

2013 - 2014
ANNUAL REPORT





CONTENTS



“...one good decision after another marching through time can create a premier utility.”

A hundred mile journey begins with a single step and a hundred year journey often begins with one good decision moving in the right direction. One step in front of the other, one good decision after another marching through time can create a premier utility. A premier utility delivers services its customers can depend on, at prices that are affordable, and sustains those standards over time while being good stewards of the environment. Such are the aspirations of Burbank Water and Power’s staff as it celebrates 100 years of service. We pay respect to those that came before us and are working continually toward building a premier utility that will be strong and well positioned for those that will come after us, one step and decision at a time.

The financial results for BWP’s Electric and Water Funds during our centennial year of 2013-14 were strong. BWP continues to carefully balance the electric and water rates to be very competitive in the region and yet provide sufficient funding for operations and maintenance, capital improvements, reserves, and to cover the rising costs of procuring water and energy while allowing BWP to be amongst the nation’s leader in system reliability.

The Standard & Poor’s credit ratings for the Electric Fund and Water Fund are a very strong, “AA-” and “AAA” respectively.

These credit ratings are significant because they provide BWP access to capital markets as needed for modernizing and improving system efficiency, reliability and sustainability.

Our compass at BWP points toward supplying Burbank residents and businesses with safe, reliable, and affordable water and electric services, while helping to build a sustainable community as the road to travel. Improving how efficiently BWP delivers water and energy by avoiding losses, minimizing peak energy use by shifting energy use to off-peak, and reducing potable water demand by shifting applicable demand to recycled water, will continue to be the focus of much of the utility’s resources for the foreseeable future. These strategies, as well as working with our customers to conserve and use energy and water more wisely, are the key components of BWP’s planned journey to keep the utility strong and healthy for the next 100 years.

Sincerely,

Ron Davis,
General Manager

MEET THE BWP BOARD



BWP Board: Robert Olson, Phillip Leclair, Annie P. Hovanessian, Ryan Ford, Lynn C. Kronzek, Jordan Smith, and Philippe Eskandar.

At the Heart of BWP is Local Control

Decisions on vital services that affect every home and business are made through the local elections of City Council members who are advised by citizens appointed to the BWP Board.



Jordan Smith, Chairperson

Term: May 17, 2011 - May 31, 2015

Mr. Smith has resided in Burbank for 44 years and holds a Bachelor of Science in Mechanical Engineering and a Master of Science in Engineering Management from the California Polytechnic University. Mr. Smith is also licensed in California as a Professional Engineer: Mechanical. Mr. Smith works as a Senior Engineer for a large private utility in California and seeks to guide BWP to excellence and make BWP the most efficient clean municipality in the nation.



Annie P. Hovanessian, Vice Chairperson

Term: May 22, 2012 - May 31, 2015

A Burbank resident for over 12 years, Ms. Hovanessian holds a Bachelor of Arts degree from the University of California Los Angeles and a Juris Doctorate of Law from the University of La Verne. Ms. Hovanessian works in the construction industry as Corporate Council and supports various local non-profit groups and City of Burbank events. Ms. Hovanessian desires to explore new technologies and opportunities in forward thinking projects for the Burbank community.



Lynn C. Kronzek

Term: May 5, 2012 - May 31, 2015

Ms. Kronzek has called Burbank home for over 13 years and has a Bachelor of Arts in History and Journalism from the University of Michigan and a Master's in Public Administration from George Washington University. Ms. Kronzek is a Principal in a consulting business and has served on various boards and advisory committees in the region. Ms. Kronzek's motivation to serve on the board is to promote public understanding of the utility and the quality services it delivers.



Philippe Eskandar

Term: May 5, 2011 - May 5, 2015

A long term resident of over 25 years, Mr. Eskandar holds a Master in Public Policy from the School of Public Policy at Pepperdine University as well as a Masters in Dispute Resolution from Pepperdine's School of Law. Mr. Eskandar is a Program Specialist for the City of Glendale and wants to bring to the board a voice that advocates transparency and make the utility accessible to all citizens.



Robert Olson

Term: May 21, 2012 - May 31, 2015

Mr. Olsen has been a Burbank resident for 25 years. Mr. Olsen obtained a Master's degree in Media Analysis from the University of Denver and is a Media Consultant at a consultancy firm. Mr. Olson has served multiple terms on the BWP Board and brings a strong interest in financial management, budget analysis, and provides historical context and insight into current and future BWP issues.



Ryan Ford

Term: May 21, 2012 - May 31, 2015

Over 3 years ago Mr. Ford chose Burbank as his home. Mr. Ford attended San Jose State University and earned a Bachelor of Arts and a Master's degree in Economics. Mr. Ford is a Consultant for an Economics firm and is also a part-time community college Economics instructor. As a BWP board member, Mr. Ford wants to ensure that technology and sustainability initiatives come to fruition to maximize the welfare of Burbank citizens.



Phillip Leclair

Term: July 7, 2014 - May 31, 2017

Mr. Leclair has lived in Burbank for over 5 years and earned a Bachelor of Arts in Economics from UC Berkeley and a Master's of Business Administration from New York University Stern School of Business. Mr. Leclair serves as the Chief Information Officer and Director of Information Technology for the City of Pasadena. Mr. Leclair believes that transparency & accountability will increase positive outcomes and benefit operations.

A YEAR IN REVIEW: 2013 - 2014



Investing in Modern Technology

Investing in modern technology ushers in a new era of customer service in a digital age. Burbank embraced the solution of wireless “smart” meter systems to make the measurement of electric and water usage more effective and efficient. Transmitters attached to meters record usage in 15 minute intervals instead of once a month, then wirelessly sends precise usage data to BWP.

Granular information provides benefits to residents by providing more transparency into their bills and usage, and to Burbank by eliminating the need for manual meter reading. Burbank residents can now access their hourly and daily electric water usage by new customer web portals and BWP now offers services such as catching water leaks, right sizing equipment, and other efficiency programs.

Investment in wireless meter reading technology better positions Burbank for success. At a time when it’s important to implement efficient solutions to challenges surrounding electric and water management, acting proactively will go a long way in meeting the challenges of a modern utility.

See How “Smart” Meters Are Transforming Burbank

AWARDS & RECOGNITION

LEEDS Awards

- 2014 KITE Award to Ron Davis, BWP General Manager, for Electric Utility 2014 Operations Leadership Award for a small utility by Energy Central
- 2014 U.S. Green Building Council, LEED Platinum certification – Electrical Services Building
- 2014 Customer Service Week and Light & Power, Expanding Excellence Award for Best Smart Infrastructure, Level 2 for far exceeding the ingenuity, success and commitment envisioned when the award was created.
- 2014 Green California Leadership Award, Green Building Category
- 2014 United States Green Building Council, Leadership in Energy and Environmental Design (LEED) Platinum certification, Electrical Services Building
- 2013 California Architectural Foundation (CAF), Owings Award for Environmental Excellence
- 2013 Los Angeles Chapter of the United States Green Building Council - LA (USGBC-LA), Sustainable Innovation Awards, Sustainable Sites Award and the Innovation in Design Award.
- 2013 United States Green Building Council – Los Angeles Chapter, Burbank Water and Power EcoCampus, Sustainable Innovation Awards, Awards in the Sustainable Sites and the Innovation in Design Categories



- 2013 United States Green Building Council, Leadership in Energy and Environmental Design (LEED) Platinum certification, Service Center Building
- 2013 United States Green Building Council, Leadership in Energy and Environmental Design (LEED) Platinum certification, Administration Building
- 2013 Sustainable Sites Initiative, SITES® Certified
- 2013 American Council for an Energy Efficient Economy, National Exemplary Energy

BURBANK'S RELIABLE UTILITY

How Do You Measure Reliability?

Electric reliability is measured by how often the power goes out and how long it takes to restore power. Burbank customers enjoy electric reliability that is amongst the highest in the nation and getting better.

National Reliability Award (APPA RP3)

Of the nation's more than 2,000 public power utilities, Burbank Water and Power earned Reliable Public Power Provider (RP3) recognition from the American Public Power Association for providing the highest degree of reliable and safe electric service.



NUMBER OF OUTAGES ABBY WILL EXPERIENCE BY:

(Data is Based on a Five Year Average from 2009 through 2013)

KINDERGARTEN (5 YRS)

Burbank: 1
SDG&E: 2
Neighboring Cities Avg.*: 3
SCE: 4
PG&E: 5

FIRST FORMAL (15 YRS)

Burbank: 3
SDG&E: 6
Neighboring Cities Avg.*: 9
SCE: 12
PG&E: 15

WEDDING DAY (25 YRS)

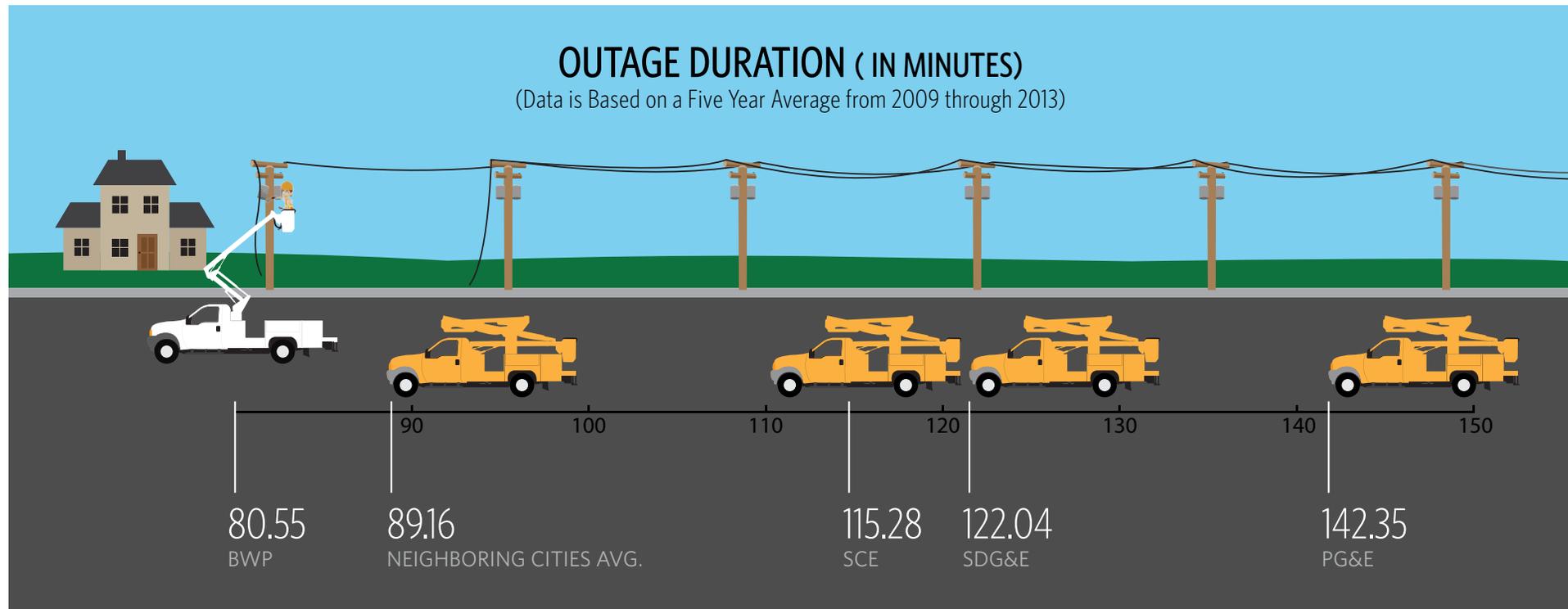
Burbank: 5
SDG&E: 10
Neighboring Cities Avg.*: 15
SCE: 20
PG&E: 25

* Neighboring Cities Average includes: Los Angeles, Glendale, Pasadena, Anaheim, and Riverside

Burbank is the Fastest to Restore Power After an Outage

Burbank has one of the Nation's best response times of 80.5 minutes on average to restore service to customers affected by an outage. Investments in modern technology are reducing the time it takes to restore power after an outage.

