

Our Path Towards Reliability



Glendale Water & Power
2022-2023 Annual Report



Glendale Water & Power



Our Path Towards Reliability

2022 – 2023 Annual Report

The Glendale City Council

Mayor Dan Brotman

Council Members

Ara Najarian, Paula Devine, Ardy Kassakhian, Elen Asatryan

GWP Commission

Ronald Kedikian, Chris Lowery, Ale Fay, Joel Peterson, Nina Jazmadarian

Glendale Water & Power

The employees of Glendale Water & Power devote their time, resources, energy and problem solving skills to deliver the safest water, cleanest energy, maintain the safest infrastructure, and plan for the most sustainable future.

Mark Young - General Manager

Daniel Scorza – Assistant General Manager, Electric

Scott Mellon – Assistant General Manager, Power Management

Steve Nersesyan - Deputy General Manager, Administrative Services

Richard Ruyle – Water Administrator

GWP Divisions

Administrative Services

Business Services

Electric Services

Power Management Services

Water Services

141 N. Glendale Ave., Level 4 Glendale, CA 91206

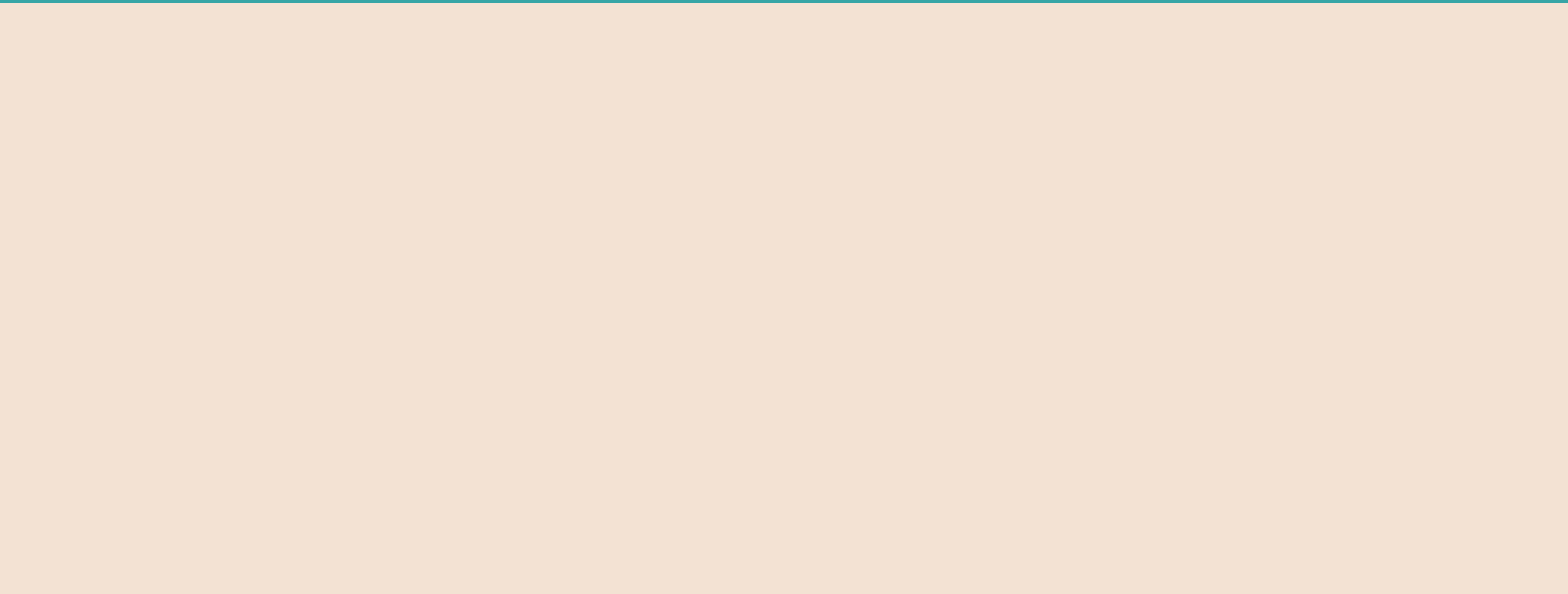
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Our Path Towards Reliability

A Message from General Manager Mark Young

Glendale Water & Power has had a very busy year as we have made critical foundational progress towards our Clean Energy Goals. I am very proud of all we have achieved for our customers and our community, while reimagining many aspects of our business amid significant operations and economical challenges.

The utility industry is rapidly changing. Climate change initiatives such as cleaner electricity generation, efficient technologies, and conservation are shaping GWP's strategies for sustainable electric and water services. To remain viable, utilities must offer services that support customer expectations, and invest in newer technologies and resources that satisfy regulatory mandates, while maintaining reliability and affordable rates.

GWP demonstrated noteworthy leadership, flexibility and operational excellence to deal with complex issues head-on, especially the approval of our Grayson Repowering Project and Scholl Biogas Renewable generation power plant. We persevered and made our Clean Energy vision a reality by obtaining approvals to proceed with our two biggest projects and our commitment to affordability, reliability and equity firmly in place, we are continuing to innovate and collaborate our way to a clean energy future. As a community owned-utility, communication and transparency are vital for customer engagement. Through our customer outreach efforts, we engaged our customers and stakeholders about upcoming projects, program, services and their impacts.

As we continue to develop strategies for long-term viability, our focus remains on ensuring continued water supplies. The Water Division staff at Glendale Water & Power continued to ensure the safety and reliability of the water served to the residents of Glendale during the continued Colorado River water shortage. Staff continued to work diligently to maximize local groundwater production through the Glendale Water Treatment Plant, a local source of water that is part of an ongoing EPA Superfund groundwater clean-up project and engaged residents and businesses to cut-back on their water use to help maintain a reliable water supply even during the severe Colorado River water shortage.

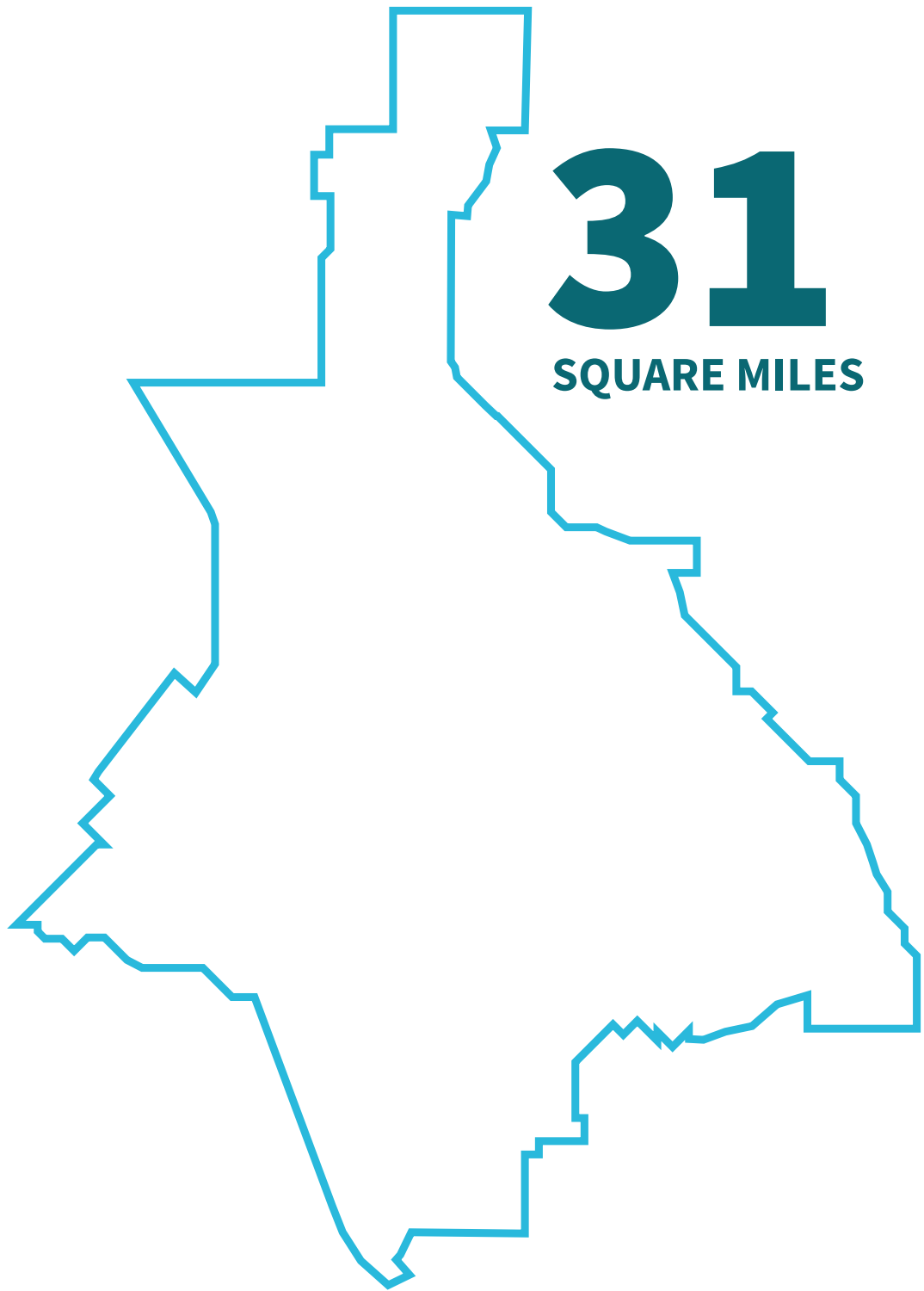
Our customers and community are at the heart of all we do, our employees are deeply committed to GWP's mission of making Glendale a better place to live and work. This last year was an exceptional year for GWP, and thanks to the dedication, innovation and hard work of our employees, we made several strides towards our goals.

I'm extremely excited to see the progress we'll make in the next year taking even bolder steps forward together with our City leaders, stakeholders, customers and our community. Now, as always, we remain committed to our most important priority — bringing safe, reliable, and affordable water and electric services to the Glendale community.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Young'.

Mark Young
General Manager of Glendale Water & Power



BY THE NUMBERS...

Electric Maintains:

Population	191,284
Square Miles	31
Number of Distribution Miles	503
Number of Subtransmission Miles	57
Number of Poles	14,753
Number of Substations	14
Highest Peak FY 2022-2023	329 (09/06/2022)
Number of Meters	90,578
Retail Sales (MWh)	999,852

Water Maintains:

Population	191,284
Square Miles	31
Miles of Water Mains	394
Wells	16
Reservoirs	28
Treatment Plants	2
Pump Stations	28
Peak Day (million gallons)	40 (08/31/2022)
Number of Services	34,567
Residential Gallons Per Day Usage	75
Water Sales (billion gallons)	7.1



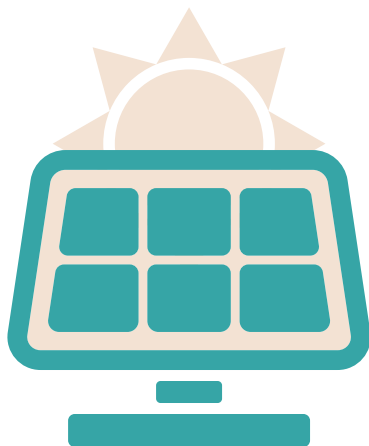
Our Path Towards Reliability

POWER MANAGEMENT SERVICES DIVISION

The Power Management Services Division is responsible for establishing GWP as a Clean Energy Leader by managing the utility’s resource portfolio, and managing the way GWP provides reliable, affordable, and clean energy resources to the Glendale community.

Accomplishments for FY 22-23

- 35.2% of Glendale’s power supply came from eligible renewable resources. Total clean energy including renewables, large hydro and nuclear is approximately 59.8% or 5.7% higher than California’s clean energy power mix.
- In January 2022, The Townsite Solar Facility came online. As a result, the City of Glendale increased the amount of solar in its generation mix from 0% to 15.6%. Over 125,000 megawatt hours of solar energy were delivered to residents in 2022.
- \$9.82 million in revenue through the utilities participation in the carbon allowance auction market
- \$40.11 million in revenue from system sales in FY 2022-23.
- Optimized existing gas transportation resource through Asset Management Agreement reducing overall O&M cost
- In December 2022, City Council approved the Grayson Repowering Project which utilizes three Wartsila reciprocating internal combustion engines, and a 75MW/300MWh Battery Energy Storage System to support our growing local renewable resources. The Grayson Repowering Project Commercial Operation Date is scheduled for Summer of 2026.
- Completed Unit 9 Separation work, which included the decoupling of Unit 9 from the rest of the power plant; the installation of temporary facilities needed to continue operating Unit 9 during the demolition and construction phases of the Grayson Repower project; and, the disconnection and relocation of all utilities necessary to make the facilities safe for decommissioning and demolition.



Clean Energy Programs:

GWP continues pursuing the goal of integrating the maximum amount of renewable, zero-carbon and/or low-carbon energy and minimizing the amount of fossil fuel generation in GWP’s portfolio. In Fiscal Year 2022-23 GWP continued the implementation of the following Clean Energy programs:

- A four-year residential and commercial Demand Response program with an online marketplace that aims to deliver up to 10 MW of load reduction during demand response events by the end of the program term. At the end of FY 2022-2023, a total of 2.5 MW was under control, representing 25% of the 4-year program goal. The capacity of the program is expected to ramp up over the next year and a half as additional customers enroll. Changes have been made to the program to target and enroll more multifamily customers in the program.
- A seven-year Commercial Direct Install Energy Efficiency Program that will deliver up to 8.3 MW and 36,500 MWh of energy efficiency improvements in commercial buildings by the end of the program term, with an expected average 12.5-year life for the installed energy efficiency measures. At the end of FY 2022-23, a total of 9,308 MWh of energy savings were delivered, representing 25% of the 7-year program goal.

In addition, in December of 2022 GWP released the Request for Proposal (RFP) for Developing a Plan to Increase Solar Penetration and Develop Additional Distributed Energy Resources (DER). The RFP solicited proposals from suitable qualified consultants to develop a plan and perform a cost-benefit analysis. The contract was awarded by City Council approval in September of 2023.

In May 2023, GWP began the development of its Integrated Resource Plan (IRP). GWP’s focus will remain on meeting California’s power reliability requirements with the cleanest resource portfolio possible, in compliance with California’s greenhouse gas (GHG) and renewable requirements, while also keeping the rates low. The IRP will provide a pathway to achieve the State’s SB 100 Renewables Portfolio Standard (RPS) requirement to serve 60% of retail load with renewable energy, by 2030. Furthermore, the IRP will address SB 1020 requirements, that add interim targets to the policy framework originally established in SB 100 to require renewable energy and zero-carbon resources to supply 90% of all retail electricity sales by 2035 and 95% of all retail electricity sales by 2040. The IRP will also incorporate City of Glendale’s intent to achieve 100% clean, renewable, or non-carbon-emitting energy excluding renewable biofuels not already permitted or approved, by no later than 2035, as set forth in a Resolution adopted by City Council on August 16, 2022.



Our Path Towards Reliability

ELECTRICAL SERVICES DIVISION

Nationally Recognized Electrical Service

Glendale Water & Power is proud to have the prestigious Diamond Reliable Public Power Provider award from the American Public Power Association, which recognizes our high degree of reliable and safe electric service that makes us a resource Glendale can trust.

Reliable Power Service

We are committed to safely providing reliable, affordable, and sustainable utility services for our community. Aging infrastructure can become less reliable and more costly to maintain over time. Replacing such infrastructure is an investment in the future, as it helps ensure the continued delivery of high-quality services to the community.

The ongoing efforts to improve the distribution system in Glendale by converting from 4kV to 12kV are a significant infrastructure upgrade. The conversion of voltage from 4kV to 12kV increases the capacity of Glendale's power lines. This means that the electrical distribution system can handle a higher volume of electricity, which is essential to meet the growing demand for electricity, especially with the increasing use of electric vehicles and the integration of renewable energy sources.

Inspection Program:

- 2090 streetlights were inspected.
- 785 power poles were inspected.
- 739 electrical vaults were inspected.
- 1266 secondary pull boxes were inspected.

4kV/12kV Conversion Project:

- Rebuilt 38 poles for 12kV operation.
- Replaced 154 poles in Tropico and Acacia feeder area.
- Replaced 63 distribution transformers to make them ready for 12kV operation.
- Rebuilt #6 Tropico feeder and portion of #4 Tropico, #8 Tropico and #8 Acacia feeders for 12kV operation. This project will continue into 2024.

System-wide we completed the following projects:

- Replaced 1.18 miles of aged underground high voltage cables.
- Installed 1000 feet of electrical duct banks and a 6'x10' electrical vault on Harvard street, east of Cedar Street, to extend the 12kV distribution system into the area and to convert the lines to 12kV operation.
- Completed over 1324 electrical service upgrades/reconnects.
- Replaced 41 deteriorated power poles.
- Replaced/ installed 53 distribution transformers.
- GWP's tree trimming contractor trimmed 11699 trees within the city service area to ensure the clearance, per GO 95 requirements are met.

Substation, Power plant support, communication, and system protection:

- Executed an EPC contract with ACCO Engineered Systems for engineering design and construction of Scholl Biogas Renewable generation power plant.
- Issued a Full Notice to Proceed to Western Energy Systems, to provide Power Island major Equipment for the Scholl Biogas Renewable generation power plant.
- Upgraded Columbus feeders #1 & #2 protective overcurrent relays from electromechanical to microprocessor-based type.
- Installed three Real Time Automation Controllers (communication processors) at Kellogg Switching substation.
- Installed Integrated Communications Optical Network devices in all Substations.
- Cut over net metering system from a stand-alone PLC to SCADA as part of unit #9 separation project.





Our Path Towards Reliability

BUSINESS SERVICES DIVISION

Business System Support

As GWP continues to focus on modernization of its business enterprise and industrial control systems, we recognize the importance of the underlying technologies necessary to provide better service and increase efficiency and communication to our customers. GWP Business System Support (BSS) continued to improve reliability, security, and business continuity of its network infrastructure this fiscal year by designing and implementing a secondary data center (SDC) site. The secondary site provides GWP enterprise systems high availability, added security and reliability to the applications and services in the primary data center and provides business continuity and disaster recovery (DR). GWP built out the unified computing system (UCS) environment to host their virtual machines (VM) and upgraded switches to allow 10gb of higher connectivity to 1 Wilshire from our SDC to provide GWP full redundancy and maximum uptime/accessibility for both Industrial Control Systems (ICS) and GWP critical applications. The design allows GWP to be prepared and reduce downtime due to unplanned outages/events, disasters, and planned maintenance resulting in improved system availability and continuity.

OSIsoft Pi Historian Enterprise

GWP has continued to expand the PI Historian. "A PI Historian System" is a data infrastructure and software suite for collecting, storing, and organizing operational data from plants, processes, and operational systems. The PI System delivers data to users, including Electric Operations, Power Dispatch, Engineering, Energy Trading, and Executive Management, so they can analyze, visualize, and share it. Users retrieve data from the PI Server and can display it on real-time dashboards using PI System visualization and reporting tools. This facilitates GWP's ability to extend the life of expensive, long-lead-time equipment like substation transformers and underground cables. GWP is using multiple data sources and data points to aggregate under one system to provide integrated real-time operational analytics for day-to-day operations and monitoring of GWP's field equipment, systems, and assets. This year, the Business System Support (BSS) team incorporated Business Analytics into the PI environment which integrates with the Environmental Systems Research Institute (ESRI) system, a global market leader in geographic information system (GIS) software. We now have a mapping visualization tool which provides an extra layer of analysis to field devices, including electric meters. Our first use-case was to build a map of electric meters experiencing poor network performance due to a high "hop" count. A "hop" refers to the level of a meter downstream from its collector. For instance, communication for a meter with a level of 20 requires outgoing and incoming messages to be relayed through 19 other electric meters causing messages to be lost or delayed. The map assists the BSS team in identifying the areas around the city which need additional communication devices that improve the signal, such as, range extenders,

new cell relays and new cellular gateways. We continue to explore other use-cases requiring maps. BSS continues to work with Electric Engineering, Power Management, GWP Engineering T & D and Dispatch to improve data collection and develop operational displays. We are in the process of incorporating Power Runner to help analyze distribution transformers using AMI meter data.

