



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Glendale
Glendale, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Water Fund of the City of Glendale, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Fund of the City of Glendale, as of June 30, 2023, and the changes in its financial position, and, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Water Fund of the City of Glendale and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Enterprise Fund and do not purport to, and do not present fairly the financial position of the City of Glendale, California, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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City of Glendale

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Fund of the City of Glendale's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions of the defined benefit plans, the schedule of proportionate share of OPEB liability and the schedule of contributions of the OPEB plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and operating statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.


Report on Summarized Comparative Information

We have previously audited the Water Fund of the City of Glendale's 2022 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Honorable Mayor and
Members of the City Council
City of Glendale

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023 , on our consideration of the City of Glendale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Glendale's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Glendale's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Irvine, California
November 20, 2023



Financial Statement: Water Utility

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Water Enterprise Fund (Water Utility) financial statements, a narrative overview and analysis of the financial activities of the Water Enterprise for the fiscal year ended June 30, 2023. We encourage our readers to consider the information presented here in conjunction with the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2023, the Water Utility's retail revenues decreased \$3,963 from fiscal year 2022. The retail revenues were primarily driven by lower sales volume, as the volume sold decreased 8.4% from fiscal year 2022.

During fiscal year 2023, the total operating expenses increased \$1,969 or 4.3% from fiscal year 2022. After adding the net decrease of \$381 from non-operating items (net interest, federal grants, and other adjustments) to net operating income of \$2,532, total net position increased by \$2,151 in fiscal year 2023.

The total assets and deferred outflow of resources of the Water Utility exceeded its total liabilities and deferred inflow of resources (i.e. net position) at the close of fiscal years 2023 by \$138,531, an increase of \$2,151.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Water Utility financial statements. The Water Utility is a business-type activity of the City, and its activities are reported in a separate enterprise fund. These financial statements include only the activities for the City of Glendale's Water Utility. Information on city wide financial results is available in the City of Glendale's Annual Comprehensive Financial Report.

The Water Utility's financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains required supplementary information and other information to provide our readers additional information about the Water Utility, including sales statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Water Utility's financial health.

The ***Statement of Net Position*** presents information on assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Position*** presents information showing how the Water Utility's net position changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. The accrual basis of accounting is more fully described in the accompanying Notes to the Financial Statements.

The ***Statement of Cash Flows*** presents the flows of cash and cash equivalents during the last fiscal year including certain restricted amounts.



Financial Statement: Water Utility

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 94 to 116 of this report.

The required supplementary information is presented immediately following the notes to the financial statements.

Financial Analysis

As noted in the overview of financial statements, net position may serve over time as a useful indicator of the Water Utility's financial condition. In the case of the Water Utility, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$138,531 as of June 30, 2023. A portion of the Water Utility's net position 85.6%, reflects its net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by non-debt capital related liabilities, added or reduced any deferred outflows/inflows of resources that is capital debt related, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. The Water Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the statement of net position must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities. Unrestricted net position was \$19,913 as of June 30, 2023.



Financial Statement: Water Utility

Net Position – Water Utility

The Water Utility’s net position as of June 30, 2023 and 2022 is as follows:

	2023	2022
Current and other assets	\$ 49,039	\$ 49,425
Capital assets	182,887	182,489
Total assets	231,926	231,914
Deferred outflows of resources	6,873	2,686
Current liabilities	11,451	10,707
Long-term debt	64,521	67,096
Net pension and OPEB liability	21,715	12,535
Total liabilities	97,687	90,338
Deferred inflows of resources	2,581	7,882
Net Position:		
Net investment in capital assets	118,618	115,330
Unrestricted	19,913	21,050
Total net position	\$ 138,531	\$ 136,380

Net position increased by \$2,151 or 1.6% during the fiscal year 2023. In fiscal year 2023, the increase in net position was primarily driven by increase in non-operating revenues and reduced personnel and pension expenses.



Financial Statement: Water Utility

Changes in Net Position – Water Utility

The Water Utility’s changes in net position for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Revenues		
Charges for services	\$ 49,501	\$ 53,464
Miscellaneous revenues	1,288	2,239
Non-operating revenues	1,326	(471)
	<hr/>	<hr/>
Total revenues	52,115	55,232
	<hr/>	<hr/>
Expenses:		
Production	29,534	28,371
Transmission and distribution	8,286	7,608
Customer accounting and sales	3,096	3,201
Depreciation & Amortization	7,341	7,108
Non-operating expenses	1,707	1,785
	<hr/>	<hr/>
Total expenses	49,964	48,073
	<hr/>	<hr/>
Changes in net position	2,151	7,159
	<hr/>	<hr/>
Total net position, beginning of year as restated	136,380	129,221
	<hr/>	<hr/>
Total net position, end of year	<u>\$ 138,531</u>	<u>\$ 136,380</u>

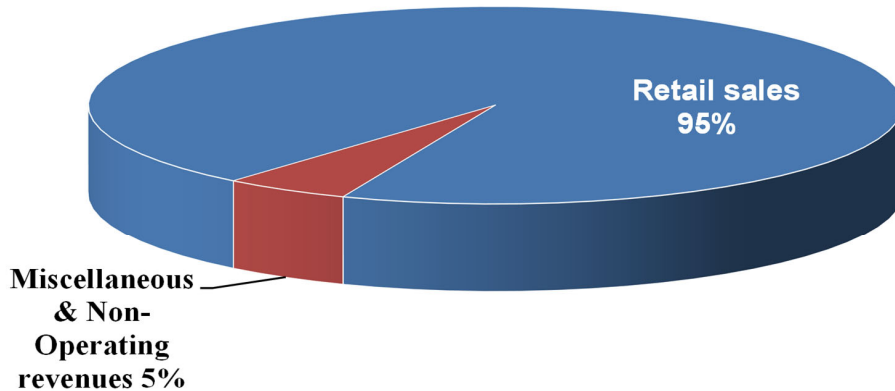
Revenues by Source – Water Utility

In 2023, total revenues for the Water Utility decreased 6% from the prior year level. Retail revenues are the primary revenue source for the Water Utility, making up 95% of total revenue sources. Retail revenues decreased 7% from the prior year primarily due to a decrease of 8% in the volume of water sales.

