Notes to the Basic Financial Statements

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These financial statements present the financial results of the City of Glendale, California (the City) and its component units as required by generally accepted accounting principles in the United States of America. Component units are legally separate entities for which the primary government is financially accountable. The City has three component units: the Glendale Housing Authority (the Authority), the City of Glendale Financing Authority (the Financing Authority), and the Glendale Economic Development Corporation (the Corporation). The City Council serves as the Board of the Housing Authority, the Financing Authority, and the Glendale Economic Development Corporation. Management of the City has operational responsibility for the Authority, the Financing Authority and the Corporation as these component units are essentially managed in the same manner as other City departments. Also, the Financing Authority provides financial services entirely to the City. Therefore, these entities are reported as blended component units within the City's comprehensive annual financial report (CAFR). Both the City and its blended component units have a June 30 year-end.

Component Units

The Housing Authority was established by the Glendale City Council in 1975. The Authority is responsible for the administration of Department of Housing and Urban Development (HUD) funded Housing Choice Voucher rental assistance program (often called "Section 8"), which is funded annually. The Housing Authority also administers five other affordable housing program funds on behalf of the City, including the HUD HOME entitlement grant, the HUD Continuum of Care grant, the HUD Shelter Plus Care grant, the Low and Moderate Income Housing Asset Fund (former 20% Redevelopment Set Aside funds program income dollars), and the state funded BEGIN grant for First Time Home Buyers in the Doran Gardens homeownership development. The Housing Authority's mission is to provide decent, safe, and sanitary dwellings for low to moderate income families, to preserve existing affordable housing, and to increase the supply and quality of new affordable housing. The Authority's financial data and transactions are included within the special revenue funds, and no separate financial report is issued for the Authority.

The Financing Authority was established on December 7, 1999, by a joint powers authority between the City of Glendale and the Glendale Redevelopment Agency. The stated purpose was to provide financial assistance to the City in connection with the construction and improvement of a Police Services Building located at west side of Isabel Street between Wilson and Broadway in the City of Glendale. On July 11, 2000, the Financing Authority issued $64,200 in variable rate demand certificates of participation for the construction of the Police Services Building. The Financing Authority's financial data and transactions are included within the debt service funds, and no separate financial report is issued for the Financing Authority.

The Glendale Economic Development Corporation, formed in July 2014, was established to implement the City's economic development program. It provides physical, economic, educational development, redevelopment, and revitalization efforts within the City. These efforts will assist and support the City in the expansion of job opportunities, stimulate economic development, contribute to the physical improvement of the City, and implement, assist, and support the City in development activities and programs that will lessen neighborhood tensions and combat community deterioration. The overarching objective of the Glendale Economic Development Corporation is to expand business opportunities, increase employment, and foster economic prosperity for businesses and residents. As of June 30, 2017, there are no financial transactions to be reported and no separate financial report is issued for the Corporation.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City except for the fiduciary fund. The effect of interfund activity has been removed from these statements except for the interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included in program revenues are reported as general revenues.

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

The accounts of the City are organized by funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues, and expenditures or expenses, as appropriate. The City reports a total of 66 funds, which are comprised of the General Fund, 1 fiduciary fund, 35 special revenue funds, 1 debt service fund, 8 capital project funds, 5 enterprise funds, and 15 internal service funds.

Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used, current liabilities are assigned to the fund from which they are paid, and the difference between governmental fund assets and deferred outflows, and liabilities and deferred inflows is the fund balance.

The following comprise the City's major governmental funds:

- General Fund: Used to account for all financial resources, except those required to be accounted for in another fund.

- Housing Assistance - Special Revenue Fund: Used to account for monies received and expended by the City under Section 8 of the Federal Housing and Urban Development Act for housing assistance to low and moderate income families.

- Capital Improvement - Capital Project Fund: Used to account for financial resources used for major capital projects of the general government operations. The City has categorized the capital improvement fund as a major fund for public interest reasons. The City believes that this judgmentally determined major fund is particularly important to the financial statements users.

Other governmental funds consist of debt service funds which are used to account for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on long-term debt of the City of Glendale, special revenue funds which account for revenue derived from specific sources as required by law or regulation, and capital projects funds which are used to account for financial resources used for the acquisition of major capital facilities other than those financed by special revenue and proprietary funds.

Effective June 30, 2017, Emergency Medical Services Fund was closed, and the deficit was transferred to the General Fund. The operations of the emergency transport and paramedic service will be recorded in the General Fund starting FY 2017-18.

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 nonmajor enterprise funds consist of Refuse Disposal and Fire Communication Funds. The Refuse Disposal Fund is used for the operations of the City-owned refuse collection and disposal services. The Fire Communication Fund is used for the monies received and expended, for the tri-city (Burbank, Glendale, and Pasadena) fire communication operations as the lead City.

Additionally, internal service funds 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

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

Since the resources of the fiduciary fund are not available to support the City’s programs, it is not reflected in the City’s government-wide financial statements. The accounting used for the fiduciary fund is based on the economic measurement focus and the accrual basis of accounting.

Effective February 1, 2012, due to AB 1x 26, the dissolution of Redevelopment Agencies throughout California, the activities of the dissolved Glendale Redevelopment Agency are recorded in the Glendale Successor Agency Private Purpose Trust Fund.

Measurement Focus and Basis of Accounting

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for the sales tax, landfill host assessment and landfill loyalty tipping fee that are collected within 90 days. Under the accrual basis of accounting, expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, Other Post-Employment Benefits (OPEB), claims, and judgments, are recorded only when payment is due.

Intergovernmental revenues are recognized in the period when all eligibility requirements imposed by the provider are met, and amounts are available.

Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash. However, since investment earnings are measurable and available, they are recorded as earned.

All property taxes are collected and allocated by the County of Los Angeles to the various taxing entities. Property taxes are determined annually as of January 1st and attached as enforceable liens on real property as of July 1st. Taxes are due November 1st and February 1st and are delinquent if not paid by December 10th and April 10th, respectively. Secured property taxes become a lien on the property on March 1st. Property taxes on the unsecured roll are due on the March 1st lien date and become delinquent if unpaid on August 31st. Property tax revenues are recognized in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year for governmental funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance or Net Position

Cash and Investments

The City combines the cash and investments of all funds into a pool except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Each fund's portion of the pooled cash and investments is displayed on the governmental funds' balance sheets, the proprietary funds' statement of net position, or the fiduciary fund's statement of net position.

The City values its cash and investments at fair value in the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee, adopted by the City Council and follows the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required more than normal operating needs.

Interest income from the pooled cash and investments is allocated to all funds, except the Capital Improvement Fund, on a monthly basis based upon the prior month-end cash balance of the fund and as a percentage of the month-end total pooled cash balance.

For purposes of the statement of cash 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. These, and other transactions, also give the City the ability to manage its overall exposure to fluctuations in the purchase price of natural gas. The options are carried at fair market value.

Designated Cash and Investments

The cash reserve policies for the Electric Fund and Water Fund were adopted by the City Council in 2003 and subsequently revised in 2006 to ensure long-term sustainable financial health for electric and water operations. Its provisions call for an annual review of the cash reserves to determine if the recommended levels are sufficient. The currently approved cash reserve levels are $124,100 for the Electric Fund and $11,300 for the Water Fund as adopted by the City Council on August 29, 2006. As of June 30, 2017, $66,400 was designated for the Electric Fund in the following categories: $40,400 for contingency reserve; $10,000 for rate stabilization reserve, and $16,000 for gas reserve project. As of June 30, 2017, $7,500 was designated for the Water Fund in the following categories: $6,500 for contingency reserve, and $1,000 for rate stabilization reserve. Glendale Water and Power has hired a consultant to review and re-evaluate the current Electric and Water cash reserve funding levels and to establish a new cash reserve targets based on current and expected market conditions.

Restricted Cash and Investments

The restricted cash and investments include unspent bond proceeds of the 2012 Water Revenue Bonds as well as the environmental compliance funds mandated by South Coast Air Quality Management District (SCAQMD). As of June 30, 2017, the Water Fund has $2,434 in remaining bond proceeds. As of June 30, 2017, the Electric Fund has $4,978 in SCAQMD restricted cash dedicated for environmental projects in compliance with reductions in nitrogen oxides for the utility boilers and the gas turbines, and $691 in SCAQMD restricted cash for environmental projects dedicated to the reduction of emission and improvement of public health in Glendale.

The restricted cash and investments also include $29,850 in Landfill Postclosure capital project fund as of June 30, 2017 for the postclosure maintenance cost of Scholl Canyon landfill.

Receivables

Interest Receivable – The City accrues interest earned but not received.

Accounts Receivables – These are comprised primarily of revenues that have been earned but not yet received by the City as of June 30th from individual customers, private entities, and government agencies. Also, this account includes accrued revenues due from other agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures or expenses incurred but not yet reimbursed by the grantors. Also, included in this amount are property taxes earned but not received from the County of Los Angeles as of June 30th and unbilled services for utility and other services delivered to customers but not billed as of June 30th. Management determines the allowance for doubtful accounts by evaluating individual customer accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivable, delinquent notices are sent out to customers with outstanding balances after 30 days. After 60 days, accounts still outstanding are forwarded to a collection agency.

Loans Receivable – The City currently has three types of loans receivable: (1) from City of Vernon for purchasing dispatching equipment and infrastructure to join the Verdugo Fire Communications Center, (2) from Glendale Successor Agency for enforceable obligations with the City after the dissolution of Glendale Redevelopment Agency, and (3) from various Glendale residents and organizations for affordable housing assistance. See Note 4 for more information.

Interfund Transactions

Interfund services provided and used would be treated as revenues and expenditures or expenses if the funds are involved. External organizations to the City's government are accounted for as revenues, referred to as seller funds, and expenditures or expenses, referred to as purchaser funds, in the funds involved. For the fiscal year ended June 30, 2017, the General Fund recorded $13,996 as interfund revenue for general government services provided to other funds.

Due to/from Other Funds are used when a fund has a temporary cash overdraft. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Transfers in or out are authorized budgetary exchanges of cash between funds.

Inventories and Prepaid Items

Inventories, consisting primarily of construction and maintenance materials as well as tools held by the Electric and Water enterprise funds, are stated at lower of cost or market, using the weighted average cost method or disposal value. Inventory shown in the General Fund and Fleet Management Fund consists of expendable supplies held for consumption. The consumption method of accounting is used where inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method, such as insurance, energy purchases, rent, etc.

Capital Assets

Capital assets including land, buildings, improvements, equipment, and infrastructure assets (e.g. roads, sidewalks, traffic lights and signals, street lights, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide and respective proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5 or more and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund, special revenue and capital project funds, and as assets in the government-wide financial statements to the extent the City's capitalization is met. 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. Interest costs are capitalized as part of the historical cost of acquiring certain assets. Interest costs capitalized in the Electric and Water Funds for the fiscal year ended June 30, 2017 are as follows:

		Capitalized Interest	Total Interest Incurred
Electric Fund	$	1,827	7,254
Water Fund		487	3,279

(in thousands)

Building and improvements, infrastructure and equipment assets are depreciated using the straight-line depreciation at the beginning of the following fiscal year over the following estimated useful lives:

Assets	Years
Building and Improvements	
General Structure and Parking Lot Landscaping Improvements	10
Building and Parking Lot Improvements	20
Land Improvements	30
Parks and Wastewater Capacity Upgrades	40
Transmission-Off System	50
Machinery and Equipment	
Police Patrol Vehicles	3
Computer Systems and Software	5
Passenger Cars, Pickup/Refuse	6
Cargo Vans, Street Sweepers	7
Dump/Tractor/Trailer Trucks	10
Helicopters	20
Emergency Response Engines	20
Sewer Improvements	
Intangible Assets	40
Local Sewer System	80
Infrastructure (non-sewer)	
Traffic Signals	15
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs, Tunnels, and Potable-Hydrants	40
Streets, Paved Streets, Paved Alleys and Sidewalks	50
Potable-Mains	75

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. The first acquisition was completed on July 1, 2005, with the total cost to the participants at $306,100. The City's initial share in the project was $13,100 or 4.28%, with an estimated peak daily volume between 1,600 to 1,800 MMBtu. As of June 30, 2017, the net balance for Natural Gas Reserve Project, including drilling program capitalization is $12,295.

Long-term Debt

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary and fiduciary fund statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred. In the governmental funds' statement of revenues, expenditures and changes in fund balances, issuance of debt is recorded as other financing source or use in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

Pension

For purposes of measuring the net pension liability and deferred outflows or inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plan's) and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable by the benefit terms. Investments are reported at fair value. See Note 9 for more information.

Compensated Absences

The total compensated absences liability for the City is $27,504, which comprises of liabilities from two internal service funds: Employee Benefits Fund and Retiree Health Savings Plan Benefits Fund.

