

• sustainable: a method of using a resource so that it is not depleted or permanently damaged

using a resource so that it is not depleted or permanently damaged • paradigm: a philosophical or theoretical framework

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ANNUAL REPORT 2008



sustainable paradigms



we can
no longer
assume it is
plentiful

• sustainable: a method of using a resource so that it is not depleted or permanently damaged • paradigm: a philosophical or theoretical framework

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- Burbank adopted a Recycled Water Master Plan and a Sustainable Water Use Ordinance.
- Provided exceptionally reliable water and electric service. Electric customers were 3½ times less likely to experience an outage than industry norms.
- Kept water system lost and unaccounted for water to below 4% for the fourth straight year.
- Completed the 9th year of an infrastructure and improvement program in the water and electric systems.
- Helped residents and businesses with their water and energy consumption through aggressive conservation, education, assistance and rebate programs.

2007-2008 Highlights



BWP board

Front row, left to right:

Martin Adams
Lynn Kronzek
Wendy James
Robert Olson

Back row, left to right:

Rod Kurihara
Lee Dunayer
Thomas Jamentz



executive team

Back row, left to right:

Gregory Simay
Assistant General Manager – Electrical Services

Ronald Davis
General Manager

William Mace
Assistant General Manager – Water

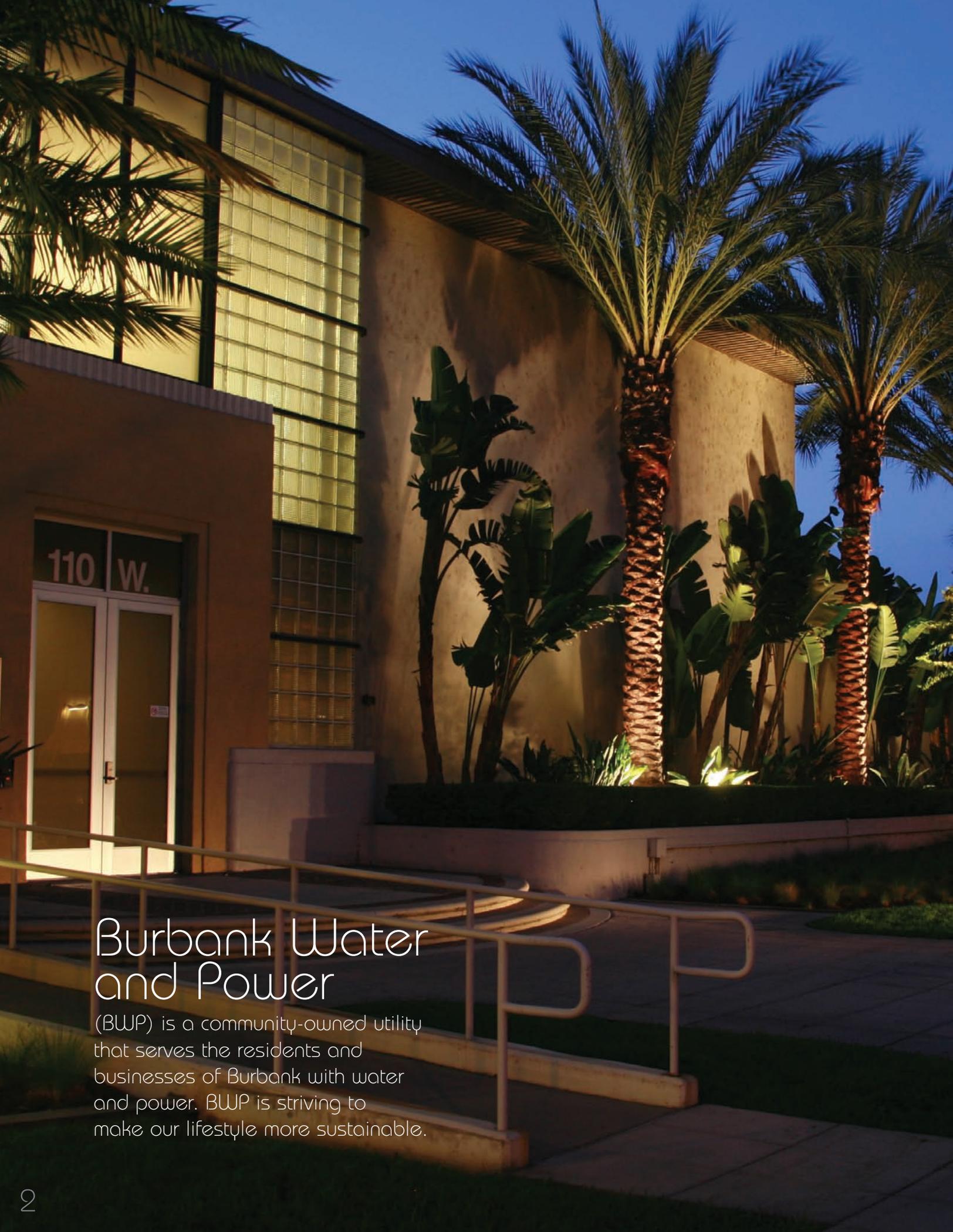
Fredric Fletcher
Assistant General Manager – Power Supply

Front row, left to right:

Joanne Fletcher
Assistant General Manager
– Customer Service & Marketing

Bob Liu
Chief Financial Officer

JoAnn Davis
Administrative Officer



Burbank Water and Power

(BWP) is a community-owned utility that serves the residents and businesses of Burbank with water and power. BWP is striving to make our lifestyle more sustainable.



Message from the General Manager

Burbank Water and Power (BWP) continued in its proud tradition of providing Burbank residents and businesses with safe, reliable and affordable water and electric service this past year. BWP did this while striving to build momentum in the City for becoming a more sustainable community.

Events during this past year, including rollercoaster energy prices and water shortages, have reinforced our need as a community to switch paradigms and rethink how we use our precious water and energy resources. Achieving sustainable paradigms will require changing our habits, models and vision. These changes will help to ensure BWP is able to provide reliable and affordable water and electric services in the future.

Thinking differently, the Burbank City Council became the first city in the nation to adopt a 33% Renewable Portfolio Standard. By 2020, about one third of the energy used in Burbank will come from green energy resources. BWP is also committed to reducing its carbon footprint. By 2027, BWP expects to achieve a 40% reduction from its 1990 carbon dioxide emission levels by reducing Burbank's dependence on fossil fuels for power generation, relying on system energy efficiency gains, and constructing and contracting for renewable resources such as wind, solar and geothermal.

Burbank's water supply has been adversely impacted by drought, environmental and judicial decisions beyond its control. The growing scarcity of this resource is driving higher the costs of water service. However, for several years BWP has been planning, developing and implementing projects and programs that have reduced our dependence on imported water. This shift toward a more sustainable paradigm is reflected in the Burbank City Council's adoption of the BWP Recycled Water Master Plan. The plan includes switching many of Burbank's largest irrigated landscaped areas from the potable water system to the recycled water system. BWP has been actively improving its potable water infrastructure to reduce system losses and has completed the Pacoima spreading ground connection to expand ground water storage when water is economically and seasonally available. In addition, BWP continues to educate and encourage Burbank's residents and businesses to change the way water is thought about as a resource through various outreach and incentive programs, developing conservation rates, and advocating changes in local building and landscaping ordinances.

In the midst of these challenges and efforts, I am pleased to report that the financial results for the Water and Electric Funds were strong in Fiscal Year 2007-08. BWP's water and electric rates provided sufficient funding for operations and maintenance, including covering the rising costs of procuring water and energy, while also providing funds for system reliability and capital improvements.

I am confident that BWP will balance Burbank's need for safe, reliable and affordable water and electric services with its responsibility to develop sustainable paradigms for water and energy. BWP will continue to promote a healthy economy while increasing the use of renewable energy resources, protecting our environment, and using water resources more wisely.

Sincerely,

Ron Davis
General Manager

BWP's Top Ten Painless Water Conservation Tips

- 1 Grass needs far less water than most people know! Water twice a week during cooler months and three times a week during warm months. Each time you water, get one-half inch of water on your lawn. Any more than this and you are over-watering.
- 2 Turn off your landscape sprinkler system on rainy days and wait two days after it rains to water.
- 3 Do not water outside landscaped areas between 10:00am and 4:00pm.
- 4 Adjust sprinklers to avoid watering driveways, sidewalks and patios.
- 5 Use a broom, not a hose, to sweep driveways, sidewalks and patios.
- 6 Promptly repair all leaks.
- 7 Direct downspouts and gutters toward shrubbery and trees.
- 8 Install low flush toilets, aerators on faucets and low flow shower heads.
- 9 Tell your server that you won't need water with your meal unless you really want it.
- 10 Plants matter! Look for less-thirsty native and California friendly plants.



Bill Mace

Assistant General Manager of Water Systems

"This past year the water utility completed several projects, including recycled water connections at Stough Park and the Starlight Bowl for landscape irrigation. BWP also completed its ninth year of its infrastructure replacement program designed to improve the water system's efficiency, safety and reliability."

Matt Elsner, Principal Civil Engineer, assisted in the development of Burbank's Recycled Water Master Plan adopted by the City Council. The plan is designed to reduce Burbank's dependence on imported water and replace wherever feasible potable water use with recycled water use. This plan is integral to Burbank's goal of reaching a more sustainable water paradigm. **Thank you Matt!**



water sustainability

The State of California is in its second year of a water supply crisis. The crisis is a result of drought and other environmental impacts that have dramatically limited water supply. The crisis is expected to continue for several years. BWP is actively working to find economically and environmentally viable solutions for the water supply crisis. In addition, BWP is taking several steps locally to help make Burbank's water supply a sustainable resource. Some of those steps include:

- **Reducing Water System Losses** – Water that is unaccounted for, usually resulting from leaks, typically takes up 7% of a water system's supply. In Burbank, as a result of a multi-year concerted effort by BWP's Water Division to replace and maintain water infrastructure and meters, BWP's unaccounted water has dropped well below 4% for four straight years, resulting in significant water conservation and a reduced cost of service to the community.
- **Education and Programs** – BWP maintains a user-friendly web site that explains how Burbank customers can conserve water and take advantage of a wide range of educational and rebate programs related to water conservation. It is important to Burbank's future that residents and businesses take a "Can Do" attitude toward water conservation.
- **Expanding Recycled Water Use** – Burbank has long been a leader in recycled water use. Over the next five years BWP plans to double the use of recycled water within Burbank. This expansion in recycled water use will reduce the amount of water Burbank needs to import and reduce demand on our potable water system.
- **Conservation and Water Use Efficiencies** – Last year, the Burbank City Council adopted a Sustainable Water Use Ordinance for the purpose of curtailing wasteful water use practices in the City and to provide procedures for reducing water use citywide in the event of dire water shortages. An important step toward a sustainable water paradigm will be to develop local ordinances that require homes and businesses to use water saving fixtures, appliances and irrigation systems. In addition, BWP will be looking to implement water metering systems that will allow rate design that encourages water conservation and other sustainable practices.

Burbank's water supply systems are exceptionally reliable.

