

# Popular Annual Financial Report

Fiscal Year Ended June 30, 2016



City of Glendale, California





# City of Glendale, California City Council



Paula Devine  
**MAYOR**



Laura Friedman  
**COUNCILMEMBER**



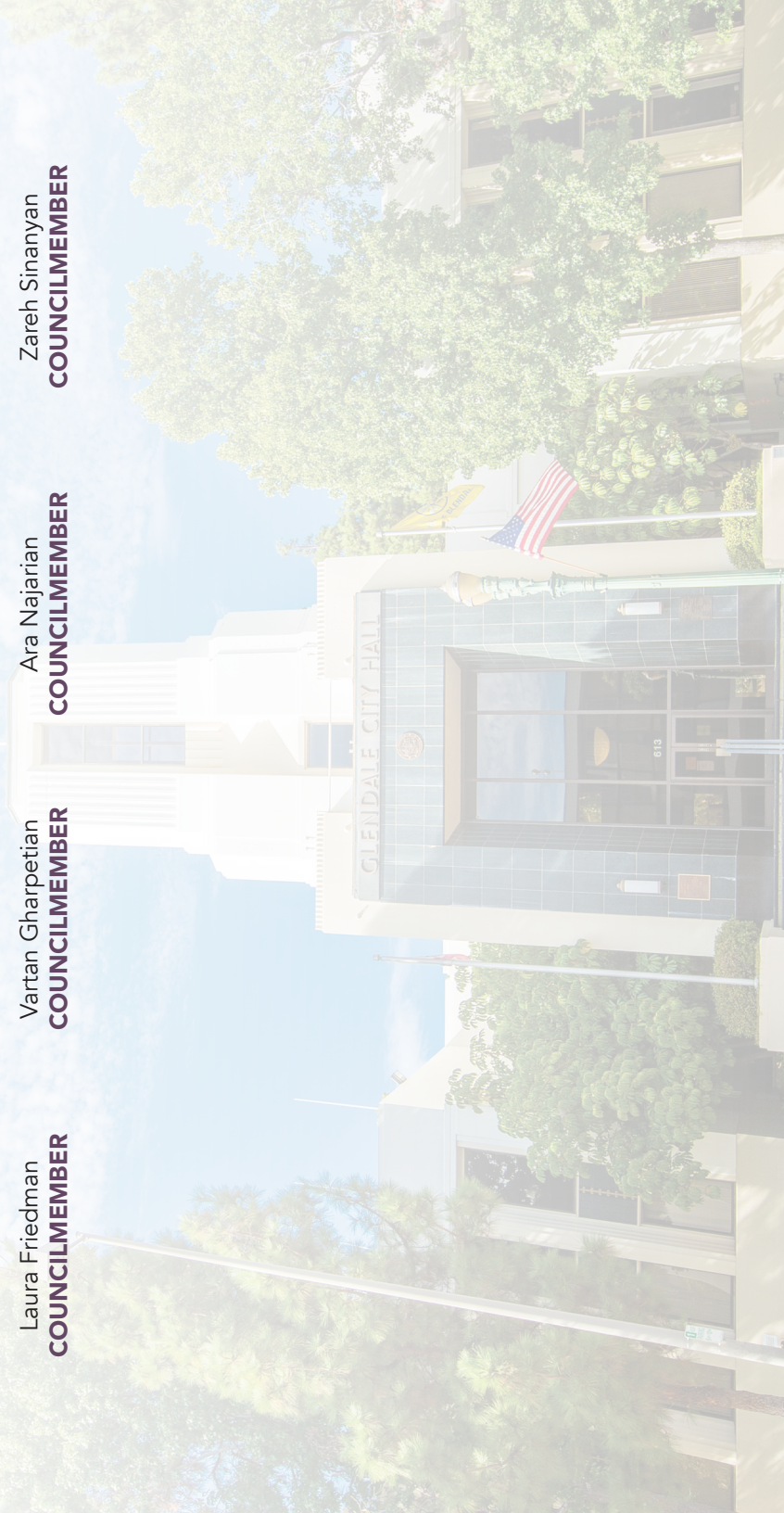
Vartan Gharpetian  
**COUNCILMEMBER**



Ara Najarian  
**COUNCILMEMBER**



Zareh Sinanyan  
**COUNCILMEMBER**



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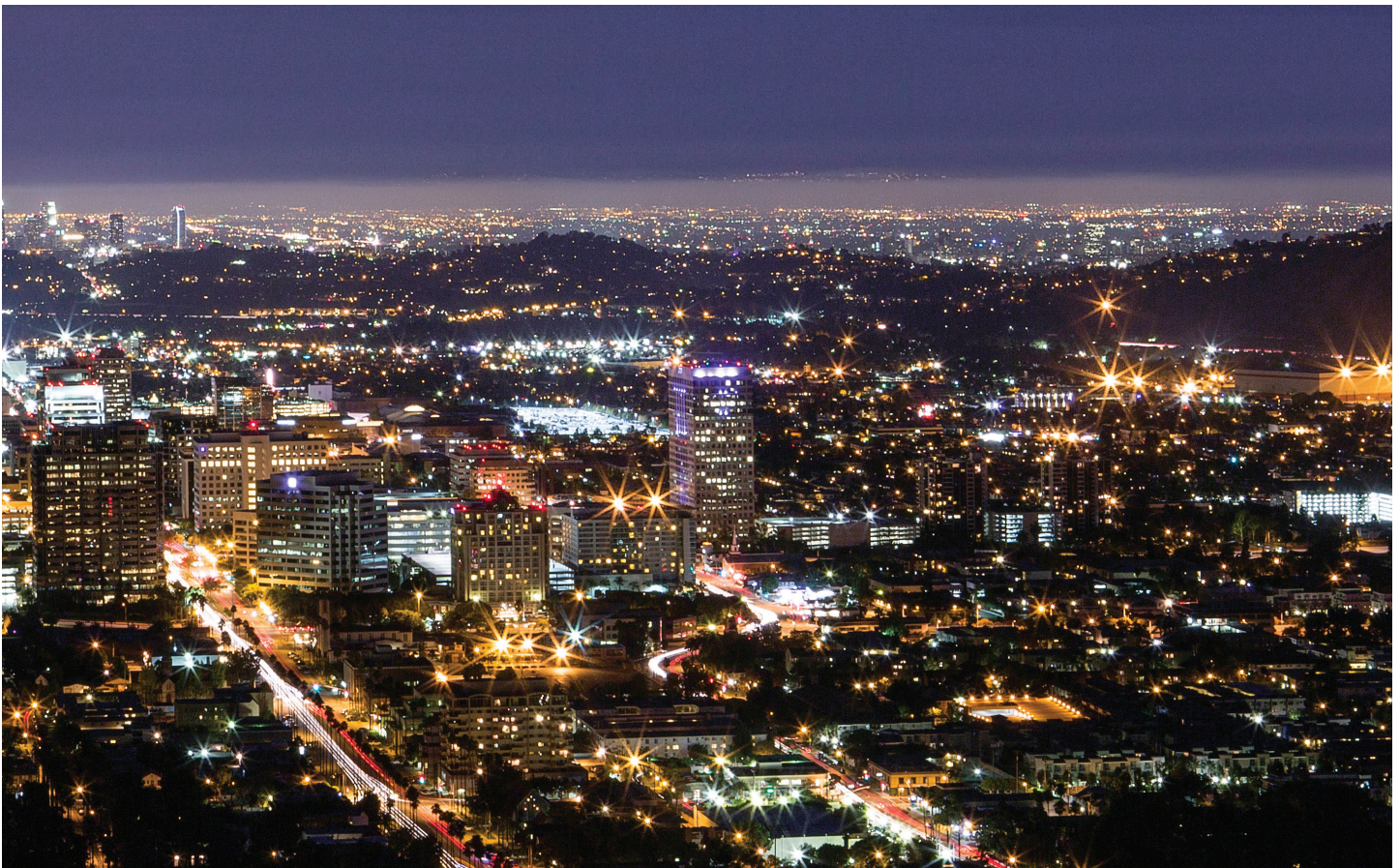
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# Introduction