Data is based on a five year average from 2009 through 2013	Burbank	Neighboring Cities Avg*	SCE	SDG&E	PG&E
System Average Interruption Frequency Index (SAIFI) The average number of times a customer experiences an outage each year.	0.26	0.64	0.86	0.51	1.15
Customer Average Interruption Duration Index (CAIDI) The average duration (minutes) of an outage experienced	80.55	89.16	115.28	122.04	142.35
* Neighboring Cities Avg. Includes: Los Angeles, Glendale, Pasadena, Anaheim, and Riverside					



RESERVOIR NO.1 RECONSTRUCTION PROJECT



The reconstruction of Reservoir 1 replaced a vintage 1928 obsolete and leaky reservoir near the intersection of Sunset Canyon and Magnolia Boulevard with two reservoirs with a combined 40% greater storage capacity. The new reservoirs are constructed to modern day seismic and structural standards, are less visible, fit into the same physical area, and have a zero leak rate.

The new reservoirs are designed to the more rigorous modern public health requirements for improved quality and safety of water supplies for drinking, firefighting and other emergencies and improve the reliability of Burbank's water storage and distribution system for many years to come.



The reconstruction of the Reservoir 1 increased the water storage capacity from 6.9 million gallons of water to 9.5 million gallons.

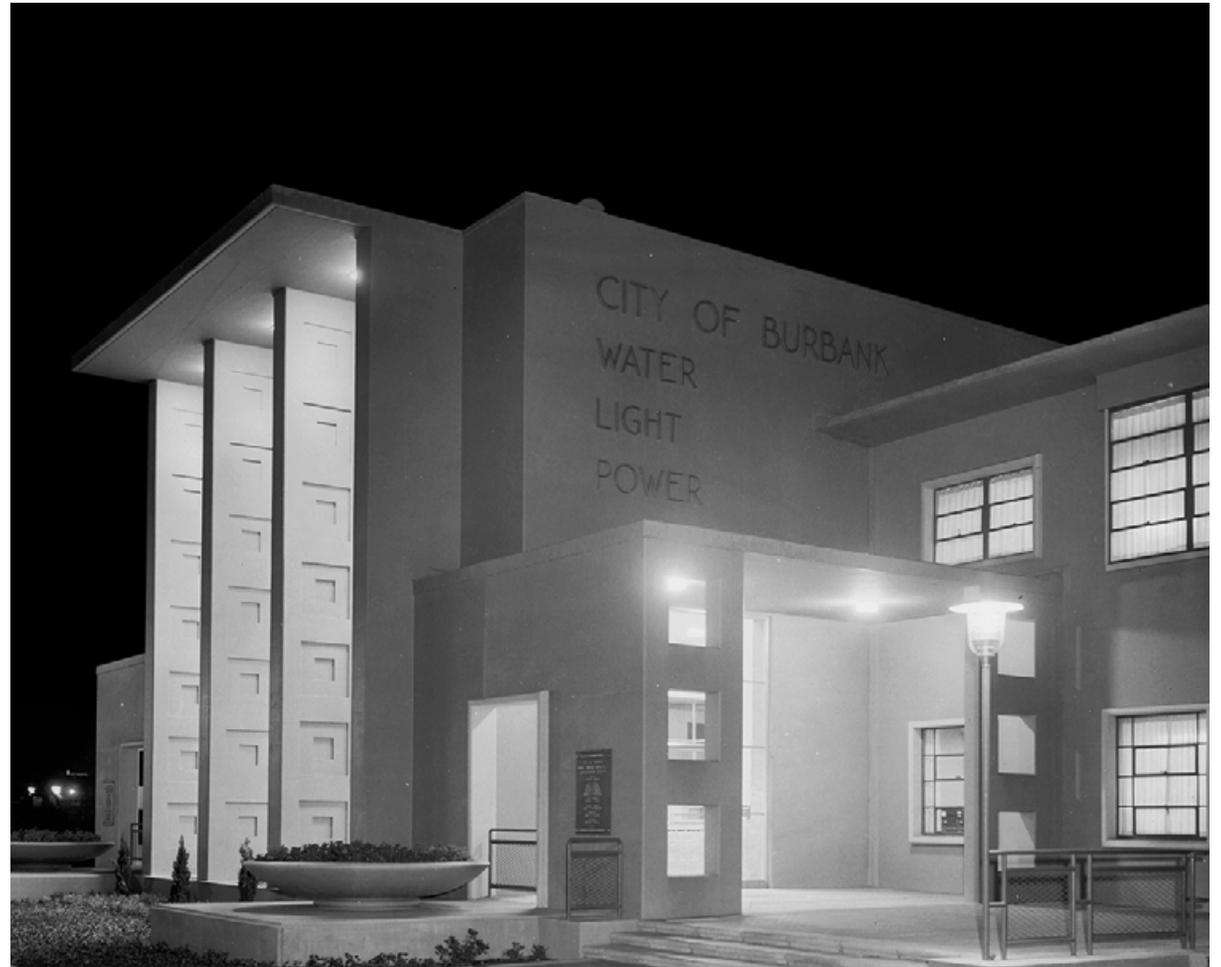
BWP THEN & NOW

The Public Face of a Utility

Since the late 1940s the BWP Administration Lobby has long been the public face of the utility. The Art Deco architecture and mural by Hugo Ballin welcome customers to pay a bill, find conservation resources, or welcome newcomers to sign up for new electric and water service.



ABOVE: Burbank Water and Power Administration Building Exterior, 1949 RIGHT: The exterior was created in Art Deco design style.





The exterior of the Burbank Water and Power Administration Building includes the Art in Public Places fountain "Community."

Customer Service Experience

The early residents of Burbank wanted the conveniences and comforts offered by City-furnished water and power, and were willing to risk their own capital to obtain it. In 1913 the Public Service Department, later to be renamed Burbank Water and Power, was created.

Residents of Burbank are owners in their publicly-owned water and power utility. When they contact or visit BWP's Customer Service, they are visiting a local office staffed by people who know the community and are in tune with customers' needs and values.

The top priority of BWP is delivering value to our customer-owners and the Burbank community. Hearing the collective voice of Burbank and earning their trust is what counts.



LEFT: The lobby of the Administration Building, 1952. ABOVE: The Hugo Ballin mural is carefully restored for future generations.



The renovated Lobby in the Administration Building was designed to maintain the Art Deco charm.

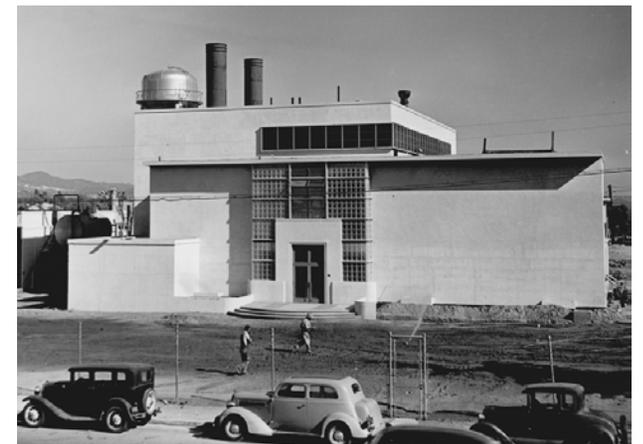
THE MAGNOLIA POWER PLANT



The First Power Plant in Burbank

Building up to this critical time in American history, pre-WWII, electricity for Burbank was mostly imported, including power from Hoover Dam. Importing power made reliability susceptible to any disruptions in the transmission lines to Burbank, such as attacks from foreign enemies.

Burbank's ability to support the manufacturing of airplanes in Burbank was critical. With the support of the War Department, Burbank constructed its first local power plant in October 1941.



LEFT: Magnolia under construction, May 1941. ABOVE: The Art Deco front entrance of the Magnolia Power Plant, 1943.

The Modern Magnolia Project

The modern Magnolia Plant helps meet the needs and challenges of a modern electric utility. The Magnolia Power Project (MPP) went into service in 2005 and produces 98% fewer emissions than the plants it replaced. MPP uses both natural gas and methane from the local Burbank landfill.

MPP is jointly owned by 6 cities in Southern California and is large enough to power the entire City of Burbank in case of emergencies or natural disasters.

MPP uses state-of-the-art water technologies that allow the power plant's water needs of over a million gallons a day to completely come from 100% recycled water and drought proofs the project.



ABOVE: Magnolia's original 1943 Art Deco entrance was preserved.



RENEWABLE ENERGY

The Hoover Dam Investment

Big, ambitious, maybe even a little crazy. When Burbank policy makers committed to investing in Hoover Dam back in the 1930s, these words were used to describe the project. Those same words may have been used back in 2007 when Burbank policy makers were the first in the nation to set an ambitious goal to reach 33% renewable energy by the year 2020.



ABOVE: Pebble Springs Wind Farm in Oregon is one of the renewable energy sources that provides power to Burbank.



FOUNDING MEMBER OF THE METROPOLITAN WATER DISTRICT

Southern California has semi-arid climate and water is scarce. Burbank is further challenged by not having any water rights to naturally occurring water found under the city in underground aquifers leading Burbank to be fully dependent on imported water.

