

**CITY OF GLENDALE**

**Notes to the Financial Statements**

**Fiscal Year Ended June 30, 2014**

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## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(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 accounting principles generally accepted 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 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 Authority and the Financing Authority as these component units are managed in an essentially the same manner as other City departments. In addition, 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 Authority is responsible for the administration of Department of Housing and Urban Development (HUD) funded housing assistance payments projects undertaken by the City. HUD provides an annual contribution of funds, in accordance with Section 8 of the United States Housing Act of 1937, in order to provide decent, safe and sanitary dwellings for low to moderate income families, and to increase the supply and quality of affordable housing. The Authority's financial data and transactions are included within the Special Revenue Funds; 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 of Glendale 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; no separate financial report is issued for the Financing Authority.

#### **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 inter-fund activity has been removed from these statements except for the inter-fund 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. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that 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 among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and the fiduciary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized on the basis of 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 its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and

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expenditures or expenses, as appropriate. The City reports a total of 62 funds comprised of the General Fund, 1 Fiduciary Fund, 29 Special Revenue Funds, 2 Debt Service Funds, 7 Capital Project Funds, 8 Enterprise Funds and 14 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, liabilities and deferred inflows, is 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:

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 non-major enterprise funds consist of Recreation, Hazardous Disposal, Parking, Refuse and Fire Communication Funds. Recreation Fund mainly accounts for the recreation programs of the Parks, Recreation and Community Services department on a user fee basis. Hazardous Disposal Fund is for the operations of the toxic waste disposal of the City. Parking Fund accounts for operations of City-owned public parking lots and garages. Refuse Disposal Fund is for operations of the City-owned refuse collection and disposal services. Fire Communication Fund is for monies received and expended, as the lead City, for the tri-city (Burbank, Glendale and Pasadena) fire communication operations.

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Additionally, Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City.

### ***Fiduciary Fund Type***

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 Private Purpose Trust Fund.

Since the resources of the Fiduciary Fund are not available to support the City's own programs, it is not reflected in the City's Government-wide financial statements. The accounting used for Fiduciary Fund is based on the economic measurement focus and the accrual basis of accounting.

### **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 fund 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 enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. 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.

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 generally 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, but investment earnings are recorded as earned, since they are measurable and available.

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 1 and attached as enforceable liens on real property as July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on March 1. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales

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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 are displayed on the governmental funds balance sheets, the proprietary funds' statement of net position or the fiduciary fund statement of net position.

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. Fair value is determined using published market prices.

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 follow 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 in excess of normal operating needs.

Interest income from the pooled cash and investments is allocated to all funds, except the Capital Improvement Funds, 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 statement of cash flows 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.

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. They, 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.

#### ***Designated Cash and Investments***

The Cash Reserve Policy for the Electric Fund was first established in 2003. Its provision calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for fiscal year ending June 30, 2014, established a target of \$66,400 of designated cash in the following categories: \$40,400 for contingency reserve; \$10,000 for rate stabilization reserve; and \$16,000 for Reserve for Gas Reserve Project. As of June 30, 2014, \$33,644 was designated.

In December of 2003, GWP management received approval from the City Council to implement a cash reserve policy for the Water Fund to ensure a long-term sustainable financial health of the water operation. The policy calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for fiscal year ending June 30, 2014, established a target of \$7,500 of designated cash in the following categories: \$6,500 for contingency reserve; and \$1,000 for rate stabilization reserve. As of June 30, 2014, no reserve was designated.

The designated cash of \$23,850 in Landfill Postclosure Capital Project Fund is for Scholl Canyon Landfill Reserve.

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### ***Restricted Cash***

The restricted cash include unspent bond proceeds of Electric Revenue Bonds, 2013 Series and Water Revenues Bonds, 2012 Series, as well as the environmental compliance funds mandated by South Coast Air Quality Management District (SCAQMD). In the Electric Surplus Fund, the SCAQMD restricted cash is for the environmental projects that comply with reductions in nitrogen oxides for the utility boilers and the gas turbines and in the Electric – SCAQMD State Sales Fund, the restricted cash is for the environmental projects that reduce emission and improve public health in Glendale.

### ***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 30 from individual customers, private entities & government agencies. In addition, this account includes accrued revenues due from other agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures/expenses incurred but not yet reimbursed by the grantors. Also, property taxes earned but not received from the County of Los Angeles as of June 30 and unbilled services for utility and other services delivered to customers but not billed as of June 30, are included in this account. 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 for 30 days are sent out to customers with outstanding balances. After 60 days, accounts still outstanding are forwarded to a collection company.

Housing Loans Receivable – The Housing Authority uses 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 to make various loans to create and maintain affordable housing for low and moderate income people. 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 to not record forgivable and contingent loans on the financial statements. The non-forgivable loans are recorded on the financial statements. See Note 4 for more information.

### ***Inter-fund Transactions***

Inter-fund services provided and used would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues (seller funds) and expenditures or expenses (purchaser funds) in the funds involved. For the fiscal year ended June 30, 2014, the General Fund recorded \$16,182 as inter-fund 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/out are budgetary authorized 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 lower of cost or market, using the weighted average cost method or disposal value. Inventory shown in the General 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.

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**Capital Assets**

Capital assets including land, buildings, improvements, equipment and infrastructure assets (e.g. roads, sidewalks, traffic lights and signals, street lights and etc), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the 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 in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue and Capital Project Funds and as assets in the government-wide financial statements to the extent the City’s capitalization is met. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. 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. FASB *Accounting Standards Codification* Statement No. 62 (Capitalization of Interest Costs in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants – an amendment of FASB Statement No. 34) requires enterprise funds to capitalize interest costs on funds borrowed to finance the construction of capital assets. Interest costs capitalized in the Electric and Water funds for the fiscal year ended June 30, 2014 are as follows:

	Capitalized Interest	Total Interest Cost
Electric Fund	\$ 293	6,124
Water Fund	643	3,212

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
<b>Building and Improvements</b>	
General Structure & Parking Lot Landscaping Improvements	10
Building and Parking Lot Improvements	20
Land Improvements	30
Parks and Wastewater Capacity Upgrades	40
Transmission-Off System	50
<b>Machinery and Equipment</b>	
Police Patrol Vehicles	3
Computer Systems	5
Computer Software	5
Passenger Cars, Pickup/Refuse	6
Cargo Vans, Street Sweepers	7
Dump/Tractor/Trailer Trucks	10
Helicopters	15
Emergency Response Engines	20
Sewer Improvements (Intangible)	40
<b>Infrastructure (non-sewer)</b>	
Traffic Signals	15
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs & Tunnels & Potable-Hydrants	40
Streets, Paved Streets, Paved Alleys & Sidewalks	50
Potable-Mains	75

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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 \$306.1 million. The City's initial share in the project was \$13.1 million or 4.28%, with estimated peak daily volume between 1,600 to 1,800 MMBtu. As of June 30, 2014, the net balance for Natural Gas Reserve Project, including drilling program capitalization was \$15,166.

### ***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 fund and fiduciary fund statement 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 (use) in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

### ***Compensated Absences***

The City records a liability for its employees' earned but unused accumulated vacation and overtime in government-wide and proprietary fund financial statements. The unused accumulated vacation and overtime are expensed in the Employee Benefits Fund, an Internal Service Fund, which incurs the liability. As of June 30, 2014, the total liability is \$13,468 and the City has \$10,408 cash available in the Employee Benefits Fund dedicated to this liability.

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 is converted to a dollar amount and deposited in the employee's RHSP account at retirement or termination with 20 years of City service for Glendale Police Officers Association (GPOA), Glendale City Employee Association (GCEA), Glendale Management Association (GMA), and International Brotherhood of Electrical Workers (IBEW). 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 the healthcare premiums from personal funds. Total benefits paid by the City under the RHSP for the fiscal year ended June 30, 2014 is \$502.

Based on the most recent actuarial valuation dated June 30, 2013, the actuarial accrued liability for the RHSP is \$13,815. The City has a reserve of \$6,657 in the RHSP Benefits Fund, an Internal Service Fund, dedicated to provide benefits, so the unreserved actuarial accrued liability is \$7,158 as of June 30, 2013. The City has \$9,499 cash for RHSP as of June 30, 2014 and the unreserved actuarial accrued liability is \$4,924. The actuarial accrued liability takes into account an estimate of future sick leave usage, additional sick leave accumulation for current active employees, and investment return of 4% and no increase for sick leave conversion hourly rate.

### ***Post Employment Benefits***

For Glendale City Employees Association (GCEA) and Glendale Management Association (GMA) employees who retired prior to July 2001, Glendale Police Officers Association (GPOA) employees who retired prior to December 2001 and Glendale Fire Fighters Association (GFFA) employees who retired prior to September 2002, the accumulated unused sick leave upon their retirement may be converted to the number of months that the City will contribute all or partial of these retirees' monthly medical insurance premiums. The conversion calculations are based on the respective bargaining units' MOU or Benefit Ordinance. Currently, there are 9 retirees receiving this City paid benefit. These 9 retirees may also elect at any time to receive a one-time cash payment of a maximum of 50% of the value of the remainder of their unused sick leave conversion for the insurance plan for which they qualify. After all the accumulated unused sick leaves are exhausted or cashed out, the retirees can terminate coverage or elect to continue paying the medical insurance premiums from personal funds.

The City also has a Retiree Healthcare Plan which is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established by and may be



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amended by the City. The premiums collected from the retirees and payments to the insurance companies are recorded in the Medical Insurance Fund, which is an Internal Service Fund. The City does not have a separate audited GAAP-basis post employment benefit plan report for this defined benefit plan. See Note 10 for more information.

### ***Unearned Revenue***

Unearned revenue liability reports revenue 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.

### ***Real 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 combined financial statements. Real property held for resale is carried at the lower of cost or net realizable value (realizable value less cost to sell).

