Notes to the Basic Financial Statements

CITY OF GLENDALE

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2018

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 two component units: the Glendale Housing Authority (the Housing Authority) and the City of Glendale Financing Authority (the Financing Authority). The City Council serves as the Board of the Housing Authority and the Financing Authority. Management of the City has operational responsibility for the Housing Authority and the Financing Authority 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 Housing 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 six 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), the state funded BEGIN grant for First Time Home Buyers in the Doran Gardens homeownership development, and the Affordable Housing Trust Fund which receives density bonus, inclusionary and other local affordable housing funds. 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 Housing 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 (GEDC), formed in July 2014, was established to implement and meet the needs of the City's Economic Development program. Its goals were to provide physical, economic, and educational development, redevelopment, and revitalization efforts within the City. Additionally, these efforts attempted to assist and support the City in the expansion of job opportunities, stimulate economic development, contribute to the physical improvements of the City, and implement, assist and support the City in developmental activities and programs. The overall objective of the GEDC was to expand businesses and support residents. While these goals and objectives have certainly been met in various forms and in activities pursued by the Community Development Department, it was decided that the GEDC should be dissolved due to inactivity. The official dissolution of the GEDC occurred on June 12, 2018.

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 67 funds, which are comprised of the General Fund, 1 fiduciary fund, 36 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.

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 account for fleet management, technology and wireless equipment management and replacement, building maintenance, compensated absences, retiree health savings plan, other post-employment benefits, and risk management services (including claims for workers' compensation, general liability, medical, dental, vision, and unemployment) provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

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 landfill host assessment and landfill loyalty tipping fee that are collected within 90 days. Under the modified 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 levied on both secured and unsecured property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. The secured property taxes are due November 1st and February 1st and are delinquent if not paid by December 10th and April 10th, respectively. 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. Governmental Activities have $402,337 and Business-type Activities have $202,716 in pooled cash and investments as of June 30, 2018.

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 flow 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.

Cash and Investments with Fiscal Agents

The City hired Bank of New York Mellon as its trustee or fiscal agent to oversee the implementation of a bond or trust indenture for the City's Certificates of Participation, Electric Revenue Bonds and Water Revenue Bonds. As of June 30, 2018, the City maintains cash and investments with fiscal agents of $52 in Governmental Activities, $4,478 in Electric Fund and $4,170 in Water Fund.

Restricted Cash and Investments

Governmental Activities have $59,455 in restricted cash and investments as of June 30, 2018. $27,605 in the General Fund is for the investments for the pension rate stabilization program that is invested in an Internal Revenue Code Section 115 Trust Fund and $31,850 in the Landfill Postclosure capital project fund is for the postclosure maintenance cost of Scholl Canyon landfill.

Electric Fund has $5,669 in restricted cash and investments for the environmental compliance funds mandated by South Coast Air Quality Management District (SCAQMD) as of June 30, 2018. $4,978 is 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 is in SCAQMD restricted cash for environmental projects dedicated to the reduction of emission and improvement of public health in Glendale.

Investments-Gas/Electric Commodity

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. The City has $1,500 in restricted investment-gas/electric commodity as of June 30, 2018.

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, 2018, $124,100 was designated for the Electric Fund in the following categories: $57,700 for operating reserve, $40,400 for contingency reserve; $10,000 for rate stabilization reserve, and $16,000 for gas reserve project. As of June 30, 2018, $11,300 was designated for the Water Fund in the following categories: $3,800 for operating reserve, $6,500 for contingency reserve, and $1,000 for rate stabilization reserve. As part of the Electric and Water cost of service and rate studies conducted in FY 2017-18, the consultants determined the existing cash reserve funding levels are sufficient.

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. 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, sales taxes, to name a few, are earned but not received from the County of Los Angeles as of June 30th of each year. The unbilled services for utility and other services delivered to customers but not billed as of June 30th because of their billing cycle timings. 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 two types of loans receivable: (1) from Glendale Successor Agency for enforceable obligations with the City after the dissolution of Glendale Redevelopment Agency, and (2) 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, 2018, the General Fund recorded $17,410 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 cost, using the weighted average cost method or disposal value. Inventory shown in the General Fund and Fleet/Equipment 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, mobile equipment, equipment, intangible, 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. 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.

(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
Local Sewer System	80
Machinery and Equipment	
Police Patrol Vehicles	3
Computer Systems	5
Passenger Cars, Pickup/Refuse	6
Cargo Vans, Street Sweepers	7
Dump/Tractor/Trailer Trucks	10
Helicopters	20
Emergency Response Engines	20
Intangible	
Wastewater Treatment Plan and Conveyance System Facilities	40
Computer Software	2-8
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%. Subsequently, capital drilling costs of $9,050 had been capitalized. As of June 30, 2018, the balance for Natural Gas Reserve Project, net of accumulated natural gas depletion was $11,125.

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 $29,034, 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, 2018, the liability is $14,957, and the City has $14,658 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, 2018, the liability is $14,077, and the City has $15,979 available in cash dedicated to this liability in the Fund.

Based on the most recent actuarial valuation dated June 30, 2017, the actuarial accrued liability for the RHSP is $14,424. The City has a cash reserve of $13,507 in the RHSP Benefits Fund, which is dedicated to providing benefits, so the unfunded actuarial accrued liability is $917 as of June 30, 2017. As of June 30, 2018, the City has $15,979 cash reserve for RHSP, and the actuarial accrued liability rolling forward from FY 2016-17 to FY 2017-18 is $14,077, so the unfunded actuarial accrued liability is $1,902. 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.

Other Post Employment Benefits (OPEB)

The City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. 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.

The government-wide statement of net position reports $174,225 of restricted net position, of which $48,574 is restricted by enabling legislation. The City Charter requires $28,115 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, $20,459 is restricted for low and moderate housing.

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 makes the pension contributions and OPEB payments after the measurement date, the City reports deferred outflows of resources. When there is an increase in pension expense arising from the recognition of change in assumptions and 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, 2018 is $147,012, which consists of $4,571 loss on refunding, $141,934 related to pensions and $507 related to OPEB.

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 and OPEB expense arising from the recognition of changes in assumptions and of differences between expected and actual experience, the City reports a deferred inflow of resources until the decrease is recognized in expense. The City's deferred inflows of resources as of June 30, 2018 is $26,447, which consists of $24,854 related to pensions and $1,593 related to OPEB. 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 $23,271 in the General Fund, $125 in the Housing Assistance Fund, and $5,872 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.

(in thousands)

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

- The City Charter requires that the City Manager 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, 2018:

Funds		Amounts Over Expended
General Fund:		
Non-departmental	$	101
Filming Fund		101
Fire Mutual Aid Fund		1,301
Special Events Fund		218
Police Building Project Debt Service Fund		207

NOTE 3 – CASH AND INVESTMENTS

Governmental and business-type activities:

Cash and investments as of June 30, 2018 consist of the following:

Investments	$	737,587
Cash and investments with fiscal agents		8,700
		746,287
Cash held in financial institutions		69,490
Total	$	815,777

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

Pooled cash and investments	$	605,053
Restricted cash and investments		65,124
Cash and investments with fiscal agents		8,700
Investment – gas/electric commodity		1,500
Designated cash and investments		135,400
Total	$	815,777

(in thousands)

Authorized Investments

Allowable investments for the portfolio of the City of Glendale are limited by California State Government Code Sections 53600 et seq. They are further restricted by the City Treasurer's investment strategy. Percentages of Investment Participation and percentages of Maximum Participation apply at the time of purchase. Purchase transactions may not exceed $10,000, nor exceed five-year maturities. Exceptions can only be approved by the City Council. The City Treasurer may invest or deposit in the following types of investments:

	Maximum Maturity	Maximum Investment Participation	Maximum Investment Exposure
U.S. Treasury Notes	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 Notes	5 years	30%	5% per issuer
Commercial Paper (A1, P1, F1 min. rating)	270 days	25%	10% per issuer
Bankers' Acceptances (A1, P1, F1 min. rating)	180 days	30%	10% per bank
Time Deposits (FDIC Insured)	1 year	10%	5% per issuer
Negotiable Certificates of Deposit (A1, P1, F1 min. rating)	1 year	30%	5% per issuer
Local Agency Investment Fund (State Pool)	N/A	LAIF maximum ($65 MM per account)	None
Money Market Mutual Funds	90 days	20%	10% per mutual fund
Los Angeles County Treasury Pool	N/A	10%	None

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	$ 64,470	64,470	-	-	-
Federal Agency Term Notes	105,643	9,934	24,497	71,212	-
Federal Agency Callable Bonds	24,392	4,992	-	19,400	-
Medium Term Notes	191,411	17,963	23,723	149,725	-
Obligations of Other States	55,306	15,028	11,439	28,839	-
State and Municipal Bonds	71,701	20,410	21,981	29,310	-
State Investment Pool	67,873	67,873	-	-	-
Los Angeles County Pool	50,426	50,426	-	-	-
U.S. Treasury Notes	70,144	4,944	4,911	60,289	-
Held by Other Financial Institutions:					
Money Market Accounts	8,616	8,616	-	-	-
Section 115 Trust Fund:					
Money Market Accounts	879	879	-	-	-
Money Market Mutual Funds	26,726	26,726	-	-	-
Held by Fiscal Agents:					
Money Market Accounts	6,302	6,302	-	-	-
Guaranteed Investment Contracts	2,398	-	-	-	2,398
	$ 746,287	298,563	86,551	358,775	2,398

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. Investments in State of California and California Local Agencies must be rated "A" or better by a nationally recognized rating service. 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.

