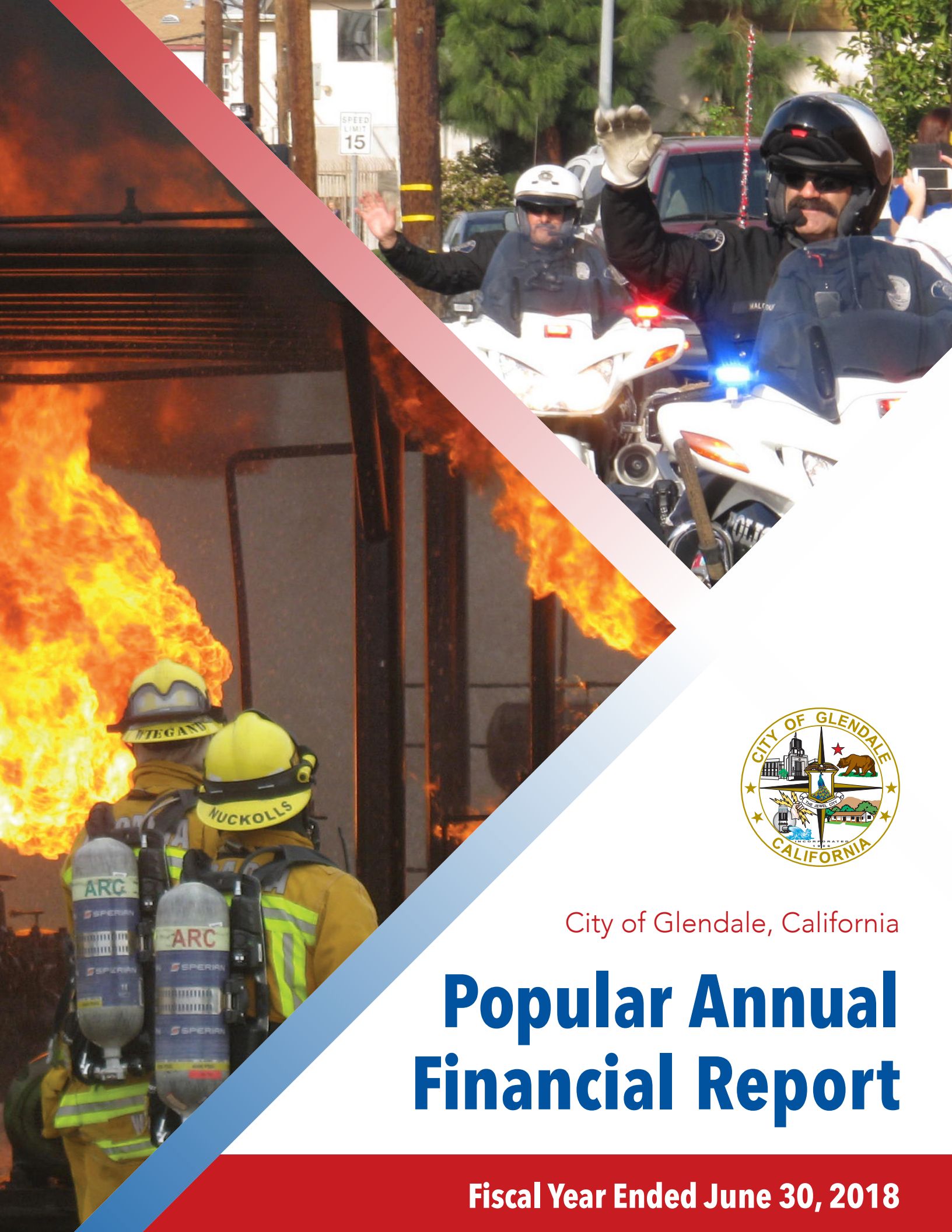

City of Glendale, California

Popular Annual Financial Report

Fiscal Year Ended June 30, 2018

City of Glendale, California
City Council

Zareh Sinanyan
MAYOR

Ara Najarian
COUNCILMEMBER

Paula Devine
COUNCILMEMBER

Vartan Gharpetian
COUNCILMEMBER

Vrej Agajanian
COUNCILMEMBER

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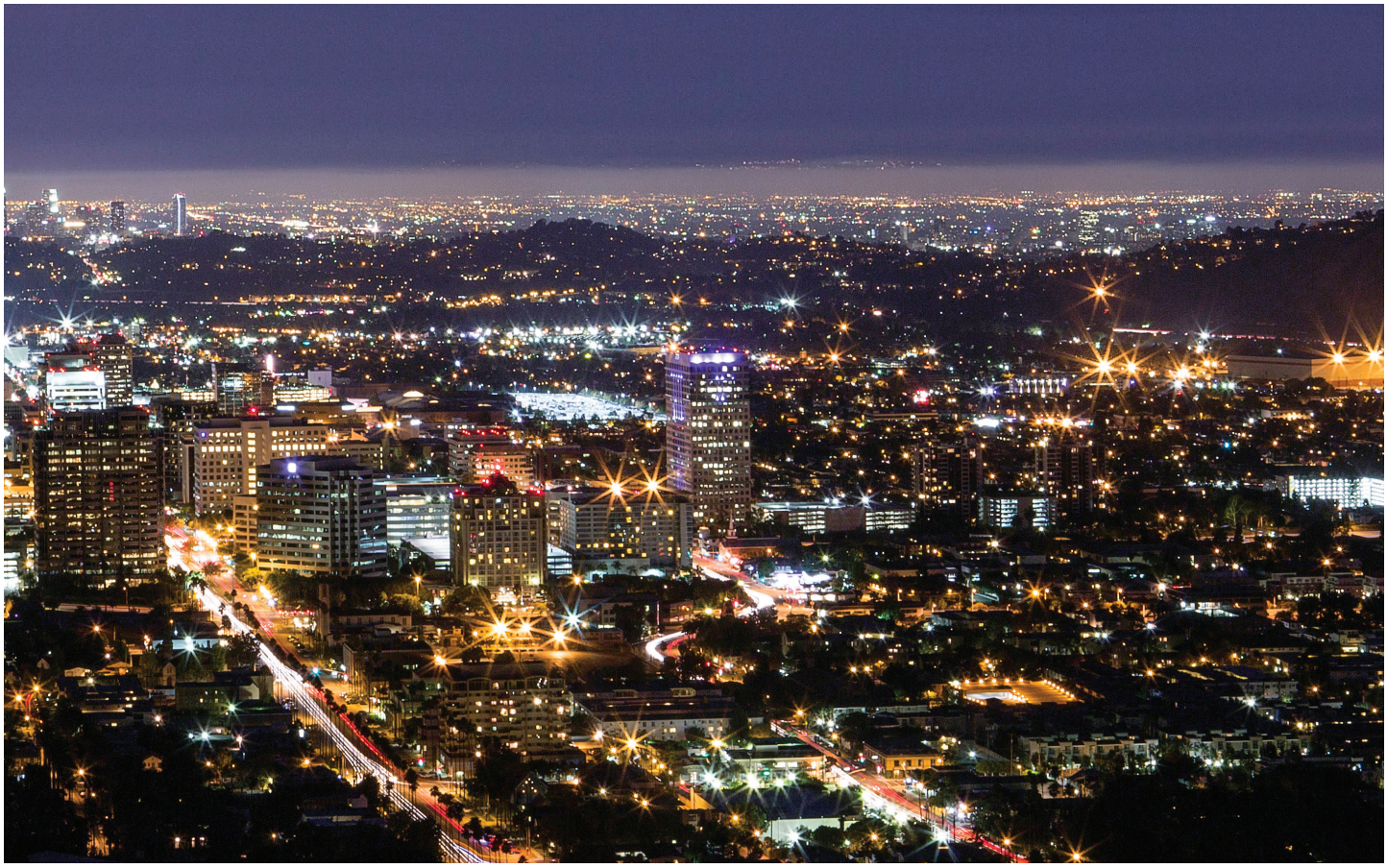
Introduction