### ***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 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 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 comprise amounts intended to be used by the City for specific purposes but are not restricted or committed, and also represents residual amounts in other funds. The City does not have any assigned fund balances at June 30, 2014.
- 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***

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, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, excluding unspent debt proceeds. 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 or regulations of other governments.

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When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

***Deferred Outflows and Inflows of Resources***

The statements of net position report a separate section for deferred outflows of resources, in addition to assets. 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. The City's deferred outflows of resources at June 30, 2014, is \$1,291 reported in the Electric Fund and Business-type activities

In addition to liabilities, 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 an asset is recorded in governmental fund financial statements but the revenue is not available, the City reports a deferred inflow of resources until such time as the revenue becomes available. The City has recorded deferred inflows of resources – unavailable revenues, of \$13,614 in the General Fund, \$3,224 in the Capital Improvement Fund and \$5,482 in the Nonmajor Governmental Funds.

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(in thousands)

**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 of five years projections. The City Council only approves and authorizes one year of the Capital Improvement Projects. Prior year unspent Capital Improvement Projects budget is carried forward into the new year. Annual budget comparison on multi-year projects is impractical.

All Proprietary fund types are accounted for on a cost of service method (net income). As a result, budget comparisons are impractical. Additionally, the City is not legally mandated to report the results of operations for these Enterprise Fund and Internal Service Fund types on a budget comparison basis; therefore, 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. Appropriations in the General Fund lapse at the end of the year. Therefore, encumbrances are not reserved for commitments made. All commitments incurred in the General Fund will be paid with the new budget in the following year. Open capital project appropriations carry over to the next year.

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 submit to the City Council a proposed budget for the coming year on or before the first of June. The operating budget includes both the sources and types of funds for the proposed expenditures.
- In June, public hearings are conducted to obtain citizen input, with the final budget being adopted no later than July 1.
- The level of appropriated budgetary control is in the following categories for items in excess of \$25: salary and fringe benefits; maintenance and operation; and capital outlay per departmental account.
- The budget is amended during the fiscal year to reflect all transfers and amendments.

The following operating units over expended their appropriations by \$25 or more as of June 30, 2014:

<u>General Fund</u>	<u>Amount Over Expended</u>
Police	
Maintenance and Operation	\$ 232
Public Works	
Salaries and Benefits	92
Parks, Recreation and Community Services	
Maintenance and Operation	288

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(in thousands)

**NOTE 3 – CASH AND INVESTMENTS**

Governmental and Business-type activities:

Cash and investments at fiscal year end consist of the following:

Investments	\$	480,631
Cash with fiscal agents		13,146
Investment with fiscal agent		2,464
		<u>496,241</u>
Cash held in financial institutions & imprest cash		37,067
Total	\$	<u><u>533,308</u></u>

The following amounts are reflected in the government-wide statement of net position:

Pooled cash and investments	\$	379,365
Restricted cash		79,751
Cash with fiscal agents		13,146
Investment with fiscal agent		2,464
Restricted investment – gas/electric commodity		1,088
Designated cash and investments		<u>57,494</u>
Total	\$	<u><u>533,308</u></u>

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

Fiduciary fund:

Cash and investments at fiscal year end consist of the following:

Investments	\$	95,999
Cash with fiscal agents		<u>14,555</u>
Total	\$	<u><u>110,554</u></u>

The following amounts are reflected in the fiduciary statement of net position:

Cash and invested cash	\$	95,970
Restricted cash		29
Cash with fiscal agents		<u>14,555</u>
Total	\$	<u><u>110,554</u></u>

**Authorized Investments**

Under the provisions of the City’s investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio</u>
U.S. Treasury Securities	5 years	100%
Federal Agencies Securities	5 years	100%
State of California and California Local Agencies	N/A	15%
Obligation of Other States	N/A	10%
Medium Term Corporate Notes	5 years	20%
Commercial Paper (A1, P1, F1 minimum rating)	270 days	25%
Bankers’ Acceptances	180 Days	30%
Time Deposits (FDIC Insured)	1 year	10%
Negotiable Certificates of Deposit	1 year	30%
Local Agency Investment Fund (State Pool)	N/A	LAIF maximum
Money Market Mutual Funds	90 days	20%
Los Angeles County Treasury Pool	N/A	10%

Investments in Medium Term Corporate Notes may be invested in Securities rated A or better by Moody’s or Standard and Poor’s rating services and no more than 5% of the market value of the portfolio may be invested in one corporation. Maximum participation in Bankers Acceptance is limited to 10% per bank.

**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 bond fiscal 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. 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

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

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.

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	\$ 5,003	5,003	-	-	-
Federal Agency Term Notes	29,418	9,006	5,004	15,408	-
Federal Agency Callable Bonds	96,621	570	5,004	91,047	-
Corporate Notes	70,163	4,998	10,005	55,160	-
Negotiable Certificates of Deposit	15,011	15,011	-	-	-
Obligations of Other States	4,471	-	-	4,471	-
State and Municipal Bonds	25,460	1,004	2,005	22,451	-
State Investment Pool	180,037	180,037	-	-	-
Los Angeles County Pool	36,047	36,047	-	-	-
Money Market Fund	18,400	18,400	-	-	-
Held by Fiscal Agents:					
Guaranteed Investment Contracts*	2,398	-	-	-	2,398
U.S. Treasury Notes	2,241	2,241	-	-	-
Money Market Fund	10,971	10,971	-	-	-
	<u>\$ 496,241</u>	<u>283,288</u>	<u>22,018</u>	<u>188,537</u>	<u>2,398</u>

Fiduciary fund:

	Total	Remaining Maturity (in Months)	
		12 Months or Less	More than 60 Months
Commercial Paper	\$ 58,688	58,688	-
Negotiable Certificates of Deposit	36,000	36,000	-
Money Market Fund	1,311	1,311	-
Held by Fiscal Agents:			
Money Market Fund	14,555	14,555	-
	<u>\$ 110,554</u>	<u>110,554</u>	<u>-</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 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 any security with a credit rating below BBB.

**CITY OF GLENDALE**

Notes to the Financial Statements  
 Fiscal Year Ended June 30, 2014  
 (in thousands)

Governmental and Business-type activities:

		Moody's Rating as of June 30, 2014								
		Total	Aaa	Aa1	Aa2	Aa3	A1,P1	A2	A3	Unrated
Commercial Paper	\$	5,003	-	-	-	-	5,003	-	-	-
Federal Agency Term Notes		29,418	29,418	-	-	-	-	-	-	-
Federal Agency Callable Bonds		96,621	96,051	-	-	-	-	-	-	570
Corporate Notes		70,163	-	-	-	28,818	18,349	14,013	8,983	-
Negotiable Certificates of Deposit		15,011	-	-	-	-	15,011	-	-	-
Obligations of Other States		4,471	-	-	-	-	-	-	-	4,471
State and Municipal Bonds		25,460	-	3,002	8,891	-	11,050	-	-	2,517
State Investment Pool		180,037	-	-	-	-	-	-	-	180,037
Los Angeles County Pool		36,047	-	-	-	-	-	-	-	36,047
Money Market Fund		238	238	-	-	-	-	-	-	-
Held by JPA (SCPPA)		18,162	-	-	-	-	-	-	-	18,162
Held by Fiscal Agents:										
Guaranteed Investment Contracts*		2,398	-	-	-	-	-	-	-	2,398
Treasury Notes		2,241	2,241	-	-	-	-	-	-	-
Money Market Fund		10,971	10,971	-	-	-	-	-	-	-
	\$	496,241	138,919	3,002	8,891	28,818	49,413	14,013	8,983	244,202

\*The Counterparty rating of Trinity Plus Funding Company, LLC is "A1".

Fiduciary fund:

		Moody's Ratings as of June 30, 2014				
		Total	Aaa	P1	P2	Unrated
Commercial Paper	\$	58,688	-	58,688	-	-
Negotiable Certificates of Deposit		36,000	-	30,000	6,000	-
Money Market Fund		1,311	1,311	-	-	-
Held by Fiscal Agents:						
Money Market Fund		14,555	14,555	-	-	-
	\$	110,554	15,866	88,688	6,000	-

**Concentration Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLMC	Federal Agency Term Notes	\$ 6,484
	Federal Agency Callable Bonds	33,987
	Total	\$ 40,471
FNMA	Federal Agency Term Notes	\$ 19,915
	Federal Agency Callable Bonds	33,997
	Total	\$ 53,912

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in 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 the possession of an outside party. All of a depositor's accounts at an insured depository institution, including noninterest-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. All City of Glendale deposits as of June 30, 2014 were fully insured by FDIC insurance.

For interest-bearing accounts the FDIC deposit insurance amount of \$250 per depositor was made permanent. The City of Glendale does not have any interest-bearing accounts.

The custodial risk for investments is also twofold. An investment trade transaction occurs between a government agency and a broker/dealer (counterparty). Counterparty risk occurs with the failure of a brokerage/dealer, and in a trade transaction with a government agency, the counterparty is then unable to deliver securities after the 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/safekeeper to domicile the securities in its portfolio. The City of Glendale uses Bank of America as its third-party safekeeping servicer, and prevents custodial/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.

### **Investment in Los Angeles County Pool**

The City is a voluntary participant in the Los Angeles County Pooled Surplus 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 on the accrual basis of accounting. Investments are reported at fair value, which is based on quoted market prices. The cash flow needs of the Pool 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.



## CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

### NOTE 4 – HOUSING LOANS RECEIVABLE

The Housing Authority offers various housing loans to the residents of the City. Four different types of housing loans are 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.

- *Single Family Home Rehabilitation Loan*

The program is funded by CDBG grant, HOME grant and LMIHA, and provides funds for moderate rehabilitation of owner-occupied homes for low and moderate income households. The deferred payment loan is interest bearing with rate ranging from 0% to 4% annually (simple interest) 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. The loan is secured by a deed of trust on the property. Although this program does not make any new loans, there are existing loans receivable. As of June 30, 2014, \$2,022 is outstanding, which is recorded in governmental activities in the government-wide financial statement.