The City records the expense and liability for its employees' earned but unused accumulated vacation and overtime in the Employee Benefits Fund. As of June 30, 2017, the liability is $13,936, and the City has $13,693 available in cash dedicated to this liability in the fund.

The City also provides sick leave conversion benefits through the Retiree Health Savings Plan (RHSP). Employees earn one day of sick leave per month and the unused sick leave hours are converted to a dollar amount and deposited in the employee's RHSP account at retirement or termination with 20 years of City service. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying from personal funds. The sick leave conversion rates range from $0.022 to $0.031 for each hour of sick leave balance, based on the memoranda of understanding agreements between the City and the unions. The sick leave conversions related expense and liability are recorded in the Retiree Health Savings Plan Benefits Fund. As of June 30, 2017, the liability is $13,568, and the City has $13,507 available in cash dedicated to this liability in the Fund.

Based on the most recent actuarial valuation dated June 30, 2016, the actuarial accrued liability for the RHSP is $13,973. The City has a cash reserve of $11,707 in the RHSP Benefits Fund, which is dedicated to providing benefits, so the unfunded actuarial accrued liability is $2,266 as of June 30, 2016. As of June 30, 2017, the City has $13,507 cash reserve for RHSP, and the actuarial accrued liability rolling forward from FY 2015-16 to FY 2016-17 is $13,568, so the unfunded actuarial accrued liability is $61. The actuarial accrued liability takes into account an estimate of future sick leave usage, additional sick leave accumulation for current active employees, the investment return of 3.75%, and no increase for sick leave conversion hourly rate.

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 monthly medical insurance premiums for these retirees. The conversion calculations are based on the respective bargaining units' MOU or Benefit Ordinance. Currently, there are five retirees receiving this City paid benefit. Also, at any time, these five retirees may elect 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 Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City, which provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended by the City. The premiums collected from the retirees and payments to the insurance companies are recorded in the Medical Insurance Fund, an internal service fund. The City does not have a separate audited report for this defined benefit plan. See Note 10 for more information.

Unearned Revenue

The unearned revenue liability reports amounts received in advance of providing goods or services. When the goods or services are provided, this account balance is decreased, and a revenue account is increased.

Property Held for Resale

Land and buildings acquired for future sale to developers have been capitalized and are shown as real property held for resale in the accompanying financial statements. Property held for resale is carried at the lower of cost or net realizable value (realizable value less cost to sell).

Fund Balance

Fund balance classifications for governmental fund types comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In the fund financial statements, the governmental funds may report nonspendable, restricted, committed, assigned, and unassigned fund balances to show the level of constraint governing the use of the funds.

- Nonspendable fund balances cannot be spent because they are in a nonspendable form, or are required to be maintained intact.

- Restricted fund balances are restricted for specific purposes by third parties or enabling legislation.

- Committed fund balances include amounts that can be used only for specific purposes determined by the formal action through a resolution of the City Council, as they are the highest level of decision-making authority. Council must have at least a 3 to 2 vote to pass a resolution for the specific purpose. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment.

- Assigned fund balances comprise amounts intended to be used by the City for specific purposes but are not restricted or committed. The City Council, in the City's most recently adopted budget resolutions, has delegated the authority to assign fund balances to the City Manager or his/her designee. The financial policies of the City are also updated to reflect this delegation of authority.

- Unassigned fund balances are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories and include all deficit amounts in all other governmental funds.

When both restricted and unrestricted resources are available for an incurred expenditure, it is the City's policy to spend restricted resources first then unrestricted resources as necessary. When unrestricted resources are available for incurred expenditures, it is the City's policy to use committed amounts first, followed by assigned amounts, and then unassigned amounts.

Net Position

The net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and deferred outflows of resources, and is reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. The net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation externally adopted by the citizens of the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources or expenses until then. For current or advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debts (i.e., deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. When the City pays the pension contributions after the measurement date, the City reports deferred outflows of resources. When there is an increase in pension expense arising from the recognition of differences between projected and actual earnings on pension plan investments, the City reports a deferred outflow of resources until the increase is recognized in expense. The City's deferred outflows of resources as of June 30, 2017 is $112,500, which consists of $4,807 loss on refunding, and $107,693 related to pensions.

In addition to liabilities, the statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources or revenues until then. When there is a decrease in pension expense arising from the recognition of changes in assumptions, of differences between expected and actual experience, and of differences between projected and actual earnings on pension plan investments, the City reports a deferred inflow of resources until the decrease is recognized in expense. The City's deferred inflows of resources related to pensions are $29,735 as of June 30, 2017. When a receivable is recorded in governmental fund financial statements but the revenue is not available, the City reports a deferred inflow of resources until the revenue becomes available. The City has recorded deferred inflows of resources – unavailable revenues of $27,960 in the General Fund, $177 in the Housing Assistance Fund, and $6,036 in the nonmajor governmental funds.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

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

(in thousands)

- The City Charter requires that the City Manager submits to the City Council a proposed budget for the coming year on or before June 1st. The operating budget includes both the sources and types of funds for the proposed expenditures.

- In May or June, a public hearing is conducted to obtain citizen input, with the final budget being adopted no later than July 1st.

- The budget is amended during the fiscal year to reflect all transfers and amendments.

- The level of appropriated budgetary control is at the fund level except for the General Fund, which is at the department level. The appropriation may exist across different categories including, salary and fringe benefits, maintenance and operation, and capital outlay. There is no limit as to how much can be shifted between categories as long as the total appropriation does not exceed what Council approved at the department level for General Fund and the fund level for all other funds.

The following General Fund departments and funds over expended their appropriations as of June 30, 2017:

Funds		Amounts Over Expended
General Fund:		
Elections	$	116
Non-departmental		1,244
Supplemental Law Enforcement Fund		12
Fire Mutual Aid Fund		454
Special Events Fund		215

NOTE 3 – CASH AND INVESTMENTS

Governmental and business-type activities:

Cash and investments as of June 30, 2017 consist of the following:

Investments	$	692,396
Cash and investments with fiscal agents		11,444
		703,840
Cash held in financial institutions		61,957
Total	$	765,797

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

Pooled cash and investments	$	641,005
Restricted cash and investments		37,953
Cash and investments with fiscal agents		11,444
Restricted investments – gas/electric commodity		1,495
Designated cash and investments		73,900
Total	$	765,797

(in thousands)

Authorized Investments

Under the provisions of the City Council's adopted investment policy as of June 30, 2017, and by California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Securities	5 years	100%	None
Federal Agencies Securities	5 years	100%	None
State of California and California Local Agencies	N/A	15%	5% per issuer
Obligation of Other States	N/A	10%	5% per issuer
Medium Term Corporate Notes	5 years	20%	5% per issuer
Commercial Paper (A1, P1, F1 minimum rating)	270 days	25%	None
Bankers' Acceptances	180 days	30%	10% per bank
Time Deposits (FDIC Insured)	1 year	10%	5% per issuer
Negotiable Certificates of Deposit	1 year	30%	5% per issuer
Local Agency Investment Fund (State Pool)	N/A	Maximum $65MM per LAIF account	None
Money Market Mutual Funds	90 days	20%	None
Los Angeles County Treasury Pool	N/A	10%	None

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 fair 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 fiscal bond agents. Permitted investments are specified in related trust agreements.

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Interest Rate Risk

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

(in thousands)

Governmental and business-type activities:

	Total	Remaining Maturity (in Months) 12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Commercial Paper	$ 44,849	44,849	-	-	-
Federal Agency Term Notes	105,647	22,983	9,969	72,695	-
Federal Agency Callable Bonds	48,576	5,855	5,003	37,718	-
Medium Term Notes	130,571	28,316	11,047	91,208	-
Obligations of Other States	63,266	10,560	15,563	37,143	-
State and Municipal Bonds	68,266	10,743	20,579	36,944	-
State Investment Pool	99,781	99,781	-	-	-
Los Angeles County Pool	65,660	65,660	-	-	-
U.S. Treasury Notes	56,948	-	4,956	51,992	-
Money Market Mutual Fund	8,832	8,832	-	-	-
Held by Fiscal Agents:					
Guaranteed Investment Contracts	2,398	-	-	-	2,398
Money Market Mutual Fund	9,046	9,046	-	-	-
	$ 703,840	306,625	67,117	327,700	2,398

Credit Risks

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City purchases investments only in the most risk-adverse instruments, such as Aaa rated government securities, Aaa, Aa or A rated corporate securities, A1, P1, F1 rated commercial paper, negotiable certificates of deposit, and banker's acceptance securities. The City's Investment Policy requires the City to sell medium-term notes with a credit rating below S&P's and Fitch's BBB grade or Moody's Baa2 unless the City Council approves the City Treasurer's recommendation that the security should be retained.

Governmental and business-type activities:

	Total	Aaa	Moody's Rating as of June 30, 2017 Aa1	Aa2	Aa3	A1	A2	A3	P1	Unrated
Commercial Paper	$ 44,849	-	-	-	-	-	-	-	44,849	-
Federal Agency Term Notes	105,647	105,647	-	-	-	-	-	-	-	-
Federal Agency Callable Bonds	48,576	48,576	-	-	-	-	-	-	-	-
Medium Term Notes	130,571	37,922	21,579	13,549	18,928	32,597	4,998	998	-	-
Obligations of Other States	63,266	19,297	18,199	3,597	-	-	-	-	-	22,173
State and Municipal Bonds	68,266	-	-	15,162	33,714	1,282	1,882	-	-	16,226
State Investment Pool	99,781	-	-	-	-	-	-	-	-	99,781
Los Angeles County Pool	65,660	-	-	-	-	-	-	-	-	65,660
U.S. Treasury Notes	56,948	56,948	-	-	-	-	-	-	-	-
Money Market Mutual Fund	8,832	314	-	-	-	-	-	-	-	8,518
Held by Fiscal Agents:										
Guaranteed Investment Contracts	2,398	-	-	-	-	-	-	-	-	2,398
Money Market Mutual Fund	9,046	9,046	-	-	-	-	-	-	-	-
	$ 703,840	277,750	39,778	32,308	52,642	33,879	6,880	998	44,849	214,756

(in thousands)

Concentration Risk

The investment policy of the City limits the amounts that may be invested in any one issuer to 5% or 10% per bank for Bankers' Acceptances. This limit excludes investments in U.S. Treasury securities, federal agencies securities, commercial paper, Local Agency Investment Fund, money market mutual funds, and Los Angeles County Pool. Investments in any one issuer that represent 5% or more of total City investments are as follows:

Issuer	Investment Type		Reported Amount
FHLMC	Federal Agency Callable Bonds	$	36,786
	Federal Agency Term Bonds		10,993
	Total	$	47,779
FHLB	Federal Agency Callable Bonds	$	6,828
	Federal Agency Term Bonds		55,531
	Total	$	62,359

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government agency will not be able to recover its deposits or will not be able to recover investment securities that are in possession of an outside party. All of a depositor's accounts at an insured depository institution, including non-interest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of $250 for each deposit insurance ownership category. The amounts of deposits are collateralized under California law. The Code requires that a financial institution secures deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law unless waived by the governmental unit.

The custodial risk for investments is also twofold. An investment trade transaction occurs between a government agency and counterparty, such as a broker or a dealer. Counterparty risk is the risk that in the event of the failure of a brokerage or dealer to deliver securities after government agency has made payment. The City of Glendale prevents counterparty risk by requiring all trade transactions to be done on a delivery versus payment arrangement.

A government agency uses an independent third-party custodian or safe-keeper to domicile the securities in its portfolio. The City of Glendale uses Bank of America as its third-party safekeeping servicer, and prevents custodial or safekeeping risk by having all securities purchased and owned by the City of Glendale registered in the name of the City, separated from other client securities portfolios, and segregated from securities owned by the bank.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investment in this pool is reported in the accompanying financial statements at fair value based upon the City's pro-rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio, in relation to the amortized cost of that portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not registered with the Securities and Exchange Commission (SEC) and is not rated.

Investment in Los Angeles County Pool

The City is a voluntary participant in the Los Angeles County Pooled Investment Fund (LACPIF) that is regulated by California Government Code Section 27136 and managed by the Los Angeles County Treasurer. The City's investment in this Pool is reported in the accompanying financial statements of net position and prepared using the accrual basis of accounting. Investments are reported at fair value. The cash flow needs of the participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of participants. The balance available for withdrawal is based on the accounting records maintained by LACPIF. LACPIF is not registered with the Securities and Exchange Commission (SEC) and is not rated.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF and LACPIF are made on the basis of $1 and not fair value. Accordingly, the City's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2017. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City's treasury pools asset market prices are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

(in thousands)

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy and the City does not have any investments that are measured using Level 1 inputs.

For investments classified within Level 2 of the fair value hierarchy, the City's custodians generally uses a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

The City does not have any investments that are measured using Level 3 inputs.