(in thousands)

Governmental and business-type activities:

		Moody's Rating as of June 30, 2018							
	Total	A1	A2	Aa1	Aa2	Aa3	Aaa	P1	Unrated
Commercial Paper	$ 64,470	-	-	-	-	-	-	64,470	-
Federal Agency Term Notes	105,643	-	-	-	-	-	105,643	-	-
Federal Agency Callable Bonds	24,392	-	-	-	-	-	24,392	-	-
Medium Term Notes	191,411	13,973	8,914	35,644	52,438	17,620	57,913	-	4,909
Obligations of Other States	55,306	-	-	13,651	3,559	-	1,619	-	36,477
State and Municipal Bonds	71,701	465	1,270	-	12,260	29,696	-	-	28,010
State Investment Pool	67,873	-	-	-	-	-	-	-	67,873
Los Angeles County Pool	50,426	-	-	-	-	-	-	-	50,426
U.S. Treasury Notes	70,144	-	-	-	-	-	70,144	-	-
Held by Other Financial Institutions:									
Money Market Accounts	8,616	-	-	-	-	-	-	-	8,616
Section 115 Trust Fund:									
Money Market Accounts	879	-	-	-	-	-	-	-	879
Money Market Mutual Funds	26,726	-	-	-	-	-	-	-	26,726
Held by Fiscal Agents:									
Money Market Accounts	6,302	-	-	-	-	-	6,302	-	-
Guaranteed Investment Contracts	2,398	-	-	-	-	-	-	-	2,398
	$ 746,287	14,438	10,184	49,295	68,257	47,316	266,013	64,470	226,314

Concentration Risk

The investment policy of the City limits the amounts that may be invested in any one issuer to 5%, 10% per bank for bankers' acceptances, 10% per issuer for commercial paper, or 10% per fund for money market mutual fund. This limit excludes investments in U.S. treasury securities, federal agencies securities, Local Agency Investment Fund 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
FHLB	Federal Agency Callable Bonds	$ 4,885
	Federal Agency Term Notes	64,243
	Total	$ 69,128
FNMA	Federal Agency Callable Bonds	$ 4,867
	Federal Agency Term Notes	27,251
	Total	$ 32,118

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.

Investment in Internal Revenue Code Section 115 Trust Fund

The City reviewed the City's obligation to fund the pension obligations and determined that it served the City's interests to prefund those benefits. In July 2017, the City Council approved and adopted the funding for a Pension Rate Stabilization Program IRC Section 115 Trust. The Pension Stabilization Trust is a tax-qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund pension obligations. The Plan Discretionary Trustee is U.S. Bank and U.S. Bank has delegated investment management responsibilities to High Mark Capital Management, and Public Agencies Retirement Services (PARS) is the Trust Administrator. The City elected the 'Moderately Conservative HighMark Plus' investment approach with a blended investment objective strategy. The primary objective is to provide current income with capital appreciation as secondary objective. The Plan's target rate of return is 5 percent. The asset target allocations for this objective are 3 percent cash source, 50% equity and 47% fixed income. The City funded the trust account totaling $26,500 in fiscal year 2017-18 and reported as restricted assets and fund balance. The value of the Plan as of June 30, 2018 was $27,605 of which all was placed in cash money market and money market mutual fund accounts.

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, 2018. 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.

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, 2018, the City has the following fair value measurements:

		Fair Value Measurements		
	Balance at June 30, 2018	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	$ 64,470	-	64,470	-
Federal Agency Term Notes	105,643	-	105,643	-
Federal Agency Callable Bonds	24,392	-	24,392	-
Medium Term Notes	191,411	-	191,411	-
Obligations of Other States	55,306	-	55,306	-
State and Municipal Bonds	71,701	-	71,701	-
U.S. Treasury Notes	70,144	-	70,144	-
Section 115 Trust Fund:				
Money Market Mutual Funds	26,726	26,726	-	-
Total investments by fair value level	609,793	26,726	583,067	-
Investments measured at amortized costs or not subject to fair value hierarchy:				
Los Angeles County Pool	50,426			
State Investment Pool	67,873			
Held by Other Financial Institutions:				
Money Market Accounts	8,616			
Section 115 Trust Fund:				
Money Market Accounts	879			
Held by Fiscal Agents:				
Guaranteed Investment Contracts	2,398			
Money Market Accounts	6,302			
Total investments measured at amortized costs or not subject to fair value hierarchy	136,494			
	$ 746,287			

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, 2018, the loan receivable was fully paid.

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 ("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 Agency has completed a series of reports, audits and reviews, and approvals with approval from the Oversight Board and state Department of Finance ("DOF"). 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 Senate Bill 107, the requirement to prepare biannual payment schedules known as Recognized Obligation Payment Schedules (ROPS) was replaced with an annual ROPS.

As of June 30, 2018, the reinstated loan amount is $23,271 which includes $328 of capitalized interest for FY 2017-18.

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, 2018, $1,685 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, 2018, $3,018 is outstanding. As of June 30, 2018, the non-forgivable amount is $0.

  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, 2018, the forgivable loan amount at the end of the term is $4,138, 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, 2018, the non-forgivable amount is $5,539 and is recorded in governmental activities in the government-wide financial statement.

- *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, 2018, the amount of forgivable or contingent loans is $96,343, 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, 2018 consist of the following:

Due to General Fund from:		
Nonmajor governmental funds	$	5,278
Due to General Fund from:		
Internal service funds	$	215

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	$	20,162	Fund general fund operations per Charter
Nonmajor enterprise funds		1,150	Fund general fund operations
		21,312	
Transfers to Capital Improvement Fund from:			
General Fund		10,204	Fund capital improvement projects
Transfers to nonmajor governmental funds from:			
General Fund		977	20% of City GSA loan payment
General Fund		85	Nutritional Meals Grant matching
General Fund		800	Fund Police Building Project debt service
Capital Improvement Fund		2,000	Fund Scholl Canyon Landfill reserve
		3,862	
Total Interfund Transfers	$	35,378	

(in thousands)

NOTE 6 – CAPITAL ASSETS

Capital asset for Governmental activities for the year ended June 30, 2018 was as follows:

	Balance at July 1	Increases	Decreases	Reclass	Adjustments-transferred from fiduciary fund*	Balance at June 30**
Capital assets, not being depreciated:						
Land	$ 421,748	-	-	-	72	421,820
Construction in progress	48,882	13,655	-	(25,920)	-	36,617
Total assets not being depreciated	470,630	13,655	-	(25,920)	72	458,437
Depreciable capital assets:						
Building and improvements	400,720	1,296	(470)	9,295	2,672	413,513
Machinery and equipment	134,686	6,476	(14,500)	764	-	127,426
Infrastructure	324,734	2,602	(16,853)	15,015	-	325,498
Total other capital assets at cost	860,140	10,374	(31,823)	25,074	2,672	866,437
Amortizable intangible assets:						
Intangible assets	-	243	-	758	-	1,001
Less accumulated depreciation:						
Building and improvements	159,871	10,207	(325)	-	-	169,753
Machinery and equipment	95,494	6,462	(14,497)	(12)	-	87,447
Infrastructure	118,859	7,808	(16,853)	-	-	109,814
Total accumulated depreciation	374,224	24,477	(31,675)	-	-	367,014
Less amortization:						
Intangible assets	-	18	-	12	-	30
Total assets being depreciated and amortized, net	485,916	(13,878)	(148)	25,832	2,672	500,394
Governmental activities capital assets, net	$ 956,546	(223)	(148)	(88)	2,744	958,831

*Includes $72 of land and $2,672 of buildings and improvements that was transferred to the governmental activities from fiduciary fund.

