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

CITY OF GLENDALE, CALIFORNIA
Finance

141 N. Glendale Ave., Suite 346
Glendale, CA 91206-4975
Tel. (818) 548-2085 Fax (818) 956-3286
glendaleca.gov

November 26, 2019

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, 2019.

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 auditor's 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, the Glendale Financing Authority, and the Glendale Municipal 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 206,000 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 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 (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. It was announced this year that Service Titan would be opening a second location in Glendale, occupying the former Nestle space. 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 3,500 new residential units and thousands of square feet of commercial development. Hotel development and tourism are also on the rise. The Hyatt Place, Hampton Inn, Tribute Hotel and Hotel Louise join top performing hotels like Embassy Suites and Hilton. Such investments by the business community indicate 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, support entrepreneurs, 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; reduce Class A office vacancies; provide support to existing businesses through concierge services; support 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 2018-19 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:

    - Successfully commenced the Armenian American Museum and Cultural Center negotiations and Central Park Block redesign.

- Advanced the imagination of the Arts & Entertainment District by approving a contract with urban design firm Studio111 and completing the first phase of the project. This included a successful stakeholder outreach campaign and selection of a one-way design concept.

- Entered into an Exclusive Negotiating Agreement with Avalon Investment Group for the rehabilitation of the historic Rockhaven Sanitarium.

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 and attendance at conferences, such as the International Council of Shopping Centers.

   - Received $1 million grant from the State of California to implement the Glendale Tech Start-Up Accelerator.

   - Successfully hosted the fourth Glendale Tech Week in September 2019, attracting more than 5,000 people across 50 events. A $43,000 prize package was raised for a Pitchfest in an effort to support local entrepreneurs and $40,000 was raised in sponsorship.

   - Created more jobs and generated sales tax through public investment of the following: Service Titan, Laemmle Theatre and Lofts, and Hyatt Place.

   - Established a 1.9% retail vacancy rate, and continued to build on the 18-hour city concept by adding new businesses such as: Mr. Furley's Bar, Crazy Rock'N Sushi, Panda Inn, Electric Pussycat Club, the Void, Dunkin', Muragame Udon, Forward Medical, Five Below, Undefeated, Chess Park Tavern, and Studio Move Grill, with many more in the pipeline.

   - Lowered the Office Vacancy rate to 15.6% by successfully attracting tenants such as Children's Hospital of Los Angeles, WeWork and Industrious.

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:

   - Continued 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. Survey results found that 64% of firms who will be expanding will stay in Glendale, and 61% of firms are aggressively hiring.

   - Assisted nearly 2,000 current and expanding businesses with resources to further drive business in the community.

- In collaboration with the Business Concierge team, the Economic Development Division assisted in the expansion of current tenants, including DISQO, Age of Learning, and Beyond Limits.

- Supported neighborhood business districts, including assisting the Greater Downtown Glendale Association in its efforts to expand its service area to now include greater portions of Central Avenue and to extend to Stocker Avenue on Brand Boulevard.

- Supported local businesses on Artsakh Avenue through the implementation of a Business Impact Grant, allocated to businesses impacted by the street name change from Maryland to Artsakh Avenue. Twenty businesses took advantage of the no more than $2,000 per business reimbursement grant.

- Supported the local manufacturers by establishing a 0.8% industrial vacancy rate through effective relationship-building efforts such as hosting the Hong Kong International Trade Manufacturers Conference.

- Received a grant from METRO to host the City's second CicLAvia event. Planning is underway now to host the event in June 2020.

Employment – According to the data obtained from the California State Department of Finance Demographic Research Unit, the population for the City of Glendale as of January 1, 2019 is 206,283. The Glendale labor force includes 103,200 residents as of May 2019 (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 2013-2017 American Consumer Survey (ACS) Five-Year Estimates: 42,405 people in Glendale were employed in management, business, arts, or science occupations (the single largest group) with median annual earnings of $66,475; 24,289 were employed in sales and office occupations (second largest) with median annual earnings of $43,780; and 15,767 were employed in service occupations (the third largest group) with median annual earnings of $28,738. Median household income for Glendale residents recorded at $58,657, and the poverty rate was 15.6%, 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 and as of June 2019, the unemployment rate recorded at 4.4%.

- **Industry Employment Status** – According to Dunn & Bradstreet, by employment, the top six Glendale industries in 2018 were:

    1. Healthcare with 16,764 employed across 2,011 establishments, earning an average salary of $46,017 and recording a Location Quotient (LQ) for the industry of 1.29. 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.