As part of our continuous effort to keep you informed about how your tax dollars are being spent, we are pleased to present the 2016 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City, and most of the information is drawn from the City's 2016 Comprehensive Annual Financial Report (CAFR). Both reports are available for public viewing at the Finance department and online at <http://www.glendaleca.gov/government/departments/finance/accounting>. It is important to note that the financial data in this report is unaudited and presented on a GAAP (Generally Accepted Accounting Principles) basis with selected funds.

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

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

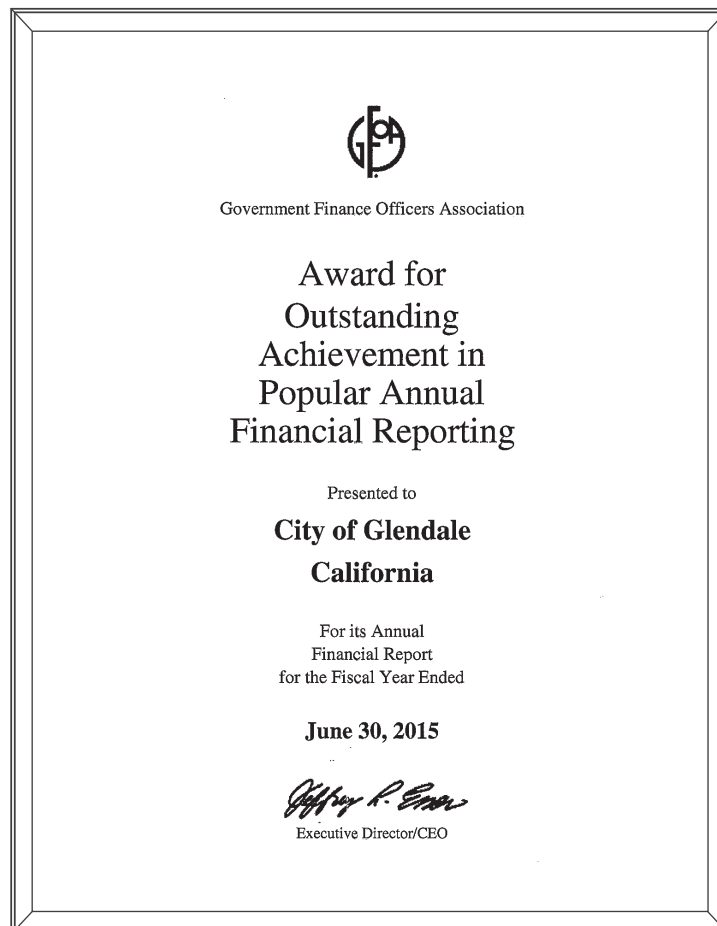


# Outstanding Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Glendale for its Popular Annual Financial Report for the fiscal year ended June 30, 2015. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

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



# History

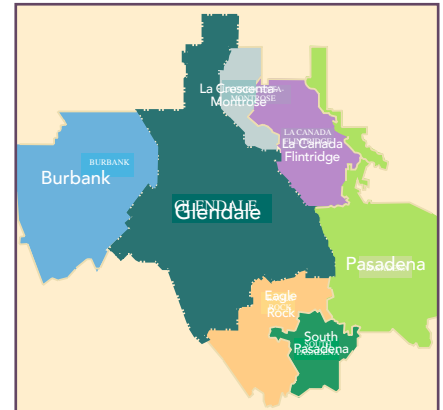
This area, originally consisting of 36,400 acres of woodland and grassland, was inhabited by the Native American Tongva people, and attracted the attention of Corporal Jose Maria Verdugo of the San Diego Company of the Spanish army. In 1784 Corporal Verdugo, a native of Baja California, received permission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

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

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

The City of Glendale currently consists of 34 neighborhoods which are delineated by streets, washes, and mountain ridges. Each neighborhood has a unique history and character and as these neighborhoods have developed, they have combined to form the City of Glendale as we know it today. Glendale is noted for its high quality of life and fiscal stability, and it is the 4th largest city in Los Angeles County.

Source: Glendale Historical Society & City of Glendale  
[www.glendalehistorical.org](http://www.glendalehistorical.org) | [www.glendaleca.gov](http://www.glendaleca.gov)



## Area

- Total 30.7 sq mi (79.4 km<sup>2</sup>)
- Land 30.66 sq mi (79.3 km<sup>2</sup>)
- Water 0.04 sq mi (0.1 km<sup>2</sup>)

Elevation 522 ft. (159 m)

## Population (January 1, 2016)

Dept. of Finance

- Total 201,668
- Density 6,569/sq mi

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

Area Code 818

Website [www.glendaleca.gov](http://www.glendaleca.gov)