- *First Time Home Buyer Loan*

The program is funded by HOME grant, LMIHA and BEGIN grant, and has two categories.

Down Payment Assistant – Resale Homes Purchase. The program provides 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 vary from 30 to 45 years. Loans require either 5% simple annual interest payments (paid monthly), or 0% interest rate with no monthly payments. All loans are second mortgage deferred payment, forgivable loans up to \$75. If the property is sold or transferred, or if the property is no longer owner-occupied before the term expires, the borrower must repay the original principal amount plus an appreciation share. Although this program does not make any new loans, there are existing loans receivable. As of June 30, 2014, \$3,213 is outstanding. Because all these loans are forgivable, they are not recorded on the financial statements.

Down Payment Assistant – New Construction Homes Purchase. For new construction units, the amount of the loan is based upon the amount of the affordability gap. The loan is secured by a deed of trust on the property and affordable housing covenants. The loan term is generally 45 years and the loan is forgiven at the end of the loan term. If the property is sold or transferred, or if the property is 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. As of June 30, 2014, the forgivable loan amount is \$3,239, and the amount 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, 2014, the non-forgivable amount is \$5,329, and is recorded in governmental activities in the government-wide financial statement.

- *Multi-Family Apartment Rehabilitation Loan*

The program is funded by LMIHA, and provides funds for moderate rehabilitation of rental properties owned by private or nonprofit owners. Units must be rented to low and moderate income tenants at an affordable rent for the term of the loan. The loan is secured by a deed of trust and affordable housing covenants on the property. The loan is an interest bearing (4% simple interest), deferred payment, forgivable loan. The maximum loan amount is \$10 per unit for a 5 year loan. In target neighborhoods, the maximum per unit is up to \$15 per unit for a 7 year loan for repairs and rehab. The maximum amount per project is up to \$100. The owner needs to contribute at least 10% of the total project cost. Repayments are due on an annual basis. If the property is in compliance with the terms of the loan agreement, the annual payment is forgiven. As of June 30, 2014, \$99 is outstanding. Because all these loans are forgivable, they are not recorded on the financial statements.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

- *New Construction and Acquisition/Rehabilitation Rental Development Loan*

The program is funded by HOME grant and LMIHA, and provides funds for new construction or acquisition/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 generally require loan principal plus interest to be repaid at the end of the loan term. Residual receipt payments are required on the deferred loans. Loans may also be permanent financing first mortgage loans at below market interest rate, 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, 2014, the amount of loans receivable is \$165, which is recorded in the Low & Moderate Income Housing Asset Fund. The loan will be paid back to the City upon completion of the final cost certification of the Doran Gardens project, and the final cost certification is being anticipated in fiscal year 2015. As of June 30, 2014, the amount of forgivable or contingent loans is \$86,456, which is not recorded on the financial statements.

**NOTE 5 – INTER-FUND TRANSACTIONS**

The composition of interfund balances consists of due to/from other funds, transfers and advances to/from other funds. Due to/from other funds are temporary cash overdrafts within a fund. Advances to/from other funds are borrowings until the fund is healthy to pay it back. Some advances are formal lending agreements between the funds.

Due to/from other funds as of June 30, 2014 consisted of the following:

Due to General fund from:		
Nonmajor governmental funds	\$	12,040
Due to Sewer fund from:		
Water fund	\$	7,144

Advances to/from other funds as of June 30, 2014 consisted of the following:

- \$1,946 of advance in the Emergency Medical Services Fund was the seed money from the General Fund to start the paramedic program. Within the next five years, the fund balance is expected to be positive with increase in revenue and reduction of cost due to implementation of Basic Life Support business model. At that time, the plan is to close this fund and move the operation into the General Fund.
- \$2,262 of advance in the ISD Wireless Fund was a 5 year loan with 2.0% Annual Interest, from the Sewer Fund to upgrade City’s radio infrastructure. Interest accrued starting September 1, 2012 and annual payment is due every September 1<sup>st</sup>. The final payment will be due on September 1, 2017.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

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 (2) move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them.

	Amount	Purpose
Transfer to general fund from:		
Electric fund	\$ 20,607	Fund general fund operations per Charter
Nonmajor enterprise funds	<u>3,050</u>	Fund general fund operations
	<u>23,657</u>	
Transfers to nonmajor governmental funds from:		
General fund	60	Nutritional Meals Grant Matching
Capital improvement fund	1,392	Fund MSB Building lease payment
Capital improvement fund	<u>1,500</u>	Fund Scholl Canyon Landfill reserve
	<u>2,952</u>	
Transfers to capital improvement fund from:		
General fund	330	Fund capital improvement projects
Refuse fund	<u>1,392</u>	Fund capital improvement projects
	<u>1,722</u>	
Transfers to nonmajor enterprise funds from:		
Low & Moderate Income Housing Asset Fund	<u>1,100</u>	Purchase Parking Lot 12 for Housing Project
	<u>1,100</u>	
Transfers to governmental activities from:		
Parking Fund	<u>21</u>	Purchase Parking Lot 12 for Housing Project
	<u>21</u>	
Total Interfund Transfers	\$ <u>29,452</u>	

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1	Increases	Decreases	Reclass	Adjustments*	Balance at June 30**
<b>Governmental Activities</b>						
Capital assets not being depreciated						
Land	\$ 398,848	-	-		21	398,869
Construction in progress	41,047	10,762	-	(5,881)	-	45,928
Total assets not being depreciated	439,895	10,762	-	(5,881)	21	444,797
Depreciable capital assets						
Building and improvements	295,312	1,051	-	730	-	297,093
Machinery and equipment	109,285	7,739	(2,367)	-	-	114,657
Infrastructure	291,869	8,082	(5,272)	5,151	-	299,830
Total other capital assets at cost	696,466	16,872	(7,639)	5,881	-	711,580
Less accumulated depreciation						
Building and improvements	98,910	7,518	-	-	-	106,428
Machinery and equipment	71,492	7,861	(2,361)	-	-	76,992
Infrastructure	96,869	7,554	(5,272)	-	-	99,151
Total accumulated depreciation	267,271	22,933	(7,633)	-	-	282,571
Total assets being depreciated, net	429,195	(6,061)	(6)	5,881	-	429,009
Governmental Activities capital assets, net	\$ 869,090	4,701	(6)	-	21	873,806

\*Capital contribution from Parking Enterprise Fund to Low &amp; Moderate Income Housing Asset Fund.

\*\*\$40,817 and \$42,183 of Machinery and Equipment and Construction in progress for 2013 and 2014 respectively from Internal Service funds is included in Governmental Activities. \$19,600 and \$21,548 of Accumulated Depreciation for 2013 and 2014 respectively from Internal Service funds is included in Governmental Activities.

Depreciation expense was charged to functions of the City's governmental activities for the year ended June 30, 2014 as follows:

<b>Governmental Activities:</b>	
General Government	\$ 2,307
Police	3,421
Fire	1,894
Public Works	12,193
Parks, Recreation and Community Services	2,589
Library	197
Housing, Health and Community Development	332
Total depreciation expense	\$ 22,933

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

	Balance at July 1	Increases	Decreases	Reclass	Adjustments*	Balance at June 30
<b>Business-type Activities</b>						
Capital assets not being depreciated/depleted						
Land	\$ 15,141	-	-	-	(21)	15,120
Construction in progress	37,569	990	-	(23,431)	-	15,128
Total assets not being depreciated/depleted	52,710	990	-	(23,431)	(21)	30,248
<b>Depreciable capital assets</b>						
Building and improvements	383,981	3,960	-	1,168	-	389,109
Machinery and equipment	565,340	11,855	(11,007)	14,705	-	580,893
Infrastructure	126,856	6,520	-	7,558	-	140,934
Total other capital assets at cost	1,076,177	22,335	(11,007)	23,431	-	1,110,936
<b>Depletable capital assets</b>						
Natural gas reserve	22,129	19	-	-	-	22,148
<b>Less accumulated depreciation</b>						
Building and improvements	132,753	9,573	-	-	-	142,326
Machinery and equipment	280,662	28,067	(10,814)	-	-	297,915
Infrastructure	39,276	3,026	-	-	-	42,302
Total accumulated depreciation	452,691	40,666	(10,814)	-	-	482,543
<b>Less allowance for gas depletion</b>						
Natural gas reserve	5,561	1,421	-	-	-	6,982
Total assets being depreciated, net	640,054	(19,733)	(193)	23,431	-	643,559
Business-type Activities capital assets, net	\$ 692,764	(18,743)	(193)	-	(21)	673,807

\*Capital contribution from Parking Enterprise Fund to Low & Moderate Income Housing Asset Fund.