2. The Retail industry recorded 15,476 employed across 1,660 establishments, earning an average salary of $38,085 and an LQ of 1.38.

3. Public Administration and Education with 10,762 employees across 329 establishments, earning an average salary of $70,294 and an LQ of 0.64.

4. Professional Services recorded 8,401 employed across 1,827 establishments, with an average salary of $105,480 and an LQ of 1.07.

5. Finance recorded 6,757 employed across 518 establishments, earning an average salary of $146,536 and an LQ of 2.14.

6. Eating and Drinking with 7,458 employed across 675 establishments, earning an average salary of $24,021 and an LQ of 1.01.

- **Large Employers** – Walt Disney Imagineering, Time Warner, Glendale Adventist, and Allied Universal were among the City's largest employers in FY 2018-19.

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

1. Home Health Aides
2. Personal Care Aides
3. Physician Assistants
4. Statisticians
5. Nurse Practitioners
6. Software Developers Applications
7. Physical Therapists Assistants
8. Physical Therapists Aides
9. Occupational Therapist Assistants
10. Medical & Health Service Managers
11. Mathematicians
12. Physical Therapists
13. Respiratory Therapists
14. Athletic Trainers
15. Medical Assistants
16. Floor Layers, Except Carpet, Wood, and Hard Tiles
17. Refuse & Recyclable Material Collectors
18. Paving, Surfacing, and Tampering Equipment Operators

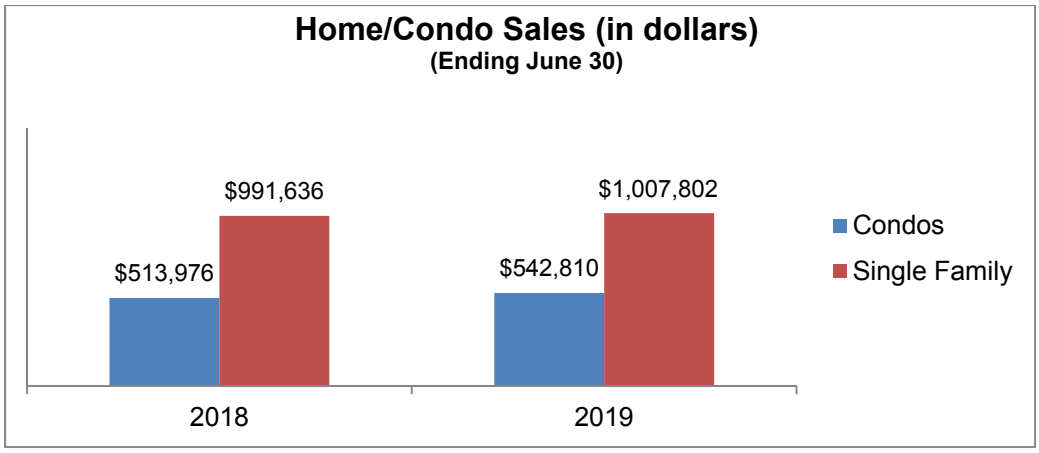
Top 10 Industry Sectors

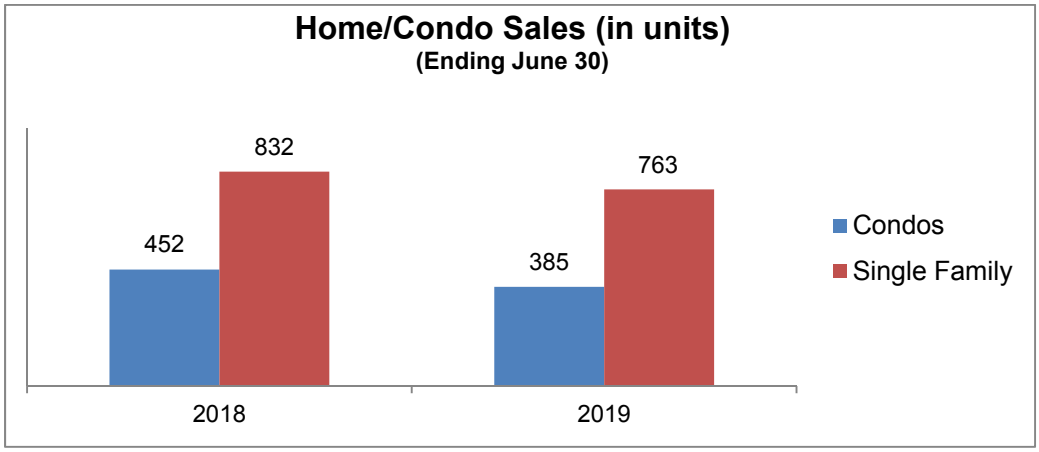
Industry Sector	Base Employment Estimate 2016	Numeric Change 2016-2026	Percent Change 2016-2026
Individual & Family Services	206,500	80,700	39.1%
Nonstore Retailers	14,100	5,300	37.6%
Social Assistance	237,600	82,100	34.6%
Warehousing & Storage	18,300	5,300	29.0%
Management, Scientific, & Technical Consulting Services	49,400	14,400	29.0%
General Merchandise Stores, including Warehouse Clubs and Centers	40,800	11,700	28.7%
Offices of Other Healthcare Practitioners	21,900	6,200	28.3%
Ambulatory Healthcare Services	210,300	53,400	25.4%
Data Processing Hosting & Related Services	7,200	1,800	25.0%
Healthcare & Social Assistance	645,700	161,500	25.0%

