 (10)	14,776	15,747	20,076
Fire:					
Emergency responses	19,722	19,420	19,574	18,798	17,825
Fires extinguished	293 (3)	266 (11)	239	290	393
Refuse collection:					
Refuse collected (tons per day)	222 (4)	217	201	195	188
Recyclables collected (tons per day)	22 (5)	27	30	30	30
Inert waste recycling (tons per year):					
Brank Park Landfill	- (6)	- (6)	- (6)	- (6)	- (6)
Public Works	1,814 (7)	2,337	2,663	2,182	2,923
Glendale Water and Power	460	478	443	1,281	1,829
Other public works:					
Street resurfacing (miles)	2.20 (9)	8.53 (8) (12)	6.32 (12)	15.17 (12)	24.60 (12)
Street reconstructing (miles)	4.35 (9)	7.51 (12)	5.28 (12)	19.99 (12)	8.96 (12)
Potholes repaired (square feet per year)	8,897	10,227 (13)	9,923	14,553	10,909
Wastewater:					
Average daily sewage treatment (millions of gallons)	13	13	13 (14)	15	15

Notes:

- (1) In FY2018, increased downtown, special, and scofflaw parking enforcements, in particular enforcements of night time parking around Glendale Community College, have generated more citations.
- (2) In FY2018, low staffing combined with reprioritizations to assist school enforcement and to address more citizen complaints have led to a decrease in citations of traffic violations.
- (3) In FY2018, there was an increase in mobile property fires and passenger vehicle fires, some of which are suspicious in nature and are part of arson investigations.
- (4) As Glendale's population continues to grow, the total waste generated increases as well.
- (5) In FY2018, foreign markets made the recyclable processing market more strict by only accepting materials that meet strict grade and cleanliness standards. As a result, more of Glendale's recyclables have been thrown away causing a decrease in diversion.
- (6) Effective FY2014, each department contracted out to private haulers to dispose of citywide inert wastes after the official closing of the Brand Park Landfill.
- (7) In FY2018, the Public Works Department is taking inert waste to the same location that processes bulky item debris. As a result, Public Works' inert material recycling is more difficult to track separately.
- (8) In FY2017, the Public Works department focused its efforts on varying street rehabilitation projects, including sustainable infrastructure components, as well as street improvements such as the installation of ADA compliant curb ramps, street realignments, and upsized sewer lines.
- (9) In FY2018, the Public Works Department continued to focus its efforts on street rehabilitation and other capital improvements rather than street resurfacing and reconstructing.
- (10) In FY2017, law enforcement was provided electronic citation books, which made the process of entering citations in the system more efficient.
- (11) In FY2017, the increase in suspicious fires was due to three arsonists who were later arrested.
- (12) Revised figures, due to redefined definitions.
- (13) In FY2017, maintenance service crews concentrated their efforts on repairing potholes as an effective measure of maintaining the city street's infrastructure and responding to greater community need for well-maintained streets. The "square feet of potholes repaired" is contingent upon various factors, including level of staffing, weather, and other citywide street improvement projects, such as paving, curb, and gutter maintenance.
- (14) In FY2016, the reduction in average daily sewage treatment from previous years was due to water conservation efforts.

Sources: Various city departments

Not covered by independent auditors' report

(Continued)

CITY OF GLENDALEOperations Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2018	2017	2016	2015	2014
Electric:					
Average daily consumption (MWH)	2,871	2,911	2,980	2,959	2,907
Electricity generated (MWH)	826,830	876,062	914,556	918,314	905,560
Electricity purchased (MWH)	739,880	834,432	768,632	1,131,229	999,932
Electricity sold - Retail (MWH)	1,048,049	1,062,605	1,090,851	1,080,077	1,061,028
Electricity sold - Wholesale (MWH)	404,785	521,782	461,124	686,784	683,179
Peak demand (MW)	344	293 (6)	332	337	317
Water:					
Average daily consumption (millions of gallons)	21	21	20	23	24
Water mains breaks	11	3	14	12	20
Water purchased (AF)	16,177	14,111	13,992	17,045	20,341
Water sold (AF)	24,074	23,396	22,927	25,175	26,049
Transit:					
Total route miles (1)	761,251	747,108	746,026	741,287	735,827
Passengers	1,504,383 (7)	1,703,360	1,828,547	1,884,454	1,727,931
Parks and recreation:					
Athletic field permits issued	8,331 (2)	7,755 (2)	6,523 (2)	3,485 (2)	682
Community center pass members	3,888 (5)	5,294	5,555	5,643 (3)	3,891
Library:					
Volumes in collections	521,739	520,708	521,247	521,389	571,942
Total volumes borrowed	1,067,667	921,163	1,000,355	1,310,873 (4)	1,069,695