Depreciation and depletion expense was charged to functions of the City's business-type activities for the year ended June 30, 2014 as follows:

**Business-type Activities:**

<b>Depreciation</b>	
Sewer	\$ 5,478
Electric	26,272
Water	5,402
Hazardous Disposal	9
Parking	1,180
Refuse Disposal	2,104
Fire Communication	221
Total depreciation expense	40,666
Depletion – Electric	1,421
Total depreciation and depletion expense	\$ 42,087

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

	Balance at July 1	Increases	Reclass	Adjustments	Balance at June 30
Fiduciary Fund:					
Capital assets not being depreciated					
Land	\$ 27,909	-	-	-	27,909
Construction in progress	1,251	7,228	-	-	8,479
Total assets not being depreciated	<u>29,160</u>	<u>7,228</u>	<u>-</u>	<u>-</u>	<u>36,388</u>
Depreciable capital assets					
Building and improvements	9,280	6,439	-	-	15,719
Machinery and equipment	946	-	-	-	946
Total other capital assets at cost	<u>10,226</u>	<u>6,439</u>	<u>-</u>	<u>-</u>	<u>16,665</u>
Less accumulated depreciation:					
Building and improvements	3,388	219	-	-	3,607
Machinery and equipment	793	49	-	-	842
Total accumulated depreciation	<u>4,181</u>	<u>268</u>	<u>-</u>	<u>-</u>	<u>4,449</u>
Total assets being depreciated, net	<u>6,045</u>	<u>6,171</u>	<u>-</u>	<u>-</u>	<u>12,216</u>
Fiduciary Fund capital assets, net	<u>\$ 35,205</u>	<u>13,399</u>	<u>-</u>	<u>-</u>	<u>48,604</u>

These assets are reported in the Glendale Successor Agency Private Purpose Trust Fund and are required to be disposed in accordance with AB1x26 and AB1484, and these assets do not belong to the City.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

**NOTE 7 – PROPERTY HELD FOR RESALE**

Governmental activities – Low and Moderate Income Housing Asset Fund property held for resale at June 30, 2014:

<u>Acquisition Date</u>	<u>Location</u>		<u>Carrying Value</u>
October 2008	Fifth & Sonora	\$	<u>6,007</u>

Fiduciary Fund property held for resale at June 30, 2014:

<u>Acquisition Date</u>	<u>Location</u>		<u>Carrying Value</u>
December 1987	820 N. Central	\$	825
August 1982	111 E. Wilson		352
March 1986	225 W. Wilson		1,013
June 2008	216-218 S. Brand		2,885
December 2010	212 S. Brand		<u>1,039</u>
		\$	<u>6,114</u>

These assets are reported in the Glendale Successor Agency Private Purpose Trust Fund and these assets do not belong to the City.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

**NOTE 8 – LONG-TERM DEBT AND OTHER LIABILITIES**

The City’s long-term debt as of June 30, 2014 consists of the following:

	Issuance Amount	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due within one year
<b>Governmental Activities</b>						
Claims payable	\$ -	43,650	44,225	43,378	44,497	11,939
Post employment benefits	-	39,066	36,856	-	75,922	-
Compensated absences	-	16,426	5,413	7,991	13,848	2,655
Landfill closure and postclosure care	-	39,635	2,175	-	41,810	-
Certificates of Participation Police building project (COPs)	64,200	48,900	-	7,705	41,195	2,795
Total Governmental Activities long-term liabilities	\$ 64,200	187,677	88,669	59,074	217,272	17,389
<b>Business-type Activities</b>						
Post employment benefits	\$ -	18,931	-	18,931	-	-
Compensated absences	-	5,721	1,015	2,192	4,544	918
Bonds payable:						
Electric Revenue Bonds, 2006 Refunding Series	38,830	31,570	-	1,290	30,280	1,350
Electric Revenue Bonds, 2008 Series	60,000	60,000	-	-	60,000	-
Electric Revenue Bond Refunding Series	20,510	20,510	-	-	20,510	-
Electric Revenue Bonds, 2013 Series	60,000	-	60,000	-	60,000	570
Water Revenue Bonds, 2008 Series	50,000	48,825	-	1,210	47,615	1,245
Water Revenue Bonds, 2012 Series	35,000	35,000	-	-	35,000	-
Bond premium	-	7,293	4,559	544	11,308	468
Total bonds payable	264,340	203,198	64,559	3,044	264,713	3,633
Total Business-type Activities long-term liabilities	\$ 264,340	227,850	65,574	24,167	269,257	4,551



**CITY OF GLENDALE**

Notes to the Financial Statements  
 Fiscal Year Ended June 30, 2014  
 (in thousands)

	Issuance Amount	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due within one year
<b>Governmental Activities</b>						
Other long-term liabilities:						
Capital leases:						
MSB retrofit lease- Capital One Public Funding	\$ 8,200	1,331	-	1,331	-	-
Fire equip't lease 2005- BOA Public Capital Corp.	3,743	860	-	423	437	437
Fire equip't lease 2009- Wells Fargo Equip.	2,299	1,214	-	225	989	233
Section 108 loan - Housing and Urban Development (HUD) (2011 Series)	2,000	1,839	-	170	1,669	178
Residential development loan program (RDLP)-CA Housing Finance Authority	4,643	4,643	-	4,643	-	-
Total other long-term liabilities	20,885	9,887	-	6,792	3,095	848
Total Governmental Activities other long-term liabilities	\$ 349,425	425,414	154,243	90,033	489,624	22,788

For the governmental activities, claims payable, compensated absences and post employment benefits are primarily liquidated by the General Fund.

The Fiduciary fund's long-term liabilities as of June 20, 2014 consist of the following:

	Issuance Amount	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Due within one year
<b>Fiduciary Fund:</b>						
Notes payable	\$ 750	750	-	750	-	-
2002 GRA Tax Allocation Bonds	48,015	27,180	-	27,180	-	-
2003 GRA Tax Allocation Bonds	58,880	33,352	-	33,352	-	-
2010 GRA Tax Allocation Bonds	26,970	26,970	-	150	26,820	275
2011 GRA Subordinate Taxable Tax Allocations Bonds	50,000	48,270	-	1,790	46,480	1,865
2013 GSA Tax Allocation Refunding Bonds	44,985	-	44,985	-	44,985	4,955
Bond premium	-	2,108	4,394	2,425	4,077	544
Net original bond discount - 2010 TABs	-	(280)	-	(23)	(257)	(23)
Net original bond discount - 2011 STTABs	-	(1,742)	-	(145)	(1,597)	(145)
Low and mod loan - Union Bank	14,000	2,254	-	2,254	-	-
Reinstatement of loans payable to City	13,613	-	13,613	-	13,613	1,508
Total Fiduciary fund long-term liabilities	\$ 257,213	138,862	62,992	67,733	134,121	8,979

The above debts are reported in the Glendale Successor Agency Private Purpose Trust Fund and are required to be liquidated in accordance with AB1x26 and AB1484. These debts do not belong to the City.

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

### **Governmental Activities:**

#### **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 closing of the Direct Purchase Agreement with Bank of America), 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. The Remarketing Agent was required to use its best efforts to sell the repurchased COPs at a price equal to 100% of the principal amount by adjusting the interest rate. Prior to July 2013, the City agreed to pay to the Remarketing Agent a fee computed as .065% per annum of the average daily outstanding principal amount. In addition, the COPs were secured by a Standby Bond Purchase Agreement (SBPA) with JPMorgan Chase Bank (JPMorgan). Furthermore, the City agreed to pay to JPMorgan an annual Commitment Fee for the SBPA 0.960% per annum. Under the SBPA, if the COPs were not successfully remarketed or repaid according to their terms, or if the existing SBPA not renewed or the City did not replace the SBPA or otherwise refinance the COPs, JPMorgan was required to purchase the COPs, and all COPs outstanding would have become due in fiscal year 2013-14.

The SBPA was set to expire on July 15, 2013. However, 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 SBPA.

A Direct Purchase Agreement is a financing alternative of which a Bank or a Financial Institution purchases Variable Rate Demand Certificates and hold them for an agreed period of time. This financing alternative is not backed by a Liquidity Facility and remarketing of Certificates is no longer necessary. In addition, Direct Purchase does not require a Reserve Fund deposited with the Trustee. By converting into this financing alternative, it provides savings to the City a Commitment Fee of 0.960% per annum, the Remarketing Fee of 0.065% per annum and other fees associated with maintaining a SBPA that are no longer applicable. Since a Reserve Fund is not required, the City decided to use the existing \$5,000 Reserve Fund with the Trustee to pay down outstanding principal balance. The variable interest rates are based on 70.0% of monthly LIBOR Index plus a fixed spread of 0.400%.

Under the Direct Purchase Agreement, the COPs mature in annual installments ranging from \$2,795 to \$3,480 annually from FY 2015-2030. As of June 30, 2014, the principal balance was \$41,195 and the interest rate was 0.510%. Accordingly, the Certificates of Participation are classified as long-term debt in the City's financial statements. The annual debt service requirement schedule for these COPs can be found on page 82.

The Financing Authority has leased the Police Building back to the City of Glendale pursuant to a lease agreement dated July 1, 2000. The bond indebtedness is secured by a lease to the City and is payable from rentals received under terms of the lease agreement. The annual lease payments from the City of Glendale 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

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

future CDBG funds as principal security for the loan. The principal amounts range from \$178 to \$242 for fiscal year 2015 to 2022. The Section 108 loan payment is budgeted as a CDBG project each year based on the payment schedule.

### ***Residential Development Loan Program (RDLP) Loan***

The loan in the amount of \$5,000 was approved by the California Housing Finance Authority to the Housing Authority of the City of Glendale, from proceeds of the Housing and Emergency Shelter Trust Fund of 2006 (Proposition 1C Housing Bond) on November 5, 2008. The loan has a 5 year 9 month term (as amended) with a 3% simple annual interest rate. The Housing Authority drew \$4,809 in August 2009, and returned \$253 of unused funds in March 2010, of which \$166 was applied to principal repayment, and \$87 was applied to interest. The purpose of the loan is to provide land acquisition financing for a portion of the Doran Gardens project. The Loan Agreement states that it is an unsecured loan, and repayment is a general obligation of the Housing Authority. The RDLP loan principal and interest were paid off in December 2013, after the sale of the affordable units for the Doran Gardens project.