**$57,110 and $61,441 of buildings, improvements, machinery, equipment, construction in progress and intangible assets for FY2017 and FY2018 respectively from internal service funds are included in governmental activities. $27,973 and $30,472 of accumulated depreciation and amortization for FY2017 and FY2018 respectively from internal service funds are included in governmental activities.

Depreciation and amortization expense was charged to functions of the City's governmental activities for the year ended June 30, 2018 as follows:

Depreciation	
General Government	$ 2,307
Police	2,082
Fire	1,147
Public Works	12,907
Parks, Recreation and Community Services	2,785
Library	1,101
Housing, Health and Community Development	2,148
Total depreciation expense	24,477
Amortization	18
Total depreciation and amortization expense	$ 24,495

(in thousands)

Capital asset for Business-type activities for the year ended June 30, 2018 was as follows:

		Balance at July 1	Increases	Decreases	Reclass	Balance at June 30
Capital assets, not being depreciated:						
Land	$	9,557	-	-	-	9,557
Construction in progress		76,681	17,241	-	(33,095)	60,827
Total assets not being depreciated		86,238	17,241	-	(33,095)	70,384
Depreciable capital assets:						
Building and improvements		271,976	3,324	-	764	276,064
Machinery and equipment		562,591	2,312	(10,003)	28,119	583,019
Infrastructure		152,130	91	-	4,212	156,433
Total other capital assets at cost		986,697	5,727	(10,003)	33,095	1,015,516
Depletable capital assets:						
Natural gas reserve		22,149	1	-	-	22,150
Amortizable intangible assets:						
Intangible assets		102,644	3,017	-	-	105,661
Less accumulated depreciation:						
Building and improvements		99,312	5,740	-	-	105,052
Machinery and equipment		334,465	26,257	(10,003)	-	350,719
Infrastructure		52,247	3,432	-	-	55,679
Total accumulated depreciation		486,024	35,429	(10,003)	-	511,450
Less accumulated natural gas depletion:						
Natural gas reserve		9,854	1,171	-	-	11,025
Less amortization:						
Intangible assets		46,371	3,125	-	-	49,496
Total assets being depreciated, depleted, and amortized, net		569,241	(30,980)	-	33,095	571,356
Business-type activities capital assets, net	$	655,479	(13,739)	-	-	641,740

Depreciation, depletion and amortization expense was charged to functions of the City's business-type activities for the year ended June 30, 2018 as follows:

Depreciation		
Sewer	$	3,025
Electric		24,947
Water		5,856
Refuse Disposal		1,390
Fire Communication		211
Total depreciation expense		35,429
Depletion - Electric		1,171
Amortization - Sewer		3,125
Total depreciation, depletion, and amortization expense	$	39,725

(in thousands)

NOTE 7 – PROPERTY HELD FOR RESALE

Governmental activities – Home Grant Fund property held for resale at June 30, 2018:

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, 2018 consists of the following:

Governmental Activities	Issuance Amount	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Due within one year
Claims payable	$ -	51,394	42,709	40,835	53,268	14,369
Compensated absences	-	21,395	9,814	8,625	22,584	2,433
Landfill postclosure care	-	47,059	1,553	-	48,612	-
Certificates of Participation (COPs)	64,200	33,785	-	1,905	31,880	1,985
Other long-term liabilities:						
Capital Lease-Fire equipment lease 2009 – Wells Fargo	2,299	262	-	262	-	-
2011 HUD Section 108 Loan	2,000	1,111	-	203	908	212
Loans payable	1,444	-	1,444	850	594	594
Total other long-term liabilities	5,743	1,373	1,444	1,315	1,502	806
Total Governmental Activities long-term liabilities	$ 69,943	155,006	55,520	52,680	157,846	19,593

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

Business-type Activities	Issuance Amount	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Due within one year
Compensated absences	$ -	6,109	3,095	2,754	6,450	704
Bonds payable:						
Electric Revenue Bonds, 2008 series	60,000	1,880	-	1,880	-	-
Electric Revenue Bonds, 2013 refunding series	20,510	19,610	-	935	18,675	975
Electric Revenue Bonds, 2013 series	60,000	57,285	-	1,130	56,155	1,175
Electric Revenue Bonds, 2016 refunding series	72,615	71,170	-	1,185	69,985	2,844
Electric Revenue Bonds premium	-	22,867	-	1,132	21,735	1,132
Water Revenue Bonds, 2008 series	50,000	43,760	-	1,370	42,390	1,421
Water Revenue Bonds, 2012 series	35,000	35,000	-	415	34,585	436
Water Revenue Bonds premium	-	1,861	-	85	1,776	85
Total bonds payable	298,125	253,433	-	8,132	245,301	8,068
Total Business-type Activities long-term liabilities	$ 298,125	259,542	3,095	10,886	251,751	8,772

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 $1,985 to $3,480 from FY 2018-19 to FY 2029-30. As of June 30, 2018, the principal balance was $31,880. The average monthly interest rate for FY 2017-18 was 1.52%.

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.

The City of Glendale Housing Authority

HUD Section 108 Loan (Series 2011-A)

Section 108 Loan of $2,000 was used to acquire and rehabilitate an Emergency Shelter and Homeless Access Center at 1948 Gardena Avenue, Glendale for the S.H. Ho Hope and Compassion Center, a non-profit organization. HUD administers the Section 108 Loan Guarantee program, and the program's purpose is to fill funding gaps on major community / economic development projects throughout the country. The Section 108 Loan Guarantee program was created as part of the original Housing and Community Development Act of 1974. Section 108 obligations are permanently financed through underwritten public offerings. This was the City's second time receiving a Section 108 loan. The City received the loan in November 2011. The term of the loan is ten years with an interest rate of 2.56% and the total interest is $210. The City has pledged current and future CDBG funds as principal security for the loan. The principal amounts range from $212 to $242 annually from FY 2018-19 to FY 2021-22. The Section 108 loan payment is budgeted as a CDBG project each year based on the payment schedule.

Capital Improvement Projects

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, 2017 was 11.41 million tons. The permitted capacity filled between July 11, 2017 and July 10, 2018 was 0.40 million tons. The total permitted capacity as of August 18, 1989 remains 14.75 million tons. Therefore, the City has 2.94 million tons unfilled capacity remaining. Using an inflation factor from the Sanitation Districts of 1.018, the total estimated care postclosure cost is $60,714. Using the data above, the amount of $48,612 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 $12,102. 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, 2018, the City has set aside $31,850 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 4.0%. 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, 2018, the capital lease was fully paid.

Loans Payable

In December 2014, the City entered into an agreement with Modern Parking, Inc. (“Agreement”) for the procurement and installation of a modernized Parking Access and Revenue Control System (PARCS) for City-owned downtown parking garages. This PARCS replacement contains new automated vehicle exits, updated payment acceptance options (primarily credit card), more thorough auditing reports for improved revenue controls, and an updated camera and intercom system. The total cost of the equipment was $1,851 with an effective annual interest rate of 6.0%. Subject to the terms of the Agreement, once substantial completion has occurred, the City will pay Modern Parking the monthly amortization payment amount. The substantial completion occurred in November 2017. The City made a deposit of $406 upon execution of the “Agreement” and made total payments of $850 as of June 30, 2018. The outstanding balance of the loan agreement as of June 30, 2018 was $594.

Business-type Activities:

Enterprise Funds

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 matured 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 was 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 outflow of resources of $112 as of June 30, 2018, and is being amortized through FY 2031-32. The reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of $4,478 on parity with other Electric revenue bonds. The bonds mature in regularly increasing amounts ranging from $975 to $1,805 annually from FY 2018-19 to FY 2031-32.

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 $1,175 to $3,795 annually from FY 2018-19 to FY 2042-43.

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 outflow of resources of $4,459 as of June 30, 2018, and is being amortized through FY 2037-38.

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 $2,700 to $4,715 annually from FY 2018-19 to FY 2037-38. 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 FY 2042-43 is $229,929. Principal and interest paid and total net available revenues for FY 2017-18 were $12,576 and $66,222, 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 $2,836.