Notes:

- (1) Route miles vary every year depending on the day of the week holiday service operates.
- (2) In March 2015, Community Services and Parks upgraded the permitting and registration system. Permits issued prior to March 2015 may contain multiple field reservations on one permit. Beginning March 2015, individual permits were issued for each field reservation, which resulted in a significant increase in the number of permits issued between FY2015 and FY2018.
- (3) In FY2015, the increase in community center admissions may be attributed to a system upgrade that required scanning of activity cards for admission. As a result, all patrons were required to obtain new scannable activity cards. The new system allowed for improved tracking of activity card sales and renewals, in addition to increasing controls over community center admissions.
- (4) Estimates were used for unavailable data from May 18, 2015 to June 30, 2015. In FY2015, reshelves, which are books that were removed from the shelf by the patron, and then found elsewhere in the library, were counted in the total volumes borrowed. In prior years, reshelves were not included in the count.
- (5) In FY2018, the total number of pass members has decreased. Although there was a decrease in the number of pass members, the overall number of visits by all pass members is only slightly less than last year.
- (6) Revised number, based on updated information from Glendale Water and Power.
- (7) Decreased ridership is due to increased car ownership and usage of alternative transportation methods.

Sources: Various city departments

Not covered by independent auditors' report

CITY OF GLENDALEOperations Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2013	2012	2011	2010	2009
Police:					
Physical arrests	5,886	5,829	5,652	5,857	6,405
Parking violations	72,879	74,572	81,843	87,621	83,706
Traffic violations	17,197	18,566	25,667	23,990	26,149
Fire:					
Emergency responses	17,253	16,591	15,447	15,424	14,923
Fires extinguished	382	372	349	333	420
Refuse collection:					
Refuse collected (tons per day)	185	184 (1)	195	197	279
Recyclables collected (tons per day)	29	29	31	32	48
Inert waste recycling (tons per year):					
Brand Park landfill	3,607	3,545	2,500 (2)	3,000 (2)	3,000 (2)
Public Works	-	-	-	-	-
Glendale Water and Power	-	-	-	-	-
Other public works:					
Street resurfacing (miles)	6.60 (3)	5.85 (3)	5.56 (3)	5.30 (3)	1.62
Street reconstructing (miles)	-	0.68	0.70	0.50	0.13
Potholes repaired (square feet per year)	16,592	21,962	21,012	16,449	11,800
Wastewater:					
Average daily sewage treatment (millions of gallons)	15	15	20	20	17

Notes:

- (1) In FY2012, the reduction in tonnage of refuse collected was due to a regional economic slowdown and free recycling programs offered to residential and commercial customers.
- (2) Some departments diverted inert wastes to an outside recycling company instead of using the Brand Park Landfill.
- (3) Between FY2010 and FY2013, more street resurfacing was done in an effort to take advantage of the low street resurfacing costs due to the economic downturn.

Sources: Various city departments

Not covered by independent auditors' report

CITY OF GLENDALEOperations Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2013	2012	2011	2010	2009
Electric:					
Average daily consumption (MWH)	3,090	2,998	2,878	3,020	3,154
Electricity generated (MWH)	794,248	846,637	928,682	960,061	940,051
Electricity purchased (MWH)	769,224 (1)	1,289,843	1,195,972 (2)	451,545	533,258
Electricity sold - Retail (MWH)	1,127,696	1,094,194	1,050,450	1,102,310	1,151,391
Electricity sold - Wholesale (MWH)	297,254 (1)	897,830	884,686 (2)	185,665	204,828
Peak demand (MW)	311	316	336	300	299
Water:					
Average daily consumption (millions of gallons)	25	23	21	22	25
Water mains breaks	10	14	10	8	12
Water purchased (AF)	18,761	17,319	16,959	16,535	20,873
Water sold (AF)	29,003	26,809	24,796	25,489	29,465
Transit:					
Total route miles (3)	731,036	822,432	880,655	866,901	889,819
Passengers	1,888,016	2,543,532	2,724,121	2,574,396	2,260,263
Parks and recreation:					
Athletic field permits issued	614	682 (4)	917	930	1,054
Community center admissions	3,425	3,194	2,360	1,114	1,229
Library:					
Volumes in collections	619,871	643,598	688,818	701,928	718,879
Total volumes borrowed	1,114,987	1,179,964	1,290,945	1,312,743	1,236,950

