

Introductory Section

The Introductory Section of the Comprehensive Annual Financial Report provides general information of the City of Glendale, California's structure and its personnel, as well as information useful in assessing the City's financial condition. This section includes the:

- Letter of Transmittal
- City's Organizational Chart and List of Principal Officials
- Government Finance Officer Association Certificate of Achievement for Excellence in Financial Reporting





CITY OF GLENDALE, CALIFORNIA

Finance

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

November 30, 2020

The Honorable Mayor and City Council
City of Glendale
Glendale, California

Council Members:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Glendale (the City) for the fiscal year ended June 30, 2020.

This report consists of management's representations concerning the finances of the City. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse, and compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Glendale's MD&A can be found immediately following the independent auditors' report.

The financial reporting entity includes all the funds of the primary government (The City of Glendale), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are in substance, part of the primary government. Accordingly, the Glendale Housing Authority and the Glendale Municipal Financing Authority are reported in the appropriate funds of the City's financial report.

Profile of the City of Glendale

The City of Glendale is located northeast of Los Angeles in the foothills of the San Gabriel Mountains. The City was incorporated on February 16, 1906 under the general laws of the state of California. The City Charter was adopted on March 29, 1921. The City provides the full range of municipal services. This includes public safety (police, fire and paramedic), streets and sanitation, refuse collection, sewer, hazardous disposal, electric and water utilities, parking, parks and recreation, library, public improvements, planning and zoning, housing and community development and general administrative and support services.

Noted for its high quality of life and fiscal stability, Glendale is the fourth largest city in Los Angeles County, encompassing 30.6 square miles and serving over 205,000 residents. The City operates under a council-manager form of government, with a five-member council elected at large to four-year overlapping terms, in addition to an elected City Clerk and City Treasurer. The mayor is elected by the City Council for a one-year term and is the presiding officer of the Council. The City Council is responsible for passing ordinances, adopting the budget, appointing various boards and commissions, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments

Factors Affecting the Glendale Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Glendale operates.

The Local Economy – Continued capital investment is seen throughout the City in the form of business expansion as well as business attraction to Glendale’s central location, public safety record, and robust business environment. The implementation of the Glendale Tech Strategy continues to strengthen local tech firms such as Service Titan, Age of Learning, Legal Zoom, and Beyond Limits. Also of note, are Glendale’s regional shopping centers, the Glendale Galleria, Americana at Brand and Brand Boulevard of Cars. Several large development projects, either recently completed or underway in Glendale, will provide approximately 3,500 new residential units and thousands of square feet of commercial development. Hotel development and tourism are also on the rise. The Glenmark Hotel and Residence Inn by Marriot Los Angeles join top performing hotels like Embassy Suites and Hilton. Hotels are supported by strong corporate presence and the three local hospitals. Such investments by the business community indicate continued confidence in Glendale. Overall, Glendale’s economy is one of the most diverse within the Los Angeles region largely due to a healthy mix of business and industry that operates within its borders.

Economic Development Highlights – The City focuses on collaborative strategies to create jobs, generate revenue, support entrepreneurs, and improve the quality of life for residents, the business community, and visitors of Glendale. Throughout the years, the City has encouraged economic development through proactive efforts to target and attract businesses; reduce Class A office vacancies; provide support to existing businesses through concierge services; support workforce development program that is operated by the Verdugo Jobs Center; promote City-wide branding and marketing efforts; and adopt strategic planning methods. Economic Development accomplishments for FY 2019-20 were focused around three main goals:

- 1. Asset Management** – Glendale actively employs ways to provide additional value of City assets through proactive, profitability-focused management practices. The priority was to achieve the highest and best use of City facilities through an effective asset management strategy. Accomplishments include:
 - Advanced the imagination of the Arts & Entertainment District by working with urban design firm Studio111 to provide placemaking, landscape and urban design services for the future project that is currently in the conceptual design stage.
 - Renovating the Artsakh Retail Units at 117-131 N. Artsakh Avenue for future retail tenants.