Advanced Meter Infrastructure (AMI) Backhaul LTE TRO620 pilot project implementation:

In December of 2021, Business System Support piloted a new LTE TRO620 Cellular Router with wireless communication technology to improve AMI backhaul communications in areas of the city that have poor communication or where fiber gateways are not feasible to install. The LTE provides GWP the flexibility to create virtual cellular gateways pretty much anywhere in our communication backhaul. Since the initial pilot in 2021, GWP has installed the TRO620 in four (4) additional locations throughout the city to increase communications.

AMI PMR (pole mount router) Pilot:

GWP's existing PMCR (pole mount cell relays) are at end of life and the BSS piloted a new Pole Mount Router (PMR) for the replacement of the PMCR. The PMR combines the existing cell relay functionality with the capability to serve as an Internet Protocol (IP) network router and is designed with up to two field-replaceable battery packs that provide a combined total of up to eight hours of up time in the event of an outage. The pilot was successful and it was able to collect double the amount of meter data than the original PMCR.

Additional system upgrades and/or implementations:

- Customer Information and Billing System upgrade to 6.6.19
- Outage Management System (OMS) upgrade to version 2.4.8
- Electric and Water Mapping site with new fields for Pole Inspections, Streetlight Maintenance, Transformer Inspections, and implemented additional security.
- What's up gold (WUG) monitoring and alerting for the communication backhaul.
- Implemented Security Monitoring and Alerting solution for Critical System endpoints and assets.
- Applied for California Arrearage Payment Program (CAPP) 2.0 funding and applied credits to customer accounts December of 2022 for arrearages between March 4, 2020, through December 31, 2021.
- Rate Implementation: July 1, 2023, electric, water, sewer, and new rubbish rates. Including development of a new TOU guardian low income rate.
- Implemented PI Business Analytics to PI environment.
- Upgraded Enterprise Service Bus (ESB) to latest version.
- Implemented Distributed File System (DFS) which improves the management of files and folders and reliability as well as reducing any latency between our applications using file shares.
- Responded to and completed 1,332 technical and data help tickets.



Our Path Towards Reliability

Conservation & Utility Modernization

A key part of our diversified power supply is an ongoing commitment to energy efficiency. We continue to invest significant resources in conservation and energy efficiency programs for commercial, industrial, and residential customers. Energy efficiency remains the most cost-effective way to accommodate future energy needs, and projects in partnership with industrial customers are slated to surpass any previous savings in the utility's history. Through our various Public Benefit Programs, we accomplished the following:

- Provided 266 shade trees to 162 single family homes through our Tree Power Program
- Provided 616 rebates to 464 customers through our Smart Home Rebate Program
- Issued Permission to Operate (PTO) for 369 customer sited rooftop solar systems and 79 solar paired energy storage system.
- Provided a total of approximately 20,000 residential customers with print WaterSmart Reports and 57,000 customers with email WaterSmart Report to inform them about their water usage and provide them with tips to conserve water.
- Provided 31,712 customers with web-access to their daily water usage.
- Sent out approximately 13,000 leak alerts, which yielded 94% positive leak alert feedback.
- 5 of our key account customers participated in our Business Energy Solutions program and received incentives for implementing various energy efficiency projects yielding 720 MWh annual savings.

- Provided 6 print Home Energy Reports to approximately 62,200 residential customers on their energy use and provided 75,000 customers with web-access to their electric usage. A total of 24,400 customers received electronic Weekly Energy Updates.
- Over 400 residential customers participated in the Smart Home Energy Upgrade program which provides a survey and free installation of energy and water saving devices.

Electric Vehicles

Electric vehicles are more prevalent than ever. With state goals to continue electrifying the transportation sector, GWP has continued its commitment to promote electric vehicle adoption in Glendale by investing into EV infrastructure and programs. The following were accomplished in FY 22-23:

- Enrolled over 550 EV customers into the new Off-Peak EV Charging Rebate program which provides incentives to EV drivers who charge their cars during off-peak hours.
- Continued hosting an EV Buyer's guide website to provide information to prospective EV drivers on available EVs, charging options, and incentives.
- Provided over \$168,000 in incentives for customers to install EV charging stations at their home or business.
- Significantly expanded its public charging network, by adding 58 EV chargers, to make EV charging more accessible to Glendale residents and visitors.

GWP also plans to unveil new programs in the coming years to further incentivize customers to adopt EVs.





Our Path Towards Reliability

WATER SERVICES DIVISION

The Water Division staff at Glendale Water & Power continued to ensure the safety and reliability of the water served to the residents of Glendale during the continued Colorado River water shortage. Staff continued to work diligently to maximize local groundwater production through the Glendale Water Treatment Plant, a local source of water that is part of an ongoing EPA Superfund groundwater clean-up project, and engaged residents and businesses cut-back on their water use to help maintain a reliable water supply even during the severe Colorado River water shortage. Glendale Water & Power is committed to the safety of the water served to the residents of Glendale and in 2022 the City's water continued to meet all federal, state and local water quality standards. Glendale Water & Power annually treats and delivers more than 7 billion gallons of safe and reliable drinking water. To make this happen, GWP employs a team of skilled water professionals who dedicate their personal time and effort to obtain, and maintain, their individual State Water Resources Control Board water treatment and water distribution operator certifications. As a result, Glendale's water meets or exceeds all state and federal drinking water standards. Continuously monitoring water quality in the distribution system and making system improvements to maintain

Taking more than 5,700 water quality samples per year

- Managing a cross-connection control program to inspect and approve the installation of new backflow prevention assemblies
- Monitoring and testing nearly 2,200 existing backflow prevention assemblies to help ensure that contamination does not enter the system
- Pro-actively operating the water system to balance storage for emergencies while minimizing the age of the water in the system to maintain its quality even during reduced use caused by mandatory water conservation

The Water Engineering Section completed the City's second Water Supply & Demand Assessment for the State in compliance with new State requirements regarding estimating the total "efficient" use of water within the City for the coming year. The Water Engineering Section also worked with staff from the University of California, Riverside, to analyze, and reduce, electric demands at several of the City's pump stations to leverage reservoir and tank storage capacity to reduce peak demands by extending the run time of single pumps, avoiding the need to run multiple pumps at the same time.

The Water Division team of dedicated professionals provides safe and reliable service 24 hours per day 365 days per year. Maintaining reliable service includes responding to water main breaks and customer outages and working long hours to quickly restore service and minimize customer impacts. Maintaining service also includes remotely and locally monitoring and operating 16 wells, 28 tanks and reservoirs, 28 pump stations, and 6 pressure reducing stations throughout the City.

Investing in the Future

GWP's asset management program includes both investing in the future by replacing or rehabilitating aging infrastructure and building new assets that improve the system, and also systematically maintaining existing assets. Asset management activities included:

- Completing another year, and beginning the next, of the City's ongoing Pipeline Management Program to systematically replace and rehabilitate the City's water mains using the information developed in the Water Master Plan. There are over 380 miles of pipelines in GWP's service area. Many miles of pipelines have been replaced or cleaned and relined as part of GWP's past Capital Improvement Programs and this program builds on prior asset management efforts.
- Completing the upgrade and rehabilitation of one of the City's potable water tanks, and one of the City's recycled water tanks, to extend the useful lives of these important assets while taking the time to upgrade the facilities to increase circulation in the potable tank and improving the safe access to both tanks for utility staff for inspections.





Our Path Towards Reliability

ADMINISTRATIVE SERVICES DIVISION

Administrative Services is responsible for multiple sections within the Glendale Water and Power Department including Administrative Support Services, Customer Service, Legislative Affairs, Human Resources, Citywide Warehouse Operations, GWP's Fleet Coordination, and Environmental and Safety.

Legislative Affairs:

GWP is actively engaged at the Federal and State levels on all Utility related Legislative and Regulatory processes. GWP works collaboratively with elected members and representatives to ensure they are well informed of any potential impacts of specific legislation and/or rule amendments.

At the State level, GWP participates in various monthly advocacy affairs. As an active member of the Southern California Public Power Authority (SCPPA), a member agency of the Metropolitan Water District of Southern California (MWD), utility trade associations such as the California Municipal Utilities Association (CMUA), Association of California Water Agencies (ACWA), and WaterReuse, GWP engages in regular discussions with other stakeholders on shared challenges and opportunities. These collaboration efforts among member agencies, provide a stronger voice and influence to advance the priorities of publicly owned utilities (POUs). In March of 2023, GWP participated in the American Public Power Association's (APPA) Legislative Rally. GWP engaged in numerous meetings to advocate and discuss direct impacts of federal actions affecting public utilities. The legislative sessions included several bills of interest to public utilities promoting close monitoring, advocacy, and outreach efforts.

GWP will continue to monitor and advocate for any funding propositions from the Federal and State Levels for local governments and POU's. The State Legislature & the Governor allocated over \$3 Billion dollars to assist Californians with past due water, wastewater, and electric bills. Due to our ongoing advocacy efforts the City of Glendale received over \$9 million dollars and GWP applied direct credits to our residential and commercial customers.

Customer Services:

We have continued to work with many residential and commercial customers experiencing financial hardship and exercised all possibilities to accommodate their service from being interrupted such as granting extended payment arrangements, advocating during telephone conversation and written communication the various payment assistance programs that were available to help with outstanding bills. Customers are also provided with information on how to monitor usage through our different online portals for both water and electric, to assist in lowering their usage and the amount of the bill.

This year the customer Service team:

- Assisted 73,975 customers over the telephone.
- Received 16,554 email contacts from customers and responded to 94.1 % within 24 hours.
- Approved 9,895 payment arrangements.

- Sent out 826,466 utility bills with a 99.88% accuracy.
- Processed almost 565,529 customer payments totaling over 313 million dollars.
- Issued 69,655 service orders, with field staff completing 74% within 24 hours.
- Inspected 27,799 water and electric meters.

State funded financial assistance programs that were put in place during the COVID-19 pandemic to assist customers whose finances were affected, were extended to further provide help to offset outstanding balances that remained unpaid for both electric and water. The following are benefits that have already been received:

- 2,979 customers received credits to their accounts from the California Arrearage Payment Program (CAPP2), totaling \$1,521,736.85.
- 1,136 customers received credits to their utility accounts from the California Rent Relief program (CARR) totaling \$1,007,249.50.
- 96 residential customers with water and wastewater arrearages received assistance from the California Low Income Household Water Assistance Program (CALIHAWAP) totaling \$68,820.91

The Customer Services team is working on revising the utility bill for a simpler presentation, in order to offer GWP customers a seamless experience to decipher its components. This is on the heels of customer feedback and inquiries for a simpler bill format. Additionally, two television monitors were installed in the counter areas to continuously provide relevant information, and has added a nice touch for our visiting customers.

Citywide Warehouse Operations:

The GWP's Utility Operation Center (UOC) and Chevy Chase Warehouses are responsible for approximately 4,900 inventory items maintained between the two locations. The GWP Warehouses services not only the GWP Electric and Water Department Field Employees, but provide services to all City Departments, including our Fire and Police Departments. We successfully completed the FY 2022-23 Cycle Count of the UOC Warehouse, and it was verified by our internal and external auditors.

Environmental and Safety Affairs:

GWP Environmental Affairs Services provides support to various divisions on environmental compliance related to wastewater discharges, hazardous waste management, stormwater compliance, air compliance and PCB/oil management. Environmental Section tracks and reviews regulatory or permit requirements and assist various GWP divisions in preparing procedural plans, obtaining permits, training, and reporting and responding to regulatory audits.

Safety Section provides a safe environment for our staff and the community by coordinating various safety trainings and workshops to ensure all safety protocols are adhering to all local/state/federal regulations.



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 Electric 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 Electric 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 Electric 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 Electric 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.

Honorable Mayor and
Members of the City Council
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 Electric 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.

Honorable Mayor and
Members of the City Council
City of Glendale

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 Electric 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: Electrical Utility

MANAGEMENT DISCUSSION AND ANALYSIS – ELECTRIC UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Electric Enterprise Fund (Electric Utility) financial statements a narrative overview and analysis of the financial activities of the Electric Utility 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 Electric Utility's retail revenues increased \$17,411 or 8.6% from the 2022 level. The increase in retail revenues was attributable to increase in volumes and rates. Total operating revenues increased by \$26,373 or 10.7% and total operating expenses increased by \$48,014 or 22.1% from fiscal year 2022. After adding the net decrease of \$2,093 from non-operating revenues and subtracting \$21,937 transfer to the General Fund of the City to operating income of \$8,424, total net position decreased by \$15,606 in fiscal year 2023.

The assets and deferred outflows of the Electric Utility exceeded its liabilities and deferred inflows at the close of fiscal year 2023 by \$325,953. Of these amounts, \$238,241 was unrestricted and may be used to meet the Electric Utility's ongoing obligations to creditors and customers. Unrestricted net position balances represented 89.9% of annual operating expenses for fiscal year 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Electric Utility financial statements. The Electric 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 Electric Utility. Information on citywide financial results is available in the City of Glendale's Annual Comprehensive Financial Report.

The City of Glendale Electric Utility's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains other information to provide our readers additional information about the Electric 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 Electric Utility's financial health.

The ***Statement of Net Position*** presents information on assets and deferred outflows of resources, and 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 Electric 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: Electrical 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 29 to 67 of this report.

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Electric Utility's financial position. In the case of the Electric Utility, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$325,953 as of June 30, 2023. A portion of the Electric Utility's net position (13% as of June 30, 2023) reflects its net investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets. The Electric 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 balance sheet must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities.

An additional portion of the Electric Utility's net position (14% as of June 30, 2023) represents resources that are subject to external restrictions on how they may be used. This line item includes California Air Resources Board carbon emission reduction, investment-gas/electric commodity, Low Carbon Fuel Standard funds, and SCAQMD emission controls. For fiscal year ended June 30, 2023, the net position restricted is \$44,463.

The unrestricted portion of the Utility's net position (73% as of June 30, 2023) may be used to meet the Electric Utility's ongoing obligations to creditors and customers.



Financial Statement: Electrical Utility

Net Position – Electric Utility

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

	2023	2022
Current and other assets	\$ 365,671	\$ 360,577
Capital assets and lease assets	177,340	194,946
Total assets	543,011	555,523
Deferred outflows of resources	28,876	12,992
Current liabilities	40,840	30,303
Long-term liabilities	200,108	173,563
Total liabilities	240,948	203,866
Deferred inflows of resources	4,986	23,090
Net position:		
Net Investment in capital assets	43,249	61,184
Carbon Emissions	37,160	26,718
Investment-gas/electric commodity	-	7,281
Low Carbon Fuel Standard	1,634	1,749
SCAQMD emission controls	5,669	5,669
Unrestricted	238,241	238,958
Total net position	\$ 325,953	\$ 341,559

Net position decreased by \$15,606 (or 5%) during fiscal year 2023. In fiscal year 2023, the decrease in net position was primarily the result of the increase in operating expenses due to higher fuel and spot market prices, pension expenses, and write-off of Grayson Power Plant's net book value due to plant's demolition.



Financial Statement: Electrical Utility

Changes in Net Position – Electric Utility

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

	<u>2023</u>	<u>2022</u>
Revenues:		
Retail sales	\$ 219,370	\$ 201,959
Sale to other utilities	40,113	29,862
Miscellaneous revenues	13,802	15,091
Non-operating revenues	6,393	(6,319)
	<u>279,678</u>	<u>240,593</u>
Total revenues		
Expenses:		
Production	188,486	145,451
Transmission and distribution	44,046	34,761
Customer accounting and sales	11,210	12,070
Amortization	35	84
Depreciation	20,403	23,770
Gas depletion	681	711
Interest expense	5,214	5,445
Litigation settlement	5,508	-
	<u>275,583</u>	<u>222,292</u>
Total expenses		
Increase in net position before transfers & contributions	4,095	18,301
Capital contributions	2,236	-
Transfers to the City's General Fund	(21,937)	(20,193)
	<u>(15,606)</u>	<u>(1,892)</u>
Increase (decrease) in net position		
Net position, beginning of year	<u>341,559</u>	<u>343,451</u>
Net position, end of year	<u>\$ 325,953</u>	<u>\$ 341,559</u>



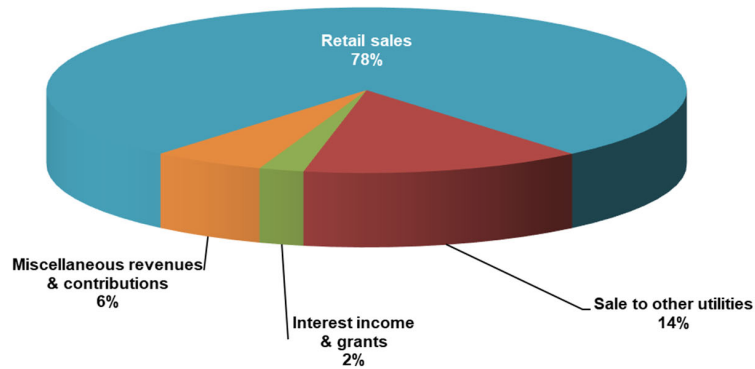
Financial Statement: Electrical Utility

Revenue by Source – Electric Utility

The total revenues increased by 16% from 2022. 2023 retail revenues (residential, commercial, and industrial) continued to be the primary revenue source for the Electric Utility, making up approximately 78% of total revenue. Retail revenues showed an increase of 9% from the prior year were attributable to increase in volumes and rates. Sales to other utilities, accounts for the revenues other than the retail revenues, increased 34% from the prior year.

Non-operating revenues include California Arrearage Payment Program (CAPP) of approximately \$1.5 million increased 237% from the prior year. The increase was primarily due to a increase in the fair value of investments.

2023 Revenues





Financial Statement: Electrical Utility

Expenses by Source – Electric Utility

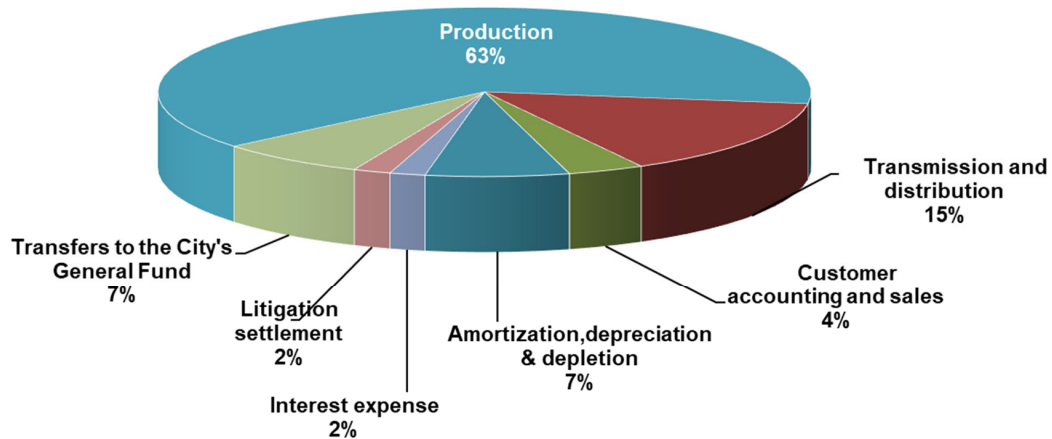
Total expenses for the Electric Utility not including the General Fund Transfer, increased \$53,291 (or 24%) from 2022 level. Production expenses increased 30% from 2022 as a result of higher fuel and spot market prices. Transmission and distribution increased by 27%, offset by decrease in customer accounting and sales expenses from 2022, as a result of California Arrearage Payment Program (CAPP). Depreciation expense decrease by 14% due to Grayson Power Plant assets retirement. The depletion of gas decreased 4% from 2023 due to lower gas volumes.