As of June 30, 2017, the City has the following fair value measurements:

	Balance at June 30, 2017	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Commercial Paper	$ 44,849	-	44,849	-
Federal Agency Term Notes	105,647	-	105,647	-
Federal Agency Callable Bonds	48,576	-	48,576	-
Medium Term Notes	130,571	-	130,571	-
Obligations of Other States	63,266	-	63,266	-
State and Municipal Bonds	68,266	-	68,266	-
U.S. Treasury Notes	56,948	-	56,948	-
Total investments by fair value level	518,123	-	518,123	-
Investments measured at amortized costs or not subject to fair value hierarchy:				
Los Angeles County Pool	65,660			
State Investment Pool	99,781			
Money Market Mutual Funds	8,832			
Held by Fiscal Agents:				
Guaranteed Investment Contracts	2,398			
Money Market Mutual Fund	9,046			
Total investments measured at amortized costs or not subject to fair value hierarchy	185,717			
	$ 703,840			

NOTE 4 – LOANS RECEIVABLE

Verdugo Fire Communications

The Verdugo Fire Communications Center (Verdugo) is a regional dispatch center that was established by the founding cities of Burbank, Glendale, and Pasadena. Verdugo currently dispatches for fourteen fire agencies as dispatching services for the City of Vernon Fire Department began on July 1, 2016. To begin dispatching services, the Vernon Fire Department's equipment and infrastructure needed to be updated and configured to be able to establish connectivity to the Verdugo system. Upon review of the cost associated with the updates and configuration, the tri-city Fire Chiefs agreed, with the approval of the City of Vernon's and the City of Glendale's City Council, to loan the funding to the City of Vernon and executed a promissory note on February 26, 2016. The loan receivable amount was estimated to be $200, with agreed upon terms of no loan fee or accruing interest, and is required to be repaid within the first two years of the approved dispatch agreement over four semi-annual payments. As of June 30, 2017, the loan receivable is $78.

Successor Agency

In February 2012, the Dissolution Act (Assembly Bill x1 26; amended by AB 1484 in June 2012 and SB 107 in September 2015) dissolved California redevelopment agencies and directed their wind-down activities. In Glendale, the City chose to serve as the Glendale Successor Agency. This action impacted the reporting entity of the City of Glendale that had previously reported the redevelopment agency within it and as a blended component unit. Commencing on February 1, 2012, the assets and activities of the dissolved redevelopment agency were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency from governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (gain) in its financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Since February 2012, the Successor Agency has completed a series of reports, audits and reviews, and approvals with approval from the Oversight Board and state Department of Finance. These have included two detailed Due Diligence Reviews to determine unobligated fund balances available for transfer to the affected taxing entities. Once the excess funds were distributed to the taxing entities, Glendale received a Finding of Completion (FOC) in May 2013. Following the FOC, Glendale needed to address its real property assets. Thus, Glendale prepared a Long Range Property Management Plan (LRPMP) which was approved by DOF on April 16, 2014. On May 24, 2016, the DOF approved a revision to Glendale's LRPMP to reflect the property at 300 E. Broadway as government use.

With the passage of SB 107, the requirement to prepare biannual payment schedules known as Recognized Obligation Payment Schedules (ROPS) was replaced with an annual ROPS.

Glendale received approval from the oversight board to reinstate the loans. There was disagreement with DOF on the calculation of interest, and the issue was resolved through litigation between DOF and the City of Glendale. A subsequent lawsuit resolved an issue DOF raised as to the legitimacy of the loans. The DOF has approved, and the County Auditor-Controller has paid Glendale via the Recognized Obligation Payment Schedule process, $12,511 in FY 2016-17.

Furthermore, 20% of any loan repayment is required to be deducted and transferred to the City's Low and Moderate Income Housing Asset Fund. $2,502 is transferred in FY 2016-2017 to Low and Moderate Income Housing Asset Fund. As of June 30, 2017, the reinstated loan amount is $27,828, which includes $206 of capitalized interest for FY 2016-17.

Housing

The Housing Authority has offered various housing loans to the residents of the City to create and maintain affordable housing for low and moderate income households. Four different types of housing loans are currently or were formerly funded from Community Development Block Grant (CDBG grant), HOME grant, Low and Moderate Income Housing Asset Fund (LMIHA) program income, and Building Equity and Growth in Neighborhoods Grant (BEGIN grant) funds. Certain Housing Authority loans will be forgiven or restructured when all requirements are met. Because of the uncertainty of collectability, the City has established a policy not to record forgivable and contingent loans on the financial statements. The non-forgivable loans are recorded on the financial statements.

- *Single Family Home Rehabilitation Loan*

  The program was funded by the CDBG grant, HOME grant, and LMIHA. It provided funds for moderate rehabilitation of owner-occupied homes for low and moderate income households. The deferred payment loan is interest-bearing with simple interest rates ranging from 0% to 4% annually for up to 10 years, and with a loan amount up to $25. Generally, the loan is repaid at the time of sale or transfer of the property and is secured by a deed of trust on the property. This program was eliminated in February 2012; however, there are existing loans receivable. As of June 30, 2017, $1,761 is outstanding, which is recorded in governmental activities in the government-wide financial statement.

- *First Time Home Buyer Loan*

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

  Down Payment Assistance – Resale Homes Purchase. The program provided funds for down payment and affordability gap assistance for the purchase of a resale home by a low or moderate income first time home buyer household. Loan terms varied from 30 to 45 years and required either a 5% simple annual interest rate paid monthly, or a 0% simple annual interest rate with no monthly payments. All loans are second mortgage deferred payment and forgivable up to $75. If the property is sold, transferred, or no longer owner-occupied before the term expires, the borrower must repay the original principal amount plus an appreciation share. This program was eliminated in February 2012; however, there are existing loans receivable. As of June 30, 2017, $3,075 is outstanding. As of June 30, 2017, the non-forgivable amount is $88 and is recorded in governmental activities in the government-wide financial statement.

  Down Payment Assistance – New Construction Homes Purchase. For new construction units, the amount of the loan is based on the amount of the affordability gap. The loan is secured by a deed of trust on the property and affordable housing covenants. Loans fall into two types. One type is the deferred payment forgivable loan with a loan term of 30 to 45 years; the loan is forgiven at the end of the loan term. If the property is sold, transferred, or no longer owner-occupied before the term expires, the borrower must repay the original principal amount plus an appreciation share. A small set of loans funded through the American Dream Down Payment Assistance Program are forgiven at a set percentage of the principal amount each year. A second type of loan is a deferred payment loan with resale restrictions. This includes the most recent HOME funded loans that are subject to resale restrictions and must be resold to low-income home buyers if sold before the end of the term. As of June 30, 2017, the forgivable loan amount at the end of the term is $4,116, and is not recorded on the financial statements. The Doran Gardens project loans funded through the BEGIN grant are deferred loans and are to be repaid at the end of the 30-year term. As of June 30, 2017, the non-forgivable amount is $5,397 and is recorded in governmental activities in the government-wide financial statement.

- *Multi-Family Apartment Rehabilitation Loan*

  The program is funded by the 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. It is a 4% simple interest-bearing, deferred payment, forgivable loan. The maximum loan amount is $10 per unit for a five-year loan. In target neighborhoods, the maximum is up to $15 per unit for a seven-year loan for repairs and rehab. The maximum per project is up to $100. The owner needs to contribute at least 10% of the total project cost and 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, 2017, $26 is outstanding. Because these loans are forgivable, they are not recorded on the financial statements.

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

  The program is funded by the HOME grant and LMIHA and provides funds for new construction, acquisition or rehabilitation of affordable rental housing. Loan terms and loan underwriting requirements are negotiated with the developer on a project-by-project basis. The loan is secured by a deed of trust and affordable housing covenants on the property. Loans provide gap assistance to make housing units affordable to low and moderate income households, and units must be rented at an affordable rent. Leveraging of funds with other sources and contribution of developer equity is required. Loans may be second mortgage deferred payment loans, which require loan principal plus interest to be repaid at the end of the loan term, and residual receipt payments are required on some deferred loans. Also, loans may be permanent financing first mortgage loans at below-market interest rates, and monthly amortized payments are required. Such loans would be provided when credit conditions or loan costs are not feasible for the project. As of June 30, 2017, the amount of forgivable or contingent loans is $88,532, which is not recorded on the financial statements.

(in thousands)

NOTE 5 – INTERFUND TRANSACTIONS

The composition of interfund balances consists of due to/from other funds, advances to/from other funds, and transfers. Due to/from other funds are temporary cash overdrafts between funds. Advances to/from other funds represent an interfund loan extending beyond one year and some advances are formal lending agreements between funds.

Due to/from other funds as of June 30, 2017 consist of the following:

Due to General Fund from:	
Nonmajor governmental funds	$ 3,731

Advances to/from other funds as of June 30, 2017 consist of the following:

- $582 of advance in the ISD Wireless Fund was a five-year loan with 2.0% annual interest, from the Sewer Fund to upgrade the City's radio infrastructure. Accrued interest started on September 1, 2012 and payments are due annually on September 1st with the final payment due on September 1, 2017.

The City reports transfers between many of its funds. The sum of all transfers presented in the following table agrees with the sum of interfund transfers presented in the government-wide, governmental and proprietary fund financial statements. Transfers are used to (1) subsidize the activities of other funds and (2) move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them.

	Amount	Purpose
Transfers to General Fund from:		
Electric Fund	$ 19,912	Fund general fund operations per Charter
Nonmajor enterprise funds	1,150	Fund general fund operations
	21,062	
Transfers to Capital Improvement Fund from:		
General Fund	4,555	Fund capital improvement projects
Transfers to nonmajor governmental funds from:		
General Fund	2,502	20% of City GSA loan payment
General Fund	85	Nutritional Meals Grant matching
General Fund	800	Fund Police Building Project debt service
General Fund	1,298	Close out Emergency Medical Services Fund
Capital Improvement Fund	2,000	Fund Scholl Canyon Landfill reserve
	6,685	
Transfers to nonmajor enterprise fund from:		
Government-wide – Governmental activities	2	Transfer of capital asset ownership
Total Interfund Transfers	$ 32,304	

(in thousands)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance at July 1	Increases	Decreases	Reclass	Adjustments - transferred to business-type activities	Adjustments - transferred from fiduciary fund*	Balance at June 30**
Governmental activities:							
Capital assets, not being depreciated:							
Land	$ 414,298	-	-	6,008	-	1,442	421,748
Construction in progress	59,114	15,208	-	(25,440)	-	-	48,882
Total assets not being depreciated	473,412	15,208	-	(19,432)	-	1,442	470,630
Depreciable capital assets:							
Building and improvements	364,101	10,379	-	14,835	-	11,405	400,720
Machinery and equipment	126,928	4,362	(3,077)	6,475	(2)	-	134,686
Infrastructure	317,093	2,528	(1,331)	4,174	-	2,270	324,734
Total other capital assets at cost	808,122	17,269	(4,408)	25,484	(2)	13,675	860,140
Less accumulated depreciation:							
Building and improvements	150,857	9,014	-	-	-	-	159,871
Machinery and equipment	92,236	6,304	(3,077)	31	-	-	95,494
Infrastructure	112,437	7,753	(1,331)	-	-	-	118,859
Total accumulated depreciation	355,530	23,071	(4,408)	31	-	-	374,224
Total assets being depreciated, net	452,592	(5,802)	-	25,453	(2)	13,675	485,916
Governmental activities capital assets, net	$ 926,004	9,406	-	6,021	(2)	15,117	956,546

*Includes $1,442 of land that was transferred to the governmental activities from fiduciary fund.

**$50,875 and $57,110 of buildings, improvements, machinery, equipment and construction in progress for FY2016 and FY2017 respectively from internal service funds are included in governmental activities. $25,371 and $27,973 of accumulated depreciation for FY2016 and FY2017 respectively from internal service funds are included in governmental activities.