The bonds mature in regularly increasing amounts ranging from $1,420 to $3,060 annually from FY 2018-19 to FY 2037-38. 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 $1,334.

The bonds mature in regularly increasing amounts ranging from $435 to $4,945 annually from FY 2018-19 to FY 2041-42. 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 2043 is $124,491. Principal and interest paid and total net available revenues for FY 2017-18 were $5,119 and $12,977, 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		Loans Payable Governmental Activities	
Fiscal Year		Interest	Principal	Interest	Principal
2019	$	405	1,985	41	594
2020		425	2,070	-	-
2021		437	2,155	-	-
2022		442	2,320	-	-
2023		437	2,405	-	-
2024-2028		1,766	14,155	-	-
2029-2031		290	6,790	-	-
	$	4,202	31,880	41	594

		Section 108 (2011 Series) Loan Governmental Activities		Electric and Water Revenue Bonds Business-type Activities	
Fiscal Year		Interest	Principal	Interest	Principal
2019	$	18	212	10,336	6,851
2020		14	222	10,000	7,149
2021		9	232	9,650	7,500
2022		3	242	9,287	7,845
2023		-	-	8,901	8,220
2024-2028		-	-	37,463	47,440
2029-2033		-	-	25,877	50,720
2034-2038		-	-	16,150	50,015
2039-2043		-	-	4,966	36,050
	$	44	908	132,630	221,790

		Total Governmental Activities		Total Business-type Activities		
Fiscal Year		Interest	Principal	Interest	Principal	Total Debt Service
2019	$	464	2,791	10,336	6,851	20,442
2020		439	2,292	10,000	7,149	19,880
2021		446	2,387	9,650	7,500	19,983
2022		445	2,562	9,287	7,845	20,139
2023		437	2,405	8,901	8,220	19,963
2024-2028		1,766	14,155	37,463	47,440	100,824
2029-2033		290	6,790	25,877	50,720	83,677
2034-2038		-	-	16,150	50,015	66,165
2039-2043		-	-	4,966	36,050	41,016
	$	4,287	33,382	132,630	221,790	392,089

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, 2018, 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, 2018, the following employees were covered by the benefit terms for each plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	1,694	604
Inactive employees entitled to but not yet receiving benefits	1,647	94
Active employees	1,356	385
Total	4,697	1,083

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 are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Starting for FY 2017-18, the contribution for the unfunded liability is a fixed amount, rather than a rate of the payroll. The City converts the fixed amount into a rate based on the payroll, and combines it with the normal cost rate to calculate the total employer contribution rate.

(in thousands)

In FY 2017-18, for the Miscellaneous Plan, the normal cost rate is 8.321%, the amount for the unfunded liability is $16,760, and the prepayment amount for the unfunded liability is $16,165. The City chose the prepayment option to pay the $16,165 in July 2017, instead of paying 1/12th of $16,760 on a monthly basis. For FY 2017-18, the City calculates the rate for the unfunded liability to be 17.721%.

The City's Miscellaneous Plan member contribution rates and employer contribution rates for FY 2017-18, including the employees' cost sharing toward the employer rates, are shown in the table below:

Miscellaneous Plan						
Employee Group	**CalPERS Membership**	**Retirement Formula**	**Member Contribution Rate**	**Employer Contribution Rate**		
				Employees' Cost Sharing	City Portion	Total
Council Member	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	23.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	23.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	23.042%	26.042%
Executive	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	22.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	22.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	22.042%	26.042%
GCEA	Classic (1st Tier)	2.5% @ 55	12.00%	0.00%*	22.042%	22.042%
	Classic (2nd Tier)	2.0% @ 55	11.00%	0.00%*	22.042%	22.042%
	PEPRA (3rd Tier)	2.0% @ 62	9.75%	0.00%*	22.042%	22.042%
IBEW	Classic (1st Tier)	2.5% @ 55	8.00%	3.00%	23.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	3.00%	23.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	3.00%	23.042%	26.042%
GMA	Classic (1st Tier)	2.5% @ 55	8.00%	4.00%	22.042%	26.042%
	Classic (2nd Tier)	2.0% @ 55	7.00%	4.00%	22.042%	26.042%
	PEPRA (3rd Tier)	2.0% @ 62	5.75%	4.00%	22.042%	26.042%

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

(in thousands)

In FY 2017-18, for the Safety Plan, the normal cost rate is 18.813%, the amount for the unfunded liability is $13,416, and the prepayment amount for the unfunded liability is $12,940. The City chose the prepayment option to pay the $12,940 in July 2017, instead of paying 1/12th of $13,416 on a monthly basis. For FY 2017-18, the City calculates the rate for the unfunded liability to be 25.586%.

The City's Safety Plan member contribution rates and employer contribution rates for FY 2017-18, including the employees' cost sharing toward the employer rates, are shown in the table below:

Safety Plan						
Employee Group	**CalPERS Membership**	**Retirement Formula**	**Member Contribution Rate**	**Employer Contribution Rate**		
				Employees' Cost Sharing	City Portion	Total
Executive - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
Executive - Police	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
GMA - Fire	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	4.00%	40.399%	44.399%
GMA - Police	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	40.899%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	40.899%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	40.899%	44.399%
GFFA	Classic (1st Tier)	3.0% @ 50	9.00%	4.00%	40.399%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	4.00%	40.399%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	3.50%	40.899%	44.399%
GPOA	Classic (1st Tier)	3.0% @ 50	9.00%	3.50%	40.899%	44.399%
	Classic (2nd Tier)	3.0% @ 55	9.00%	3.50%	40.899%	44.399%
	PEPRA (3rd Tier)	2.7% @ 57	10.75%	1.75%	42.649%	44.399%

GMA - Glendale Management Association
GFFA - Glendale Fire Fighter Association
GPOA - Glendale Police Officer Association

(in thousands)

As shown in the rates tables, 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 $23,741 and $22,470, respectively, for the year ended June 30, 2018. 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	$	23,741	20,205	3,536
Safety				
Police		13,033	12,200	833
Fire		9,437	8,443	994
Total Safety		22,470	20,643	1,827
Total	$	46,211	40,848	5,363

Net Pension Liability

The City's net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.15%
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, 2016 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.

Change of Assumptions

For the measurement date June 30, 2017, the accounting discount rate reduced from 7.65% to 7.15%.

(in thousands)

Discount Rates

The discount rate used to measure the total pension liability was 7.15%. 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% 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, 2014.

Asset Class	Current Target Allocation	Real Return Years 1-10 *	Real Return Years 11+ **
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
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, 2017 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, 2017	$ 1,009,768	745,881	263,887
Changes in the year:			
Service cost	15,513	-	15,513
Interest on the total pension liability	74,508	-	74,508
Changes of assumptions	62,163	-	62,163
Differences between actual and expected experience	(11,313)	-	(11,313)
Net plan to plan resource movement	-	2	(2)
Contribution from the employer	-	18,558	(18,558)
Contribution from the employees	-	8,518	(8,518)
Net investment income	-	82,439	(82,439)
Benefit payments, including refunds of employee contributions	(52,599)	(52,599)	-
Administrative expense	-	(1,101)	1,101
Net changes	88,272	55,817	32,455
Balance at June 30, 2018	$ 1,098,040	801,698	296,342

Safety Plan:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) – (b)
Balance at June 30, 2017	$ 754,987	503,155	251,832
Changes in the year:			
Service cost	14,641	-	14,641
Interest on the total pension liability	56,003	-	56,003
Changes of assumptions	47,703	-	47,703
Differences between actual and expected experience	(7,654)	-	(7,654)
Net plan to plan resource movement	-	(2)	2
Contribution from the employer	-	19,843	(19,843)
Contribution from the employees	-	4,305	(4,305)
Net investment income	-	55,289	(55,289)
Benefit payments, including refunds of employee contributions	(38,186)	(38,186)	-
Administrative expense	-	(743)	743
Net changes	72,507	40,506	32,001
Balance at June 30, 2018	827,494	543,661	283,833
Total for both plans at June 30, 2018	$ 1,925,534	1,345,359	580,175

(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 7.15%, 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		6.15%	6.15%	6.15%
Net Pension Liability	$	445,850	399,747	845,597
Current Discount Rate		7.15%	7.15%	7.15%
Net Pension Liability	$	296,342	283,833	580,175
1% Increase		8.15%	8.15%	8.15%
Net Pension Liability	$	173,514	189,163	362,677

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

As of June 30, 2018, the City reported net 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	$	190,951	47,692	7,647
Safety plan		283,833	66,215	12,716
Total	$	474,784	113,907	20,363

Business-type activities:		Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous plan	$	105,391	28,027	4,491

Miscellaneous Plan:

For the year ended June 30, 2018, the City recognized pension expense of $34,640. At June 30, 2018, 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	$	23,741	-
Changes of assumptions		40,727	567
Differences between expected and actual experience		-	11,571
Net differences between projected and actual earnings on plan investments		11,251	-
Total	$	75,719	12,138

(in thousands)

The amount of $23,741 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, 2019.

