

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

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November 30, 2018

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, 2018.

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 City of Glendale 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 businesses attraction to Glendale’s central location, public safety record and robust business environment. Of particular note is the entertainment industry which remains rooted in Southern California, with the Verdugo Region (Glendale/Burbank) particularly known for production (pre & post), animation, visual effects, and digital distribution. Glendale continues to benefit from growth in this sector through companies co-locating with powerhouses Disney and DreamWorks, and hundreds of ancillary production and equipment firms. The implementation of the Glendale Tech Strategy continues to strengthen local tech firms such as Service Titan, 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 4,000 new residential units and 210,000 square feet of commercial space. Hotel development and tourism are also on the rise. The Hyatt Place, Hampton Inn, Aloft Hotel and Hotel Louise join top performing hotels like Embassy Suites and Hilton. Such investments by the business community indicate a continued confidence in Glendale. Hotels are supported by strong corporate presence and the three local hospitals. 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, 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; improve Class A office vacancies; provide support to existing businesses through concierge services; create a 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 2017-18 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:
 - Concluded negotiations for a new lease for the Verdugo Jobs Center offices.
 - Advanced the Arts & Entertainment District through enhanced activities, such as the Summer of Soccer World Cup viewing parties, beautification efforts on Artsakh Avenue, and Request for Proposals seeking urban design firms.
 - Continued proposed Armenian American Museum and Cultural Center negotiations and redesign of the Central Park Block.

- 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:
- Further developed broker relationships through events, such as the Brokers Reception held at Nestle.
 - Implemented Glendale Tech Strategy, and received City Council authorization to release a Request for Proposals for an accelerator program.
 - Successfully hosted the second Glendale Tech Week in October 2017, including generating \$25,000 in a prize package for a Pitchfest in an effort to support local entrepreneurs.
 - Created more jobs and generated sales tax through public investment of the following: Antaeus Theatre Company, Service Titan, Laemmle Theatre and Lofts, Hyatt Place, and the Breweryard.
 - Continued to build on the 18-hour city and quality of life by adding new businesses such as: John Sparr Tavern, Cauldron Ice Cream, 85°C Bakery Cafe, Gold's Gym, Electric Pussycat Lounge, Heritage Eatery, It's Boba Time, Menchies, Mix N'Match Burger, Museum of Selfies, Nespresso Boutique, Plate and Petal, Rolling Factory, See's Candies, Tesla, The Void, Warby Parker.
- 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:
- Introduced GRIT, the Glendale Relationship Initiation Team, to gauge satisfaction in doing business with the City, County, and the State. More than 100 businesses were visited.
 - Assisted nearly 3,000 current and expanding businesses with resources to further drive business in the community.
 - Hosted first Executives in Innovation Roundtable on June 11, 2018, attracting top leadership from companies in Glendale.
 - Introduced the Meet Me In Montrose campaign as a way to drive more customers to this quaint shopping district in North Glendale.
 - Supported neighborhoods through collaborative projects, such as the installation of the Rancho and Foothill monument signs.

Employment – According to the data obtained from the California State Department of Finance Demographic Research Unit, the 2018 population for the City of Glendale is 205,536. The Glendale labor force includes 103,900 residents in 2018 (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 2012-2016 American Consumer Survey (ACS) Five-Year Estimates: 40,770 people in Glendale were employed in management, business, arts, or science occupations (the single largest group) with median annual earnings of \$66,294; 24,253 were employed in sales and office occupations (second largest) with median annual earnings of \$40,632; and 15,942 were employed in service occupations (the third largest group) with median annual earnings of \$29,542. Median household income for Glendale residents recorded at \$56,069, and the poverty rate was 14.7%, 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.
- **Industry Employment Status** – According to Dunn & Bradstreet, by employment, the top six Glendale industries in 2017 were: Healthcare with 17,075 employed earning an average salary of \$46,016 and recording a Location Quotient (LQ) for the industry of 1.35. 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. The Retail industry recorded 15,241 employed earning an average salary of \$36,935 and an LQ of 1.35, while Professional Services recorded 8,564 employed with an average salary of \$102,863 and an LQ of 1.07. The fourth industry is Public Administration and Education with 11,333 employed earning an average salary of \$67,828 and an LQ of 0.66; Information Based Industries with 5,563 employed earning an average salary of \$120,937 and an LQ of 1.67; and Eating and Drinking with 6,965 employed earning an average salary of \$22,461 and an LQ of 0.96.
- **Large Employers** – DreamWorks Animation, Walt Disney Imagineering, Glendale Adventist, and Glendale Memorial Medical Center remained among the City's largest employers in FY 2017-18.