- 2. Business Attraction** – The City is committed to attracting business and investment to Glendale in an effort to create a diverse economy. This is done through Business Concierge services and fast-track permitting, broker relationships, site selection assistance, utility consultation, and connecting potential businesses with resource marketing campaigns and support. The priorities were to establish an 18-Hour City and the furtherance of the Tech Strategic Plan. Accomplishments in business attraction include:
- Awarded Children’s Hospital Los Angeles \$500,000 to launch the first Pediatric-focused Accelerator in the country, which will be located in Glendale, and \$500,000 to Hero House Glendale to launch an accelerator targeting overseas startups serving as a gateway to Glendale. The \$1 million grant was awarded to the City of Glendale from the State of California to implement the Glendale Tech Start-Up Accelerator.
 - A \$30,000 contract was awarded to We the Creative in collaboration with the City of Burbank and City of Pasadena in an effort to create a marketing strategy that promotes the region as a booming tech hub.
 - Established a 1.7% retail vacancy rate, and continued to build on the 18-hour city concept by adding new businesses such as: Nothing Bundt Cake, Yolo Chicken, Paperback Brewery, Maggie’s Pastry & Café, Pardis Restaurant, Mila Rooftop, Uptown Coffee, Seaweed Handroll Bar, Anoush BBQ, Chick Next Door and more.
 - Maintained the office vacancy rate to 15.7% by successfully attracting tenants such as WeWork.
 - The Economic Development Division launched a new and improved website that provides businesses with resources and Economic Development offerings.
- 3. Business Services** – Recognizing that a majority of job growth in any community is generated by the businesses already located there, Glendale focuses on services to businesses to propel economic growth. Harnessing the power of the thousands of businesses in the City and the nearly 100,000 employees, the City’s priority was to strengthen neighborhood districts and the businesses within them. Accomplishments related to this effort include:
- Assisted nearly 3,000 current and expanding businesses with resources to further drive business in the community.
 - Coordinated the installation of the safety barrier project in the Montrose Shopping Park.
 - In collaboration with the Business Concierge team, the Economic Development Division implemented the AI Fresco Program to help businesses thrive in the city during COVID-19.
 - Obtained 40,000 gallons of hand sanitizer from FEMA and hosted several drive-through events to distribute the sanitizer to businesses and residents in the city.
 - City Council approved a \$500 Reimbursable Grant Program to be implemented in FY 2020-21, allowing Glendale businesses to apply for up to \$500 in reimbursements for PPE purchases related to COVID-19.
 - City Council also approved two \$5,000 Grant programs to be implemented in FY2020-21, for Small Businesses and Low-Income Small Businesses who are experiencing a hardship due to COVID-19.

Employment – According to the data obtained from the California State Department of Finance Demographic Research Unit, the population for the City of Glendale as of January 1, 2020 is 205,331. The Glendale labor force includes 102,100 residents as of July 2020 (16 years of age or over), according to the Employment Development Department Labor Market Information Division (EDD-LMID). Census data also shows that there are 29,153 businesses located in Glendale (2017).

According to Census data, occupational employment data shows the following results based on 2018 American Consumer Survey (ACS) Five-Year Estimates: 43,199 people in Glendale were employed in management, business, arts, or science occupations (the single largest group) with median annual earnings of \$74,361; 23,210 were employed in sales and office occupations (second largest) with median annual earnings of \$43,527; and 15,637 were employed in service occupations (the third largest group) with median annual earnings of \$26,769. Median household income for Glendale residents recorded at \$73,871, and the poverty rate was 14.9%, according to ACS. The information provided below includes additional employment statistics pertaining to the City of Glendale and the surrounding region.

- **Unemployment Levels** – In December 2007, at the start of the Great Recession, the Glendale unemployment rate was 4.8%; by the (reported) end of the Recession in June 2010, the rate had peaked to 10.1% and declined to 8.1% in June 2013, demonstrating the recovery period following the Recession. The Glendale unemployment rate again measured 4.8% in June 2018, equaling its pre-recession level and as of December 2019, the unemployment rate recorded at 3.9%. Due to the economic impact of the COVID 19 pandemic that started in March 2020, Glendale's unemployment increased to 19.3% for July 2020.
- **Industry Employment Status** – According to Dunn & Bradstreet, by employment, the top six Glendale industries in 2020 were:
 1. Healthcare with 16,550 employed across 2,044 establishments, earning an average salary of \$46,917 and recording a Location Quotient (LQ) for the industry of 1.36. An industry recording an LQ of 1.00 or more, demonstrates a local concentration of the industry located in the City of Glendale that is equal to or higher than the national average.
 2. The Retail industry recorded 11,248 employed across 1,611 establishments, earning an average salary of \$38,085 and an LQ of 1.10.
 3. Public Administration and Education with 10,583 employees across 340 establishments, earning an average salary of \$70,294 and an LQ of 0.67.
 4. Professional Services recorded 9,232 employed across 1,886 establishments, with an average salary of \$105,480 and an LQ of 1.17.
 5. Eating and Drinking with 7,154 employed across 678 establishments, earning an average salary of \$24,021 and an LQ of 1.04.
 6. Finance recorded 6,815 employed across 500 establishments, earning an average salary of \$146,536 and an LQ of 2.31.
- **Large Employers** – Dream Works Animation, Glendale Community College District, Glendale Adventist, and USC Verdugo Hills Hospital were among the City's largest employers in FY 2019-20.