Miscellaneous revenues and non-operating revenues make up 5% of total revenue sources. Miscellaneous and non-operating revenues increased 48% from the prior year mainly due to year over year increase in the fair value of investments.



2023 Revenues



Expenses by Source – Water Utility

In 2023, total expenses for the Water Utility increased 4% from the prior year level. Production expenses are the primary expense source for the Water Utility, making up 59% of total expenses. Production expenses increased 4% from the prior year due to in contractual services and utilities.

Transmission and distribution expenses comprised 17% of total expenses and showed an increase of 9% from the prior year level as a result of an increase in contractual services and general supplies..

Customer accounting and sales expenses make up 6% of total expenses and decreased 3% from the prior year due to the write-off of delinquent customer water arrearage balances in fiscal year 2022. These expenses were reimbursed by the California Water and Wastewater Arrearage Payment Program (CWWAPP) grant.

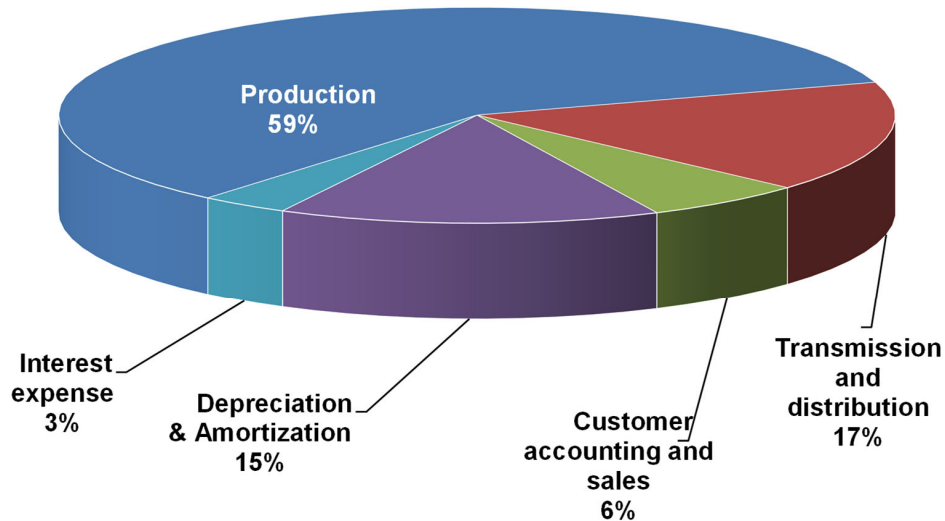
Depreciation & Amortization expense comprised 15% of total expenses and were consistent with last year.

Interest on bonds make up 3% of total expenses and decreased by 4% compared to the prior year level. The decrease was primarily due to the decrease in the principal amount of the outstanding bonds.



Financial Statement: Water Utility

2023 Expenses



Capital Assets and Debt Administration

Capital Assets

The Water Utility's investment in capital assets as of June 30, 2023 and 2022 was \$ 182,887 and \$182,558, respectively (net of accumulated depreciation). This included investments in production, transmission, and distribution related facilities, as well as general items such as structure improvements, transportation, communication, and miscellaneous equipment. Capital assets showed slight increases for years ended June 30, 2022 and 2021. The Water utility has adopted a multi-year capital improvement program for water works projects, beginning in fiscal years 2017-2018 through 2026-2027.

The Water Utility's capital assets as of June 30, 2023 and 2022:

	2023	2022
Production	\$ 62,700	\$ 62,610
Transmission and distribution	226,367	219,856
General	17,631	17,847
Leases	59	69
Less: accumulated depreciation	<u>(123,870)</u>	<u>(117,824)</u>
Total	<u>\$ 182,887</u>	<u>\$ 182,558</u>

Additional information on the Water Utility's capital assets can be found in Note 3 on page 103 of this report.



Financial Statement: Water Utility

Long-Term Debt

As of June 30, 2023 and 2022, the Water Utility had outstanding long-term debt of \$64,521, and \$67,096, respectively. The Water Utility's outstanding debt as of June 30 is as follows:

	2023	2022
Water Revenue Bonds	\$ 63,755	\$ 66,015
Less: current portion	(2,561)	(2,481)
Unamortized bond premium, gain	3,303	3,523
Leases payable	24	39
	<hr/>	<hr/>
Total Long-Term Debt	\$ 64,521	\$ 67,096

During fiscal year 2023, the Water Utility maintained an “AA-” credit ratings from Standard & Poor’s, maintained an “AA-” credit rating from Fitch, Inc. for its 2012 & 2020 revenue bonds, and was upgraded from an “A1” credit rating to Aa3 from Moody’s Investors Service for its 2012 water revenue bonds.

Additional information on the Water Utility’s long-term debt can be found in Note 4 on pages 104 to 106 of this report.