Trends – The EDD-LMID also reports that industry employment in Los Angeles County, which includes self-employment, private household workers, farm, and non-farm employment in Los Angeles County, is expected to reach 5,175,900 by 2026, an increase of 10.1% over the 10-year projections period. 12 of 13 non-farm industry sectors are projected to grow between 2016 and 2026.

Total non-farm employment is projected to grow by nearly 440,900 jobs by 2026, with Self-Employment increasing by 32,600 (11%) to a total 330,100 jobs and Private Household Workers increasing by 1,700 (13%) to a total of 14,500 jobs. Top 10 Industry Sectors are shown in the above table.

Housing – Based on the "2018 Annual Report" issued by the Los Angeles Office of the Assessor, Glendale experienced a net taxable property value increase of 4.8%, which was less than the increase experienced countywide at 6.6%. According to the City's property tax consultant, HdL, Glendale's single-family housing market fell in sales volume (number of units sold) and showed an increase in an average home price of $1,007,802 in FY 2018-19, compared to $991,636 in FY 2017-18. The condominium sales also showed a decline in sales volume and an increase in an average price of $542,810 in FY 2018-19, compared to $513,976 in FY 2017-18.





Local Government Finance

The legal challenges to the long-standing and charter-mandated General Fund Transfer from Glendale Water & Power, escalating pension rates, and low investment returns for CalPERS have all combined to make these past few years some of the most difficult for City government budgeting in recent history. In spite of the difficulty involved in preparing the FY 2019-20 budget, the City Council has set the tone to allow managers and staff to approach 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 City's 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. The City will continue to aggressively pursue exceptional customer service, balance value propositions, and invest in the future to ensure continuity of high-quality City services.

In November 2018, Glendale voters approved the Quality of Life and Essential Services Protection Measure (Measure S), which took effect on April 1, 2019, and added 0.75% to the sales tax rate in the City. This additional sales tax rate revenue is estimated to generate $30.0 million in FY 2019-20, of which $6.5 million will be received in the General Fund and $23.5 million in the Capital Improvement Fund to fund various new affordable housing developments and infrastructure needs.

Positive indicators, such as increased spending and income, steady improvements in the housing market, and reduced rates of unemployment, align with the City's forecasted revenue growth, which averages to 3.3% for FY 2019-20 across all General Fund revenues (excluding Measure S). Long-term growth rates for General Fund revenues are projected to grow by an average of 1.9% annually over the next five years.

Although the City of Glendale continues to face challenges such as increased pension costs, a deficit in the Compensation Insurance Fund, and aging infrastructure, the City is confident that its team will embrace these challenges and move its community forward with a focus on its purpose and goals.

Long-term Financial Planning

Financial Challenges – Despite the fact that the economy has been improving and the economic indicators are all trending positive, the City still faces notable challenges in the coming years. The General Fund remains highly dependent on sales taxes generated, in particular, from automobile sales. Revenues from auto sales have steadily risen over the past decade since 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 have been and continue to be working diligently to attract new 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 electrical operations still looms. Currently at about $20.0 million per year, the transfer has been a feature of the City's General Fund revenue stream since the 1940s. At the time it was established, the water and power utility was meant to help 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. Additionally, 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; in fact, the current transfer is at approximately 10% of electrical retail operating revenues.

What does the potential loss of the GFT mean to our organization? For the time being, we 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 a doubt, mean cuts directly to the essential programs and services our community depends on daily. 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 be asked to consider cuts to Libraries, Parks, Fire, and Police Departments. The effects of these cuts would be experienced in the form of reduced hours at libraries and parks, the closing of libraries and parks, or the contracting out of Police and Fire services with the County of Los Angeles.