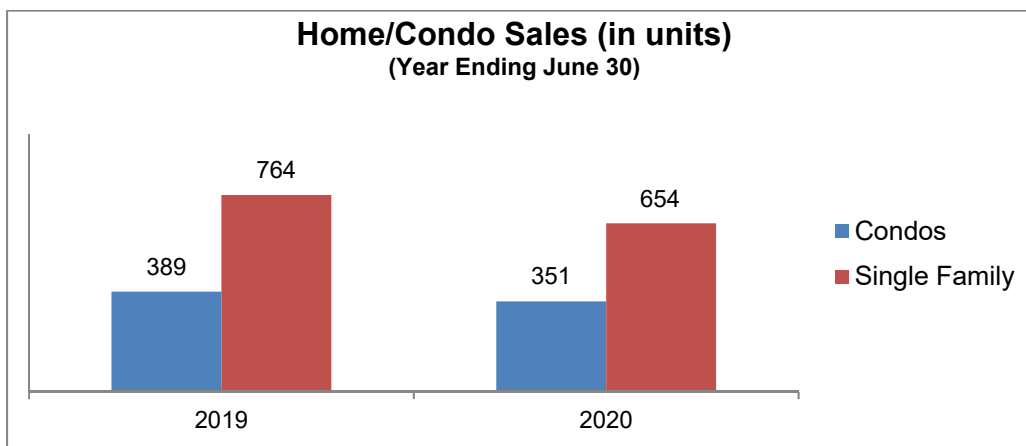
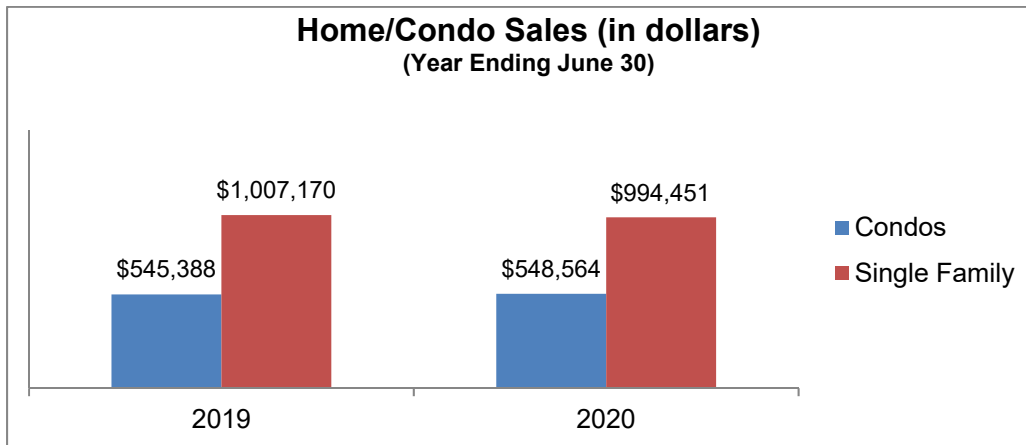
- **Fastest Growing Occupations** – Current EDD projections indicate that through 2026 the fastest growing occupations in Los Angeles County include:
 1. Mathematicians
 2. Home Health Aides
 3. Personal Care Aides
 4. Genetic Counselors
 5. Physician Assistants
 6. Statisticians
 7. Nurse Practitioners
 8. Archivists
 9. Software Developers Applications
 10. Physical Therapists Assistants
 11. Physical Therapists Aides
 12. Occupational Therapist Assistants
 13. Massage Therapists
 14. Physical Therapists
 15. Combined Food Preparation and Serving Workers
 16. Atmospheric and Space Scientists
 17. Athletic Trainers
 18. Floor Layers, Except Carpet, Wood, and Hard Tiles
- **Trends** – The EDD-LMID has not issued any new trends due to COVID-19 pandemic, but the last available report indicated that industry employment in Los Angeles County, which includes self-employment, private household workers, farm, and non-farm employment in Los Angeles County, is expected to reach 5,175,900 by 2026, an increase of 10.1% over the 10-year projections period. 12 of 13 non-farm industry sectors are projected to grow between 2016 and 2026.