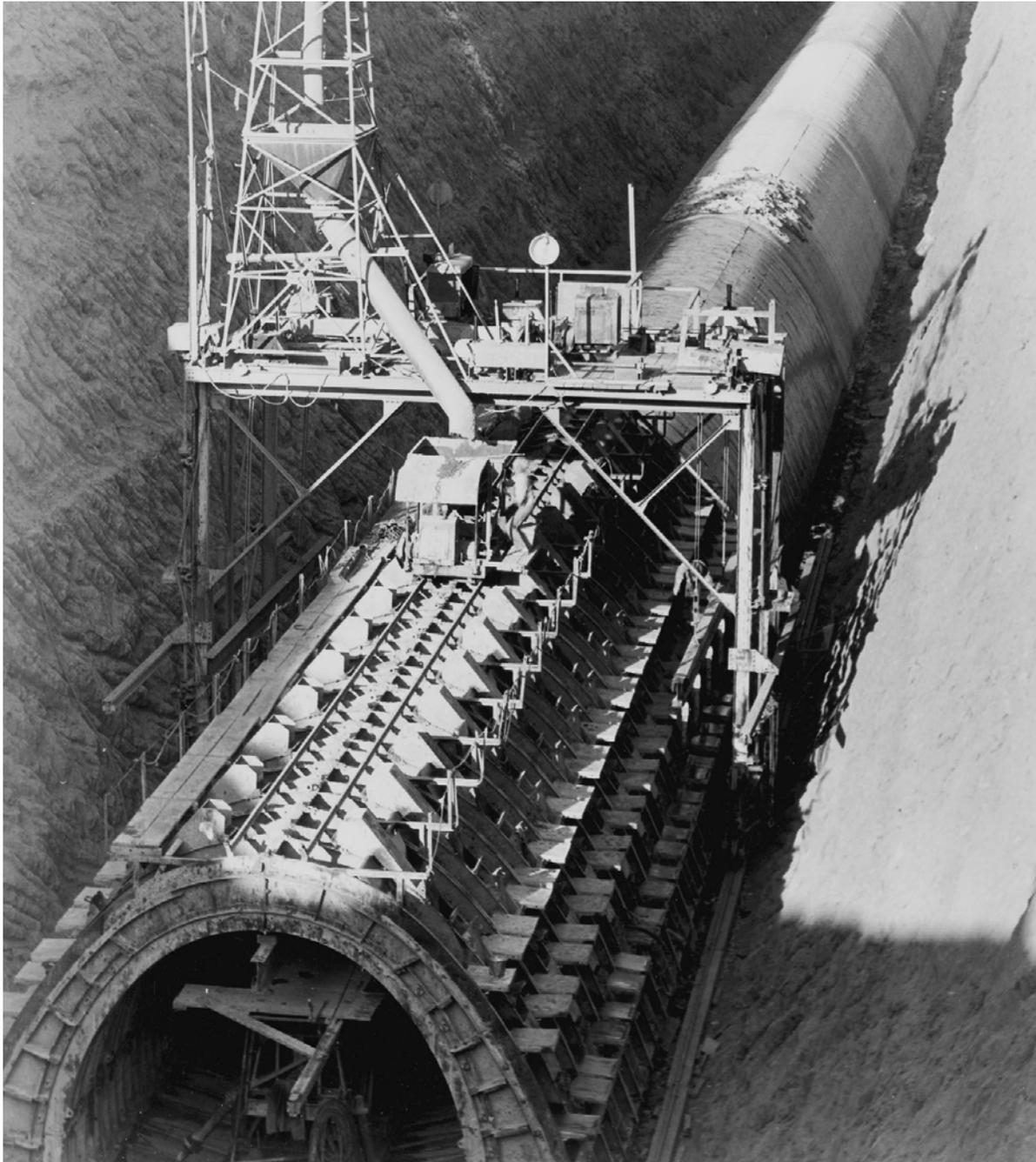
Burbank is one of the 13 founding cities that established the Metropolitan Water District of Southern California (MWD). MWD is destined to become the largest supplier of water in the world.



LEFT: A birds-eye view of Burbank, 1939.

RIGHT: Looking East from Vermont and Wilshire in Los Angeles, 1939.



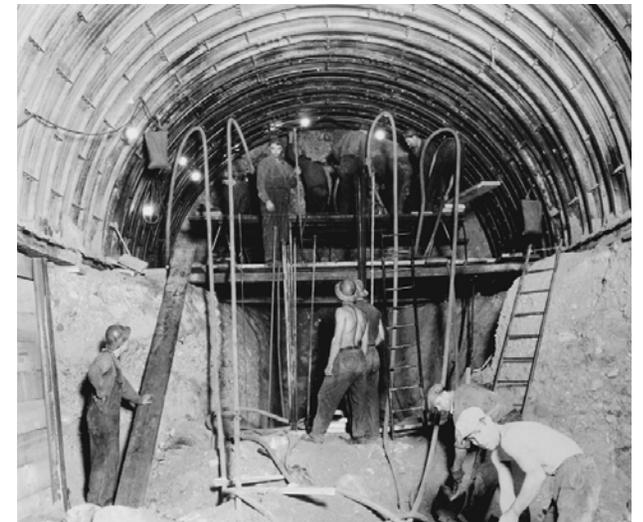


The Colorado River Aqueduct

The first large scale MWD project is the building of the Colorado River Aqueduct that brings water over 240 miles from the Colorado River in Arizona to the original 13 members.

Today, most of the water used in Burbank is purchased from MWD and originates from northern California and the Colorado River in Arizona. These water supplies have many competing demands, both by man and nature, and pose serious environmental issues that limit its use and the availability of water.

Burbank water customers enjoy some of the most affordable water rates in the region despite not having any water rights to naturally occurring water in underground aquifers and our dependence on imported water.



LEFT: Water travels through approximately 242 miles of pipe and lined canals to reach Southern California. ABOVE: The typical height of the aqueduct tunnels is 16 feet tall.

ECO CAMPUS



Burbank's EcoCampus transforms the utility site from an industrial complex into a regenerative green campus. The landscapes are the only industrial location in the world to receive SITES™ certification and feature one of the longest green streets in southern California showcasing five storm water capture and filtration methods.

The Centennial Courtyard is a green space within the footprint of a decommissioned electrical substation. Part of the industrial structure still stands, acting as a giant super trellis and creating a poignant juxtaposition of industry and nature. The EcoCampus provides a model for the region to address storm water capture as a resource to recharge ground water tables and the use of recycled water for landscape irrigation to drought proof a portion of our water supply.



LEFT: The Centennial Courtyard creates a poignant juxtaposition of industry and nature. ABOVE: Out of service Burbank station ruin.

Green Street

In tight urban areas, BWP's Green Street demonstrates that an eight foot wide sidewalk can not only be beautiful and pedestrian friendly, but can be a place for cleaning and infiltrating our storm water run-off from our streets.

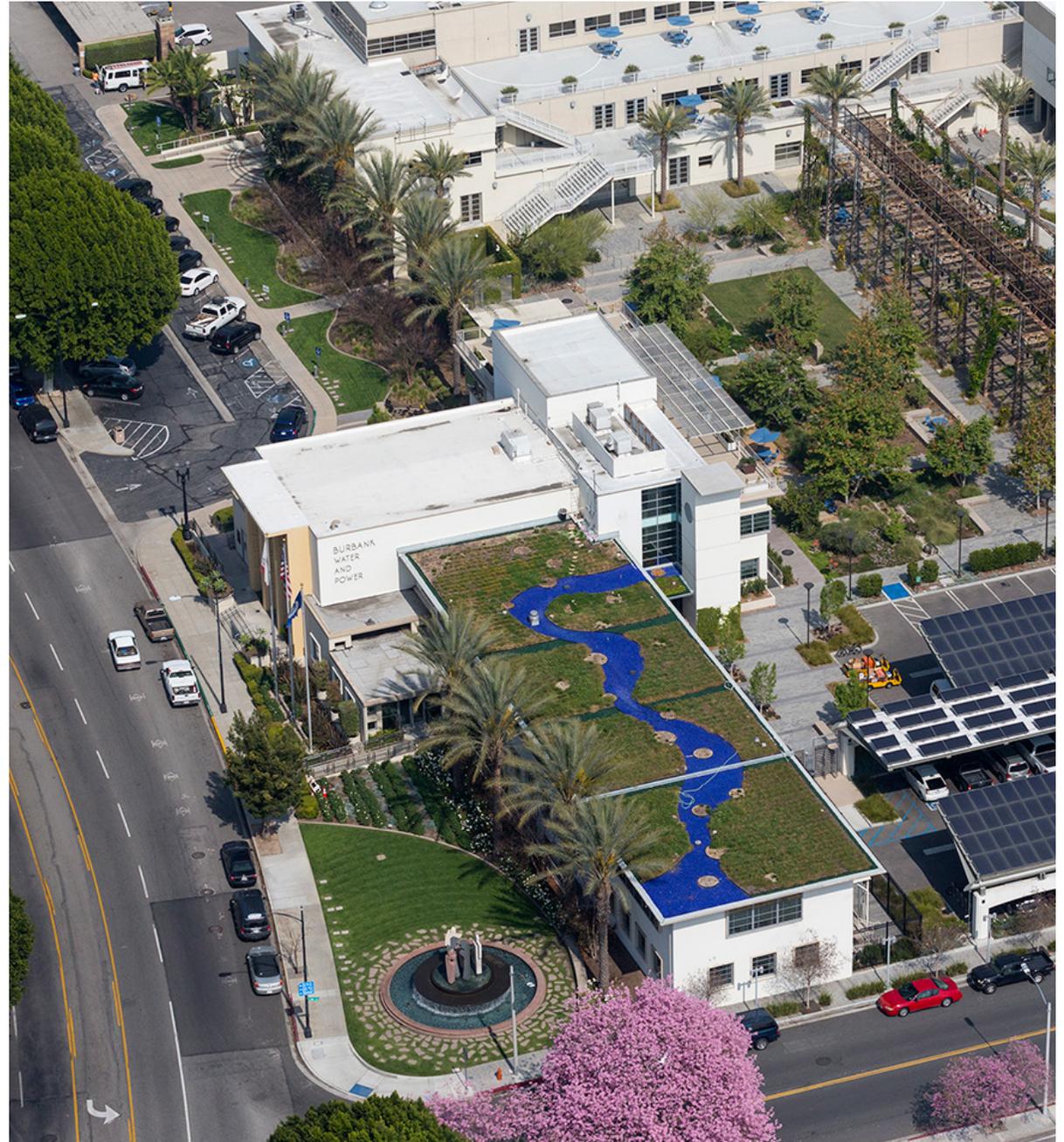
A streetscape renovation project turned three city blocks of Lake Street, between Magnolia Blvd. and Olive Ave., into a Green Street - a showcase of five new storm water management systems.

Rooftop Gardens

Three state of the art rooftop gardens use plants to absorb about seventy-percent of the rainwater that falls on the building. Any rainwater overflow is captured by two massive underground storage and percolation tanks buried under the adjacent solar covered parking lot.

The rooftop gardens absorb CO2 emissions, filter air pollutants, and lowers ambient air temperatures, reducing both the "heat island effect" and the energy needed to cool the historic Administration Building.

Want to Learn More About the
BWP EcoCampus?



Aerial View of Burbank Water and Power's EcoCampus from Lake and Magnolia Street.

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Electric and Water Utility Enterprise Funds of the City of Burbank (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric and Water Utility Enterprise Funds of the City of Burbank, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As discussed in Note 1(C), the financial statements present only the Electric and Water Utility Enterprise Funds and do not purport to, and do not, present fairly the financial position of the City of Burbank as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Partial Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended June 30, 2013 from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



IRVINE, CALIFORNIA | JANUARY 19, 2015

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2014

The management of the City of Burbank's (City) Electric and Water Utility Enterprise Funds (Management) offers the following financial highlights and overview of factors that had a material effect on the financial condition and results of operations for the fiscal year ended June 30, 2014 (the fiscal year). Management encourages readers to utilize the information in the Management Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements and notes. 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 Electric and Water Utility Funds' (Utility) basic financial statements and to provide an objective and easily understood analysis of the financial activities based on currently known facts, decisions and conditions. For comparative purposes, this analysis includes the financial statements of the Electric and Water Utility Enterprise Funds for the two most recent fiscal years. The comparative information for fiscal year 2013 has been restated for net position: and some assets, liabilities, revenues and expenses have been reclassified to match the financial presentations for the fiscal year.