Economic Factors and Rates

Although inflationary trends in the Glendale region continue to remain relatively stable, the Water Utility’s cost escalation is not strictly attributable to inflation. The main drivers of the costs associated with providing water relates to purchased water and energy cost increases, the need for capital investment in the water distribution system, and the increased costs of infrastructure replacement and rehabilitation projects which have recently outpaced inflation.

Approximately 59% of the water demand in Glendale is met by water purchased from the Metropolitan Water District of Southern California (MWD). The remaining is supplied from pumping water from local wells and from the use of recycled water. MWD increased its rate Tier 1 Full Service Treated Volumetric Cost by 3.5% in January 2022 and by 5.8% in January of 2023. In addition to the costs to purchase water, a large part of the total operating expenses is comprised of energy for pumping.

On June 12, 2018, the Glendale City Council approved a five-year rate plan (covering FY 2018-19 through 2022-23) with annual base rate revenue adjustment increases of 1.0%, 1.0%, 1.5%, 2.0%, and 2.0%. The new rates are effective July 1st of each fiscal year. The City Council voted to delay the 2020/2021 rate increase, and subsequent planned rate increases, by one year due to the COVID-19 pandemic. This decision did not impact fiscal year 2021/2022. In addition to operations and maintenance expenses, the new rates are funding approximately \$52.5 million of capital improvements during the five-year period. The City does not plan to incur new debt for water infrastructure improvements over this period.

The primary result of a moratorium on shut-offs for non-payment during the pandemic was an increase in the aging of receivables. The Budget Act of 2021 (Senate Bill 129) appropriated \$985 million to the State Water Resources Control Board (State Water Board) from the Coronavirus Fiscal Recovery Fund for payment to community water systems to forgive COVID-19 related residential and commercial customer arrearages that accrued during the COVID-19 pandemic bill relief period of March 4, 2020, through June 15, 2021. GWP’s Customer Service Section obtained \$950 in direct funding from this program, \$786 was used to directly settle individual customer arrearages.



Financial Statement: Water Utility

Subsequently, the governor signed a bill to extend the Water and Wastewater arrearages program (CWWAPP 2.0) to residential and commercial customers for arrearages incurred between June 16, 2021 through December 31, 2022. GWP submitted estimated arrearages still outstanding during the new relief period of \$492 for CWWAPP 2.0 consideration in August 2023, That amount, which will continue to be adjusted to make it current, will be up for consideration by the Water Board in October 2023.

Due to excessive precipitation in the Sierra Nevada watershed in 2023, the State Water Project issued a 100% allocation to State Water Project Contractors. MWD is a State Water Project Contractor and this allocation resulted in essentially filling 100% of the State Water Project storage capacity. Even so, mainly due to the continued drought in the Colorado River watershed, Glendale has refrained from, for now, relaxing the current Phase III of the City's Mandatory Water Conservation Ordinance (two days per week watering), which has been in place since January of 2022. In this Phase, the City's Drought Charge is implemented along with the corresponding level of Mandatory Conservation. The Drought Charge was analyzed during the cost of service analysis and adopted rate plan to collect the portion of fixed expenses included in the volumetric rate that would be under-collected during mandatory water use reductions. This charge has provided expense coverage stability even with a reduction in volumetric sales.

Requests for Information

This financial report is designed to provide a general overview of the Water Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of Glendale Water & Power – 141 North Glendale Avenue, Level 4, Glendale, California 91206.



Financial Statement: Water Utility

CITY OF GLENDALE WATER ENTERPRISE FUND

Statement of Net Position

June 30, 2023 (in thousands)

(with summarized comparative amounts for 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Pooled cash and investments	\$ 24,188	\$ 23,308
Cash with fiscal agent	5,295	5,127
Interest receivable	249	178
Accounts receivable, net	2,963	3,780
Unbilled receivable	3,975	4,465
Due from other agencies	351	418
Total current assets	<u>37,021</u>	<u>37,276</u>
Noncurrent assets:		
Capital assets:		
Land	1,034	1,034
Buildings and improvements	66,788	66,591
Machinery and equipment	52,136	52,339
Infrastructure	183,855	177,978
Accumulated depreciation	(123,804)	(117,768)
Intangible assets	81	81
Accumulated Amortization	(66)	(56)
Construction in progress	2,804	2,290
Lease assets - Land, not being depreciated	59	69
Total capital assets	<u>182,887</u>	<u>182,558</u>
Pooled designated & invested cash	11,300	11,300
Lease receivable	718	780
Other noncurrent assets	<u>12,018</u>	<u>12,080</u>
Total noncurrent assets	<u>194,905</u>	<u>194,638</u>
Total assets	<u>231,926</u>	<u>231,914</u>
Deferred outflow of resources:		
Deferred outflows of resources related to pensions	6,751	2,546
Deferred outflows of resources related to OPEB	122	140
Total deferred outflows of resources	<u>6,873</u>	<u>2,686</u>
Total assets and deferred outflow of resources	<u>\$ 238,799</u>	<u>\$ 234,600</u>

The notes to the financial statements are an integral part of this statement.