### **Capital Improvement Projects**

#### ***Landfill Closure and Post-closure 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 closure and post-closure maintenance and to establish a financial mechanism to demonstrate the availability of funding to conduct closure and post-closure 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 post-closure maintenance cost of Scholl Canyon. According to Los Angeles County Sanitation District's records, the permitted capacity filled between August 18, 1989 and July 11, 2013 was 10.35 million tons. The permitted capacity filled between July 11, 2013 and July 11, 2014 was 0.23 million tons. The total permitted capacity as of August 18, 1989 remains 14.75 million tons. Therefore, the City has 4.17 million tons unfilled capacity remaining. Using an inflation factor from the Sanitation Districts of 1.015, the total estimated care post-closure cost is \$58,289. Using the data above, the amount of \$41,810 is recognized as a long-term liability on the Statement of Net position. Accordingly, the portion of the estimated total obligation for landfill post closure costs that has not been recognized in the financial statements is \$16,479. 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, 2014 the City has set aside \$23,850 of this in the Landfill Postclosure Fund. The total current cost of landfill closure and post-closure care is an estimate subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

#### ***Capital Leases***

The City entered into a Master Lease Agreement with SunTrust Leasing Corporation to provide funds for acquisition of fire equipment, which includes two 2004 Pierce Quantum Tiller Trucks, four Pierce Quantum Pumper Trucks with CAFS Foam System, four fabrication and installation of equipment brackets to Pierce Pumper Trucks, two fabrication and installation of equipment brackets into Pierce Ladder Trucks, one Brush Patrol Truck 2005 GMC Sierra, and one Battalion Chief Command Vehicle 2005 GMC Yukon. The cost of the equipment funded was \$3,743 with an annual interest rate of 3.65%. The City will make lease payments each consisting of principal and interest for a term of ten years. The annual lease payment is \$453. Payments are due on April 20 annually. The balance of \$1,659 has been assigned by SunTrust Leasing Corporation to Bank of America Public Capital Corp. As of June 30, 2014 the outstanding balance of this lease was \$437.

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 4.04%. The City makes lease payments each year consisting of principal and interest for a term of ten years commencing in fiscal year 2008-

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

09. The annual lease payment is \$273. Payments are due on December 15 annually. As of June 30, 2014, the outstanding balance of this lease was \$989.

### **Business-type Activities:**

#### **Enterprise Funds**

##### ***Electric Revenue Bonds, 2006 Refunding Series***

The Electric utility of Glendale Water & Power issued \$38,830 in revenue bonds in April 2006 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2000 Series. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2000 Series through a legal defeasance. The advance refunding of Electric Revenue Bonds, 2000 Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. Deferred loss on refunding as of June 30, 2014 for \$1,147 is recognized and reported in the financial statements as a deferred outflow of resources and is being amortized through February 1, 2030. At June 30, 2009, \$37,000 of the 2000 series bonds outstanding is considered defeased. Liabilities for defeased bonds are not included in the City's financial statements.

The terms of the Electric Revenue Bonds, 2006 Refunding Series' (2006 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 reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$1,327.

The bonds mature in regularly increasing amounts ranging from \$1,350 to \$2,570 annually from 2015 to 2030. The 2006 Refunding Bonds maturing on or prior to February 1, 2016 are not subject to redemption prior to maturity. The 2006 Refunding Bonds maturing on and after February 1, 2017 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2016, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2006 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

##### ***Electric Revenue Bonds, 2008 Series***

The Electric utility of Glendale Water & 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.

The terms of the 2008 Electric 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. Up to 50% of the Reserve Fund Requirement amount may be held in an unrestricted fund or account. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$2,241.

The bonds mature in regularly increasing amounts ranging from \$1,880 to \$4,195 annually from 2018 to 2038. 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.

##### ***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.

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

The current refunding resulted in the recognition of a deferred outflow of resources of \$155 and is being amortized through year 2032. The City in effect reduced its aggregate debt service payments by \$4,070 over the next nineteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$3,695 (2.478%). The bonds mature in regularly increasing amounts ranging from \$900 to \$1,805 annually from 2017 to 2032.

### ***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 reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$1,712. The bonds mature in regularly increasing amounts ranging from \$570 to \$3,795 annually from 2015 to 2043.

### ***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 \$3,485.

The bonds mature in regularly increasing amounts ranging from \$1,245 to \$3,060 annually from 2015 to 2038. 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 \$1,636.

The bonds mature in regularly increasing amounts ranging from \$415 to \$4,945 annually from 2018 to 2042. 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.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

**Annual Debt Service Requirement Schedule**

In May 2013, the City and the Financing Authority adopted Resolutions approving the replacement of the current Standby Bond Purchase Agreement (SBPA) for the Police Building Project Variable Rate Demand Certificates of Participation (COP's) that was set to expire on July 15, 2013, with the Direct Purchase Agreement with Bank of America that expires on July 8, 2016. The Direct Purchase closed on July 8, 2013. Bank of America purchased the Certificates and will hold them for three years. If the City is not able to either renew or extend the Direct Purchase Agreement when it expires on July 8, 2016, then the entire amount of the outstanding Police Building Project (COP's) of \$33,785 would be due and payable for the fiscal year ending June 30, 2017 resulting in total governmental and business-type principal debt service payments of \$40,846 for the fiscal year ending June 30, 2017.

The annual debt service requirement schedule for governmental and business-type activities is as follows:

Fiscal Year	Police Building Project (COPs) Governmental Activities		Capital Leases Governmental Activities	
	Interest	Principal	Interest	Principal
2015	\$ 222	2,795	56	670
2016	207	2,795	31	242
2017	192	1,820	21	252
2018	182	1,905	11	262
2019	172	1,985	-	-
2020-2024	689	11,520	-	-
2025-2029	344	14,895	-	-
2030-2034	19	3,480	-	-
	\$ 2,027	41,195	119	1,426

Fiscal Year	Section 108 (2011 Series) Loan Governmental Activities		Electric and Water Revenue Bonds Business-type Activities	
	Interest	Principal	Interest	Principal
2015	\$ 28	178	11,455	3,165
2016	27	186	11,337	3,745
2017	24	194	11,177	4,795
2018	22	203	10,951	7,260
2019	18	212	10,627	7,545
2020-2024	26	696	47,690	42,960
2025-2029	-	-	36,795	53,530
2030-2034	-	-	24,977	51,555
2035-2039	-	-	14,035	64,720
2040-2044	-	-	3,548	14,130
	\$ 145	1,669	182,592	253,405

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Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

Fiscal Year	Total Governmental Activities		Total Business-type Activities		Total Debt Service
	Interest	Principal	Interest	Principal	
2015	\$ 306	3,643	11,455	3,165	18,568
2016	264	3,223	11,337	3,745	18,568
2017	238	2,266	11,177	4,795	18,476
2018	215	2,370	10,951	7,260	20,796
2019	190	2,197	10,627	7,545	20,559
2020-2024	716	12,216	47,690	42,960	103,582
2025-2029	344	14,895	36,795	53,530	105,564
2030-2034	19	3,480	24,977	51,555	80,031
2035-2039	-	-	14,035	64,720	78,755
2040-2044	-	-	3,548	14,130	17,678
	\$ 2,292	44,290	182,592	253,405	482,577

**Fiduciary Fund – Successor Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the Bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another local government unit will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government and to pay existing enforceable obligations of the dissolved redevelopment agency. Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated semi-annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

On January 10, 2012, the City Council elected to become the Successor Agency for the former Glendale Redevelopment Agency (“the former Agency”) in accordance with the Bill, as part of City resolution number 12-01. Since then, the Glendale Successor Agency (“the Successor Agency”) has been preparing the Recognized Obligations Payment Schedule (ROPS) that is subject for the State Department of Finance’s (“the DOF”) approval semi-annually and paying the former agency’s existing enforceable obligations including the payments of the semi-annual debt service for the following outstanding Tax Allocation Bonds:

***Tax Allocation Bonds, 2002 Series***

These Tax Allocation Bonds Series were refunded in November 2013 by the Tax Allocation Bonds, 2013 Refunding Series.

***Tax Allocation Bonds, 2003 Refunding Series***

These Tax Allocation Bonds Series were refunded in November 2013 by the Tax Allocation Bonds, 2013 Refunding Series.

***Tax Allocation Bonds, 2010 Series***

The former Glendale Redevelopment Agency (the “Agency”) issued \$26,970 in 2010 tax allocation bonds with an average rate of 5% for 15 years to fund economic development activities of the Agency primarily relating to the Adult Recreation Center Improvement; Glendale Central Library Renovation and Columbus Soccer Field Project, to fund a reserve account for the Bonds, and to pay the expense of the Agency in connection with the issuance of the Bonds. The Bonds mature in amounts

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

ranging from \$275 to \$8,510 from 2015 to 2025. The incremental property tax revenues allocated to and received by the Agency for the Central Project Area on a parity with the Agency's previously issued 2002 tax allocation bonds and 2003 tax allocation refunding bonds, net of county share of statutory tax sharing and county administration charge, pledged to the payment of principal, interest and discounts on these bonds. The property tax derived from the former Agency's Central Project Area is pledge 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, 2014, the principal balance of this issue is \$26,820.

### ***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 \$1,865 to \$7,210 from 2015 to 2025. 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 a parity with the pledge and lien which secures 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 a 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 pledge 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, 2014, the principal balance of this issue is \$46,480.

### ***Tax Allocation Bonds, 2013 Refunding Series***

The Glendale Successor Agency (the "GSA") issued \$44,985 in 2013 tax allocation refunding bonds with an average rate of 4.81% to defeased 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 \$4,955 to \$6,455 from 2015 to 2022. 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, 2014 for \$1,956 is recognized and reported in the financial statements as a deferred outflow of resources and is being amortized through fiscal year 2021. 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 pledge 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, 2014, the principal balance of this issue is \$44,985.

### ***Low & Mod Loans Payable***

The Low and Moderate Housing of the former Glendale Redevelopment Agency, now Glendale Housing Successor Agency obtained a \$14,000 loan from Union Bank of California in February 2009 to fund the development of affordable rental and owner housing projects. The Housing Authority received proceeds of \$13,920 in February 2009, net of cost of issuance of \$80. The term of the loan is five years, and the interest rate is 3.35%. The total interest is \$1,281. This loan was paid off in fiscal year 2013-14.