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
2019	$	12,371
2020		28,768
2021		4,742
2022		(6,041)
Total	$	39,840

Safety Plan:

For the year ended June 30, 2018, the City recognized pension expense of $36,351. At June 30, 2018, 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	$	22,470	-
Changes of assumptions		35,778	3,751
Differences between expected and actual experience		-	8,965
Net differences between projected and actual earnings on plan investments		7,967	-
Total	$	66,215	12,716

The amount of $22,470 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, 2019.

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
2019	$	4,697
2020		17,164
2021		13,140
2022		(3,972)
Total	$	31,029

Pension Plan Fiduciary Net Position

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

Supplemental Retirement Plan

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 $45 was paid to PARS in FY 2017-18.

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 2017-18, PARS payments were $92 and $19 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 – Other Post Employment Benefits Than Pensions (OPEB)

Plan Description

The City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(in thousands)

Benefits Provided

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 premiums 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. The subsidy is capped by the actual premium, and the unreduced city-paid amount continues to surviving spouses if the retirees die prior to the pre-determined payment period; (2) retirees who retired before June 1, 2016 with a minimum of 10 years of City service, enroll in a City sponsored medical plan and meet the annual income requirement. The eligibility and subsidy amount are evaluated on an annual basis. This is a lifetime subsidy for the eligible retirees except it will discontinue at age 65 for the retirees with enhanced pension benefits. The benefit will continue to surviving spouses, if applicable; (3) the surviving spouses 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.

The City also provides cash subsidy for medical insurance premium to surviving spouses and dependents of active non-safety employees who pass away during their employment with the City. The subsidy is two years for the City Council, the Executives and the GMA employees, regardless of the medical insurance plans enrolled at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in Anthem Blue Cross PPO at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in HMO plans at the time of the death and if the employees' death is a result of injuries incurred in the performance of his/her assigned duties. At the same time, the City provides cash subsidy for dental insurance premium to surviving spouses and dependents of active safety employees who pass away during their employment with the City. The subsidy continues until the spouses turn 65 and the children turn 26 (if applicable).

The above benefits offered to retirees are no longer available to new entrants because of the restriction of the retirement dates. Benefits payments made by the City for the year ended June 30, 2018 were $507.

Employees Covered by Benefit Terms

At June 30, 2017, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit payments	89
Inactive employees entitled to but not yet receiving benefit payments	251
Active employees	1,399
Total	1,739

Total OPEB Liability

The City's total OPEB liability of $15,738 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

(in thousands)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	June 30, 2017
Measurement date	June 30, 2017
Discount rate	3.58%
General inflation	2.75% per annum
Medicare Part A premium increases	3.75%/year (inflation + 1%) Not related to health care trend
Healthcare cost trend rate	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

The discount rate was based on the Bond Buyer 20-Bond GO index.

Mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study. Post-retirement mortality was projected fully generational using Society of Actuaries (SOA) Scale MP-2017.

Changes in the Total OPEB Liability

The changes in the total OPEB liability measured as of June 30, 2017 is as follows:

		Total OPEB Liability
Balance at June 30, 2017	$	17,465
Changes in the year:		
Service cost		57
Interest		493
Assumption changes		(1,790)
Benefit payments		(487)
Net changes		(1,727)
Balance at June 30, 2018	$	15,738

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB 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 discount rate:

		2.58%	3.58%	4.58%
Total OPEB Liability	$	18,268	15,738	13,702

(in thousands)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease (Trend -1%)	Current Trend Rates	1% Increase (Trend +1%)
Total OPEB Liability	$	15,530	15,738	15,985

Non-Medicare trend rate of 7.5%, decreasing to an ultimate rate of 4.0% in 2076 and later years. Medicare trend rate of 6.5%, decreasing to an ultimate rate of 4.0% in 2076 and later years.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of $353. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
OPEB payments made subsequent to the measurement date	$	507		
Changes of assumptions			$	1,593

The amount of $507 reported as deferred outflows of resources related to OPEB payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		Amounts
2019	$	(197)
2020		(197)
2021		(197)
2022		(197)
2023		(197)
Thereafter		(608)
Total	$	(1,593)

(in thousands)

NOTE 11 – NET DEFICITS OF INDIVIDUAL FUNDS

As of June 30, 2018, the following funds have negative fund balances or net position:

Governmental funds:		
Special revenue funds:		
CDBG Fund	$	2
Continuum of Care Grant Fund		97
Grant Fund		620
Measure H Fund		52
PW Special Grants Fund		84
Measure R Regional Return Fund		1,846
Fire Grant Fund		179
Capital projects funds:		
CIP Reimbursement Fund	$	1,763
Proprietary funds:		
Internal service funds:		
Compensation Insurance Fund	$	9,213
Medical Insurance Fund		596
Employee Benefits Fund		38
Post Employment Benefits Fund		229

The CDBG Fund, Continuum of Care Grant Fund, Grant Fund, Measure H 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 decreased in FY 2017-18 due to the premium increases. The City will continue to increase future premiums to eliminate the deficit.

Medical Insurance Fund – The deficit has decreased in FY 2017-18 due to premium increases. The City will increase future premiums to eliminate the deficit.

Employee Benefits Fund – The deficit has increased in FY 2017-18 due to large payouts. The City will continue to increase premiums in the future to eliminate the deficit.

Post Employment Benefits Fund – The deficit was a result of large postemployment benefits payouts. The City will increase future premiums to eliminate the deficit.

NOTE 12 – 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:

(in thousands)

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)		500,000	$25 deductible all locations
Aviation Insurance (Police Helicopter)		50,000	Various deductibles
Employee Dishonesty – Crime Policy		5,000	$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, 2018 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
2016-17	$	41,942	53,767	44,315	51,394
2017-18	$	51,394	42,708	40,834	53,268

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 13 – 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. 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. In September 2016, the Boulder Canyon Project agreement was amended and restated to extend the term through September 30, 2067. The City is entitled to 20.198 megawatts.

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 LP for the procurement of 50 megawatts of firmed renewable solar. At least fifty percent of 50 megawatts/hour is guaranteed by the seller to qualify as Portfolio Content Category 1 (PCC1) 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. In June 2017, the 21-year contract with Skylar was terminated and replaced concurrently with a new power purchase agreement with a higher percentage of renewable and zero-carbon energy. Under the new agreement, Skylar is obligated to deliver at least 55% PCC1 renewable and 20% zero-carbon energy.

Certain Sales Tax Revenues

On September 24, 2007, HdL Companies (HdL), which is the City's sales tax consultant, submitted petitions to the California Department of Tax and Fee Administration (CDTFA – formerly known as Board Equalization or 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 CDTFA, 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, CDTFA 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, CDTFA 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 CDTFA Appeals Division.

After further review, the CDTFA 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 CDTFA 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 has been 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 CDTFA 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. The District Office started an investigation and based on their filed audit, determined that the City will receive certain percentage from the sales tax revenues.

On March 16, 2018, the City received the final determination letter from the CDTFA and considered the audit closed. As such, the liability account was closed as of June 30, 2018, and the remaining revenues were recognized to the General Fund.

The California Revenue and Taxation Code, Section 7056 sets forth requirements and conditions for the disclosure of CDTFA records, and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from the sales and use tax of the CDTFA. Therefore, the sales taxes specific to this taxpayer are not disclosed.

General Fund Transfer Litigation

The City is currently litigating two appeals regarding the City's 2013 electric rates and transfer from the Electric Fund to the General Fund. The two cases, Glendale Coalition for a Better Government v. City of Glendale, L.A. Superior Court Case No. BS147376, Court of Appeal Case No. B281994 ("Coalition" lawsuit); Saavedra et al. v. City of Glendale, L.A. Superior Court Case No. BC539160, Court of Appeal Case No. B281991 ("IBEW" lawsuit), were filed in 2014. A lawsuit challenging the 2018 electric rates on similar grounds was filed in July 2018. In July 2018, the Coalition filed a lawsuit challenging the City's 2018 electric rate plan on similar grounds. Glendale Coalition for a Better Government v. City of Glendale, L.A. Superior Court Case No. BS174485 ("Coalition II" lawsuit). The Coalition II lawsuit is stayed pending the outcome of the appeals in the first two matters.