Fastest Growing Occupations – Current EDD projections indicate that through 2024 the fastest growing occupations in Los Angeles County will include:

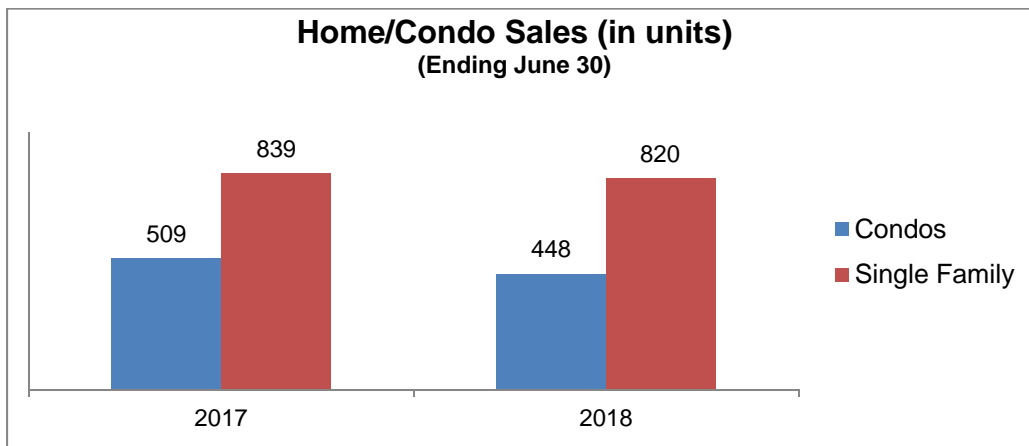
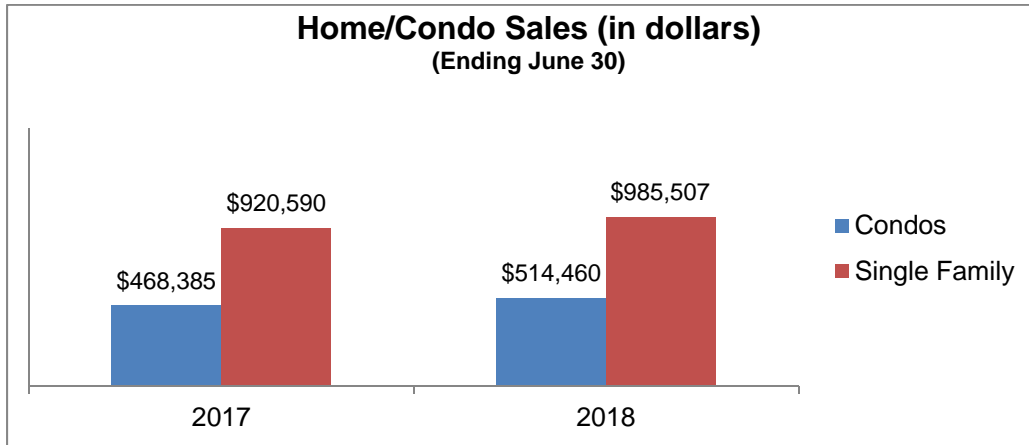
1. Personal Care Aides
2. Statisticians
3. Reinforcing Iron and Rebar Workers
4. Brickmasons and Blockmasons
5. Helpers-Brickmasons, Blockmasons, Stonemasons, and Tile and Marble Setters
6. Cooks, Restaurant
7. Nurse Practitioners
8. Floor Layers, Except Carpet, Wood, and Hard Tiles
9. Home Health Aides
10. Web Developers
11. Operations Research Analysts
12. Occupational Therapy Assistants
13. Law Teachers, Postsecondary
14. Massage Therapists
15. Roofers
16. Physical Therapist Aides
17. Biomedical Engineers
18. Helpers-Painters, Paperhangers, Plasterers, and Stucco Masons
19. Combined Food Preparation and Serving Workers, Including Fast Food
20. Marriage and Family Therapists