# Organizational Structure

## City of Glendale

### Form of Government

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

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

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

## Executive Management Team

As of June 30, 2016

**Scott Ochoa**  
City Manager

**Yasmin K. Beers**  
Assistant City Manager

**John Takhtalian**  
Deputy City Manager

**Robert M. Castro**  
Police Chief

**Cindy Cleary**  
Director of Library, Arts & Culture

**Matthew Doyle**  
Director of Human Resources

**Jess Duran**  
Director of Community Services & Parks

**Robert P. Elliot, CPA**  
Director of Finance

**Gregory Fish**  
Fire Chief

**Brian Ganley**  
Chief Information Officer

**Michael J. Garcia**  
City Attorney

**Roubik Golanian**  
Director of Public Works

**Ardashes Kassakhian**  
City Clerk

**Philip Lanzafame**  
Director of Community Development

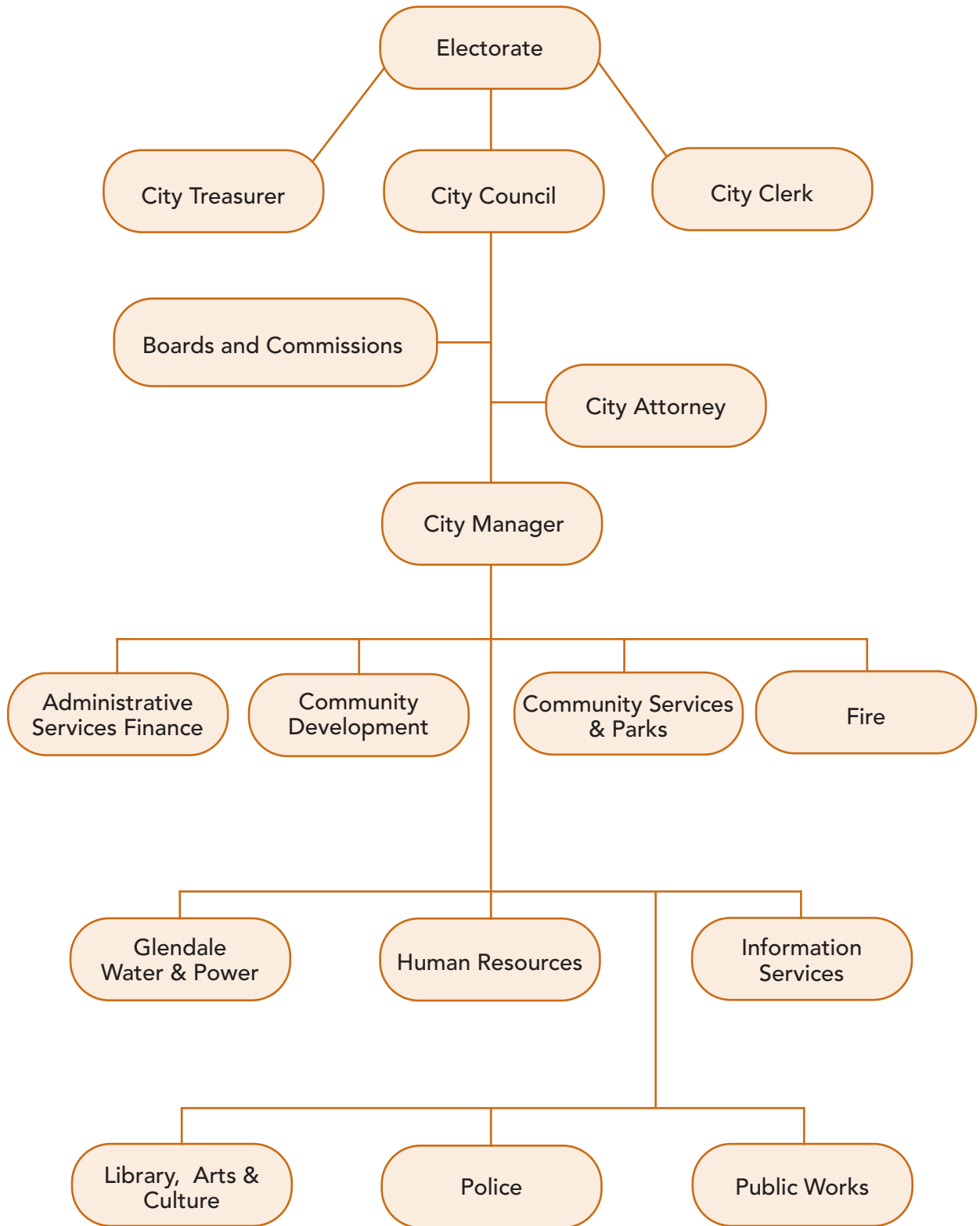
**Thomas R. Lorenz**  
Director of Communications & Community Relations

**Rafi Manoukian, CPA**  
City Treasurer

**Stephen M. Zurn**  
General Manager of Glendale Water & Power



# Organizational Chart



# Economic Outlook

**The Local Economy:** Glendale has been exhibiting continued capital investment in the form of business expansion as well as attraction to Glendale’s central location, public safety records, and robust business environment. The Verdugo Region (Glendale/ Burbank) of Southern California is home to a hub of businesses in the entertainment industry particularly known for production, animation, visual effects, and digital distribution. Glendale will benefit from growth in this sector through companies wanting to co-locate with Disney, DreamWorks, and hundreds of ancillary production and equipment firms. Also of note are Glendale’s regional shopping centers, the Glendale Galleria and Americana at Brand. Several large development projects either recently completed or underway in Glendale will provide new residential units and commercial space. Such investments by the business community indicate a continued confidence in Glendale. Overall, Glendale’s economy is one of the most diverse within the Los Angeles region largely due to a healthy mix of business and industry that operates within its borders.

**Economic Development Highlights:**

- **Downtown’s Art and Entertainment District** – Completed and opened the Museum of Neon Art in February 2016 and ramped up the Central Library renovation for the Spring 2017 grand re-opening of the state-of-the-art facility, which will include new study spaces, a digital lab, six new conference rooms and a MakerSpace.
- **Technology Based Industry Focus** – Hosted Glendale Tech Week in September 2016, implemented Glendale Tech on Tap Series, and completed a Fiber Optics Business Plan to attract and increase connectivity with technology based industries in and around Glendale.
- **Business Attraction** – Welcomed the addition of new businesses, such as CBRE, K.Ramen.Burger.Beer, Benitoite, Epic Tacos, Tom’s, TopShop, Lemonade, Lao Sze Chuan, LA Fitness, PizzaRev, Sushi Sasabune, King Taco, Buffalo Wild Wings, Dicks Sporting Goods, and Eden on Brand this fiscal year. Class A Office Vacancy was reduced to 11.6% from an all-time high of 24% in 2010.
- **Social Media Campaign** – Implemented Meet Me on Brand marketing campaign highlighting the amenity rich downtown area to attract residents, businesses, and visitors.

- **Neighborhood Business Districts** – Collaborated with community stakeholders on the Vision 20/20 Plan for the Montrose Shopping Park and the Foothill Boulevard Beautification Project to develop those communities.
- **Quality of Life** – Commenced business and funding plan and conceptual development process relating to Space 134, the 24-acre park/open green space planned for downtown Glendale.

**Employment:** The largest industries in Glendale consist of healthcare and social assistance. Glendale Adventist Medical Center and Glendale Memorial Medical Center remained among the City’s largest employers in FY 2015-16. According to the ACS in terms of employment, the retail and manufacturing sector continues to experience growth as the region’s economy continues to recover from the effects of the Great Recession in 2007. As of 2015, Glendale’s unemployment rate is trending downwards towards pre-recessions levels at 6.5%.

Top 10 Principal Employers	
<i>Employer</i>	<i>Number of Employees</i>
Glendale Adventist Medical Center	2,662
Glendale Unified School District	2,460
City of Glendale	1,997
DreamWorks Animation	1,478
Glenair Inc.	1,322
Nestle Company	1,275
Glendale Community College	1,242
Glendale Memorial Medical Center	1,200
USC Verdugo Hills Hospital	726
Public Storage	354

**Housing:** Glendale experienced a net taxable property value increase of 5.6% based on the “2015 Annual Report” issued by the Los Angeles Office of the Assessor. Compared to FY 2014-15, Glendale’s housing market stayed somewhat flat in sales volume and showed an increase in an average home price. The condominium sales, however, showed an increase in sales volume and an increase in an average price.

# Financial Highlights

(In Thousands)

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of FY 2015-16 by \$1,496,644 (net position). Compared to FY 2014-15, the City's total net position increased by \$252,533. Most of this increase was attributable to higher investment income, reinstatement of loans from Glendale Successor Agency to the City, transfer of capital assets from Glendale Successor Agency to the City, elimination of OPEB implied subsidy, and the extraordinary gain resulted from San Fernando Corridor project area tax increment funds transferring from Glendale Successor Agency to the City.
- As of the close of FY 2015-16, the City's governmental funds reported combined ending fund balances of \$263,743, an increase of \$63,487 in comparison with the prior year. About 17.7% of this total amount, \$46,609 was unassigned and available for spending at the government's discretion.