The Gas Depletion account was established to record the use of natural gas associated with the Electric Utility’s share of the Natural Gas Project through the Southern California Public Power Authority (SCPPA).

Interest on bonds decreased 4% from 2022 due to lower interest payments.

The City Charter currently provides at the end of each fiscal year, up to 25% of the operating revenues of the Electric Utility to be transferred to the City’s General Fund as based on City Council approval. Ten percent (10%) of Electric Works operating revenue for the fiscal year 2022-23, \$21,937, was transferred from the Electric Work Revenue Fund to the Glendale Water and Power Surplus Fund and further transferred to the City’s General Reserve Fund for fiscal year 2022-23.

2023 Expenses and Transfers





Financial Statement: Electrical Utility

Capital Assets and Debt Administration

Capital Assets

The Electric Utility's investment in capital assets as of June 30, 2023 were \$177,340 (net of accumulated depreciation and depletion). This included investments in production, transmission, and distribution related facilities, as well as in general items such as office equipment, furniture, etc. Capital assets showed a decrease of 9% as of June 30, 2023, due to retirement of \$82,406 in Grayson capital assets. \$55,364 of the capital asset was fully depreciated and \$27,042 was written off. The decrease in capital assets are partially offset by increase of Grayson Repowering, Fiber Plan Expansion, and Biogas Renewable Generation totaled \$17,776.

The Electric Utility's capital assets as of June 30, 2023 and 2022 are as follows:

	2023	2022
Production	\$ 88,238	\$ 112,794
Transmission and distribution	445,558	438,764
Natural Gas Reserve	22,175	22,171
General	7,537	50,770
Less: accumulated depreciation and depletion	<u>(386,168)</u>	<u>(429,553)</u>
Total capital assets	<u>177,340</u>	<u>194,946</u>

Additional information on the Electric Utility's capital and lease assets can be found in Note 3 on page 41 of this report.

Long-Term Debt

The Electric Utility's long-term debt as of June 30, 2023 and 2022 is as follows:

	2023	2022
Bonds payable:		
Electric Revenue Bonds	\$ 117,450	\$ 123,445
Less: current portion	(7,431)	(7,126)
Unamortized bond premium	16,078	17,210
Total bonds payable	<u>126,097</u>	<u>133,529</u>
Leases payable:		
Leases	128	164
Less: current portion	<u>(42)</u>	<u>(39)</u>
Total leases payable	<u>86</u>	<u>125</u>
Total long-term debt	<u>126,183</u>	<u>133,654</u>

During fiscal year 2023, the Electric Utility maintained an "A+" credit rating from Standard & Poor's, "A+" credit rating from Fitch Ratings, and "Aa3" credit rating from Moody's Investors Service for its revenue bonds.

Additional information on the Electric Utility's long-term debt can be found in Note 4 on pages 42 to 46 of this report.



Financial Statement: Electrical Utility

Economic Factors and Rates

The City continues its effort to minimize exposure to market spikes in power and natural gas by implementing retail rate adjustment clauses that allow retail rates to adjust to market conditions and regulatory changes.

The Electric Utility is advancing its commitment to environmental improvement. On May 4, 2018, upon the direction of the City Council to seek cleaner alternatives to the Grayson Repowering Project, GWP issued the Clean Energy RFP to solicit proposals that will enable the City to meet its energy and capacity needs with reliable, sustainable, and environmentally benign solutions. The results of the initiative were presented to the community and incorporated in the 2019 Integrated Resource Plan (IRP). On July 23, 2019, the City Council has unanimously adopted the IRP that enables the utility to reduce its carbon footprint and transition to a 100% clean energy future. The proposed plan includes a grid-scale Battery Energy Storage System (BESS). In February 2023, the City Council directing staff regarding the implementation of the Grayson Repowering Project utilizing three engines and procurement of a BESS and authorizing contracts, and all related and necessary documents, for the engineering, procurement, and construction of the three engines and associated equipment and facilities.

In May 2023, GWP solicited proposals for Phase 1 of the City Owned Solar Development Program. Phase 1 includes six locations for an estimated 3.7 MW of solar PV generation. The proposal deadline was August 11, 2023, and staff is currently reviewing proposal and expects to recommend the award of contract(s) in October.

On January 24, 2023, the City Council approved Scholl Biogas Renewable Generation Project. The project will install four Jenbacher landfill gas generators and corresponding landfill gas cleaning system with the purpose of capturing and combusting the existing landfill gas to produce approximately 11MW of renewable energy. The city has come a long way since the project's Environmental Impact Report (EIR) was certified on November 30, 2021. As of September 2023, mobilization for the Grayson Repowering has begun with demolition and construction commencing in the following months. Prior to mobilization, several environmental surveys were conducted. The delivery of Jenbacher landfill gas engines is estimated to be in March 2024. With no further delays, Substantial Completion is expected to be achieved in May of 2025.

On May 03, 2022, the City Council awarded the "Feeder Reconstruction for 12kV Operation" contract to Hot Line Construction. The contract commencement date was January 10, 2023, and it is a one-year contract. Converting 4kV electrical distribution lines to 12kV, improves the system reliability and capacity and is a critical aspect of upgrading the electrical distribution grid for building and vehicle electrification. As of September 2023, contractor completed the reconstruction of 6 Tropic and 8 Tropic feeders (100%) and 4 Tropic, 4 Acacia and 5 Acacia feeders (75%). With the supply chain challenges in material and power poles, yet the contract is on schedule.

On June 12, 2018, the City of Glendale adopted a five-year rate plan (covering FY 2018-19 through FY 2022-23) with annual base rate revenue adjustments of 0%, 0.5%, 1%, 1%, and 1%. Under the new rate plan, electric rates for commercial customers will generally decrease, while residential rates will generally increase to align with the cost of serving each customer class. The rate plan adjusts time of use periods beginning in FY 2019 to align with GWP load profiles, to incentivize off peak usage and to promote the use of electric vehicles. The rate plan also adds a standby rate for customers with nonrenewable self-generation. In June 2020, the City Council deferred the scheduled July 1, 2020 increase by one year to July 1, 2021, and to defer the subsequent two annual rate increases by one year.



Financial Statement: Electrical Utility

GWP is in the process of completing a new COSA which will be completed in the fourth quarter of 2023. The new COSA is required to determine what if any rate increases might be needed to support the recently approved and proposed clean energy programs, the repower of the Grayson power plant and the Scholl Canyon Biogas project.

General Fund Transfer and Electric Rates Litigation

As of October 31, 2022, the lawsuits challenging the City's 2013 electric rate plan and the transfer of revenues from the Glendale Water & Power (GWP) Electric Fund to the General Fund have concluded. In 2014, Juan Saavedra and I.B.E.W. Local 18 filed a lawsuit in Los Angeles Superior Court (the "2014 IBEW Lawsuit") challenging the 2013 electric rate plan and the City's general fund transfer ("GFT"). The Glendale Coalition for a Better Government ("Coalition") also filed a lawsuit in 2014 challenging the 2013 electric rate plan and GFT ("2014 Coalition Lawsuit"). The 2014 IBEW Lawsuit and 2014 Coalition lawsuit were consolidated for purposes of trial (and are sometimes referred to herein collectively as the "2014 Lawsuits"). In October 2020, the City received a favorable ruling in the remand trial of the 2014 Lawsuits, resulting in a determination that the City will not have to make any refunds of electric rate revenues or general fund transfers. That decision has been appealed by IBEW.

In addition, the Coalition filed a petition for writ of mandate in July 2018 challenging the City's 2018 electric rates on similar grounds as the 2014 Lawsuit ("2018 Coalition Lawsuit"). The 2018 Coalition Lawsuit was dismissed without prejudice and the statute of limitations tolled until there was a final non-appealable judgment in the 2014 Coalition Lawsuit.

Biogas Litigation

On March 18, 2022, the Sierra Club filed a Petition for Writ of Mandate against the City of Glendale in the matter of Sierra Club v City of Glendale, et al., The Petition challenges the Glendale City Council's February 15, 2022 certification of a Final Environmental Impact Report (FEIR) for the proposed Grayson Repowering Project (Grayson) and authorizations to move forward with various Grayson project development activities.

Grayson Litigation

On March 18, 2022, the Sierra Club filed a Petition for Writ of Mandate (the "Sierra Club Petition") against the City in the matter of Sierra Club v. City of Glendale, et al., The Sierra Club Petition challenges the City Council's February 15, 2022 certification of a FEIR for the proposed Grayson Repowering Project ("Grayson") and authorizations to move forward with various Grayson project development activities.

Additional information on the litigations can be found in Note 11 under General Fund Transfer and Electric Rates Litigation, Biogas Litigation, and Grayson Litigation on pages 62 to 66 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Electric 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: Electrical Utility

CITY OF GLENDALE
ELECTRIC 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	\$ 85,662	\$ 136,560
Cash with fiscal agent	2,543	2,332
Investments with fiscal agent	2,398	2,398
Interest receivable	1,709	1,422
Investment-gas/electric commodity	8,018	-
Accounts receivable, net	12,754	16,536
Unbilled receivable	15,275	16,455
Due from other agencies	285	72
Inventories	11,484	9,704
Prepaid items and other	28,652	8,565
Total current assets	<u>168,780</u>	<u>194,044</u>
Noncurrent assets:		
Capital assets:		
Land	6,306	6,306
Natural gas reserve	22,175	22,171
Buildings and improvements	63,970	73,722
Machinery and equipment	440,728	512,684
Intangible and subscription assets	422	327
Accumulated depreciation	(370,682)	(414,831)
Accumulated natural gas depletion	(15,162)	(14,481)
Amortization	(324)	(241)
Construction in progress	29,695	9,086
Lease assets - Land, not being depreciated	212	203
Total capital assets	<u>177,340</u>	<u>194,946</u>
Pooled designated & invested cash	151,435	124,100
Pooled Restricted cash	44,463	41,417
Leases receivable	993	1,016
Other noncurrent assets	196,891	166,533
Total noncurrent assets	<u>374,231</u>	<u>361,479</u>
Total assets	<u>543,011</u>	<u>555,523</u>
Deferred outflows of resources:		
Deferred outflows of resources related to OPEB	408	467
Deferred outflows related to pensions	25,077	8,898
Loss on refunding	3,391	3,627
Total deferred outflows of resources	<u>28,876</u>	<u>12,992</u>
Total assets and deferred outflow of resources	<u>571,887</u>	<u>568,515</u>

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



Financial Statement: Electrical Utility

CITY OF GLENDALE
ELECTRIC 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	27,282	17,915
Contracts-retained amount due	422	2
Bonds payable, due in one year	7,431	7,126
Deposits	1,726	1,355
Interest payable	2,447	2,572
Leases payable	42	39
Wages and benefits payable	1,490	1,294
Total current liabilities	<u>40,840</u>	<u>30,303</u>
Noncurrent liabilities:		
Bonds payable	126,097	133,529
Lease payable	86	125
OPEB liability	1,781	2,156
Net pension liability	72,144	37,753
Total noncurrent liabilities	<u>200,108</u>	<u>173,563</u>
Total liabilities	<u>240,948</u>	<u>203,866</u>
Deferred inflows of resources:		
Deferred inflows of resources related to leases	942	990
Deferred inflows related to OPEB	897	682
Deferred inflows related to pensions	3,147	21,418
Total deferred inflows of resources	<u>4,986</u>	<u>23,090</u>
Total liabilities and deferred inflows of resources	<u>245,934</u>	<u>226,956</u>
Net position:		
Net investment in capital assets	43,249	61,184
Restricted for		
Carbon Emissions	37,160	26,718
Investment-gas/electric commodity	-	7,281
Low carbon fuel standard	1,634	1,749
SCAQMD emission controls	5,669	5,669
Unrestricted	238,241	238,958
Total net position	<u>\$ 325,953</u>	<u>\$ 341,559</u>

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



Financial Statement: Electrical Utility

CITY OF GLENDALE

ELECTRIC 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:		
Retail:		
Electric residential sales	\$ 96,598	\$ 85,438
Electric commercial sales	119,810	113,588
Electric street and traffic light sales	2,962	2,933
Sales to other utilities	40,113	29,862
Miscellaneous revenues	13,802	15,091
Total operating revenues	273,285	246,912
Operating expenses:		
Production	188,486	145,451
Transmission & distribution	44,046	34,761
Customer accounting and sales	11,210	12,070
Amortization	35	84
Depreciation	20,403	23,770
Gas depletion	681	711
Total operating expenses	264,861	216,847
Operating income	8,424	30,065
Non operating revenues (expenses):		
Grant revenue	1,786	4,995
Interest Income	3,666	(12,613)
Sales of property	95	343
Leases/rentals revenues	846	956
Interest expense	(5,214)	(5,445)
Litigation settlement	(5,508)	-
Total non operating revenues (expenses), net	(4,329)	(11,764)
Income before transfers & contributions	4,095	18,301
Capital contributions	2,236	-
Transfer to the General Fund of the City	(21,937)	(20,193)
Change in net position	(15,606)	(1,892)
Net position at beginning of year	341,559	343,451
Net position at end of year	\$ 325,953	\$ 341,559

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



Financial Statement: Electrical Utility

CITY OF GLENDALE

ELECTRIC 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	\$ 278,381	\$ 244,775
Cash paid to employees	(40,165)	(39,304)
Cash paid to suppliers	(215,623)	(154,506)
Operating grants received	1,786	4,995
	<u>24,379</u>	<u>55,960</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Litigation settlement	(5,508)	-
Lease revenue received	846	956.00
Transfers in (out), net	(21,937)	(20,193)
	<u>(26,599)</u>	<u>(19,237)</u>
Net cash (used) by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition of property, plant, gas and equipment	(3,550)	(7,844)
Interest paid on long-term debt	(6,233)	(6,458)
Principal payments and premiums	(5,995)	(5,710)
Proceed from sales of capital assets	95	343
Capital grants and contributions	2,236	-
	<u>(13,447)</u>	<u>(19,669)</u>
Net cash (used) by capital and related financing activities		
Cash flows from investing activities:		
Investment - gas/electric commodity	(8,018)	-
Interest received	3,379	(12,972)
	<u>(4,639)</u>	<u>(12,972)</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	<u>(20,306)</u>	<u>4,082</u>
Cash and cash equivalents at beginning of year	<u>304,409</u>	<u>300,327</u>
Cash and cash equivalents at end of year	<u>\$ 284,103</u>	<u>\$ 304,409</u>

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



Financial Statement: Electrical Utility

CITY OF GLENDALE

ELECTRIC 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>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,424	\$ 30,065
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	35	84
Depreciation	20,402	23,770
Gas depletion	681	711
Operating grants received	1,786	4,995
(Increase) Decrease Accounts receivable net	3,805	(1,320)
(Increase) Decrease Unbilled services	1,180	(897)
(Increase) Decrease Due from other agencies	(213)	28
(Increase) Inventories	(1,780)	(303)
(Increase) Prepaid expenses	(20,088)	(183)
Decrease Deferred outflows from OPEB	60	28
(Increase) Decrease Deferred outflows from pension	(16,179)	671
Increase (Decrease) Accrued wages payable	196	(1,275)
Increase Accounts payable	9,367	8,448
Increase Contracts - retention	420	2
Increase Deposits	371	78
(Decrease) OPEB liability	(374)	(476)
Increase Deferred inflows from OPEB	214	389
Increase (Decrease) Deferred inflows from pension	(18,271)	21,377
Increase (Decrease) Deferred inflows from leases	(48)	990
Increase (Decrease) Net pension liability	34,391	(31,222)
	<u>15,955</u>	<u>25,895</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 24,379</u>	<u>\$ 55,960</u>
Reconciliation of Statement of Cash Flows to Statement of Net Position:		
Pooled cash and investments	\$ 85,662	\$ 136,560
Cash with fiscal agent	2,543	2,332
Pooled designated & invested cash	151,435	124,100
Restricted cash	44,463	41,417
	<u>284,103</u>	<u>304,409</u>
Cash and cash equivalents at June 30		

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



Financial Statement: Electrical 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 Electric Enterprise Fund, (Electric 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 Electric Utility is used to account for the construction, operation and maintenance of the City-owned electric 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 Electric Utility, where revenues are recorded when earned and expenses are recorded when incurred. The Electric Utility is included in the City's Annual Comprehensive Financial Report (ACFR), and therefore, these financial statements do not purport to represent the financial position and changes in financial position, and where applicable, cash flow thereof of the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.



Financial Statement: Electrical Utility

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

Pooled Cash and Investments

The Electric Utility pools its cash with the City. The Electric 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 City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee 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 Electric Utility on a monthly basis based upon the prior month end cash balance of the Electric Utility 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 Electric Utility, cash and cash equivalents include all pooled cash and investments, pooled designated & invested cash, restricted cash and cash with fiscal agents with an original maturity of three months or less. The Electric 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.

Investment-gas/electric commodity

As of June 30, 2023, the Electric Utility holds \$8,018 of investment that involves simultaneous purchase and sell of physical California Carbon Allowances (CCAs) through an exchange traded platform that removes the majority of credit and financial risk from counterparties. The City purchases and holds the CCAs for a period of time and earn a fixed rate of return, and this derivative instrument is considered an investment and not hedging for accounting purposes.



Financial Statement: Electrical Utility

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

Pooled Designated Cash and Investments

A Cash Reserve Policy for the Electric Utility was first established in 2003. Its provision calls for annual review of the reserves to determine if the recommended levels are sufficient. The annual review of the Cash Reserve Policy for the fiscal year ending June 30, 2023, established a target of \$124,100 of designated cash in the following categories: \$57,700 for the operating reserve, \$40,400 for contingency reserve; \$10,000 for rate stabilization reserve; and \$16,000 for Reserve for Gas Reserve Project. As of June 30, 2022, \$124,100 was included in the pooled designated and invested cash.

Capital Assets

The Electric Utility's capital assets include land, building, improvements and equipment that are reported in the Electric Utility's financial statements. The Electric 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 \$100 in aggregate 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 City 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.

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

Assets	Years
Building and Improvements	10-50
General Structure & 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

Lease Assets

Lease assets represent the Electric 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



Financial Statement: Electrical Utility

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

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 depreciated using a straight-line depreciation over the shorter of the lease term or the useful life of the underlying asset.

SBITA (Subscription-Based Information Technology Arrangements) assets represent the Electric Utility's control of the right to use another party's Information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. SBITA assets, follow the same capitalization threshold of \$10 as capital assets. SBITA assets are reported in the financial statements. SBITA assets are recorded at the amount of the initial measurement of the SBITA liabilities and modified by any SBITA payments made to the SBITA vendor at or before the commencement of the SBITA term, less any SBITA incentive received from the SBITA vendor at or before the commencement of the SBITA term along with any initial direct costs that are ancillary charges necessary to place the SBITA asset into service. SBITA assets are depreciated using a straight-line depreciation over the following useful life of the underlying asset:

Inventories

Inventories, consisting primarily of construction and maintenance materials and tools for the production and distribution system of the Electric Utility are stated at cost, using the weighted average cost method or disposal value.