As part of our continuous effort to keep you informed about how your tax dollars are being spent, we are pleased to present the 2018 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City, and most of the information is drawn from the City's 2018 Comprehensive Annual Financial Report (CAFR). Both reports are available for public viewing at the Finance department and online at http://www.glendaleca.gov/government/departments/finance/accounting. It is important to note that the financial data in this report is unaudited and presented on a GAAP (Generally Accepted Accounting Principles) basis with selected funds.

The information included in this report contains an overview of the City's economic outlook, an analysis of the City's financial position, and key financial information. In addition, the report highlights the City's investments, capital assets and debts. Moreover, it provides in-depth analysis of the General Fund and how the monies are received and spent.

We hope you enjoy reading this report and invite you to access our audited CAFR referenced above for more detailed information. Questions concerning either CAFR or PAFR can be addressed to Director of Finance, 141 North Glendale Avenue, Suite 346, Glendale, CA 91206.

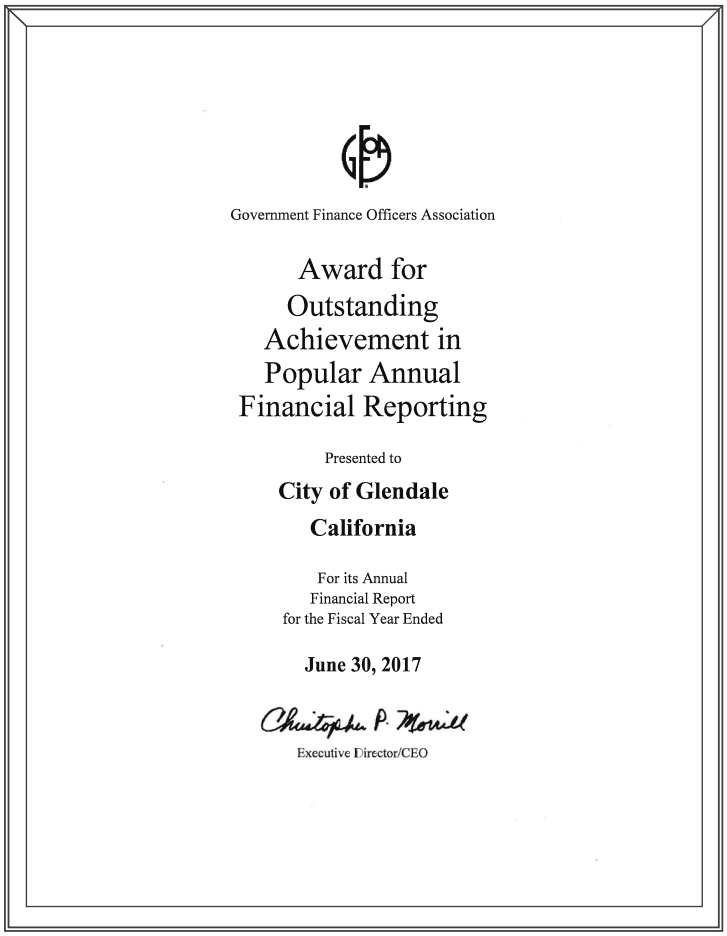


Outstanding Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Glendale for its Popular Annual Financial Report for the fiscal year ended June 30, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. City of Glendale has received a Popular Award for the last seven consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, as we prepare for its submission to GFOA.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

City of Glendale
California

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill
Executive Director/CEO

History

This area, originally consisting of 36,400 acres of woodland and grassland, was inhabited by the Native American Tongva people, and attracted the attention of Corporal Jose Maria Verdugo of the San Diego Company of the Spanish army. In 1784, Corporal Verdugo, a native of Baja California, received permission from his army commander to settle and graze this land. In 1798, he retired from the army to become a full-time rancher. His ranch, Rancho San Rafael, supported herds of cattle, horses, sheep, mules, watermelons, corn, beans, peppers, and fruit. Señor Verdugo's route to and from Los Angeles, via San Fernando Road at his property's southern edge, came to be known as Verdugo Road. The next half-century brought many changes, with California being ceded to the United States in 1848, being admitted as a state in 1850, and the railroads being built to link Glendale to Los Angeles and destinations beyond.

In the years that followed, the Great Partition paved the way for more American settlers, who cleared the cactus and sagebrush for the purpose of establishing fruit orchards. Following Thanksgiving dinner in 1883, settlers met at the schoolhouse (which also served as the community church) on lower Verdugo Road to discuss the possible names for the town. Ultimately, a young female painter from Chicago offered the two-word name "Glen Dale." By 1887, Glendale, having an established name and consisting of approximately 150 acres, was officially surveyed and recorded as a town and by the turn of the century, Glendale was rapidly becoming urbanized.

In 1902, the Glendale Improvement Society, under the leadership of Mr. Edgar D. Goode and Dr. D.W. Hunt, embarked on a campaign to advertise Glendale, develop new business, attract residents, and above all to bring the Los Angeles Interurban railroad to Glendale from Los Angeles. The tracks were laid in 1904 through a strip of land owned by Leslie C. Brand -- a location well to the west of the then main thoroughfare, Glendale Avenue. The railway (by then called the Pacific Electric) eventually helped shift the business center of Glendale to Brand Boulevard, and also sparked the desired population growth. Two short years later, Glendale was officially incorporated in 1906.