## Statement of Net Position as of June 30,

	2016	2015	Increase/ (Decrease)
Current and other assets	\$ 844,620	687,552	157,068
Capital assets	1,580,777	1,566,955	13,822
Deferred outflows of resources	39,819	31,287	8,532
<b>Total assets and deferred outflows of resources</b>	<b>2,465,216</b>	<b>2,285,794</b>	<b>179,422</b>
Current liabilities	98,177	72,688	25,489
Noncurrent liabilities	826,231	879,767	(53,536)
Deferred inflows of resources	44,164	89,228	(45,064)
<b>Total liabilities and deferred inflows of resources</b>	<b>968,572</b>	<b>1,041,683</b>	<b>(73,111)</b>
Net investment in capital assets	1,311,654	1,319,866	(8,212)
Restricted	115,950	80,082	35,868
Unrestricted	69,040	(155,837)	224,877
<b>Total net position</b>	<b>\$ 1,496,644</b>	<b>1,244,111</b>	<b>252,533</b>

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

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

**Liabilities** are debt or obligations that the City must pay.

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

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

**Net position** reflects the City's net worth

(Net position = Assets + Deferred outflows of resources – Liabilities – Deferred inflows of resources).

# Financial Highlights (continued)

(In Thousands)

The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## Statement of Activities For the Fiscal Year Ended June 30,

	2016	2015	Increase/ (Decrease)
Charges for services	\$ 369,367	367,146	2,221
Operating and capital grants and contributions	64,840	64,810	30
Taxes	147,400	132,284	15,116
Investment income and other	47,045	34,835	12,210
Reinstatement of loans	28,029	-	28,029
Special item	88,976	22,087	66,889
Extraordinary gain	26,490	-	26,490
<b>Total Revenues</b>	<b>772,147</b>	<b>621,162</b>	<b>150,985</b>
Expenses:			
Governmental	267,956	290,033	(22,077)
Business-type	251,658	283,634	(31,976)
<b>Total Expenses</b>	<b>519,614</b>	<b>573,667</b>	<b>(54,053)</b>
Change in net position	252,533	47,495	205,038
Net Position, July 1	1,244,111	1,196,616	47,495
<b>Total net position, June 30</b>	<b>\$ 1,496,644</b>	<b>1,244,111</b>	<b>252,533</b>

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

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

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

# General Fund Available Resources

(In Thousands)

## General Fund Reserve Ratio

General Fund	FY2016	FY2015
Nonspendable	\$ 196	2,505
Restricted: City Charter - Stabilization	24,870	23,433
Assigned Fund Balance	7,326	5,218
Unassigned Fund Balance	<u>55,954</u>	<u>40,819</u>
Total Fund Balance	<u>88,346</u>	<u>71,975</u>
Sum of Charter and unassigned fund balance	80,824	64,252
Final Adopted Budget	\$191,825	182,891
Reserve Ratio	42.1%	35.1%

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund revenues exceeded its expenditures by \$16,371. The fund balance increased to \$88,346 from \$71,975 in prior year.

The General Fund reserve levels have historically been maintained above 30.0% of General Fund appropriations, in accordance with the current reserve policy (a floor of 30.0% with a target of 35.0%) adopted by the City Council.

# General Fund Revenues

(In Thousands)

Compared to prior fiscal year, the revenues of the City's General Fund have an increase of \$16,412 during the current fiscal year. This increase is primarily due to the following reasons:

- Compared to prior fiscal year, sales tax revenue increased by \$10,252, which was mainly due to unwinding of the Triple Flip and City's strong sales tax base. Factors that contributed to the City's strong sales tax base were auto industry, transportation, building and construction, restaurants and hotel segments.
- Compared to prior fiscal year, other taxes revenues increased by \$2,630, which was mainly due to higher transient occupancy tax and landfill host assessments. The transient occupancy tax rate was raised by the voters of Glendale to 12% from 10% in April 2015. Also, the landfill host assessment revenues increased because of the increased tonnage at the landfill in FY 2015-16.

Revenue by Source	FY2016	FY2015
Property Taxes	\$ 51,709	50,883
Sales Tax	44,451	34,199
Utility Users Tax	28,662	27,766
Other Taxes	13,231	10,601
Revenue From Other Agencies	950	1,313
Licenses and Permits	9,741	10,617
Fines and Forfeitures	2,701	802
Charges for Services	3,806	3,218
Use of Money and Property	9,364	5,343
Interfund Revenue	14,950	16,577
Miscellaneous Revenue	2,199	1,883
Transfers In	21,257	23,407
Total Revenues	<u>\$ 203,021</u>	<u>186,609</u>

# General Fund Revenues (continued)

## Property Tax Dollar Breakdown for Glendale, Burbank and Pasadena

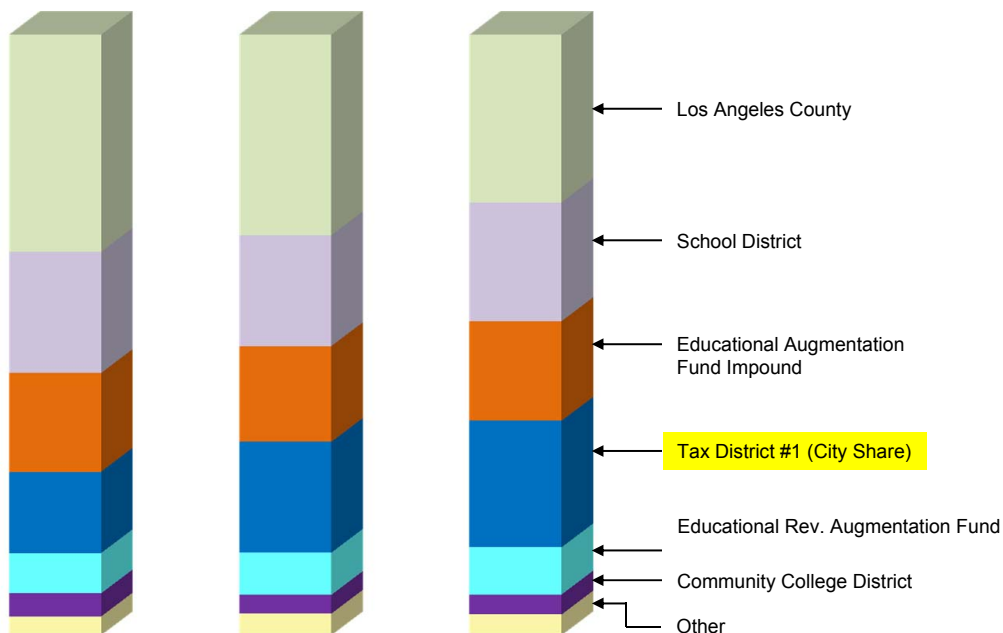
Prior to Proposition 13, the City endeavored to levy as small a property tax on Glendale taxpayers as possible. The City's strategy was to draw funding from the utility company for general government. When Proposition 13 passed, it effectively eliminated the City's ability to determine the tax rate on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

Proposition 13 set real estate property assessed values for tax purposes at the full 1975–1976 market value, limited real estate taxes to 1% of that value, and limited increases in assessed value to the lesser of the annual rate of inflation or 2%, unless a property was sold or improvements were added. Upon the sale of a property, the assessed value is based on the sale price. Subsequent legislation allowed for tax levies above the 1% Proposition 13 tax rate but only if the levy was approved by a two-thirds vote. Proposition 13 froze the

City's share of the property tax revenues. As can be seen in the chart, Glendale's share of property tax rate is 13.57%. This share is considerably less than the property tax shares received by the neighboring cities of Burbank and Pasadena. The amount Glendale Water and Power transferred from the electric utility to the General Fund was \$20.1 million in 2016. This represents 9.98% of Electric operating revenues, which was equal to 11.24% of the City's General Fund revenues for the year. The City Charter allows up to 25% to be transferred to General Fund for each fiscal year.