Trends – The EDD-LMID also reports that industry employment, which includes self-employment, private household workers, farm, and nonfarm employment in Los Angeles County, is expected to reach 5,063,300 by 2024, an increase of 12.7% over the 10-year projections period. 12 of 13 nonfarm industry sectors are projected to grow between 2014 and 2024.

Total non-farm employment is projected to grow by nearly 535,700 jobs by 2024, with 75% of all projected nonfarm job growth concentrated in three industry sectors: (1) Educational services (private), health care, and social assistance, (2) Leisure and hospitality, and (3) Professional and business services. Educational services (private), health care, and social assistance is projected to add the most jobs (208,800) and is expected to be the fastest growing at 29%. Leisure and hospitality is projected to add 110,300 jobs, led by a growth of 88,900 jobs in restaurants and other eating places. Professional and business services is projected to add 81,200 jobs with more than half the growth expected to occur in the professional, scientific, and technical services sector (41,700).

Occupational employment forecasts approximately 608,000 new jobs from industry growth and more than 1 million job openings from replacement needs for a combined total of approximately 1.6 million job openings. The top three occupations with the most job openings are personal care aides; combined food preparation and serving workers, including fast food; and retail salespersons. These occupations have median wages ranging from \$9.64 to \$11.19 per hour and require no formal educational credential. Higher-skilled occupations, requiring a bachelor's degree or higher, include registered nurses, management analysts, accountants and auditors. 20% of the overall fastest growing occupations are in construction and extraction. Occupations range from helpers such as painters, paperhangers, plasterers, and stucco masons that require no formal educational credential and earn a median annual wage of \$19,688 to law teachers, postsecondary that require a doctoral or professional degree and earn a median annual wage of \$134,887.

Housing – Based on the “2017 Annual Report” issued by the Los Angeles Office of the Assessor, Glendale experienced a net taxable property value increase of 6.1%, which was slightly more than the increase experienced countywide at 6.0%. According to the City’s property tax consultant, HdL, Glendale’s housing market fell in sales volume (number of units sold) and showed an increase in an average home price of \$985,507 in FY 2017-18, compared to \$920,590 in FY 2016-17. The condominium sales also showed a decline in sales volume and an increase in an average price of \$514,460 for FY 2017-18, compared to \$468,385 for FY 2016-17.



Local Government Finance

The southland’s slow economic recovery, legal challenges to the long-standing and charter-mandated General Fund Transfer from Glendale Water & Power, escalating pension rates, and the State’s imprudent efforts to address its budget deficit by claiming for itself billions of dollars in repayments owed to cities by their own Redevelopment Agencies, have all combined to make these past few years some of the most difficult for budgeting in recent history. However, the managers and staff from each department, as well as the City Council, have pressed on. In spite of the difficulty involved in preparing this budget, they have approached challenges in a professional and constructive manner. The City’s focus clearly remains on developing a structurally balanced financial plan that best serves the needs of the diverse community. Through the vision of the Glendale City Council, the City is able to balance new growth while preserving a rich and honored heritage.

This positive indicator reduced unemployment rates aligns with the City's forecasted revenue growth which averages to 9.1% across the key General Fund revenue sources of property and sales taxes. Long-term growth rates for General Fund revenues are projected to grow rather modestly, averaging about 2.8% annually over the next five years. Although Glendale continues to face challenges, such as increased pension costs, a deficit in the Workers' Compensation Fund, and aging infrastructure, the City of Glendale is confident that it will embrace these challenges and move its community forward with a focus on its purpose and goals.