The City of Glendale consists of neighborhoods which are delineated by streets, washes, and mountain ridges. Each neighborhood has a unique history and character and as these neighborhoods have developed, they have combined to form the City of Glendale as we know it today. Glendale is noted for its high quality of life and fiscal stability, and it is the 4th largest city in Los Angeles County.

Source: Glendale Historical Society & City of Glendale
www.glendalehistorical.org | www.glendaleca.gov

Area

- Total 30.7 sq. mi (79.4 km^2)
- Land 30.66 sq. mi (79.3 km^2)
- Water 0.04 sq. mi (0.1 km^2)

Elevation 522 ft. (159 m)

Population (January 1, 2018)
Dept. of Finance

- Total 205,536
- Density 6,695/sq. mi

Zip Codes 91201-91210, 91214, 91221,91222, 91224-91226

Area Code 818, 747

Website www.glendaleca.gov

Organizational Structure

City of Glendale
Form of Government

Glendale is a full-service Charter City governed by a Council-Manager form of government. Five Councilmembers are elected at-large and serve 4-year staggered terms. Elections take place every other year during odd numbered years on the first Tuesday in April. The Mayor's position is filled by one of the Councilmembers, who vote each year to decide who will hold this honor. Other elected officials include the City Clerk and City Treasurer. The City Manager and City Attorney are appointed by the City Council.

A variety of Boards, Commissions, and Committees assist the City Council in serving the Glendale community. These bodies identify specific needs and problems within their purview. Each body meets on a regular basis and each meeting is open to the public. The length of member terms and the interval of appointments vary.

The City Manager, who is appointed by the City Council, acts as the chief executive officer responsible for the daily operations of the City. The City Manager appoints all non-elected department heads who are responsible for the daily operations within their individual departments. The City provides a full range of municipal services.

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.

Executive Management Team
As of June 30, 2018

Yasmin K. Beers
City Manager

Roubik Golanian
Assistant City Manager

John Takhtalian
Deputy City Manager

Elena Bolbolian
Director of Innovation, Performance & Audit

Jason Bradford
Interim Chief Information Officer

Onnig Bulanikian
Director of Community Services & Parks

Cindy Cleary
Director of Library, Arts & Culture

Matthew Doyle
Director of Human Resources

Robert P. Elliot, CPA
Director of Finance

Gregory Fish
Fire Chief

Michael J. Garcia
City Attorney

Roubik Golanian
Director of Public Works

Ardashes Kassakhian
City Clerk

Philip Lanzafame
Director of Community Development

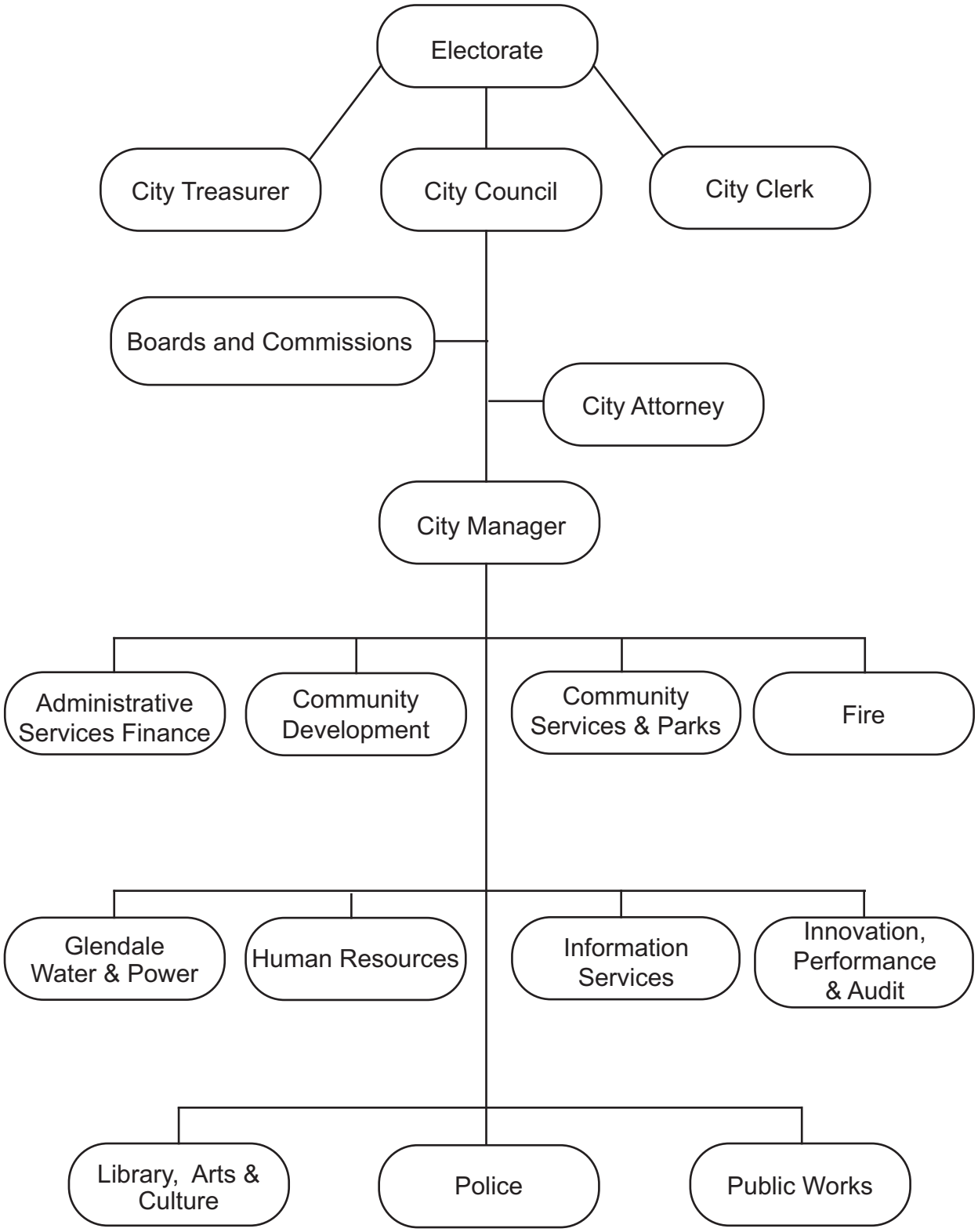
Thomas R. Lorenz
Director of Communications & Community Relations

Rafi Manoukian, CPA
City Treasurer

Carl Povilaitis
Police Chief

Stephen M. Zurn
General Manager of Glendale Water & Power

Organizational Chart



Economic Outlook

The Local Economy: Continued capital investment is seen throughout the City in the form of business expansion as well as business 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, 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 sq. ft. 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. 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. 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.
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 resources, marketing campaigns and support.
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. The City's priority was to strengthen neighborhood districts and the businesses within them.