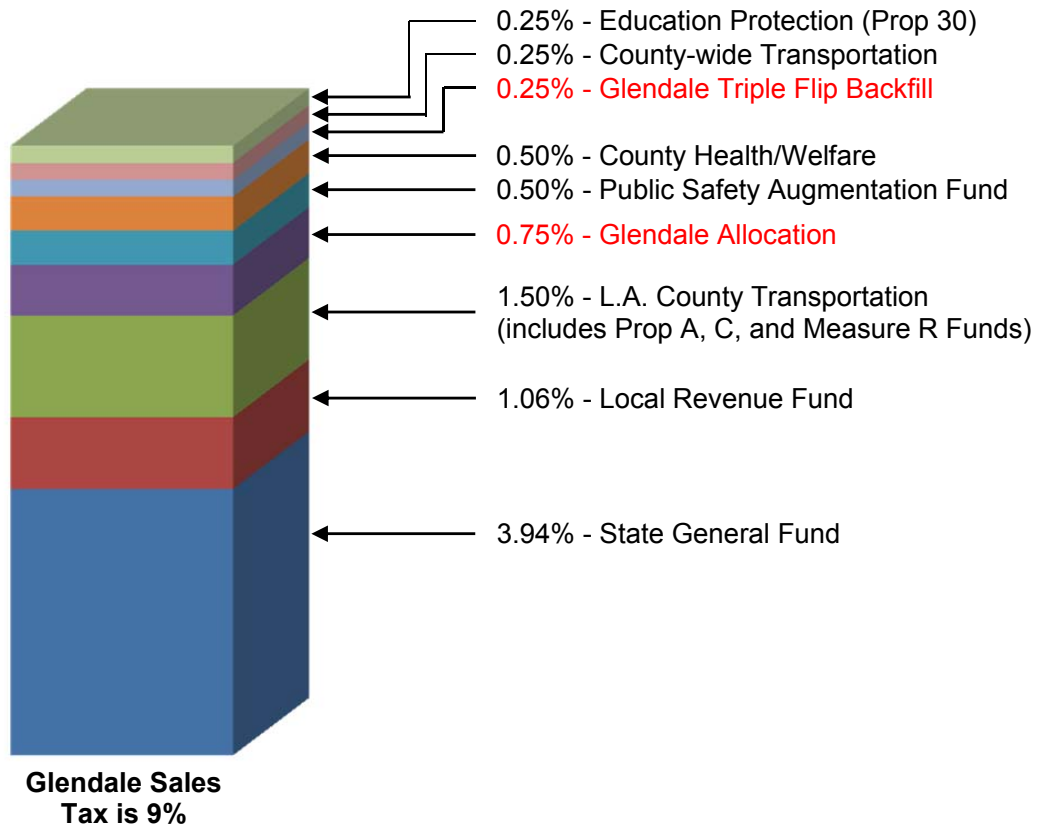
The City has complied with the provisions of Article XI, Section 22 of the Charter of the City of Glendale, California, as it relates to the required Charter transfer from the Electric Enterprise Fund to the City's General Fund.

1% Property Tax Breakdown	Glendale	Burbank	Pasadena
<b>Total</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>



# General Fund Revenues (continued)

## Sales Tax Breakdown



The California Board of Equalization administers local taxes under the Bradley-Burns Uniform Local Sales and Use Tax Law and district taxes under the Transactions and Use Tax Law, which are divisions of the Revenue and Taxation Code. Further information may be obtained at <http://californiacityfinance.com> and <http://www.boe.ca.gov>.

Utility Users Tax			
	Glendale	Burbank	Pasadena
Telecommunication	6.50%	7.00%	8.28%
Video (Cable)	6.50%	-	9.40%
Electricity	7.00%	7.00%	7.67%
Water	7.00%	-	7.67%
Gas	7.00%	7.00%	7.90%

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

# General Fund Expenditures

(In Thousands)

Expenditures by Function		FY2016	FY2015
General Government	\$	25,303	27,236
Police		71,232	69,024
Fire		45,541	42,555
Public Works		18,335	17,547
Housing, Health and Community Development		3,885	3,042
Parks, Recreation and Community Services		10,402	9,703
Library		8,218	7,900
Capital		93	65
Transfers to Other Funds		3,641	6,219
<b>Total Expenditures</b>	<b>\$</b>	<b>186,650</b>	<b>183,291</b>

Overall, General Fund Expenditures increased by \$3,359 in FY 2016 compared to the prior year. Here are some of the key elements for the increase:

- Police and fire expenses increased by \$2,208 and \$2,986, respectively, during the current fiscal year, which is mainly due to higher workers' compensation and retirement benefit expenditures, resulting from higher compensation insurance and PERS rates.
- General government expense decreased by \$1,933 due to the unblending of medical insurance premium rates between active employees and retired employees effective June 1, 2016.

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

- The possible loss of the City Charter-approved General Fund Transfer (GFT) from Glendale Water & Power's (GWP) electrical operations.
- Expected rises in pension costs due primarily to changes in the PERS actuarial assumptions and the fund's low investment returns for 2016.
- Shoring up the internal service funds.
- A stable funding source for General Fund Capital Improvement Projects.