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 straight line 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 Electric 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



Financial Statement: Electrical Utility

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

expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

Compensated Absences

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

The Electric 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 Electric Utility records an expense 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.

Other Post Employment Benefits (OPEB)

Eligible employees of the Electric 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.

Additional information on the Electric Utility's OPEB can be found in Note 6 on pages 51 to 54 of this 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.



Financial Statement: Electrical Utility

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

Accounts Receivable

The Electric Utility records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities and 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 Electric Utility's allowance for doubtful accounts was \$728.

Unbilled Receivable

The Electric Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2023, the Electric Utility's unbilled receivables was \$15,275.

Lease Receivable

The Electric Utility measures lease receivable at the present value of lease payments expected to be received during the lease term. Interest revenue is recognized ratably over the contract term.

Prepaid Items and Other

Certain payments to the vendors reflect costs applicable to future accounting period and are recorded as prepaid, which are then recognized as expense as benefits are received. As of June 30, 2023, prepaid was \$28,652.

Contracts - Retained Amount Due

The Electric 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, contracts – retained was \$422.



Financial Statement: Electrical Utility

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

Deposits

The Electric Utility requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Electric Utility to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Electric Utility. As of June 30, 2023, the Electric Utility's deposits was \$1,726.

Transfers to the City

The City's charter provides for certain percentages (up to a maximum of 25%) of operating revenues in the Electric Utility to be transferred to the City's General Fund. For the fiscal year 2023, ten percent (10%) of Electric Works retail revenue shall be transferred from the Electric Work Revenue Fund to the Glendale Water and Power Surplus Fund and further transferred to the General Reserve Fund. As of June 30, 2023, the Electric Utility's transfers to the City was \$21,937.

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. 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.

The Electric Utility first applies 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 services and energy 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.



Financial Statement: Electrical Utility

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

Budgets and Budgetary Accounting

The Electric Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Electric 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 Electric 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 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 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 Pronouncement

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



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(in thousands)

- 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 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. For current or advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debts (i.e., deferred charges) is reported as a deferred outflow of resources and amortized to interest expense based on the straight line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. When the City makes the pension contributions and OPEB



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Fiscal Year Ended June 30, 2023
(in thousands)

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 experience, and difference between projected and actual earnings on pension plan investments, the City reports a deferred outflow of resources until the increase is recognized in expense. This category consists of loss on refunding, related to pension, and related to OPEB for reporting in the statements of net position. As of June 30, 2023, the Electric Utility's deferred outflows of resources was \$28,876.

The statement of net position reports a separate section for deferred inflows of resources, in addition to liabilities. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources, or revenues, until then. When there is a decrease in pension and OPEB expense arising from the recognition of changes in assumptions and of differences between expected and actual experience, the Electric Utility reports a deferred inflow of resources until the decrease is recognized in expense. For leases that the Electric Utility is the lessor, the amount of the initial measurement of the lease receivable is reported as a deferred inflow of resources, and amortized to lease revenue based on the straight line method over the lease term. The Electric Utility records deferred inflows of resources related to leases, OPEB, and pension. As of June 30, 2023, the Electric Utility's deferred inflows of resources was \$4,986.

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 Electric Utility Fund's prior-year financial statements from which this selected financial data was derived.

2. Pooled Cash and Investments

Cash resources of the Electric 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,



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(in thousands)

individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Electric Utility on a monthly basis, based upon the month-end cash balance of the Electric Utility as a percent of the month-end total pooled cash balance. Of this total pooled cash and investments, \$281,560 pertains to the Electric Utility for fiscal year 2023. Pooled cash and investments are stated at the fair value.

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

Cash and investments at fiscal year-end consist of the following:

	2023
Pooled cash and investments	\$ 85,662
Cash and investments with fiscal agent	4,941
Investment-gas/electric commodity	8,018
Pooled restricted cash	44,463
Pooled designated and invested cash	151,435
Total	<u>\$ 294,519</u>

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 Note 3 of the City of Glendale Annual Comprehensive Financial Report.

Restricted Cash

Cash and investments restricted for a specific purpose by either bond resolution, funding agency, or an outside third party are classified as restricted assets. The restricted cash consists of Southern California Air Quality Management District environmental compliance funds, California Air Resources Board carbon emission reduction, Low Carbon Fuel Standard funds, and investment in gas and electric commodity. As of June 30, 2023, there is \$44,463 recorded. The amounts set aside in this account shall remain therein until from time to time expended for the



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Fiscal Year Ended June 30, 2023
(in thousands)

projects and purposes of paying for the costs of acquisition and construction of certain improvements to the Electric System of the City.

Cash and investments with Fiscal Agent

The Electric 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 agents may make. These funds are governed by the bond indentures. These ordinances are generally more restrictive than the City’s general investment policy. As of June 30, 2023, the Electric Utility had \$4,941 on deposit with fiscal agent as required by the bond documents.

Investment-gas/electric commodity

As of June 30, 2023, the Electric Utility holds \$8,018 of investment that involves simultaneous purchase and sell of physical California Carbon Allowances (CCAs) through an exchange traded platform that removes the majority of credit and financial risk from counterparties. The Electric Utility purchases and holds the CCAs for a period of time and earn a fixed rate of return, and this derivative instrument is considered an investment and not hedging for accounting purposes.

The Electric Utility had the following underlying investments:

	Total	Maturity	Moody's Rating
Investment Derivative Instrument	\$ 8,018	Less than 1 yr	Unrated
Guaranteed Investment Contracts	2,398	More than 5 yr	Unrated
Money Market	2,543	Less than 1 yr	Aaa
	<u>\$ 12,959</u>		



Financial Statement: Electrical Utility

Notes to the Basic Financial Statements
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(in thousands)

3. Capital Assets and Lease Assets

A summary of the changes in Electric Utility June 30, 2023 Capital Assets is as follows:

	Balance at July 1, as restated	Increases	Decreases	Reclass	Balance at June 30
Capital assets not being depreciated/depleted/amortized:					
Land	\$ 6,306	-	-	-	6,306
Construction in progress	9,086	22,727	(804)	(1,314)	29,695
Lease assets - Land	203	-	-	9	212
Total assets not being depreciated/depleted/amortized	15,595	22,727	(804)	(1,305)	36,213
Depreciable capital assets:					
Building and improvements	73,722	38	(9,790)	-	63,970
Machinery and equipment	512,684	7,706	(80,976)	1,314	440,728
Total other capital assets at cost	586,406	7,744	(90,766)	1,314	504,698
Depletable capital assets:					
Natural gas reserve	22,171	4	-	-	22,175
Amortizable assets:					
Intangible assets	327	-	-	-	327
Subscription assets	-	95	-	-	95
Less accumulated depreciation:					
Building and improvements	51,774	1,950	(6,470)	-	47,254
Machinery and equipment	363,057	18,405	(58,034)	-	323,428
Total accumulated depreciation	414,831	20,355	(64,504)	-	370,682
Less accumulated natural gas depletion:					
Natural gas reserve	14,481	681	-	-	15,162
Less amortization					
Intangible assets	241	35	-	-	276
Subscription assets	-	48	-	-	48
Total assets being depreciated/depleted/amortized	179,351	(13,323)	(26,262)	1,314	141,032
Electric Fund capital assets, net	\$ 194,946	9,451	(27,066)	9	177,340

Natural Gas Project

In June 2005, the City elected to participate in the Natural Gas Reserve Project through SCPPA and entered into a 25 year Gas Sales Agreement with SCPPA for up to 2,000 MMBtu per day. The project calls for the acquisition and development of gas resources, reserves, fields, wells, and related facilities to provide a long-term supply of natural gas for its participants. The first acquisition was completed on July 1, 2005 with the total cost to the participants at \$306.1 million. The City's share in the project is \$13.1 million or 4.2553%. Subsequently, capital drilling costs of \$9 million had been capitalized. As of June 30, 2023, the balance for the Natural Gas Reserve Project, net of accumulated natural gas depletion was \$7,013.



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Notes to the Basic Financial Statements
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(in thousands)

4. Long-Term Debt

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

	Remaining Interest Rates	Original Issue	Outstanding June 30, 2023
Electric Revenue Bonds, 2013 Refunding Series	4.00%-5.00%	20,510	\$ 13,395
Electric Revenue Bonds, 2013 Series	3.00%-5.00%	60,000	49,655
Electric Revenue Bonds, 2016 Refunding Series	4.00%-5.00%	72,615	54,400
Total			\$ 117,450

Electric Revenue Bonds, 2013 Refunding Series

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

The refunding resulted in the recognition of a deferred loss on refunding of \$71 as of June 30, 2023, and is being amortized through FY 2031-32. The refunding also resulted in cash flow savings of \$3,699 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 4.00% to 5.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2013 Refunding Bonds mature in regularly increasing amounts ranging from \$1,210 to \$1,805 annually from FY 2023-24 to FY 2031-32. Outstanding principal balance at June 30, 2023 was \$13,395.

The 2013 Refunding Bonds have an optional redemption on and after February 1, 2024.

Electric Revenue Bonds, 2013 Series

The Electric utility of Glendale Water & Power issued \$60,000 in revenue bonds in December 2013 to finance the costs of acquisition and construction of certain improvements to the City's



Financial Statement: Electrical Utility

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

electric public utility including the rebuilding of Grandview substation and other reliability improvements to the distribution system.

Interest rates range from 3.00% to 5.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2013 Bonds will mature in regularly increasing amounts ranging from \$1,500 to \$3,795 annually from FY 2023-24 to FY 2042-43. Outstanding principal balance at June 30, 2023 was \$49,655.

The 2013 Bonds have an optional redemption on and after February 1, 2024. The 2013 Bonds maturing on February 1, 2039 and February 1, 2043 are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.

Electric Revenue Bonds, 2016 Refunding Series

The Electric utility of Glendale Water & Power issued \$72,615 in revenue bonds in May 2016 to provide moneys for the refunding of all of the City's outstanding Electric Revenue Bonds, 2006 Refunding Series, a portion of the City's outstanding Electric Revenue Bonds, 2008 Series, and paying the costs of issuance of the 2016 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the Electric Revenue Bonds, 2006 Refunding Series and a portion of the outstanding Electric Revenue Bonds, 2008 Series through a legal defeasance.

The refunding resulted in the recognition of a deferred loss on refunding of \$3,321 as of June 30, 2023, and is being amortized through FY 2037-38. The refunding also resulted in cash flow savings of \$13,026 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 are 5.00% and paid semiannually on August 1 and February 1. Principal payments are made annually on February 1. The 2016 Refunding Bonds will mature in regularly increasing amounts ranging from \$2,700 to \$4,715 annually from FY 2023-24 to FY 2037-38. Outstanding principal balance at June 30, 2023 was \$54,400.

The 2016 Refunding Bonds have an optional redemption on and after February 1, 2027. The 2016 Refunding Bonds maturing on February 1, 2038 are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.



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Notes to the Basic Financial Statements
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(in thousands)

The Electric Utility has outstanding long-term debt of \$133,528 and has no direct borrowings and no direct placements as of June 30, 2023. The Electric Utility also has no outstanding or unused line of credit related to long-term debt as of June 30, 2023. The Electric Utility bonds payable contain a provision that none of the electric utility assets owned by the City will be sold or leased if the City is unable to satisfy the debt service requirement. The Electric Utility bonds payable contain a provision that in an event of default, the owners of 25% in aggregate Bond Obligations of Bonds then outstanding may call a meeting of the bond owners for the purpose of electing a bondowners' committee. The Electric Utility bonds payable contain a subjective acceleration clause that allows the bondowners' committee to accelerate payment of the entire principal and interest amounts to become immediately due in an event of default by the City.

	Amount outstanding at June 30, 2022	Additions	Retirements	Amount outstanding at June 30, 2023	Due within one year
Electric Revenue Bonds, 2013 Refunding Series	\$ 14,540	-	1,145	13,395	1,210
Electric Revenue Bonds, 2013 Series	51,085	-	1,430	49,655	1,500
Electric Revenue Bonds, 2016 Refunding Series	57,820	-	3,420	54,400	3,590
Premium	17,210	-	1,131	16,078	1,131
Total bonds payable	\$ 140,655	-	7,126	133,528	7,431

Leases Payable

	Balance at July 1, 2022	Additions	Retirements	Adjustment	Balance at June 30, 2023	Due within one year
Flint Peak tower facility ground lease	\$ 87	-	2	-	85	3
Airspace land lease	77	-	40	6	43	39
Total leases payable	\$ 164	-	42	6	128	42



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

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

Fiscal year	Electric Revenue Bonds		
	Interest	Principal	Total
2024	\$ 5,873	6,300	12,173
2025	5,558	6,600	12,158
2026	5,228	6,930	12,158
2027	4,881	7,270	12,151
2028	4,518	7,630	12,148
2029-2033	16,833	35,000	51,833
2034-2038	9,027	30,470	39,497
2039-2043	2,672	17,250	19,922
	<u>\$ 54,590</u>	<u>117,450</u>	<u>172,040</u>

The Electric 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	\$ 2	42	44
2025	1	6	7
2026	1	3	4
2027	1	3	4
2028	1	3	4
2029-2033	4	20	24
2034-2038	2	30	32
2039-2042	1	21	22
	<u>\$ 13</u>	<u>128</u>	<u>141</u>

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

The Electric Utility has entered into a lease for a space at a telecommunications facility known as Flint Peak T1 CA with American Tower Corporation that commenced on April 1, 2021 and expires on March 31, 2026. The lease has an automatic renewal until March 31, 2031 and the Electric Utility has an option to renew the lease until March 31, 2041. The agreement has annual payments of \$4 with interest rate of 1.47%. The annual payment is subject to an annual increase of 5.00%.

The Electric Utility has entered in its last five-year extension term of a land lease for the property known as Airspace Lease owned by the State of California – Department of Transportation in August 1, 2019 and expires on July 31, 2024. The agreement has monthly payment of \$4 with interest rate of 0.28%.



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Rate Covenants

The Electric Utility has covenanted in the Indenture of Trust that Net Income of the Electric System for each fiscal year will be at least equal to 1.10 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 Electric Utility is in compliance with this requirement. For the year ended June 30, 2023, net income as defined in the indenture, was \$30,236 and the debt service requirement was \$12,167.

5. Pension Plan

Plan Description

All qualified permanent and probationary employees of the Electric 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: 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 Plan’s provisions and benefits in effect at the measurement date ended June 30, 2022, are summarized as follows:

	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 Electric Utility contributions to the City's Miscellaneous Plan was \$7,746.

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

As of June 30, 2023, the Electric Utility reported a liability of \$72,144 for its proportionate share of the City's Miscellaneous Plan net pension liability. The net pension liability of the Miscellaneous Plan 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 Electric Utility's proportion of the City's Miscellaneous Plan net pension liability at June 30, 2023 was based on the Electric Utility's fiscal year 2022 contributions to the City's Miscellaneous Plan relative to the total City contributions to the Miscellaneous Plan.

The Electric 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	21%
Proportion - June 30, 2022	22%
Change - Increase (Decrease)	<u>1%</u>

For the year ended June 30, 2023, the Electric Utility recognized pension expense of \$7,686. At June 30, 2023, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,746	-
Changes of assumptions	5,606	-
Differences between expected and actual experience	44	3,147
Net differences between projected and actual earnings on plan investments	11,681	
Total	\$ 25,077	3,147

The amount of \$7,746 reported as deferred outflows of resources related to pensions resulting from the Electric Utility's contributions to the City's plan 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 ending June 30	Amounts
2024	\$ 3,113
2025	3,058
2026	1,152
2027	6,861
Total	\$ 14,184

Actuarial Assumptions

The Electric 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 Actuarial Cost Method
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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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 generational mortality improvements 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 Asset	
	Allocation	Real Return
Global equity – Cap-weighted	30.00%	4.54%
Global equity – Non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.00%	

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

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



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Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 Electric Utility's Proportionate share of the City's Miscellaneous Plan's Net Pension Liability to Changes in the Discount Rate

The following presents the Electric Utility's proportionate share of the net pension liability, calculated using the discount rate of 6.90%, as well as what the Electric 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:

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

1% Decrease		5.90%
Net Pension Liability	\$	107,517
Current Discount Rate		6.90%
Net Pension Liability	\$	72,144
1% Increase		7.90%
Net Pension Liability	\$	39,782

Pension Plan Fiduciary Net Position

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



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6. Other Post Employment Benefits Than Pensions (OPEB)

Plan Description

Eligible employees of the Electric 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



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their employment with the City. The subsidy continues until the spouses turn 65 and the children turn 26 (if applicable).

The above benefits offered to retirees are no longer available to new entrants because of the restriction of the retirement dates. Benefits payments made by the Electric Utility for the year ended June 30, 2023 were \$73.

Total OPEB Liability

As of June 30, 2023, the Electric Utility reported a liability of \$1,781 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 the 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 (Non-Kaiser) – 5.65% 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 index.

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



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

The following presents the OPEB liability measured of the Electric Utility as of June 30, 2022, as well as what the Electric 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:

		2.54%	3.54%	4.54%
Total OPEB Liability	\$	2,022	1,781	1,582

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

The following presents the total OPEB liability of the Electric Utility, as well as what the Electric 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:

		1% Decrease (Trend -1%)	Current Healthcare Cost Trend Rates	1% Increase (Trend +1%)
Total OPEB Liability	\$	1,766	1,781	1,798

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, Electric Fund recognized OPEB credit of \$28. At June 30, 2023, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB payments made subsequent to the measurement date	\$	73	-
Changes of assumptions		355	505
Differences between expected and actual experience		-	392
Total	\$	408	897



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The amount of \$73 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	\$ (80)
2025	(80)
2026	(80)
2027	(54)
2028	(46)
Thereafter	(222)
Total	\$ (562)

Change in Assumption

Discount rate was changed from 2.16% to 3.54%.

7. Self-Insurance Program

The Electric Utility participates in City's unemployment and workers' compensation insurance. For purposes of general liability, the Electric Utility participated 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 Ins.	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



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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 Electric Utility to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2023, premiums charged for Electric Utility was \$1,772.

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

8. Net Position

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. Net position is reported as unrestricted when there are no limitations imposed on their use.

Environmental compliance mandated by the California Air Resources Board (CARB) dedicated to the reduction of carbon emissions and provide educational programs for the improvement of public health in Glendale. The proceeds from the CARB auction for fiscal year 2023 was \$37,160.

Low Carbon Fuel Standard (LCFS) program offered by the CARB to reduce the carbon intensity of transportation fuels used in California and provide local EV programs, including education, outreach, installation of public EV charging infrastructure and EV rebate programs. The proceeds from the LCFS program for fiscal year 2023 was \$1,634.

Excess capital surcharge revenue restricted to retrofit the City's Grayson Power Plant as mandated by Air Quality Management for fiscal year 2023 was \$5,669.

9. "Take or Pay" Contracts

The Electric Utility has entered into twelve "Take or Pay" contracts, which require payments to be made whether or not projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. Such payments represent the Electric Utility's share of current and long-term obligations. Payment for these obligations is expected to be made from operating revenues received during the year that payment is due. These contracts provide for current and future electric generating capacity and transmission of energy for the City residents.