Employment: 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 (2nd largest) with median annual earnings of $40,632; and 15,942 were employed in service occupations (3rd largest) 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. As of June 2018, Glendale's unemployment rate is 4.8%, equaling its pre-recession level.

Top 10 Principal Employers

Employer	*Number of Employees*
Glendale Adventist Medical Center	2,700
Glendale Unified School District	2,617
City of Glendale	2,025
Dream Works Animation Skg Inc. /NBC Universal	1,685
Glendale Community College	1,677
Glenair Inc.	1,500
Glendale Memorial Hospital	1,075
USC Verdugo Hills Hospital	850
Public Storage	366
Acco Engineered Systems	305

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%. According to the City's property tax consultant, HdL, Glendale's housing market fell in sales volume and showed an increase in an average home price of $985,507 in FY 2017-18. Also, the condominium sales also showed a decline in sales volume and an increase in average price $514,460 for FY 2017-18.

Financial Highlights

(In Thousands)

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.

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.

Statement of Net Position as of June 30,

		2018	2017	2016	2015	2014
Current and other assets	$	946,304	898,443	844,620	687,552	646,035
Capital assets		1,600,571	1,612,025	1,580,777	1,566,955	1,547,613
Deferred outflows of resources		147,012	112,500	39,819	31,287	1,291
Total assets and deferred outflows of resources		2,693,887	2,622,968	2,465,216	2,285,794	2,194,939
Current liabilities		95,216	120,472	98,177	72,688	77,197
Noncurrent liabilities		977,145	910,325	826,231	879,767	466,836
Deferred inflows of resources		26,447	29,735	44,164	89,228	-
Total liabilities and deferred inflows of resources		1,098,808	1,060,532	968,572	1,041,683	544,033
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 net position	$	1,595,079	1,562,436	1,496,644	1,244,111	1,650,906

Assets are resources owned and controlled by the City that are expected to benefit future operations.

Deferred outflows of resources are the consumption of net assets applicable to future reporting periods.

Liabilities are debt or obligations that the City must pay.

Deferred inflows of resources are the acquisition of net assets applicable to future reporting periods.

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

Net position reflects the City's net worth
(Net position = Assets + Deferred outflows of resources – Liabilities – Deferred inflows of resources).

Financial Highlights (continued)

(In Thousands)

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 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).

Statement of Activities
As of June 30,

		2018	2017	2016	2015	2014
Revenues:						
Charges for services	$	383,312	372,704	369,367	367,146	334,731
Operating and capital grant and contributions		64,979	65,361	64,840	64,810	75,424
Taxes		170,192	145,916	147,400	132,284	125,561
Investment income and other		28,571	34,057	47,045	34,835	32,490
Reinstatement of loans		328	206	28,029	-	13,613
Special item		2,744	15,117	88,976	22,087	-
Extraordinary gain		-	-	26,490	-	-
Total Revenues		650,126	633,361	772,147	621,162	581,819
Expenses:						
Governmental		326,786	297,853	267,956	290,033	296,740
Business-type		282,384	269,716	251,658	283,634	265,091
Total Expenses		609,170	567,569	519,614	573,667	561,831
Changes in net position		40,956	65,792	252,533	47,495	19,988
Net position, July 1		1,554,123[2]	1,496,644	1,244,111	1,196,616[1]	1,630,918
Total net position, June 30	$	1,595,079	1,562,436	1,496,644	1,244,111	1,650,906

[1]FY2015 Beginning net position was restated because of the implementation of GASB 68.

[2]FY2018 Beginning net position was restated because of the implementation of GASB 75.

Charges for services are revenues generated from licenses, permits, other fees, fines, forfeitures, and charges paid by the recipients of goods and services offered by the City programs.

Operating/Capital Grants and Contributions represent grants and contributions received from other governments, organizations and individuals that are restricted in some manner.

General Revenues are those revenues that are not classified as program revenues, such as property taxes and other taxes.

General Fund Available Resources

(In Thousands)

General Fund Reserve Ratio

General Fund		FY2018	FY2017
Nonspendable	$	305	267
Restricted: City Charter - Stabilization		55,720	27,296
Assigned Fund Balance		3,627	4,605
Unassigned Fund Balance		47,418	60,701
Total Fund Balance		107,070	92,869
Sum of Charter and Unassigned Fund Balance		75,533	87,997
Original Adopted Budget	$	215,043	194,779
Reserve Ratio		35.1%	45.2%

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund revenues exceeded its expenditures by $14,201. The fund balance increased to $107,070 from $92,869 in prior year.

The Council decided to participate in section 115 pension rate stabilization program starting FY 2017-18. The minimum General Fund reserve level changed 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.

General Fund Revenues

(In Thousands)

Compared to prior fiscal year, the revenues of the City's General Fund increased $26,815 during the current fiscal year. This increase is primarily due to the following reasons:

- Compared to prior fiscal year, property tax revenue increased by $3,228 (5.8%) mainly due to the increase in home values and the strong real estate market in the City.

- Compared to prior fiscal year, sales tax revenue increased by $18,868 (48.6%) mainly due to the outcome of a sales audit conducted by the California Department of Tax and Fee Administration and closing of a liability account and transferring of the remaining revenues.

Revenue by Source		FY2018	FY2017
Property Taxes	$	58,445	55,217
Sales Tax		57,703	38,835
Utility Users Tax		27,805	28,605
Other Taxes		14,660	13,946
Revenue from Other Agencies		694	289
Licenses and Permits		10,914	10,265
Fines and Forfeitures		2,548	2,533
Charges for Services		10,575	3,951
Use of Money and Property		9,126	16,144
Interfund Revenue		17,410	13,996
Miscellaneous Revenue		1,801	1,335
Transfers In		21,312	21,062
Total Revenues	$	232,993	206,178

General Fund Revenues (continued)