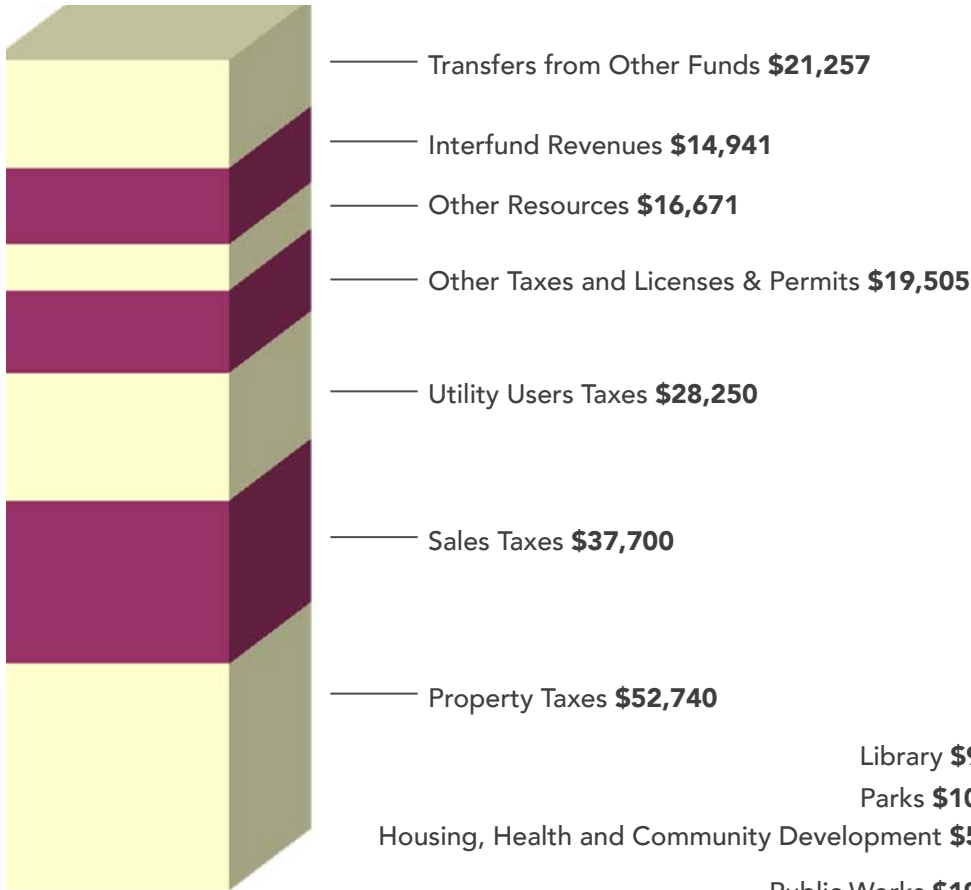


# General Fund Resources vs Appropriations

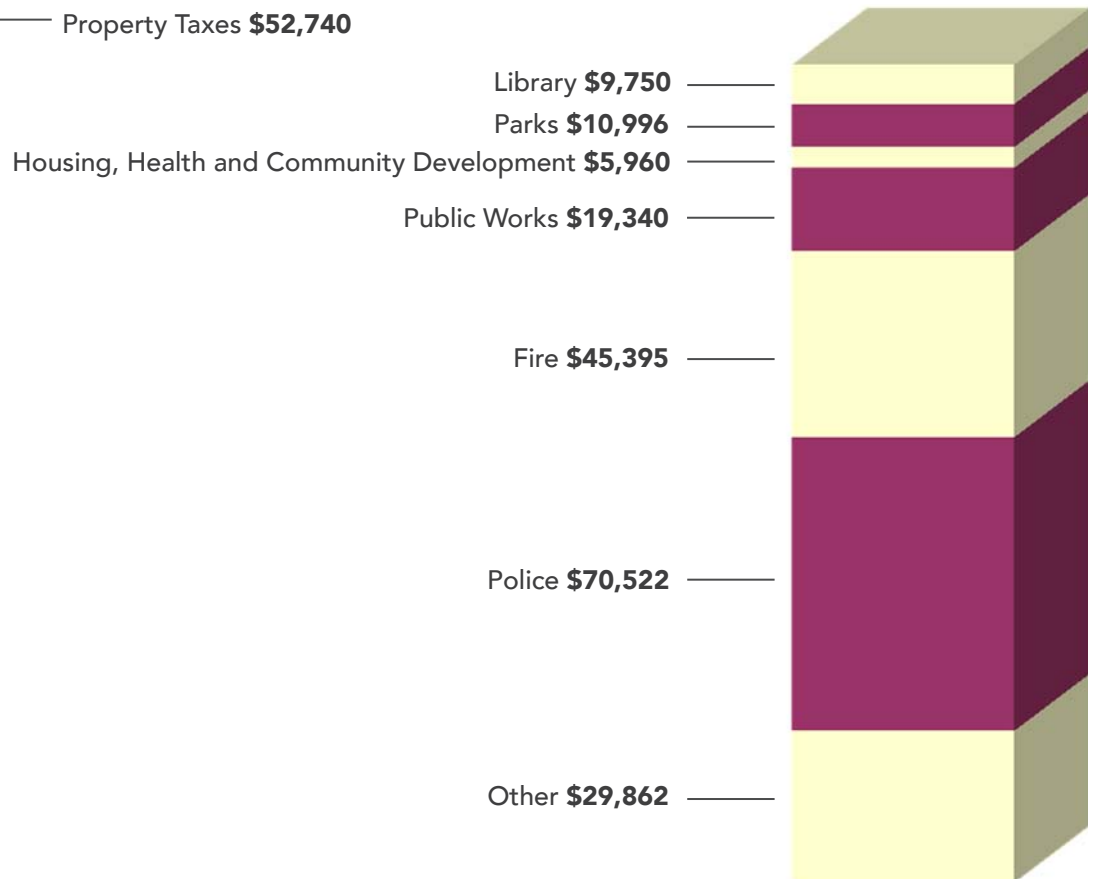
(In Thousands)

## Final Budget

**Resources \$191,064**



**Appropriations \$191,825**

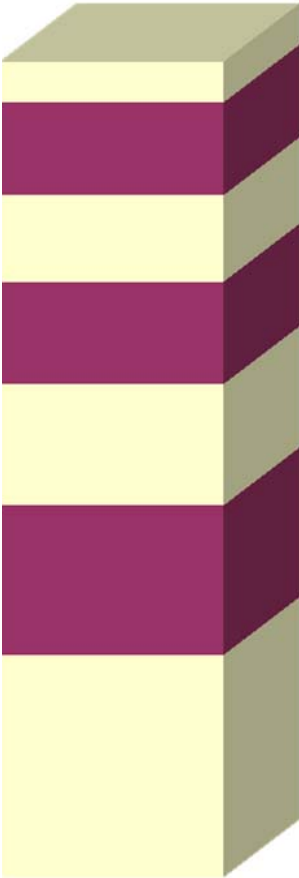


# General Fund Revenues vs Expenditures

(In Thousands)

## Actuals

Revenues \$203,021



- Other Resources **\$19,020**
- Other Taxes and Licenses & Permits **\$22,972**
- Interfund Revenues **\$14,950**
- Transfers from Other Funds **\$21,257**
- Utility Users Taxes **\$28,662**
- Sales Taxes **\$44,451**
- Property Taxes **\$51,709**

Expenditures \$186,650



- Other **\$28,955**
- Library **\$8,218**
- Community Services & Parks **\$10,402**
- Housing, Health and Community Development **\$3,885**
- Public Works **\$18,335**
- Fire **\$45,614**
- Police **\$71,241**

# Enterprise Funds

(In Thousands)

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

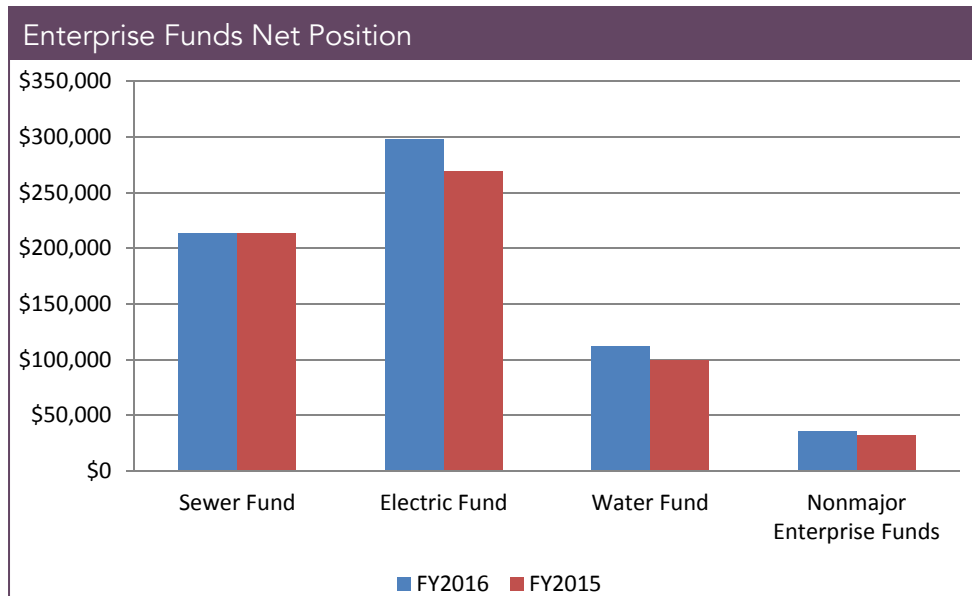
## Enterprise Funds Activities Highlights