Depreciation expense was charged to functions of the City's governmental activities for the year ended June 30, 2017 as follows:

Governmental Activities:	
General Government	$ 1,437
Police	2,099
Fire	1,514
Public Works	12,574
Parks, Recreation and Community Services	2,603
Library	157
Housing, Health and Community Development	2,687
Total depreciation expense	$ 23,071

(in thousands)

	Balance at July 1	Increases	Decreases	Reclass	Adjustments- transferred from governmental activities	Balance at June 30
Business-type activities:						
Capital assets, not being depreciated:						
Land	$ 9,490	-	-	67	-	9,557
Construction in progress	68,414	27,793	(202)	(19,324)	-	76,681
Drilling in progress	-	70	(70)	-	-	-
Total assets not being depreciated	77,904	27,863	(272)	(19,257)	-	86,238
Depreciable capital assets:						
Building and improvements	265,429	4,222	-	2,325	-	271,976
Machinery and equipment	558,390	6,074	(13,309)	11,434	2	562,591
Infrastructure	146,476	463	-	5,191	-	152,130
Total other capital assets at cost	970,295	10,759	(13,309)	18,950	2	986,697
Depletable capital assets:						
Natural gas reserve	22,144	5	-	-	-	22,149
Amortizable intangible assets:						
Intangible assets	99,746	2,898	-	-	-	102,644
Less accumulated depreciation:						
Building and improvements	93,417	5,895	-	-	-	99,312
Machinery and equipment	320,784	26,990	(13,309)	-	-	334,465
Infrastructure	48,877	3,370	-	-	-	52,247
Total accumulated depreciation	463,078	36,255	(13,309)	-	-	486,024
Less allowance for gas depletion:						
Natural gas reserve	8,919	935	-	-	-	9,854
Less amortization:						
Intangible assets	43,319	3,052	-	-	-	46,371
Total assets being depreciated, depleted, and amortized, net	576,869	(26,580)	-	18,950	2	569,241
Business-type activities capital assets, net	$ 654,773	1,283	(272)	(307)	2	655,479

(in thousands)

Depreciation, depletion and amortization expense was charged to functions of the City's business-type activities for the year ended June 30, 2017 as follows:

Business-type Activities:		
Depreciation		
Sewer	$	2,946
Electric		25,469
Water		6,411
Refuse Disposal		1,272
Fire Communication		157
Total depreciation expense		36,255
Depletion - Electric		935
Amortization - Sewer		3,052
Total depreciation, depletion, and amortization expense	$	40,242

NOTE 7 – PROPERTY HELD FOR RESALE

Governmental activities – Home Grant Fund property held for resale at June 30, 2017:

Acquisition Date	Location		Carrying Value
May 2015	634 and 700 E. Lomita	$	981

NOTE 8 – LONG-TERM DEBT AND LIABILITIES

The City's long-term debt and liabilities as of June 30, 2017 consists of the following:

		Issuance Amount	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017	Due within one year
Governmental Activities							
Claims payable	$	-	41,942	53,767	44,315	51,394	14,507
Post-employment benefits		-	8,134	531	-	8,665	-
Compensated absences		-	21,278	8,984	8,867	21,395	2,789
Landfill postclosure care		-	44,684	2,375	-	47,059	-
Certificates of Participation (COPs)		64,200	35,605	-	1,820	33,785	1,905
Other long-term liabilities:							
Capital Lease-Fire equipment lease 2009 – Wells Fargo		2,299	514	-	252	262	262
2011 HUD Section 108 Loan		2,000	1,305	-	194	1,111	203
Total other long-term liabilities		4,299	1,819	-	446	1,373	465
Total Governmental Activities long-term liabilities	$	68,499	153,462	65,657	55,448	163,671	19,666

For the governmental activities, claims payable, compensated absences and post-employment benefits are primarily liquidated by the respective internal service funds.

(in thousands)

		Issuance Amount	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017	Due within one year
Business-type Activities							
Compensated absences	$	-	6,456	2,194	2,541	6,109	808
Bonds payable:							
Electric Revenue Bonds, 2008 series		60,000	1,880	-	-	1,880	1,880
Electric Revenue Bonds, 2013 refunding series		20,510	20,510	-	900	19,610	935
Electric Revenue Bonds, 2013 series		60,000	58,385	-	1,100	57,285	1,130
Electric Revenue Bonds, 2016 refunding series		72,615	72,615	-	1,445	71,170	1,185
Electric Revenue Bonds premium		-	23,998	-	1,131	22,867	1,132
Water Revenue Bonds, 2008 series		50,000	45,085	-	1,325	43,760	1,370
Water Revenue Bonds, 2012 series		35,000	35,000	-	-	35,000	415
Water Revenue Bonds premium		-	1,948	-	87	1,861	86
Total bonds payable		298,125	259,421	-	5,988	253,433	8,133
Total Business-type Activities long-term liabilities	$	298,125	265,877	2,194	8,529	259,542	8,941

The City of Glendale Financing Authority

Variable Rate Demand Certificates of Participation (COPs) - 2000 Police Building Project

The COPs were issued pursuant to the resolutions adopted by the City Council and the board of directors of the Glendale Financing Authority on June 6, 2000. The proceeds of the COPs were used to (a) finance for the acquisition, construction and improvement of a police building (the "Police Building"), (b) establish a reserve fund of $5,000 in accordance with the trust agreement, and (c) pay for the costs incurred to issue the COPs. Since the issuance of the COPs in 2000 until July 8, 2013, the COPs were subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on five days' notice and delivery to the City's Remarketing Agent.

On May 28, 2013, the City and the Financing Authority adopted Resolution No. 13-76 and Resolution GFA-13-02 respectively, accepting Bank of America's proposal for a Direct Purchase Index Floater (Direct Purchase Agreement) of the Glendale COPs to replace the Standby Bond Purchase Agreement. The direct purchase loan with Bank of America relating to the Certificates of Participation for the Police Building is subject to a mandatory tender for purchase at a price of par plus accrued interest on the earliest of the: (i) mandatory tender date of three years from closing, (ii) date on which the Certificates are converted to another interest rate mode, (iii) or occurrence of an event of default. The variable interest rates were based on 70.0% of monthly LIBOR Index plus a fixed spread of 0.40%.

On May 17, 2016, the City and the Financing Authority adopted Resolution No. 16-82 and Resolution GFA-16-01 respectively, approving a second 3-year contract with Bank of America to purchase Glendale Variable Rate Demand Certificates of Participation. The variable interest rates are based on 70.0% of monthly LIBOR Index plus a fixed spread of 0.48%. Under the Direct Purchase Agreement, the COPs mature in annual installments ranging from $1,905 to $3,480 from FY 2018-30. As of June 30, 2017, the principal balance was $33,785. The average monthly interest rate for FY 2016-17 was 0.97%.

The Financing Authority has leased the Police building back to the City pursuant to a lease agreement dated July 1, 2000. The bond indebtedness is secured by a lease to the City and is payable from rental payments received under terms of the lease agreement. The annual lease payments from the City are to be at a rate sufficient to meet debt service requirements of the outstanding bond indebtedness on the leased premises.

<u>The City of Glendale Housing Authority</u>

HUD Section 108 Loan (Series 2011-A)

Section 108 Loan of $2,000 was used to acquire and rehabilitate an Emergency Shelter and Homeless Access Center at 1948 Gardena Avenue, Glendale for the S.H. Ho Hope and Compassion Center, a non-profit organization. HUD administers the Section 108 Loan Guarantee program, and the program's purpose is to fill funding gaps on major community / economic development projects throughout the country. The Section 108 Loan Guarantee program was created as part of the original Housing and Community Development Act of 1974. Section 108 obligations are permanently financed through underwritten public offerings. This was the City's second time receiving a Section 108 loan. The City received the loan in November 2011. The term of the loan is ten years with an interest rate of 2.56% and the total interest is $210. The City has pledged current and future CDBG funds as principal security for the loan. The principal amounts range from $203 to $242 annually for FY 2018-22. The Section 108 loan payment is budgeted as a CDBG project each year based on the payment schedule.

<u>Capital Improvement Projects</u>

Landfill Postclosure Care Costs

Pursuant to Assembly Bill 2448 and the regulations established by the California Integrated Waste Management Board (Board), landfill operators are required to submit an initial cost estimate of postclosure maintenance and to establish a financial mechanism to demonstrate the availability of funding to conduct postclosure maintenance activities. The City selected a trust fund as the financial mechanism and the Board approved this. The City Treasurer was designated as the trustee to ensure that the City set aside annual required deposits. The City subcontracts with Los Angeles County Sanitation District (Sanitation District) to operate Scholl Canyon and as part of this contract, the County is responsible for the closure cost of Scholl Canyon. The City is responsible for the postclosure maintenance cost of Scholl Canyon. According to Los Angeles County Sanitation District's records, the permitted capacity filled between August 18, 1989 and July 10, 2016 was 11.03 million tons. The permitted capacity filled between July 11, 2016 and July 10, 2017 was 0.38 million tons. The total permitted capacity as of August 18, 1989 remains 14.75 million tons. Therefore, the City has 3.34 million tons unfilled capacity remaining. Using an inflation factor from the Sanitation Districts of 1.013, the total estimated care postclosure cost is $60,835. Using the data above, the amount of $47,059 is recognized as a long-term liability on the Statement of Net Position. Accordingly, the portion of the estimated total obligation for landfill postclosure costs that has not been recognized in the financial statements is $13,775. 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, 2017, the City has set aside $29,850 of this in the Landfill Postclosure Fund. The total current cost of landfill postclosure care is an estimate subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Capital Lease - Fire Equipment Lease 2009

In December 2008, the City entered into a Master Governmental Lease-Purchase Agreement (the "Master Lease") with Wells Fargo Equipment Finance, Inc. to provide funds for acquisition of fire apparatus, which include one new Pierce Heavy Duty Rescue System mounted on a new 2009 International 7400 Chassis together with all attachments and accessories and four new Pierce 2000 GPM Quantum Triple Combination Pumper Truck Systems mounted on new 2008 Quantum Chassis together with all attachments and accessories. The total cost of the equipment funded was $2,299 with an annual interest rate of 4.04%. The City makes lease payments each year consisting of principal and interest for a term of ten years commencing in FY 2008-09. The annual lease payment is $273. Payments are due on December 15 annually. As of June 30, 2017, the outstanding balance of this lease was $262.

Business-type Activities:

<u>**Enterprise Funds**</u>

Electric Revenue Bonds, 2008 Series

The Electric utility of Glendale Water and Power issued $60,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Electric System of the City.

The Electric Revenue Bonds, 2008 Series were partially refunded in May 2016 with the Electric Revenue Bonds, 2016 Refunding Series. After the issuance of the Electric Revenue Bonds, 2016 Refunding Series, $1,880 of the partially defeased 2008 Bonds remains outstanding as of June 30, 2017 and will mature at its redemption date on February 1, 2018. $58,120 of the 2008 Bonds were refunded and deposited into an Escrow Fund established pursuant to an Escrow Agreement dated May 1, 2016 and will be fully redeemed on February 1, 2018 at a redemption price of 100% of the principal amount plus accrued interest.

Electric Revenue Bonds, 2013 Refunding Series

The Electric utility of Glendale Water & Power issued $20,510 in revenue bonds in March 2013 to provide funds to refund all of the City's outstanding Electric Revenue Bonds, 2003 Series and pay cost of issuance. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2003 Series through a legal defeasance.

The current refunding resulted in the recognition of a deferred outflows of resources of $120 as of June 30, 2017, and is being amortized through 2032. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $6,249 on parity with other Electric revenue bonds. The bonds mature in regularly increasing amounts ranging from $935 to $1,805 annually from 2018 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 bonds mature in regularly increasing amounts ranging from $1,130 to $3,795 annually from 2018 to 2043.

Electric Revenue Bonds, 2016 Refunding Series

The Electric utility of Glendale Water & Power issued $72,615 in revenue bonds in May 2016 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2006 Refunding Series, a portion of the City's outstanding Electric Revenue Bonds, 2008 Series, and paying the costs of issuance of the 2016 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2006 Refunding Series and a portion of the outstanding Electric Revenue Bonds, 2008 Series through a legal defeasance. The advance refunding resulted in the recognition of a deferred outflows of resources of $4,687 as of June 30, 2017, and is being amortized through 2038.

The terms of the Electric Revenue Bonds, 2016 Refunding Series' (2016 Refunding Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. Up to 50% of the reserve fund requirement amount may be held in an unrestricted fund or account.

The bonds mature in regularly increasing amounts ranging from $1,185 to $4,715 annually from 2018 to 2038. The 2016 Refunding Bonds maturing on or prior to February 1, 2026 are not subject to redemption prior to maturity. The 2016 Refunding Bonds maturing on and after February 1, 2027 are subject to redemption prior to maturity, at the option of the City, as a whole or in part, on February 1, 2026, or on any date thereafter, at a redemption price equal to 100% of the principal amount of the 2016 Refunding Bonds to be redeemed, together with accrued interest to the redemption date.

The Electric utility has pledged future electric customer revenues, net of specified operating expenses, to repay $213,125 in electric revenue bonds. Proceeds from the bonds financed the costs of the acquisition and construction of certain improvements to the City's electric public system. The bonds are payable solely from Electric Fund's net revenues and is expected to require the net revenues to be at least equal to 1.10 times the amount of the annual debt services as it become due each fiscal year. The total principal and interest remaining to be paid on the bonds through 2043 is $242,407. Principal and interest paid and total net available revenues for FY 2016-17 were $9,953 and $68,202, respectively.

Water Revenue Bonds, 2008 Series

The Water Utility of Glendale Water & Power issued $50,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the Water System of the City.

The terms of the 2008 Water Revenue Bonds' (2008 Bonds) indenture require the trustee to establish and maintain a reserve fund equal to the reserve fund requirement. The reserve fund requirement is defined by the Debt Indentures as the maximum annual debt service on the debt service schedule. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $3,507.

The bonds mature in regularly increasing amounts ranging from $1,370 to $3,060 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.

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 $1,650.

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.