Notes:

- (1) In FY2013, reductions in electricity purchased and sold correlates to the decrease in wholesale revenue and sales to other utility revenue.
- (2) In FY2011, the increase in the electricity purchased and sold correlates to the increase in wholesale revenue and sales to other utility revenue of approximately \$27.5 million.
- (3) Route miles vary every year depending on the day of the week holiday service operates.
- (4) In FY2012, practices and games were covered under the same permit which covered multiple facilities and multiple days/weeks/months of use. Prior to FY2012, separate permits were issued for practices and games.

Sources: Various city departments

Not covered by independent auditors' report

CITY OF GLENDALE

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2018	2017	2016	2015	2014
Police:					
Stations	3 (1)	3 (1)	3 (1)	3 (1)	2 (1)
Patrol units	64	64	64	63	61
Helicopters	2 (2)	2 (2)	2 (2)	2 (2)	1.5 (2)
Motorcycles	25	25	25	25	24
Fire:					
Stations	9	9	9	9	9
Refuse collection:					
Collection trucks	47 (3)	47 (3)	47 (3)	48 (3)	49 (3)
Other public works:					
Streets (miles)	350	350	350	350	350
Traffic signals	235	235	234	234	234
Parks and recreation:					
Open space acres	5,034	5,034	5,034	5,034	5,034
Developed parkland acres	286	286 (4)	286	286	286 (5)
Parks and other facilities	44	44 (4)	43	43	43 (5)
Community centers	4	4	4	4	4
Baseball/softball diamonds	16	16	16	16	16
Soccer/football fields	3	3	3	3	3
Golf course	1	1	1	1	1
Community pool	1	1	1	1	1

Notes:

- (1) There is one main facility located at 131 N. Isabel and one substation located in the Glendale Galleria. In FY2015, the Montrose Substation was added.
- (2) Since FY2007, three helicopters have been shared with the City of Burbank for the operation of the Joint Law Enforcement Air Support Unit. Effective FY2015, four helicopters have been shared by the City of Glendale and the City of Burbank. In August 2017, the oldest Helicopter not in service was sold.
- (3) This number does not include the small bin trucks or light duty vehicles. In FY2015, two automatic side loaders trucks, and one super dump truck were taken off service. Additionally, in FY2016, one specialty bin truck was taken off service.
- (4) In FY2017, the Central Park project was completed, which increased the park count to 44. However, its acreage is combined with Adult Recreational Center, so the total acreage for Parks and Facilities remained the same.
- (5) In FY2014, the Maryland Avenue Park project was completed, which increased the park count to 43, and park acreage by 0.48 acres (286.04 in total acres).

Sources: Various city departments

Not covered by independent auditors' report

CITY OF GLENDALE

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2018	2017	2016	2015	2014
Library:					
Branches	8	8	8	8	8
Electric:					
Number of electric meters	88,849	87,982	87,347	86,782	86,012
Number of streetlights	11,317	11,258 (2)	11,225 (2)	11,207	11,192
Grayson power plant capacity (MW)	260	260	260	260	260
Water:					
Number of water meters	34,181	34,135	34,086	33,976	33,900
Water mains (miles)	395	384	398	398	397
Fire hydrants	3,215	3,201	3,177	3,164	3,149
Storage capacity (millions of gallons)	184	184	184	184	184
Wastewater:					
Storm catch basins	3,827 (1)	3,686 (1)	3,686 (1)	3,686 (1)	3,686 (1)
Sanitary sewers (miles)	360	360	360	360	360
LAGWRP Treatment capacity (millions of gallons)	20	20	20	20	20
Transit:					
Buses	34	34	34	34	34

Notes:

- (1) This number includes the Los Angeles County and Caltrans storm drains within the City boundaries.
- (2) Revised numbers for FY2016 & F2017, streetlights were misreported due to number of lights being counted instead of number of light poles. Some poles have dual and triple lights.