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Through these contracts, the Electric Utility purchased approximately 46% of its total energy requirements during fiscal year 2022-2023. With a few exceptions, the Electric Utility is obligated to pay the amortized cost of indebtedness regardless of the ability of the contracting agency to provide electricity. The original indebtedness will be amortized by adding the financing costs to purchase energy over the life of the contract. All of these agreements contain “step-up” provisions obligating the Electric Utility to pay a share of the obligations of any defaulting participant.

The Intermountain Power Agency, a subdivision of the State of Utah, was formed in January 1974 to finance the construction of a 1,400 megawatt coal-fired generating plant, consisting of two generating units located near Delta, Utah and associated transmission lines, called the Intermountain Power Project. The project began uprating of the two generating units in early 2003. When the uprating was finished in March 2004, it increased the capacity of the plant from 1,400 megawatts to 1,800 megawatts. The Electric Utility through contract is obligated for 30 megawatts or 1.70% of the generation. In addition, the Electric Utility entered into an “Excess Power Sales Agreement” with the IPA, agent for the Utah Municipal Purchasers and the Cooperative Purchasers, which entitles the Electric Utility to additional shares that can vary from year to year. As of June 30, 2023, Excess Entitlement share is 0.50%. The total Electric Utility’s obligation from Intermountain Power Project (IPP) is up to 39 megawatts. The current agreement expires in 2025.

Activities to repower the 1,800 megawatts coal-fired generation facility with 840 megawatts natural gas-fired combined cycle generation commenced in 2019. On July 23, 2019, the City Council approved GWP’s recommendation for continued participation in the IPP project which enabled Glendale to retain its 4.166% share of the plant and increase its share of the Southern Transmission System (STS) to 5.278%, providing Glendale 35 megawatts of generation and 127 megawatts of transmission capacity through 2077. The IPP Repowering project also includes the plan to fuel the plant entirely with green hydrogen by 2045, beginning with 30% in 2025.

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

The first of the SCPPA projects is a 3,810 megawatt nuclear fuel generation plant in Arizona. The Palo Verde (PV) nuclear project consists of three (3) units, each having an electric output of approximately 1,270 megawatts. SCPPA has purchased approximately 225 megawatts of



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capacity and associated energy (approximately 5.91% of total Palo Verde output), of which the Electric Utility receives 9.9 megawatts or 4.40% of SCPPA's entitlement. As of June 30, 2023, Electric Utility's share is 4.40% (PV).

A second project financed through SCPPA is the Southern Transmission System (STS) that transmits power from the coal-fired IPP to Southern California. The 500 kV DC line is currently rated at 2,400 megawatts. The Electric Utility's share of the line is 2.27% or approximately 55 megawatts. As of June 30, 2023, Electric Utility's share is 2.27% (STS).

In October 2022, the City Council approved Motion authorizing execution of the Renewal Agreement for the Acquisition of Capacity, and Renewal Transmission Service Contract with SCPPA for STS, including any ancillary documents to administer and effectuate the implementation of these agreements. As a result, Electric Utility will acquire in 2027, transmission capacity of 5.278% through 2077.

A third project financed through SCPPA is the acquisition of 41.80% ownership interest in a coal-fired 497 megawatt unit in San Juan Generating Station, Unit 3 (SJ), located in New Mexico. SCPPA members are entitled to 208 megawatts. The Electric Utility is obligated for 20 megawatts or 9.80% of the SCPPA entitlement. In July 2015, the City Council authorized the SCPPA to execute, on Glendale's behalf, a set of three agreements that collectively shut down Unit 3 at the coal-fired San Juan Power Plant in New Mexico at the end of December 2017. The termination of operations at San Juan Unit 3 will help GWP achieve California state goals regarding the reduction of greenhouse gas emissions. Under the Mine Reclamation and Plant Decommissioning Agreements, Electric Utility remains responsible for the liability arising from operations before December 31, 2017. Electric Utility's obligation after 2017 is defined by approximately 1.3% of the cost of reclaiming disturbances at the mine site as of December 31, 2017. Costs of plant decommissioning will be split between exiting participants and remaining participants.

A fourth project financed through SCPPA is Mead-Adelanto Project (MA). The project consists of a 202-mile 500 kV AC transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada, and the development of the Marketplace Substation at the southern Nevada terminus approximately 17 miles southwest of Boulder City, Nevada. The initial transfer capability of the Mead-Adelanto Project is estimated at 1,200 megawatts. SCPPA members in the project are entitled to 815 megawatts. The Electric Utility is obligated for 90 megawatts or 11.04% of the SCPPA entitlement. As of June 30, 2023, Electric Utility's share is 11.04% (MA).



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A fifth project financed through SCPPA is Mead-Phoenix Project (MP). The project consists of a 256-mile long 500 kV AC transmission line from the Westwing Substation in the vicinity of Phoenix, Arizona to the Marketplace Substation approximately 17 miles southwest of Boulder City, Nevada with an interconnection to the Mead Substation in southern Nevada. The project consists of three separate components: the Westwing-Mead Component, the Mead Substation Component, and the Mead-Marketplace Component. The Electric Utility's participation shares in the components range from 11.76% to 22.73%. The Mead-Phoenix Project in conjunction with the Mead-Adelanto Project provides an alternative path for the Electric Utility's purchases from the Palo Verde Nuclear Generating Station, San Juan Generating Station and Hoover Power Plant. These transmission lines also provide access to the southwest U.S. where economical energy is readily available. As of June 30, 2023, Electric Utility's share is 14.80% (MP).

A sixth project financed through SCPPA is the Magnolia Power Project (MPP) located on Burbank Water & Power's generation station complex adjacent to Magnolia Boulevard in Burbank, California. The project consists of a combined cycle natural gas-fired generating plant with a nominally rated net base capacity of 242 megawatts. The Electric Utility is obligated for 40 megawatts or 16.53% of the project's output. As of June 30, 2023, Electric Utility's generation cost share is 16.53% and indenture cost share is 17.25%.

A seventh project financed through SCPPA is Natural Gas Prepaid Project (NGPP). In August 2007, the Electric Utility entered into a 30-year Prepaid Natural Gas Agreement with the SCPPA. The agreement will provide a secure and long-term supply of natural gas up to 3,500 MMBtu per day at a discounted price below a spot market price index. The delivery of natural gas started in July 2008. As of June 30, 2023, Electric Utility's share is 23.00% (NGPP).

An eighth project financed through SCPPA is the Linden Wind Energy Project (LIN) located in Klickitat County in the state of Washington. The facility is a 50 MW capacity wind farm. The 25-year purchase power agreement with SCPPA is for purchase of 10.00% (approximately 5 MW) of the capacity of the project. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2023, Electric Utility's share is 10.00% (LIN).

A ninth project financed through SCPPA is the Tieton Hydropower Project (THP) located near the town of Tieton in Yakima County, Washington. The Project has a maximum capacity of approximately 14 megawatts. The Project includes a 115 kV transmission line, approximately 22-miles long, connecting the generating station with PacifiCorp's Tieton Substation. The Electric



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Utility is obligated for approximately 6.8 megawatts or 50.00% of the project’s output. As of June 30, 2023, Electric Utility’s share is 50.00% (THP).

A tenth project financed through SCPPA is Windy Point/Windy Flats project (WP) located in Klickitat County in the state of Washington. The Project has a maximum capacity of approximately 262.2 megawatts. The City Council approved a 20-year purchase power agreement with SCPPA for the purchase of approximately 20 megawatts or 7.63% of the renewable energy output from the Project. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power (LADWP), but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2023, Electric Utility’s share is 7.63% (WP).

The eleventh project financed through SCPPA is the Milford II Wind Project (MIL2) located near Beaver and Millard Counties, Utah. The Project has a capacity of approximately 102 megawatts. The City Council approved 20-year purchase power agreement with SCPPA for the purchase of approximately 5 megawatts or 4.90% of the Project’s output. The Electric Utility has sold its output entitlement share to Los Angeles Water and Power, but remains responsible for all the obligations associated with its participation in the Power Sales Agreements in the event if LADWP should default. As of June 30, 2023, Electric Utility’s share is 4.90% (MIL2).

Take-or-Pay commitments expire upon contract expiration date, or final maturity of outstanding bonds for each project, whichever is later.

Final fiscal year contract expirations are as follows:

Project	Contract Expiration Date	Glendale’s Share
Intermountain Power Project (IPP) *	2027	2.12%
Palo Verde Project (PV)	2030	4.40%
Southern Transmission System (STS)	2027	2.27%
Mead-Adelanto Project (MA)	2030	11.04%
Mead-Phoenix Project (MP)	2030	14.80%
Magnolia Power Project (MPP)	2036	17.25%
Natural Gas Prepaid Project (NGPP)	2035	23.00%
Linden Wind Energy Project (LIN)	2035	10.00%
Tieton Hydropower Project (THP)	2040	50.00%
Windy Point/Windy Flats Project (WP)	2030	7.63%
Milford II Wind Project (MIL2)	2031	4.90%

*IPP debt service share



Financial Statement: Electrical Utility

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

A summary of the Electric Utility’s “Take or Pay” debt service commitment and the final maturity date as of June 30, 2023:

Fiscal Year	IPP	STS	MPP	NGPP	LIN	THP	WP	MIL2	Total
2024	\$ 984	1,594	3,335	2,950	933	1,382	1,866	495	13,539
2025	850	730	3,363	5,760	4,379	1,383	13,002	495	29,962
2026	850	729	3,388	6,043	246	2,130	286	495	14,167
2027	1,355	727	3,418	6,054	246	1,232	286	494	13,812
2028	1,877	728	3,448	6,334	246	1,233	286	494	14,646
2029 - 2033	13,130	-	17,736	35,048	2,707	6,142	6,437	1,969	83,169
2034 - 2038	13,095	-	17,619	16,296	2,819	6,118	-	-	55,947
2039 - 2043	13,033	-	-	-	-	3,675	-	-	16,708
2044 - 2046	7,787	-	-	-	-	-	-	-	7,787
Total	\$ 52,961	4,508	52,307	78,485	11,576	23,295	22,163	4,442	249,737

In addition to debt service, the Electric Utility’s entitlement requires the payment for fuel costs, operation and maintenance (O&M), administrative and general (A&G), and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for fiscal year 2023 and 2022 are as follows:

Fiscal Year	IPP	PV	STS	SJ	MA	MP	MPP	NGPP	LIN	THP	WP	MIL2	Total
2023	\$ 6,907	2,795	588	2	338	204	5,635	8,085	-	958	-	-	25,512
2022	\$ 6,912	2,895	334	7	322	268	6,328	4,682	-	1,046	-	-	22,794

10. Power Purchase Agreements

Boulder Canyon Project

Since 1937, the Electric Utility has held capacity and energy rights to the hydropower generation from the Hoover Power Plant through contracts with the U.S. Bureau of Reclamation (Bureau) and the U. S. Department of Energy Western Area Power Administration (Western). As a contractual partner with the Bureau and Western, The Electric Utility has the right to a share of the power generated by the Hoover Power Plant.

The Electric Utility’s long-term contract for Hoover Power, last renewed in 1987, expired on September 30, 2017. However, as approved by the City Council on August 23, 2016, they were replaced by a new Electric Services Contract with the United States Department of Energy Western Area Power Administration (“Western”) and an Amended and Restated Implementation Services Agreement with Western, the United States Bureau of Reclamation, and the Boulder



Financial Statement: Electrical Utility

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

Canyon Project contractors, for the purchase of energy and capacity from the Boulder Canyon Project (commonly known as Hoover Dam). The current Electric Services Contract allows the Electric Utility continued ownership share in the Hoover Power Plant and the continued right to purchase power and capacity from the Hoover Power Plant, for a term of fifty years beginning on October 1, 2017 through September 30, 2067. The City is entitled to 33 MW.

High Winds Energy Project

In August 2003, the Electric Utility entered into a 25-year contract, cancelable after 20 years, with PPM Energy, Inc. for the purchase of 9 megawatts of capacity from wind-powered resources in California. The City began taking delivery of the energy on September 1, 2003. The project will terminate on December 31, 2023.

Pebble Springs Wind Project

In November 2007, The Electric Utility entered into an 18-year contract with SCPPA for the purchase of 20 megawatts of renewable energy from Pebble Springs Wind Generation Facility. The project began commercial operation in January 2009.

Skylar Renewable Solar Power Purchase Agreement

In September 2014, the City entered into a 25-year contract with Skylar Resources L.P. for the purchase 50 megawatts of firmed solar-generated electric power generated from a solar facility within Western Electricity Coordinating Council (WECC) designated by Skylar, with a guarantee by the seller that at least fifty percent of 50 MW/hour to qualify as Portfolio Content Category 1 (PCC1) renewable energy on an annual basis.

In November 2015, the transaction was bifurcated into 2 separate agreements: the first agreement was a four-year contract with Morgan Stanley Capital Group, Inc. (MSCG) from December 1, 2015 through December 31, 2019. The second agreement was a 21-year contract with Skylar from January 1, 2020 through November 30, 2040.

In October 2017 the existing power purchase agreement was terminated and replaced with a 21-year Western Systems Power Pool (WSPP) Power Purchase Agreement (PPA) to increase renewable and carbon-free energy deliveries from 50% to 75%.

As of October 1st, 2021, the 21-year agreement executed in October 25, 2017 was assigned to Townsite Solar, LLC ("Townsite"), for the remaining 19 years of the PPA term. Under the Agreement, Townsite will continue to provide Glendale with 292,000 MWh of renewable and carbon-free energy per year, through November 30, 2040.



Financial Statement: Electrical Utility

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

Whitegrass No. 1 Geothermal Energy Project

In February 2020, City Council approved a power purchase agreement with SCPA for the purchase of 3 megawatts of renewable energy from Whitegrass No. 1 Geothermal Energy Project for a term of 25-years. The project began commercial operation in April 2020.

Star Peak Geothermal Energy Project

In February 2020, City Council approved a power purchase agreement with SCPA for the purchase of 12.5 megawatts of renewable energy from Star Peak Geothermal Energy Project for a term of 24-years. The project began commercial operation in September 2022.

Eland I Solar and Storage Purchase

In December 2019, the City Council authorized a 25-year Power Sales Agreement (PSA) with the Southern California Public Power Authority (SCPPA) for the purchase of 12.5% renewable solar energy, battery energy storage system (BESS), and environmental attributes of the Eland 1 Solar and Storage Center.

Upon execution of the Agreement, the City's entitlement share was 25 MW of solar energy and 12.5MW/50MWh of BESS. In January 2020, the project participants exercised the option to increase the BESS to 150 MW/600 MWh, augmenting the City's share of the BESS to 18.75MW/75MWh. The facility is located in Kern County, California, with point of delivery at Barren Ridge. In August 2021, Glendale City Council approved to execute a Firm Point-To-Point Transmission Service Agreement with the City of Los Angeles under LADWP's Open Access Transmission Tariff to provide 25 megawatts (MW) of capacity to transmit Eland Solar and Storage energy to the City of Glendale. The anticipated commercial operation date is in 2025.

11. Contingent Liabilities

General Fund Transfer and Electric Rates Litigation

Background

As of October 31, 2022, the lawsuits challenging the City's 2013 electric rate plan and the transfer of revenues from the Glendale Water & Power (GWP) Electric Fund to the General Fund have concluded. In 2014, Juan Saavedra and I.B.E.W. Local 18 filed a lawsuit in Los Angeles Superior Court (the "2014 IBEW Lawsuit") challenging the 2013 electric rate plan and the City's general fund transfer ("GFT"). The Glendale Coalition for a Better Government ("Coalition") also filed a



Financial Statement: Electrical Utility

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

lawsuit in 2014 challenging the 2013 electric rate plan and GFT (“2014 Coalition Lawsuit”). The 2014 IBEW Lawsuit and 2014 Coalition lawsuit were consolidated for purposes of trial (and are sometimes referred to herein collectively as the “2014 Lawsuits”). In October 2020, the City received a favorable ruling in the remand trial of the 2014 Lawsuits, resulting in a determination that the City will not have to make any refunds of electric rate revenues or general fund transfers. That decision has been appealed by IBEW.

In addition, the Coalition filed a petition for writ of mandate in July 2018 challenging the City’s 2018 electric rates on similar grounds as the 2014 Lawsuit (“2018 Coalition Lawsuit”). The 2018 Coalition Lawsuit was dismissed without prejudice and the statute of limitations tolled until there was a final non-appealable judgment in the 2014 Coalition Lawsuit.

Trial in 2014 Lawsuits

The 2014 Lawsuits challenged GWP’s 2013 electric rate plan which included GFTs. The City Charter provides that the City shall transfer 25% of electric operating revenues to the General Reserve Fund, which may be then transferred to the General Fund, unless the City Council chooses to transfer a lesser percentage to insure the sound financial position of GWP. The City has made the GFT under the authority of its City Charter since it was approved in 1921, although for many years, if not decades, it has chosen to transfer less than 25%.

The 2013 electric rates were challenged primarily on the grounds they violated Proposition 26, in that they constituted a “tax” since they exceeded the cost of providing electric service by including the GFT. In 2016, the trial court concluded that the 2013 electric rates violated Proposition 26 because of the GFT and ordered the City to credit ratepayers in the cumulative amount of the GFTs beginning with FY 2013-14, plus interest. The trial court ordered that credits for any subsequent years would accrue. The trial court also issued a writ of mandate commanding the City to cease to include the GFT in the electric rates charged to consumers unless and until a majority of the Glendale electorate approved the “tax” in the rates.

Appeal in 2014 Lawsuit

The City appealed the trial court’s 2016 decision. While the appeal was pending, the California Supreme Court decided *Citizens for Fair REU Rates v. City of Redding* (2018) 6 Cal.5th 1, which upheld a similar transfer the City of Redding imposed on its electric utility. Redding’s key holding was that, regardless of transfers, rates do not violate Proposition 26 if total projected rate revenue



Financial Statement: Electrical Utility

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

does not exceed all permissible service costs the utility could charge or if non-rate revenue, such as wholesale revenue, rental income or interest, is sufficient to cover the GFT.

In 2018, the 2nd District Court of Appeal reversed the trial court decision and remanded the judgments to the trial court. Among other things, the appellate court – relying on Redding - found that any invalid “tax” in the 2013 rates was not necessarily equivalent to the GFT but instead existed only to the extent that rate revenues exceed lawful expenses of the utility.

The appellate court also found that to the extent the City maintained a “tax” prior to Propositions 26’s adoption in 2010, it could continue to maintain said “tax” at the same rate going forward. In other words, any tax that existed in the City’s rates in 2010 was grandfathered. The appellate court reversed the portion of the trial court’s judgement declaring the 2013 rates invalid and requiring rebates in the amount of the annual transfers, and remanded the 2014 Lawsuit to the trial court to make certain factual determinations regarding the amount of the tax, if any, and consideration of the impacts of non-rate and other revenues to fund the transfer.

Remand Trial

On August 6, August 20, and October 8, 2020, the trial court held the remand trial. The trial court found that the City’s 2013 rates did not increase the tax implicit in the electric rates beyond what was grandfathered in 2006 (when the Council approved the last rate plan prior to the adoption of Proposition 26) and therefore no monetary refunds are warranted. First, the court found that the grandfathered tax implicit in the 2006 electric rates was 9.42%. Second, the court considered what rate the City imposed in 2013. The court also found that the City intended the rate increase to substantially increase its reserves, which were depleted at the time.

Third, the court agreed with the City that it could use its non-rate miscellaneous revenue from rents and grants to partially fund the GFT under Redding. Using staff’s projections for the utility’s net income, the court found the implicit tax was never projected to exceed approximately 8% over each of the five years the 2013 rates would be in place. The 2013 rates therefore did not exceed the amount grandfathered from 2006 (9.42%) and therefore the court would not order the credits it had previously, or in any amount.