Financial Statement: Water Utility

CITY OF GLENDALE

WATER ENTERPRISE FUND

Statement of Net Position

June 30, 2023 (in thousands)

(with summarized comparative amounts for 2022)

	<u>2023</u>	<u>2022</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,690	\$ 6,418
Contracts-retained amount due	556	265
Wages and benefits payable	376	338
Interest payable	806	839
Bonds payable, due in one year	2,561	2,481
Leases payable	12	15
Deposits	450	351
Total current liabilities	<u>11,451</u>	<u>10,707</u>
Noncurrent liabilities:		
Bonds payable	64,497	67,057
Leases payable	24	39
Net pension liability	21,128	11,850
OPEB Liability	587	685
Total noncurrent liabilities	<u>86,236</u>	<u>79,631</u>
Total liabilities	<u>97,687</u>	<u>90,338</u>
Deferred inflows of resources:		
Deferred inflows of resources related to leases	683	761
Deferred inflows of resources related to OPEB	243	189
Deferred inflows of resources related to pensions	860	6,082
Gain on Refunding	795	850
Total deferred inflow of resources	<u>2,581</u>	<u>7,882</u>
Total liabilities and deferred inflows of resources	<u>100,268</u>	<u>98,220</u>
Net position:		
Net investment in capital assets	118,618	115,330
Unrestricted	19,913	21,050
Total net position	<u>\$ 138,531</u>	<u>\$ 136,380</u>

The notes to the financial statements are an integral part of this statement.



Financial Statement: Water Utility

CITY OF GLENDALE
WATER ENTERPRISE FUND

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023 (in thousands)
(with summarized comparative amounts for 2022)

	2023	2022
Operating revenues:		
Charges for services:		
Metered sales	\$ 46,675	\$ 50,438
Metered sales-recycled	1,741	2,134
Private fire	525	517
Other sales	560	375
Miscellaneous revenues	1,288	2,239
Total operating revenues	50,789	55,703
Operating expenses:		
Production	29,534	28,371
Transmission & distribution	8,286	7,608
Customer accounting and sales	3,096	3,201
Depreciation & Amortization	7,341	7,108
Total operating expenses	48,257	46,288
Operating income	2,532	9,415
Non operating revenues (expenses):		
Grant revenue	7	786
Interest income	541	(1,257)
Interest expense	(1,707)	(1,785)
Total non operating expenses	(1,159)	(2,256)
Income before capital contributions	1,373	7,159
Capital contributions	778	-
Change in net position	2,151	7,159
Net position at beginning of year	136,380	129,221
Net position at end of year	\$ 138,531	\$ 136,380

The notes to the financial statements are an integral part of this statement.



Financial Statement: Water Utility

**CITY OF GLENDALE- WATER ENETREPRISE FUND
WATER ENTERPRISE FUND**

Statement of Cash Flows
Year Ended June 30, 2023 (in thousands)
(with summarized comparative amounts for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash from customers	\$ 52,325	\$ 55,895
Cash paid to employees	(10,380)	(10,939)
Cash paid to suppliers	(30,189)	(30,374)
Operating grant received	7	786
Net cash provided by operating activities	<u>11,763</u>	<u>15,368</u>
Cash flows from noncapital financing activities:		
Lease revenue received	250	257
Net cash provided by noncapital financing activities	<u>250</u>	<u>257</u>
Cash flows from capital and related financing activities:		
Lease principal payments	(12)	(14)
Lease interest payments	-	(1)
Interest on long term debt	(2,003)	(2,091)
Principal payments	(2,260)	(2,185)
Acquisition of capital assets	(7,688)	(8,093)
Proceeds from sale of capital asset	36	39
Capital grants and contribution received	778	-
Net cash used by capital and related financing activities	<u>(11,149)</u>	<u>(12,345)</u>
Cash flows from investing activities		
Interest received	184	(1,614)
Net cash provided (used) by investing activities	<u>184</u>	<u>(1,614)</u>
Net increase in cash and cash equivalents	1,048	1,666
Cash and cash equivalents at July 1	39,735	38,069
Cash and cash equivalents at June 30	<u>\$ 40,783</u>	<u>\$ 39,735</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,532	\$ 9,415
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,331	7,089
Amortization	10	19
Operating grants received	7	786
Decrease Deferred outflows from OPEB	18	13
(Increase) Decrease Deferred outflows from pension	(4,206)	309
Decrease Accounts receivable net	1,436	210
Increase (Decrease) Accrued salaries and withholding	38	(400)
Increase Accounts payable	563	149
Increase (Decrease) Deposits	99	(16)
Increase (Decrease) Net pension liability	9,279	(9,006)
(Decrease) OPEB liability	(99)	(126)
Increase Deferred inflows from OPEB	54	98
Increase (Decrease) Deferred inflow from pension	(5,221)	6,067
Increase (Decrease) Deferred inflows from leases	(78)	761
Total adjustments	<u>9,231</u>	<u>5,953</u>
Net cash provided by operating activities	<u>\$ 11,763</u>	<u>\$ 15,368</u>
Reconciliation of Statement of Cash Flows to Statement of Net Position:		
Pooled cash and investments	\$ 24,188	\$ 23,308
Cash with fiscal agent	5,295	5,127
Pooled designated & invested cash	11,300	11,300
Cash and cash equivalents at June 30	<u>\$ 40,783</u>	<u>\$ 39,735</u>

The notes to the financial statements are an integral part of this statement.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

1. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City of Glendale (the City) as they pertain to the Water Utility. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fund

The accounts of the City are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations and net position that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

The City's Water Enterprise Fund is used to account for the construction, operation and maintenance of the City-owned water utility. The Fund is considered to be an enterprise fund, proprietary fund type, and uses flow of economic resources measurement focus to determine net income and financial position, as defined under accounting principles generally accepted in the United States of America. Accordingly, the accrual basis of accounting is followed by the Water Utility, where revenues are recorded when earned and expenses are recorded when incurred. The Water Utility is included as an enterprise fund in the City's Annual Comprehensive Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position, and where applicable, cash flows thereof of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

Pooled Cash and Investments

The Water Utility pools its cash with the City. The Water utility 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 Water Utility follows the City's policy when categorizing 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 and 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 in excess of normal operating needs.

