

## **CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE B**

This Measure is submitted to the voters by the Glendale City Council to amend the Charter to make its accounting and budget provisions consistent with Generally Accepted Accounting Principles (GAAP). The Charter identifies ten specific funds to account for activities of the general fund and the electric and water utilities of Glendale Water & Power (GWP). This amendment is intended to modify the Charter to streamline the accounting structure by reducing the number of funds associated with the general fund and GWP's electric and water funds, but continue to provide for all of the operations and activities of the above-referenced funds. This amendment will require the City to maintain separate funds for specific functions as required by federal or state laws, Charter provisions, GAAP, or as determined by council action. It further provides that the Council may establish policies relating to cash reserves.

The Charter currently requires that the City annually transfer an amount equal to 25% of annual operating revenues of GWP, excluding specified wholesale revenues, from the GWP surplus fund to the general reserve fund. The Council may reduce or waive the transfer in order to insure the sound financial position of GWP. In the 2011-12 fiscal year, the amount of this transfer equaled 12% of the electric utility's annual operating revenues, with no transfer of water revenues. The purpose of the current Charter provision is to authorize a transfer of a specified percentage of GWP's annual gross revenues from the utility to the general fund.

The Charter, however, currently provides that the transfer is to be made from the GWP surplus fund. Making this type of operating revenue transfer from a reserve or surplus fund currently violates GAAP. This amendment will make this provision consistent with GAAP by requiring that the transfer be made from the electric and water utility funds (to the extent permitted by state law). This amendment will not increase or change the method for calculating the transfer and does not increase the maximum percentage that can be transferred in a fiscal year. The amendment modifies the timing of the transfer to allow it to be made in accordance with the budget process at the beginning of the fiscal year instead of at the end of the fiscal year.

This Measure requires approval of a majority of voters. A "yes" vote for this Measure will amend the Charter to reflect current requirements of GAAP and clarify the source of payment for the GWP transfer. A "no" vote against this Measure will maintain the status quo.

**THE ABOVE STATEMENT IS AN IMPARTIAL ANALYSIS OF MEASURE B. IF YOU DESIRE A COPY OF THE MEASURE, THE PROPOSED AMENDMENT, OR THE EXISTING CHARTER, PLEASE CALL THE CITY CLERK'S OFFICE AT (818) 548-2090, AND A COPY WILL BE MAILED AT NO COST TO YOU.**

/s/ MICHAEL J. GARCIA  
City Attorney