In sum, rather than being required to refund some \$20 million over five years (e.g., some \$100 million), the trial court ordered no monetary remedy whatsoever. Additionally, there is no longer any order in effect requiring the City to cease making GFTs or requiring voter approval to make such transfers. The trial court entered in the remand trial on November 20, 2020.



Financial Statement: Electrical Utility

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

Settlement of 2014 Coalition Lawsuit and 2018 Coalition Lawsuit

On January 22, 2021, the City and the Coalition entered a settlement agreement that resolved the 2014 Coalition Lawsuit and the 2018 Coalition Lawsuit. In exchange for payment of Coalition's attorneys' fees and costs in the amount of \$200,000, the Coalition agreed to forego an appeal of the judgment in the 2014 Coalition Lawsuit and not to re-file a lawsuit for its claims made in the 2018 Coalition Lawsuit. The settlement resolved any legal challenges to the 2018 rates.

IBEW Appeal and Conclusion of Case

The Saavedra/IBEW petitioners appealed the judgment in the remand trial in the 2014 IBEW Lawsuit. On October 31, 2022, the Court of Appeal, in an unpublished decision, upheld the decision of the trial court, finding that there were no errors in the trial court's methodology or calculation in determining that City was not required to provide any monetary refunds or credits. IBEW did not seek rehearing or Supreme Court review of the Court of Appeal's October 31, 2022 decision; thus the Saavedra case is final. There are no ongoing challenges to the City's GFT.

Biogas Litigation

On January 11, 2022 Glenoaks Canyon Homeowners Association (GOCHA) filed a Petition for Writ of Mandate (Petition) against the City of Glendale in the matter of Glenoaks Canyon Homeowners Association v. City of Glendale, et al, Los Angeles Superior Court Case No. 22STCP00114. The Petition challenged the City Council's November 30, 2021 certification of the Biogas Renewable Generation Project (Biogas Project) Final Environmental Impact Report (FEIR), and the granting of related land use approvals. The Petition alleged that the FEIR is incomplete because lacks full analysis of various Biogas Project impacts on air quality, wildfire and lacks adequate alternatives. It further alleges that the Biogas Project is inconsistent with the City's General Plan and the findings of support of the granting of a Conditional Use Permit and a Special Review (the land use approvals) are not supported by substantial evidence. The City disagreed with GOCHA's contentions and maintained that all of the points raised in GOCHA's allegations have been adequately addressed during the CEQA review and administrative hearings for the Biogas Project. In August 2023 GOCHA and City reached a settlement to resolve all claims raised by the Petition. The Settlement Agreement was executed on August 22, 2023 and GOCHA's Petition has been dismissed, with prejudice by GOCHA. The Biogas Project is proceedings as planned.



Financial Statement: Electrical Utility

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

Grayson Litigation

On March 18, 2022, the Sierra Club filed a Petition for Writ of Mandate against the City of Glendale in the matter of Sierra Club v City of Glendale, et al., Los Angeles Court Case No. 22STCP00983. The Petition challenges the Glendale City Council's February 15, 2022 certification of a Final Environmental Impact Report (FEIR) for the proposed Grayson Repowering Project (Grayson) and authorizations to move forward with various Grayson project development activities. The Petition alleges the FEIR violates the California Environmental Quality Act (CEQA) based on the contentions that the Grayson project description is inaccurate and incomplete, that the environmental justice analysis is inadequate, and that the Final EIR failed to adequately disclose and evaluate the Grayson project's significant environmental effects. City disagrees with Sierra Club's contentions and maintains the FEIR is legally adequate under CEQA.

In a related case that the Los Angeles Superior Court has coordinated with the above-described Sierra Club matter, on March 21, 2022, the Glendale Residents Against Environmental Destruction (GRAED) filed a Petition for Writ of Mandate against the City of Glendale (Glendale Residents Against Environmental Destruction v City of Glendale, et al., Los Angeles Court Case No. 22STCP01021) also challenging the Glendale City Council's February 15, 2022 certification of a Final Environmental Impact Report (FEIR) for the proposed Grayson Repowering Project (Grayson) and authorizations to move forward with various Grayson project development activities. The GRAED Petition alleges the FEIR violates CEQA for failing to adequately describe the environmental setting and the project, for insufficient analysis of significant impacts, including impacts on historic resources, for failure to identify and analyze potentially feasible mitigations and prepare a range of reasonable project alternatives, for failure to adequately respond to comments on the Draft EIR, and for failure to adopt adequate findings. The Petitioner also alleges the City violated the Glendale Municipal Code. City disagrees with GRAED's contentions and maintains the FEIR is legally adequate under CEQA.

On July 31, 2023, the trial court issued statement of decisions denying both Petitions (both for Sierra Club and GRAED). In the Sierra Club the court rejected Sierra Club's arguments, including the argument that the City needed to study the potential impacts of burning hydrogen and that the City inadequately analyzed environmental justice issues. In the GRAED case, the court ruled that although the certification of the EIR was appropriately done and the procedures followed by the City were adequate. An appeal has not been filed in either of the cases. The Grayson Project continues to move forward as planned and currently is well into the demolition phase.



Financial Statement: Electrical Utility

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

11. *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.



ELECTRIC UTILITY REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of the Electric Utility's Proportionate Share of the City's Net Pension Liability
(Miscellaneous Plan)
Last 10 Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Electric Utility's proportion of the net pension liability	22%	21%	21%	21%	21%
Electric Utility's proportionate share of the net pension liability	\$ 72,144	\$ 37,753	\$ 68,975	\$ 64,601	\$ 61,278
Covered payroll	\$ 21,305	\$ 21,329	\$ 20,792	\$ 20,008	\$ 19,488
Electric Utility's proportionate share for the City's Miscellaneous Plan's net pension liability as a percentage of covered payroll	338.62%	177.00%	331.74%	322.88%	314.44%
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>	
Electric Utility's proportion of the net pension liability	21%	21%	21%	21%	
Electric Utility's proportionate share of the net pension liability	\$ 62,837	\$ 56,051	\$ 45,890	\$ 41,187	
Covered payroll	\$ 19,032	\$ 18,177	\$ 19,275	\$ 19,168	
Electric Utility's proportionate share for the City's Miscellaneous Plan's net pension liability as a percentage of covered payroll	330.16%	308.36%	238.08%	214.87%	
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	73.01%	73.87%	77.94%	79.94%	

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



ELECTRIC UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Pension Plan Contributions Last 10 Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 7,746	\$ 7,316	\$ 6,788	\$ 6,207	\$ 5,749
Contributions in relation to the actuarially determined contribution	7,746	8,500	6,788	6,207	5,749
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1,184)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 21,825	\$ 21,305*	\$ 21,329	\$ 20,792	\$ 20,008
Contributions as a percentage of covered payroll	35.49%	39.90%	31.83%	29.85%	28.73%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Actuarially determined contributions	\$ 4,877	\$ 4,013	\$ 3,634	\$ 2,982	
Contributions in relation to the actuarially determined contribution	4,877	4,013	3,634	2,982	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 19,488	\$ 19,032	\$ 18,177	\$ 19,275	
Contributions as a percentage of covered payroll	25.03%	21.09%	19.99%	15.47%	

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

* Revised Covered payroll to match CalPERS GASB 68 Accounting Report.



ELECTRIC UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Electric Utility's Proportionate Share of the City's Total OPEB Liability Last 10 Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Electric Utility's proportion of the total OPEB liability	14.33%	14.36%	14.44%
Electric Utility's proportionate share of the total OPEB liability	\$ 1,781	2,156	2,632
Covered-employee payroll	\$ 24,302	25,283	23,859
Electric Utility's proportionate share of the total OPEB liability as a percentage of the covered-employee payroll	7.33%	8.53%	11.03%

- FY2021 is the first year of recording OPEB liability in the Electric Utility; therefore, only three years of data is shown.

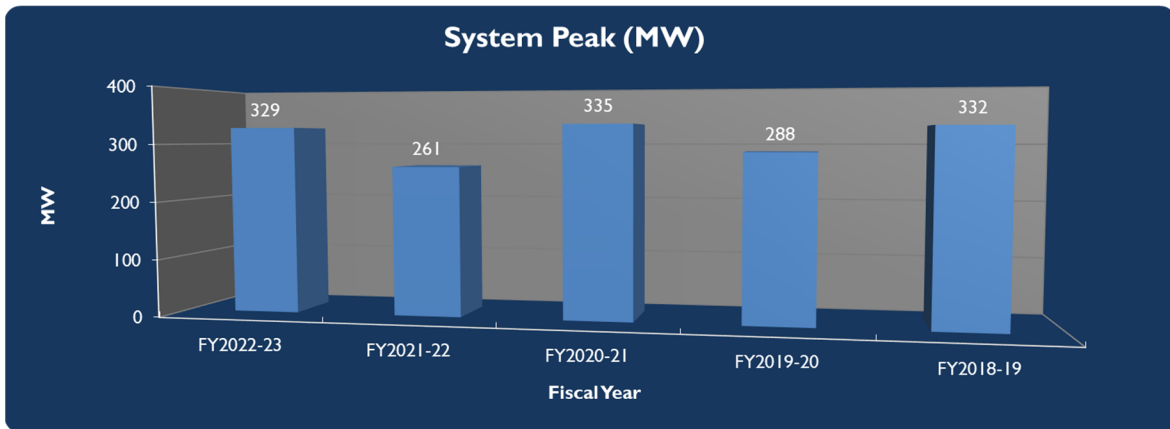
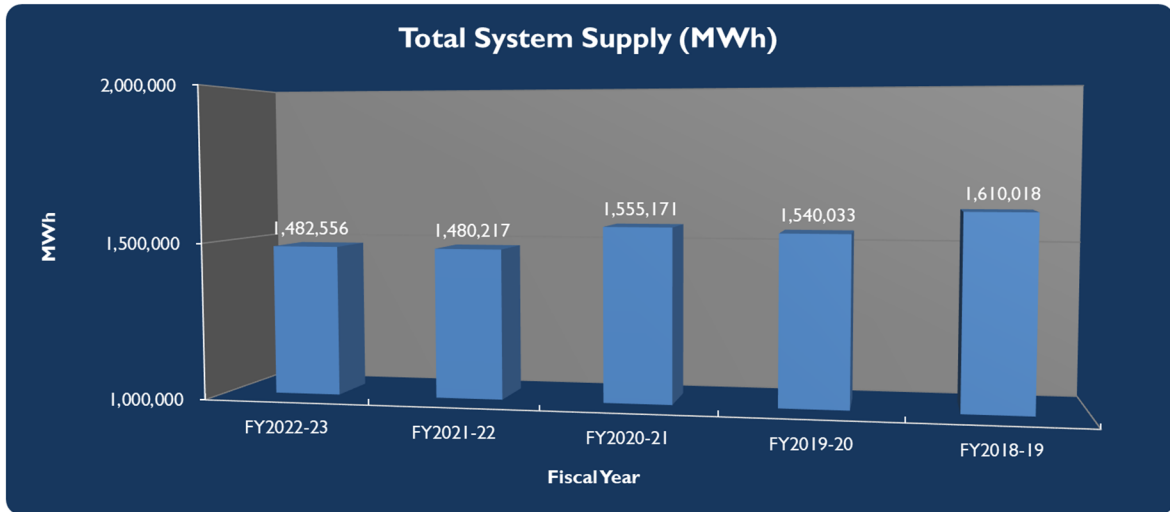


FY2022-23

ELECTRIC UTILITY OPERATING STATISTICS

Last Five Years

SYSTEM SUPPLY (MWH)	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Owned Generation					
Glendale Owned Generating Facilities					
Natural Gas Units (Grayson)	90,479	108,818	144,657	119,213	79,210
Jointly Governed Organizations					
Intermountain Power Project (IPA)	124,969	143,070	261,086	233,619	243,520
PV Nuclear Generating Station (SCPPA)	82,613	82,401	81,215	82,196	81,767
Magnolia Power Project (SCPPA)	270,334	239,577	184,164	211,566	244,479
Tieton Hydropower Project (SCPPA)	23,914	26,843	21,137	19,072	18,499
Total Owned Generation	592,309	600,709	692,259	665,666	667,475
Purchased Power					
Purchased Power Contracts	483,785	463,909	488,616	453,634	451,655
Market Purchases	406,462	415,599	374,296	420,733	490,888
Total Purchased Power	890,247	879,508	862,912	874,367	942,543
Total System Supply	1,482,556	1,480,217	1,555,171	1,540,033	1,610,018
System Peak (MW)	329	261	335	288	332



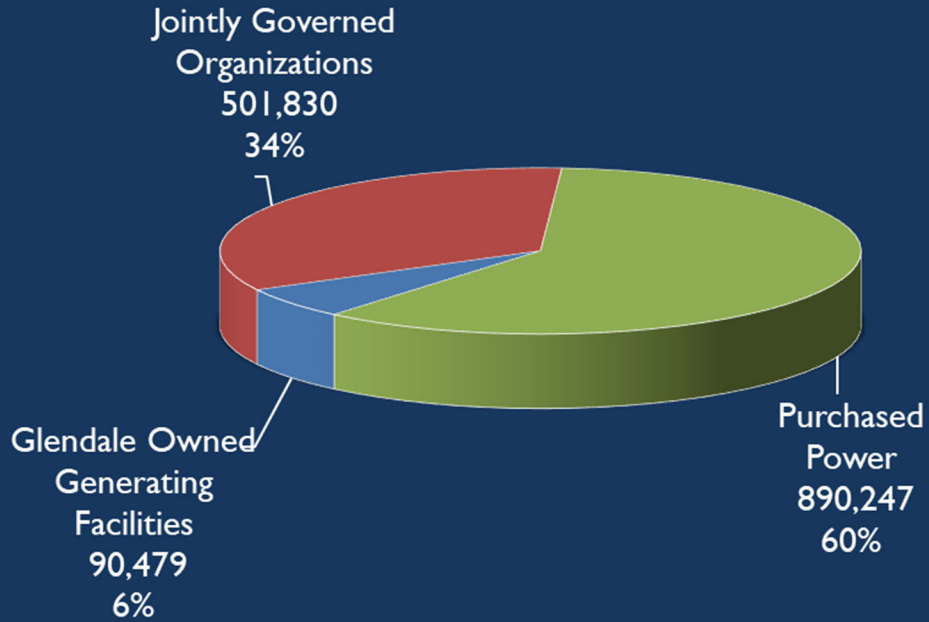
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FY2022-23

ELECTRIC UTILITY OPERATING STATISTICS

FY 2022-23: Total System Supply (MWh)



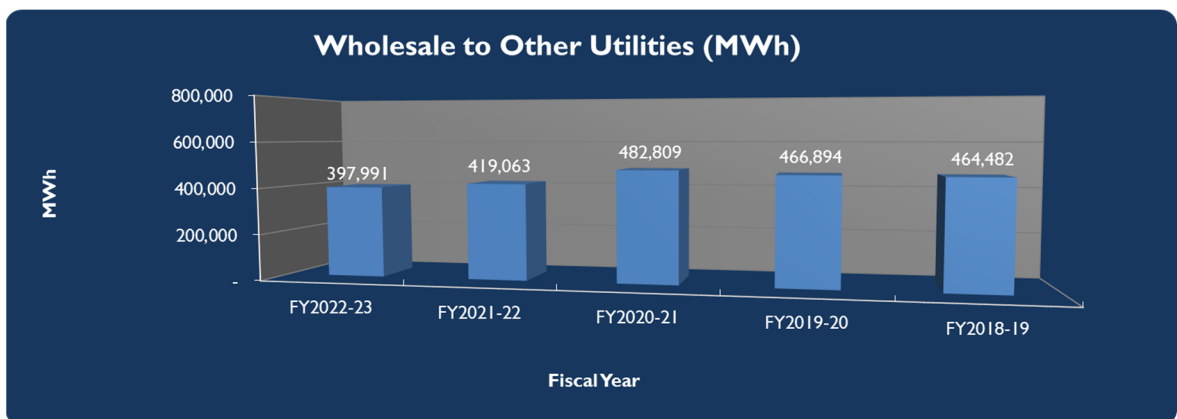
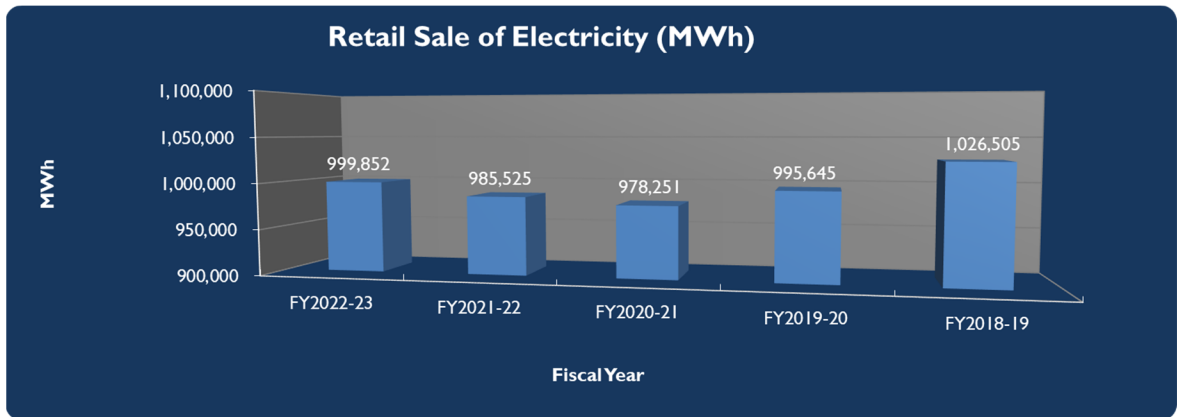


FY2022-23

ELECTRIC UTILITY OPERATING STATISTICS

Last Five Years

ELECTRIC USE	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Average Number of Meters					
Residential	77,188	76,929	76,757	76,700	76,256
Commercial	13,184	13,140	13,108	13,114	13,092
Industrial	185	193	193	195	195
Streetlights	21	21	21	21	21
Total Meters - All Classes	90,578	90,283	90,079	90,030	89,564
MEGAWATT-HOUR SALES (MWh)					
Retail Sale of Electricity					
Residential	402,751	381,594	400,862	377,905	371,625
Commercial	307,505	310,816	294,782	311,633	329,429
Industrial	280,350	283,930	273,434	296,871	316,244
Streetlighting	9,245	9,185	9,173	9,236	9,207
Total Retail Sale of Electricity	999,852	985,525	978,251	995,645	1,026,505
Wholesale to Other Utilities					
Sales to Other Utilities	397,991	419,063	482,809	466,894	464,482
Total Megawatt-Hour Sales	1,397,843	1,404,588	1,461,060	1,462,539	1,490,987