Sources: Various city departments

Not covered by independent auditors' report

CITY OF GLENDALE

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2013	2012	2011	2010	2009
Police:					
Stations	2 (1)	2 (1)	2 (1)	2 (1)	2 (1)
Patrol units	62	74	70	70	64
Helicopters	1.5 (2)	1.5 (2)	1.5 (2)	1.5 (2)	1.5 (2)
Motorcycles	27	23	25	25	26
Fire:					
Stations	9	9	9	9	9
Refuse collection:					
Collection trucks	50 (3)	48 (3)	50 (3)	50 (3)	46 (3)
Other public works:					
Streets (miles)	350	350	350	350	350
Traffic signals	234	234	233	233	226
Parks and recreation:					
Open space acres	5,034	5,034	5,034	5,029	5,020
Developed parkland acres	286 (4)	282	281	281	280
Parks and other facilities	42 (4)	41 (5)	39	39	39
Community centers	4	4 (5)	8	8	8
Baseball/softball diamonds	16	16	16	16	16
Soccer/football fields	3	3	3	3	3
Golf course	1	1	1	1	1
Community pool	1	1	1	-	-

Notes:

- (1) There is one main facility located at 131 N. Isabel and one substation located in the Glendale Galleria.
- (2) Since FY2007, three helicopters have been shared with the City of Burbank for the operation of the Joint Law Enforcement Air Support Unit. Effective FY2015, four helicopters have been shared by the City of Glendale and the City of Burbank. In August 2017, the oldest Helicopter not in service belonging to Glendale and Burbank was sold.
- (3) This number does not include the small bin trucks or light duty vehicles.
- (4) In FY2013, the Glendale Narrows Riverwalk Park project was completed, which increased the park count to 42, and park acreage by 3.94 acres (285.56 in total acres).
- (5) Beginning FY2012, community buildings are not separately accounted for as community centers. Instead, they are included in the parks and facilities count as part of the park in which they reside.

Sources: Various city departments

Not covered by independent auditors' report

CITY OF GLENDALE

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2013	2012	2011	2010	2009
Library:					
Branches	8	8	8	8	8
Electric:					
Number of electric meters	85,629	85,358	84,962	84,800	84,554
Number of streetlights	10,740	10,735	10,725	10,714	10,692
Grayson power plant capacity (MW)	260	260	260	260	260
Water:					
Number of water meters	33,801	33,744	33,374	33,509	33,407
Water mains (miles)	397	397	397	397	397
Fire hydrants	3,146	3,134	3,134	3,133	3,072
Storage capacity (millions of gallons)	184	184	184	185	185
Wastewater:					
Storm catch basin	3,686 (1)	3,686 (1)	3,686 (1)	3,679	3,679
Sanitary sewers (miles)	360	360	360	360	360
LAGWRP Treatment capacity (millions of gallons)	20	20	20	20	20
Transit:					
Buses	34	34	34	34	34

Notes:

(1) This number includes the Los Angeles County and Caltrans storm drains within the City boundaries.

Sources: Various city departments

Not covered by independent auditors' report

CITY OF GLENDALE

Schedule of Credits

Robert P. Elliot, CPA, Director of Finance

General Overview
Letter of Transmittal

Michele Flynn, CPA, CIA, CGAP, Assistant Director of Finance

General Overview

Artak Khachatryan, Financial Applications Manager

PeopleSoft Nvision Report Writing

Shu-Jun Li, Deputy Director of Finance

General Overview
Management's Discussion & Analysis
Financial Statements
Notes to Basic Financial Statements
Pension and OPEB Reporting

Theresa Clark, Accounting Supervisor
Rima Dagbashyan, Accountant II
Brandy Wu, Accountant II
Steve (Min Jun) Kim, Accountant I

Section tasks:
Management's Discussion & Analysis
Financial Statements
Notes to Basic Financial Statements
Cover Design
Fixed Assets Reporting
Glendale Successor Agency Reporting
Loans Receivable Reporting