- Water safety and quality are a priority at BWP. BWP constantly monitors the water supply to insure it meets all Federal, State and local drinking water standards.
- Rates for Burbank water are competitive and have funded on-going capital infrastructure repairs and maintenance necessary to not only achieve a standard of no deferred maintenance, but to also provide high reliability and minimize lost or unaccounted for water.



Joanne Fletcher, Assistant General Manager of Customer Service and Marketing, working with her team (left to right: Charles Peck, Teri Kaczmarek, Joanne Fletcher and Jeanette Meyer) on ideas for BWP's quarterly "Currents" magazine.



"BWP staff strives to find ways to provide our customers with the information they need to make smart decisions about water and electric usage. Our "Currents" mailer has been an effective tool in helping customers discover new ideas for a more sustainable future."



BWP offers rebates on refrigerators, washing machines, dishwashers, room air conditioners, ceiling fans and Low-E windows and sliding doors that are Energy Star rated. Come into BWP to get the details.

BWP Conservation Services
164 W. Magnolia Blvd.
Burbank, CA 91502
(818) 238-3730

BWP's Top Ten Energy Sustainability Tips

1 Replace incandescent bulbs with energy saving fluorescent bulbs.

2 Use major appliances late at night or early in the morning.

3 Sign-up to purchase "green power" from BWP's Green Energy Champion Program.



4 Buy Energy Star™ appliances and windows.

5 Use fans to help keep cool when it is hot.

6 Set the thermostat on your air conditioning unit to activate at 78 degrees or higher.

7 Turn off your air conditioner whenever possible.

8 Ventilate attic areas in the summer.

9 Insulate your attic.

10 Put a solar power generation system on your sunny roof.



CONSERVATION

BWP

is committed to sustainability through conservation efforts and operates a conservation help desk in its main lobby at 164 W. Magnolia Blvd. Visitors to the conservation desk can get assistance with a wide range of programs designed to conserve energy and water.

Mary Forrest, Senior Conservation Advisor, discusses with a customer how to put to best use the water aerators and fluorescent bulbs mailed to all Burbank utility customers.





Greg Simay

Assistant General Manager of Electric Systems

"BWP is in its ninth year of replacing old facilities like the electric station behind me. Upgrading infrastructure supports our commitment to conservation and sustainability by reducing system losses and by making it easier to integrate customer-based renewables like solar energy."

Fredric Fletcher

Assistant General Manager of Power Systems

"BWP has been improving its power monitoring and control systems to improve system efficiency, control plant emissions, and manage electric system demand as part of our effort to be environmentally responsible and part of a more sustainable community."



Check out BWP's solar photovoltaic (PV) power generation rebate programs online at burbankwaterandpower.com. Did you know that BWP allows you to connect your solar system to the utility grid? You can buy power from BWP when you need it and bank a credit by turning the meter backward when you produce more power than you need.

power sustainability

Key to developing a sustainable community is reducing our dependence on fossil fuels and harmful greenhouse gas emissions. BWP's plans for achieving a sustainable energy community include:

- **Expanded Use of Renewable Energy** – The Burbank City Council has adopted a goal of a 33% Renewable Portfolio Standard by 2020. BWP plans to meet this goal, reducing Burbank's dependence on fossil fuel power generation, through efficiency gains and by constructing and contracting for renewable resources such as wind, solar, and geothermal.
- **Being Environmentally Friendly** – A transition from fossil fuels to renewable energy sources will result in a significant reduction in BWP's greenhouse gas emissions and go a long way toward reducing Burbank's carbon footprint. By 2027 BWP plans to cut its carbon dioxide emission levels by 40% of 1990 emission levels.
- **Improving System Efficiency** – For several years BWP has been investing in system efficiency to reduce system energy losses. These improvements have had, and will continue to have, a significant impact on reducing energy demand, while also improving BWP's already strong reliability. BWP has made these efficiency and reliability improvements without the use of capital financing while maintaining a very competitive rate structure.
- **Educating Our Customers** – BWP maintains a user friendly web site that explains how all Burbank customers can conserve energy and take advantage of a wide range of energy conservation programs. BWP also has conservation staff on duty during regular business hours to assist residents and businesses with conservation questions and issues.
- **Local Ordinances and Rates** – One important step toward a sustainable energy future in our community is to develop local ordinances requiring homes and businesses to be energy efficient. BWP will be advocating economically sensible changes that will conserve energy. In addition, BWP is implementing metering systems that will allow for a rate design that encourages energy conservation and load shifting, especially during peak electric load periods.



sustainable

a method of using a resource so that it is not depleted or permanently damaged

Bob Liu

Chief Financial Officer

"Forward thinking financial planning has put Burbank's water and electric utilities in the enviable position of having reliable infrastructure, competitive rates and a strong financial standing. This planning will allow BWP to align our community with more sustainable paradigms while being poised to take advantage of energy and water market opportunities as they arise."



JoAnn Davis

Administrative Officer

"A key to BWP's success in providing reliable, affordable and sustainable utility services has been its dedicated employees. BWP continues to focus on succession planning for key utility positions, and is proactive in its recruitment, training, and retention efforts."

a philosophical or theoretical framework

paradigm

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

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

Independent Auditors' Report

We have audited the accompanying financial statements of the Water and Electric Utility Funds, each an enterprise fund of the City of Burbank, California as of and for the year ended June 30, 2008 as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the City of Burbank, California. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Water and Electric Utility Funds of the City of Burbank for the year ended June 30, 2007 and, in our report dated November 15, 2007, we expressed an unqualified opinion on the respective financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water and Electric Utility Funds of the City of Burbank, California, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The introductory section and historical summary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and historical summary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
November 10, 2008

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

The management of the Water and Electric Utility Enterprise Funds (The management or management) offer the following overview and analysis of the basic financial statements for the fiscal year ended June 30, 2008 (the fiscal year). Management encourages readers to utilize information in the Management Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Water and Electric Utility Funds' basic financial statements. For comparative purposes, these financial statements include the activities of the Electric and Water Utility Enterprise Funds for the two most recent fiscal years.

Management has elected to provide highlights to the basic financial statements as well as vital statistics and other relevant information concerning the Water and Electric Utility Funds. Included as part of the financial statements are three separate statements.

The Statement of Net Assets presents information on the Water and Electric Utility Funds' assets and liabilities, with the difference between the two reported as net assets.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the Water and Electric Utility Funds' net assets changed during the two most recent fiscal years. Financial results are recorded using the accrual basis of accounting. Under this method, all changes in net assets are reported as soon as the underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement for some items may affect cash flows in a future fiscal period (examples include billed but uncollected revenues and employee earned but unused vacation leave).

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash from operations, non-capital financing, capital and related financing, and investing activities.

The Notes to the Basic Financial Statements provide additional information that is essential to fully understand the data provided in the financial statements.

ELECTRIC UTILITY FUND

During the year ended June 30, 2008, the significant financial highlights are as follows:

- Net assets increased by \$8,970 or 4.4% due to favorable operating results. This increase was used to reduce outstanding liabilities and fund capital asset additions.
- The Electric Utility Fund invested \$32,761 in capital assets during this fiscal year. This planned capital spending was funded primarily from cash reserves accumulated over several years. The Electric Utility's improvement programs support the goal of delivering reliable services at competitive and stable rates. The system-wide reliability statistics reflect Management's emphasis on a highly reliable electric distribution system. The average customer experienced a service outage only once every 2.4 years compared to an industry average of 1.2 outages per year. Customers who had an outage were out of service an average of only 34.6 minutes compared to an industry average of 80.0 minutes.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

FINANCIAL ANALYSIS

Schedule of Revenues, Expenses, and Changes in Fund Net Assets (\$ in thousands)			
	2008	2007	Incr. (Decr.)
Retail sales (in MWh)	1,180,500	1,188,312	(7,812)
Operating revenues:			
Retail	\$ 155,514	\$ 153,916	\$ 1,598
Wholesale	220,177	207,259	12,918
Miscellaneous/Other revenues	6,476	7,585	(1,109)
Total operating revenues	382,167	368,760	13,407
Operating expenses:			
Power supply and fuel – retail	105,481	93,286	12,195
Purchased power and fuel – wholesale	212,823	201,132	11,691
Transmission expense	11,607	9,995	1,612
Distribution expense	8,619	10,958	(2,339)
Other operating expenses	15,511	15,606	(95)
Depreciation	12,220	11,990	230
Total operating expenses	366,261	342,967	23,294
Operating income	15,906	25,793	(9,887)
Nonoperating income (expenses):			
Interest income	4,649	4,731	(82)
Other income (expenses), net	542	849	(307)
Interest expense	(3,883)	(4,155)	272
Total nonoperating income (expenses)	1,308	1,425	(117)
Income before contributions and transfers	17,214	27,218	(10,004)
Contributions and transfers:			
Capital contributions	1,537	1,839	(302)
Transfers in from the City	55	-	55
Transfers out to the City	(9,836)	(9,565)	(271)
Change in net assets	8,970	19,492	(10,522)
Net assets, beginning of year	203,715	184,223	19,492
Net assets, end of year	\$ 212,685	203,715	8,970

Retail (sales to residential, commercial, and large commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 98.3% of the Electric Utility's operating revenues. Retail revenue grew by \$1,598 or 1.0% as a result of a 2.5% rate increase effective January 2008.

Wholesale margins of \$7,354 were \$1,227 higher than the prior year and contributed significantly to the Electric Utility's financial performance by reducing the utility's overall power supply expenses.

Retail power supply expenses were \$12,195 or 13.1% higher than the prior year as a result of higher energy prices and unplanned outages at the Intermountain Power Project. Market energy prices were approximately 20% higher than the prior year. Retail power supply expenses in 2006-2007 included a refund of \$3,628 from annual reconciliation of purchased power agreements from Southern California Public Power Authority (SCPPA); this year's reconciliation did not result in a refund.

Transmission expenses were \$1,612 or 16.1% higher than the prior year as a result of the acquisition of additional transmission capacity to ensure sufficient capacity for energy transfers from various resources.

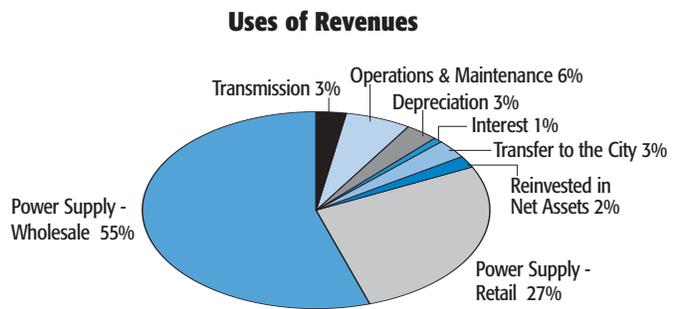
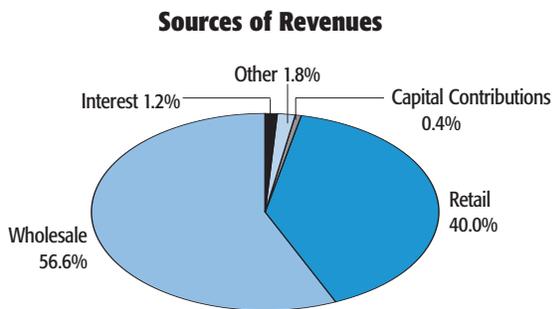
CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

Distribution expenses were \$2,339 or 21.3% lower than the prior year primarily as a result of capitalizing more labor in capital improvement projects than in the prior year.