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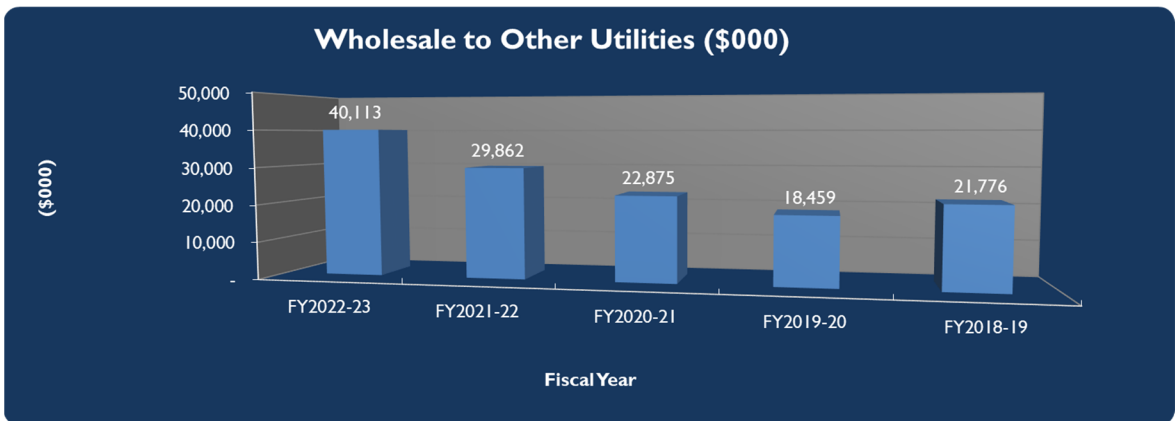
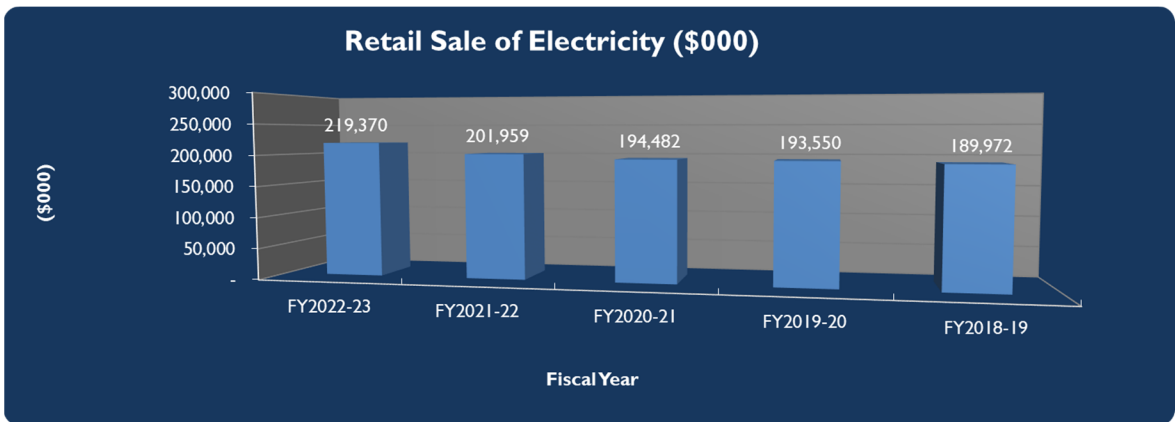


FY2022-23

ELECTRIC UTILITY OPERATING STATISTICS

Last Five Years

REVENUES (\$000)	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Retail and Wholesale Revenues					
Retail Sale of Electricity					
Residential	\$ 96,598	\$ 85,439	\$ 84,866	\$ 78,325	\$ 72,591
Commercial	67,516	63,927	59,869	62,350	63,255
Industrial	55,248	52,586	49,740	52,869	54,120
Streetlighting	8	7	7	6	6
Total Retail Sale of Electricity	219,370	201,959	194,482	193,550	189,972
Wholesale to Other Utilities					
Sales to Other Utilities	40,113	29,862	22,875	18,459	21,776
Total Retail and Wholesale Revenues	\$ 259,483	\$ 231,821	\$ 217,357	\$ 212,009	\$ 211,748

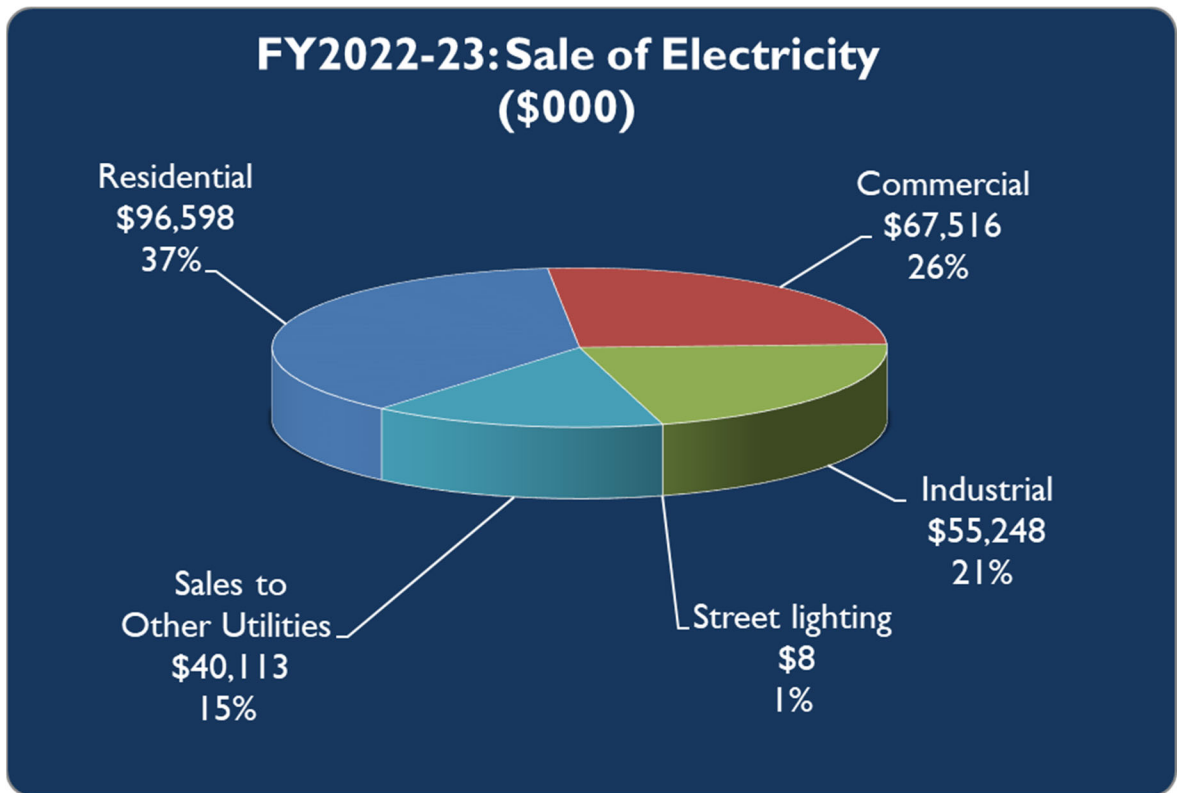
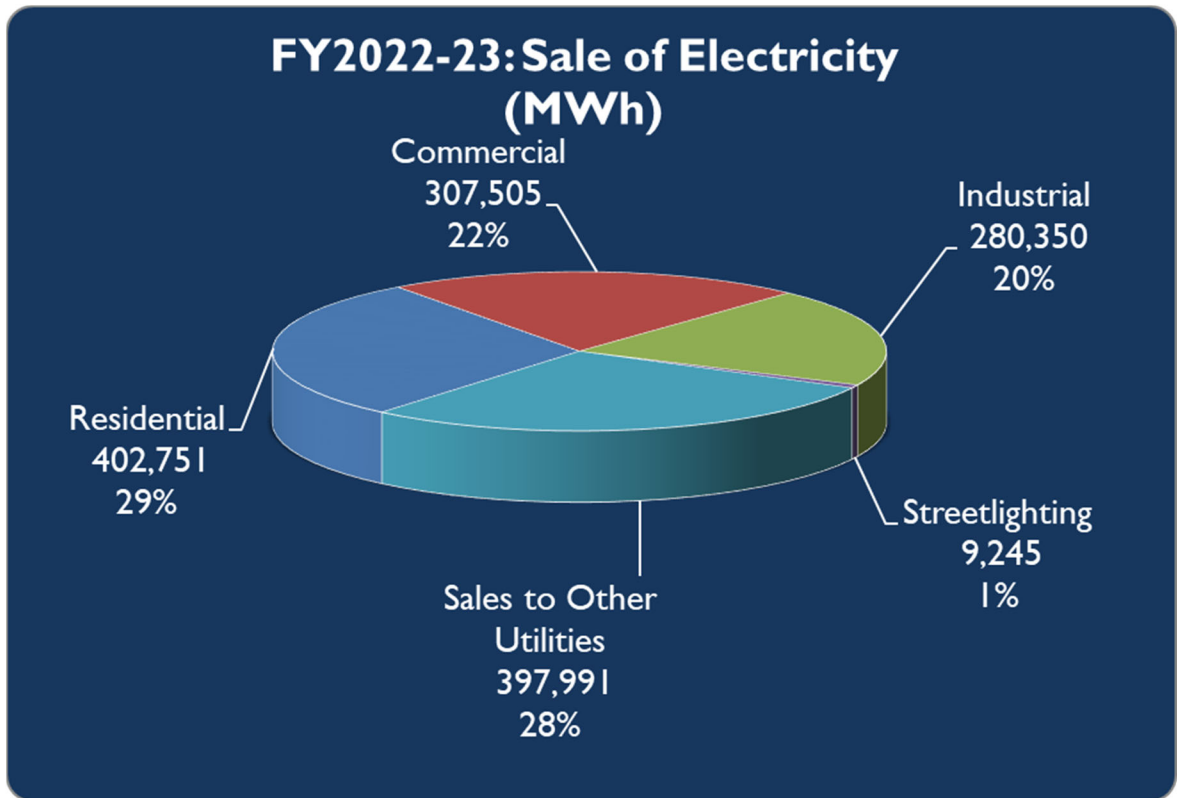


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FY2022-23

ELECTRIC UTILITY OPERATING STATISTICS



Not covered by independent auditor's report



FY2022-23

ELECTRIC UTILITY OPERATING STATISTICS

Last Five Years

TRANSMISSION & DISTRIBUTION	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Circuit Miles					
Overhead lines (miles)	276	276	275	276	276
Underground lines (miles)	284	284	284	283	282
Total Circuit Miles	560	560	559	559	558
Transformer Capacity, kVA					
230kV to 69kV	324,000	324,000	324,000	324,000	324,000
69kV to 35kV	500,000	500,000	500,000	500,000	500,000
69kV to 12kV	255,000	255,000	255,000	255,000	255,000
35kV to 12kV	122,000	122,000	137,000	137,000	137,000
35kV to 4kV	126,000	126,000	126,000	126,000	126,000
13.8kV to 35kV	186,800	186,800	186,800	186,800	186,800
13.8kV to 69kV	98,500	98,500	98,500	99,000	99,000
373V to 69kV	2,000	2,000	2,000	2,000	2,000
12 kV to Customer	702,882	702,983	696,140	693,242	687,766
4 kV to Customer	165,726	165,841	168,070	168,956	168,512
ELECTRIC UTILITY FACTS	FY2022-23	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Operating Margin	-2.1%	6.5%	2.2%	3.9%	5.7%
Debt to Total Capitalization	29.1%	29.2%	30.0%	30.6%	32.3%
Debt Service Coverage Ratio	2.5	3.8	3.6	4.7	4.4

Not covered by independent auditor's report



FY2022-23

ELECTRIC UTILITY OPERATING STATISTICS

ELECTRIC UTILITY Class Trends (Overview)	Residential	Commercial	Industrial	Street lighting	Subtotal	Sales to Other Utilities	Total
Revenue from the Sale of Electricity (\$000)							
Year Ended June 30 -							
2023	\$ 96,599	\$ 67,515	\$ 55,248	\$ 8	219,370	\$ 40,113	\$ 259,483
2022	85,439	63,927	52,586	7	201,959	29,862	231,821
Increase (Decrease)	\$ 11,160	\$ 3,588	\$ 2,662	\$ 1	\$ 17,411	\$ 10,251	\$ 27,662
Percent Increase (-)	13.1%	5.6%	5.1%	14.3%	8.6%	34.3%	11.9%
Megawatt-Hours Sold							
Year Ended June 30 -							
2023	402,751	307,505	280,350	9,245	999,852	397,991	1,397,843
2022	381,594	310,816	283,930	9,185	985,525	419,063	1,404,588
Increase (Decrease)	21,157	(3,311)	(3,579)	60	14,327	(21,072)	(6,745)
Percent Increase (-)	5.5%	-1.1%	-1.3%	0.7%	1.5%	-5.0%	-0.5%
Average Number of Meters							
Year Ended June 30 -							
2023	77,188	13,184	185	21	90,578	N/A	90,578
2022	76,929	13,140	193	21	90,283	N/A	90,283
Increase (Decrease)	259	44	(8)	-	295	N/A	295
Percent Increase (-)	0.3%	0.3%	-4.1%	0.0%	0.3%	N/A	0.3%

ELECTRIC UTILITY Class Trends (Unit Cost)	Residential	Commercial	Industrial	Street lighting	Subtotal	Sales to Other Utilities	Total
Average Billing Price per KWh							
Year Ended June 30 -							
2023	\$ 0.2398	\$ 0.2196	\$ 0.1971	\$ 0.0008	\$ 0.2194	\$ 0.1008	\$ 0.1856
2022	0.2239	0.2057	0.1852	0.0008	0.2049	0.0713	0.1650
Increase (Decrease)	\$ 0.0159	\$ 0.0139	\$ 0.0119	\$ 0.0000	\$ 0.0145	\$ 0.0295	\$ 0.0206
Percent Increase (-)	7.1%	6.8%	6.4%	1.3%	7.1%	41.4%	12.5%

ELECTRIC UTILITY Class Trends (Usage by Meter)	Residential	Commercial	Industrial	Street lighting	Subtotal	Sales to Other Utilities	Total
Average Use by Meter, kWh							
Year Ended June 30 -							
2023	5,218	23,324	1,515,407	440,252	11,039	N/A	11,039
2022	4,960	23,654	1,471,138	437,389	10,916	N/A	10,916
Increase (Decrease)	258	(330)	44,269	2,863	123	N/A	123
Percent Increase (-)	5.2%	-1.4%	3.0%	0.7%	1.1%	N/A	1.1%

Not covered by independent auditor's report



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.

Honorable Mayor and
Members of the City Council
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.

Honorable Mayor and
Members of the City Council
City of Glendale

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>

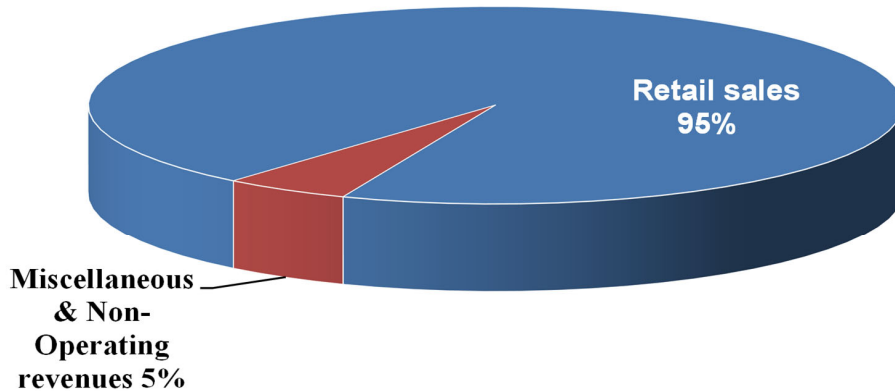
Revenues by Source – Water Utility

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.

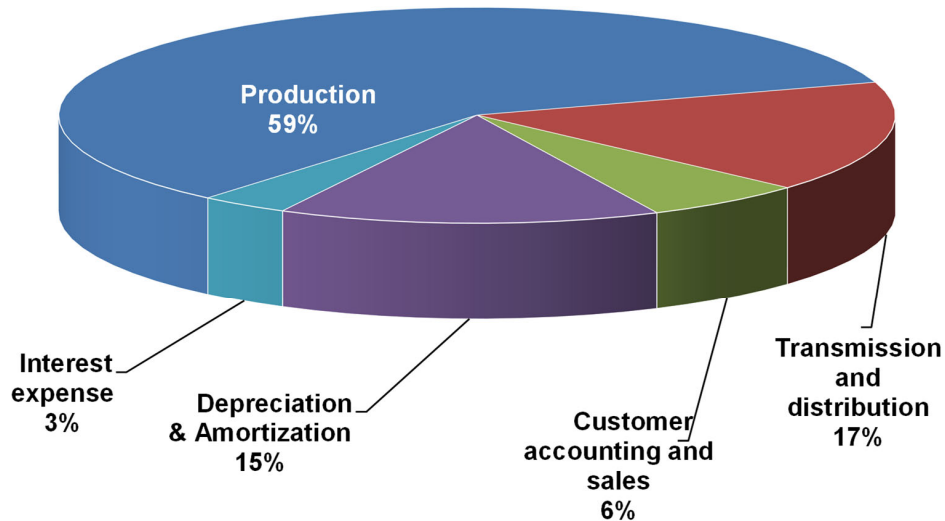
Depreciation & Amortization expense comprised 15% of total expenses and were consistent with last year.

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)

	2023	2022
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	37,021	37,276
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	182,887	182,558
Pooled designated & invested cash	11,300	11,300
Lease receivable	718	780
Other noncurrent assets	12,018	12,080
Total noncurrent assets	194,905	194,638
Total assets	231,926	231,914
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	6,873	2,686
Total assets and deferred outflow of resources	\$ 238,799	\$ 234,600

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

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

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

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

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
Fiscal Year Ended June 30, 2023
(in thousands)

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

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

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

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

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

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	<u>\$ 31,725</u>
			<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.



Financial Statement: Water Utility

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

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

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(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.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(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%



Financial Statement: Water Utility

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

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%)



Financial Statement: Water Utility

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

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	\$	<u>6,751</u>	<u>860</u>

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	\$	<u>3,703</u>

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



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(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.



Financial Statement: Water Utility

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023
(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.