The 2014 lawsuits challenge the City's August 2013 electric rate plan ("2013 Electric Rate Plan") which includes transfers 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."

The City discontinued making transfers from the water fund in 2011. Thus, the City currently transfers only electric revenue from GWP to the General Fund. In FY2017-18, the City transferred $20,162 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 8.7% of the City's General Fund revenues for FY 2017-18.

Among other causes of action, the petitioners challenged the 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 fall within the exception for any "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 the 2013 Electric Rate Plan was a tax because the rate plan included the GFT which the court concluded 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 plus interest. 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 plus accumulated interest if it is unsuccessful in its appeals.

The court has 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.

City Appeal

The City appealed the judgment in the 2014 lawsuits. The appeal has stayed enforcement of the judgments. As such, status quo will remain in effect during the pendency of the appeal.

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. Indeed, during the pendency of the City's appeals, the California Supreme Court held that a similar transfer of funds from Redding's electric utility to its general fund (a "payment in lieu of taxes" or "PILOT") did not violate Proposition 26. Citizens for Fair REU Rates v. City of Redding (2018) 6 Cal.5th 1. In Redding, the Supreme Court held that the PILOT was not a tax and that because Redding's non-rate revenue (revenue received from sources other than imposing rates on customers) exceeded the amount of its PILOT, there was no transfer of rate payments to the general fund. The Supreme Court concluded that the revenue received from rates did not exceed the utility's costs. Glendale argues that Redding requires reversal of the Coalition and IBEW lawsuits since its rate revenues do not exceed all of its costs as Glendale has non-rate revenues that were deducted from its revenue requirement and the 2013 rate plan did not recover all costs it was legally entitled to recover.

Coalition Cross Appeal

Finally, it should be noted that the Coalition has filed a cross-appeal. The Coalition contended, and the trial agreed, that the City's prior accounting practices related to GWP, while compliant with Generally Accepted Accounting Principles ("GAAP"), violated specified provisions of 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. The Coalition has filed a cross-appeal 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 additional monies from the General Fund to the Electric Fund since the utility always had sufficient cash to make the transfers.

Status of Appeals

The Second District Court of Appeal heard oral argument in the appeals of the 2013 lawsuits on October 2, 2018 and the matter was submitted. The court must issue its decision no later 90 days later, or December 31, 2018. Due to announced court changeover, it is anticipated the court will issue its decision no later than December 14, 2018.

Petitions for Rehearing or Review

After the Court of Appeal issues its decision, either party (or both depending on the outcome) can request a petition for rehearing before the Court of Appeal and/or a petition for review to the California Supreme Court. Decisions to grant a petition for rehearing or a petition for a review are discretionary decisions with the Court of Appeal and California Supreme Court, respectively. Decisions by a party to request a rehearing or petition for review will extend the case out 90-180 days. If a petition for review is granted by the California Supreme Court, the case would be extended at least a year and likely 2 or 3 years.

NOTE 14 – 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.

Joint Power Agreement for Arroyo Verdugo Communities

The Arroyo Verdugo Communities was created through a Joint Power Agreement in 2017. The City is an active member of the Arroyo Verdugo Communities. Other members include City of Burbank, City La Canada Flintridge, City of Pasadena, City of South Pasadena and County of Los Angeles. The purpose of the creation of the Joint Power Authority is to provide a vehicle for the members to coordinate regional and cooperative planning, primarily in the area of transportation and determining how to prioritize regional transportation projects and allocation of Measure M funds and other public monies, including building a more connective transportation system between the member agencies.

"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 58% of its total energy requirements during FY 2017-18. 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, 2018, 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, 2018, 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, 2018, 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. The City is obligated for 20 megawatts or 9.80% of the SCPPA entitlement. In July 2015, the City Council authorized the SCPPA to execute, on Glendale's behalf, a set of three agreements that collectively shut down Unit 3 at the coal-fired San Juan Power Plant in New Mexico at the end of December 2017. 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 after the December 2017 exit date. As such a liability for decommissioning the power plant cannot be determined at this time. As of June 30, 2018, 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, 2018, 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, 2018, 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, 2018, Glendale's generation cost share is 16.53% and indenture cost share is 17.25%.

(in thousands)

- 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, 2018, Glendale's share is 23.00%.

- 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 megawatts capacity wind farm. The 25 year purchase power agreement with SCPPA is for the purchase of 10.00% (approximately 5 megawatts) 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, 2018, 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, 2018, 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, 2018, 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, 2018, 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, 2018:

Fiscal Year		IPP	STS	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2019	$	4,912	1,766	2,358	951	2,590	4,684	1,007	1,667	3,093	623	23,651
2020		4,269	1,547	2,339	941	2,589	4,858	1,004	1,668	3,090	622	22,927
2021		3,812	1,773	1,747	698	20,954	5,066	1,007	1,668	3,089	622	40,436
2022		2,324	2,114	-	-	2,216	5,245	1,004	1,665	3,085	622	18,275
2023		2,296	1,624	-	-	1,941	5,309	1,003	1,665	3,081	620	17,539
2024-2028		239	4,513	-	-	9,182	29,728	5,006	9,077	15,366	3,095	76,206
2029-2033		-	-	-	-	9,459	35,048	4,963	8,222	9,182	2,464	69,338
2034-2038		-	-	-	-	12,225	16,296	2,820	8,191	-	-	39,532
2039-2043		-	-	-	-	-	-	-	6,536	-	-	6,536
Total	$	17,852	13,337	6,444	2,590	61,156	106,234	17,814	40,359	39,986	8,668	314,440

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 2018 and 2017 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2018	$8,044	2,975	808	2,498	247	206	4,652	1,831	-	1,372	-	-	22,633
2017	$8,008	2,651	690	4,769	196	253	4,591	1,508	-	1,371	-	-	24,037

NOTE 15 – 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 ("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 Agency has completed a series of reports, audits and reviews, and approvals with approval from the Oversight Board and state Department of Finance ("DOF"). 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 Senate Bill 107, the requirement to prepare biannual payment schedules known as Recognized Obligation Payment Schedules (ROPS) was replaced with an annual ROPS.

On February 6, 2013, and again on February 11, 2014, Glendale received approval from its Oversight Board to reinstate its City-Agency loans, however, the DOF refused to approve the Oversight Board's action contending that the Agency had incorrectly calculated the interest earned on the loans. Following unsuccessful efforts to informally resolve the disagreement by meeting and conferring with the DOF, on August 14, 2014, the City and Agency filed suit against the DOF for a determination that the Agency had correctly calculated interest on the loans. On April 16, 2015, the Sacramento Superior Court issued an order and judgment finding for the Agency and City and holding the DOF had abused its discretion when it rejected the Oversight Board's action reinstating the City-Agency loans using the historic Local Agency Investment Fund (LAIF) rates for calculating the interest earned thereon. The Oversight Board subsequently approved a Recognized Obligation Payment Schedule (ROPS) that included the reinstated City-Agency loans using the interest rate calculation recognized by the Court's 2015 order and judgment, but DOF denied the entire balance of the reinstated loans. Following another round of unsuccessful efforts to informally resolve the dispute by meeting and conferring with the DOF, on July 28, 2015, the City and Agency filed another lawsuit against the DOF seeking to overturn the DOF's decision to reject the reinstated loans. On February 18, 2016, the Sacramento Superior Court entered its Judgment granting the City's and Agency's writ and reversing the DOF's decision to deny the reinstated loans as enforceable obligations. The annual loan payment amount is determined by a formula specified in the Dissolution Act.