Interest income from the investment of pooled cash is allocated to the Water Utility on a monthly basis based upon the prior month end cash balance of the Fund as a percent of the month end total pooled cash balance. The City normally holds the investment to maturity; therefore, no realized gain/loss is recorded.

For purposes of statement of cash flows of the Water Utility, 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 Water Utility considers the cash and investments pool to be a demand deposit accounts where funds may be withdrawn and deposited at any time without prior notice or penalty.

Accounts Receivable

The Water Utility records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities & government agencies. Also, recoveries to utility customer receivables previously written off are recorded when received. An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The allowance for doubtful account is adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. As of June 30, 2023, the Fund's allowance for doubtful accounts was \$82.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

Unbilled Receivable

The Water Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2023, the Fund's unbilled receivable was \$3,975.

Capital Assets

The Water Utility's capital assets include land, building, improvements, and equipment that are reported in the financial statements. The Water Utility follows the City's asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of \$10 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets representing utility service assets, which are donated to the Water Utility by independent contractors, are recorded at acquisition cost. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset. 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.

A summary of the useful lives of the capital assets of the Water Utility is as follows:

Assets	Years
Building and Improvements	10-50
General Structure and Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Machinery and Equipment	3-12
Passenger Cars, Pickup	3-8
Cargo Vans	6-8
Dump/Tractor/Trailer Trucks	10-12
Intangible - Computer Software	2-8
Infrastructure	20-75
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs, Tunnels, and Potable-Hydrants	40
Potable-Mains	75



Financial Statement: Water Utility

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Lease assets represent the Water Utility's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets, which include land, structures, mobile equipment and equipment, follow the same capitalization threshold of \$10 as capital assets. Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentive received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease asset into service. Lease assets are amortized using a straight-line amortization over the shorter of the lease term or the useful life of the underlying asset.

Deposits

The Water Utility requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Water Utility to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Water Utility. As of June 30, 2023, the Water Utility's deposits were \$450.

Contracts - Retained Amount Due

The Water Utility withholds 5-10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor. As of June 30, 2023, the Water Utility's contracts – retained amount due was \$556.

Long-Term Debt

The long-term debt and other obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period when the debt is issued.

Lease Payable

Lease payable represents the Water Utility's obligation to make lease payments arising from the lease. Lease payable is recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.



Financial Statement: Water Utility

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Compensated Absences

The Water Utility records and funds a liability for its employees' earned but unused accumulated vacation and overtime.

The Water Utility also provides sick leave conversion benefits through the Retiree Health Saving Plan (RHSP). Unused sick leave is converted to a dollar amount and deposited in the employee's RHSP account at retirement. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying the healthcare premiums from personal funds. The Water Utility records expenses as the benefit is earned and probable of being paid out. For additional details on the compensated absences, please refer to the City of Glendale Annual Comprehensive Financial Report.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Glendale's California Public Employees Retirement System (CalPERS) plans and additions to/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 in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by non-debt capital related liabilities, added or reduced any deferred outflows/inflows of resources that is capital debt related, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. As of June 30, 2023, the Water Utility's net investments in capital assets was \$118,618. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
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The Water Utility first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

Revenues are recognized for water services provided to customers, and customers are billed either monthly or bi-monthly. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Budgets and Budgetary Accounting

The Water Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Water Utility's budget in June each year via a resolution.

Pronouncements Issued But Not Yet Implemented

The Governmental Accounting Standards Board (GASB) issued pronouncements that have an effective date that may impact future financial presentation. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Water Utility.

- GASB Statement No. 99 – Omnibus 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practices issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 (FY 2022-23). The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 (FY 2023-24).
- GASB Statement No. 100 – Accounting Changes and Error Corrections-an amendment of GASB Statement NO. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making



Financial Statement: Water Utility

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decisions or assessing accountability. This statement is effective for fiscal years beginning after June 15, 2023 (FY 2023-24).

- GASB Statement No. 101 – *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for fiscal years beginning after December 15, 2023 (FY 2024-25).

IMPLEMENTATION OF PRONOUNCEMENTS

The Water Utility has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2023:

- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The statement, except for paragraphs 11b, 13, and 14, is effective for periods beginning after June 15, 2020. The paragraph 11b is effective for fiscal years ending after December 31, 2021.
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement is effective for fiscal years beginning after June 15, 2022. The implementation of this statement did not affect the net position on July 1, 2022.
- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The objective of this statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The statement is effective for fiscal years beginning after June 15, 2022. The implementation of this statement did not affect the net position on July 1, 2022.
- GASB Statement No. 99 – *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practices issues that have been identified during implementation and application of certain GASB statements and (2) accounting and



Financial Statement: Water Utility

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(in thousands)

financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022.

Deferred Outflows and Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources, in addition to assets. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or expenses, until then. 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 and OPEB expense arising from the recognition of change in assumptions and differences between expected and actual expense on pension plan investments, the City reports a deferred outflow of resources until the increase is recognized in expense. This category consists of refunding, related to pension, and related to OPEB for reporting in the statements of net position. As of June 30, 2023, the Water Utility's deferred outflows of resources was \$6,873.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position and 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 differences between projected and actual earnings on pension plan investments and change in assumptions, the City reports a deferred inflow of resources until such time as the decrease in expense is recognized. The Water Utility's deferred inflow of resources resulting from leases, pensions, OPEB, and gain on refunding is \$2,581 as of June 30, 2023.