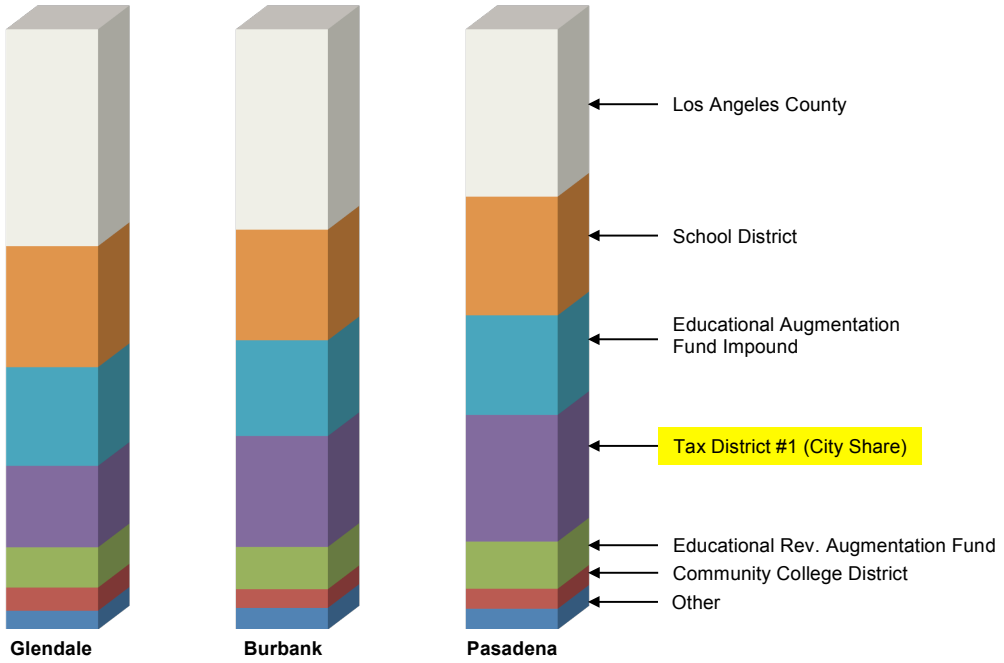
Property Tax Dollar Breakdown for Glendale, Burbank and Pasadena

Prior to Proposition 13, the City endeavored to levy as small a property tax on Glendale taxpayers as possible. The City's strategy was to draw funding from the utility company for general government. When Proposition 13 passed, it effectively eliminated the City's ability to determine the tax rate on property.

Proposition 13 set real estate property assessed values for tax purposes at the full 1975–1976 market value, limited real estate taxes to 1% of that value, and limited increases in assessed value to the lesser of the annual rate of inflation or 2%, unless a property was sold or improvements were added. Upon the sale of a property, the assessed value is based on the sale price. Subsequent legislation allowed for tax levies above the 1% Proposition 13 tax rate but only if the levy was approved by a two-thirds vote. Proposition 13 froze the City's share of the property tax revenues. As can be seen in the chart, Glendale's share of property tax rate is 13.57%. This share is considerably less than the property tax shares received by the neighboring cities of Burbank and Pasadena. The amount Glendale Water and Power transferred from the electric utility to the General Fund was $20.2 million in 2018. This represents 10% of Electric operating revenues, which was equal to 8.7% of the City's General Fund revenues for the year. The City Charter allows up to 25% to be transferred to General Fund for each fiscal year.

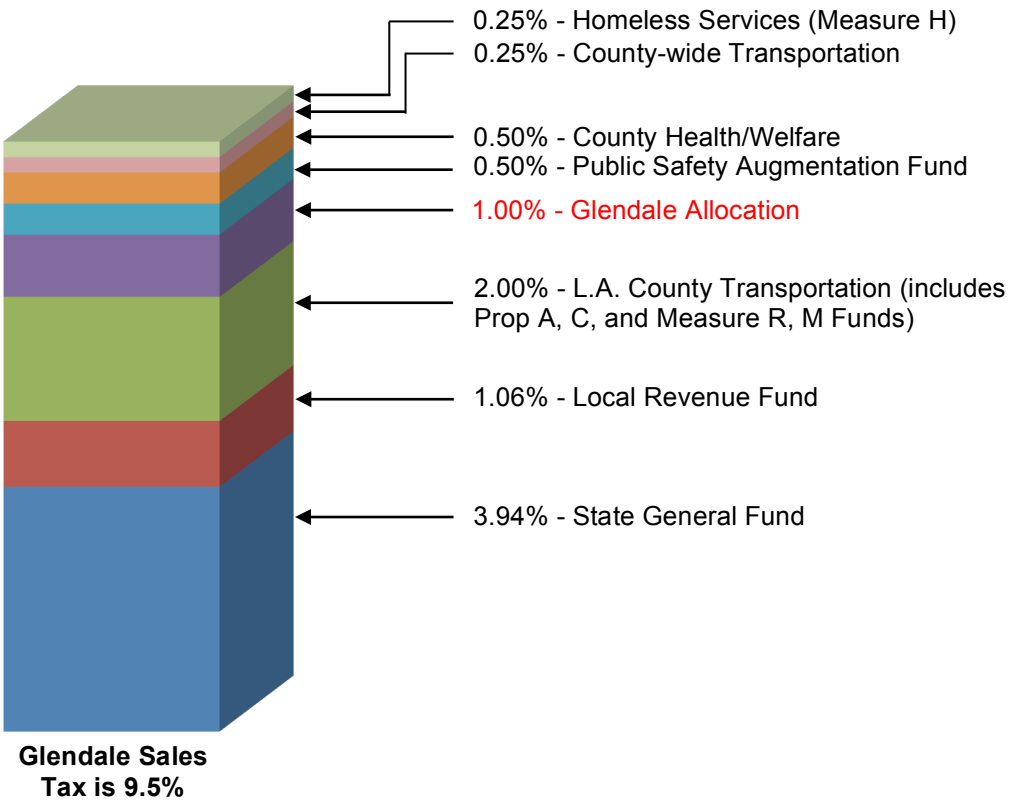
The City has complied with the provisions of Article XI, Section 22 of the Charter of the City of Glendale, California, as it relates to the required Charter transfer from the Electric Enterprise Fund to the City's General Fund.

1% Property Tax Breakdown	Glendale	Burbank	Pasadena
Los Angeles County	0.3612	0.3337	0.2788
School District	0.2016	0.1843	0.1977
Educational Augmentation Fund Impound	0.1645	0.1596	0.1659
Tax District #1 (City Share)	0.1357	0.1847	0.2109
Educational Revenue Augmentation Fund	0.0671	0.0704	0.0787
Community College District	0.0386	0.0312	0.0333
Other	0.0313	0.0361	0.0347
Total	1.0000	1.0000	1.0000



General Fund Revenues (continued)

Sales Tax Breakdown



The California Department of Tax and Fee Administration administers local taxes under the Bradley-Burns Uniform Local Sales and Use Tax Law and district taxes under the Transactions and Use Tax Law. Further information may be obtained at http://californiacityfinance.com and http://www.cdtfa.ca.gov.