(in thousands)

In 2011, the Agency issued $50,000 in Subordinate Taxable Tax Allocation Bonds, the proceeds of which were to be deposited with the Trustee pursuant to the Indenture of Trust. The Dissolution Act initially froze all the 2011 Bond Proceeds, including the Agency's $50,000, but subsequently authorized redevelopment agencies to spend a sliding-scale percentage of the proceeds for housing and non-housing purposes established by the Bonds depending on when the agency bonds were issued. With respect to 2011 Bonds, Glendale is authorized to spend 30% of non-housing bond proceeds (5% immediately and an additional 25% upon approval of the Agency's Last and Final ROPS) and 100% of the housing proceeds. On January 18, 2018, the Oversight Board approved a resolution authorizing a bond expenditure agreement which would transfer bond proceeds to the City and Housing Authority, respectively, in amounts authorized by law subject to the DOF approval of the Agency's Last and Final ROPS. Although the bond expenditure agreement did not specify any amounts and was expressly contingent of the DOF's approval of the Last and Final ROPS, the DOF nonetheless disapproved the Agency's Bond Expenditure Agreement alleging that the Agreement was premature, and that the Agreement would also impermissibly authorize transfer of bond reserves. On January 24, 2018, the Oversight Board approved the ROPS with line items authorizing transfer of 5% of the non-housing bond proceeds and 100% of the housing bond proceeds, but the DOF also disapproved these ROPS line items because DOF disagrees as to how the percentage of "proceeds" should be calculated. The Agency believes that the proceed percentages should be calculated based on the commonly understood meaning of what constitutes bond "proceeds", which are typically understood to mean par amount of the bonds, in this case $50,000, which is the aggregate principal amount delivered to the trustee for application to the payment of costs, deposit into the required reserve account, and transfer to the redevelopment and housing funds. In contrast, the DOF believes that the percentage of "proceeds" should be calculated only after reducing the proceeds by the amount of the required reserves. The Agency and DOF attempts to informally resolve the disagreement over the meaning of "proceeds" were unsuccessful and on June 28, 2018, the City and Agency filed a Petition for Writ of Mandate to overturn the DOF's rejection of the bond transfer agreement and the ROPS line items authorizing transfer of a certain percentages of the bond proceeds. This matter has been set for a hearing to take place on January 25, 2019.

Effective July 1, 2018, the Oversight Board to the Glendale Successor Agency was dissolved and replaced with a Consolidated Oversight Board to be administered by the County of Los Angeles.

The Agency is currently disposing of the last real-property asset ("Maryland Exchange Commercial Building") in its LRPMP.

Cash and Investments

The Fiduciary fund's cash and investments as of June 30, 2018 consist of the following:

Cash and investments	$ 75,841
Cash and investments with fiscal agents	11,628
Total	$ 87,469

(in thousands)

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

Cash and investments	$ 75,812
Restricted cash and investments	29
Cash and investments with fiscal agents	11,628
Total	$ 87,469

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	$ 32,393	32,393	-
State Investment Pool	31,949	31,949	-
Money Market Mutual Fund	11,498	11,498	-
Held by Fiscal Agents:			
Guaranteed Investment Contracts	6,580	-	6,580
Money Market Accounts	5,049	5,049	-
	$ 87,469	80,889	6,580

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, 2018		
	Total	Aaa	P1	Unrated
Commercial Paper	$ 32,393	-	32,393	-
State Investment Pool	31,949	-	-	31,949
Money Market Mutual Fund	11,498	11,498	-	-
Held by Fiscal Agents:				
Guaranteed Investment Contracts	6,580	-	-	6,580
Money Market Accounts	5,049	-	5,049	-
	$ 87,469	11,498	37,442	38,529

(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%, 10% per bank for bankers' acceptances, 10% per issuer for commercial paper or 10% per fund for money market mutual fund. This limit excludes investments in U.S. Treasury securities, federal agencies securities, Local Agency Investment Fund and Los Angeles County Pool.

Investments in any one issuer that represents 10% or more for commercial paper of total Successor Agency investments are as follows:

Issuer	Investment Type	Reported Amount
JP Morgan Securities	Commercial Paper	$ 7,999
MUFG Bank LDT NY	Commercial Paper	7,485
Sumitomo Mitsui Trust	Commercial Paper	9,945
		$ 25,429

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). See note 3 for additional information on the three levels of the fair value hierarchy.

As of June 30, 2018, the Successor Agency has the following fair value measurements:

		Fair Value Measurements		
	Balance at June 30, 2018	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	$ 32,393	-	32,393	-
Total investments by fair value level	32,393	-	32,393	-
Investments measured at amortized costs or not subject to fair value hierarchy:				
State Investment Pool	31,949			
Money Market Mutual Funds	11,498			
Held by Fiscal Agents:				
Guaranteed Investment Contracts	6,580			
Money Market Accounts	5,049			
Total investments measured at amortized costs or not subject to fair value hierarchy	55,076			
	$ 87,469			

(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	-	-	(72)	33
Construction in progress		2,672	-	-	(2,672)	-
Total assets not being depreciated		2,777	-	-	(2,744)	33
Depreciable capital assets:						
Building and improvements		377	-	-	-	377
Less accumulated depreciation:						
Building and improvements		245	9	-	-	254
Total assets being depreciated, net		132	(9)	-	-	123
Fiduciary fund capital assets, net	$	2,909	(9)	-	(2,744)	156

Long-Term Debt

The Glendale Successor Agency's (Fiduciary Fund) bond ratings as of June 30, 2018 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	-	A-	-
2016 GSA tax allocation bonds, refunding series	-	A-	-

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, 2018, 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, 2018 consist of the following:

		Issuance Amount	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Due within one year
Fiduciary Activities							
2011 GRA Subordinate Taxable Tax Allocation Bonds	$	50,000	39,280	-	3,300	35,980	3,560
2013 GSA Tax Allocation Refunding Bonds		44,985	29,675	-	5,470	24,205	5,685
2016 GSA Tax Allocation Refunding Bonds		20,810	20,810	-	-	20,810	-
GRA/GSA Tax Allocation Bonds premium		-	4,210	-	861	3,349	861
Loans Payable to the City		40,133	27,828	328	4,885	23,271	10,040
Total Fiduciary Activities	$	155,928	121,803	328	14,516	107,615	20,146

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 $3,560 to $7,210 from FY 2018-19 to FY 2024-25. 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, 2018, the principal balance is $35,980.

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 $5,685 to $6,455 from FY 2018-19 to FY 2021-22. 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, 2018 for $913 is recognized and reported in the financial statements as a deferred outflows of resources and is being amortized through FY 2020-21. 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, 2018, the principal balance is $24,205.

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 FY 2022-23 to FY 2024-25. 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, 2018 for $1,181 is recognized and reported in the financial statements as a deferred outflows of resources and is being amortized through FY 2024-25.

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, 2018, the principal balance is $20,810.

Loans Payable

On February 6, 2013, and again on February 11, 2014, Glendale received approval from its Oversight Board to reinstate its City-Agency loans; however, the DOF refused to approve the Oversight Board’s action contending that the Agency had incorrectly calculated the interest earned on the loans. Following unsuccessful efforts to informally resolve the disagreement by meeting and conferring with the DOF, on August 14, 2014, the City and Agency filed suit against the DOF for a determination that the Agency had correctly calculated interest on the loans. On April 16, 2015, the Sacramento Superior Court issued an order and judgment finding for the Agency and City and holding the DOF had abused its discretion when it rejected the Oversight Board’s action reinstating the City-Agency Loans using the historic LAIF rates for calculating the interest earned thereon. The Oversight Board subsequently approved a Recognized Obligation Payment Schedule (ROPS) that included the reinstated City-Agency loans using the interest rate calculation recognized by the Court’s 2015 order and judgment, but DOF denied the entire balance of the reinstated loans. Following another round of unsuccessful efforts to informally resolve the dispute by meeting and conferring with the DOF, on July 28, 2015, the City and Agency filed another lawsuit against the DOF seeking to overturn the DOF’s decision to reject the reinstated loans. On February 18, 2016, the Sacramento Superior Court entered its Judgment granting the City’s and Agency’s writ and reversing the DOF’s decision to deny the reinstated loans as enforceable obligations. The annual loan payment amount is determined by a formula specified in the Dissolution Act. The DOF has approved, and the County Auditor-Controller has paid Glendale via the ROPS process, $4,885 in FY 2017-18.

Furthermore, 20% of any loan repayment is required to be deducted and transferred to the City’s Low and Moderate Income Housing Asset Fund. $977 was transferred in FY 2017-2018 to the Low and Moderate Income Housing Asset Fund. As of June 30, 2018, the reinstated loan amount is $23,271 which includes $328 of capitalized interest for FY 2017-18.