Total non-farm employment is projected to grow by nearly 440,900 jobs by 2026, with Self-Employment increasing by 32,600 (11%) to a total 330,100 jobs and Private Household Workers increasing by 1,700 (13.3%) to a total of 14,500 jobs. Top 10 Industry Sectors are shown in the table below.

Top 10 Industry Sectors

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

Housing – Based on the “2019 Annual Report” issued by the Los Angeles Office of the Assessor, Glendale experienced a net taxable property value increase of 6.4%, which was greater than the increase experienced countywide at 6.2%. According to the City’s property tax consultant, HdL, Glendale’s single-family housing market fell in sales volume (number of units sold) and showed a decrease in an average home price, falling from \$1,007,170 in FY 2018-19 to \$994,451 in FY 2019-20. The condominium sales showed a decline in sales volume and an increase in an average price, rising from \$545,388 in FY 2018-19 to \$548,564 in FY 2019-20.



Local Government Finance

The legal challenges to the long-standing and charter-mandated General Fund Transfer from Glendale Water & Power, escalating pension rates, and low investment returns for CalPERS have all combined to make these past few years some of the most difficult for City government budgeting in recent history. In spite of the difficulty involved in preparing the FY 2020-21 budget, the City Council has set the tone to allow our managers and staff to approach challenges in a professional and constructive manner. Through the vision of the Glendale City Council, we are able to balance new growth while preserving a rich and honored heritage. The City will continue to aggressively pursue exceptional customer service, balance value propositions, and invest in the future to ensure continuity of high-quality City services.

On November 6, 2018, Glendale voters approved the Quality of Life and Essential Services Protection Measure (otherwise known as “Measure S”), which increased the sales tax rate in the City by 0.75% to a new total of 10.25%, effective April 1, 2019. The entire 0.75% increase goes directly to the City of Glendale, increasing its portion of the 10.25% rate from 1.00% to 1.75%. It is estimated that the City will receive \$22.2 million in sales tax revenue from Measure S in FY 2020-21.

The emergence of the COVID-19 pandemic and the associated “Safer at Home” measures substantially impacted the forecast of the City’s financial standing, as well as created a state of uncertainty for many businesses. In response to the COVID-19 pandemic, reductions were built into various revenue categories resulting in a projected negative impact of approximately \$11.4 million in revenues to the General Fund in FY 2020-21. The Sales Tax category has been impacted the most with an anticipated loss of approximately \$5.6 million in FY 2020-21 and a slow recovery lasting 24 to 36 months. Furthermore, with much of the population staying home, fewer people are traveling and thereby not using hotel services. Consequently, Transient Occupancy Tax (TOT) revenues, which are generally received by hotels at the time of booking and remitted to the City on a monthly basis, have seen immediate declines resulting in estimated losses of approximately \$995,000 for FY 2020-21. Other major revenue categories with an anticipated negative impact for FY 2020-21 include Licenses and Permits and Charges for Services mainly due to the closures of certain facilities, the suspension of various City recreational programs, and activities put on hold due to “Safer at Home” measures.

It seems as though our world has come to a halt with the COVID-19 pandemic taking hold of the way we communicate, work, and simply enjoy our lives. But there is one thing COVID-19 cannot take away, and that is the City’s ability to provide critical services for our residents and businesses. In spite of the challenges that the City continues to face including the COVID-19 financial impacts, increased pension costs, and aging infrastructure, the City is confident that our team will embrace these challenges and move our community forward with a focus on our purpose and goals.