### ***Notes Payable***

The former Glendale Redevelopment Agency (the former "Agency") the successor to the former Glendale Redevelopment Agency and the City of Glendale (the "City") entered into a Loan Agreement for the purpose of covering the financial gap between the Successor Agency's funding sources and the actual cost to fund the Alex Theatre Expansion Project. The City



**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

agreed to lend to the Successor Agency the principal amount of \$750, which shall be secured by a deed of trust recorded against the Alex Theatre property. The loan shall be treated as an enforceable obligation of the Successor Agency payable from the Redevelopment Property Tax Trust Fund (RPTTF) paid by the Los Angeles County Auditor-Controller to the Successor Agency for enforceable obligations and shall be included on list of the Successor Agency’s enforceable obligations on ROPS 13-14B covering the period from January 1, 2014 through June 30, 2014, and on every subsequent ROPS period until the Loan is paid in full. Interest on the Loan shall accrue at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually, and shall accrue as of the Effective Date and continue until such time as the Loan is repaid in full. On January 2, 2014, the County of Los Angeles distributed the RPTTF to be used to pay ROPS 13-14B of which it included the \$750 to be paid to the City. The State Department of Finance (DOF) did not approve the payment of interest for this loan. As of June 30, 2014, this note was paid off.

**Loans Payable**

When the California Supreme Court upheld Assembly Bill 1x 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California that took effect February 1, 2012, the former Glendale Redevelopment Agency’s (“the former Agency”) Advances from the City was invalidated. As a result, the City had written off the former Agency’s Advances’ outstanding balance of \$71,758 in fiscal year 2012.

However, when legislature approved Assembly Bill 1484, the Host Agency was eligible to reinstate the City/Agency loans pursuant to California Health & Safety Code section 34191.4. The Host Agency and the Successor Agency received approval from its Oversight Board and from the State Department of Finance to reinstate the City/Agency loans. However, the reinstated loan is limited by H&SC section 34191.4 which allows the Successor Agency to repay the loan pursuant to a formula that prescribes the maximum payment per fiscal year as equal to one-half of the increase between the amount distributed to the taxing entities pursuant to H&SC section 34183 and the amount distributed to the taxing entities pursuant to that paragraph in the 2012-2013 base year. In addition, the accumulated interest on the remaining principal loan balance is required to be recalculated from loan origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (LAIF). The loans are required to be repaid in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into LAIF. Furthermore, twenty percent (20%) of any loan repayment is required to be deducted and transferred to the City’s Low and Moderate Income Housing Asset Fund. As of June 30, 2014, the reinstated loan amount is \$13,613. See Note 16 for further information related to the outstanding loan balance.

Glendale Successor Agency annual debt service requirement schedule:

Fiscal Year	GSA Tax Allocation Bonds Fiduciary Fund		Loans Payable Fiduciary Fund		Total Debt Service
	Interest	Principal	Interest	Principal	
2015	\$ 6,546	7,095	-	1,508	15,149
2016	6,439	7,985	-	1,729	16,153
2017	6,091	8,300	-	1,729	16,120
2018	5,652	9,080	-	1,729	16,461
2019	5,148	9,565	-	1,729	16,442
2020-2024	16,934	60,540	-	5,189	82,663
2025-2029	967	15,720	-	-	16,687
	<u>\$ 47,777</u>	<u>118,285</u>	<u>-</u>	<u>13,613</u>	<u>179,675</u>

The above debts are reported in the Glendale Successor Agency Private Purpose Trust Fund and are required to be liquidated in accordance with AB1x26 and AB1484. These debts do not belong to the City.

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

### **NOTE 9 – EMPLOYEE RETIREMENT SYSTEM AND PLAN**

#### **California Public Employees' Retirement System**

##### ***Plan Description***

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All full-time employees, which include both safety (fire and police) and miscellaneous (general and management) employees, are required to participate in the single CalPERS plan, in which all related benefits vest after five years of service. Upon five years of service, employees who retire at age 50 or older are entitled to receive an annual retirement benefit. The benefit is payable monthly for life.

For all employees hired before January 1, 2011, they are under the 1st tier plan, and the benefit is calculated as follows: years of credited service multiplied by their highest twelve consecutive months of salary multiplied by a percentage factor. The percentage factor is age-based. Under the 1st tier plan, the safety employees use the 3% at age 50 factor, and the miscellaneous employees use the 2.5% at age 55 factor.

All employees hired between January 1, 2011 and December 31, 2012, and existing CalPERS members from other municipalities hired on or after January 1, 2013 are under the 2nd tier plan. For miscellaneous employees, the benefit is calculated as follows: years of credited service multiplied by their highest three average years of salary multiplied by a percentage factor. The miscellaneous employees use the 2% at age 55 factor. For police safety employees hired on or after January 1, 2012, the benefit is calculated as follows: years of credited service multiplied by their highest three average years of salary multiplied by a percentage factor. The police safety employees use the 3% at age 55 factor. For fire safety employees hired on or after January 1, 2011, the benefit is calculated as follows: years of credited service multiplied by their highest twelve consecutive months of salary multiplied by a percentage factor. For fire safety employees hired on or after January 1, 2014, the benefit is calculated as follows: years of credited service multiplied by their highest three average years of salary multiplied by a percentage factor. The fire safety employees use the 3% at age 55 factor.

Effective January 1, 2013, the City implemented Public Employees' Pension Reform Act of 2013 (PEPRA). For new employees hired on or after January 1, 2013 who are not CalPERS members, or who have been separated from CalPERS for more than six months, the benefit is calculated as follows: years of credited service multiplied by their highest three average years of salary (subject to the cap) multiplied by a percentage factor. The miscellaneous employees use the 2% at age 62 factor. The safety employees use the 2.7% at age 57 factor. In 2014, the annual salary cap that counts towards final compensation is at \$115 (Social Security wage base) for employees who participate in Social Security or \$138 (120% of the Social Security wage base) for employees who do not participate in Social Security. This compensation cap would be adjusted annually based on the Consumer Price Index for All Urban Consumers.

CalPERS also provides death and disability benefits. CalPERS issues a public financial report that includes financial statements and required supplemental information of participating public entities within the State of California. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street, Sacramento, CA 95811.

##### ***Funding Method***

CalPERS is a contributory plan deriving funds from employee and employer contributions as well as earnings from investments. The actuarial funding method used for the retirement program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed

## CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. Commencing with the June 30, 2013 valuation all new gains or losses are tracked and 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), changes in actuarial assumptions, or changes in actuarial methodology are amortized separately 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 unfunded accrued liability due to a Golden Handshake will be amortized over a period of 5 years. If a plan's accrued liability exceeds the market value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. An exception has been made for the change in asset value from actuarial to market value in this valuation. The CalPERS Board approved a 30-year amortization with a 5-year ramp-up/ramp-down for only this change in method.

Additional contributions will be required for any plan or pool if their cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis to either:

- Increase by at least 15 percent by June 30, 2043; or
- Reach a level of 75 percent funded by June 30, 2043

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses, except for those occurring in the fiscal years 2008-2009, 2009-2010, and 2010-2011 to a period, which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases, a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. As mentioned above, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. However, in the case of a 30-year fresh start, just the unfunded liability not already in the (gain)/loss base (which is already amortized over 30 years), will go into the new fresh start base. In addition, a fresh start is needed in the following situations:

- 1) When a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or
- 2) When there are excess assets, rather than an unfunded liability. In this situation, a 30-year fresh start is used, unless a longer fresh start is needed to avoid a negative total rate.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the fresh start period is set by the actuary at what is deemed appropriate; however, the period will not be less than five years, nor greater than 30 years.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

The City's member contribution rates and employer contribution rates, including the employees' cost sharing toward the employer rates, are shown in the table below.

Employee Group	CalPERS Membership	Retirement Formula	Member Contribution Rate	Employer Contribution Rate	
				Employees' Cost Sharing	City Portion
<b>Miscellaneous Employees</b>					
GCEA* (Glendale City Employee Association)	Classic (1st Tier)	2.5% @ 55	11.00%	0.00%	13.183%
	Classic (2nd Tier)	2.0% @ 55	10.00%	0.00%	13.183%
	PEPRA (3rd Tier)	2.0% @ 62	9.75%	0.00%	13.183%
IBEW (International Brotherhood of Electrical Workers)	Classic (1st Tier)	2.5% @ 55	8.00%	0.50%	15.683%
	Classic (2nd Tier)	2.0% @ 55	7.00%	0.50%	15.683%
	PEPRA (3rd Tier)	2.0% @ 62	6.75%	0.50%	15.683%
GMA (Glendale Management Association)	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	13.183%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	13.183%
	PEPRA (3rd Tier)	2.0% @ 62	6.75%	3.00%	13.183%
<b>Safety Employees (Sworn)</b>					
GPOA (Glendale Police Officer Association)	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	28.292%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	28.292%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.50%	28.292%
GFFA** (Glendale Fire Fighter Association)	Classic (1st Tier)	3.0% @ 50	9.00%	3.00%	28.792%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.00%	28.792%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.00%	28.792%
GMA - Police	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	28.292%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	28.292%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.50%	28.292%
GMA - Fire**	Classic (1st Tier)	3.0% @ 50	9.00%	3.00%	28.792%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.00%	28.792%
	PEPRA (3rd Tier)	2.7% @ 57	12.00%	3.00%	28.792%

\* Prior to May 1, 2013, GCEA's member contribution rate and cost sharing rate were the same as GMA.

\*\*GFFA and GMA-Fire's cost sharing rate was 2.25% from July 1, 2013 to December 31, 2013.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

The City's annual required employer contributions to CalPERS (including the employees' cost sharing) totaled \$28,730 during the fiscal year ended June 30, 2014, in accordance with actuarially determined contribution requirements through an actuarial valuation as of June 30, 2011. The breakdown of the employer contribution is as followed:

<b>Plan</b>		<b>Annual Required Employer Contribution</b>	<b>City Contribution</b>	<b>Employees' Cost Sharing</b>
Miscellaneous	\$	13,910	11,911	1,999
Safety				
Police		8,729	7,766	963
Fire		6,091	5,587	504
		<u>14,820</u>	<u>13,353</u>	<u>1,467</u>
Total	\$	<u>28,730</u>	<u>25,264</u>	<u>3,466</u>

**Asset Valuation Method**

It is the policy of the CalPERS Board of Administration to use professionally accepted amortization methods to eliminate unfunded accrued liabilities or surpluses in a manner that maintains benefit security for the members of the System while minimizing substantial variations in employer contribution rates. On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

**Actuarial Assumptions**

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. For more details, please refer to the experience study report that can be found at the following link:  
<http://www.calpers.ca.gov/eip-docs/about/pubs/employer/2014-experience-study.pdf>

The actuarial calculation is based on three categories: Economic assumptions, miscellaneous loading factors, and Demographic assumptions.