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

The Statement of Net Position presents information on the Utility's assets and liabilities, with the difference between the two reported as total net position.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information on how the Utility's net position 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 position 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 future fiscal periods (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 for a full understanding of the data provided in these financial statements.

ELECTRIC UTILITY FUND

ELECTRIC UTILITY FUND HIGHLIGHTS:

- Net position increased by \$8,518, or 3.2%, due to favorable operating results. This increase was primarily used to reduce liabilities and fund capital projects.
- The Electric Utility maintains an 'AA-' long-term credit rating from Standard & Poor's Ratings Services and an 'A1' rating from Moody's Investors Service for its revenue bonds. These ratings reflect the Electric Utility's consistently strong financial performance, conservative financial reserve and risk policies, effective cost management, competitive rates, a relatively strong and diverse economic base with above-average income, and continuous support from the Electric Utility's Board and City Council.
- The Electric Utility Fund invested \$23,429 in the acquisition and construction of capital assets. The source of funding was from cash reserves. The results of maintenance and pro-active capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the system average interruption was only 9.6 minutes compared to an industry average in the range of 115 minutes per customer. The low system average outage duration was helped by minimizing the frequency of outages. The Burbank outage frequency rate was approximately 75% below the industry average, which is in excess of one outage per year.

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

	2014	2013	Incr. (Decr.)
Retail sales (in MWh)	1,123,482	1,142,057	(18,575)
Operating revenues:			
Retail	\$ 165,757	\$ 167,828	\$ (2,071)
Wholesale	50,151	44,295	5,856
Intergovernmental	2,623	1,881	742
Other revenues	9,060	6,628	2,432
Capital contributions	563	524	39
Total operating revenues	<u>228,154</u>	<u>221,156</u>	<u>6,998</u>
Operating expenses:			
Power supply and fuel – retail	96,982	93,008	3,974
Purchased power and fuel – wholesale	46,441	41,875	4,566
Transmission expense	15,408	12,263	3,145
Distribution expense	10,318	8,583	1,735
Other operating expenses	20,086	22,079	(1,993)
Depreciation	17,023	17,358	(335)
Total operating expenses	<u>206,258</u>	<u>195,166</u>	<u>11,092</u>
Operating income	<u>21,896</u>	<u>25,990</u>	<u>(4,094)</u>
Nonoperating income (expenses):			
Interest income	1,437	927	510
Payments in lieu of taxes to City	(10,968)	(10,904)	(64)
Gain (loss) on disposal of capital assets	181	109	72
Other income (expenses), net	1,140	1,529	(389)
Interest expense	(5,168)	(4,680)	(488)
Total nonoperating income (expenses)	<u>(13,378)</u>	<u>(13,019)</u>	<u>(359)</u>
Change in net position	<u>8,518</u>	<u>12,971</u>	<u>(4,453)</u>
Net position as restated, beginning of year	266,938	253,967	12,971
Net position, end of year	<u>\$ 275,456</u>	<u>\$ 266,938</u>	<u>\$ 8,518</u>

Retail (sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 94.6% of the Electric Utility's operating revenues. Retail energy sales decreased moderately by 18,575 megawatt hours (MWh), or 1.6%, due to a cooler summer when compared to the prior fiscal year. Retail revenues were lower by \$2,071, or 1.2%, due to lower sales volume and offset by a 1.75% rate increase that went into effect in July 2013.

Intergovernmental revenues were \$742, or 39.4%, higher than the prior fiscal year. The Electric Utility received \$2,623 of grant revenue from the Department Of Energy for system modernization expenditures as part of the \$20 million grant from the American Recovery and Reinvestment Act, compared to \$1,881 in the prior fiscal year.

Other revenues were \$2,432, or 36.7%, higher than the prior fiscal year. The Electric Utility received a one-time payment from the release of restricted bond cash for the Mead-Phoenix and Mead-Adelanto transmission projects from the Southern California Public Power Authority (SCPPA). Fiber optic revenue was also higher for the fiscal year with revenues of \$3.3 million compared to \$2.7 million the prior fiscal year as a result of the addition of 18 new customers and service upgrades by 9 existing customers.

Wholesale margins were \$1,290, or 53.3%, higher than the prior fiscal year margin of \$2,420. The higher margin was primarily attributed to monetizing the Electric Utility's transmission assets in various energy delivery points due to price disparity. Wholesale margins continue to contribute to the Electric Utility's financial performance by reducing its overall power supply expenses.

Retail power supply expenses were \$3,974, or 4.3%, higher than the prior fiscal year. Expenses were higher due to the addition of renewable energy to the energy

portfolio, and higher energy prices; while expenses in the prior year were lower due to one-time bond refinance savings. The Electric Utility received energy from two additional renewable resources during the fiscal year (see Environmental and Economic Factors). Renewable energy made up 28.9% of the total energy supply in the fiscal year, compared to 18.2% in the prior fiscal year. The Electric Utility is on track to meet the 33% Renewable Portfolio Standard (RPS) goal by 2020.

Transmission expenses were \$3,145, or 25.6%, higher than the prior fiscal year. Expenses were lower in the prior year due to one-time bond refinance savings and the release of bond service reserve funds from SCPPA's

various transmission projects. Transmission expenses in the fiscal year were \$15,408, which is comparable to fiscal year 2011-12 at \$15,384.

Distribution expenses were \$1,735, or 20.2%, higher compared to the prior fiscal year. Expenses were lower in the prior year due to a one-time credit received for the assistance the City provided in the Hurricane Sandy relief effort.

Interest income was \$510, or 55.0%, higher compared to the prior fiscal year. The higher interest income was partially due to higher market valuation of investment holdings for the fiscal year and higher realized investment losses from the financial crisis than in the prior fiscal year.

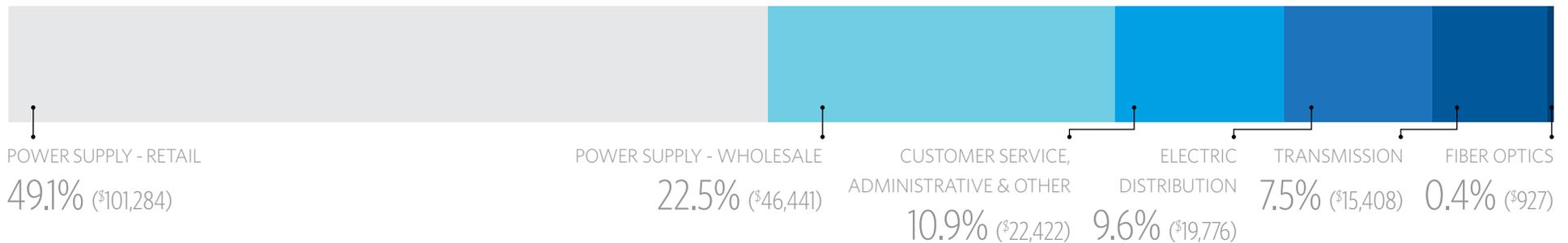
Interest expense was \$488, or 10.4%, higher compared to the prior fiscal year due to capitalizing interest for capital projects in progress during the prior year.

The Electric Utility transferred \$8,518 and \$2,450 to the City's General Fund in the form of an in-lieu tax of 5.0% and a street lighting transfer of 1.5%, respectively, of certain electric retail revenues. Retail customers also contributed \$11,036 to the City's General Fund in the form of a utility users' tax of 7.0% of certain electric retail revenues. In addition, the Electric Utility set aside \$4,498, or 2.85%, of certain electric retail revenues for Public Benefits programs.

OPERATING REVENUES



OPERATING EXPENSES



The Electric Utility Fund's net positions as of June 30, 2014 and June 30, 2013 were as follows:

Schedule of Net Position (<i>\$ in thousands</i>)			
	2014	2013	Incr. (Decr.)
Assets			
Current and regulatory assets	\$ 105,170	\$ 104,825	\$ 345
Noncurrent and regulatory assets	9,364	10,260	(896)
Capital assets, net of accumulated depreciation	286,110	281,893	4,217
Total assets	400,644	396,978	3,666
Liabilities			
Current liabilities	22,545	23,021	(476)
Noncurrent liabilities and deferred inflows of resources	102,643	107,019	(4,376)
Total liabilities	125,188	130,040	(4,852)
Net position			
Net investment in capital assets	193,798	190,466	3,332
Restricted for debt service	4,890	4,703	187
Unrestricted	76,768	71,769	4,999
Total net position	\$ 275,456	\$ 266,938	\$ 8,518

Changes in total net position may serve as useful indicators of the Electric Utility Fund's financial strength over time.

Total assets were higher by \$3,666, or 0.9%, compared to the prior fiscal year. The increase was due to the Electric Utility's favorable operating results. Noncurrent and regulatory assets decreased by \$896, primarily due to amortization of its regulatory assets. Capital assets, net of accumulated depreciation increased by \$4,217 (see Capital Assets).

Total liabilities were lower by \$4,852, or 3.7%, compared to the prior fiscal year. Noncurrent liabilities and deferred inflows of resources were lower by \$4,376, primarily from revenue bonds' payments, revenue recognition of deferred systems modernization expenditures, inflows of resources and offset by reclassification of purchased power costs from current liabilities to deferred inflows of

resources. Current liabilities were lower by \$476 due to lower accrued expenses and accounts payable, and lower customer deposits.

Total net position was higher by \$8,518, or 3.2%, compared to the prior fiscal year due to favorable operating results (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A significant portion of the Electric Utility's total net position was in Net investment in capital assets of \$193,797, or 70.4% of total net position (see Capital Assets). The unrestricted net position of \$76,770, or 27.9%, of total net position was available for future capital investments and maintenance activities.

CAPITAL ASSETS

As of June 30, 2014, the largest portion of the Electric Utility Fund's total assets, \$286,110, or 71.4%, was invested in capital assets. The Electric Utility invested \$23,429 in the acquisition and construction of capital assets funded primarily from cash reserves. The majority of these investments were for systems modernization, replacement and upgrade of the transmission and distribution system, general plant, Optical Network Enterprise Burbank (ONE Burbank), and fiber connectivity and other facilities. These investments have resulted in improved efficiency and reliability of the Electric Utility.

During the fiscal year, the Electric Utility continued with system modernization of the electric system. The Electric Utility completed and implemented the Customer Information System project to replace the outdated system. The Customer Information System is a complex database, software and information system that facilitates customer accounts' management and billing services. The Meter Data Management System project is for information collection and management, and provides customers with detailed data and the ability to manage water and electricity consumption. The implementation of the Integrated Automated Dispatch System enhances the energy management system with real-time control capability for automatically dispatching energy resources, and optimizes system reliability and cost management. As more renewable energy resources with inherently variable outputs are added to the energy portfolio, the system will assist in the management of these resources to the distribution system. Some of the other system modernization programs being implemented are for security systems and operating efficiencies that include the installation of automated devices to monitor the distribution system.