Long-term Financial Planning

Financial Challenges – We are in the middle of the global COVID-19 pandemic and until the situation is more under control, no one can accurately predict what the economy will look like. Thus, we will be facing notable challenges in the coming years. The General Fund remains highly dependent on sales taxes generated, in particular, from automobile sales and retail outlets. Sales tax revenues have been steadily rising over the past decade since the Great Recession; however, the economic downturn placed that revenue stream in jeopardy. In order to diversify our potential revenue stream opportunities, staff and City Council have been and continue to work diligently to finalize the development of new hotels that would generate considerable occupancy tax revenue for the City. However, with the COVID-19 pandemic, the leisure and hospitality sector has been hit the hardest. Fortunately, Glendale has shown that it has a lot to offer even through the challenges of this pandemic, including the expansion in outdoor dining, which continues to add vibrancy to the City’s streets. As people begin to gradually and safely return to some of their previous activities including traveling and shopping, occupancy tax and sales tax revenues will be tracking upwards and will gradually return to their previous levels.

Moving forward, our continuing challenge is to minimize the negative impact on our community and customers from past restructuring efforts and ensure the City adds ongoing value to the taxpayers. Glendale’s vision is accomplished through a combination of the City Council’s priorities, the City’s strategic goals, and key performance indicators. With the FY 2020-21 budget process, the City Council has reaffirmed the following priorities:

<ul style="list-style-type: none"> • Fiscal Responsibility • Exceptional Customer Service • Economic Vibrancy • Informed & Engaged Community • Safe & Healthy Community 	<ul style="list-style-type: none"> • Balanced, Quality Housing • Community Services & Facilities • Infrastructure & Mobility • Arts & Culture • Sustainability
--	---

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

The City manages its pooled idle cash and investments under a formal investment policy that follows the guidelines of the State of California Government Code, which is then reviewed by the Investment Committee and adopted by the City Council.

The following table presents a comparison of the City's cash and investments for previous four fiscal years.

	Fiscal year ended June 30,			
	2020	2019	2018	2017
Cash and investments	\$ 961,455,000	923,902,000	815,777,000	765,797,000

Risk Management – The City is self-insured up to \$2 million for claims filed under the comprehensive general liability and Workers' Compensation insurance programs. The City purchases excess liability insurance policies for general liability claims to cover losses up to \$52 million, and an amount up to statutory limits for the Workers' Compensation program. The City also purchases Errors & Omissions Employment Practices, Property, Aviation, Employee Dishonesty, Cyber Security, and other smaller insurance policies for specific activities. Insurance coverage and the associated premiums are reviewed annually to ensure the City is properly covered.

The City's Risk Management program is comprised of Insurance Services and Employee Safety. The primary goal of Insurance Services is to effectively address potential risk factors that affect both the City and its employees. The Safety Section works with City Departments to evaluate and mitigate workplace hazards, assist in providing safety training, conduct accident investigations, and ensure compliance with Cal/OSHA regulations.

Risk Management staff, in conjunction with the Finance Department, annually reviews internal funding levels to address claims costs. Internal insurance costs are charged to each department and based on analysis of recent claims costs, as well as the outstanding reserves. Input from an actuarial study, performed annually, is considered in assessing the charges.

Independent Audit

The City's financial statements have been audited by the firm of CliftonLarsonAllen LLP, a public accounting firm fully licensed and qualified to perform audits of local governments within the State of California. The goal of the independent audit was to provide an opinion on whether the financial statements of the City of Glendale, California for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Glendale, California's basic financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report. Their unmodified opinion on the City's basic financial statements is included within this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and other financial reporting and compliance with legal requirements, and on compliance and internal control over compliance for each major federal program selected. These reports are available in the City’s separately issued *Single Audit Report*.

Award

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the past twenty-five fiscal years ended June 30, 1995 through June 30, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This award is valid for a period of one year. The City believes the current comprehensive annual financial report continues to meet the Certificate of Achievement for Excellence requirements and will be submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for their contribution in the preparation of this report.

In closing, without the leadership and support of the Glendale City Council and the Interim City Manager, the preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, reading "Michele Flynn". The signature is fluid and cursive, with the first name "Michele" written in a larger, more prominent script than the last name "Flynn".

MICHELE FLYNN, CPA
DIRECTOR OF FINANCE

This page is left blank intentionally.