1. Economic Assumptions:
  - a) Discount rate is 7.50% compounded annually.
  - b) Termination liability discount rate is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities.
  - c) Salary growth annual increases vary by category, entry age and duration of service, ranging from 3.30% to 14.20%.
  - d) Overall payroll growth is 3.00% compounded annually.
  - e) Inflation is 2.75% compounded annually.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

- f) Non-valued potential additional liabilities – the potential liability loss for a cost of living increase exceeding the 2.75% inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.
2. Miscellaneous Loading Factors
- a) For plans with the Credit for Unused Sick Leave provision, total service years is increased by 1 percent.
  - b) For plans with the Conversion of Employer Paid Member Contributions (EPMC) provision, total service years is increased by the Employee Contribution Rate during the final compensation period.
  - c) Pursuant to the 1983 Supreme Court Norris decision, employees hired prior to July 1, 1982 are given the best possible conversion factor (“Best Factors”) in the calculation of optional benefit forms.
  - d) The termination liabilities include a 7 percent contingency load for unforeseen improvements in mortality.
3. Demographic Assumptions:
- a) Pre-retirement mortality
  - b) Post-retirement mortality
  - c) Marital status
  - d) Age of spouse
  - e) Terminated members
  - f) Termination with refund
  - g) Termination with vested benefits
  - h) Non-industrial (not job-related) disability
  - i) Industrial (job-related) disability
  - j) Service retirement

***Annual Pension Cost***

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2012:		
Misc.	\$ 15,821	100%
Safety	<u>14,749</u>	100%
Total	<u><u>30,570</u></u>	100%
6/30/2013:		
Misc.	14,066	100%
Safety	<u>14,468</u>	100%
Total	<u><u>28,534</u></u>	100%
6/30/2014:		
Misc.	13,910	100%
Safety	<u>14,820</u>	100%
Total	<u><u>\$ 28,730</u></u>	100%

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

***Schedule of Pension Funding Progress***

Actuarial Valuation Date	Market Value of Assets (A)	Accrued Liability (B)	(Over- funded)/ Unfunded (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	(Overfunded)/ Unfunded as a Percentage of Covered Payroll ((B-A)/C)
6/30/2013:						
Misc.	\$ 688,149	898,721	210,572	76.60%	\$ 88,616	237.62%
Safety	451,424	652,783	201,359	69.20%	45,993	437.80%
Total	<u>1,139,573</u>	<u>1,551,504</u>	<u>411,931</u>	73.45%	<u>134,609</u>	306.02%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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 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 offers 5% of the employees' final pay, which the employees can 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 that 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 \$1,987 was paid to PARS in FY 2013-14.

**CITY OF GLENDALE**

Notes to the Financial Statements  
 Fiscal Year Ended June 30, 2014  
 (in thousands)

**NOTE 10 – POST EMPLOYMENT BENEFITS**

The City provides retiree medical benefits through the City’s standalone healthcare plans. The City allows retirees to purchase healthcare coverage at blended active and retiree rates. This results in an “implied subsidy” since the healthcare costs are lower for active employees than for retirees.

The City’s contribution is currently based on a pay-as-you-go funding method, that is, benefits are payable when due. For fiscal year 2013-14, the City contributed \$2,817 in benefit payments (\$55 for the premium subsidy and \$2,762 for the implied subsidy). No assets were invested in an irrevocable plan trust.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City’s annual Other Post Employment Benefits (OPEB) cost for the year, the amount actually contributed to the plan, and changes in the City’s Net OPEB obligation:

	<u>Amount</u>
Annual required contribution	\$ 23,004
Interest on net OPEB obligation	2,264
Amortization of net OPEB obligation	<u>(4,526)</u>
Annual OPEB cost (expense)	20,742
Contributions to irrevocable trust	-
Benefit payments	<u>(2,817)</u>
Increase in net OPEB obligation	17,925
Net OPEB obligation – beginning of year	<u>57,997</u>
Net OPEB obligation – end of year	<u>\$ 75,922</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 20,932	12%	\$ 38,242
6/30/2013	22,412	11%	57,997
6/30/2014	20,742	14%	75,922

The funded status of the plan as of June 30, 2013, the plan’s most recent actuarial valuation date, was:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
6/30/2013	\$ 0	214,014	214,014	0%	\$ 121,029	177%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the



**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the City's investments, a 3% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 8.5% for 2014 decreasing to 5.0% after 7 years. The post-Medicare eligible medical cost trend rate started 0.4% higher for 2014. The June 30, 2009 UAAL is being amortized as a level percentage of projected payroll over a 30 years closed period (26 years remaining for fiscal year 2013/14 ARC). Subsequent increases / decreases in UAAL due to actuarial gains / losses or changes in assumptions are amortized over 15 year closed periods. The remaining average amortization period at June 30, 2013 was 17 years.

**NOTE 11 - RESTRICTED NET POSITION**

The government-wide statement of net position reports \$78,992 of restricted net position, of which \$39,764 is restricted by enabling legislation. The City Charter requires \$22,593 in restricted net position to be set aside to meet the legal demands against the treasury during the beginning of new budget period prior to the receipt of ad valorem taxes. Pursuant to redevelopment laws of the State of California, \$17,171 is restricted for low and moderate housing.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

**NOTE 12 - NET DEFICITS OF INDIVIDUAL FUNDS**

As of June 30, 2014, the following funds have negative fund balances or net position:

Other governmental funds:

Special Revenue Funds:

CDBG Fund	\$	62
PW Special Grants Fund		551
Measure R Regional Return Fund		734
Transit Utility Fund		3,793
Police Special Grants Fund		25
Fire Grant Fund		264
Emergency Medical Services Fund		4,860

Internal Service Funds:

Compensation Insurance Fund	\$	15,807
Employee Benefits Fund		3,030

CDBG Fund – Vendors involved in capital projects are only paid 90% of the invoiced amounts prior to completion of the project although 100% of the invoiced amounts are expenditures. Based on the grant regulations, the 10% retention cannot be drawn until it is paid.

PW Special Grants Fund – This is a reimbursement type of grant. These revenues are always drawn down based on the expenditures. As such, there will always be a timing difference between revenue and expenditures resulting in a deficit, as the revenue does not represent available resources.

Measure R Regional Return Fund – This is a reimbursement type of grant. These revenues are always drawn down based on the expenditures. As such, there will always be a timing difference between revenue and expenditures resulting in a deficit, as the revenue does not represent available resources.

Transit Utility Fund – Beeline bus expenditures were accrued in FY2014. However, the related revenue from the Metropolitan Transportation Authority (“MTA”) was not available at June 30, 2014.

Police Special Grants Fund – This is a reimbursement type of grant. These revenues are always drawn down based on the expenditures. As such, there will always be a timing difference between revenue and expenditures resulting in a deficit, as the revenue does not represent available resources.

Fire Grant Fund – This is a reimbursement type of grant. These revenues are always drawn down based on the expenditures. As such, there will always be a timing difference between available revenue and expenditures resulting in a deficit, as the revenue does not represent available resources.

Emergency Medical Services Fund – During FY 2009-10, the Glendale Fire Department successfully introduced and implemented the Basic Life Support (BLS) component to the EMS system to reduce costs of service delivery as well as the deficit over the next five years.

Internal Service Funds – The deficits have been decreasing due to the premium increases in fiscal year 2013-14 and prior fiscal years. The City will continue to increase the premiums in the future to eliminate the deficits.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

**NOTE 13 - 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 2014-15 is as follows:

Insurance Type	Program Limits	Deductible /SIR (self insured retention)
Excess Liability Insurance	\$20,000	\$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)	\$400,000	\$25 deductible all locations
Aviation Insurance (Police Helicopter)	\$50,000	Various deductibles
Employee Dishonesty – Crime Policy	\$1,000	\$25

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, 2014 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 Changes	Claim Payments	Ending Balance
2012-13	\$46,742	38,614	41,706	43,650
2013-14	\$43,650	44,225	43,378	44,497

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.

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

**NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS**

**Power Purchase Agreements**

The City first participated in Boulder Canyon Project for electric service from the Hoover Power Plant in 1937 for a term of 50-year, expired on May 31, 1987. The plant was operated by Southern California Edison and Los Angeles Department of Water and Power under the supervision of the Bureau of Reclamation during the contract term. Before the expiration of the contract, Hoover Power Plant Act of 1984 authorized the uprating of the 17 main generating units and provided long-term contingent capacity and firm energy to the participants in a renewal contract. The uprating program replaced all 17 original turbines in the Hoover Dam Power Plant began in 1986. When the program was finished in 1993, it increased the capacity of the plant from 1,344 megawatts to 2,079 megawatts.

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. The Bureau of Reclamation also assumed control of operation and maintenance of the plant in 1987. Under this renewed contract, the City is entitled to 21 megawatts or 1.03% of the capacity and 1.59% of the firm energy.

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.

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.

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

### **NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

#### **Joint Power Agreement between the City and the Glendale Community College**

The City and the Glendale Community College (College) have agreed to establish a multi-faceted parking program to facilitate on street parking for the City residents living near the College campus and to meet the parking needs of the College. In order to implement the parking program, the City and the College have entered into a Joint Power Agreement (JPA) and issued \$4,000 in bonds - Glendale Parking Facilities Joint Powers Authority Parking Revenue Bonds, 2003 Refunding Series A (Bonds). The Bonds do not constitute a debt or liability of the JPA nor is the JPA liable for the payment of the principal or interest on the Bonds. The College provides fiscal management for this JPA. The amount of revenues available to pay debt service on the Bonds will be derived from two sources. The first source is the student-parking permit. The second source is the metered revenue from the City owned parking lots. In return for the loss of the metered revenue, the City shall receive reimbursement annually of \$100. In addition, the City shall receive annual reimbursement of at least \$25 for lot and meter maintenance. Furthermore, any remaining balance of the revenue, after debt service and JPA operational costs, shall be divided equally between the City and the College.