The Electric Utility also continued investing in the upgrade of 4 kilovolts (kV) to 12 kV electrical distribution lines and replacing overhead and underground distribution lines for services to customers. The benefits of the 4 kV to 12 kV conversions are to increase capacity, improve reliability, and reduce distribution line losses.

The Electric Utility completed the construction of the Electrical Service Building that is a certified Leadership in Energy and Environmental Design (LEED) Platinum Building. The building is designed with an efficient use of land and a focus on increasing operational efficiency by adding work space for engineers, electricians, and test technicians.

Some of the major capital investments for the fiscal year include:

<i>(\$ in thousands)</i>	
Systems Modernization programs (Customer Information System, Meter Data Management System, Integrated Automated Dispatch System)	\$ 7,156
4 kV to 12 kV conversions	4,523
Overhead / underground distribution lines	2,760
Electrical Service Building	2,286
Aid-in-construction for the I-5 Improvement	1,095
ONE Burbank / fiber connectivity	789
Replace equipment at electric stations	553
Facilities upgrades	332
Lake Cooling Tower	329
Distribution planning and software	324
Olive-Lincoln relays	190
Conduit Manager software	185
Distribution substructures	120
Total	\$ 20,642

Investments were made in the ONE Burbank infrastructure to provide connectivity to the Burbank Unified School District, City facilities and to relocate existing connections. ONE Burbank is a fiber optic-based infrastructure that includes dark fiber, carrier-class, and high-speed managed services for local Burbank businesses. During the fiscal year, the City added 18 new customers and services were upgraded by 9 existing customers. ONE Burbank generated \$3.3 million in this fiscal year compared to \$2.7 million in the prior fiscal year.

The results of maintenance and pro-active capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the system average interruption was only 9.6 minutes compared to an industry average in the range of 115 minutes per customer. The low system average outage duration was helped by minimizing the frequency of outages. The Burbank outage frequency rate was approximately 75% below the industry average, which is in excess of one outage per year.

DEBT ADMINISTRATION

As of June 30, 2014, the Electric Utility had \$89,100 in outstanding revenue bonds, of which \$3,580 will be due within a year. The Electric Utility repaid \$3,450 toward outstanding bonds during the fiscal year. The bonds were issued for systems modernization, replacement and upgrades of the electric system, general plant and other facilities.

The Electric Utility maintains an 'AA-' credit rating from Standard & Poor's and an 'A1' rating from Moody's Investors Service for its revenue bonds. These ratings reflect the Electric Utility's consistently strong and reliable financial performance, competitive rates, conservative financial reserve and risk policies, effective power cost management, a relatively stable, strong and diverse economic base with above-average income, and continuous support from the Electric Utility's Board and City Council.

ENVIRONMENTAL AND ECONOMIC FACTORS

For the fiscal year, the Electric Utility's renewable energy resources made up 28.9% of its total energy supply, compared to 18.2% for the prior fiscal year. The Electric Utility is on track to meet the RPS goal of 33% by 2020. During the fiscal year, renewable energy came from

the Don A. Campbell Geothermal Project and Copper Mountain Solar 3 Project in Nevada, Iberdrola Wind in Wyoming, Pebble Springs Wind in Oregon, Tieton Hydropower in Washington, Milford Wind I in Utah, Ameresco Chiquita Landfill in California, and Burbank Water and Power's Landfill Micro-turbines and Valley Pumping Station. Biomethane gas was also used in the local generation to displace some of the fossil fuels.

The Electric Utility received two new sources of renewable energy for the fiscal year. In November 2013, the City received its 15.38% shares of the Don A. Campbell Project, a geothermal project from Mineral County,

Nevada. The project has a nameplate capacity of 25 MW with a projected net output of 16.2 MW; a geothermal generation facility typically consumes a substantial portion of its own power, therefore lowering the overall output of the plant. In May 2014, the City began receiving its 16.0% shares of Copper Mountain Solar 3 Project, a solar project from Clark County, Nevada. The project has a nameplate capacity of 250 MW and will be constructed and put into commercial operation in ten phases. Each phase of the construction will add 25MW of capacity to the project. The project is expected to be completed in the first quarter of calendar year 2015.

The Cap-and-Trade Program, adopted by the California Air Resources Board (CARB), went into effect on January 1, 2012, and emission obligations commenced on January 1, 2013 for compliance to Assembly Bill 32 (AB 32), the Global Warming Solutions Act of 2006. Under AB 32, CARB is mandated to implement regulations that reduce greenhouse gas (GHG) emissions by capping them at 1990 levels. The regulation sets an upper limit on statewide GHG emissions beginning in 2013, and reduces GHG emissions by approximately 2% in 2014 and by approximately 3% annually thereafter until 2020. Electric utilities are given emission allowances to cover all or most of their obligations at the beginning of the regulation. Electric utilities can buy or sell the allowances to comply with the emission regulation. The GHG emission allowances allocated by CARB will not expire during the term of the program. The emission allowances can be resold or used for future obligations. For calendar years 2013 and 2014, the Electric Utility received sufficient emission allowances from CARB to meet the 2013 and 2014 GHG compliance obligations.

The Electric Utility's renewable projects for the fiscal year were as follows:

Projects	Source of Energy	County, State	In-service Date	Plant Capacity MW	Burbank's Capacity MW	Energy Received in MWh FY 13-14	% Total Energy Supply
Biomethane Gas	Biomethane		Jun 2011			166,619	14.4509%
Morgan Stanley Exchange	Landfill Gas		Apr 2012			51,368	4.4552%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	27,302	2.3679%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	23,928	2.0753%
Milford Wind I	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	20,662	1.7920%
Don A. Campbell Geothermal	Geothermal	Mineral County, Nevada	Dec 2013	25.000	3.845	15,119	1.3113%
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	13,872	1.2031%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	10.000	1.667	7,428	0.6442%
Copper Mountain Solar 3	Solar	Clark County, Nevada	May 2014	250.000	40.000	2,417	0.2096%
Landfill Micro-Turbines	Landfill Gas	Los Angeles County, California	2001/2005	0.550	0.550	1,848	0.1603%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	1,060	0.0919%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	832	0.0722%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	315	0.0273%
Total						332,770	28.8612%

WATER UTILITY FUND

WATER UTILITY FUND HIGHLIGHTS:

- Total water sales were higher by 1,189 acre feet (AF), or 5.9%, compared to the prior fiscal year primarily due to lower than average rainfall. California is in the third year of one of the State's worst droughts.
- Total assets increased by \$3,276 funded by favorable operating results and receipt of a State Water Resources Control Board (SWRCB) loan. Net position increased by \$1,697, or 2.9%, due to favorable operating results. This increase was primarily used to fund capital projects.
- The Water Utility received a \$1,784 loan from the SWRCB for the extension of a recycled water transmission main. This loan has a 20-year repayment term with an annual interest rate of 2.6%.
- The Water Utility Fund invested \$8,819 in the acquisition and construction of capital assets. The Water Utility is committed to serving its customers with safe drinking water at competitive rates, promoting sustainability, and drought proofing a portion of the water supply by investing in the Recycled Water System. The water production facilities and systems were very reliable with only 2.5% of unaccounted water, including losses, compared to the national average of approximately 7.2%.
- The Water Utility revenue bonds were affirmed by Fitch Ratings and Standard & Poor's with an 'AAA' rating with a stable outlook in October 2014 and December 2013, respectively. An 'AAA' rating is the highest quality rating. This rating reflects the rating agency's view of the Water Utility's stable financial performance, strong financial position, limited external capital needs, adequate water supply, a stable customer base and local economy, and continuous support from the Water Utility's Board and City Council.

FINANCIAL ANALYSIS

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

	2014	2013	Incr. (Decr.)
Potable water (in AF)	18,871	18,464	407
Recycled water (in AF)	2,370	1,588	782
Operating revenues:			
Potable water sales	\$ 27,505	\$ 25,064	\$ 2,441
Recycled water sales	2,531	1,663	868
Other revenues	1,265	1,007	258
Capital contributions	405	208	197
Total operating revenues	<u>31,706</u>	<u>27,942</u>	<u>3,764</u>
Operating expenses:			
Water supply expenses	13,500	11,951	1,549
Operations, maintenance and administration	8,114	7,312	802
Other operating expenses	2,151	1,788	363
Depreciation	3,971	3,564	407
Total operating expenses	<u>27,736</u>	<u>24,615</u>	<u>3,121</u>
Operating income	<u>3,970</u>	<u>3,327</u>	<u>643</u>
Nonoperating income (expenses):			
Interest income	323	(150)	473
Payments in lieu of taxes to City	(1,316)	(1,252)	(64)
Gain (loss) on disposal of capital assets	3	(159)	162
Other income (expenses), net	528	549	(21)
Interest expense	(1,811)	(1,341)	(470)
Total nonoperating income (expenses)	<u>(2,273)</u>	<u>(2,353)</u>	<u>80</u>
Change in net position	<u>1,697</u>	<u>974</u>	<u>723</u>
Net position, beginning of year	59,005	58,031	974
Net position, end of year	<u><u>\$ 60,702</u></u>	<u><u>\$ 59,005</u></u>	<u><u>\$ 1,697</u></u>

Potable water sales were the primary source of revenue for the Water Utility. Potable water revenue made up 86.7% of the total Water Utility operating revenues. Sales volume of potable water increased by 407 AF, or 2.2%, due to lower than average rainfall since California is in its third year of drought. Potable water revenue was higher by \$2,441, or 9.7%, compared to the prior fiscal year as a result of higher sales volume and a 4.75% rate increase that went into effect on July 1, 2013.

Recycled water revenue made up 8.0% of the total Water Utility operating revenues. Recycled water sales volume increased by 782 AF, or 49.2%, from the prior fiscal year. The prior year sales volume was lower due to a scheduled major maintenance repair and upgrade at the Magnolia Power Plant from November 2012 to April 2013. Recycled water revenue increased by \$868, or 52.2%, as a result of higher sales volume and a 4.75%

rate increase that went into effect on July 1, 2013.

Water supply expenses were higher by \$1,549, or 13.0%, compared to the prior fiscal year primarily due to higher water costs and larger volume of water purchased from the Metropolitan Water District (MWD). MWD supplied 45.6% of the water supply this fiscal year compared to 40.1% last fiscal year. MWD increased treated water rates by 6.7% and 5.1% on January 1, 2013 and January 1, 2014, respectively. The untreated water rate increased by 5.9% on January 1, 2014 and was unchanged in 2013 from 2012. The average cost of MWD's treated and untreated water was \$868/AF and \$562/AF, respectively.

The Burbank Operable Unit (BOU) supplied approximately 54.4% of the City's potable water supply compared to 59.9% in the prior fiscal year. It ran at 72.5% of operating capacity for the fiscal year compared to 78.5% for the

prior fiscal year. The BOU's operating capacity was slightly lower than the prior year due to water flow from construction activities throughout the City. Since the City water connections are spread throughout the City, water purchases were necessary to maintain adequate water pressure. The Water Utility purchased 7,000 AF of untreated water from MWD for groundwater storage.

Interest income was \$473, or 315.3%, higher compared to the prior fiscal year. The higher interest income was partially due to higher market valuation of investment holdings for the fiscal year and higher realized investment losses from the financial crisis than in the prior fiscal year.