Utility Users Tax			
	Glendale[1]	**Burbank**	**Pasadena**
Telecommunication Prepaid Wireless[2]	6.50% 6.50%	7.00% 6.50%	8.28% 7.50%
Video (Cable)	6.50%	-	9.40%
Electricity	7.00%	7.00%	7.67%
Water	7.00%	-	7.67%
Gas	7.00%	7.00%	7.90%

[1] In 2009 Glendale voters approved a rate reduction for Telecommunications and Video (reduced from 7% to 6.5%).

[2] Prepaid Wireless percentages are set per the Revenue and Taxation Code 42100 et seq. effective January 01, 2016. Further information may be obtained at http://uutinfor.org.

General Fund Expenditures

(In Thousands)

Expenditures by Function		FY2018	FY2017
General Government	$	28,282	28,830
Police		80,531	74,703
Fire		56,976	49,167
Public Works		13,849	13,309
Housing, Health and Community Development		3,910	4,402
Parks, Recreation and Community Services		12,348	12,459
Library		10,161	9,209
Capital		669	336
Transfers to Other Funds		12,066	9,240
Total expenditures	$	218,792	201,655

Overall, General Fund Expenditures increased by $17,137 in FY 2018 compared to the prior year. Here are some of the key elements for the increase:

- Police and Fire expenses increased by $5,828 and $7,809, respectively, during the current fiscal year, which is mainly due to higher workers' compensation and retirement benefit expenditures, resulting from higher compensation insurance and PERS rates.

- Transfers to Other Funds increased by $2,826. $10,204 was transferred to Capital Improvement Fund to aid capital improvement projects.

As we continue to cut costs, Glendale is still facing many challenges including:

- The City is continuing to appeal two cases regarding the City's 2013 electric rates and transfer from the Electric Fund to the General Fund.

- Expected increases in pension costs primarily due to changes in the PERS actuarial assumptions and the fund's low investment returns for 2018.

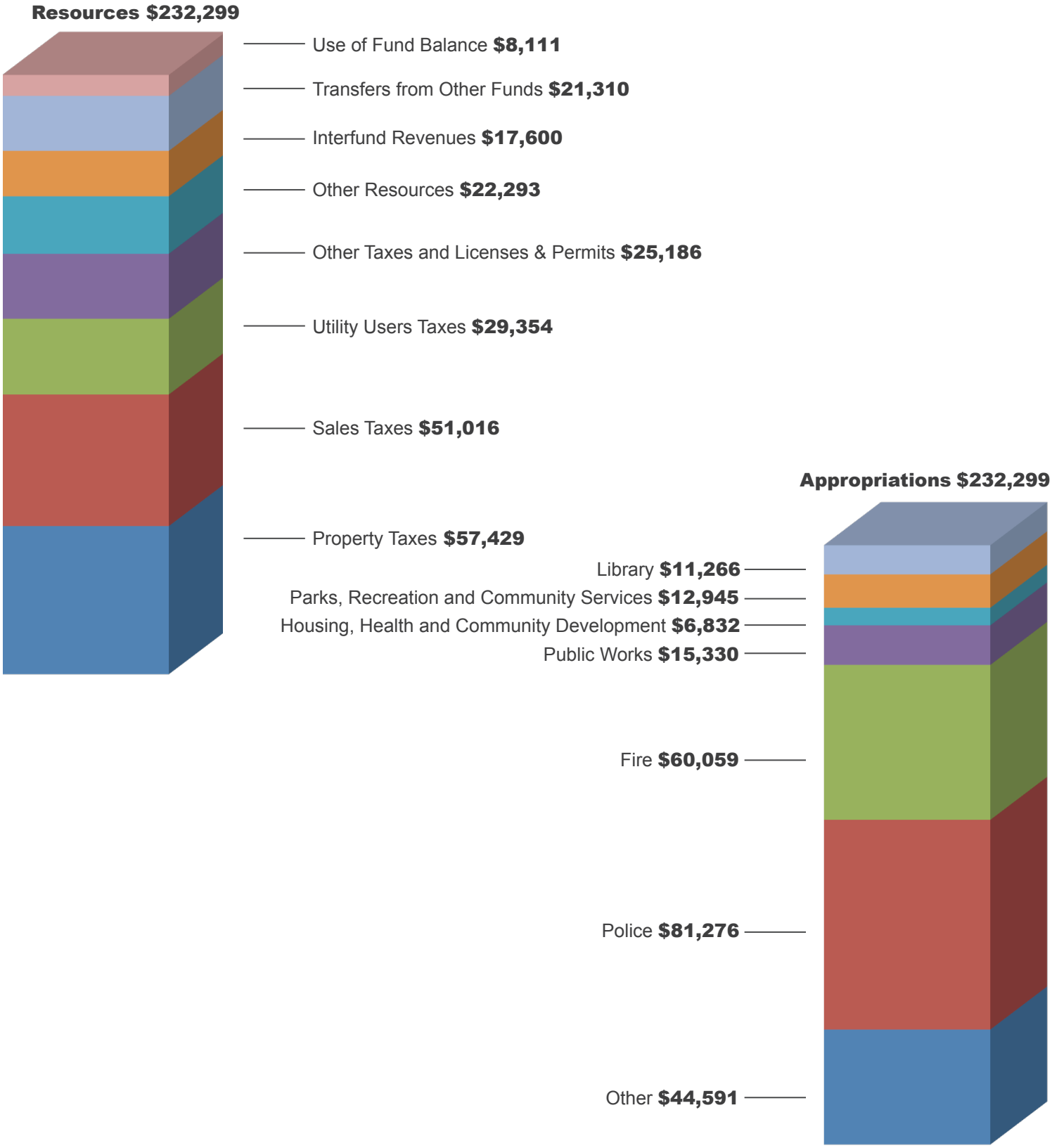
- Eliminating the deficit in the Worker's Compensation Fund and maintain a healthy fund balance.

- A stable funding source for General Fund Capital Improvement Projects.