Moving forward, our 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 taxpayers. Glendale's vision is accomplished through a combination of the City Council's priorities, the City's strategic goals, and key performance indicators. With the FY 2019-20 budget process, the City 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,			
	2019	2018	2017	2016
Cash and investments	$ 923,902,000	815,777,000	765,797,000	682,529,000

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 Eide Bailly 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 an opinion on whether the financial statements of the City of Glendale, California for the fiscal year ended June 30, 2019, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Glendale, California's basic financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's 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 four fiscal years ended June 30, 1995 through June 30, 2018. 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. The City believes the current comprehensive annual financial report continues to meet the Certificate of Achievement for Excellence requirements and 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,

MICHELE FLYNN, CPA, CIA, CGAP
DIRECTOR OF FINANCE

City of Glendale, California

Officials of the City of Glendale

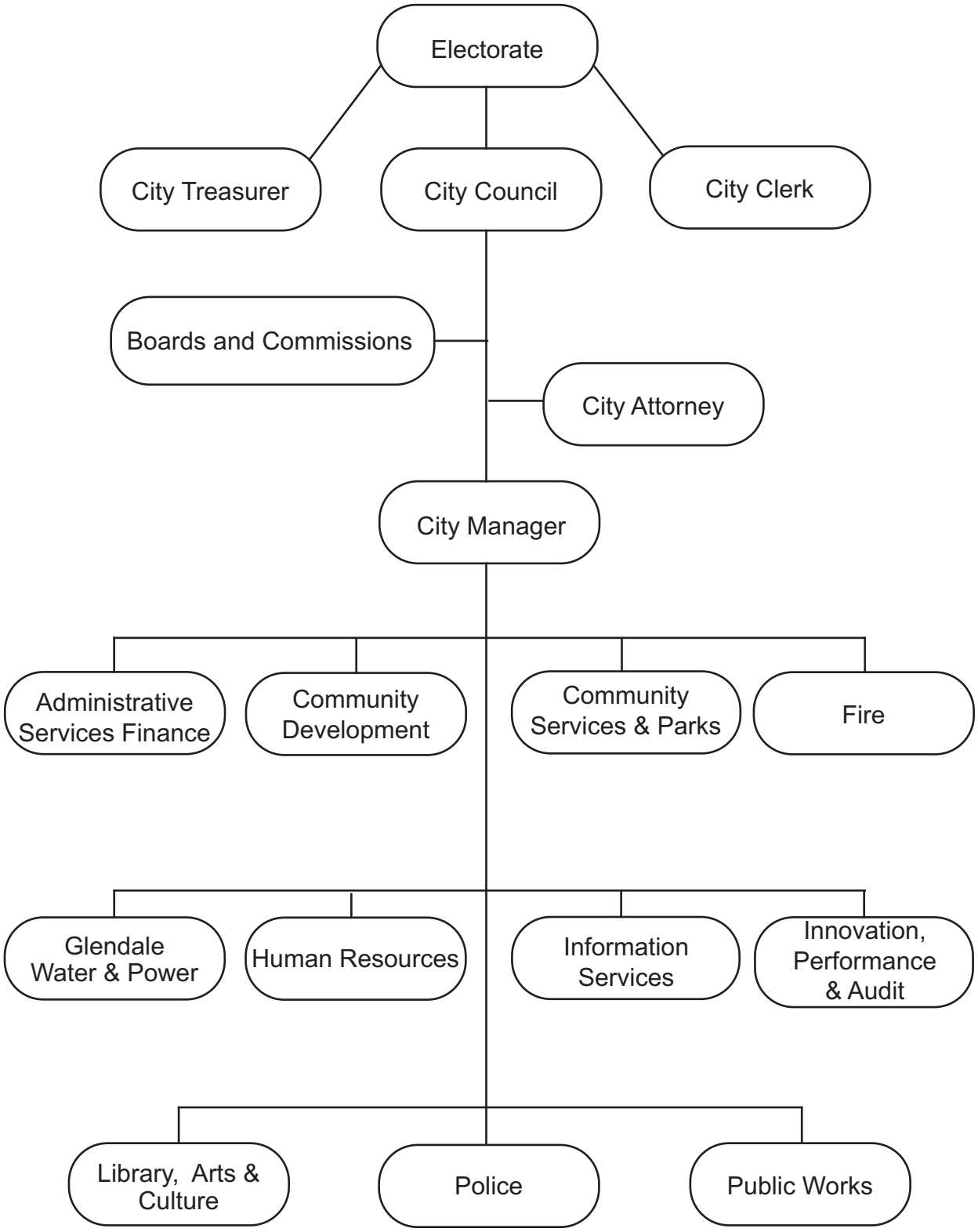
June 30, 2019

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
Chief Information Officer	Jason Bradford
Director of Community Services & Parks	Onnig Bulanikian
Director of Human Resources	Matthew Doyle
Director of Public Works	Yazdan Emrani
Director of Finance	Michele Flynn, CPA, CIA, CGAP
City Attorney	Michael J. Garcia
City Clerk	Ardashes Kassakhian
Director of Community Development	Philip Lanzafame
Fire Chief	Silvio Lanzas
City Treasurer	Rafi Manoukian, CPA
Police Chief	Carl Povilaitis
Director of Library, Arts & Culture	Gary Shaffer
General Manager of Glendale Water & Power	Stephen Zurn

City of Glendale, California

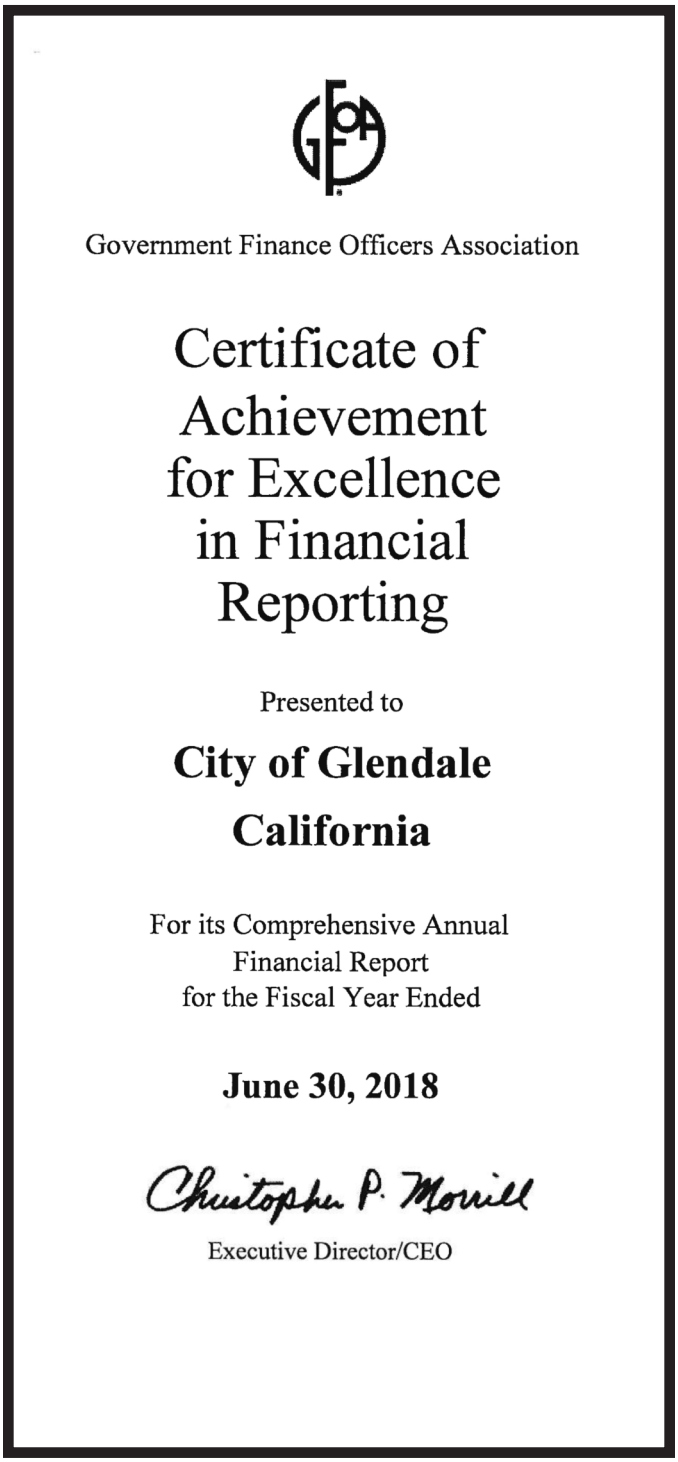
Organizational Chart



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, 2018. This was the 24th 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, 2018

Christopher P. Morrill

Executive Director/CEO

This page is left blank intentionally.