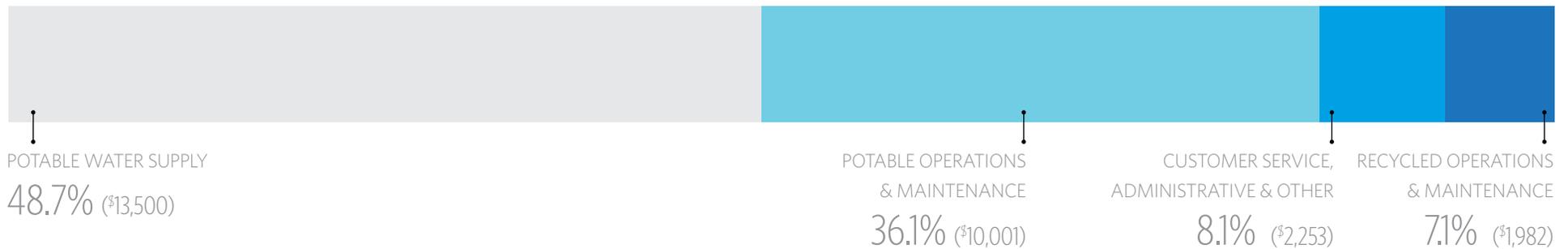
Interest expense was \$470, or 35.0%, higher compared to the prior fiscal year due to a new loan received from the SWRCB for the extension of recycled water transmission mains.

The Water Utility transferred \$1,316 to the City's General Fund in the form of an in-lieu tax of 5.0% of certain water revenues.

OPERATING REVENUES



OPERATING EXPENSES



The Water Utility Fund's net positions as of June 30, 2014 and June 30, 2013 were as follows:

Schedule of Net Position (<i>\$ in thousands</i>)			
	2014	2013	Incr. (Decr.)
Assets			
Current and regulatory assets	\$ 18,910	\$ 20,623	\$ (1,713)
Noncurrent assets and regulatory assets	1,143	1,271	(128)
Capital assets, net of accumulated depreciation	92,475	87,358	5,117
Total assets	112,528	109,253	3,276
Liabilities			
Current liabilities	4,596	6,080	(1,484)
Noncurrent and regulatory liabilities and deferred inflow of resources	47,230	44,167	3,063
Total liabilities and deferred inflow of resources	51,826	50,247	1,579
Net position			
Net investment in capital assets	49,091	44,276	4,815
Restricted net assets	171	150	21
Unrestricted net assets	11,440	14,579	(3,139)
Total net position	\$ 60,702	\$ 59,005	\$ 1,697

Changes in total net position may serve as useful indicators of the Water Utility Fund's financial strength over time.

Total assets were higher by \$3,276, or 3.0%, compared to the prior fiscal year. The increase was funded by the Water Utility's favorable operating results and the SWRCB Loan received. The increase in capital assets, net of accumulated depreciation, made up most of the increases in total assets by \$5,117 (see Capital Assets). Current and regulatory assets decreased by \$1,713, due to lower water cost adjustment charges (WCAC) and cash reserves balances.

Total liabilities and deferred inflows of resources were higher by \$1,579, or 3.1%, compared to the prior fiscal year. Current liabilities decreased by \$1,484 due to lower accrued expenses. Noncurrent liabilities and deferred inflows of resources were higher by \$3,063 due to a loan received from the SWRCB Loan for \$1,784, and unearned revenues recorded from contributed assets at the Burbank

Empire Center and Bob Hope Airport, offset by principal payments for bonds and loans (see Debt Administration).

Total net position was higher by \$1,697, or 2.9%, reflecting the Water Utility's favorable operating results (see Schedule of Revenues, Expenses and Changes in Fund Net Position). A significant portion of the Water Utility's total net position was in Net investment in capital assets of \$49,091, or 80.9% (see Capital Assets). The unrestricted net position of \$11,440, or 18.8%, was available for future investments in capital assets and maintenance activities.

CAPITAL ASSETS

As of June 30, 2014, the Water Utility Fund invested \$92,475, or 82.2%, of its total assets in capital improvements. Capital improvement programs are designed to upgrade, replace and expand the water system infrastructure, ensure reliability, and provide safe drinking water and services at competitive rates.

For the fiscal year, \$8,819 was spent on the acquisition and construction of capital improvement projects. The majority of the investments were for the Reservoir 1 Reconstruction, replacement and upgrade of the distribution water mains, expansion of the Recycled Water System, and meter and valve replacements.

The Reservoir 1 Reconstruction project was completed and placed into service in November 2013. The project is composed of two reservoirs with a total storage capacity of 9.5 million gallons of water. These new reservoirs were built within the original footprint of the original reservoir, and conform to current design standards and the California Department of Public Health criteria. The new reservoirs are five feet deeper with vertical walls, and have 40% or 2.6 million gallons more in storage capacity than the original reservoir. There is no annual inspection fee or monthly monitoring costs since these reservoirs are not subject to the jurisdiction of the Department of Water Resources, Division of Safety of Dams.

As of June 30, 2014, the Water Utility completed 96% of the Recycled Water Master Plan by adding six major transmission main extensions totaling over 106,000 feet in length and an upgraded pump station. The expansion plan has enabled the City to supply recycled water to large commercial customers, such as golf courses, parks, businesses and schools, and shifted a portion of outdoor irrigation to recycled water. This shift reduced the amount of potable water purchased from MWD, and contributed to the sustainability of water resources and drought proofing a portion of the City's water supply.

The Recycled Water Master Plan will also enable the City to supply some recycled water to the City of Los Angeles (LADWP). An exchange agreement was executed in January 2011 with LADWP for the exchange

of the City's recycled water for groundwater credits on a one-to-one ratio. The City and LADWP completed a water connection at Woodbury University and recycled water is expected to start flowing in the middle of fiscal year 2014-2015. This exchange will reduce the number of groundwater credits that the Water Utility must purchase to augment its supply of groundwater, since the right to pump water from the local wells is limited by its stored groundwater credits. Each year, the Water Utility receives groundwater credits equal to 20% of total water delivered (potable and recycled) to its customers. These credits can be used for future groundwater pumping.

The Water Utility also has on-going capital improvement programs, i.e. meter and valve replacement programs, that are designed to upgrade, replace and expand the water system infrastructure to ensure reliability, and to provide safe and accurately measured services. The water production facilities and systems were very reliable with 2.5% of unaccounted water, including losses, compared to the national average of approximately 7.2%. These ongoing and pro-active investments reflect the Water Utility's goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities.

Some of the major capital investments for the fiscal year include:

<i>(\$ in thousands)</i>		
Reservoir 1 Reconstruction - Total Project Spending	\$ 13,782	\$ 3,360
Distribution water mains		1,025
Meter Replacements		620
Recycled Water Master Plan		443
Valve Replacements		309
System/service Replacements		144
SCADA Software Implementation		102
Total		\$ 6,003

DEBT ADMINISTRATION

As of June 30, 2014, the Water Utility had \$34,890 in outstanding revenue bonds, of which \$735 will be due within a year. The Water Utility repaid \$470 toward outstanding revenue bonds during the fiscal year. In addition to the revenue bonds, the Water Utility has \$36 in an outstanding SWRCB loan issued in 1994. This loan will mature within the next fiscal year. The Water Utility repaid \$205 toward this loan during the fiscal year. This loan was issued for improvements to the Reclaimed Water Distribution System (now known as the Recycled Water System).

The Water Utility received a total of \$9,254 in loans from the SWRCB for three recycled water transmission main extensions and a water pumping station over the past three fiscal years. During the fiscal year, the Water Utility received \$1,784 for a recycled water transmission main extension to Northern Burbank. All the SWRCB loans have 20-year repayment terms with an annual interest rate of 2.6%. As of June 30, 2014, there are \$8,402 outstanding SWRCB loans, of which \$380 will be due within a year. The Water Utility repaid \$401 towards these outstanding loans this fiscal year.

The Water Utility revenue bonds were affirmed by Fitch Ratings and Standard & Poor's with an 'AAA' rating with a stable outlook in October 2014 and December 2013, respectively. An 'AAA' rating is the highest quality rating. This rating reflects the rating agency's view of the Water Utility's stable financial performance, strong financial position, limited external capital needs, adequate water supply, a stable customer base and local economy, and continuous support from the Water Utility's Board and City Council.

ENVIRONMENTAL, SUPPLY AND ECONOMIC FACTORS

The final State Water Project (SWP) water allocation for the 2014 Water Year is 5%, as released on April 18, 2014 after some late winter storms. Water allocation from SWP varies according to factors including reservoir storage, weather projections, and projected runoff into streams, reservoirs, and aquifers. These factors are impacted by precipitation normally from December through April. California receives more than 90% of its snow and rain during this period.

Pumping restrictions on the Sacramento-San Joaquin River Delta (Delta) continue to impact California's water supply since it is the location of the pumping facilities for SWP. The decline of the ecosystem triggered litigation and pumping restrictions that have dramatically altered water management and resources. The California Natural Resources Agency released a draft of the Bay Delta Conservation Plan (BDCP) with the goals to improve the water supply reliability and restore the ecosystem in the Delta, since the Delta is a vital estuary for many species that are struggling due to a number of stressors. The agencies are reviewing the comments received during the public review and formal comment period from December 13, 2013 through July 29, 2014. A partially Recirculated Draft BDCP, Environmental Impact Report/Environmental

Impact Statement, and Implementing Agreement will be published in early 2015, as announced on August 27, 2014. These recirculated documents will have another public review period prior to the publication of the final documents.

California is in the third year of one of the State's worst droughts. Although water supplies are available for all typical or normal demands, conservation and efficient water use is necessary to maintain an adequate water reserve level. On January 17, 2014, Governor Edmund G. Brown Jr. declared a drought State of Emergency and urged Californians to achieve a 20% conservation water goal. The City began campaigns to urge voluntary water conservation in late February 2014 and MWD began media ad campaigns on March 28, 2014 to amplify this conservation message. This message was further reinforced by the SWRCB which issued emergency drought/water use regulations on July 15, 2014 that prohibit specific water use or waste practices for individuals and water retail agencies starting on August 1, 2014. Although the City has been on Stage I of the Sustainable Water Use Ordinance that prohibits specified water wasting practices, the City Council voted to enact Stage II of the Sustainable Water Use Ordinance on July 22, 2014 that limits landscape irrigation to no more than three days per week for no more than 15 minutes per day per irrigation from April to October, and no more than one day per week from November to March to be effective on August 1, 2014.

On April 15, 2014 the California Department of Public Health (CDPH) released the nation's first drinking water standard for Chromium VI at maximum contaminant level (MCL) of 10 parts per billion (ppb). The Office of Administrative Law approved the regulations on May 28, 2014, which became effective on July 1, 2014.