General Fund Resources vs. Appropriations

(In Thousands)

Final Budget



General Fund Revenues vs. Expenditures

(In Thousands)

Actuals

Revenues $232,993

Other Resources **$24,744**

Other Taxes and Licenses & Permits **$25,574**

Interfund Revenues **$17,410**

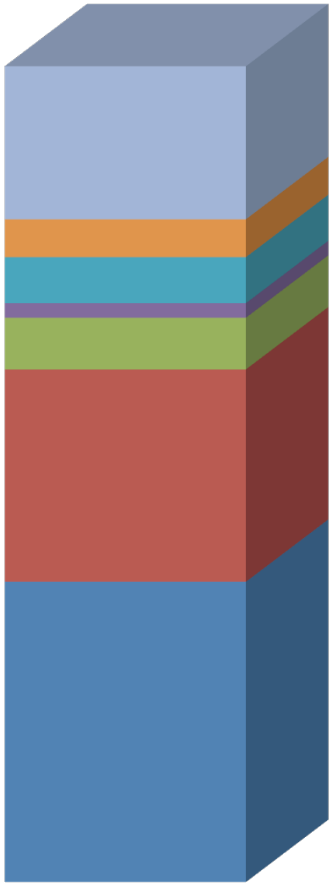
Transfers from Other Funds **$21,312**

Utility Users Taxes **$27,805**

Sales Taxes **$57,703**

Property Taxes **$58,445**

Expenditures $218,792



Other **$40,368**

Library **$10,663**

Parks, Recreation and Community Services **$12,396**

Housing, Health and Community Development **$3,935**

Public Works **$13,849**

Fire **$57,026**

Police **$80,555**

Enterprise Funds

(In Thousands)

Enterprise funds are used to account for a government's ongoing programs and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. They 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 City uses enterprise funds to account for its refuse disposal, fire communications, sewer, and electric and water utility operations.

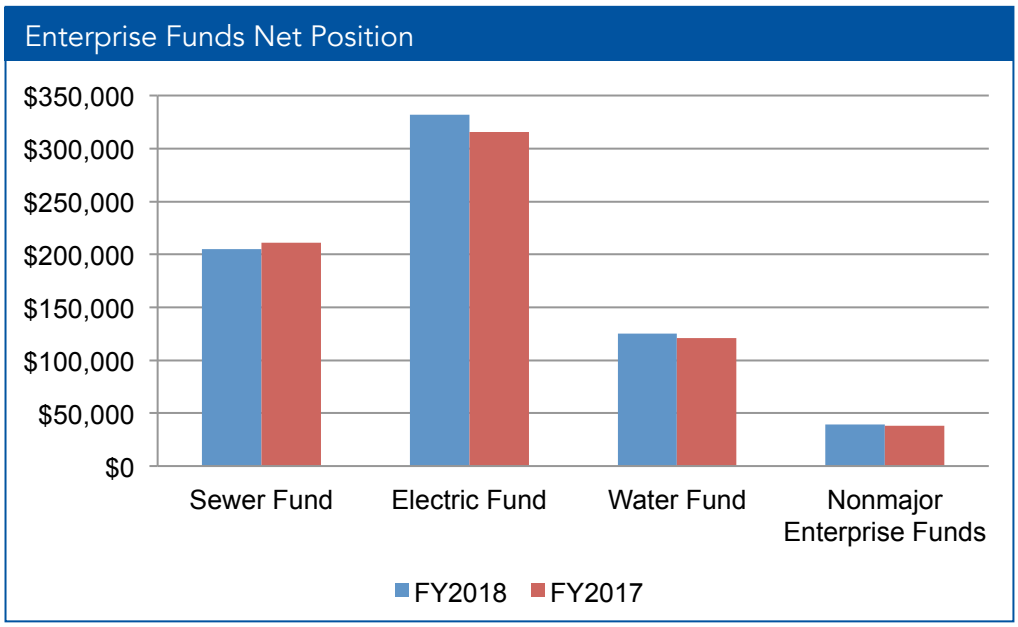
Enterprise Funds Activities Highlights

Statement of Revenues, Expenses and Changes in Net Position		FY2018	FY2017
Operating revenues	$	319,451	315,016
Operating expenses		275,297	260,928
Operating income (loss)		44,154	54,088
Nonoperating revenues (expenses)		(8,214)	(5,338)
Income before capital grants and contributions and transfers		35,940	48,750
Capital grants and contributions		12	61
Transfer in		-	2
Transfer out		(21,312)	(21,062)
Change in net position		14,640	27,751
Net position, July 1		686,183	658,432
Net position, July 30	$	700,823	686,183

Statement of Net Position		FY2018	FY2017
Current and other assets	$	412,956	386,794
Capital assets		641,740	655,479
Deferred outflows of resources		32,598	27,580
Total assets and deferred outflows of resources		1,087,294	1,069,853
Current liabilities		39,356	38,453
Noncurrent liabilities		342,624	338,722
Deferred inflows of resources		4,491	6,495
Total liabilities and deferred outflows of resources		386,471	383,670
Net investment in capital assets		401,010	409,287
Restricted		5,669	5,669
Unrestricted		294,144	271,227
Total net position	$	700,823	686,183

Enterprise Funds (continued)

(In Thousands)



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. Enterprise Funds net position increased by $14,640. Key elements of this increase are as follows:

- The net position of the Sewer Fund decreased by $6,488 during the current fiscal year. The decrease in reveue was mainly attributable to lower single-family residential water usage during the winter months due to water conservation and an 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 FY2016-17 to 7.15% in FY2017-18.

- 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 FY2016-17 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 as emergency coordinated assistance services.

Cash Management

(In Thousands)

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. 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 in excess of normal operating needs. Funds must request large outlays in advance in order for the City Treasurer to have the funding available.

Interest income from the investment of pooled cash is allocated to funds on a monthly basis, based upon the prior month's ending cash balance in each fund as a percent of the month end total pooled cash balance. The City normally holds the investment to term; therefore, no realized gain/loss is recorded.

Interest rate risk is the risk that fluctuations in market rates that 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.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations as of June 30, 2018 is provided by the following table that shows the distribution of the City's investment by maturity:

		Remaining Maturity (In Months)			
	Total	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
	$ 746,287	298,563	86,551	358,775	2,398

Capital Assets

(In Thousands)

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..

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

- 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, and $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.

		Governmental Activities		Business-type Activities		Total	
		FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
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		1,325,875	1,330,770	1,213,711	1,197,728	2,539,586	2,528,498
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	$	958,831	956,546	641,740	655,479	1,600,571	1,612,025

Long-Term Debt and Liabilities

(In Thousands)

At June 30, 2018, the City had total long-term debt and liabilities outstanding of $409,597, a decrease of $4,951 or 1.2%. The decrease was mainly due to 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.

Long-Term Debt and Liabilites

		FY2018	FY2017
Certificates of Participation (COPs)	$	31,880	33,785
Claims Payable		53,268	51,394
Landfill postclosure care		48,612	47,059
Compensated Absences		29,034	27,504
Other		1,502	1,373
Revenue Bonds		245,301	253,433
Total long-term debt and liabilities	$	409,597	414,548

The City continues to maintain strong credit ratings on all of its debt issues. The table below shows the latest ratings as determined by the three national rating agencies, Moody's, Standard & Poor's, and Fitch Ratings' as of June 30, 2018.