Change in Net Position	FY2016	FY2015
Operating revenues	\$ 314,611	326,653
Operating expenses	248,625	275,081
Operating income (loss)	65,986	51,572
Non operating revenues (expenses)	(2,845)	(8,208)
Income before capital grants and contributions and transfers	63,141	43,364
Capital grants and contributions	305	2,306
Transfer in	1,733	-
Transfer out	(21,257)	(62,859)
Change in net position	43,922	(17,189)
Net position, July 1	614,510	631,699
Net position, June 30	\$ 658,432	614,510

Statement of Net Position	FY2016	FY2015
Current and other assets	\$ 365,371	339,099
Capital assets	654,773	643,611
Deferred outflows of resources	11,309	6,239
Total assets and deferred outflows of resources	1,031,453	988,949
Current liabilities	34,585	30,221
Noncurrent liabilities	329,923	325,426
Deferred inflows of resources	8,513	18,792
Total liabilities and deferred inflows of resources	373,021	374,439
Net investment in capital assets	422,656	437,125
Restricted	5,669	5,669
Unrestricted	230,107	171,716
Total net position	\$ 658,432	614,510

# Enterprise Funds (continued)

(In Thousands)



At the end of the year, net position was composed of \$213,650 for the Sewer Fund, \$297,839 for the Electric Fund, \$111,808 for the Water Fund, and \$35,135 for the nonmajor enterprise funds. Enterprise Funds net position increased by \$ 43,922. Key elements of this increase are as follows:

- The net position of the Sewer Fund decreased by \$107 during the current fiscal year. The decrease was mainly attributable to lower single-family residential water usage during the winter months due to water conservation and additional project expenses such as the Chevy Chase Sewer Diversion and Public Works Yard Recycled Water Main Project.
- The net position of the Electric Fund increased by \$28,765 during the current fiscal year. The increase in net position was due to an increase in electric retail sales as the Electric Fund continued phase 3 of the electric rate increase of 5% in FY 2015-16 and decrease in operating expenses. The decrease in operating expenses was primarily attributable to lower production and transmission costs.
- The net position of the Water Fund increased by \$12,148 during the current fiscal year. The increase in net position was due to an increase in water retail sales as the Water Fund's drought surcharge was still in effect while the mandatory water measures were still in place in FY 2015-16. The decrease in operating expenses was due to lower production and customer related costs which also contributed to higher net position.
- The net position of nonmajor enterprise funds increased by \$3,116 during the current fiscal year. The increase was primarily attributable to continued stable operations of Refuse Disposal Fund in providing residents refuse collection and disposal services, as well as Fire Communication Fund in providing residents of its member cities an emergency coordinated assistance services.

# Cash Management

(In Thousands)

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

The City manages its pooled idle cash and investments under a formal investment policy that follows the guidelines of the State of California Government Code, which is then reviewed by the Investment Committee and adopted by the City Council. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs. Funds must request large outlays in advance in order for the City Treasurer to have the funding available.

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

Interest rate risk is the risk that fluctuations in market rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations as of June 30, 2016 is provided by the following table that shows the distribution of the City's investment by maturity:

	Total	Remaining Maturity (In Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Commercial Paper	\$ 119,658	119,658	-	-	-
Negotiable Certificates of Deposit	27,010	27,010	-	-	-
Federal Agency Term Notes	65,343	3,504	23,127	38,712	-
Federal Agency Callable Bonds	35,982	-	5,864	30,118	-
Medium Term Notes	108,844	12,726	28,522	67,596	-
Obligations of Other States	33,799	-	15,040	18,759	-
State and Municipal Bonds	56,575	7,788	10,886	37,901	-
State Investment Pool	94,862	94,862	-	-	-
Los Angeles County Pool	57,106	57,106	-	-	-
U.S. Treasury Notes	17,535	-	-	17,535	-
Money Market Mutual Fund	11,412	11,412	-	-	-
Held by Fiscal Agents:					
Guaranteed Investment Contracts	2,398	-	-	-	2,398
Money Market Mutual Fund	8,873	8,873	-	-	-
	\$ 639,397	342,939	83,439	210,621	2,398

# Capital Assets

(In Thousands)

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$1,580,777 (net of \$818,608 accumulated depreciation, \$8,919 gas depletion and \$43,319 amortization). This investment in capital assets includes land, natural gas reserve, buildings and improvements, machinery and equipment, infrastructure, intangible, and construction in progress.

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

- In FY 2015-16, \$6,729 of Museum of Neon Art (MONA) building and Central Avenue improvements project capital assets were transferred from Glendale Successor Agency to the City.
- The City received a grant to purchase 9 Beeline Buses in the amount of \$4,900. The City also capitalized \$5,342 in street and traffic light infrastructure improvements and \$2,053 in parks improvements in FY 2015-16.
- The capital and intangible assets of Sewer Fund increase by \$15,966 in the current fiscal year. The following projects contributed to the increase in the capital and intangible assets: Los Angeles-Glendale Water Reclamation Plant, Chevy Chase Sewer Diversion and Hyperion Wastewater System.
- Electric Fund increased its construction in progress by \$24,595. The increase was due to capital improvement projects such as Grandview Substation renovation and upgrades to support the existing loads and the expected growth in the San Fernando corridor; and Unit No. 4 Boiler Water Wall Tubes Replacement at Grayson Power Plant.
- Water Fund decreased its construction in progress by \$7,951. This decrease primarily reflected the completion of some major capital improvement projects, such as improvement of Supervisory Control and Data Acquisition (SCADA) system; development of recycled water line in the Bette Davis Park; and rehabilitation and replacement of Adams Hill water mains.