A \$9,836 transfer to the City's General Fund included an in-lieu tax of 5.0% of electric retail revenues and a street lighting transfer of 1.25% of electric retail revenues. The Electric Utility retail customers also contributed \$10,330 or 7.0% of electric retail revenues in the form of a Utility User's Tax (UUT) to the City's General Fund. Additionally, \$4.4 million of the Electric Utility's retail revenues were set aside for Public Benefit programs. Some of the major Public Benefit programs are outlined below:

Program (\$ in thousands)	Amount
Business Energy Rebates	\$ 868
Residential Lifeline Support	537
Business Bucks (Commercial Audit)	533
Compact Fluorescent Lights (CFL)/Aerator Conservation Mailings	339
Residential Energy Rebates	326
Residential Refrigerator Rebates	110
Total	\$ 2,713



The Electric Utility Fund's net assets at June 30, 2008 and June 30, 2007 are as follows:

Schedule of Net Assets (\$ in thousands)	2008	2007	Incr. (Decr.)
Assets			
Current assets	\$ 99,644	114,754	(15,110)
Noncurrent assets	13,884	14,134	(250)
Capital assets, net of retirement and accumulated depreciation	226,484	205,986	20,498
Total assets	340,012	334,874	5,138
Liabilities			
Current liabilities	53,240	48,476	4,764
Noncurrent liabilities	74,087	82,683	(8,596)
Total liabilities	127,327	131,159	(3,832)
Net assets			
Invested in capital assets, net of related debt	145,998	116,082	29,916
Restricted net assets	10,579	10,492	87
Unrestricted net assets	56,108	77,141	(21,033)
Total net assets	\$ 212,685	203,715	8,970

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

Changes in net assets may serve over time as a useful indicator of the Electric Utility Fund's financial strength. With a favorable operating result, net income increased by \$8,970 for the year ended June 30, 2008 and total assets increased to \$340,012 with assets exceeding liabilities by \$212,685.

Of the change in net assets, \$5,138 or 57.3% was used to fund capital asset additions. Capital assets are discussed in the following section. The remaining portion of the increase in net assets of \$3,832 or 42.7% was used to reduce the Electric Utility's outstanding liabilities.

A significant portion of the Electric Utility net assets, \$145,998 or 68.6% is invested in capital assets, less any related outstanding debt used to acquire those assets. The restricted net assets of \$10,579 or 5.0% of net assets represents assets with constraints imposed by financing requirements. The unrestricted net assets of \$56,108 or 26.4% of net assets represents funds that are available for future investments in capital assets and maintenance activities. Changes in unrestricted assets are primarily driven by revenues, expenses and capital expenditures.

CAPITAL ASSETS

As of June 30, 2008, the largest portion, \$226,484 or 66.6%, of the Electric Utility Fund's total assets were invested in capital assets.

Additions to the Electric Utility Fund's capital assets included electric system improvements, Aid-In-Construction (AIC) projects, and other capital improvement projects for preventive upgrades and modernization. Capital expenditures during the year were \$32,761 and were funded primarily from cash reserves.

The Electric Utility's infrastructure and information and control systems are undergoing modernization to ensure reliable and affordable services for existing and future customers. The Electric Utility has ongoing capital improvement programs to replace older stations and lines. Building distribution tie-lines between substations will reduce the number of substations that would otherwise be needed to replace older substations. Energizing the new lines at 12kV (kilovolts) promotes energy conservation by reducing system losses while accommodating growing customer needs.

The relocation and construction of the Burbank Substation was a major capital investment for the Electric Utility during the year ended June 30, 2008. The original Burbank Substation, built in 1942, is the oldest substation in the Electric Utility's system and obtaining replacement parts for the equipment became increasingly difficult. This new Burbank Substation can serve up to 40% of the Electric Utility's customers more efficiently and with lower maintenance costs, while taking up only one-third the space as the original Burbank Substation.

Some of the major capital expenditures during the year are as follows:

<i>(\$ in thousands)</i>	
Relocate and reconstruct the new Burbank Substation	\$ 11,498
Administration building remodeling	4,082
Convert 4kV distribution system to 12kV	1,667
Construct new 69kV lines	1,169
Install station capacitor banks	1,164
Construct new 34.5kV lines	727
Underground the existing overhead lines	607
Upgrade overhead electrical distribution lines	532
Upgrade underground electrical distribution lines	459
Replace miscellaneous small equipment at major stations	419
Total	\$ 22,324

The system-wide reliability statistics reflect the success of the Electric Utility's emphasis on a highly reliable electric distribution system. The average customer experienced a service outage only once every 2.4 years compared to an industry average of 1.2 outages per year. Customers who had an outage were out-of-service an average of only 34.6 minutes compared to the prior year average of 72.0 minutes, and an industry average of 80.0 minutes.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

DEBT ADMINISTRATION

As of June 30, 2008, the Electric Utility Fund has \$79,092 in outstanding revenue bonds, of which \$8,805 will be due within a year. The Electric Utility paid off \$8,505 in outstanding bond debt during this fiscal year. These bonds were issued for improvements to the electric system, construction of a generating unit, and retrofit the existing generators.

The Electric Utility Fund maintains an "A+" rating from Standard & Poor's and an "A1" from Moody's Investors Service for its revenue bonds.

ECONOMIC FACTORS

In accordance with the City's Renewable Portfolio Standard policy of having 33% of its energy supply from eligible renewable resources by 2020, the Electric Utility gained approval from the Burbank City Council in November 2007 to participate in the Pebble Springs Wind Development in Oregon and the Milford Wind Development in Utah. Each of these projects is being developed and projected to supply 2% of the City's energy requirements. Pebble Springs Wind Development and Milford Wind Development are expected to be in service by late 2008. Ameresco Project is also projected to be in service by mid 2009 to supply an additional 1% of the City's energy requirements. Currently, renewable energy is 1% of the Electric Utility's total energy supply and is expected to grow to approximately 8% of the Electric Utility's total energy supply with the resources under contract during the next year. The Electric Utility is committed to reducing the City's carbon footprint by acquiring additional renewable energy resources through collaborative efforts with SCPA.

Natural gas prices increased significantly during the year. The Electric Utility has been proactive in hedging its retail power supply costs, and plans to continue to hedge against volatile prices for rate stability and competitiveness.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

WATER UTILITY FUND

During the year ended June 30, 2008, the Water Utility Fund's significant financial highlights are as follows:

- Net assets increased by \$3,969 or 9.1%, due to favorable operating results. The increase was used to reduce outstanding liabilities and fund additional capital assets.
- The Water Utility Fund invested an additional \$6,821 in capital assets during this fiscal year. This spending was funded primarily by cash reserves. Capital investment is consistent with the Water Utility's goal to deliver competitive rates and safe drinking water to customers by continuously modernizing water production facilities, reducing system losses, and expanding its recycled water business. The Water Utility's water loss for this year was 3.6% compared to the National Average of 7.0%.

FINANCIAL ANALYSIS

Schedule of Revenues, Expenses, and Changes in Fund Net Assets (\$ in thousands)

	2008	2007	Incr. (Decr.)
Potable water (in CCF)	9,446,484	9,989,040	(542,556)
Operating revenues:			
Potable water sales	\$ 21,079	17,372	3,707
Recycled water sales	1,424	1,405	19
Miscellaneous/Other revenues	721	841	(120)
Total operating revenues	23,224	19,618	3,606
Operating expenses:			
Water supply expenses	10,174	6,794	3,380
Operations, maintenance, and administration	5,637	5,576	61
Other operating expenses	2,147	2,086	61
Depreciation	2,405	2,279	126
Total operating expenses	20,363	16,735	3,628
Operating income	2,861	2,883	(22)
Nonoperating income (expenses):			
Interest income	1,166	758	408
Other income (expenses), net	86	9	77
Interest expense	(296)	(329)	33
Total nonoperating income (expenses)	956	438	518
Income before contributions and transfers	3,817	3,321	496
Contributions and transfers:			
Capital contributions	1,098	1,660	(562)
Transfers in from the City	1	-	1
Transfers out to the City	(947)	(936)	(11)
Change in net assets	3,969	4,045	(76)
Net assets, beginning of year	43,434	39,389	4,045
Net assets, end of year	\$ 47,403	43,434	3,969

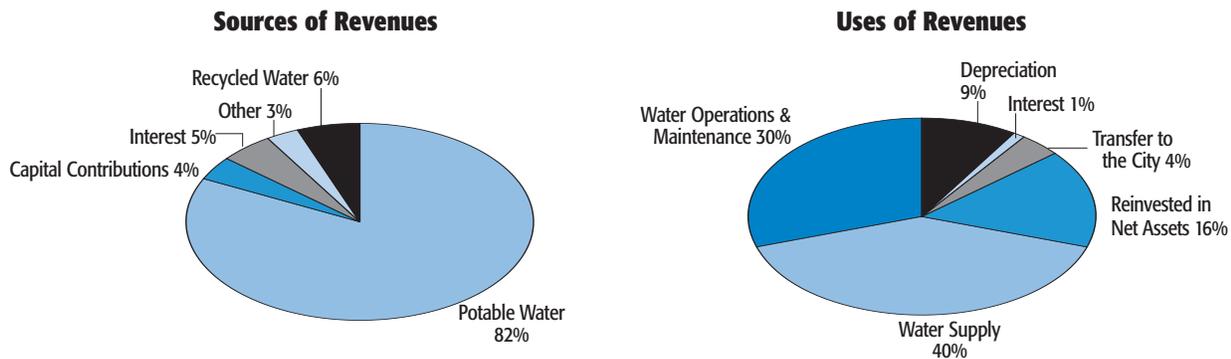
CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

Potable water sales were the primary source of revenue for the Water Utility Fund. This revenue made up 90.8% of the total Water Utility's operating revenues. Potable water revenue was \$3,707 or 21.3% higher than the prior year. The majority of the increase or \$2,150 was a result of recognizing the deferred Water Cost Adjustment Charge to offset higher Metropolitan Water District (MWD) water rates and groundwater replenishment. A 4.8% rate increase contributed to the remaining revenue increase.

Water supply expenses were \$3,380 or 49.7% higher than the prior fiscal year as a result of the replenishment of groundwater, MWD rate increases, and an increase in the volume of treated water purchased from the MWD. Groundwater replenishment accounted for \$2,437 of the higher water supply expenses. The average cost of purchased water per Acre Foot (AF) was up by 6.2% from the prior fiscal year. More water was purchased from MWD because of reduced operating capacity while the Burbank Operable Unit (BOU) underwent improvement projects and repairs incurred in a concurrent fire. The BOU operated at 54.2% operating capacity for the fiscal year compared to the prior year's capacity of 70.0%. For the year, the BOU supplied approximately 35.1% of the City's total water supply compared to 43.1% in the prior year.

The in-lieu tax transfer of \$947 from the Water Utility Fund to the City's General Fund was 5.0% of the water revenues.