One thing that will affect the Glendale's future finances in a very positive way is the passing of Measure S (The Glendale Quality of Life and Essential Services Protection Measure) on November 6, 2018. The measure is a local sales tax increase of 0.75%, effective April 1, 2019, and is expected to generate approximately \$30 million annually for the General Fund.

Long-term Financial Planning

Financial Challenges – Despite the fact that the economy is improving and the economic indicators are all trending positively, the City still faces notable challenges in the coming years. The General Fund remains highly dependent on sales taxes generated, in particular, from automobiles sales. Revenues from auto sales have steadily risen over the past few years following the Great Recession; however, an economic downturn could place that revenue stream in jeopardy. In order to diversify the City's potential revenue stream opportunities, staff and City Council are working diligently to attract new upscale hotels that would generate considerable occupancy tax revenue for the City.

The possible loss of the voter-approved General Fund Transfer (GFT) from Glendale Water & Power's (GWP) electrical operations still looms. Currently at about \$20 million per year, the transfer has been a feature of the City's General Fund revenue stream since the 1940s. When established, the water and power utility was meant for helping the City grow, as well as to bring revenue into the City's General Fund. This inflow of funding helped City Councils through the years keep Glendale a low-tax city (i.e. only 13.7 cents on the property tax dollar comes to the City of Glendale; there is no business license tax, etc.). And, although the City Charter allows for a maximum transfer of up to 25% of gross operating revenues from the electrical operations, the GFT has never risen to that level; indeed, the current transfer is at approximately 10% of retail operating revenues.

What does the potential loss of the GFT mean to our organization? For the time being, the City will continue to move forward with the status quo. After having experienced deep cuts across all departments in recent years, this organization is currently running as lean as it ever has. The loss of the transfer would, without doubt, mean cuts directly to the essential programs and services our community depends on day in and day out. Hence, there would be no alternative but to make cuts that would drastically impact the quality of life for our community. Specifically, the City Council would need to consider cuts to Libraries, Parks, Fire, and Police. The effects of these cuts would be experienced in the form of reduced hours at libraries and parks, the closing of libraries and parks, and the contracting out of Police and Fire services with the County of Los Angeles.

Moving forward, the City’s continuing challenge is to minimize the negative impact on the 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 Council’s priorities, the City’s strategic goals, and key performance indicators. With the FY 2018-19 budget process, Council has reaffirmed the following priorities:

- Fiscal Responsibility
- Exceptional Customer Service
- Economic Vibrancy
- Informed & Engaged Community
- Safe & Healthy Community
- 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,			
	2018	2017	2016	2015
Cash and investments	\$ 815,777,000	765,797,000	682,529,000	567,084,000

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 \$25 million, and an amount up to statutory limits for the Workers’ Compensation program. The City also purchases Property/Casualty, Aviation, Employment Practices, Directors and Officers, 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 Vavrinek, Trine, Day & Company, 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 reasonable assurance that the financial statements of the City of Glendale, California for the fiscal year ended June 30, 2018, 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 auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Glendale, California's financial statements for the fiscal year ended June 30, 2018, 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 three fiscal years ended June 30, 1995 through June 30, 2017. 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement for Excellence requirements and we 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, City Manager, and the Assistant 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, appearing to read "Robert Elliot". The signature is fluid and cursive, with a large, stylized initial "R" and "E".