	Governmental Activities		Business-type Activities		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Land	\$ 414,298	414,298	9,490	9,490	423,788	423,788
Natural gas reserve	-	-	22,144	22,276	22,144	22,276
Buildings and improvements	364,101	357,037	265,429	260,939	629,530	617,976
Machinery and equipment	126,928	120,502	558,390	561,221	685,318	681,723
Infrastructure	317,093	306,837	146,476	140,976	463,569	447,813
Construction in progress	59,114	59,341	68,414	43,992	127,528	103,333
Intangible	-	-	99,746	95,343	99,746	95,343
<b>Total capital assets</b>	<b>1,281,534</b>	<b>1,258,015</b>	<b>1,170,089</b>	<b>1,134,237</b>	<b>2,451,623</b>	<b>2,392,252</b>
Less: Accumulated depreciation	(355,530)	(334,671)	(463,078)	(442,264)	(818,608)	(776,935)
Less: Gas depletion	-	-	(8,919)	(7,986)	(8,919)	(7,986)
Less: Amortization	-	-	(43,319)	(40,376)	(43,319)	(40,376)
<b>Net of depreciation, depletion, and amortization</b>	<b>\$ 926,004</b>	<b>923,344</b>	<b>654,773</b>	<b>643,611</b>	<b>1,580,777</b>	<b>1,566,955</b>

# Long-Term Debt and Liabilities

(In Thousands)

At June 30, 2016, the City had total long-term debt and liabilities outstanding of \$419,339, a decrease of \$89,861 or 17.7%. The factors of this decrease were a combination of items such as a decrease of certificates of participation of \$2,795; a decrease of claims payable of \$1,260; an increase of landfill postclosure care of \$1,766; an increase of compensated absences of \$1,166; and a decrease of other liabilities of \$87,138; as well as a decrease in outstanding bonds payable of \$1,600 through regular annual debt retirements and refunding of Electric revenue bonds, 2006 and 2008 series.

## Long-Term Debt and Liabilities

		FY2016	FY2015
Certificates of Participation (COPs)	\$	35,605	38,400
Claims Payable		41,942	43,202
Landfill Closure & Post-closure Care Liability		44,684	42,918
Compensated Absences		27,734	26,568
Other		9,953	97,091
Revenue Bonds		259,421	261,021
<b>Total long-term debt and liabilities</b>	<b>\$</b>	<b>419,339</b>	<b>509,200</b>

The City continues to maintain strong credit ratings on all of its debt issues. The table below shows the latest ratings as determined by the three national rating agencies, Moody's, Standard & Poor's, and Fitch Ratings' as of June 30, 2016.

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

- As of 10/5/16, Moody's Investors Service has upgraded the rating of City of Glendale's Variable Rate Demand Certificates of Participation (COPs) to Aa3 from A1.

# Financial Ratios

(In Thousands)

## Liquidity Ratios

The current ratio and quick ratio indicate the City's ability to pay its obligations. The current ratio represents the number of times the City's current assets could cover current liabilities. The quick ratio is the conservative version of the current ratio. It takes inventories out of the equation to include very liquid assets only. For the City of Glendale, the ratios illustrate the City's ability to pay its current liabilities 6.78 times in FY 2015-16, compared to 7.35 times in FY 2014-15.

Liquidity Ratios:	FY2016	FY2015
Total Current Assets (A)	\$ 665,251	534,249
Total Current Liabilities (B)	\$ 98,177	72,688
Total Inventories (C)	\$ 6,021	6,314
Current Ratio (A ÷ B)	6.78	7.35
Quick Ratio ((A – C) ÷ B)	6.71	7.26

## Debt Ratios

The debt ratio and debt-to-equity ratio measure the City's financial leverage. The debt ratio measures the City's obligations against its assets, while the debt-to-equity ratio measures the City's obligations against its net position. Between FY 2014-15 and FY 2015-16, the City of Glendale's debt ratio has decreased from 42% to 38% and the debt-to-equity ratio has decreased from 77% to 62%.

Debt Ratios:	FY2016	FY2015
Total Assets (A)	\$ 2,425,397	2,254,507
Total Liabilities (B)	\$ 924,408	952,455
Total Net Position (C)	\$ 1,496,644	1,244,111
Debt Ratio (B ÷ A)	38%	42%
Debt To Equity Ratio (B ÷ C)	62%	77%



# Window To The Future

## *Developing a Tech Ecosystem*

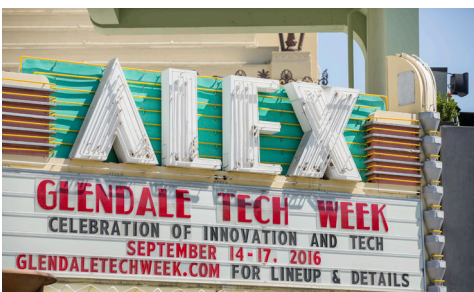
Glendale is a thriving cosmopolitan city with a diverse and expanding business network. Recognizing the growth and potential of the tech sector, the City has set out to develop and implement a Tech Cluster Strategic Plan. In March 2016, the City hired a consultant to understand the tech ecosystem in Glendale in an effort to foster the businesses here and attract even more from the sector. The final report of findings and recommendations will be presented January 2017.



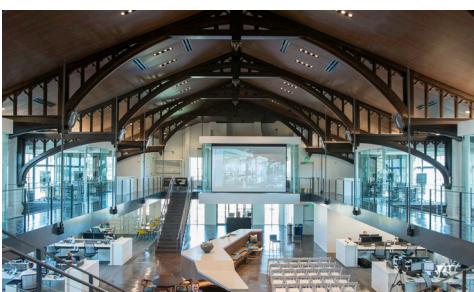
**Tech Strategy** - The Tech Strategy aims to define the term “technology,” define factors for success for tech clusters, assess Glendale’s current role in tech, determine sub-sectors, identify opportunities, strategies and initiatives, assess potential and desirability of tech incubator, determine the quality of life improvements to attract more from the technology sector, and develop a Strategic Plan.



**Knowledge Sharing** - A preliminary finding from the consultant indicated that a key component lacking in Glendale’s tech ecosystem was knowledge sharing. In May 2016, Glendale implemented an informal monthly gathering called Glendale Tech on Tap to increase networking in the tech community. Events feature an influencer from the local Glendale tech scene, increasing their brand recognition and knowledge sharing their successes and lessons learned.



**Tech Week 2017** - The Tech on Tap events served as a precursor to Glendale Tech Week, a tech conference hosted by the City in September 2016. The three day conference had 30+ events in locations throughout downtown Glendale, featuring 50+ speakers. The success in connecting and highlighting local companies, talent, and amenities has led to the planning of Glendale Tech Week 2017 to further attract entrepreneurs, startups, and concepts to Glendale.



**Creative Office Space** - The City will continue to take a holistic approach to tech sector growth by attracting an even greater network of connectivity options and amenities. By offering everything from urban living, coffee shops, breweries and tap rooms, and most importantly, creative office space, Glendale aims to deliver all the ingredients sought by tech companies. Moving forward, Glendale will continue to foster an environment of synergistic growth.

# City By The Numbers

Property Tax Rate	1.0754%
Unemployment Rate	6.50%
Standard & Poor's Bond Rating	AA+, AA- & A+
Moody's Bond Rating	Aa2, Aa3 & A1
Fitch Bond Rating	AA+, AA & A+
Current Ratio	6.78 times
Debt Ratio	38%
Total Assets	\$2,425 million
Deferred Outflows of Resources	\$40 million
Total Liabilities	\$924 million
Deferred Inflows of Resources	\$44 million
Net Position	\$1,497 million
Population	201,668
School Enrollment	46,180
Percent High School Graduate or Higher	84.2%
Per Capita Personal Income	\$28,351
Total Personal Income	\$5,717 million
Median Age	41
Adopted Annual Budget FY 2015-16	\$798 million
City Website	<a href="http://www.glendaleca.gov">http://www.glendaleca.gov</a>
City Address	613 E. Broadway, Glendale, CA 91206
City Phone	(818) 548-4844





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