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+

Financial Ratios

(In Thousands)

Liquidity Ratios

The current ratio and quick ratio indicate the City's ability to pay its obligations. The current ratio represents the number of times the City's current assets could cover current liabilities. The quick ratio is the conservative version of the current ratio. It takes inventories out of the equation to include very liquid assets only. For the City of Glendale, the ratios illustrate the City's ability to pay its current liabilities 7.50 times in FY 2017-18, compared to 6.23 times in FY 2016-17.

Liquidity Ratios:		FY2018	FY2017
Total Current Assets (A)	$	714,304	750,457
Total Current Liabilities (B)	$	95,216	120,472
Total Inventories (C)	$	7,351	6,058
Current Ratio (A ÷ B)		7.50	6.23
Quick Ratio ((A – C) ÷ B)		7.42	6.18

Debt Ratios

The debt ratio and debt-to-equity ratio measure the City's financial leverage. The debt ratio measures the City's obligations against its assets, while the debt-to-equity ratio measures the City's obligations against its net position. Between FY 2016-17 and FY 2017-18, the City of Glendale's debt ratio has increased from 41% to 42% and the debt-to-equity ratio has increased from 66% to 67%.

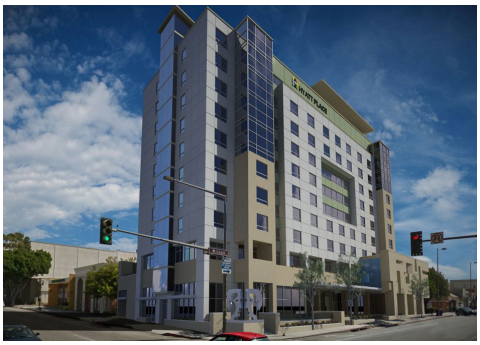
Debt Ratios:		FY2018	FY2017
Total Assets (A)	$	2,546,875	2,510,468
Total Liabilities (B)	$	1,072,361	1,030,797
Total Net Position (C)*	$	1,595,079	1,562,436
Debt Ratio (B ÷ A)		42%	41%
Debt to Equity Ratio (B ÷ C)		67%	66%

* Total net position is equal to total assets and deferred outflows of resources – total liabilities and deferred inflows of resources.

Window To The Future

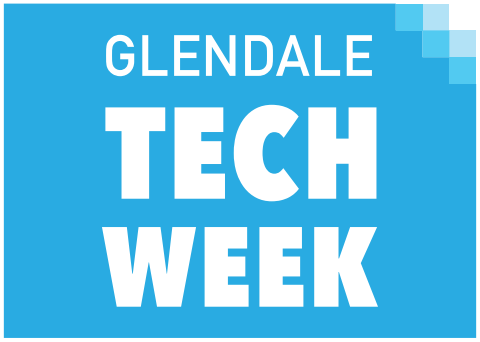
Active in Downtown Glendale

Glendale is a thriving cosmopolitan city with a diverse business community, range of urban living options, and amenity rich downtown. Glendale's vertical trajectory – both with ground-up development and increases in occupancy rates and sales tax numbers – continues to demonstrate the City's position as a top place to live, work, and play.



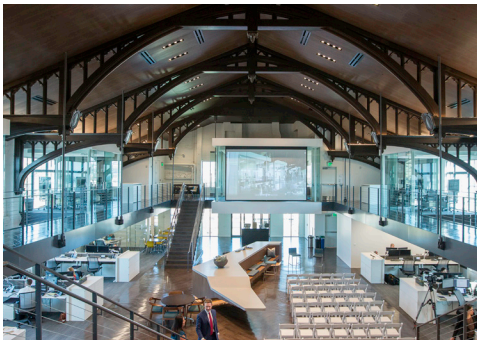
Hotel Development

The City's robust businesses base attracts a steady stream of travelers each week. With close proximity to Hollywood-Burbank Airport, travel for both business and pleasure is easy and convenient. Recognizing that the Hilton and Embassy Suites have been operating at nearly capacity for years, a number of new hotels are hitting the Glendale market including Starwood Aloft, AC Hotel, and the Hotel Louise. In 2018, the Hyatt Place celebrated its Glendale opening.



Tech Ecosystem

Glendale's dynamic tech sector consists of established companies to young start-ups, and everything in between. To showcase Glendale as an innovation hub and to foster a highly interconnected regional community, the City coordinates an annual Tech Week featuring pop ups, speakers, and fun activations; 2018's Tech Week was attended by over 3,500 participants. The City also engages in year-round programming through its monthly Tech on Tap meet-ups and podcast.



Class A Office Space

Glendale has long been home to major companies like DineEquity, Avery Dennison, CBRE L.A. North Industrial Team, Disney Consumer Products, DreamWorks Studios, KABC-7, Public Storage, LegalZoom, Univision Communications, Walt Disney Animation Studios and Whole Foods Market Western Regional offices. The City is proud to also be fostering the growth of Glendale-grown companies Age of Learning and ServiceTitan, who are rapidly expanding and revolutionizing the office space and market in Glendale.

Asset Management

The City of Glendale's Arts and Entertainment District is home to a number of cultural institutions including the historic Alex Theatre, the Laemmle Theatre and Lofts, the Museum of Neon Art, and the newly renovated Downtown Central Library. The Central Park Block, one of the City's largest publicly owned open spaces within the downtown, will soon be home to another cultural landmark: the Armenian American Museum.

City By The Numbers

Property Tax Rate	1.0912%
Unemployment Rate	4.80%
Standard & Poor's Bond Rating	AA+, AA- & A+
Moody's Bond Rating	Aa2, Aa3 & A1
Fitch Bond Rating	AA+, AA & A+
Current Ratio	7.50 times
Debt Ratio	42%
Total Assets	$2.5 billion
Deferred Outflows of Resources	$147 million
Total Liabilities	$1.1 billion
Deferred Inflows of Resources	$26 million
Net Position	$1.6 billion
Population	205,536
School Enrollment	45,720
Percent High School Graduate or Higher	85.1%
Per Capita Personal Income	$30,368
Total Personal Income	$6.2 billion
Median Age	41.0
Adopted Annual Budget FY 2017-18	$837 Million
City Website	http://www.glendaleca.gov
City Address	613 E. Broadway, Glendale, CA 91206
City Phone	(818) 548-4844

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