Prior-Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Water Utility Fund's prior-year financial statements from which this selected financial data was derived.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
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(in thousands)

2. Pooled Cash and Investments

Cash resources of the Water Utility are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore, individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Water Utility on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Of this total pooled cash and investment, \$35,488 pertains to the Water Utility for fiscal year 2023. Pooled cash and investments are stated at the fair value.

Cash and investments as of June 30, 2023:

Pooled cash and investments	\$ 24,188
Cash with fiscal agents	5,295
Pooled designated and invested cash	11,300
Total	\$ 40,783

For additional details on the City investment pool including disclosure relating to interest rate risk, credit risk, custodial credit risk, investment in state investment pool and fair value measurement, please refer to the City of Glendale Annual Comprehensive Financial Report.

Deposit and withdrawals to the City’s Treasury Pool are made on the basis of \$1 and not fair value. Accordingly, the fair value measurement of the City’s proportionate share in the pool is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

For additional details on the Investment in State Investment Pool and Fair Value Measurement, please refer to Note 3 of the City of Glendale Annual Comprehensive Financial Report.

Cash with Fiscal Agent

The Water Utility has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal



Financial Statement: Water Utility

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Fiscal Year Ended June 30, 2023
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agents may make. These funds are governed by the bond indenture. These ordinances are generally more restrictive than the City's general investment policy.

As of June 30, 2023, the Fund had \$5,295 on deposit with fiscal agent as required by the bond documents. The Water Utility had the following underlying investments:

Investments	Fair Value	Maturity	Moody's Rating
Money Market	\$ 5,295	Less than 1 yr	Aaa

3. Capital Assets

A summary of the changes in Water Utility's June 30, 2023 Capital Assets are as follows:

	Balance at July 1, as restated	Increases	Decreases	Reclass / Transfers	Balance at June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,034	\$ -	\$ -	\$ -	\$ 1,034
Construction in progress	2,290	1,238	-	(724)	2,804
Lease assets - Land	69	-	(10)	-	59
Total assets not being depreciated	3,393	1,238	(10)	(724)	3,897
Depreciable capital assets:					
Buildings and improvements	66,591	197	-	-	66,788
Infrastructure	177,978	5,694	-	183	183,855
Machinery and equipment	52,339	551	(1,295)	541	52,136
Intangible	81	-	-	-	81
Total other capital assets at cost	296,989	6,442	(1,295)	724	302,860
Less accumulated depreciation & amortization:					
Buildings and improvements	21,819	1,090	-	-	22,909
Infrastructure	70,178	3,742	-	-	73,920
Machinery and equipment	25,771	2,499	(1,295)	-	26,975
Amortization	56	10	-	-	66
Total accumulated depreciation & amortization	117,824	7,341	(1,295)	-	123,870
Total assets being depreciated	179,096	(899)	-	724	178,921
Water Fund capital assets, net	\$ 182,558	\$ 339	\$ (10)	\$ -	\$ 182,887



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

4. Long-Term Debt

The Water Utility's outstanding principal as of June 30, 2023 consists of the following:

Investments	Remaining Interest Rates	Original Issue	Outstanding June 30, 2023
Water Revenue Bonds, 2012 Series	2.75% - 5.00%	\$ 35,000	\$ 32,030
Water Revenue Bonds, 2020 Refunding Series	2.00% - 4.00%	\$ 36,625	\$ 31,725
			<u>\$ 63,755</u>

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 certain improvements to the City's water public utility including construction and development of Rockhaven Well, construction of a new energy and asset management system, Supervisory Control and Data Administration (SCADA), Glorietta Well improvements and pump station and water quality improvements.

The bonds mature in regularly increasing amounts ranging from \$615 to \$4,945 annually from FY 2023-24 to FY 2041-42. Outstanding principal balance as of June 30, 2023 was \$32,030.

The 2012 Bonds have an optional redemption on and after February 1, 2023. The 2012 Bonds maturing on February 1, 2042 are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.

Water Revenue Bonds, 2020 Refunding Series

The Water utility of Glendale Water & Power issued \$36,625 in revenue bonds in August 2020 to provide moneys for refunding the City's outstanding Water Revenue Bonds, 2008 Series, making a deposit to the Parity Reserve Fund, and paying the costs of issuance of the 2020 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the Water Revenue Bonds, 2008 Series. The 2008 Bonds was redeemed on September 5, 2020 at a redemption price of 100% of the principal amount plus accrued and unpaid interest to such redemption date. The 2008 Bonds is no longer considered outstanding.



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The refunding resulted in the recognition of a deferred gain on refunding of \$795 as of June 30, 2023, and is being amortized through FY 2037-38. The refunding also resulted in cash flow savings of \$12,031 which is the difference between the cash flows required from the prior debt service and the cash flows required for the new refunding debt service.

Interest rates range from 2.00% to 4.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2020 Refunding Bonds will mature in regularly increasing amounts ranging from \$1,725 to \$2,475 annually from FY 2023-24 to FY 2037-38. Outstanding principal balance on June 30, 2023 was \$31,725.

The 2020 Refunding Bonds have an optional redemption on and after August 1, 2030.