The Water utility has pledged future water customer revenues, net of specified operating expenses, to repay $85,000 in water revenue bonds. Proceeds from the bonds financed the costs of the acquisition and construction of certain improvements to the City's water system. The bonds are payable solely from Water Fund's net revenues and is expected to require the net revenues to be at least equal to 1.25 times the amount of the annual debt services as it become due each fiscal year. The total principal and interest remaining to be paid on the bonds through 2042 is $129,580. Principal and interest paid and total net available revenues for FY 2016-17 were $4,712 and $16,321, respectively.

(in thousands)

Annual Debt Service Requirement Schedule

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

	Police Building Project (COPs) Governmental Activities		Capital Lease Governmental Activities	
Fiscal Year	Interest	Principal	Interest	Principal
2018	$ 379	1,905	11	262
2019	405	1,985	-	-
2020	425	2,070	-	-
2021	437	2,155	-	-
2022	442	2,320	-	-
2023-2027	1,943	13,415	-	-
2028-2030	550	9,935	-	-
	$ 4,581	33,785	11	262

	Section 108 (2011 Series) Loan Governmental Activities		Electric and Water Revenue Bonds Business-type Activities	
Fiscal Year	Interest	Principal	Interest	Principal
2018	$ 22	203	10,652	6,915
2019	18	212	10,336	6,850
2020	14	222	10,000	7,150
2021	9	232	9,650	7,500
2022	3	242	9,287	7,845
2023-2027	-	-	40,212	45,270
2028-2032	-	-	28,512	52,405
2033-2037	-	-	17,459	47,770
2038-2042	-	-	7,063	43,205
2043-2045	-	-	111	3,795
	$ 66	1,111	143,282	228,705

	Total Governmental Activities		Total Business-type Activities		Total Debt
Fiscal Year	Interest	Principal	Interest	Principal	Service
2018	$ 412	2,370	10,652	6,915	20,349
2019	423	2,197	10,336	6,850	19,806
2020	439	2,292	10,000	7,150	19,881
2021	446	2,387	9,650	7,500	19,983
2022	445	2,562	9,287	7,845	20,139
2023-2027	1,943	13,415	40,212	45,270	100,840
2028-2032	550	9,935	28,512	52,405	91,402
2033-2037	-	-	17,459	47,770	65,229
2038-2042	-	-	7,063	43,205	50,268
2043-2045	-	-	111	3,795	3,906
	$ 4,658	35,158	143,282	228,705	411,803

NOTE 9 – PENSION PLANS

California Public Employees' Retirement System

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website at http://www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 for Classic members and age 52 for PEPRA members, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The death benefit is as follows:

If eligible to retire, the Pre-retirement Option 2W Death Benefit; or the Basic Death Benefit of a refund of contributions, plus interest; and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months); and 1959 Survivor Benefit Program Level 4* (may not be payable if the Special Death Benefit is elected).

If not eligible to retire, the Basic Death Benefit of a refund of contributions, plus interest; and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months); and 1959 Survivor Benefit Program Level 4* (may not be payable if the Special Death Benefit is elected).

1959 Survivor Benefit Program Level 4* may not be applicable if there is no eligible Spouse/Registered Domestic Partner and an unmarried eligible dependent child under age 22. An eligible surviving spouse/registered domestic partner may be entitled to the 1959 Survivor Benefit Program Level 4 benefits as long as they have care of an eligible child (unmarried dependent child of the member living with the member in a parent-child relationship, while under age 22) **or the surviving spouse/registered domestic partner is at least age 62 (age 60 at Level 4 and under the Indexed Level). An eligible surviving spouse/registered domestic partner may remarry and continue to receive the allowance.

(in thousands)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		
Hire date	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-63+	52-67+
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.4% to 2.4%	1.0% to 2.5%

	Safety		
Hire date	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-55+	50-57+
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for each plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	1,657	605
Inactive employees entitled to but not yet receiving benefits	1,558	90
Active employees	1,331	379
Total	4,546	1,074

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

(in thousands)

The City's member contribution rates and employer contribution rates for FY 2016-17, 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	Total
Miscellaneous Employees						
Council Member	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	19.936%	22.936%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	19.936%	22.936%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	19.936%	22.936%
Executive	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	18.936%	22.936%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	18.936%	22.936%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	18.936%	22.936%
GCEA	Classic (1st Tier)	2.5% @ 55	12.00%	0.00%*	18.936%	18.936%
	Classic (2nd Tier)	2.0% @ 55	11.00%	0.00%*	18.936%	18.936%
	PEPRA (3rd Tier)	2.0% @ 62	9.75%	0.00%*	18.936%	18.936%
IBEW	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	19.936%	22.936%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	19.936%	22.936%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	19.936%	22.936%
GMA	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	18.936%	22.936%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	18.936%	22.936%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	18.936%	22.936%
Safety Employees						
Executive - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	37.711%	41.711%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	37.711%	41.711%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	37.711%	41.711%
Executive - Police	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	37.711%	41.711%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	37.711%	41.711%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	37.711%	41.711%
GMA - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	37.711%	41.711%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	37.711%	41.711%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	37.711%	41.711%
GMA - Police	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	38.211%	41.711%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	38.211%	41.711%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	38.211%	41.711%
GFFA	Classic (1st Tier)	3.0% @ 50	9.00%	3.75%	37.961%	41.711%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.75%	37.961%	41.711%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	38.211%	41.711%
GPOA	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	38.211%	41.711%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	38.211%	41.711%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	1.75%	39.961%	41.711%

GCEA - Glendale City Employee Association
IBEW - International Brotherhood of Electrical Workers
GMA - Glendale Management Association
GFFA - Glendale Fire Fighter Association
GPOA - Glendale Police Officer Association
* Effective May 2013, GCEA members' cost sharing rate (3%-4%) became part of their member contribution rate.

(in thousands)

As shown in the rates table, in addition to the required member contributions, the City employees also contribute a portion of the required employer contribution, based on bargaining units' MOUs. The required employer contributions to the Miscellaneous and Safety plans were $18,972 and $19,984, respectively, for the year ended June 30, 2017. The breakdown of the required employer contribution between the City portion and the employee portion is as follows:

Plan		Annual Required Employer Contribution	City Contribution	Employees' Cost Sharing
Miscellaneous	$	18,972	16,661	2,311
Safety				
Police		11,840	10,872	968
Fire		8,144	7,417	727
Total Safety		19,984	18,289	1,695
Total	$	38,956	34,950	4,006

Net Pension Liability

The City's net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015.

Actuarial Assumptions

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increase	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website at www.calpers.ca.gov under Forms and Publications.

(in thousands)

Discount Rates

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1-10 *	Real Return Years 11+ **
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	(0.55)%	(1.05)%
Total	100.00%		

*An expected inflation of 2.5% used for this period.
**An expected inflation of 3.0% used for this period.

(in thousands)

Changes in the Net Pension Liability

The changes in the Net Pension Liability measured as of June 30, 2016 for each plan is as follows:

Miscellaneous Plan:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
Balance at June 30, 2016	$ 987,035	769,329	217,706
Changes in the year:			
Service cost	13,413	-	13,413
Interest on the total pension liability	73,104	-	73,104
Differences between actual and expected experience	(12,487)	-	(12,487)
Contribution from the employer	-	16,517	(16,517)
Contribution from the employees	-	8,092	(8,092)
Net investment income	-	3,709	(3,709)
Benefit payments, including refunds of employee contributions	(51,297)	(51,297)	-
Administrative expense	-	(469)	469
Net changes	22,733	(23,448)	46,181
Balance at June 30, 2017	$ 1,009,768	745,881	263,887

Safety Plan:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
Balance at June 30, 2016	$ 727,100	514,624	212,476
Changes in the year:			
Service cost	12,975	-	12,975
Interest on the total pension liability	54,489	-	54,489
Differences between actual and expected experience	(3,055)	-	(3,055)
Contribution from the employer	-	18,266	(18,266)
Contribution from the employees	-	4,517	(4,517)
Net investment income	-	2,584	(2,584)
Benefit payments, including refunds of employee contributions	(36,522)	(36,522)	-
Administrative expense	-	(314)	314
Net changes	27,887	(11,469)	39,356
Balance at June 30, 2017	754,987	503,155	251,832
Total for both plans at June 30, 2017	$ 1,764,755	1,249,036	515,719

(in thousands)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of each Plan, calculated using the discount rate of 7.65%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		Miscellaneous	Safety	Total
1% Decrease		6.65%	6.65%	6.65%
Net Pension Liability	$	397,230	354,367	751,597
Current Discount Rate		7.65%	7.65%	7.65%
Net Pension Liability	$	263,887	251,832	515,719
1% Increase		8.65%	8.65%	8.65%
Net Pension Liability	$	153,954	167,744	321,698

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported total pension liability, deferred outflows of resources and deferred inflows of resources for both Miscellaneous and Safety Plans as follows:

Governmental activities:		Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous plan	$	170,465	37,219	11,058
Safety plan		251,832	47,701	12,182
Total	$	422,297	84,920	23,240

Business-type activities:		Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous plan	$	93,422	22,773	6,495

Miscellaneous Plan:

For the year ended June 30, 2017, the City recognized pension expense of $14,047. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	18,972	-
Net differences between projected and actual earnings on plan investments		41,020	-
Changes of assumptions		-	6,237
Net differences between expected and actual experience		-	11,316
Total	$	59,992	17,553

(in thousands)

The amount of $18,972 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,		Amounts
2018	$	(7,222)
2019		877
2020		19,028
2021		10,784
Total	$	23,467

Safety Plan:

For the year ended June 30, 2017, the City recognized pension expense of $23,099. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	19,983	-
Net differences between projected and actual earnings on plan investments		27,718	-
Changes of assumptions		-	6,877
Net differences between expected and actual experience		-	5,305
Total	$	47,701	12,182

The amount of $19,983 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,		Amounts
2018	$	(1,344)
2019		(1,344)
2020		11,124
2021		7,100
Total	$	15,536

Pension Plan Fiduciary Net Position

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

<u>Supplemental Retirement Plan</u>

In May 2012, in an effort to substantially reduce staffing levels to address a projected $15,400 General Fund shortfall for FY 2012-13, the City contracted with Public Agency Retirement Services (PARS) to offer an early retirement incentive plan to provide supplemental retirement benefit payments to eligible employees in addition to the benefit payments the employees will receive from the California Public Employees' Retirement System (CalPERS). To be eligible to participate in the plan, the employees must have been a Glendale City Employee Association (GCEA) or Glendale Management Association (GMA) employee, be at least 50 years of age as of September 1, 2012, and have a minimum 5 years of CalPERS service credit. The employees needed to resign from the City by August 31, 2012. The plan offered 5% of the employees' final pay, which the employees could choose various options to receive the payment, such as unmodified lifetime monthly payment, or higher fixed monthly payment for a fixed number of years. There were 122 employees who participated in the plan.

In October 2012, the City provided the same early retirement incentive plan to the employees represented by International Brotherhood of Electrical Workers Association (IBEW), and also offered an extension of the incentive program to employees represented by GCEA and GMA. The same parameters were applied for the extension of the incentive program, with the exception of the retirement eligibility date and date of separation advancing to October 31, 2012. There were 30 additional employees participating in the second phase. The plan is closed, and $1,987 was paid to PARS in FY 2016-17.

Public Agency Retirement Services (PARS)

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

Any City hourly employee who is not eligible to enroll in the CalPERS retirement plan is enrolled in PARS-ARS instead of social security. After completing 1,000 work hours within a fiscal year, hourly employees are eligible to enroll in CalPERS retirement plan. For each pay period, employees contribute 6.2%, and the City contributes 1.3% of employee earnings into employees' PARS account. Both contributions are made on pre-tax basis. For FY 2016-17, PARS payments were $162 and $34 for employee portion and employer portion, respectively. The amount of the City's outstanding liability is zero, since the plan is fully funded, and it's a defined contribution plan. A participant in the PARS ARS Plan becomes eligible to receive his/her funds when one of the following events occurs: separation, retirement, permanent and total disability, and change of employment status to a position covered by another retirement system or death.

NOTE 10 – POST-EMPLOYMENT BENEFITS

The City provides Medicare Part A reimbursements to retirees and their spouses if the retirees were hired in the City prior to April 1, 1986, and ineligible for premium-free Medicare Part A. The City also provides cash subsidy for medical insurance premium to three groups of retirees: (1) retirees who retired before July 1, 2001, and the length of the subsidy was pre-determined based on the retirees' sick leave balances at the time of retirement; (2) low-income retirees who are evaluated by the City on an annual basis; and (3) surviving spouse and dependents of deceased retirees if the retirees retired before June 1, 2008 and enrolled in Anthem Blue Cross PPO at the time of the death, and the length of subsidy is two years. Moreover, the City provides cash subsidy for medical insurance premium to surviving spouses and dependents of active employees who pass away during their employment with the City for different lengths of time period, based on the benefit ordinances and the memoranda of understanding agreements between the City and the unions.