Chromium VI was regulated under the total chromium established in 1977 to address the non-cancer toxic effects of Chromium VI which also included Chromium III, a required nutrient. The regulatory MCL for total Chromium are 100 ppb and 50 ppb for Federal and State, respectively, and the State's Chromium VI specific is 10 ppb. Low levels of Chromium VI are naturally occurring in geological formations throughout California but contamination from historic industrial use for manufacturing textile dyes, wood preservation, leather tanning and anti-corrosion coatings has migrated into the groundwater. The concerns about Chromium VI's potential carcinogenicity when ingested resulted in a state law that required CDPH to adopt a Chromium VI specific MCL. The California Office of Environmental Health Hazard Assessment (OEHHA) released a drafted Public Health Goal (PHG) of 0.06 ppb on August 20, 2009 and with consideration for early-in-life exposures for cancer potency came out with a final PHG of 0.02 ppb on July 27, 2011. PHG is not an enforceable state standard but a guideline for the CDPH to use in developing the MCL. The development of the MCL took into consideration the protection of public health and feasibility factors such as reliable detection limits, removal levels possible with existing validated technology, and a reasonable cost and/or economic impact on communities. The final MCL was released on April 15, 2014 and the CDPH will review this standard at least every five years after its adoption. As technology improves and reasonable economic impacts can be ascertained, the standard may change.

The City is in compliance with the new Chromium VI MCL. Starting on July 1, 2014, the City will no longer be blending water to limit Chromium VI to an administrative limit of 5 ppb. Chromium VI level is projected to be at 7.5 ppb or lower, depending on how MWD water is needed to meet the demand of the City.

SUBSEQUENT EVENT

In accordance with the City Charter, the City Council had a long standing practice of authorizing annual transfers of 5% of the City's gross sales of water from the Water Enterprise Fund to the General Fund in lieu of taxes. The transfers to the City's General Fund for such water sales for the fiscal years ended June 30, 2014 and June 30, 2013 were \$1,316 and \$1,252, respectively. The practice of transfers from the Water Enterprise Fund to the General Fund was challenged by a plaintiff in a lawsuit filed in September 2013 as a violation of Proposition 218. The City and the plaintiff settled their dispute through a settlement agreement. The key terms of this settlement include the City undoing the transfer from the Water Enterprise Fund to the General Fund for all future years beginning with fiscal year 2014-15, and the City transferring a total of \$1,500 to the Water Enterprise Fund over four years as settlement for all prior year transfers. The Water Enterprise Fund will still be subject to transfers to the City General Fund for cost of services incurred.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Electric and Water 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 91503.

AUDITED UTILITY FINANCIAL STATEMENTS

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

(With comparative financial information for the year
ended June 30, 2013)

(In Thousands)

Assets	Electric		Water	
	2014	2013	2014	2013
Current and regulatory assets:				
Cash and cash equivalents (note 2):				
General operating	\$ 38,935	38,654	9,240	10,559
Restricted bond proceeds for capital improvements			427	427
Capital and debt reduction	10,000	10,000	2,220	2,220
General plant	800	800		
Fleet replacement	2,210	2,210		
WCAC			392	1,110
Distribution mains			1,100	1,100
Total cash and cash equivalents	51,945	51,664	13,379	15,416
Accounts receivable, net (note 3)	15,705	15,062	3,289	3,193
Inventories (note 4)	6,122	8,810	1,916	1,710
Deposits and prepaid expenses (note 5)	25,791	23,848	2	12
Interest receivable	118	138	29	19
Regulatory costs to be recovered in one year (notes 6, 15)	599	600	124	123
Restricted nonpooled investments (note 2)	4,890	4,703	171	150
Total current and regulatory assets	105,170	104,825	18,910	20,623
Noncurrent and regulatory assets:				
Advances receivable	(0)	17		3
Regulatory costs for future recovery (notes 6, 15)	9,364	10,243	1,143	1,268
Total noncurrent and regulatory assets	9,364	10,260	1,143	1,271
Capital assets (note 7):				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335		
Utility plant and buildings	424,999	405,125	140,480	118,715
Machinery and equipment	65,258	50,789	5,365	5,194
Construction in progress	5,312	19,527	1,325	13,296
Total utility plant and equipment	499,638	479,510	147,479	137,514
Less accumulated depreciation	(213,528)	(197,617)	(55,004)	(50,156)
Total capital assets, net	286,110	281,893	92,475	87,358
Total assets	\$ 400,644	396,978	112,528	109,252

See accompanying notes to basic financial statements.

(Continued)

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

(With comparative financial information for the year ended June 30, 2013)

(In Thousands)

Liabilities	Electric		Water	
	2014	2013	2014	2013
Current liabilities:				
Accounts payable	\$ 2,558	1,788	1,824	1,518
Accrued expenses	7,948	9,039		1,843
Bond interest payable	441	441	156	156
Interfund payable	442	480	60	55
Customer deposits (note 10)	7,178	7,416	1,389	1,501
Current portion of revenue bonds payable, net (note 9)	3,580	3,450	735	470
Current portion of loan payable (note 9)			416	507
Current portion of compensated absences (note 9)	398	407	16	30
Total current liabilities	22,545	23,021	4,596	6,080
Noncurrent liabilities:				
Revenue bonds payable, net (note 9)	88,732	93,081	34,638	35,501
Loan payable (note 9)			8,021	6,753
Compensated absences (note 9)	4,442	4,506	816	803
Regulatory credits for future recovery (note 8)			392	1,110
Total noncurrent and regulatory liabilities	93,174	97,587	43,867	44,167
Total liabilities	115,719	120,608	48,463	50,247
Deferred inflows of resources:				
Deferred warehouse costs for rate stabilization (note 14)	235	411		
Purchased power costs for rate stabilization (note 14)	4,098	1,832		
Deferred/unearned revenue (note 14)	5,136	7,189	3,363	
Total deferred inflows of resources	9,469	9,432	3,363	
Total liabilities and deferred inflows of resources	125,188	130,040	51,826	50,247
Net Position				
Net position:				
Net investment in capital assets	193,798	190,466	49,091	44,276
Restricted for debt service	4,890	4,703	171	150
Unrestricted (deficit)	76,768	71,769	11,440	14,579
Total net position (note 19)	\$ 275,456	266,938	60,702	59,005

See accompanying notes to basic financial statements.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2014

(With comparative financial information for the year
ended June 30, 2013)

(In Thousands)

	Electric		Water	
	2014	2013	2014	2013
Operating revenues:				
Sale of power-retail	\$ 165,757	167,828		
Sale of power and fuel-wholesale (note 13)	50,151	44,295		
Sale of water			30,036	26,727
Intergovernmental	2,623	1,881		
Other revenues	9,060	6,628	1,265	1,007
Capital contributions (note 1)	563	524	405	208
Total operating revenues	<u>228,154</u>	<u>221,156</u>	<u>31,706</u>	<u>27,942</u>
Operating expenses:				
Power supply expenses-retail (note 12)	96,982	93,008		
Purchased power and fuel expenses-wholesale (note 13)	46,441	41,875		
Water supply expenses (note 1)			13,500	11,951
Water maintenance and operation expenses			8,114	7,312
Transmission expenses	15,408	12,263		
Distribution expenses	10,318	8,583		
Other operating expenses (note 1)	20,086	22,079	2,151	1,788
Depreciation	17,023	17,358	3,971	3,564
Total operating expenses	<u>206,258</u>	<u>195,166</u>	<u>27,736</u>	<u>24,615</u>
Operating income	<u>21,896</u>	<u>25,990</u>	<u>3,970</u>	<u>3,327</u>
Nonoperating income (expenses):				
Interest income	1,437	927	323	(150)
Payments in lieu of taxes to City (note 11)	(10,968)	(10,904)	(1,316)	(1,252)
Interest expense	(5,168)	(4,680)	(1,811)	(1,341)
Gain (loss) on disposal of capital assets (note 1)	181	109	3	(159)
Other income (expenses), net	1,140	1,529	528	549
Total nonoperating income (expenses)	<u>(13,378)</u>	<u>(13,019)</u>	<u>(2,273)</u>	<u>(2,353)</u>
Change in net position	8,518	12,971	1,697	974
Net position, July 1 (as restated - see note 19)	<u>266,938</u>	<u>253,967</u>	<u>59,005</u>	<u>58,031</u>
Net position, June 30	<u>\$ 275,456</u>	<u>266,938</u>	<u>60,702</u>	<u>59,005</u>

See accompanying notes to basic financial statements.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(With comparative financial information for the year
ended June 30, 2013)

(In Thousands)

	Electric		Water	
	2014	2013	2014	2013
Cash flows from operating activities:				
Cash received from customers	\$ 227,799	212,133	31,190	26,878
Cash paid to suppliers	(167,872)	(155,089)	(16,970)	(14,795)
Cash paid to employees	(20,813)	(18,758)	(5,690)	(5,024)
Net cash provided by (used in) operating activities	<u>39,114</u>	<u>38,286</u>	<u>8,530</u>	<u>7,059</u>
Cash flows from noncapital financing activities:				
Proceeds from other governmental agencies	2,623	1,881		
Transfers from other funds	196			
Transfers to other funds	(618)			
Other income (expense)	1,140	1,587	528	401
Payment in lieu of taxes to City	(10,968)	(10,904)	(1,316)	(1,252)
Net cash provided by (used in) noncapital financing activities	<u>(7,627)</u>	<u>(7,436)</u>	<u>(788)</u>	<u>(851)</u>
Cash flows from capital and related financing activities:				
Proceeds from debt issuance			1,784	6,949
Principal payments - bond	(3,450)	(3,460)	(470)	(490)
Interest paid	(5,168)	(4,584)	(2,080)	(1,514)
Contributed capital	486	524	405	208
Acquisition and construction of assets	(23,429)	(25,697)	(8,819)	(11,985)
Principal payments - loan payable			(607)	(650)
Net cash used in capital and related financing activities	<u>(31,562)</u>	<u>(33,217)</u>	<u>(9,787)</u>	<u>(7,482)</u>
Cash flows from investing activities:				
Interest received	544	1,301	29	117
Sales of restricted investments		587	(21)	3
Purchases of restricted investments	(187)			
Net cash provided by investing activities	<u>357</u>	<u>1,888</u>	<u>8</u>	<u>120</u>
Net increase (decrease) in cash and cash equivalents	282	(479)	(2,037)	(1,154)
Cash and cash equivalents, July 1, 2013	<u>51,664</u>	<u>52,144</u>	<u>15,416</u>	<u>16,570</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 51,945</u>	<u>51,664</u>	<u>13,379</u>	<u>15,416</u>

See accompanying notes to basic financial statements.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(With comparative financial information for the year
ended June 30, 2013)

(In Thousands)

	Electric		Water	
	2014	2013	2014	2013
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities :				
Operating income (loss)	\$ 21,896	25,990	3,970	3,327
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	17,023	17,358	3,971	3,564
GASB 31 market value adjustment	913	(375)	284	(106)
Gain/(loss) on sale of fixed assets	181	109	3	(159)
Adjustments	(901)	(1,324)		
Other income (expense), net				(12)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(642)	10	(96)	151
Increase (decrease) in due to/from City of Burbank		3		
(Increase) decrease in inventories	2,688	(3,412)	(206)	24
(Increase) decrease in prepaid items	(1,943)	704	10	(521)
(Increase) decrease in advances receivable	17	445	3	70
Change in reporting of operating / non-operating income	(651)	4	(1,526)	(208)
(Increase) decrease in regulatory assets	881	(3,129)	124	(108)
Increase (decrease) in accounts payable and accrued expenses	(40)	1,063	(1,537)	455
Increase (decrease) in compensated absences	(73)	77	(1)	131
Increase (decrease) in intergovernmental payable			1,178	
Increase (decrease) in rate stabilization costs	2,090	411		
Increase (decrease) in unearned/deferred revenue	(2,053)	1,691	3,363	
Increase (decrease) in interfund payable	(38)	45	5	
Increase (decrease) in customer deposits	(237)	(1,660)	(113)	292
Increase (decrease) in regulatory credits			(718)	
Other proceeds	4	276	(185)	159
Total adjustments	17,218	12,296	4,560	3,732
Net cash provided by (used in) operating activities	\$ 39,114	38,286	8,530	7,059
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	\$ 913	(375)	284	(106)

See accompanying notes to basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2014

(With certain comparative summary information for the year ended June 30, 2013)

(\$ in Thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Accounting Methods

The reporting model includes financial statements prepared using full accrual accounting for the Electric and Water 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 fiscal year, not just those received or paid in the current fiscal year or soon thereafter.