Alwin De Leon, Accounting Supervisor
Vanik Darabedian, Accountant II
Liza Jue, Accountant II
Hanré Chang, Accountant I
Cathy Liang, Accountant I

Section tasks:
Management's Discussion & Analysis
Financial Statements
Notes to Basic Financial Statements
Cash Reporting
Debt Reporting
Glendale Water & Power Reporting
Internal Service Funds Reporting
Single Audit
Statistical Section

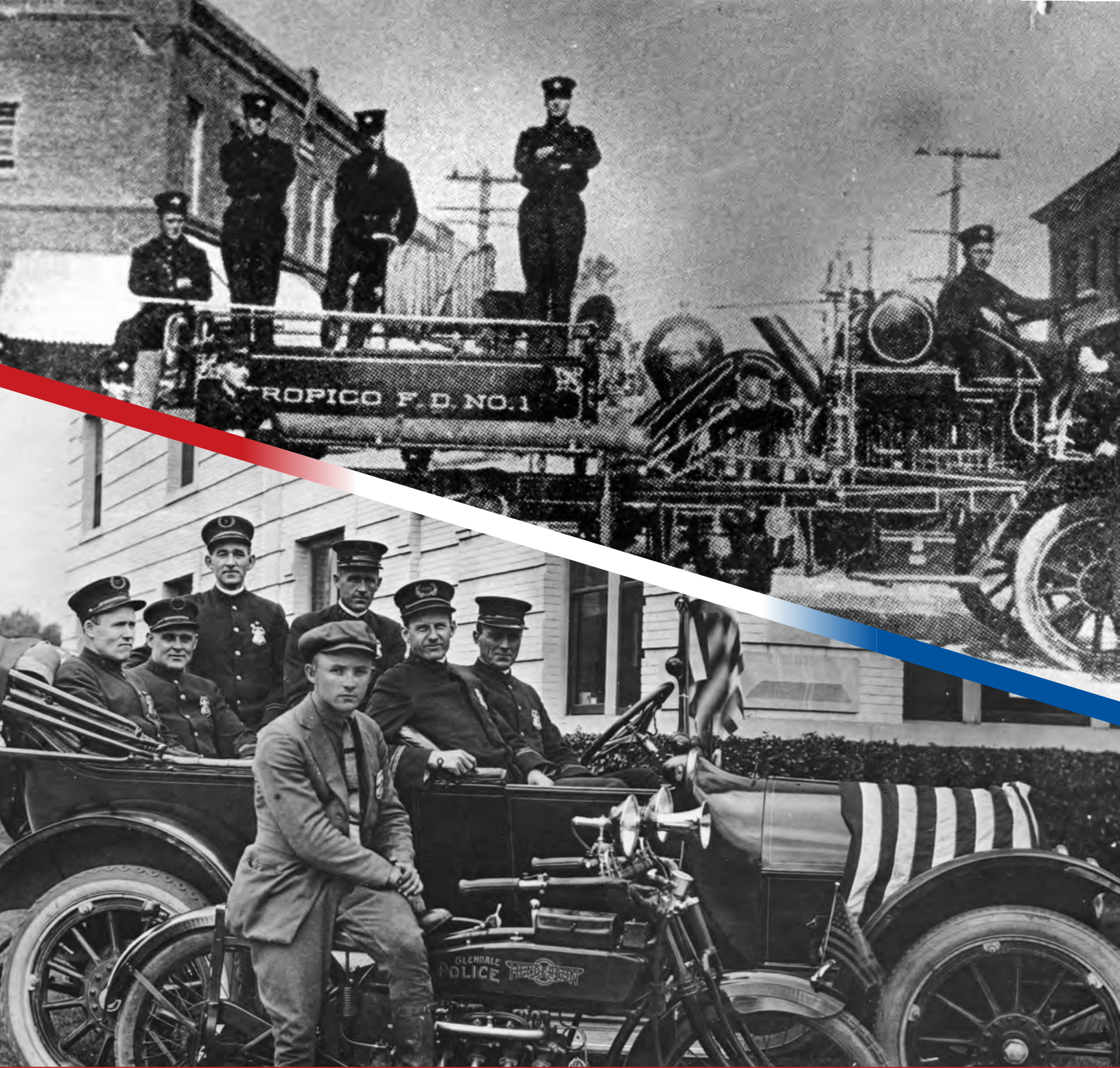
Craig R. Kuennen, Business Transformation and Marketing Administrator
Alina Morshidian, Utility Manager
Tim Hsu, Principal Utility Financial Analyst
George Dibie, Senior Utility Financial Analyst