(in thousands)

The City's contribution is currently based on a pay-as-you-go funding method, that is, benefits are payable when due. For FY 2016-17, the City contributed $492 in cash subsidy as benefit payments. 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:

		Amount
Annual required contribution	$	1,319
Interest on net OPEB obligation		296
Amortization of net OPEB obligation		(592)
Annual OPEB cost		1,023
Benefit payments		(492)
Increase in net OPEB obligation		531
Net OPEB obligation – beginning of year		8,134
Net OPEB obligation – end of year	$	8,665

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2016-2017 and the two preceding years were:

Fiscal year ended June 30,		Annual OPEB Cost/(Credit)	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2015	$	22,054	14%	$	94,843
2016	$	(1,471)	(203%)	$	8,134
2017	$	1,023	48%	$	8,665

The funded status of the plan as of June 30, 2016, the plan's most recent actuarial valuation date, was:

Actuarial Valuation Date		Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)		Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	$	-	16,027	16,027	0%	$	121,841	13%

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 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.

(in thousands)

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, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the City's investments, a 2.75% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 7.5% for 2018 decreasing to 4.0% over about 60 years. The post-Medicare eligible medical cost trend rate started 1% lower for 2018.

NOTE 11 – RESTRICTED NET POSITION

The government-wide statement of net position reports $130,160 of restricted net position, of which $46,699 is restricted by enabling legislation. The City Charter requires $27,296 in restricted net position to be set aside to meet the legal demands against the treasury during the beginning of the new budget period prior to the receipt of ad valorem taxes. Pursuant to redevelopment laws of the State of California, $19,403 is restricted for low and moderate housing.

NOTE 12 – NET DEFICITS OF INDIVIDUAL FUNDS

As of June 30, 2017, the following funds have negative fund balances or net position:

Governmental funds:		
Special revenue funds:		
CDBG Fund	$	118
Continuum of Care Grant Fund		371
Emergency Solutions Grant Fund		16
Glendale Youth Alliance Fund		16
Grant Fund		208
PW Special Grants Fund		63
Measure R Regional Return Fund		1,857
Fire Grant Fund		397
Capital projects funds:		
CIP Reimbursement Fund	$	1,495
Proprietary funds:		
Internal service funds:		
Compensation Insurance Fund	$	11,023
Medical Insurance Fund		1,204
Employee Benefits Fund		20

Reimbursement Type Funds – The CDBG Fund, Continuum of Care Grant Fund, Emergency Solutions Grant Fund, Glendale Youth Alliance Fund, Grant Fund, PW Special Grants Fund, Measure R Regional Return Fund, Fire Grant Fund and CIP Reimbursement Fund are reimbursement type funds. The City requests reimbursement of actual expenditures. As such, there will always be a timing difference between revenues and expenditures resulting in a deficit, as revenues do not represent available resources.

Compensation Insurance Fund –The deficit has increased in FY 2016-17 due to an increase in claim reserves. The City will continue to increase future premiums to eliminate the deficit.

(in thousands)

Medical Insurance Fund – The deficit has increased due to a net loss from the retirees' PPO plan. The City will increase future premiums to eliminate the deficit.

Employee Benefits Fund – The deficit has decreased in FY 2016-17 due to premium increases. The City will continue to increase premiums in the future to eliminate the deficit.

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 FY 2017-18 is as follows:

Insurance Type		Program Limits	Deductible/SIR (self-insured retention)
Excess Liability Insurance	$	25,000	$2,000 SIR per occurrence
D & O Employment Practices		2,000	$250 SIR non-safety; $500 SIR safety
Excess Workers' Comp Employer's Liability Insurance		Statutory	$2,000 SIR per occurrence
Property Insurance (GWP)		250,000	Various deductibles up to $250
Property Insurance (Non-GWP)		490,000	$25 deductible all locations
Aviation Insurance (Police Helicopter)		50,000	Various deductibles
Employee Dishonesty – Crime Policy		3,000	$25
Cyber Insurance		5,000	$100

Operating funds are charged a premium and the internal service funds recognize the corresponding revenue. Claims expenses are recorded in the internal service funds. Premiums are evaluated periodically and increases are charged to the operating funds to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses.

Claims payable liability has been established in these funds based on estimates of incurred but not reported and litigated claims. Management believes that provisions for claims at June 30, 2017 are adequate to cover the cost of claims incurred to date. However, such liabilities are, by necessity, based upon estimates and there can be no assurance that the ultimate cost will not exceed such estimates. A reconciliation of the changes in the aggregate liabilities for Liability Insurance Fund, Compensation Insurance Fund and Medical Insurance Fund for claims for the current fiscal and the prior fiscal year are as follows:

Fiscal Year		Beginning Balance	Claims and Charges	Claim Payments	Ending Balance
2015-16	$	43,202	38,566	39,826	41,942
2016-17	$	41,942	53,767	44,315	51,394

The City has numerous claims and pending legal proceedings that generally involve accidents regarding its citizens on City property and employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the City. In the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the City's financial position, results of operations, or cash flows.

NOTE 14 – CONTINGENT LIABILITIES AND COMMITMENTS

Power Purchase Agreements

The City first participated in the Boulder Canyon Project for electric service from the Hoover Power Plant in 1937 for a term of 50 years, which expired on May 31, 1987. 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, which 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.

In September 2014, the City entered into a 25-year contract with Skylar Resources L.P. for the procurement of 50 megawatts of firmed renewable solar. At least fifty percent of 50 MW/hour is guaranteed by the seller to qualify as Portfolio Content Category 1 renewable energy on an annual basis. In November 2015, the transaction was bifurcated into 2 separate renewable energy transactions, one with a term of December 1, 2015 through December 31, 2019, and the other with a term of January 1, 2020 through November 20, 2040. The 4-year transaction was subsequently novated to Morgan Stanley Capital Group. The City began taking delivery of the energy on December 2015.

Certain Sales Tax Revenues

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

The Taxpayer sells computer hardware and peripherals to government and business accounts. After signing a tax sharing agreement with the City of Buena Park, the Taxpayer began reporting these transactions as sales tax and allocating the local 1% tax to their office in the City of Buena Park.

According to BOE, since the merchandise is shipped from out of state, the applicable tax is a use tax that should be allocated to the various countywide pools based on delivery. The Taxpayer contends that the terms of their sales agreements stipulate that title passes at the time of delivery in this state, and therefore the transactions are subject to sales tax. However, BOE states that title cannot pass after the seller has given the merchandise to a common carrier.

In both their Allocation Group Decision and Supplemental Decision, BOE granted the HdL petitions and ruled that the tax was a use tax and should be distributed via the countywide pools. The City of Buena Park has appealed both decisions, and the matter has been elevated to the BOE Appeals Division.

After further review, the BOE Appeals Division determined that the City of Buena Park would receive portion of the sales tax revenues; however, majority of the sales tax revenue would be reallocated to the Countywide Pool as a use tax.

In spring 2014, the Taxpayer moved their California office from Buena Park to Glendale and has continued the same practice by allocating the 1% sales tax to their office in the City of Glendale. The Taxpayer is appealing the matter as well and until the matter is settled, they intend to allocate sales to their Glendale office, to the extent they believe the allocation is supported by the facts.

Per HdL, since the resolution of the dispute is still pending for the Glendale office, all or portion of local revenue received by the City could later be taken away by the BOE and redistributed through the countywide pools. HdL has recommended that the City set aside any revenues received from this Taxpayer. Therefore, starting in FY 2013-14, the City is accruing a liability related to the sales tax revenues generated by this Taxpayer, until this matter is resolved and settled by all parties involved.

In spring 2017, the City requested that BOE look into this matter in more detail and determine whether some or all of the sales taxes generated from the Glendale Office by the Taxpayer should remain with the City. As of this point in time, the City has not received BOE's final determination, and does not have a time frame as to when this will be completed.

<u>General Fund Transfer Litigation</u>

The City is engaged in litigation regarding the City's transfer from the Electric Fund to the General Fund. <u>Glendale Coalition for a Better Government v. City of Glendale</u>, L.A. Superior Court Case No. BS147376, Court of Appeal Case No. B281994; <u>Saavedra et al. v. City of Glendale</u>, L.A. Superior Court Case No. BC539160, Court of Appeal Case No. B281991. The Petitioners contend that the annual transfers from the Electric Fund to the General Fund violate Proposition 26. In the litigation before the trial court, the Petitioners also challenged the City's fund and accounting procedures contending they violate the City Charter. Additionally, the plaintiffs challenged the City's prior transfers of revenue from the Water Fund to the General Fund, a practice which was discontinued in 2011, and for which court-ordered remedies were satisfied in FY 2015-16.

The lawsuits challenge the City's transfer of electric revenue from the Glendale Water & Power Electric Fund to the General Fund ("General Fund Transfer" or "GFT"). The GFT is made under the authority of the City Charter, Article XI, Section 22, which provides:

"At the end of each fiscal year an amount equal to twenty-five (25) per centum of the operating revenues of the department of Glendale Water and Power for such year, excluding receipts from water or power supplied to other cities or utilities at wholesale rates, shall be transferred from said Glendale Water and Power surplus fund to the general reserve fund; provided, that the council may annually, at or before the time for adopting the general budget for the ensuing fiscal year, reduce said amount or wholly waive such transfer if, in its opinion, such reduction or waiver is necessary to insure the sound financial position of said department of Glendale Water and Power and it shall so declare by resolution."

Because the City discontinued making transfers from the water fund in 2011, the City currently transfers only electric revenue from GWP to the General Fund, through those funds described in the Charter. In FY2016-17, the City transferred $19,912 or 10% of GWP electric operating revenues (in accordance with the City Charter's definition of operating revenues) to the GWP surplus fund, then to the City's general reserve fund, then to the City's general budget fund, in accordance with the requirements of the Charter. The amount of the GFT was equal to 10.8% of the City's General Fund revenues for FY 2016-17.

The lawsuits were consolidated for purposes of trial and were tried before Hon. James Chalfant, Los Angeles County Superior Court.

Charter Fund and Accounting Issues

With respect to the City's accounting practices, the trial court concluded that specified accounting practices, while compliant with Generally Accepted Accounting Principles ("GAAP"), violate the City Charter. The trial court issued a permanent injunction enjoining the City from merging some Charter mandated funds, splitting up others and making the GFT directly from the electric revenue fund to the General Fund without accounting for the appropriate fund transfers required by the Charter. The City has not appealed Charter fund and accounting issues portion of the trial court's ruling, and entered a response (return of the writ) stating its compliance with this portion of the court's orders.

2013 Electric Rate Program and General Fund Transfer

The petitioners also challenged the City's electric rates imposed in August 2013 ("2013 Electric Rate Plan") on the grounds the rate plan violated Proposition 26 (a voter-approved initiative that amended Articles XIIIC and XIIID of the California Constitution). Proposition 26 defines "any levy, charge or exaction of any kind" imposed by a local government as a "tax" that must be approved by the voters of the local jurisdiction, unless the levy, charge or exaction falls within one of seven exemptions. (Article XIIIC, §1(e)) The City contends that electric rates are a "charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing service." The trial court concluded that, although Proposition 26 expressly states it is not retroactive, the 2013 Electric Rate Plan was a tax because the rate plan included the GFT which the court concluded the GFT is not a cost of service or an appropriate component of cost of service.

In the remedy phase of the trial, the trial court concluded that the amount of the unconstitutional tax is the amount of the GFT in the years since the 2013 Electric Rate Plan became effective. The trial court ordered a remedy requiring the City to credit ratepayers the amount of the GFT since the electric rates were increased (and refund the GFT to the Electric Revenue fund in the same amount). That number is $56,950 plus interest for FY 2013-14, FY 2014-15, and FY 2015-16. The trial court further ordered a credit for FY 2016-17 in the amount of $19,857, plus interest. Lastly, the trial court ordered that credits for fiscal years 2017-18 and subsequent years will accrue, if applicable at $1,634 per month. The trial court's order provides that the total amount to be credited is to be credited back over approximately the same amount of time that the transfers were made, starting from the effective date of the 2013 Electric Rate Plan (the time is approximate because credits are based on actual usage which will vary). By way of example but not limitation, if the time between the 2013 Electric Rate Plan to the date of final judgment, including all appeals, is five years and the City has continued to make transfers during that period, then the City will have approximately five years to credit the entire amount of the transfers if it is unsuccessful in its appeals.

The court will also issue a writ of mandate commanding the City to cease to include the GFT in the electric rates charged to consumers unless and until a majority of Glendale electorate approves the tax in the rates.

Appeal

The City Council has authorized an appeal of the judgment in both cases. Prior to the filing of the notice of appeal, the trial court determined that its judgments and orders – including cessation of the transfers and credits to ratepayers – will be stayed during the City's appeal. As such, status quo will remain in effect during the pendency of the appeal.