(in thousands)

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
2019	$ 4,656	9,245	-	10,040	23,941
2020	4,137	9,745	-	4,411	18,293
2021	3,557	10,280	-	4,410	18,247
2022	2,909	10,905	-	4,410	18,224
2023	2,186	12,810	-	-	14,996
2024-2026	1,860	28,010	-	-	29,870
	$ 19,305	80,995	-	23,271	123,571

<u>Net Position (Deficits)</u>

A $17,171 deficit in net position is reported in fiduciary fund as of June 30, 2018. The primary reason for the deficit is due to the outstanding tax allocation bonds and outstanding Agency loan to the City.

NOTE 16 – SUBSEQUENT EVENT

On November 6, 2018, Glendale voters approved Measure S: The Glendale Quality of Life and Essential Services Protection Measure. The measure is a local sales tax increase of 0.75%, which would bring Glendale's sales tax from 9.5% to 10.25% effective April 1, 2019, and is expected to generate approximately $30 million annually. Glendale City Council adopted an ordinance authorizing the California Department of Tax and Fee Administration (CDTFA) to administer the local sales tax increase and has codified it in the Glendale Municipal Code under Chapter 4.30 – Transactions and Use Tax.

NOTE 17 – 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. 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. 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.

- GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities government should include when disclosing information related to debt. The Statement is effective for periods beginning after June 15, 2018.

- GASB Statement No. 90 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

NOTE 18 – IMPLEMENTATION OF PRONOUNCEMENTS

The City has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2018:

- 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 postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement was implemented effective July 1, 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. This statement was implemented effective July 1, 2017 and did not have a material effect on the financial statements.

- 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. This statement was implemented effective July 1, 2017 and did not have a material effect on the financial statements.

- 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. This statement was implemented effective July 1, 2017 and did not have a material effect on the financial statements.

- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. This statement was early implemented effective July 1, 2017 and did not have a material effect on the financial statements.

(in thousands)

NOTE 19 – RESTATEMENT

A prior period adjustment of $8,313 was made to decrease the beginning net position of the governmental activities in accordance with the implementation of GASB 75. The adjustment was made to record the reversal of the net OPEB obligation, the beginning total OPEB liability and deferred outflows of resources for benefit payments made subsequent to the measurement date.

The restatement of beginning net position for Governmental Activities is summarized as follows:

		June 30, 2017 Previously Stated	Restatement	July 1, 2017 Restated
Net OPEB Obligation	$	(8,665)	8,665	-
OPEB Liability			(17,465)	(17,465)
Deferred Outflows			487	487
Net Position - Beginning	$	884,479	(8,313)	876,166

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			
	2018	2017	2016	2015
Total pension liability				
Service cost	$ 15,513	13,413	14,372	14,951
Interest on the total pension liability	74,508	73,104	71,411	69,351
Differences between expected and actual experience	(11,313)	(12,487)	(8,835)	-
Changes of assumptions	62,163	-	(17,578)	-
Benefit payments, including refunds of employee contributions	(52,599)	(51,297)	(50,059)	(47,552)
Net change in total pension liability	88,272	22,733	9,311	36,750
Total pension liability - beginning	1,009,768	987,035	977,724	940,974
Total pension liability - ending (A)	1,098,040	1,009,768	987,035	977,724
Plan fiduciary net position				
Plan to plan resource movement	2	-	(25)	-
Contributions from the employer	18,558	16,517	13,344	14,431
Contributions from employees	8,518	8,092	8,142	8,202
Net investment income	82,439	3,709	17,215	117,615
Benefit payments, including refunds of employee contributions	(52,599)	(51,297)	(50,059)	(47,552)
Administrative expense	(1,101)	(469)	(881)	-
Net change in fiduciary net position	55,817	(23,448)	(12,264)	92,696
Plan fiduciary net position - beginning	745,881	769,329	781,593	688,897
Plan fiduciary net position - ending (B)	801,698	745,881	769,329	781,593
Net pension liability - ending (A) - (B)	$ 296,342	263,887	217,706	196,131
as a percentage of the total pension liability	73.01%	73.87%	77.94%	79.94%
Covered payroll	$ 86,433	85,575	83,956	88,064
Net pension liability as a percentage of covered payroll	342.86%	308.37%	259.31%	222.71%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four 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			
	2018	2017	2016	2015
Total pension liability				
Service cost	$ 14,641	12,975	13,038	13,249
Interest on the total pension liability	56,003	54,489	52,434	50,558
Differences between expected and actual experience	(7,654)	(3,055)	(5,684)	-
Changes of assumptions	47,703	-	(13,128)	-
Benefit payments, including refunds of employee contributions	(38,186)	(36,522)	(34,522)	(32,654)
Net change in total pension liability	72,507	27,887	12,138	31,153
Total pension liability - beginning	754,987	727,100	714,962	683,809
Total pension liability - ending (A)	827,494	754,987	727,100	714,962
Plan fiduciary net position				
Plan to plan resource movement	(2)	-	-	-
Contributions from the employer	19,843	18,266	16,789	14,887
Contributions from employees	4,305	4,517	4,394	4,716
Net investment income	55,289	2,584	11,489	77,826
Benefit payments, including refunds of employee contributions	(38,186)	(36,522)	(34,522)	(32,654)
Administrative expense	(743)	(314)	(579)	-
Net change in fiduciary net position	40,506	(11,469)	(2,429)	64,775
Plan fiduciary net position - beginning	503,155	514,624	517,053	452,278
Plan fiduciary net position - ending (B)	543,661	503,155	514,624	517,053
Net pension liability - ending (A) - (B)	$ 283,833	251,832	212,476	197,909
Plan fiduciary net position as a percentage of the total pension liability	65.70%	66.64%	70.78%	72.32%
Covered payroll	$ 49,687	47,925	47,947	47,523
Net pension liability as a percentage of covered payroll	571.24%	525.47%	443.15%	416.45%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four 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			
		2018	2017	2016	2015
Actuarially determined contributions	$	23,741	18,972	16,519	13,357
Contributions in relation to the actuarially determined contribution		(23,741)	(18,972)	(16,519)	(13,357)
Contribution deficiency (excess)		-	-	-	-
Covered payroll	$	91,026	86,433	85,575	83,956
Contributions as a percentage of covered payroll		26.082%	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.

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll. Beginning with the 2015 actuarial valuation, new gains or losses are amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes) over a 20 year period with no ramp. Changes in actuarial assumptions, or changes in actuarial methology over a 20-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. Changes in liability due to a golden handshake over a period of 5 years.
Asset valuation method	15 year smoothed market. Beginning with the 2013 actuarial valuation, the market value method was used.
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20%, depending on age, service, and type of employment. Beginning with the 2014 actuarial valuation, 3.20% to 12.20%, depending on age, service, and type of employment.
Inflation	2.75%
Payroll growth	3.00%
Retirement age	59

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four years of data are shown.

(in thousands)

Schedule of Plan Contributions - Safety Plan

		Fiscal Year			
		2018	2017	2016	2015
Actuarially determined contributions	$	22,470	19,984	18,257	16,772
Contributions in relation to the actuarially determined contribution		(22,470)	(19,984)	(18,257)	(16,772)
Contribution deficiency (excess)		-	-	-	-
Covered payroll	$	50,535	49,687	47,925	47,947
Contributions as a percentage of covered payroll		44.464%	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.

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll. Beginning with the 2015 actuarial valuation, new gains or losses are amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes) over a 20 year period with no ramp. Changes in actuarial assumptions, or changes in actuarial methology over a 20-year period with a 5 year ramp up at the beginning and a 5 year ramp down at the end of the amortization period. Changes in liability due to a golden handshake over a period of 5 years.
Asset valuation method	15 year smoothed market. Beginning with the 2013 actuarial valuation, the market value method was used.
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20%, depending on age, service, and type of employment. Beginning with the 2014 actuarial valuation, 3.40% to 20.00%, depending on age, service, and type of employment.
Inflation	2.75%
Payroll growth	3.00%
Retirement age	54

Note:

FY 2015 is the first year of implementation of GASB 68; therefore, only four years of data are shown.

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

Schedule of Changes in Total OPEB Liability and Related Ratios

		Fiscal Year 2018
Total OPEB liability		
Service cost	$	57
Interest on the total OPEB liability		493
Changes of assumptions		(1,790)
Benefit payments		(487)
Net change in total OPEB liability		(1,727)
Total OPEB liability - beginning		17,465
Total OPEB liability - ending		15,738
Covered-employee payroll	$	150,107
Total OPEB liability as a percentage of covered employee payroll		10.48%
Measurement date		June 30, 2017

Note:

FY 2018 is the first year of implementation of GASB 75; therefore, only one year of data is shown.

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