The City is obligated: (i) to establish and collect parking meter revenues at the City Parking Lots, (ii) to strictly enforce metered parking at the City Parking Lots through the use of citations and the collection of fines, (iii) to operate and maintain at its expense the City-owned parking facilities, (iv) to make funds available to JPA to allow for the repair and replacement of the City Parking Lots in the event of damage or destruction or, in the alternative, to redeem Bonds, and (v) to implement and enforce the expanded residential permit parking area program in and around the College campus and in the event the Civic Auditorium parking facilities are constructed, to allow the College students with student parking program permits to use such facilities during the periods that the Civic Auditorium functions are not in progress.

#### **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, 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.

#### **“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 61% of its total energy requirements during fiscal year 2013-2014. With a few exceptions, the City is obligated to pay the amortized cost of indebtedness regardless of the ability of the contracting agency 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 Project, 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. 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 Intermountain Consumer Power Association (ICPA), agent for the Utah Municipal Purchasers and the Cooperative Purchasers,

## CITY OF GLENDALE

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

which entitles the City to additional shares that can vary from year to year. As of June 30, 2014, Glendale's excess entitlement share is 0.46%. The total City's obligation from Intermountain Power Project (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, 2014, Glendale's share is 4.40%.
- A 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 rated at 1,920 megawatts. The City's share of the line is 2.27% or approximately 44 megawatts. As of June 30, 2014, Glendale's share is 2.27%.
- A 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, 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. As of June 30, 2014, Glendale's share is 9.80%.
- A 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, 2014, Glendale's share is 11.04%.
- A 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, 2014, Glendale's share is 14.80%.
- A 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, 2014, Glendale's generation cost share is 16.53% and indenture cost share is 17.25%.
- A 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 spot market price. The delivery of natural gas started in July 2008. As of June 30, 2014, Glendale's share is 23.00%.
- An 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 MW capacity wind farm. The 25 year purchase power agreement with SCPPA is for the purchase of 10.00% (approximately 5 MW) of the capacity of the project. The City has sold its

**CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2014, Glendale's share is 10.00%.

- A 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 PacificCorp's Tieton Substation. The City is obligated for approximately 6.8 megawatts or 50.00% of the project's output. As of June 30, 2014, Glendale's share is 50.00 %.
- A 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 Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2014, Glendale's share is 7.63 %.
- The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard Counties, 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 Water and Power, but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2014, Glendale's share is 4.90%.

Take-or-Pay commitments expire upon final maturity of outstanding bonds for each project. 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)	2030	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%

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Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

A summary of the City's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2014:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	TOTAL
2015	\$ 4,207	525	1,512	176	2,246	892	2,746	2,726	684	1,044	2,273	444	19,475
2016	4,711	554	1,879	1,614	2,514	1,016	3,717	4,562	1,015	1,679	3,132	630	27,023
2017	3,316	556	1,846	1,612	2,450	982	3,718	4,561	1,016	1,679	3,131	631	25,498
2018	4,821	560	1,818	1,611	2,431	976	2,895	4,588	1,015	1,680	3,132	630	26,157
2019	5,263	-	1,798	1,610	2,410	966	2,895	4,715	1,016	1,679	3,132	631	26,115
2020-2024	13,717	-	9,113	1,563	4,179	1,672	14,545	26,281	5,078	8,401	15,658	3,153	103,360
2025-2029	-	-	3,280	-	-	-	16,433	31,297	5,077	9,185	15,658	3,153	84,083
2030-2034	-	-	-	-	-	-	16,980	36,774	5,029	8,338	6,264	1,892	75,277
2035-2039	-	-	-	-	-	-	18,399	8,906	1,914	8,337	-	-	37,556
2040-2044	-	-	-	-	-	-	-	-	-	5,019	-	-	5,019
<b>Total</b>	<b>\$36,035</b>	<b>2,195</b>	<b>21,246</b>	<b>8,186</b>	<b>16,230</b>	<b>6,504</b>	<b>82,328</b>	<b>124,410</b>	<b>21,844</b>	<b>47,041</b>	<b>52,380</b>	<b>11,164</b>	<b>429,563</b>

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 2014 and 2013 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	TOTAL
2014	\$ 8,588	2,760	676	7,568	266	224	4,236	1,923	-	505	-	-	26,746
2013	\$ 8,578	2,336	486	6,804	257	143	4,238	13	-	611	-	-	23,466



## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

### **NOTE 16 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated semi-annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another local government unit will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-01. This action impacted the reporting entity of the City of Glendale that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are 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 as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary fund was reported in the governmental funds as an extraordinary loss (gain) in the governmental fund 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).

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City. Like for instance, the Bill invalidates advances/loans made by the former Redevelopment Agency (“the former Agency”) from the City. As a result, the City had written off the former Agency’s advances’ outstanding balance of \$71,758 in fiscal year 2012. However, when legislature approved Assembly Bill 1484, the City was eligible to reinstate the City/Agency loans pursuant to California Health & Safety Code section 34191.4. The City of Glendale Successor Agency to the former Agency received approval from its Oversight Board and from the State Department of Finance to reinstate the City/Agency loans. However, the reinstated loan is limited by H&SC section 34191.4 which allows the Successor Agency (SA) to repay the loan pursuant to a formula that prescribes the maximum payment per fiscal year as equal to one-half of the increase between the amount distributed to the taxing entities pursuant to H&SC section 34183 and the amount distributed to the taxing entities pursuant to that paragraph in the 2012-2013 base year. In addition, the accumulated interest on the remaining principal amount of the reinstated loan of \$13,613 is also required to be recalculated from loan origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (LAIF). The loans are required to be repaid in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into LAIF. Furthermore, twenty percent (20%) of any loan repayment is required to be deducted and transferred to the City’s Low and Moderate Income Housing Asset Fund.

A lawsuit was filed by the City of Glendale on August 14, 2014 in Sacramento Superior Court – Case No. 34-2014-80001924 and is assigned to the Honorable Shelleyanne W.L. Chang, Dept. 24. The basis of the lawsuit is over the interpretation of the repayment terms included within the statute of AB 1484 (which amended Health & Safety Code Section 34191.4). The

## **CITY OF GLENDALE**

Notes to the Financial Statements

Fiscal Year Ended June 30, 2014

(in thousands)

California Department of Finance (DOF) claims that the accumulated interest on the loans that is required to be recalculated should be based on a fixed interest rate equal to the historically low LAIF rate in effect on the date the Oversight Board approved reinstatement of the loans; in the City of Glendale's case is 0.28%. The City of Glendale does not believe DOF's interpretation has any support in the law, which expressly requires the accumulated interest to be recalculated based on the LAIF rate in effect during each quarter that the loan was outstanding, which varied from quarter-to-quarter. Depending on which method (interpretation) is used to recalculate accumulated interest from loan origination, the resulting loan balance is either \$14,587 or \$45,587. The briefing schedule has been set and a hearing date of February 13, 2015 has been assigned.

### **NOTE 17 - SUBSEQUENT EVENTS**

In September 2014, the City Council approved a 25-year agreement with Skylar Resources L.P. for the purchase of solar-generated electric power for an amount not to exceed \$731 million. The agreement will help Glendale Water and Power (GWP) Department to meet the Renewable Portfolio Standard (RPS) compliance requirement and to cover a portion of GWP's net short energy position.

### **NOTE 18 - 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, except that GASB Statement No. 68 and No. 71 are expected to have an effect on the City's net position. However, management has not determined such effect.

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*
- GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations.*
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

### **NOTE 19 - IMPLEMENTATION OF PRONOUNCEMENTS**

The City has adopted and implemented the following GASB Statements during the year ended June 30, 2014:

- GASB Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*
- GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*

The implementation of GASB Statements No. 66 and No. 70 did not impact the financial statements of the City during the year ended June 30, 2014.

**CITY OF GLENDALE**  
 Required Supplementary Information  
 Fiscal Year Ended June 30, 2014  
 (in thousands)

**(A) Employee Retirement Plan**

**Schedule of Pension Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability	(Overfunded)/Unfunded	Funded Ratio	Covered Payroll	(Overfunded)/Unfunded as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
6/30/2011:						
Misc.	\$ 727,228	830,155	102,927	87.60%	\$ 103,355	99.59%
Safety	472,794	596,914	124,120	79.21%	49,932	248.58%
Total	<u>1,200,022</u>	<u>1,427,069</u>	<u>227,047</u>	84.09%	<u>153,287</u>	148.12%
6/30/2012:						
Misc.	755,863	861,889	106,026	87.70%	101,681	104.27%
Safety	492,663	625,617	132,954	78.75%	47,930	277.39%
Total	<u>1,248,526</u>	<u>1,487,506</u>	<u>238,980</u>	83.93%	<u>149,611</u>	159.73%
6/30/2013:						
Misc.	\$ 688,149	898,721	210,572	76.60%	\$ 88,616	237.62%
Safety	451,424	652,783	201,359	69.20%	45,993	437.80%
Total	<u>1,139,573</u>	<u>1,551,504</u>	<u>411,931</u>	73.45%	<u>134,609</u>	306.02%

Beginning with the June 30, 2013 valuation, the Actuarial Value of Assets equals the Market Value of Assets per CalPERS Direct Rate Smoothing Policy, approved by CalPERS Board on April 17, 2013.

**(B) Postemployment Healthcare Plan**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
6/30/2009	\$ 0	103,947	103,947	0%	\$ 140,934	74%
6/30/2011	0	191,063	191,063	0%	140,403	136%
6/30/2013	0	214,014	214,014	0%	121,029	177%

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