The City intends to vigorously prosecute appeal of these cases. Management is of the opinion that the GFT, adopted by the voters and which pre-dates adoption of Proposition 26, is not thereby vitiated by Proposition 26. Moreover, the City is appealing the remedy ordered by the court. There were wholesale funds sufficient to fund the transfers made as part of the 2013 Electric Rate Plan and also the 2013 Electric Rate Plan did not fully account for reserves that could be paid out of rate revenue. Finally, it should be noted that for the Charter violations noted above, the petitioners have filed their own appeals contending that the City should have been required to pay back transfers even further going back from the 2013 Electric Rate Plan. The trial court ruled that the Charter accounting violations did not require a refund of monies from the General Fund to the Electric Fund since the utility always had sufficient cash to make the transfers. It is anticipated that the appeals and cross-appeals will take 12-18 months through a final decision by the court of appeal.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Joint Power Agreement for San Fernando Valley Council of Governments

The San Fernando Valley Council of Governments (SFVCOG) was created through a Joint Power Agreement in 2010. The City is an active member of the SFVCOG. Other member jurisdictions currently participating include the City of Los Angeles with 7 board representatives for each City Council district located entirely or partially in the San Fernando Valley, 2 board representatives from each of the Los Angeles County Supervisorial Districts located entirely or partially in the San Fernando Valley, and one representative each from the Cities of Burbank, Glendale, San Fernando and Santa Clarita. In its official capacity, the SFVCOG acts as a planning sub-region for the Southern California Association of Governments (SCAG) and focuses on promoting better regional coordination of planning and transportation planning efforts in the San Fernando Valley. The SFVCOG also engages in local, regional, state and federal grant development programming for the region.

“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 60% of its total energy requirements during FY 2016-17. With a few exceptions, the City is obligated to pay the amortized cost of indebtedness regardless of the ability of the counterparty to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain “step-up” provisions obligating the City to pay a share of the obligations of any defaulting participant.

- The Intermountain Power Agency (IPA), a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah and associated transmission lines, called the Intermountain Power Project (IPP). The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts. The City through contract is obligated for 30 megawatts or 1.70% of the generation. In addition, the City entered into an “Excess Power Sales Agreement” with the IPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the City to additional shares that can vary from year to year. As of June 30, 2017, Glendale’s excess entitlement share is 0.46%. The total City’s obligation from IPP is between 35 and 38 megawatts.

The City joined the Southern California Public Power Authority (SCPPA) on November 1, 1980. This authority, consisting of the California cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District, was formed for the purpose of financing future power resources. The City has entered into eleven projects with SCPPA.

- The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of 3 units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of capacity and associated energy (approximately 5.91% of total Palo Verde output), of which the City receives 9.9 megawatts or 4.40% of SCPPA's entitlement. As of June 30, 2017, Glendale's share is 4.40%.

- The second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is currently rated at 2,400 megawatts. The City's share of the line is 2.27% or approximately 55 megawatts. As of June 30, 2017, Glendale's share is 2.27%.

- The third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3 (SJ), located in New Mexico. SCPPA members are entitled to 208 megawatts. In July 2015, the City Council authorized the SCPPA to execute, on Glendale's behalf, a set of three agreements that will collectively shut down Unit 3 at the coal-fired San Juan Power Plant in New Mexico at the end of December 2017. The agreements address restructuring of rights and obligations at San Juan, including disposal of coal inventory, mine reclamation, and plant decommissioning. The termination of operations at San Juan Unit 3 will help GWP achieve California state goals regarding the reduction of greenhouse gas emissions. Under the Mine Reclamation and Plant Decommissioning Agreements, Glendale shares the responsibility for any liability arising from operations before the December 2017 exit date. As such a liability for decommissioning the power plant cannot be determined at this time. The City is obligated for 20 megawatts or 9.80% of the SCPPA entitlement. As of June 30, 2017, Glendale's share is 9.80%.

- The fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The City is obligated for 90 megawatts or 11.04% of the SCPPA entitlement. As of June 30, 2017, Glendale's share is 11.04%.

- The fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The City's participation shares in the components range from 11.76% to 22.73%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the City's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical coal energy is readily available. As of June 30, 2017, Glendale's share is 14.80%.

- The sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power's generation station complex adjacent to Magnolia Boulevard in Burbank, California. The project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The City is obligated for 40 megawatts or 16.53% of the project's output. As of June 30, 2017, Glendale's generation cost share is 16.53% and indenture cost share is 17.25%.

- The seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the City entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 3,500 MMBtu per day at a discounted price below a spot market price index. The delivery of natural gas started in July 2008. As of June 30, 2017, Glendale's share is 23.00%.

(in thousands)

- The eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 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 output entitlement share to Los Angeles Department of Water and Power (LADWP) but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event LADWP should default. As of June 30, 2017, Glendale's share is 10.00%.

- The ninth project financed through SCPPA is the Tieton Hydropower Project (THP) located near the town of Tieton in Yakima County, Washington. The Project has a maximum capacity of approximately 20 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacifiCorp's Tieton Substation. The City is obligated for approximately 6.8 megawatts or 50.00% of the project's output. As of June 30, 2017, Glendale's share is 50.00%.

- The tenth project financed through SCPPA is Windy Point/Windy Flats project (WP) located in Klickitat County in the state of Washington. The Project has a maximum capacity of approximately 262.2 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 20 megawatts or 7.63% of the renewable energy output from the Project. The City has sold its output entitlement share to Los Angeles Department of Water and Power (LADWP) but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event LADWP should default. As of June 30, 2017, Glendale's share is 7.63%.

- The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard County, Utah. The Project has a capacity of approximately 102 megawatts. The City Council approved a 20 year purchase power agreement with SCPPA for the purchase of approximately 5 megawatts or 4.90% of the Project's output. The City has sold its output entitlement share to Los Angeles Department of Water and Power (LADWP) but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event LADWP should default. As of June 30, 2017, Glendale's share is 4.90%.

Take-or-Pay commitments expire upon contract expiration date or final maturity of outstanding bonds for each project, whichever is later. Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale's Share
Intermountain Power Project (IPP)	2027	2.16%
Palo Verde Project (PV)	2030	4.40%
Southern Transmission System (STS)	2027	2.27%
San Juan Project (SJ)	2018	9.80%
Mead-Adelanto Project (MA)	2030	11.04%
Mead-Phoenix Project (MP)	2030	14.80%
Magnolia Power Project (MPP)	2036	17.25%
Natural Gas Prepaid Project (NGPP)	2035	23.00%
Linden Wind Energy Project (LIN)	2035	10.00%
Tieton Hydropower Project (THP)	2040	50.00%
Windy Point/Windy Flats Project (WP)	2030	7.63%
Milford II Wind Project (MIL2)	2031	4.90%

(in thousands)

A summary of the City's "Take or Pay" debt service commitment and the final maturity date as of June 30, 2017:

Fiscal Year		IPP	PV	STS	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2018	$	4,846	553	1,771	2,380	955	2,867	4,562	1,006	1,670	3,095	623	24,328
2019		5,202	-	1,766	2,358	951	2,866	4,684	1,007	1,668	3,092	623	24,217
2020		4,534	-	1,547	2,339	941	2,866	4,858	1,005	1,668	3,090	622	23,470
2021		4,004	-	1,773	1,747	698	2,866	5,066	1,007	1,666	3,089	622	22,538
2022		2,542	-	2,114	-	-	2,866	5,244	1,004	1,666	3,085	622	19,143
2023-2027		2,634	-	5,410	-	-	15,496	28,703	5,009	9,094	15,380	3,097	84,823
2028-2032		-	-	728	-	-	16,560	33,962	4,986	8,228	12,249	3,082	79,795
2033-2037		-	-	-	-	-	24,910	23,717	3,796	8,197	-	-	60,620
2038-2042		-	-	-	-	-	-	-	-	8,171	-	-	8,171
Total	$	23,762	553	15,109	8,824	3,545	71,297	110,796	18,820	42,028	43,080	9,291	347,105

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 2017 and 2016 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2017	$8,008	2,651	690	4,769	196	253	4,591	1,508	-	1,371	-	-	24,037
2016	$7,950	3,368	743	6,422	275	203	4,842	1,427	-	1,119	-	-	26,349

NOTE 16 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

In February 2012, the Dissolution Act (Assembly Bill x1 26; amended by AB 1484 in June 2012 and SB 107 in September 2015) dissolved California redevelopment agencies and directed their wind-down activities. In Glendale, the City chose to serve as the Glendale Successor Agency. This action impacted the reporting entity of the City of Glendale that had previously reported the redevelopment agency within it and as a blended component unit. Commencing on February 1, 2012, the assets and activities of the dissolved redevelopment agency were reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency from governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (gain) in its financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Since February 2012, the Successor Agency has completed a series of reports, audits and reviews, and approvals with approval from the Oversight Board and state Department of Finance. These have included two detailed Due Diligence Reviews to determine unobligated fund balances available for transfer to the affected taxing entities. Once the excess funds were distributed to the taxing entities, Glendale received a Finding of Completion (FOC) in May 2013. Following the FOC, Glendale needed to address its real property assets. Thus, Glendale prepared a Long Range Property Management Plan (LRPMP) which was approved by DOF on April 16, 2014. On May 24, 2016, the DOF approved a revision to Glendale's LRPMP to reflect the property at 300 E. Broadway as government use.

With the passage of SB 107, the requirement to prepare biannual payment schedules known as Recognized Obligation Payment Schedules (ROPS) was replaced with an annual ROPS.

(in thousands)

Cash and Investments

The Fiduciary fund's cash and investments as of June 30, 2017 consist of the following:

Cash and investments	$	60,961
Cash and investments with fiscal agents		16,491
Total	$	77,452

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

Cash and investments	$	60,932
Restricted cash and investments		29
Cash and investments with fiscal agents		16,491
Total	$	77,452

Interest Rate Risk

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

		Remaining Maturity (in months)	
	Total	12 Months or Less	More than 60 Months
Commercial Paper	$ 42,360	42,360	-
State Investment Pool	17,193	17,193	-
Money Market Mutual Fund	1,408	1,408	-
Held by Fiscal Agents:			
Guaranteed Investment Contracts	6,579	-	6,579
Money Market Mutual Fund	9,912	9,912	-
	$ 77,452	70,873	6,579

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City invests Successor Agency's investments only in the most risk-adverse instruments, such as Aaa rated government securities, Aaa, Aa, or A rated corporate securities, and A1, P1, F1 rated commercial paper, negotiable certificates of deposit and banker's acceptance securities. The City's Investment Policy requires the City to sell medium term notes with a credit rating below S&P's and Fitch's BBB grade or Moody's Baa2, unless the City Council approves the City Treasurer's recommendation that the security should be retained.

		Moody's Rating as of June 30, 2017		
	Total	Aaa	P1	Unrated
Commercial Paper	$ 42,360	-	42,360	-
State Investment Pool	17,193	-	-	17,193
Money Market Mutual Fund	1,408	1,408	-	-
Held by Fiscal Agents:				
Guaranteed Investment Contracts	6,579	-	-	6,579
Money Market Mutual Fund	9,912	9,912	-	-
	$ 77,452	11,320	42,360	23,772

(in thousands)

Concentration Risk

The investment policy of the City covers the Glendale Successor Agency and limits the amounts that may be invested in any one issuer to 5% or 10% per bank for Bankers' Acceptances. This limit excludes investments in U.S. Treasury securities, federal agencies securities, commercial paper, Local Agency Investment Fund, money market mutual funds, and Los Angeles County Pool. As of June 30, 2017, there are no investments in any one issuer that represent 5% or more of total Glendale Successor Agency investments.

Fair Value Measurements

The City categorizes Successor Agency's fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Additional information on the three levels of the fair value hierarchy can be found in Note 3 on pages 58-63 of this report.