The Water Utility Fund's net assets at June 30, 2008 and June 30, 2007 are as follows:

Schedule of Net Assets (\$ in thousands)	2008	2007	Incr. (Decr.)
Assets			
Current assets	\$ 14,488	18,212	(3,724)
Noncurrent assets	1,183	1,208	(25)
Capital assets, net of retirement and accumulated depreciation	43,902	39,486	4,416
Total assets	59,573	58,906	667
Liabilities			
Current liabilities	7,031	9,311	(2,280)
Noncurrent liabilities	5,139	6,161	(1,022)
Total liabilities	12,170	15,472	(3,302)
Net assets			
Invested in capital assets, net of related debt	37,920	32,508	5,412
Restricted net assets	693	674	19
Unrestricted net assets	8,790	10,252	(1,462)
Total net assets	\$ 47,403	43,434	3,969

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

Changes in net assets are a useful indicator of the Water Utility Fund's financial strength. With a favorable operating result, net income increased by \$3,969 for the year ended June 30, 2008 and total assets increased to \$59,573 with assets exceeding liabilities by \$47,403.

Of the change in net assets, \$667 or 16.8% was used to fund capital asset additions. Capital assets are discussed in the following section. The remaining portion of the net asset increase of \$3,302 or 83.2% was used to reduce the Water Utility's outstanding liabilities.

CAPITAL ASSETS

As of June 30, 2008, the majority, \$43,902 or 73.7%, of the Water Utility Fund's total assets were invested in capital assets.

Additions to the Water Utility Fund's capital assets included water system improvements, Aid-In-Construction (AIC) projects, and other capital expenditures. Capital expenditures during the year were \$6,821.

The Water Utility has several ongoing Capital Improvement Programs designed to update and replace the water system infrastructure to ensure reliability and maintain accurate services. These capital programs reflect the Water Utility's goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities by reducing system losses and expanding recycled water use.

The Pacoima Production Project was a major investment for the year ended June 30, 2008. This facility was needed to establish a connection with the MWD East San Fernando Tunnel for groundwater recharge to the San Fernando Basin at the Pacoima Spreading Grounds and to support BOU groundwater pumping.

The Water Utility is in its first year of expanding the Recycled Water System in accordance with the Recycled Water Master Plan. Burbank has been developing its Recycled Water Treatment System and successfully shifted outdoor irrigation usage to recycled water for its golf courses and many parks and businesses. The City plans to expand its use of recycled water to help reduce the community's dependence on imported water in order to provide the community with the ability to withstand prolonged water shortage conditions. Recycled water used for land irrigation will not be impacted by the water conservation measures.

Some of the major capital expenditures during the year are as follows:

<i>(\$ in thousands)</i>	
Water tanks and reservoir repair	\$ 1,441
Meter replacements	1,133
Domestic water mains	948
System/service replacement	662
Recycled water	450
Valve replacement program	138
Fire hydrants	59
Total	\$ 4,831

DEBT ADMINISTRATION

At the end of the current fiscal year, the Water Utility Fund has \$4,613 in outstanding revenue bonds, of which \$875 is due within a year. These bonds were issued to finance additions and improvements to the water system.

In addition to revenue bonds, the Water Utility Fund also has an outstanding State Water Resources Control Loan of \$1,186, of which \$179 is due within a year. This loan was issued for improvements to the recycled water distribution system. The Water Utility repaid a total of \$1,014 toward outstanding bonds and loans this fiscal year.

The Water Utility Fund maintains an "AA-" from Standard & Poor's and an "A1" from Moody's Investor Service.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2008

ECONOMIC FACTORS

MWD water rates will increase by 14.3% in January 2009, compared to the prior calendar year of 6.2%. Additional increases for 2010 and 2011 will likely be between 10.0% and 15.0%. These rate increases are the result of a water shortage caused by drought conditions and judicial intervention. MWD will have withdrawn from storage approximately 1,000,000 AF in 2008 to meet current demand and prevent shortages and water allocation. MWD is not expected to add to its storage system in any foreseeable average rain year and implementation of water allocation is possible in 2009 depending on the outcome of the winter precipitation in Northern California.

California is currently in a water shortage as a result of natural causes (drought conditions) and judicial intervention impacting imported water from the Sacramento-San Joaquin River Delta (the Delta), the hub of the State's water distribution system. The City launched a 10% voluntary conservation program that is consistent with statewide public education programs to educate Californians about the critical challenges confronting the State's water supply and delivery system.

The California Department of Health Services will propose a draft Public Health Goal (PHG) on Chromium in the fall of 2008 which will likely be much lower than current regulatory limits. The current Federal and State MCL (maximum contaminant limits) are 100 parts per billion (ppb) and 50ppb respectively. Currently, Burbank's drinking water does not exceed 5ppb. If the Water Utility is required to provide water with Chromium levels below 5ppb, there will be an increased reliance on importing water from MWD or significant investments in water treatment systems will be necessary for the removal of Chromium from the groundwater. Such a change by the Water Utility would increase water costs and strain the City's water supply significantly.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Water and Electric Utility Enterprise Funds. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to Bob Liu, Chief Financial Officer, Burbank Water and Power, 164 W. Magnolia Blvd., Burbank, CA 91502.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Assets • June 30, 2008

With comparative financial information for the year ended June 30, 2007 • \$ in thousands

Assets	Water		Electric	
	2008	2007	2008	2007
Current assets:				
Cash and cash equivalents (note 2):				
General operating	\$ 6,276	6,960	31,285	49,676
Capital and debt reduction	2,807	2,807	10,000	10,000
General plant	-	-	800	800
Fleet replacement	-	-	3,000	3,000
Bond construction	-	-	-	4,005
Water replenishment	1,000	1,000	-	-
WCAC	593	2,747	-	-
Distribution main	1,100	1,100	-	-
Total cash and cash equivalents	11,776	14,614	45,085	67,481
Accounts receivable, net (note 3)	1,838	2,178	32,189	26,093
Inventories (note 4)	741	1,250	4,221	5,286
Deposits and prepaid expenses (note 5)	6	16	17,631	15,207
Interest receivable	127	154	518	687
Total current assets	14,488	18,212	99,644	114,754
Noncurrent assets:				
Restricted non-pooled investments (note 2)	730	737	10,699	10,766
Advances receivable	410	426	2,725	2,853
Deferred bond issuance and acquisition costs	43	45	460	515
Total noncurrent assets	1,183	1,208	13,884	14,134
Capital assets (note 6):				
Land	309	309	2,734	2,734
Rights to purchase power	-	-	1,335	1,335
Utility plant and equipment	74,096	68,700	313,724	295,288
Construction in progress	4,853	3,427	49,473	35,082
Total utility plant and equipment	79,258	72,436	367,266	334,439
Less accumulated depreciation	(35,356)	(32,950)	(140,782)	(128,453)
Total capital assets, net	43,902	39,486	226,484	205,986
Total assets	59,573	58,906	340,012	334,874

(Continued)

See accompanying notes to basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Assets (continued) • June 30, 2008

With comparative financial information for the year ended June 30, 2007 • \$ in thousands

Liabilities	Water		Electric	
	2008	2007	2008	2007
Current liabilities:				
Accounts payable and accrued expenses (note 7)	2,575	4,662	30,259	26,072
Current portion of loan payable (note 8)	179	174	-	-
Current portion of compensated absences (note 8)	36	37	214	232
Accrued payroll	1	170	11	943
Bond interest payable	16	19	119	144
Due to the City of Burbank	45	44	463	394
Customer deposits (note 9)	3,304	3,365	13,369	12,186
Current portion of revenue bonds payable, net (note 8)	875	840	8,805	8,505
Total current liabilities	7,031	9,311	53,240	48,476
Noncurrent liabilities:				
Revenue bonds payable, net (note 8)	3,738	4,610	70,287	79,058
Loan payable (note 8)	1,007	1,187	-	-
Compensated absences (note 8)	394	364	3,800	3,625
Total noncurrent liabilities	5,139	6,161	74,087	82,683
Total liabilities	12,170	15,472	127,327	131,159
Net Assets				
Net assets:				
Invested in capital assets, net of related debt	37,920	32,508	145,998	116,082
Restricted for debt service	693	674	10,579	10,492
Unrestricted	8,790	10,252	56,108	77,141
Total net assets	\$ 47,403	43,434	212,685	203,715

See accompanying notes to basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Assets • Year ended June 30, 2008

With comparative financial information for the year ended June 30, 2007 • \$ in thousands

	Water		Electric	
	2008	2007	2008	2007
Operating revenues:				
Sale of power-retail	\$ -	-	155,514	153,916
Sale of power and fuel-wholesale (note 12)	-	-	220,177	207,259
Sale of water	22,503	18,777	-	-
Other revenues	721	841	6,476	7,585
Total operating revenues	23,224	19,618	382,167	368,760
Operating expenses:				
Power supply expenses-retail (note 11)	-	-	105,481	93,286
Purchased power and fuel expenses-wholesale (note 12)	-	-	212,823	201,132
Water supply expenses (note 1)	10,174	6,794	-	-
Water maintenance and operation expenses	5,637	5,576	-	-
Transmission expenses	-	-	11,607	9,995
Distribution expenses	-	-	8,619	10,958
Other operating expenses (note 1)	2,147	2,086	15,511	15,606
Depreciation	2,405	2,279	12,220	11,990
Total operating expenses	20,363	16,735	366,261	342,967
Operating income	2,861	2,883	15,906	25,793
Nonoperating income (expenses):				
Interest income	1,166	758	4,649	4,731
Interest expense	(296)	(329)	(3,883)	(4,155)
Other income (expenses), net	86	9	542	849
Total nonoperating income (expenses)	956	438	1,308	1,425
Income before contributions and transfers	3,817	3,321	17,214	27,218
Capital contributions	1,098	1,660	1,537	1,839
Transfers in from the City	1	-	55	-
Transfers out to the City:				
Payments in-lieu of taxes (note 10)	(947)	(936)	(9,836)	(9,565)
Change in net assets	3,969	4,045	8,970	19,492
Net assets, July 1	43,434	39,389	203,715	184,223
Net assets, June 30	\$ 47,403	43,434	212,685	203,715

See accompanying notes to basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statements of Cash Flows • Year ended June 30, 2008
 With comparative financial information for the year ended June 30, 2007 • \$ in thousands

	Water		Electric	
	2008	2007	2008	2007
Cash flows from operating activities:				
Cash received from customers	\$ 23,564	19,582	376,068	375,561
Cash paid to suppliers	(13,805)	(7,978)	(319,940)	(305,893)
Cash paid to employees	(5,815)	(5,387)	(30,498)	(28,967)
Cash paid for other expenses	-	(42)	-	(329)
Net cash provided by (used in) operating activities	3,944	6,175	25,630	40,372
Cash flow from noncapital financing activities:				
Transfers in from the City	1	-	55	-
Transfers out to the City	(947)	(936)	(9,836)	(9,565)
Net cash provided by (used in) noncapital financing activities	(946)	(936)	(9,781)	(9,565)
Cash flows from capital and related activities:				
Proceeds from sale of capital assets	-	51	452	1,178
Other income - net of sale proceeds of capital assets	86	-	90	-
Principal payments - bond	(840)	(805)	(8,505)	(8,230)
Interest expense	(299)	(334)	(3,853)	(4,129)
Capital contributions	1,098	1,660	1,537	1,839
Acquisition and construction of capital assets	(6,907)	(3,375)	(32,851)	(18,758)
Payments on loans	(175)	(170)	-	-
Net cash used in capital and related activities	(7,037)	(2,973)	(43,130)	(28,100)
Cash flows from investing activities:				
Interest received	1,194	664	4,818	4,485
Sale of restricted investment	7	165	67	1,056
Net cash provided by investing activities	1,201	829	4,885	5,541
Net increase (decrease) in cash and cash equivalents	(2,838)	3,095	(22,396)	8,248
Cash and cash equivalents, beginning of year	14,614	11,519	67,481	59,233
Cash and cash equivalents, end of year	\$ 11,776	14,614	45,085	67,481