	Amount outstanding			Amount outstanding		Due within
	June 30, 2022	Additions	Retirements	June 30, 2023	one year	
Water Revenue Bonds, 2012 Series	\$ 32,610	-	580	32,030	615	
Water Revenue Bonds, 2020 Refunding Series	33,405	-	1,680	31,725	1,725	
Bond Premium-Gain	3,523	-	220	3,303	221	
Total bonds payable	\$ 69,538	\$ -	\$ 2,480	\$ 67,058	\$ 2,561	

Leases Payable

	Amount outstanding				Amount outstanding		Due within
	June 30, 2022	Additions	Retirements	Adjustments	June 30, 2023	one year	
Flint Peak tower facility ground lease	\$ 24	-	1	-	23	-	
Airspace land lease	30	-	11	(6)	13	12	
Total leases payable	\$ 54	-	12	(6)	36	12	

The annual debt service requirements to amortize long-term bonded debt at June 30, 2023 are as follows:



Financial Statement: Water Utility

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(in thousands)

Fiscal Year	Water Revenue Bonds		
	Interest	Principal	Total
2024	1,935	2,340	4,275
2025	1,853	2,415	4,268
2026	1,785	2,485	4,270
2027	1,712	2,560	4,272
2028	1,636	2,635	4,271
2029-2033	6,730	14,960	21,690
2034-2038	4,611	17,560	22,171
2039-2042	1,673	18,800	20,473
	<u>\$ 21,935</u>	<u>\$ 63,755</u>	<u>\$ 85,690</u>

The Water Utility's total future minimum payments under lease agreements at June 30, 2023 are as follows:

Fiscal Year	Future Minimum Lease Payments		
	Interest	Principal	Total
2024	\$ 1	12	13
2025	-	1	1
2026	-	1	1
2027	-	1	1
2028	-	1	1
2029-2033	1	6	7
2034-2038	1	8	9
2039-2042	-	6	6
	<u>\$ 3</u>	<u>36</u>	<u>39</u>

A summary of the Water Utility's lease terms and interest rates is as follows:

Land leases - annual principal payments ranging from \$1 to \$11 from FY 2023-24 to FY 2040-41 plus interest rates ranging from 0.28% to 1.47%. Outstanding principal balance at June 30, 2023 was \$36.

Building and land leases provide for increases in future minimum annual lease payments based on a defined percentage increases as stated in the lease agreements or defined increases in the Consumer Price Index, subject to certain minimum increases.

Rate Covenants

The City has covenanted in the Indenture of Trust that net income of the Water Utility for each fiscal year will be at least equal to 1.25 times the amount necessary to pay principal and interest as the same become due on all Bonds and Parity Obligations for such fiscal year. The Water Utility is in compliance with this requirement as of June 30, 2023. For the year ended June 30, 2023, net income as defined in the indenture, was \$10,414 and the debt service requirement was \$4,275.



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(in thousands)

5. Pension Plan

Plan Description

All qualified permanent and probationary employees of the Water Utility are eligible to participate in the City's Miscellaneous Plan, an agent multiple employer defined benefit pension plan 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 Plan is 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 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service.

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2022, are summarized as follows, which remain the same for FY 2022-23.

	Miscellaneous		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
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%	1.426% to 2.418%	1.0% to 2.5%



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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 rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. 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.

For the year ended June 30, 2023, the Water Utility’s contributions to the City’s Miscellaneous Plan were \$2,188.

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

As of June 30, 2023, the Water Utility reported a liability of \$21,128 for its proportionate share of the City Miscellaneous Plan net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022 using standard update procedures. The water utility’s proportion of the city miscellaneous plan net pension liability at June 30, 2023 was based on the water utility’s fiscal year 2022 contributions to the City’s miscellaneous plan relative to the total contributions to the miscellaneous plan. The water utility’s proportion was 6% at June 30, 2023 and the pension expense for fiscal year 2023 was \$2,040.

The Water Utility's proportionate share of the net pension liability for the City's Miscellaneous Plan as of measurement dates ended June 30, 2021, and June 20, 2022, were as follows:

Proportion - June 30, 2021	7%
Proportion - June 30, 2022	6%
Change - Increase (Decrease)	(1%)



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At June 30, 2023, 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	\$ 2,188	-
Changes of assumptions	1,528	-
Differences between expected and actual experience	14	860
Net differences between projected and actual earnings on plan investments	3,021	-
Total	\$ 6,751	860

The amount of \$2,188 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, 2024.

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
2024	\$ 811
2025	783
2026	238
2027	1,871
Total	\$ 3,703

Actuarial Assumptions

The Water Utility's proportion of the City's total pension liability in the June 30, 2021 Miscellaneous Plan actuarial valuation was rolled forward to measure the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increase	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS' Membership Data for all Funds.
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter



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(in thousands)

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Long Term Expected Rate of Return

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. Using historical returns of all the funds' assets classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as followed:

Asset Class*	Assumed Target Allocation	Real Return Years 1-10 **
Global equity-Cap-weighted	30%	4.54%
Global equity-Non cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	.27%
Mortgage-backed securities	5%	.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(.59%)
Total	100.00%	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021 Asset Liability Management Study.



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(in thousands)

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Water Utility’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Water Utility’s proportionate share of the net pension liability, calculated using the discount rate of 6.9%, as well as what the Water Utility’s proportionate share of the 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:

	<u>Sensitivity of the Net Pension Liability to changes in the discount rate</u>
1% Decrease	5.90%
Net Pension Liability	\$ 32,255
Current Discount Rate	6.90%
Net Pension Liability	\$ 21,128
1% Increase	7.90%
Net Pension Liability	\$ 11,935

Pension Plan Fiduciary Net Position

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



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

6. Other Post Employee Benefits (OPEB)

Eligible employees of the Water Utility are eligible to participate in 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.

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).



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

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, 2023 were \$19.