As of June 30, 2017, the Successor Agency has the following fair value measurements:

	Balance at June 30, 2017	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Commercial Paper	$ 42,360	-	42,360	-
Total investments by fair value level	42,360	-	42,360	-
Investments measured at amortized costs or not subject to fair value hierarchy:				
State Investment Pool	17,193			
Money Market Mutual Funds	1,408			
Held by Fiscal Agents:				
Guaranteed Investment Contracts	6,579			
Money Market Mutual Fund	9,912			
Total investments measured at amortized costs or not subject to fair value hierarchy	35,092			
	$ 77,452			

(in thousands)

Capital Assets

	Balance at July 1	Increases	Decreases	Adjustments- transferred to governmental activities	Balance at June 30
Fiduciary fund:					
Capital assets, not being depreciated:					
Land	$ 105	-	-	-	105
Construction in progress	13,314	3,033	-	(13,675)	2,672
Total assets not being depreciated	13,419	3,033	-	(13,675)	2,777
Depreciable capital assets:					
Building and improvements	377	-	-	-	377
Less accumulated depreciation:					
Building and improvements	235	10	-	-	245
Total assets being depreciated, net	142	(10)	-	-	132
Fiduciary fund capital assets, net	$ 13,561	3,023	-	(13,675)	2,909

Long-Term Debt

The Glendale Successor Agency's (Fiduciary Fund) bond ratings as of June 30, 2017 are as follows:

Debt Issue	Moody's	Standard & Poor's (S & P)	Fitch Ratings'
2011 GRA subordinate taxable tax allocation bonds	-	A+	-
2013 GSA tax allocation bonds, refunding series	-	AA	-
2016 GSA tax allocation bonds, refunding series	-	AA	-

Continuing Disclosure

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

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

As of June 30, 2017, the Glendale Successor Agency (Agency) had 1 tax-exempt tax allocation bond and 2 subordinate taxable tax allocation bonds. The Agency engages a consultant to prepare and disseminate continuing disclosure for its 2 tax-exempt tax allocation bonds and 1 subordinate taxable tax allocation bonds. These disclosures are disseminated through the use of Electronic Municipal Market Access ("EMMA"), the Municipal Securities Rulemaking Board's ("MSRB") disclosure website. Timely and accurate communication with the municipal marketplace is vital in retaining the City's creditworthiness and market access. Continuing Disclosure and compliance reporting constitute a significant part of Debt Management's compliance activity for the life of each series of bonds.

(in thousands)

The Fiduciary fund's long-term debts as of June 30, 2017 consist of the following:

		Issuance Amount	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017	Due within one year
Fiduciary Activities							
2011 GRA Subordinate Taxable Tax Allocation Bonds	$	50,000	42,020	-	2,740	39,280	3,300
2013 GSA Tax Allocation Refunding Bonds		44,985	34,930	-	5,255	29,675	5,470
2016 GSA Tax Allocation Refunding Bonds		20,810	20,810	-	-	20,810	-
GRA/GSA Tax Allocation Bonds premium		-	5,071	-	861	4,210	861
Loans Payable to the City		40,133	40,133	206	12,511	27,828	4,885
Total Fiduciary Activities	$	155,928	142,964	206	21,367	121,803	14,516

Subordinate Taxable Tax Allocation Bonds, 2011 Series

The former Glendale Redevelopment Agency (the "Agency") issued $50,000 in 2011 subordinate taxable tax allocation bonds with an average rate of 6.75% for 14 years. The Bonds were issued to finance redevelopment projects and low and moderate income housing activities; to fund the reserve requirement for the Bonds; and to provide for the costs of issuing the Bonds. The bonds mature in amounts ranging from $3,300 to $7,210 from 2018 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 parity with the pledge and lien which secure any parity debt. For the security of the housing portion of the Bonds, the Agency grants a first pledge of and lien on all of the subordinate tax revenues consisting of housing tax revenues, on parity with the pledge and lien which secures any parity debt. Subordinate tax revenues are pledged to the payment of principal, interest and discounts on the Bonds pursuant to the Indenture until the Bonds are paid, or until moneys are set-aside irrevocably for that purpose. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2017, the principal balance is $39,280.

Tax Allocation Bonds, 2013 Refunding Series

The Glendale Successor Agency (the "GSA") issued $44,985 in 2013 tax allocation bonds with an average rate of 4.81% for the refunding of the former Glendale Redevelopment Agency's (the "Agency") outstanding Central Glendale Redevelopment Project Tax Allocation Bonds, 2002 Series and the Tax Allocation Bonds, 2003 Refunding Series (the "Prior Bonds"), and to pay the cost of issuance of the 2013 Bonds. The 2013 Bonds mature in regularly increasing principal amounts ranging from $5,470 to $6,455 from 2018 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, 2017 for $1,174 is recognized and reported in the financial statements as a deferred outflows 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 pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2017, the principal balance is $29,675.

Subordinate Tax Allocation Bonds, 2016 Refunding Series

The Glendale Successor Agency (the "GSA") issued $20,810 in 2016 tax allocation refunding bonds with an average rate of 1.74% to refinance the former Glendale Redevelopment Agency's (the "Agency") outstanding Central Glendale Redevelopment Project Tax Allocation Bonds, 2010 Series. The 2016 Bonds mature in regularly increasing principal amounts ranging from $6,665 to $7,210 from 2023 to 2025. The advance refunding of Tax Allocation Bonds, 2010 Series resulted in a difference between the reacquisition price of refunding bonds and the net carrying amount of the refunded bonds. The deferred loss on refunding as of June 30, 2017 for $1,362 is recognized and reported in the financial statements as a deferred outflows of resources and is being amortized through fiscal year 2025.

(in thousands)

The refunding of the 2010 Tax Allocation Bonds was approved by the Oversight Board and the DOF, to provide savings until the Refunding Bonds are repaid. The property tax derived from the former Agency's Central Project Area is pledged to repay these Bonds until they are paid in full. The funds are distributed by the County of Los Angeles semi-annually through the ROPS process, subject to the approval by the Successor Agency's Oversight Board and the DOF. As of June 30, 2017, the principal balance is $20,810.

Loans Payable

When the Dissolution Act took effect in February 2012, the former Glendale Redevelopment Agency's (the former Agency) Loan Advances from the City were invalidated. As a result, the City wrote off the former Agency's Loan Advances' outstanding balance of $71,758 in FY 2011-12.

AB 1484 created Post Compliance Provisions, which are designed to provide successor agencies and cities with certain benefits to incentivize them to comply with a Due Diligence Review process, remit the sums demanded by the Department of Finance (DOF), and conclude outstanding litigation with DOF over dissolution. Upon request by the successor agency and approval by the oversight board, AB 1484 provided that loan agreements entered into between the former redevelopment agency and the city that created the former redevelopment agency ("City-Agency" loans) "shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes." (§ 34191.4(b)(1)).

If the oversight board finds that the loan is an enforceable obligation, "the accumulated interest on the remaining principal amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund." The loan is 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 the Local Agency Investment Fund." (§ 34191.4(b)(2)) Loan repayments for the fiscal year cannot exceed one-half of the increase between the amount distributed to the taxing entities pursuant to section 34183(a)(4) in that fiscal year and the amount distributed to the taxing entities pursuant to that section in the 2012-2013 base year.

Glendale received approval from the oversight board to reinstate the loans. There was disagreement with DOF on the calculation of interest and the issue was resolved through litigation between DOF and the City of Glendale. A subsequent lawsuit resolved an issue DOF raised as to the legitimacy of the loans. To date, the DOF has approved and the County Auditor Controller has paid Glendale via the Recognized Obligation Payment Schedule process: $1,509 in FY 2014-15, $4,334 in FY 2015-16, and $12,511 in FY 2016-17.

Furthermore, 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, 2017, the reinstated loan amount is $27,828.

Glendale Successor Agency annual debt service requirement schedule:

	GSA Tax Allocation Bonds Fiduciary Fund		Loans Payable to the City Fiduciary Fund		
Fiscal Year	Interest	Principal	Interest	Principal	Total Debt Service
2018	$ 5,145	8,770	-	4,885	18,800
2019	4,656	9,245	-	7,648	21,549
2020	4,137	9,745	-	7,648	21,530
2021	3,557	10,280	-	7,647	21,484
2022	2,909	10,905	-	-	13,814
2023-2026	4,046	40,820	-	-	44,866
	$ 24,450	89,765	-	27,828	142,043

Net Position (Deficits)

A $38,088 deficit in net position is reported in fiduciary fund as of June 30, 2017. The primary reason for the deficit is due to the outstanding tax allocation bonds and outstanding Agency loan to the City.

NOTE 17 – SUBSEQUENT EVENT

In July 2017, the City Council appropriated $26,500 from General Fund for a Pension Rate Stabilization Program IRC Section 115 Trust to mitigate the impacts of rising CalPERS contributions on the General Fund. A trust fund is useful as a means to pre-fund upcoming pension costs because contributions to the trust are eligible to earn a higher rate of return than the City's investment pool. The $26,500 was wired to the Trust in three installments in August and September 2017. At the same time, the City Council approved to lower the minimum General Fund reserve (Charter required reserve plus unassigned fund balance) shall be no less than 25% of the annual operating budget. The targeted General Fund Reserve level remains at 35% of the annual operating budget.

The Electric Utility entered into a new 50-year contract with the Western Area Power Administration for the Electric Service from the Boulder Canyon Project which will commence in October 2017.

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.

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. This Statement replaces the requirements of Statements No. 45 and No. 57. The Statement is effective for periods beginning after June 15, 2017.

- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement is effective for periods beginning after December 15, 2016.

- GASB Statement No. 83 – *Certain Asset Retirement Obligations.* The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations. The Statement is effective for periods beginning after June 15, 2018.

- GASB Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for periods beginning after December 15, 2018.

- GASB Statement No. 85 – *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for periods beginning after June 15, 2017.

- GASB Statement No. 86 – *Certain Debt Extinguishment Issues.* The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement is effective for periods beginning after June 15, 2017.

- GASB Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for periods beginning after December 15, 2019.

NOTE 19 – IMPLEMENTATION OF PRONOUNCEMENTS

The City has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2017:

- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement did not have a material effect on the financial statements.

- GASB Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement was implemented effective July 1, 2016 and did not have a material effect on the financial statements.

- GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This statement did not have a material effect on the financial statements.

- GASB Statement No. 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This statement did not have a material effect on the financial statements.

CITY OF GLENDALE
Required Supplementary Information
Fiscal Year Ended June 30, 2017
(in thousands)

Other Post Employment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as of Percentage of Covered Payroll ((B-A)/C)
6/30/2013	$ -	214,014	214,014	0%	121,029	177%
6/30/2015	-	21,802	21,802	0%	118,015	19%
6/30/2016	-	16,027	16,027	0%	121,841	13%

Note:

Covered payroll is the annual compensation paid to active employees covered by an OPEB plan.

CITY OF GLENDALE
Required Supplementary Information
Last Ten Fiscal Years
(in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios - Miscellaneous Plan

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

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only three years of data are shown.

CITY OF GLENDALE
Required Supplementary Information
Last Ten Fiscal Years
(in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios - Safety Plan

	Fiscal Year		
	2017	2016	2015
Total pension liability			
Service cost	$ 12,975	13,038	13,249
Interest on the total pension liability	54,489	52,434	50,558
Differences between expected and actual experience	(3,055)	(5,684)	-
Changes of assumptions	-	(13,128)	-
Benefit payments, including refunds of employee contributions	(36,522)	(34,522)	(32,654)
Net change in total pension liability	27,887	12,138	31,153
Total pension liability - beginning	727,100	714,962	683,809
Total pension liability - ending (A)	754,987	727,100	714,962
Plan fiduciary net position			
Contributions from the employer	18,266	16,789	14,887
Contributions from employees	4,517	4,394	4,716
Net investment income	2,584	11,489	77,826
Benefit payments, including refunds of employee contributions	(36,522)	(34,522)	(32,654)
Administrative expense	(314)	(579)	-
Net change in fiduciary net position	(11,469)	(2,429)	64,775
Plan fiduciary net position - beginning	514,624	517,053	452,278
Plan fiduciary net position - ending (B)	503,155	514,624	517,053
Net pension liability - ending (A) - (B)	$ 251,832	212,476	197,909
Plan fiduciary net position as a percentage of the total pension liability	66.64%	70.78%	72.32%
Covered payroll	$ 47,925	47,947	47,523
Net pension liability as a percentage of covered payroll	525.47%	443.15%	416.45%
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only three years of data are shown.

CITY OF GLENDALE
Required Supplementary Information
Last Ten Fiscal Years
(in thousands)

Schedule of Plan Contributions - Miscellaneous Plan

	Fiscal Year 2017	2016	2015
Actuarially determined contributions	$ 18,972	16,519	13,357
Contributions in relation to the actuarially determined contribution	(18,972)	(16,519)	(13,357)
Contribution deficiency (excess)	-	-	-
Covered payroll	$ 86,433	85,575	83,956
Contributions as a percentage of covered payroll	21.950%	19.304%	15.910%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of June 30th, three years prior to the end of fiscal year in which contributions are reported.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017 were from the June 30, 2014 CalPERS valuation report.

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.20% to 12.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Retirement age	59

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only three years of data are shown.

CITY OF GLENDALE
Required Supplementary Information
Last Ten Fiscal Years
(in thousands)

Schedule of Plan Contributions - Safety Plan

		Fiscal Year	
	2017	2016	2015
Actuarially determined contributions	$ 19,984	18,257	16,772
Contributions in relation to the actuarially determined contribution	(19,984)	(18,257)	(16,772)
Contribution deficiency (excess)	-	-	-
Covered payroll	$ 49,687	47,925	47,947
Contributions as a percentage of covered payroll	40.220%	38.095%	34.980%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of June 30th, three years prior to the end of fiscal year in which contributions are reported.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017 were from the June 30, 2014 CalPERS valuation report.

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.40% to 20.00% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Retirement age	54

Note:

FY2015 is the first year of implementation of GASB 68; therefore, only three years of data are shown.

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