Glendale Water & Power Notes

Thomas R. Lorenz, Director of Communications and Community Relations
Eliza Papazian, Community Relations Coordinator
Dean Lopez, Graphics Administrator
Douglas Alvarez, Graphics Illustrator
Awinda Matos, Duplicating Machine Operator
Roberto Perez, Duplicating Shop Operator

Cover Design and Printing

This page is left blank intentionally.



Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018



www.glendaleca.gov



@MyGlendale #MyGlendale

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CITY OF GLENDALE (the “City”) in connection with the issuance of Glendale Municipal Financing Authority \$24,925,000 2019 Lease Revenue Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2019, between The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the Glendale Municipal Financing Authority (the “Indenture”). The City covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Beneficial Owners and bondholders in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” means Harrell & Company Advisors, LLC or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Listed Events*” means any of the events listed in Section 5(a) and (b).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Participating Underwriter*” means Morgan Stanley & Co. LLC, or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” means the State of California.

“State Repository” means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report to MSRB.* The City shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the 2018-19 Fiscal Year, which is due not later than February 1, 2020 and to file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4; provided, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance.* If the City is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in an electronic format prescribed by the MSRB within 10 business days.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the City for the preceding fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement for the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the City, the Annual Report shall also include certain information for the preceding fiscal year in substantially the form set forth in the following tables of the final Official Statement for the Bonds, to the extent such information is as available from public records:

- (i) Table No. 15 - General Fund Tax Revenues by Source;
- (ii) Table No. 16 - Property Tax Revenue Detail;
- (iii) Table No. 17 - Sales Tax Revenue Detail;

- (iv) Table No. 20 - Changes in Net Pension Liability by Plan, Miscellaneous Plan;
- (v) Table No. 21 - Changes in Net Pension Liability by Plan, Safety Plan;
- (vi) Table No. 22 - Changes in Net OPEB Liability;
- (vii) Table No. 24 - General Fund Balance Sheet;
- (viii) Table No. 25 - General Fund Statement of Revenues, Expenditures and Changes in Fund Balance; and
- (ix) Any new court decisions related to the General Fund Transfer.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be necessary to make the specifically required statements or information (as set forth herein), in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) The term financial obligation means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (e)(1) or (e)(2). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent, if not the City, shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article IX of the Indenture insofar as they relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to the Disclosure Certificate or arising out of or in the exercise of performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty of obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the owner of a Bond, or any other party. The Trustee shall have no liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Disclosure Certificate. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written direction from the City or an opinion of Bond Counsel. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 25, 2019

CITY OF GLENDALE

By: _____
Its: City Manager

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX D
PROPOSED FORM OF BOND COUNSEL OPINION**

June 25, 2019

Glendale Municipal Financing Authority
633 East Broadway
Glendale, California 91206

OPINION: \$24,925,000 Glendale Municipal Financing Authority
 2019 Lease Revenue Refunding Bonds

Members of the Authority:

We have acted as bond counsel to the Glendale Municipal Financing Authority (the "Authority") in connection with the issuance by the Authority of its Glendale Municipal Financing Authority 2019 Lease Revenue Refunding Bonds in the aggregate principal amount of \$24,925,000 (the "Bonds"), under an Indenture of Trust dated as of June 1, 2019 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"). The Bonds are secured by Revenues as defined in the Indenture, including certain lease payments made by the City of Glendale (the "City") under a Lease Agreement dated as of June 1, 2019 (the "Lease") between the Authority as lessor and the City as lessee. We have examined the Indenture, the Lease, the Bond Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture, the Lease and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation. Based upon our examination, we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture and the Lease, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable against the Authority in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture and the Lease have been duly approved by the Authority and constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as that term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. The City is a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, with power to enter into the Lease and to perform the agreements on its part contained therein. The Lease has been duly approved by the City Council of the City and constitutes a legal, valid and binding obligation of the City enforceable in accordance with its terms.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

7. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange

Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and distributions on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption

proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.