See accompanying notes to basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statements of Cash Flows • Year ended June 30, 2008
 With comparative financial information for the year ended June 30, 2007 • \$ in thousands

	Water		Electric	
	2008	2007	2008	2007
Cash flows from operating activities:				
Operating income (loss)	\$ 2,861	2,883	15,906	25,793
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,405	2,279	12,220	11,990
Other nonoperating revenue and expenses net of sales proceeds of capital assets	91	(36)	124	(294)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	340	(36)	(6,096)	6,801
Increase (decrease) in out to/from the City of Burbank	-	-	69	-
(Increase) decrease in inventories	509	(836)	1,065	(408)
(Increase) decrease in deposits and prepaid expenses	10	1	(2,424)	(6,746)
(Increase) decrease in advances receivable	16	(426)	128	(2,853)
(Increase) decrease in rights to purchase power	-	-	43	44
Increase (decrease) in accounts payable and accrued expenses	(2,087)	2,264	4,187	4,425
Increase (decrease) in accrued payroll	(169)	(34)	(932)	(46)
Increase (decrease) in compensated absences	29	88	157	269
Increase (decrease) in customer deposits	(61)	28	1,183	1,397
Total adjustments	1,083	3,292	9,724	14,579
Net cash provided by (used in) operating activities	\$ 3,944	6,175	25,630	40,372
Noncash investing, capital and financing activities:				
Increase (decrease) in fair market value of investments	\$ 118	92	609	456

See accompanying notes to basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

NOTE 1: Summary of Significant Accounting Policies

(A) SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the City of Burbank, California (the City) as they pertain to the City's Water and Electric Utility Enterprise Funds (Water and Electric Utility Funds).

(B) ACCOUNTING METHODS

The reporting model includes financial statements prepared using full accrual accounting for the Water and Electric Utility Funds' activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets, as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

The basic financial statements include the following:

Statement of Net Assets – The statement of net assets is designed to display the financial position of the reporting entity. The net assets of the Water and Electric Utility Funds are separated into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

- Net assets invested in capital assets, net of related debt, consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets represent net assets whose use is restricted through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consist of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Statement of Revenues, Expenses and Changes in Fund Net Assets – The statement of revenues, expenses and changes in fund net assets reports revenues by major source and distinguishes between operating and non-operating revenues and expenses.

Statement of Cash Flows – For the purposes of the statement of cash flows, the Water and Electric Utility Funds include all pooled cash and investments and restricted investments with an original maturity of three months or less as cash equivalents. The Water and Electric Utility Funds consider the pooled cash and investments to be a demand deposit account whereby monies may be withdrawn or deposited at any time without prior notice or penalty.

(C) BASIS OF PRESENTATION

The Water and Electric Utility Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital expenditures, public policy, management control, accountability and other purposes.

(D) REPORTING ENTITY

The Water and Electric Utility Funds' operations were established by the City in 1913. Burbank Water and Power manages the generation, purchase, transmission, distribution, and sale of electric energy and water. The activities of Burbank Water and Power are overseen by the City Council and the Burbank Water and Power Board.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008

\$ in thousands

The Water and Electric Utility Enterprise Funds are used to account for the construction, operation and maintenance of the City owned water and electric utility. The City considers the Water and Electric Utility Funds to be Enterprise Funds (a proprietary fund type) as defined under accounting principles generally accepted in the United States of America; accordingly, the accrual basis of accounting is followed by the Water and Electric Utility Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Estimated earned but unbilled revenues which result from cycle utility billing practices are assumed and accrued. As an integral part of the City's overall operations, the Water and Electric Utility Funds' operations are also included in the City's Comprehensive Annual Financial Report.

In accordance with GASB Statement No. 20; for proprietary fund accounting, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

(E) SELF-INSURANCE PROGRAM

The Water and Electric Utility Funds are part of the City's self-insurance programs, which provide coverage for general liability and workers' compensation claims. These activities are accounted for in the City's Self-Insurance Internal Service Fund (a proprietary fund type). Fund revenues are primarily premium charges to other funds and are planned to match estimated payments, including both reported and incurred but not reported claims, operating expenses and reinsurance premiums. The fund expenses the estimated liability for claims in cases where such amounts are reasonably determinable and where the liability is likely. See note 14, Self-Insurance Program, for additional information on the City's self-insurance programs.

(F) CAPITAL ASSETS

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at fair market value at the date of donation. When items are sold or retired, related gains or losses are included in non-operating income (expenses). Maintenance and repairs are charged to expense as incurred. Improvements to plant and equipment are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated useful life</u>
Buildings and Improvements	20 to 40 years
Machinery and Equipment (except vehicles)	20 years
Production Plant	30 years
Boiler Plant	20 years
Transmission Structures	40 years
Transmission Equipment	20 to 40 years
Poles, Towers and Fixtures	20 to 40 years
Distribution Stations	30 to 40 years
Transformers	20 to 40 years
Electric Meters	20 years
Water Meters	15 to 20 years
Water Services	40 years
Vehicles	5 to 10 years
Office Equipment	3 to 10 years

(G) INVENTORIES

Inventories consist of materials and supplies held for future consumption and are priced at average cost.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

(H) COMPENSATED ABSENCES

The costs of employees' vested vacation and sick pay benefits are accrued as they are earned by the employees.

(I) ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(J) REVENUE RECOGNITION

Revenues are recorded in the period in which they are earned. The Water and Electric Utility Funds accrue estimated unbilled revenue for energy and water sold but not billed at the end of the fiscal period. All residential and commercial accounts are billed monthly. Operating revenues consist of retail and wholesale sales of electric and water, charges for electric and water related work performed for customers, such as service connection and relocation fees. The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been deferred (see note 7).

(K) OPERATING EXPENSES

Purchased power includes all open market purchases of energy and fuel, firm contracts for the purchase of energy and fuel, energy production costs, and the costs of entitlements for energy and transmission as discussed in note 11.

Water supply expenses include purchased water, electricity used to pump water, and chemicals used in water treatment.

Other operating expenses include all costs associated with the Water and Electric Utility administration, customer service, telecom services, public benefits programs, and transfers to the City for cost allocation.

(L) DEBT ISSUANCE COSTS

Debt issuance costs are deferred and amortized over the lives of the related bond issues on a basis which approximates the effective interest method.

(M) BOND REFUNDING COSTS

Bond refunding costs are deferred and amortized over the lives of the related bond issues on a basis which approximates the effective interest method. Bond refunding costs are recorded as a reduction of the long-term debt obligation on the accompanying basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

	Water	Electric	Total
Pooled cash and investments	\$ 11,776	45,069	56,845
Restricted non-pooled cash and cash equivalents	-	16	16
Restricted investments	730	10,699	11,429
Total	\$ 12,506	55,784	68,290
Cash on hand	\$ -	16	16
Investments	12,506	55,768	68,274
Total	\$ 12,506	55,784	68,290

The pooled cash and investments of Water and Electric Utility Funds are maintained on deposit with the City Treasurer. The amounts are invested in the pooled funds and specific investment securities for the purpose of increasing income through investment activities. Investment income is allocated to the Funds based upon a proportionate share of total pooled investment earnings. Further information concerning the City's investment pool can be found in the City's Comprehensive Annual Financial Report.

Restricted non-pooled cash and cash equivalents consist of minimum required balance primarily for checking account and petty 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.

INVESTMENTS AUTHORIZED BY THE CALIFORNIA GOVERNMENT CODE AND THE CITY'S INVESTMENT POLICY

The table below identifies the **investment types** that are authorized for the City by the California Government Code (Code) (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the Code (or the City's investment policy, where more restrictive) that address **interest rate risk**, **credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the Code or the City's investment policy.

Authorized Investment Type	Authorized by City Policy	Maximum Maturity	Max. Percentage of Portfolio	Max. Investment One Issuer
Agency-U.S. Federal Agency	Yes	5 years	70%	None
Burbank Investment Pool	Yes	N/A	None	None
Corporates-Medium Term Notes	Yes	5 years	30%	5%
LAIIF-Local Agency Investment Fund	Yes	N/A	None	None
U.S. Treasury Obligations	Yes	5 years	100%	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	2%
Timed Certificates of Deposit	Yes	5 years	40%	\$100
Negotiable Certificates of Deposit	Yes	5 years	20%	\$100
Money Market Mutual Funds	Yes	90 days	15%	None
Local Agency Bonds	No	N/A	N/A	N/A
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

Authorized Investment Type	Maximum Maturity	Max. Percentage of Portfolio	Max. Investment One Issuer
Investment Agreements	N/A	None	None
LAIF-Local Agency Investment Fund	N/A	None	None
Money Market	N/A	None	None
Pledge Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None

DISCLOSURES RELATING TO INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One way that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type		Remaining Maturity (in Months)				Total
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
Burbank Investment Pool	\$	56,845	-	-	-	56,845
Held by Bond Trustee:						
Investment Agreements		-	-	2,565	6,676	9,241
Money Market		1,997	-	-	-	1,997
U.S. Treasury Obligations		191	-	-	-	191
Total	\$	59,033	-	2,565	6,676	68,274

Note: The table above excludes cash on hand of \$16 (see pg. 31).

DISCLOSURES RELATING TO CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table shows the minimum rating required by (where applicable) the Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB 40 does not require disclosure as to credit risk.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

		Minimum Legal Rating	Exempt from Disclosure
Burbank Investment Pool	\$ 56,845	N/A	N/A
Held by Bond Trustee:			
Investment Agreements	9,241	A	N/A
Money Market	1,997	Aaa	N/A
U.S. Treasury Obligations	191	Aaa	N/A
Total	\$ 68,274		

	Rating as of Year End					Total
	Aaa	Aa	A	Baa	Not Rated	
Burbank Investment Pool	\$ -	-	-	-	56,845	56,845
Held by Bond Trustee:						
Investment Agreements	-	9,241	-	-	-	9,241
Money Market	1,997	-	-	-	-	1,997
U.S. Treasury Obligations	191	-	-	-	-	191
Total	\$ 2,188	9,241	-	-	56,845	68,274

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Recent economic news reports problems with a number of financial institutions. Some institutions have reported financial difficulties as an indirect result of delinquencies associated with home mortgages. There is also news of Federal financial assistance for financial companies. The full ramifications of this are not determinable at this time and it is not possible to determine with certainty all of the institutions that might be impacted by current market conditions.