Total OPEB Liability

As of June 30, 2023, the Water Utility reported a liability of \$587 for its proportionate share of the City's total OPEB liability. The City's total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 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, 2021
Measurement date	June 30, 2022
Discount rate	3.54%
General inflation	2.50% annually
Medicare Part A trend	3.50% annually (inflation + 1%)
	Not related to health care trend
Medical Trend	Non-Medicare – 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076
	Medicare (Kaiser) – 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076

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

Mortality information was derived from data collected during CalPERS 2000-20019 Experience Study. Mortality improvement scale was updated to Scale MP-2021.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

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

The following presents the total OPEB liability of the Water Utility, as well as what the Water Utility's 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:

	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Total OPEB Liability	\$ 666	587	521

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

The following presents the total OPEB liability of the Water Utility, as well as what the Water Utility's 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:

	<u>1% Decrease (Trend -1%)</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase (Trend +1%)</u>
Total OPEB Liability	\$ 582	587	592

Non-Medicare trend rate of 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076. Medicare trend rate (Non-Kaiser) of 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076. Medicare trend rate (Kaiser) of 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076.

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

For the year ended June 30, 2023, Water Fund recognized OPEB income of \$7. At June 30, 2023, the Water Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB payments made subsequent to the measurement date	\$ 19	-
Changes of assumptions	103	139
Differences between expected and actual experience	-	104
Total	<u>\$ 122</u>	<u>243</u>



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

The amount of \$19 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 ending June 30, 2024.

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

Year ending June 30,	Amounts
2024	\$ (21)
2025	(21)
2026	(21)
2027	(13)
2028	(10)
Thereafter	(54)
Total	\$ (140)

Change in Assumption

Discount rate was changed from 2.16% to 3.54%.

7. Self-Insurance Program

The Water Utility participates in the City's unemployment and workers' compensation insurance. For purposes of general liability, the Water Utility participates in the City's self-insurance program which is accounted for in an internal service fund of the City. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2022-23 is as follows:

Insurance Type	Program Limits	Deductible / SIR (self insured retention)
Excess Liability Insurance	\$ 27,000	\$5,000 SIR per occurrence
E & 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	185,431	Various deductibles
Employee Dishonesty - Crime Policy	6,000	\$2,000 Single Loss Limit
Cyber Insurance	5,000	\$150

The annual premiums are based primarily on claims experience and are charged to expense when paid. Premiums are evaluated periodically and increases are charged to the Water Utility to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2023, premiums charged to the Glendale Water & Power Utility were \$433.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(in thousands)

For additional details on the self-insurance program, please refer to the City of Glendale Annual Comprehensive Financial Report.

8. Subsequent Events

In an effort to lower its liability insurance premium cost and lower its Self-Insured Retention, on June 27, 2023, Council approved the authorization to Join Public Risk Innovation, Solutions, and Management (PRISM) Joint Powers Authority and the annual Insurance Policy Renewals for Fiscal Year 2023-24 (effective July 1, 2023). This would result in lowering its self-insured retention from \$5 million back down to \$2 million and increase coverage limits for a couple of years.



Financial Statement: Water Utility

WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Water Utility's Proportionate Share of the City's Net Pension Liability (Miscellaneous Plan)
Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Water Utility's proportion of the net pension liability	6.00%	7.00%	6.00%	6.00%	6.00%
Water Utility's proportionate share of the net pension liability	\$ 21,128	\$ 11,849	\$ 20,855	\$ 19,525	\$ 18,206
Covered payroll	\$ 7,102	\$ 7,110	\$ 5,941	\$ 5,717	\$ 5,568
Water Utility's proportionate share of the City's Miscellaneous Plan's net pension liability	297.49%	166.65%	351.04%	341.53%	326.98%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	74.62%	85.84%	73.24%	74.01%	74.42%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Water Utility's proportion of the net pension liability	6.00%	6.00%	6.00%	6.00%	
Water Utility's proportionate share of the net pension liability	\$ 18,600	\$ 16,387	\$ 13,228	\$ 11,768	
Covered payroll	\$ 5,438	\$ 5,193	\$ 5,507	\$ 5,477	
Water Utility's proportionate share of the City's Miscellaneous Plan's net pension liability	342.04%	315.56%	240.20%	214.86%	
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	73.01%	73.87%	77.94%	79.94%	

(1) FY2015 is the first year of implementation of GASB 68; therefore, only nine years of data are shown.



WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 2,188	\$ 2,178	\$ 2,025	\$ 1,890	\$ 1,856
Contributions in relation to the actuarially determined contribution	2,188	2,418	2,025	1,890	1,856
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (240)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,952	\$ 7,102	\$ 6,094	\$ 5,941	\$ 5,717
Contributions as a percentage of covered payroll	36.76%	31.87%	33.23%	31.81%	32.46%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Actuarially determined contribution	\$ 1,555	\$ 1,387	\$ 1,229	\$ 986	
Contributions in relation to the actuarially determined contribution	1,555	1,387	1,229	986	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 5,568	\$ 5,438	\$ 5,193	\$ 5,507	
Contributions as a percentage of covered payroll	27.93%	25.51%	23.67%	17.90%	

- (1) FY2015 is the first year of implementation of GASB 68; therefore, only nine years of data are shown.
(2) Revised Covered payroll to match CalPERS GASB 68 Accounting Report.



WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Water Utility's Proportionate Share of the City's Total OPEB Liability
Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Utility's proportion of the total OPEB liability	4.72%	4.56%	4.45%
Water Utility's proportionate share of the total OPEB liability	\$ 587	\$ 685	\$ 811
Covered-employee payroll	\$ 5,952	\$ 6,567	\$ 7,352
Water Utility's proportionate share of the total OPEB liability as a percentage of the covered-employee payroll	9.17%	10.43%	11.03%

(1) FY2021 is the first year of recording OPEB liability; therefore, only three years of data are shown.