ROBERT P. ELLIOT, CPA
DIRECTOR OF FINANCE

City of Glendale, California

Officials of the City of Glendale

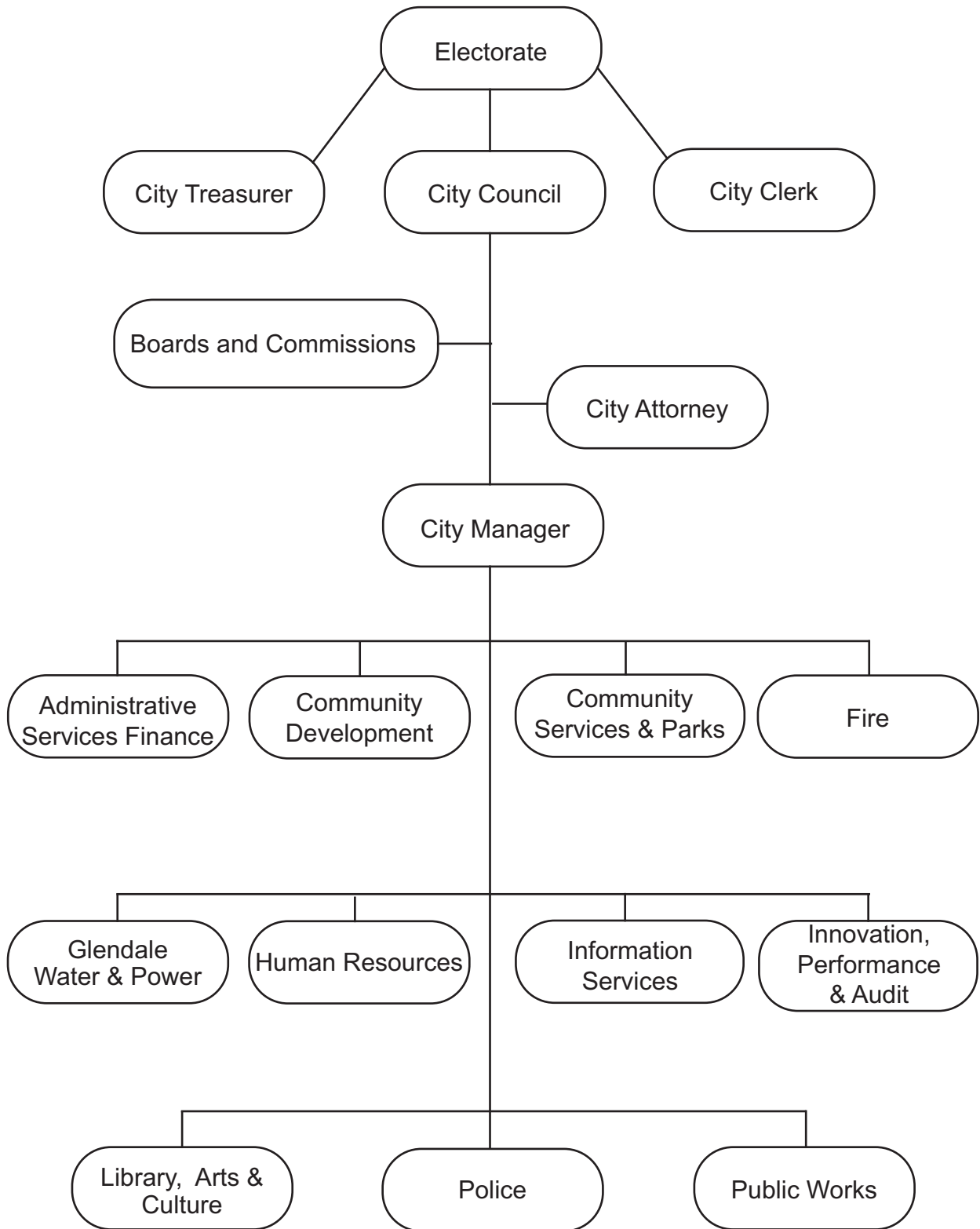
June 30, 2018

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
Interim Chief Information Officer	Jason Bradford
Director of Community Services & Parks	Onnig Bulanikian
Director of Library, Arts & Culture	Cindy Cleary
Director of Human Resources	Matthew Doyle
Director of Finance	Robert P. Elliot, CPA
Fire Chief	Gregory Fish
City Attorney	Michael J. Garcia
Director of Public Works	Roubik Golanian
City Clerk	Ardashes Kassakhian
Director of Community Development	Philip Lanzafame
Director of Communications & Community Relations	Thomas R. Lorenz
City Treasurer	Rafi Manoukian, CPA
Police Chief	Carl Povilaitis
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, 2017. This was the 23rd 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, 2017

Christopher P. Morrill

Executive Director/CEO

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