INVESTMENT IN STATE INVESTMENT POOL

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code, Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

EQUITY IN THE CASH AND INVESTMENT POOL OF THE CITY OF BURBANK

Burbank Water and Power (BWP) has no separate bank accounts or investments other than investments held by bond trustee and BWP's equity in the cash and investment pool managed by the City. BWP is a voluntary participant in that pool. This pool is governed

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

by and under the regulatory oversight of the Investment Policy adopted by the City Council. BWP has not adopted a formal investment policy separate from that of the City; BWP is however permitted to invest in LAIF, and U.S. Federal Agency notes. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon BWP's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis. The pool is treated as a demand deposit, meaning that funds can be withdrawn with no advance notice.

NOTE 3: Accounts Receivable

	Water		Electric	
	2008	2007	2008	2007
Accounts receivable	\$ 1,906	2,224	32,344	26,244
Allowance	(68)	(46)	(155)	(151)
Total	\$ 1,838	2,178	32,189	26,093

The Utility fully reserves receivables over 90 days old.

At June 30, 2008, the Electric Utility Fund had receivables of \$6,285 from power sales that were paid in July 2008.

NOTE 4: Inventories

The Electric Utility Fund's inventories as of June 30, 2008 and June 30, 2007 are:

	Water		Electric	
	2008	2007	2008	2007
Materials and supplies inventory	\$ 741	623	3,961	3,948
Natural gas inventory	-	-	260	1,338
Groundwater purchases inventory	-	627	-	-
Total	\$ 741	1,250	4,221	5,286

On June 30, 2008, the natural gas inventory was 29,538 MMBtu (Million British thermal units), valued at \$8.82 per MMBtu, for a balance of \$260. On June 30, 2007, the natural gas inventory was 251,298 MMBtu, valued at \$5.33 per MMBtu, for a balance of \$1,338. The Electric Utility Fund sold natural gas inventory in the market in fiscal year 2007-2008.

The Water Utility Fund exhausted its purchased groundwater inventory in fiscal year 2007-2008.

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of \$17,631 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a \$7,269 deposit with the Southern California Public Power Authority (SCPPA) as a fuel reserve for the Magnolia Power Project and a \$6,990 deposit with SCPPA for future use in multiple projects. In addition, in June 2000, the City prepaid a lease payment of \$1,500 for the use of land to locate a new switching station. The twenty-year lease began in January 2002. For the fiscal year ended June 30, 2008, the Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$1,013.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

NOTE 6: Capital Assets

Capital assets include the following at June 30, 2008 and 2007:

WATER	Balance as of June 30, 2006	Additions	Deletions	Balance as of June 30, 2007	Additions	Deletions	Balance as of June 30, 2008
Capital assets not being depreciated:							
Land	\$ 309	-	-	309	-	-	309
Construction in progress	3,260	3,304	(3,137)	3,427	6,346	(4,920)	4,853
Total capital assets not being depreciated	3,569	3,304	(3,137)	3,736	6,346	(4,920)	5,162
Capital assets being depreciated:							
Buildings and improvements	60,570	2,967	-	63,537	4,855	-	68,392
Accumulated depreciation	(27,284)	(1,983)	-	(29,267)	(2,091)	-	(31,358)
Machinery and equipment	5,257	245	(339)	5,163	541	-	5,704
Accumulated depreciation	(3,728)	(294)	339	(3,683)	(315)	-	(3,998)
Total capital assets being depreciated, net	34,815	935	-	35,750	2,990	-	38,740
Total net capital assets	\$ 38,384	4,239	(3,137)	39,486	9,336	(4,920)	43,902
ELECTRIC	Balance as of June 30, 2006	Additions	Deletions	Balance as of June 30, 2007	Additions	Deletions	Balance as of June 30, 2008
Capital assets not being depreciated:							
Land	\$ 2,734	-	-	2,734	-	-	2,734
Construction in progress	27,191	18,291	(10,400)	35,082	30,913	(16,522)	49,473
Total capital assets not being depreciated	29,925	18,291	(10,400)	37,816	30,913	(16,522)	52,207
Capital assets being depreciated:							
Land improvements	2,282	-	-	2,282	-	-	2,282
Accumulated depreciation	(136)	(91)	-	(227)	(91)	-	(318)
Rights to purchase power	1,335	-	-	1,335	-	-	1,335
Accumulated depreciation	(282)	(44)	-	(326)	(43)	-	(369)
Buildings and improvements	263,841	10,135	(5,332)	268,644	17,802	-	286,446
Accumulated depreciation	(107,288)	(10,405)	5,239	(112,454)	(10,646)	-	(123,100)
Machinery and equipment	23,731	1,090	(459)	24,362	634	-	24,996
Accumulated depreciation	(14,173)	(1,494)	221	(15,446)	(1,549)	-	(16,995)
Total capital assets being depreciated, net	169,310	(809)	(331)	168,170	6,107	-	174,277
Total net capital assets	\$ 199,235	17,482	(10,731)	205,986	37,020	(16,522)	226,484

North-South DC Intertie

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale and the City of Pasadena for an unrestricted 3.846% interest in the North-South DC Intertie. As of June 30, 2008, the Electric Utility Fund has recorded its share of the Intertie of approximately \$14,634 within its plant and equipment assets, less accumulated depreciation approximating \$9,446 for a net asset value of \$5,188. Such asset is being depreciated using the straight-line method over a useful life of 40 years. The City's voting right in the project is directly in proportion to its percentage interest.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

NOTE 7: Accounts Payable and Accrued Expenses

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been deferred to a water cost adjustment deferred revenue account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. The deferred WCAC balances were \$593 and \$2,747 at June 30, 2008 and 2007, respectively.

At June 30, 2008, the Electric Utility Fund had accrued expense for power purchases of approximately \$7,718 that were paid in the normal course of business in July 2008.

	Water		Electric	
	2008	2007	2008	2007
Accounts Payable & Accrued Expenses	\$ 1,982	1,915	30,259	26,072
WCAC	593	2,747	-	-
Total	\$ 2,575	4,662	30,259	26,072

NOTE 8: Loan and Revenue Bonds Payable

(A) LOAN PAYABLE

	Water	
	2008	2007
This State Water Resources Control Loan was issued for the purpose of construction improvement to the Recycled Water Distribution System. Funds are disbursed on either a reimbursement basis, or at such time, as they are due and payable by the City. The interest rate is 2.7%, with the principal to be repaid no later than April 2014, 20 years from the loan date.	\$ 1,186	1,361
Less current portion	(179)	(174)
Long-term intergovernmental loan payment	\$ 1,007	1,187

A schedule of aggregate maturities, including interest, on the intergovernmental loan payable subsequent to June 30, 2008 is as follows:

	Water		
	Principal	Interest	Total
2009	\$ 179	32	211
2010	184	27	211
2011	189	22	211
2012	194	17	211
2013	199	12	211
2014	241	7	248
	\$ 1,186	117	1,303

(B) REVENUE BONDS PAYABLE

All the revenue bonds issued by the Water and Electric Utility Funds are secured by a pledge of a lien upon the net revenues of the Electric or Water Utility Funds, depending on the purpose of the debt, as well as all amounts on deposit in the funds and accounts established under the indenture, including the reserve account. Net reserves include all revenues received by the Water and Electric Utility Funds, less amounts required for payment of operating expenses.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

	Water		Electric	
	2008	2007	2008	2007
1998 Series A Bonds:				
\$45,160 Public Service Department Electric Revenue Bonds, 1998 Series A, and \$10,585 Public Service Department Water Revenue Bonds, 1998 Series A were issued to partially advance refund the 1992 Series A Public Service Department Water and Electric Revenue Bonds and to provide funds for additions and improvements, payable in installments ranging from \$750 to \$3,700. Interest rates range from 2.90% to 4.75%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023.	\$ 4,685	5,525	40,175	41,900
Less:				
Current portion	(875)	(840)	(1,790)	(1,725)
Original issue discount/premium	(72)	(75)	(380)	(399)
Long-term 1998 Series A Bonds	\$ 3,738	4,610	38,005	39,776
2001 Series A Bonds:				
\$54,745 Burbank Water and Power Electric Revenue Bonds, Series A of 2001, were issued to fund the acquisition and installation of a 47 MW gas-fired turbine, other electric improvements and refund outstanding senior lien revenue bonds. Payments are in installments ranging from \$5,360 to \$6,770. Interest rates range from 2.25% to 4.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2011.	\$ -	-	18,330	24,030
Less:				
Current portion	-	-	(5,895)	(5,700)
Original issue discount/premium	-	-	(88)	(117)
Long-term 2001 Series A Bonds	\$ -	-	12,347	18,213
2002 Series A Bonds:				
\$25,000 Burbank Water and Power Electric Revenue Bonds, Series A of 2002, were issued for retrofitting Olive 1 and Olive 2 steam generators to meet new air quality emission limits, other electric improvements and refund certain electric revenue bonds. Payments are in installments ranging from \$990 to \$2,000. Interest rates range from 3.00% to 5.375%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022.	\$ -	-	20,860	21,940
Less:				
Current portion	-	-	(1,120)	(1,080)
Original issue discount/premium	-	-	195	209
Long-term 2002 Series A Bonds	-	-	19,935	21,069
Total long-term revenue bonds payable	\$ 3,738	4,610	70,287	79,058

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
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A schedule of aggregate maturities on bonds payable subsequent to June 30, 2008 is as follows:

	Water		Electric		Total
	Principal	Interest	Principal	Interest	
2009	\$ 875	228	8,805	3,607	13,515
2010	910	192	9,125	3,287	13,514
2011	955	145	9,475	2,939	13,514
2012	1,005	96	3,295	2,538	6,934
2013	65	45	3,585	2,382	6,077
2014 – 2018	385	173	20,765	9,107	30,430
2019 – 2023	490	71	24,315	3,452	28,328
Total	\$ 4,685	950	79,365	27,312	112,312

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2008:

June 30, 2008	July 1, 2007	Additions	Retirements	June 30, 2008	Due within One Year
Intergovernmental Loan Payable	\$ 1,361	-	(175)	1,186	179
Revenue Bond Payable:					
1998 Series A Bonds	5,525	-	(840)	4,685	875
Compensated Absences	401	66	(37)	430	36
	<u>\$ 7,287</u>	<u>66</u>	<u>(1,052)</u>	<u>6,301</u>	<u>1,090</u>
Less current portion	(1,051)			(1,090)	
Less unamortized bond premium (discounts)	(75)			(72)	
Total	\$ 6,161			5,139	

June 30, 2007	July 1, 2006	Additions	Retirements	June 30, 2007	Due within One Year
Intergovernmental Loan Payable	\$ 1,531	-	(170)	1,361	174
Revenue Bond Payable:					
1998 Series A Bonds	6,330	-	(805)	5,525	840
Compensated Absences	313	126	(38)	401	37
	<u>\$ 8,174</u>	<u>126</u>	<u>(1,013)</u>	<u>7,287</u>	<u>1,051</u>
Less current portion	(1,013)			(1,051)	
Less unamortized bond premium (discounts)	(79)			(75)	
Total	\$ 7,082			6,161	

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Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2008:

June 30, 2008	July 1, 2007	Additions	Retirements	June 30, 2008	Due within One Year
Revenue Bond Payable:					
1998 Series A Bonds	\$ 41,900	-	(1,725)	40,175	1,790
2001 Series A Bonds	24,030	-	(5,700)	18,330	5,895
2002 Series A Bonds	21,940	-	(1,080)	20,860	1,120
Compensated Absences	3,856	389	(231)	4,014	214
	<u>\$ 91,726</u>	<u>389</u>	<u>(8,736)</u>	<u>83,379</u>	<u>9,019</u>
Less current portion	(8,736)			(9,019)	
Less unamortized bond premium (discounts)	(307)			(273)	
Total	\$ 82,683			74,087	
June 30, 2007	July 1, 2006	Additions	Retirements	June 30, 2007	Due within One Year
Revenue Bond Payable:					
1998 Series A Bonds	\$ 43,560	-	(1,660)	41,900	1,725
2001 Series A Bonds	29,550	-	(5,520)	24,030	5,700
2002 Series A Bonds	22,990	-	(1,050)	21,940	1,080
Compensated Absences	3,588	462	(194)	3,856	231
	<u>\$ 99,688</u>	<u>462</u>	<u>(8,424)</u>	<u>91,726</u>	<u>8,736</u>
Less current portion	(8,424)			(8,736)	
Less unamortized bond premium (discounts)	(342)			(307)	
Total	\$ 90,922			82,683	

NOTE 9: Customer Deposits

AB 1890 requires the Electric Utility to spend 2.85% of its electric revenues for Public Benefits (PB) purposes. The entire unspent portion of the PB obligation for the Electric Utility has been recorded in the Electric Utility Fund's liabilities. The amount of the PB obligation is part of customer deposits, but reported as the PB liability. The unspent portion of the PB obligation is included in customer deposits and as of June 30, 2008 and June 30, 2007 is \$9,528 and \$8,744, respectively.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
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NOTE 10: Related Party Transactions

The City assesses a 5% in-lieu of taxes on Water and Electric Utility Fund revenues. In addition, an assessment of 1.25% is made on electric revenues to maintain and operate the City's street lighting system. These charges are reflected in the accompanying statements of revenues, expenses and changes in fund net assets for the years ended June 30, 2008 and 2007 as follows:

	Water		Electric	
	2008	2007	2008	2007
In-lieu of taxes	\$ 947	936	7,669	7,720
Street lighting	-	-	2,167	1,845
Total payment in-lieu of taxes	\$ 947	936	9,836	9,565

The City also allocates certain administrative and overhead costs to the Water and Electric Utility Funds in the other operating expenses category. These costs for the years ended June 30, 2008 and 2007 were as follows:

	Water		Electric	
	2008	2007	2008	2007
Administrative and overhead costs	\$ 726	840	2,911	3,020
Total	\$ 726	840	2,911	3,020

In addition, the City receives a 7% user utility tax on electric revenues that is not reflected in the Electric Utility Fund's financial statements. This tax for the year ended June 30, 2008 and 2007 was as follows:

	Electric	
	2008	2007
User Utility Taxes	\$ 10,330	10,197
Total	\$ 10,330	10,197

NOTE 11: Power Supply and Fuel Expenses - Retail

A) RETAIL ENERGY SUPPLY

BWP receives electricity through firm contracts, local generation and market purchases. The majority of electricity is delivered through firm contracts, which includes "take or pay" and term purchases. Local generation and market purchases supplement firm contracts to meet Burbank's retail load requirements.

B) TAKE OR PAY CONTRACTS

The City of Burbank, through its Water and Electric Utility Enterprise Funds, has entered into "Take or Pay" contracts to meet the electric needs of its customers. The City is obligated to pay its share of the indebtedness regardless of the ability of the contracting agency to provide electricity or the City's need for the electricity. However, in the opinion of management, the City does not have a financial responsibility for purposes of GASB Statement No. 14 because the Southern California Public Power Authority (SCPPA) and the Intermountain Power Agency (IPA) do not depend on revenue from the City to continue in existence. Obligation for this indebtedness is through participation in two joint power agencies, SCPPA and IPA.

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These contracts constitute an obligation of the Electric Utility Fund to make debt service payments from its operating revenues. The Electric Utility Fund's share of debt service is not recorded as an obligation on the accompanying basic financial statements; however, it is included as a component of its power supply expenses.

(A) SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (SCPPA)

SCPPA membership consists of eleven Southern California cities and one public irrigation district of the State of California, which serves the electric power needs of its Southern California electricity customers. SCPPA, a public entity organized under the laws of the State of California, was formed by a joint powers agreement dated November 1, 1980, pursuant to the Joint Exercise of Powers Act of the State of California. SCPPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The joint power agreement has a term of 50 years.

Hoover Uprating Project (HU)

On March 1, 1986, the Authority and six participants entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to the Authority in return for the Authority's agreement to make advance payments to the United States Bureau of Reclamation (USBR) on behalf of such participants. The Authority has an 18.68% interest in the contingent capacity of the Hoover Uprating Project. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 16% (15 megawatts) ownership interest in this project.

Southern Transmission System Project (STS)

Pursuant to an agreement dated as of May 1, 1983 with the IPA, the Authority made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the Southern Transmission System Project (STS), which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles (LADWP), a member of the Authority, serves as project manager and operating agent of the Intermountain Power Project (IPP). The STS consists of a 488-mile transmission line and the associated converter station on each end. The 500kV DC is currently rated at 1,920 megawatts (MW). The City's ownership share of this project is 4.5%.

Mead-Phoenix Project (MP)

The Authority entered into an agreement dated as of December 17, 1991 to acquire an interest in the Mead-Phoenix Project, a transmission line extending between the West Wing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the West Wing-Mead project, a 17.76% interest in the Mead substation project component and a 22.41% interest in the Mead-Marketplace component. The project is a 256 mile, 500 kV AC transmission line with a rating of 1,300 MW. The City's ownership share of Mead-Phoenix is 15.4%.

Mead-Adelanto Project (MA)

The Authority also entered into an agreement dated as of December 17, 1991 to acquire a 67.92% interest in the Mead-Adelanto Project, a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer from the multiple projects fund, and commercial operations commenced in April 1996. LADWP serves as the operations manager of Mead-Adelanto. The project is a 202 mile, 500 kV AC transmission line with a rating of 1,200 MW. The City's ownership share of Mead-Adelanto is 11.5%.

Palo Verde Project (PV)

Pursuant to an assignment agreement dated as of August 14, 1981 with the Salt River Project, the Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station, a 3,810 MW nuclear-fueled generating station near Phoenix, Arizona and a 6.55% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively,

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the Palo Verde Project). Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.4% (9.7 MW).

Magnolia Power Project (MPP)

In March 2003, the City of Burbank entered into a power sales agreement with the Authority for the Magnolia Power Project (MPP). MPP commenced commercial operation in September 2005. MPP is a combined-cycle natural gas-fired generation plant with a nominally rate net base capacity of 242 MW, but can boost its output to 310 MW if needed. The City is obligated for 97.6 MW or 30.992% of its output. The City is also MPP's operating agent.

Natural Gas Project

The Natural Gas Project was acquired by the Authority in 2005 and 2006 and is being developed for the primary purpose of providing the participants with stable long-term supplies of gas for the purpose of fueling their electric generation needs.

The Authority issued 2008 Bonds to provide monies for the refinancing of the City's share of the costs of acquisition and development of the Natural Gas Project through the redemption of a portion of the Authority's Draw Down Bonds previously issued for the Natural Gas Project.

The Authority has sold entitlements to 100% of the production capacity of the Natural Gas Project pursuant to separate Gas Sales Agreements with the five participants. The participants are obligated to pay for such production capacity, including amounts required to pay debt service on bonds issued to finance their respective share of the Natural Gas Project, on a "take or pay" basis. The City has 14.2857% entitlement shares in the Pinedale, Wyoming Subproject (2005 purchase), and 27.2727% entitlement shares in the Barnett, Texas Subproject (2006 purchase).

(B) INTERMOUNTAIN POWER AGENCY (IPA)

In 1980, the City, along with the cities of Los Angeles, Anaheim, Glendale, Pasadena and Riverside, entered into a power sales contract with IPA, which obligates each California purchaser to purchase, on a "take-or-pay" basis, a percentage share of capacity and energy generated by the IPP. The City, through contract, is entitled to 60 MW or 3.371% of the 1,800 MW of generation at the plant. In addition, the City entered into an Excess Power Sales Agreement, also on a "take or pay" contract, with Utah municipal and cooperative IPP purchasers, which provides for the City to obtain up to an additional 0.797% (14 MW) when not used by the Utah municipal or cooperative IPP purchasers.

A summary of the City of Burbank "take or pay" contracts and related projects and its contingent liability at June 30, 2008 is as follows:

	Bonds and Notes outstanding	City of Burbank portion*	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
Southern California Public Power Authority:				
Hoover Upgrading	\$ 17,400	15.9570%	\$ 2,777	\$ 3,523
Southern Transmission System	841,145	4.4980%	37,835	54,560
Mead-Adelanto	207,170	11.5337%	23,894	31,639
Mead-Phoenix	65,305	15.4000%	10,057	13,290
Palo Verde	101,820	4.4000%	4,480	5,736
Magnolia Power Project (Project A)	347,850	32.3500%	112,529	192,392
Natural Gas Project - Pinedale	10,666	100.0000%	10,666	16,424
Natural Gas Project - Barnett	33,034	100.0000%	33,034	50,871
Intermountain Power Project	2,991,017	3.3710%	100,827	133,410
Total	\$ 4,615,407	7.2821%	\$ 336,099	\$ 501,845

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008

\$ in thousands

The following schedule details the amount of principal and interest that is due and payable by the City as part of the take-or-pay contract for each project in the fiscal year indicated (year ending June 30).