City of Glendale, California

Officials of the City of Glendale

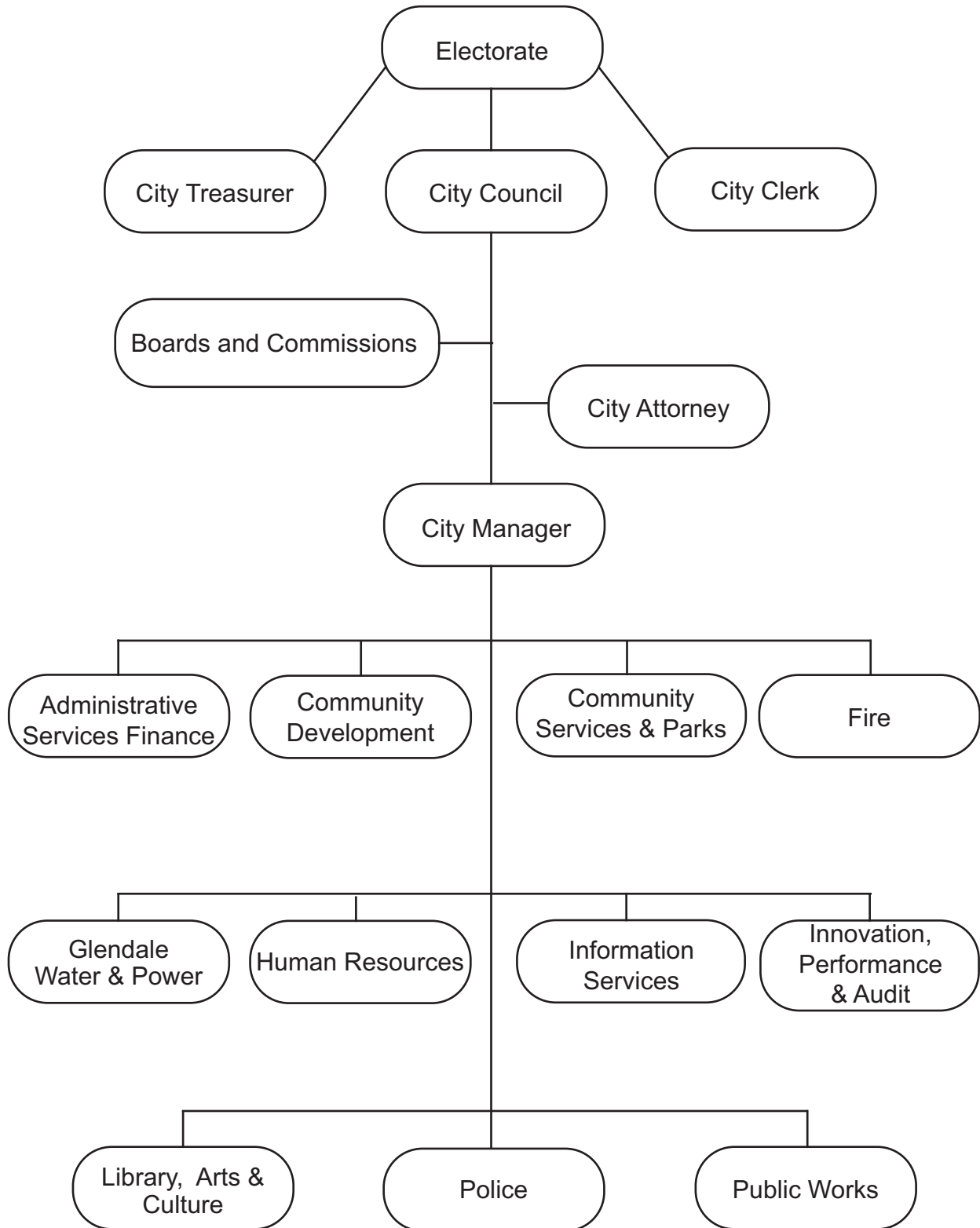
June 30, 2020

Administration and Executive Management Team

City Manager	Yasmin K. Beers
Assistant City Manager	Roubik Golanian
Deputy City Manager	John Takhtalian
Director of Innovation, Performance, & Audit	Elena Bolbolian
Chief Information Officer	Jason Bradford
Director of Community Services & Parks	Onnig Bulanikian
Director of Human Resources	Matthew Doyle
Director of Public Works	Yazdan Emrani
Director of Finance	Michele Flynn, CPA
City Attorney	Michael J. Garcia
City Clerk	Aram Adjemian
Director of Community Development	Philip Lanza fame
Fire Chief	Silvio Lanzas
City Treasurer	Rafi Manoukian, CPA
Police Chief	Carl Povilaitis
Director of Library, Arts & Culture	Gary Shaffer
General Manager of Glendale Water & Power	Stephen Zurn

City of Glendale, California

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Glendale for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the 25th consecutive year that the City of Glendale has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Glendale
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

This page is left blank intentionally.