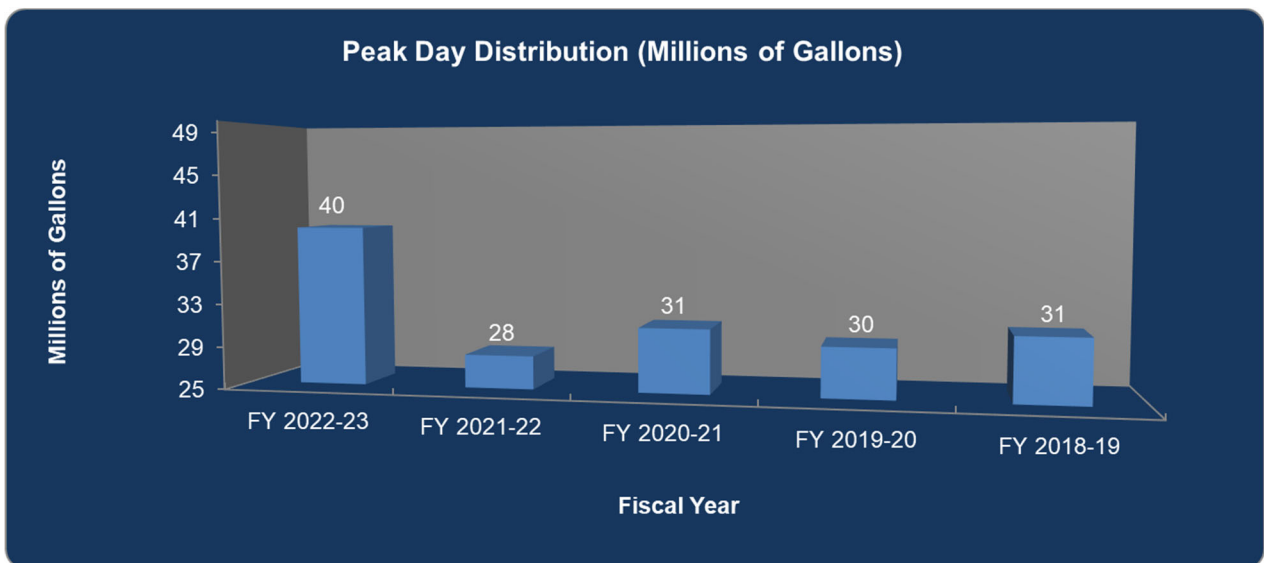
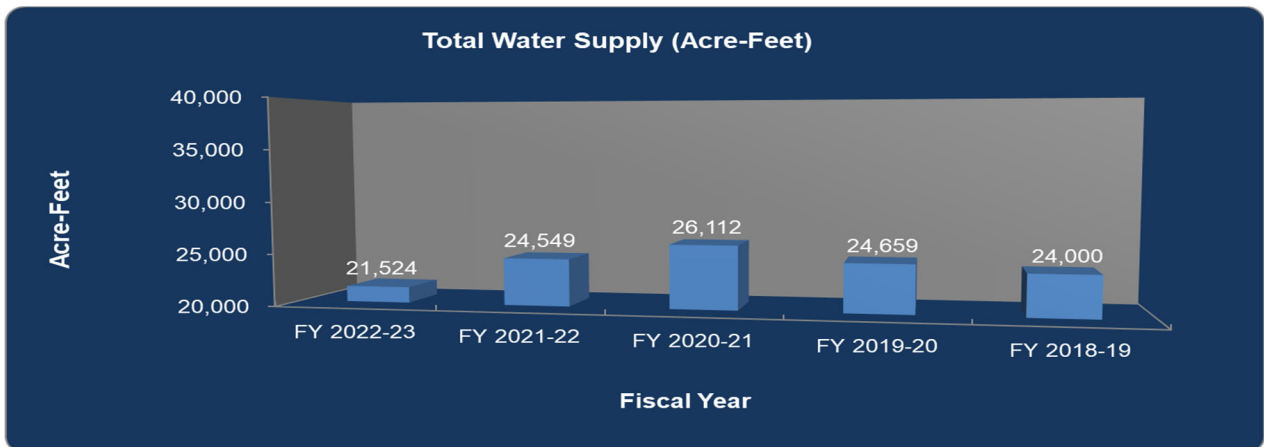


FY2022-23

WATER UTILITY OPERATING STATISTICS

Last 5 Years

WATER SUPPLY (ACRE-FEET)	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
Metropolitan Water District	12,778	15,084	16,183	14,465	14,184
Percent of Total Water Supply	59.4%	61.4%	62.0%	58.7%	59.1%
Local Groundwater	7,411	7,712	8,115	8,497	8,389
Percent of Total Water Supply	34.4%	31.4%	31.1%	34.4%	35.0%
Recycled Water	1,335	1,752	1,814	1,697	1,427
Percent of Total Water Supply	6.2%	7.1%	6.9%	6.9%	5.9%
Total Water Supply	21,524	24,549	26,112	24,659	24,000
Capacity (Gallons per Minute)					
From Metropolitan Water District	7,922	9,351	10,033	8,968	8,793
From Water System Wells, Average	360	557	477	486	516
Treatment Plant Capacity	4,234	4,224	4,555	4,782	4,685
Peak Day Distribution (Millions of Gallons)	40	28	31	30	31



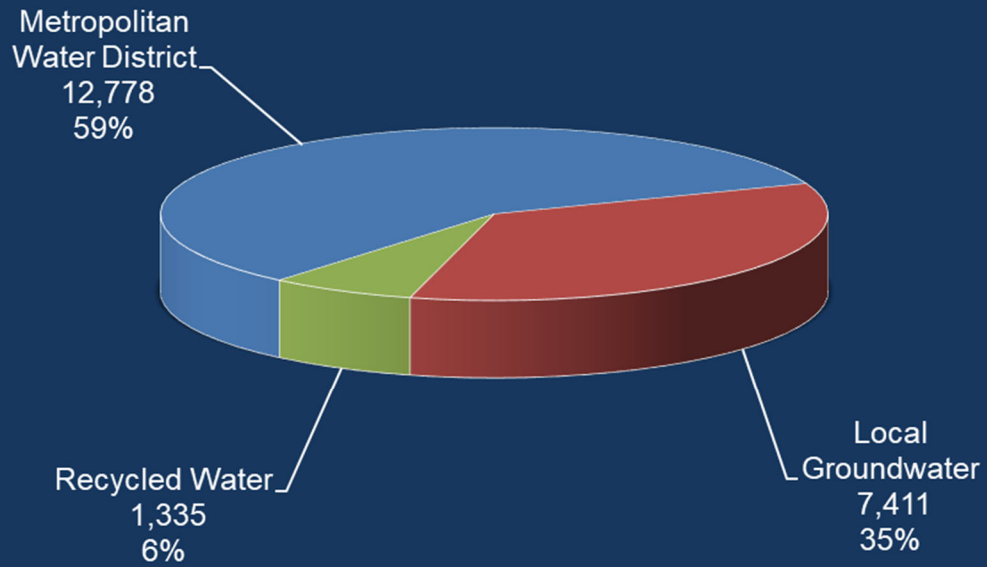
The notes to the financial statements are an integral part of this statement.



FY2022-23

WATER UTILITY OPERATING STATISTICS

FY2022-23: Water Supply (Acre-Feet)



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

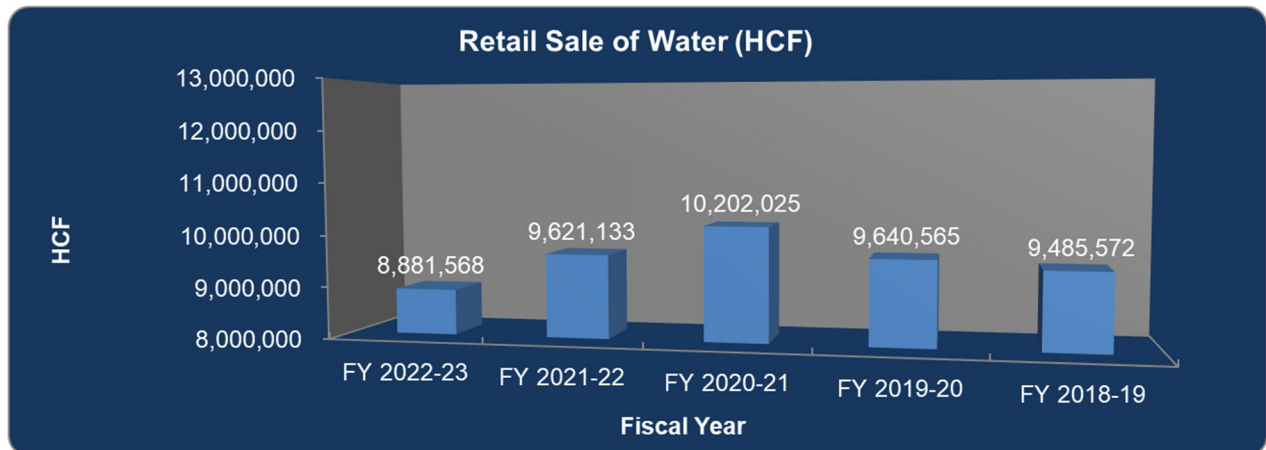


FY2022-23

WATER UTILITY OPERATING STATISTICS

Last 5 Years

Water Use	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
Average Number of Meters					
Residential	29,989	29,928	29,805	29,792	29,683
Commercial	3,810	3,794	3,788	3,774	3,754
Industrial	141	141	142	142	148
Other	627	637	644	642	620
Total Meters - All Classes	34,567	34,500	34,379	34,350	34,205
Units of Water Sold (Hundred Cubic Feet)					
Retail Sale of Water					
Residential	7,042,412	7,600,177	8,221,116	7,654,492	7,408,497
Commercial	1,624,012	1,743,562	1,670,888	1,738,050	1,854,815
Industrial	215,144	277,395	310,021	248,023	222,260
Total Retail Sale of Water	8,881,568	9,621,133	10,202,025	9,640,565	9,485,572
Other	596,593	721,305	836,750	739,272	661,429
Total Units of Water Sold	9,478,161	10,342,438	11,038,775	10,379,837	10,147,001



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

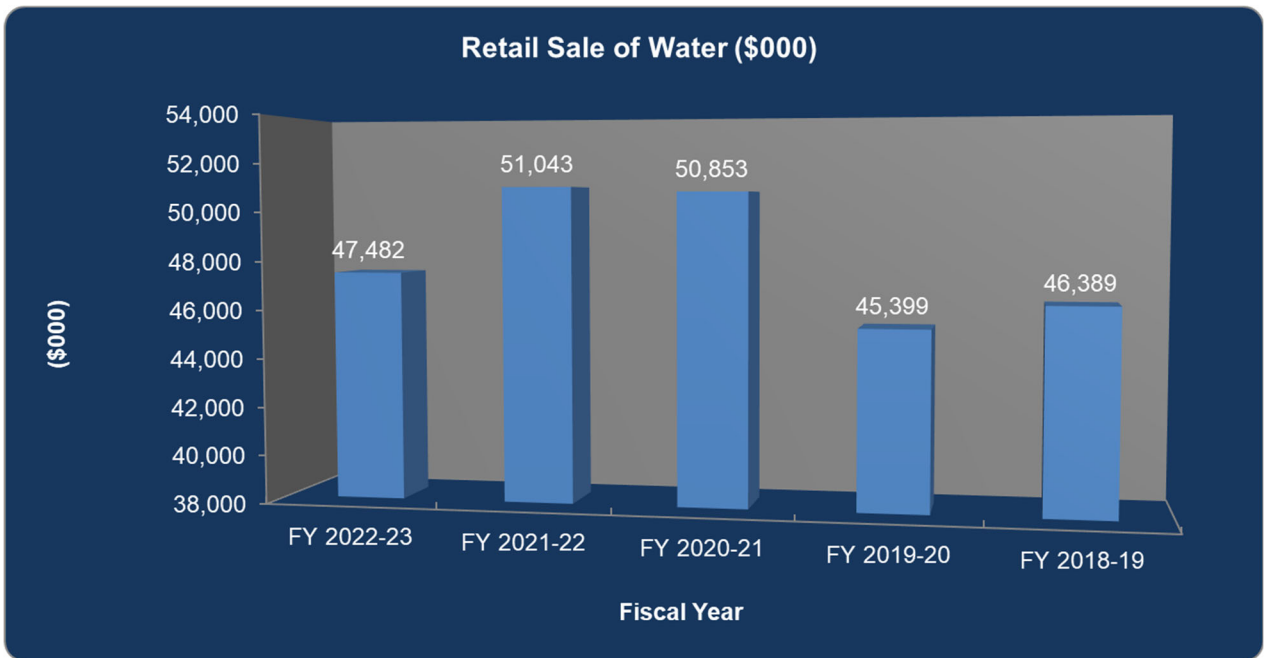


FY2022-23

WATER UTILITY OPERATING STATISTICS

Last 5 Years

REVENUES (\$000)	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
Retail Sale of Water					
Residential	\$ 35,710	\$ 38,695	\$ 39,170	\$ 34,405	\$ 34,615
Commercial	10,504	10,756	10,037	9,687	10,546
Industrial	1,268	1,592	1,646	1,307	1,228
Total Retail Sale of Water	\$ 47,482	51,043	50,853	45,399	46,389
Other	2,019	2,421	2,690	2,565	2,337
Total Revenue from the Sale of Water	\$ 49,501	\$ 53,464	\$ 53,543	\$ 47,964	\$ 48,726



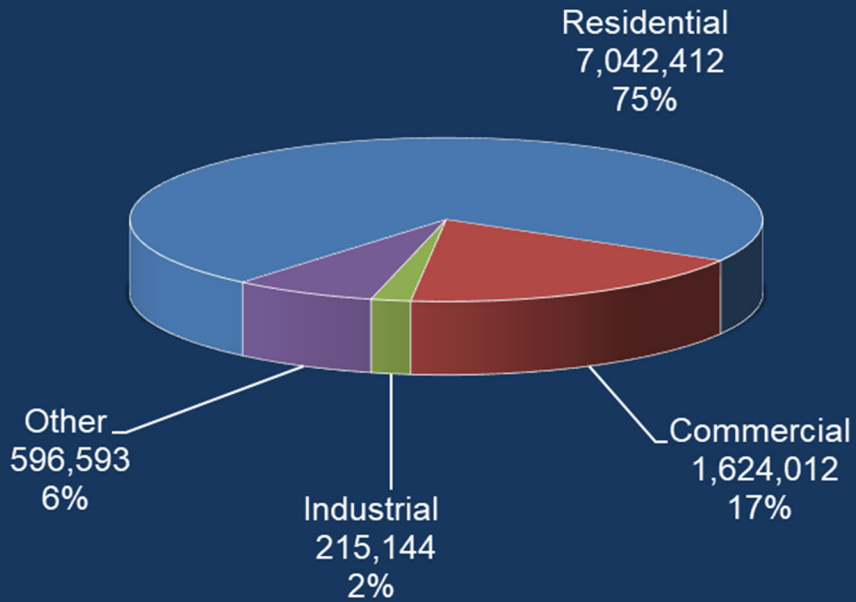
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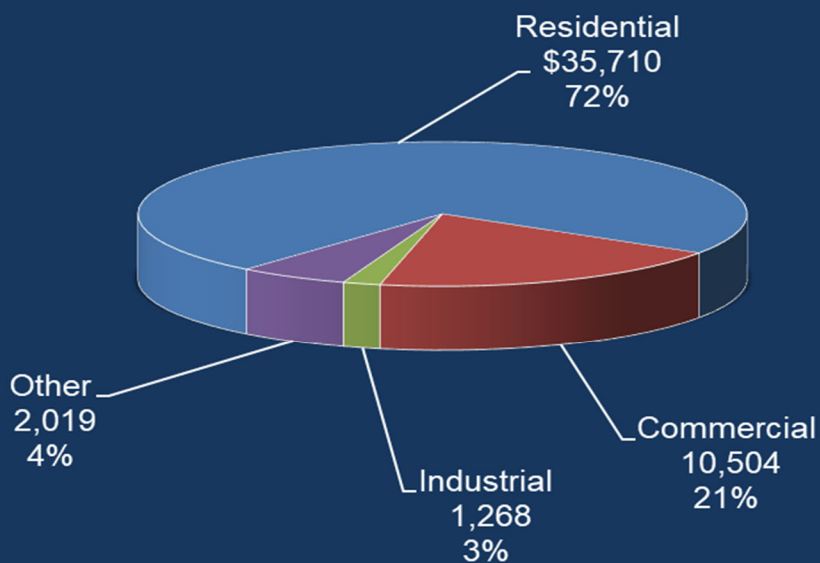
FY2022-23

WATER UTILITY OPERATING STATISTICS

FY2022-23: Units of Water Sold
(Hundred Cubic Feet)



FY2022-23:
Revenue from the Sale of Water
(\$000)



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



FY2022-23

WATER UTILITY OPERATING STATISTICS

Last 5 Years

Water Utility Facts	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	Units
Glendale Population Served	191,284	193,116	203,834	205,331	206,283	
Average Daily Sales per Capita, (Gallons)	102	110	111	103	101	
Water Distribution System						
Pumping Plants	28	28	28	28	28	Station
Total Water Storage Capacity (28 Reservoirs and Tanks)	184	184	184	184	184	Million Gallons
Chlorination Facilities	3	3	3	3	3	
Mains	394	393	393	393	404	Miles
Gate Valves	9,727	9,717	9,556	9,589	9,490	
Meters	34,567	34,500	34,379	34,350	34,205	
Firelines	1,441	1,443	1,429	1,414	1,430	
Fire Hydrants	3,271	3,270	3,247	3,242	3,226	
Pressure Zones	12	12	12	12	12	Zones
Wells:						
San Fernando Basin	9	9	9	9	9	
Verdugo Basin	7	7	7	7	4	Plus Pickup Facility
Water Treatment Plants						
Verdugo Park Water Treatment Plant	2	2	2	2	N/A (Inactive)	MGD
Glendale Water Treatment Plant	9	9	9	9	9	MGD
Recycled Water Distribution System						
Pumping Plants	6	6	6	6	6	Stations
Total Water Storage Capacity (5 Reservoirs)	1.1	1.1	1.1	1.1	1.1	Million Gallons
Mains	24	24	24	24	23	Miles
Operating Margin	5.0%	16.9%	10.9%	1.5%	6.7%	

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



FY2022-23

WATER UTILITY OPERATING STATISTICS

Water Utility - Class Trends									
(Overview)	Residential	Commercial	Industrial	Recycled	Other Fireline	Outside	Subtotal	Other Contracts	Total
Revenue from the sale of water (\$000)									
Year ended June 30 -									
2023	\$ 35,539	\$ 10,504	\$ 1,268	\$ 1,746	\$ 236	\$ 37	\$ 49,330	\$ 171	\$ 49,501
2022	38,387	10,756	1,592	2,139	248	34	53,156	308	53,464
Increase (decrease)	\$ (2,848)	\$ (252)	\$ (324)	\$ (393)	\$ (12)	\$ 3	\$ (3,826)	\$ (137)	\$ (3,963)
Percent increase (-)	-7.4%	-2.3%	-20.4%	-18.4%	-4.8%	8.8%	-7.2%	-44.5%	-7.4%
Units of water sold (hundred cubic feet)									
Year ended June 30 -									
2023	7,042,412	1,624,012	215,144	589,927	1,927	4,739	9,478,161	-	9,478,161
2022	7,600,177	1,743,562	277,395	714,529	1,664	5,111	10,342,438	-	10,342,438
Increase (decrease)	(557,765)	(119,550)	(62,251)	(124,602)	263	(372)	(864,277)	-	(864,277)
Percent increase (-)	-7.3%	-6.9%	-22.4%	-17.4%	15.8%	-7.3%	-8.4%	-	-8.4%
Average number of meters									
Year ended June 30 -									
2023	29,989	3,810	141	88	484	55	34,567	-	34,567
2022	29,928	3,794	141	87	495	55	34,500	-	34,500
Increase (decrease)	61	16	-	1	(11)	-	67	-	67
Percent increase (-)	0.2%	0.4%	0.0%	1.1%	-2.2%	0.0%	0.2%	-	0.2%

Water Utility - Class Trends									
Unit Cost	Residential	Commercial	Industrial	Recycled	Other Fireline	Outside	Subtotal	Other Contracts	Total
Average billing price per hundred cubic feet									
Year ended June 30 -									
2023	\$ 5.05	\$ 6.47	\$ 5.89	\$ 2.96	\$ 122.47	\$ 7.81	\$ 5.20	\$ -	\$ 5.22
2022	5.05	6.17	5.74	2.99	149.04	6.65	5.14	-	5.17
Increase (decrease)	\$ -	\$ 0.30	\$ 0.15	\$ (0.03)	\$ (27)	\$ 1.16	\$ 0.06	\$ -	\$ 0.05
Percent increase (-) *	0.0%	4.9%	2.6%	-1.0%	-17.8%	17.4%	1.2%	-	1.0%

Water Utility - Class Trends									
Usage by Meter	Residential	Commercial	Industrial	Recycled	Other Fireline	Outside	Subtotal	Other Contracts	Total
Average annual use by meter, hundred cubic feet									
Year ended June 30 -									
2023	235	426	1,526	6,704	4	86	274	-	274
2022	254	460	1,967	8,213	3	93	300	-	300
Increase (decrease)	(19)	(34)	(441)	(1,509)	1	(7)	(26)	-	(26)
Percent increase (-)	-7.5%	-7.4%	-22.4%	-18.4%	33.3%	-7.5%	-8.7%	-	-8.7%

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