	2008/09		2009/10		2010/11	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Upgrading	\$ 227	66	236	122	246	113
IPP STS	1,398	855	1,376	1,744	1,484	1,658
Mead-Adelanto	1,315	561	1,352	1,089	1,446	1,056
Mead-Phoenix	527	242	539	470	702	457
Palo Verde	539	246	443	217	457	192
Magnolia Power Project	2,491	2,347	2,711	4,618	2,810	4,517
Natural Gas Project-Pinedale	532	213	531	508	787	489
Natural Gas Project-Barnett	1,648	659	1,644	1,573	2,438	1,516
Intermountain Power	4,132	4,506	5,259	4,203	7,731	3,950
Total	\$ 12,809	9,695	14,091	14,544	18,101	13,948
	2011/12		2012/13		2014/18	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Upgrading	\$ 255	103	266	93	1,547	249
IPP STS	1,604	1,573	2,435	1,480	11,401	6,224
Mead-Adelanto	1,535	958	1,637	855	9,706	2,682
Mead-Phoenix	745	410	795	359	3,996	1,078
Palo Verde	470	168	484	141	2,087	292
Magnolia Power Project	2,931	4,397	3,052	4,274	15,939	19,152
Natural Gas Project-Pinedale	896	462	660	427	2,688	1,731
Natural Gas Project-Barnett	2,774	1,430	2,045	1,323	8,327	5,362
Intermountain Power	7,174	3,403	6,243	2,936	35,251	10,844
Total	\$ 18,384	12,904	17,617	11,888	90,942	47,614
	2019/23		2024/28		2029/33	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Upgrading	\$ -	-	-	-	-	-
IPP STS	15,010	3,036	3,127	155	-	-
Mead-Adelanto	6,903	544	-	-	-	-
Mead-Phoenix	2,753	217	-	-	-	-
Palo Verde	-	-	-	-	-	-
Magnolia Power Project	13,322	15,551	16,663	12,298	20,340	8,763
Natural Gas Project-Pinedale	1,896	1,090	1,446	620	1,230	218
Natural Gas Project-Barnett	5,874	3,377	4,479	1,919	3,805	678
Intermountain Power	34,550	2,742	487	(1)	-	-
Total	\$ 80,308	26,557	26,202	14,991	25,375	9,659
	2034/38		2039/43			
	Principal	Interest	Principal	Interest		
SCPPA:						
Hoover Upgrading	\$ -	-	-	-		
IPP STS	-	-	-	-		
Mead-Adelanto	-	-	-	-		
Mead-Phoenix	-	-	-	-		
Palo Verde	-	-	-	-		
Magnolia Power Project	32,270	3,946	-	-		
Natural Gas Project-Pinedale	-	-	-	-		
Natural Gas Project-Barnett	-	-	-	-		
Intermountain Power	-	-	-	-		
Total	\$ 32,270	3,946	0	0		

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008
\$ in thousands

NOTE 12: Purchased Power and Fuel Expenses - Wholesale

The Electric Utility Fund has been involved in the wholesale market for many years. Since 2000, the Electric Utility Fund's strategy has been one of primarily optimizing revenues from temporarily underutilized electric assets to develop wholesale net margins that reduce its power supply expenses.

	2008	2007
Wholesale Revenues	\$ 220,177	207,259
Wholesale Costs	212,823	201,132
Wholesale Margin	\$ 7,354	6,127

NOTE 13: Defined Benefit Pension Plan and Post-Retirement Health Care Benefits

Water and Electric Utility Fund employees participate with other City employees in the California Public Employees Retirement System (PERS), a multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

The Water and Electric Utility Fund makes a 7% contribution on behalf of its employees. Effective July 1, 2008, the Water and Electric Utility Fund will increase this contribution to 8%. The Water and Electric Utility Fund is required to contribute at an actuarially determined rate. In fiscal year 2007-2008, the Water and Electric Utility Fund, as employer, was required to contribute 9.339%. The contribution requirements of plan members and the City are established, and may be amended, by PERS.

PERS does not provide data to participating organizations in such a manner as to facilitate separate disclosure for the Water and Electric Utility Funds of the actuarially computed pension benefit obligation and the plans' net assets available for benefits.

Water and Electric Utility Fund annual pension costs are as follows:

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed
	Electric	Water	
June 30, 2006	\$ 3,175	600	100%
June 30, 2007	3,220	611	100%
June 30, 2008	3,781	696	100%

Additional information regarding the defined benefit pension plan can be found in the City's Comprehensive Annual Financial Report.

In addition to providing pension benefits, the Water and Electric Utility Fund, as part of the City, provides certain health care benefits for retired employees. Burbank Employees Retiree Medical Trust (BPRMT) was established in April 2003 by the City to provide post-retirement medical benefits to all non-safety employees, including elected and appointed officials. Plan provisions and contribution requirements are established by and may be amended by the City Council. Eligibility for benefits require that members have reached age 58 with a minimum of 5 years of contributions into the plan. However, no benefits will be paid prior to April 2009. Additional information regarding the health care benefits for retired employees can be found in the City's Comprehensive Annual Financial Report.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2008

\$ in thousands

Other Post Employment Benefits

The Water and Electric Utility Fund, as part of the City, also makes contributions for other post employment benefits (OPEB). The Water and Electric Utility Fund assumes its share of OPEB costs based upon the results of actuarial studies. No separate obligations are calculated for the Water and Electric Utility Fund; accordingly, no obligation is presented herein.

Further information regarding the City's participation in PERS and OPEB may be found in the City's Comprehensive Annual Financial Report.

NOTE 14: Self-Insurance Program

The Water and Electric Funds are in the City's self-insurance program as part of its policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings. The City has chosen to self insure its liability exposure for the first \$1,000 of any loss. Additional coverage of \$4,000 is purchased through ACCEL, the Authority for California Cities Excess Liability. The City then purchased additional coverage from commercial market for total coverage of \$40,000. The workers' compensation coverage is purchased through a pooling agreement. The City self insures the first \$2,000 of each loss and then the pool covers all losses to statutory limits. The City charges the Water and Electric Utility Funds a premium based upon the proportional payroll cost, job classification, and claim history. Additional information regarding the City's insurance program can be found in the City's Comprehensive Annual Financial Report.

NOTE 15: Contingencies

LITIGATION RELATED TO ALLEGED OVERCHARGES FOR THE SALE OF POWER

The City made bilateral sales of energy and ancillary services during the period of May 2000 to February 2001, in order to assist the California Independent System Operator ("CAL ISO") in maintaining reliability in the region, and in response to a federal order by the Department of Energy requiring generators in the region to sell power to the CAL ISO. The CAL ISO in turn resold at least some portion of this power to its customers and entities participating in its markets. The three investor-owned utilities in California, each of whom purchased energy and ancillary services from the CAL ISO during this period, are presently pursuing claims in state and federal courts in which they seek to impose refund liability on the City and other similarly-situated publicly-owned utilities for their sales to the CAL ISO. The Electric Utility Fund's management believes that the ultimate outcome of these matters will not have a material impact on the financial condition of the utility.

OTHER LITIGATION

The City is presently involved in certain other matters of litigation that have arisen in the normal course of conducting its water and electric operations. City management believes, based upon consultation with the City attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact to the City over and above the amounts recorded as claims liability. Additionally, City management believes that the claims liability recorded within the City's internal self-insurance fund is sufficient to cover any potential losses, should an unfavorable outcome result.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Supplementary Information • Historical Summary Schedules

SCHEDULE 1: Annual Electric Supply

Fiscal Year ended June 30, 2008

Resource	MWh	Percentage
Intermountain Power Project	557,000	41.0%
Hoover Uprating	22,000	1.6%
Palo Verde Nuclear	73,400	5.4%
Magnolia Power Project	417,300	30.8%
Firm Contracts	29,500	2.2%
Non-Firm Contracts	219,100	16.2%
On-Site Generation	22,800	1.7%
Renewables	14,500	1.1%
TOTAL	1,355,600	100.0%

SCHEDULE 2: Customers, Sales, Electric Revenues and Demand

Fiscal Years ended June 30; \$ in thousands

	2008	2007	2006	2005	2004
Number of Retail Customers:					
Residential	44,279	44,009	43,973	43,930	44,683
Commercial ¹	6,537	6,299	6,288	6,274	6,278
Large Commercial ¹	71	164	167	167	165
Other ²	264	289	274	262	234
Total	51,151	50,762	50,702	50,633	51,360
Retail Kilowatt-hour Sales (millions):					
Residential	286	285	268	259	271
Commercial	282	257	244	241	246
Large Commercial	578	613	588	535	528
Other ²	34	33	38	58	59
Total	1,180	1,188	1,138	1,093	1,104
Electric Revenues:					
Retail	\$ 155,514	153,916	143,487	136,304	136,789
Wholesale	220,177	207,259	195,512	110,037	131,044
Miscellaneous ³	6,476	7,585	6,159	5,494	3,342
Total	\$ 382,167	368,760	345,158	251,835	271,175
Peak Demand (MW)	308	307	284	281	269

¹ Restructured commercial and large commercial customer classes starting January 1, 2008

² Other includes school, street lighting and miscellaneous users

³ Other operating revenues include transmission, telecommunications and other miscellaneous revenues

SCHEDULE 3: Weighted Average Billing Price – Electric¹

Fiscal Years ended June 30; cents per kilowatt-hour

	2008	2007	2006	2005	2004
Residential	13.07	12.93	12.38	12.34	12.34
Commercial	13.45	13.20	12.69	13.17	12.85
Large Commercial	12.02	12.03	11.55	11.73	11.89
Weighted Average Electric Rate	12.63	12.50	12.01	12.18	12.37

¹ All weighted average rates have been adjusted to exclude Public Benefits and Street Lighting.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Supplementary Information • Historical Summary Schedules

SCHEDULE 4: Annual Water Supply

Fiscal Year ended June 30, 2008

Resource	A.F.	Percentage
Metropolitan Water District	14,596	64.9%
Local Production – BOU	7,893	35.1%
TOTAL	22,489	100.0%

SCHEDULE 5: Customers, Water Sales, Water Revenues

Fiscal Years ended June 30; \$ in thousands

	2008	2007	2006	2005	2004
Number of Potable Water Customers:					
Residential	22,043	22,046	22,050	22,104	22,111
Commercial	3,100	3,073	3,072	3,069	3,036
Large Commercial	116	114	114	121	122
Other ¹	1,112	1,104	1,102	1,096	1,046
Total	26,371	26,337	26,338	26,390	26,315
CCF Sales Per Year (x1,000):					
Potable					
Residential	6,942	7,381	6,755	6,620	7,254
Commercial	1,732	1,930	1,749	1,852	1,829
Large Commercial	364	373	370	344	354
Other ¹	409	305	338	256	300
Recycled	912	953	514	418	442
Total	10,359	10,942	9,726	9,490	10,179
Water Revenues:					
Retail ²	\$ 22,503	18,777	16,805	16,420	16,245
Miscellaneous ³	721	841	2,131	819	1,016
Total	\$ 23,224	19,618	18,936	17,239	17,261
Maximum Day (Million gallons)	30.8	33.0	31.9	35.1	34.2

¹ Other includes city department water, school, fire protection, and miscellaneous users

² Potable and Recycled

³ Other operating revenues include connection fees, recycled water credits and other miscellaneous revenues

SCHEDULE 6: Weighted Average Billing Price – Water

Fiscal Years ended June 30; \$ per CCF

	2008	2007	2006	2005	2004
Residential	1.99	1.84	1.81	1.75	1.60
Commercial	1.84	1.74	1.67	1.59	1.49
Large Commercial	1.74	1.67	1.58	1.54	1.50
Weighted Average Water Rate	1.95	1.82	1.78	1.71	1.54

Schedule of Revenues, Expenses, and Changes in Fund Net Assets (\$ in thousands)

Retail sales (in MWh)

Operating revenues:

Retail
Wholesale
Miscellaneous/Other revenues

Total operating revenue

Operating expenses:

Power supply and fuel – retail
Purchased power and fuel – wholesales
Transmission expense
Distribution expense
Other operating expenses
Depreciation

Total operating expenses
Operating income

Nonoperating income (expenses):

Interest income
Other income (expenses), net
Interest expense

Total nonoperating income (expenses)
Income before contributions and transfers

Contributions and transfers:

Capital contributions
Transfers in from the City
Transfers out to the City

Change in net assets

Net assets, beginning of year

Net assets, end of year



Burbank Water and Power • 2008 Annual Report

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