The basic financial statements include the following:

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

- Net investment in capital consists 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 for debt service net position are those in which use is restricted through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of entities with jurisdiction, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net assets that do not meet the definition of restricted for debt service or net investment in capital assets.

Statement of Revenues, Expenses and Changes in Fund Net Position –

The statement of revenues, expenses and changes in fund net position reports revenues by major source and distinguishes between operating and nonoperating revenues and expenses.

Statement of Cash Flows – For the purposes of the statement of cash flows, the Electric and Water Utility Funds include their portion of the City's pooled cash and investments and restricted investments with an original maturity of three months or less as cash equivalents. The Electric and Water 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.

(B) Basis of Presentation

The Electric and Water 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 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.

(C) Reporting Entity

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

The Electric and Water Utility Enterprise Funds are used to account for the operation, maintenance, and construction of the City-owned electric and water utility. The City considers the Electric and Water Utility Funds to be Enterprise Funds (a proprietary fund type) as defined under accounting principles generally accepted in the United States of America. As an integral part of the City’s overall operations, the Electric and Water Utility Funds’ operations are also included in the City’s Comprehensive Annual Financial Report.

The Electric and Water Utility Funds follow the regulatory accounting criteria set forth per the Government Accounting Standards Board (GASB) Codification, where the effects of the ratemaking process are recorded in the financial statements. As a result, certain revenues and expenses have been recorded in the Electric and Water Utility Enterprise Funds in order to not impact future electric and water rates to customers.

Only the funds of the Electric and Water Utility are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Burbank, California.

(D) New Accounting Pronouncements

Current Year Standards

GASB 66 - “Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62”, required to be implemented in the current fiscal year, did not impact the Electric and Water Utility Funds.

GASB 70 - “Accounting and Financial Reporting for Nonexchange Financial Guarantees”, required to be implemented in the current fiscal year, did not impact the Electric and Water Utility Funds.

Pending Accounting Standards

GASB has issued the following statements which may impact the Electric and Water Utility Funds’ financial reporting requirements in the future:

GASB 68 - “Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27”, effective for the fiscal years beginning after June 15, 2014.

GASB 69 - “Government Combinations and Disposals of Government Operations”, effective for periods beginning after December 15, 2013.

GASB 71 - “Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68”, effective for periods beginning after June 30, 2014.

(E) Self-Insurance

The Electric and Water Utility Funds are part of the City’s self-insurance programs, which provide coverage for general liability and workers’ compensation claims. See note 16, Self-Insurance, 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. The threshold for capitalizing assets is \$5 or greater, except for betterments which could be less. When items are sold or retired, related gains or immaterial losses are included in nonoperating income (expenses). Material losses on retirements are reported as regulatory assets, as provided by Accounting Standards Codification 980 / Financial Accounting Standards Board 71 (ASC 980 / FASB 71) rules under GASB No. 62, to be collected from future ratepayers. Maintenance and repairs that do not add value to assets or materially extend useful lives of assets are expensed as incurred. Improvements to plant and equipment are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows (see note 7):

Boiler Plant	20 years
Buildings and Improvements	25 to 40 years
Distribution Stations	20 years
Electric Meters	10 to 20 years
Machinery and Equipment (except vehicles)	5 to 40 years
Office Equipment	5 years
Poles, Towers, and Fixtures	20 to 40 years
Production Plant	20 to 40 years
Reservoirs and Tanks	40 years
Transformers	25 years
Transmission Equipment	40 years
Transmission Structures	40 years
Vehicles	5 to 12 years
Water Meters	10 to 20 years
Water Services	30 years
Water Wells and Springs	40 years

(G) Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable includes billed and unbilled utility customer accounts, wholesale power sales, and miscellaneous charges unpaid as of June 30, 2014, offset by estimates for uncollectible accounts. Estimated allowances for uncollectible accounts are adjusted to the 91 days and over receivables' balances (see note 3).

(H) Inventories

Inventories consist of groundwater, natural gas, materials, and supplies held for future consumption and are priced at average cost (see note 4).

(I) Deposits and Prepaid Expenses

The Electric and Water Funds, in the normal course of operations, place deposits and reserves with other governmental agencies, power providers and vendors, and record them as such. The Electric and Water Funds also prepay certain expenses, recording them as prepaid, which are then recognized as expense as benefits are received (see note 5).

(J) Restricted Nonpooled Investments

The Electric and Water Funds have restricted nonpooled investments, in the form of debt service and parity reserves, to comply with the covenants contained in the various debt indentures requiring the establishment of certain specific accounts (note 9).

(K) Compensated Absences

The cost of employees' vested compensated absences, such as vacation and sick pay benefits, are accrued as they are earned by the employees (note 9).

(L) Use of 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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(M) Revenue Recognition

Revenues are recorded in the period in which they are earned. The Electric and Water Utility Funds accrue estimated unbilled revenue for energy and water sold but not billed at the end of the fiscal period (see note 3). All residential and commercial accounts are billed monthly. Operating revenues consist of retail and wholesale sales of electricity, sales of potable and recycled water, and charges for electric and water related work performed for customers such as aid-in-construction, and service connection and relocation fees.

The Electric Utility Fund's revenues include grant reimbursements from the Department of Energy (DOE) and the California Energy Commission (CEC) for systems modernization projects. The DOE Grant allows for reimbursement of approved expenditures at 31.9% up to \$20 million; however, accelerated payments at 50% were received during the fiscal year. The excess, accelerated portions of the DOE payments have been recorded as unearned revenue. The CEC Grant of \$1,000 allows for 100% prorated reimbursement for approved expenditures (the same approved expenditures as the DOE). Grant revenue is deferred to match depreciation as capitalized systems modernization projects have been placed in service (see note 14).

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been recorded as unearned revenue (see note 8).

(N) Operating Revenues

GASB Statement No. 34 states that capital contributions are to be reported separately at the bottom of the statement of revenues, expenses and changes in fund net position. The Electric and Water Funds' operations, maintenance and depreciation expenses that are partially or fully funded from capital contributions are recorded as operating expenses, since these expenditures are in the normal course of business for the Utility. For the fiscal year and the prior fiscal year (for comparison purposes), Management has chosen to report capital contributions in operating revenues to match the related operating expenses.

(O) Operating Expenses

Purchased power and fuel expenses include 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 12.

Water supply expenses include purchased water, electricity used to pump water, and chemicals used in water treatment (see note 8).

Other operating expenses include all costs associated with the Electric and Water Utility Funds' operations and maintenance of general plant and equipment, administration, customer service, telecom and internet services, public benefits programs, warehousing, security, technology operations, and transfers to the City for cost allocations.

(P) Reclassifications

Certain items in the 2013 financial statements have been reclassified to reflect the classifications used in the financial statements as of and for the year ended June 30, 2014. These reclassifications had no impact on the net position or changes in net position.

(Q) Bond Premiums and Discounts, and Debt Issuance Costs

Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bond issuance costs, including underwriters' discount, are reported as current and noncurrent regulatory costs. Amortization of bond premiums and discounts are included in interest expense (see note 9).

(R) Prior Year Data

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Pooled cash and investments	\$ 51,945	13,379	\$ 65,324
Restricted investments	4,890	171	5,061
Total	\$ 56,835	13,550	\$ 70,385
Cash on hand	\$ 11	-	\$ 11
Investments	56,824	13,550	70,374
Total	\$ 56,835	13,550	\$ 70,385

The City combines the cash and investments of all funds into two pools (the City pool, and the Housing Authority pool), except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Cash and investments restricted for a specific purpose by either bond resolution, funding agency or an outside third party are classified as restricted assets. The Electric and Water Utility Funds have investments of debt proceeds held by bond trustee that are classified as current restricted nonpooled investments.

Each fund's portion of the pooled cash and investments are displayed on the statement of net position. Cash and investments restricted for a specific purpose by either bond resolution, funding agency or an outside third party are classified as restricted assets.

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 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. GASB Statement No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB 40 related to authorized investments, credit risk, etc. is available in the Comprehensive Annual Financial Report of the City.

The City is responsible for all investments on behalf of the Electric and Water Utility Funds.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable for the Electric and Water Utility Funds as of June 30, 2014 and 2013 are:

	Electric		Water	
	2014	2013	2014	2013
Billed accounts receivable	\$ 9,224	8,077	1,904	1,923
Unbilled accounts receivable	6,783	7,381	1,443	1,323
Allowance	(302)	(396)	(58)	(53)
Total	\$ 15,705	15,062	3,289	3,193

NOTE 4: INVENTORIES

Inventories for the Electric and Water Utility Funds as of June 30, 2014 and 2013 are:

	Electric		Water	
	2014	2013	2014	2013
Materials and supplies inventory	\$ 6,122	6,438	586	572
Natural gas inventory	-	2,372	-	-
Ground water purchases inventory	-	-	1,330	1,138
Total	\$ 6,122	8,810	1,916	1,710

NOTE 5: DEPOSITS AND PREPAID EXPENSES

The Electric Utility Fund shows a total of \$ 25,791 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a \$15,637 deposit with SCPPA for future use in projects, a \$6,155 prepayment to the SCPPA Natural Gas Reserve for future gas deliveries, a \$2,717 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), a \$315 Morgan Stanley power exchange prepayment, a \$300 prepayment for renewable energy, a \$65 prepayment for electric power purchases, and various other prepaid expenses of \$39. 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, 2013, the Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$563.

NOTE 6: REGULATORY ASSETS (COSTS)

Utility regulatory assets include pension and other post-employment benefits/ International Brotherhood of Electrical Workers (OPEB/IBEW) costs, and unamortized bond issuance costs. These assets are classified as current and noncurrent, and the balances for the Electric and Water Utility Funds as of June 30, 2014 and 2013 are in the table to the right.

Regulatory Assets (costs)		Balance - June 30, 2013	Amortized Expense	Additions / (Deletions)	Amortization next period	Balance - June 30, 2014
Electric Fund:						
Pension/OPEB costs	Current	\$ 426	(425)		425	\$ 426
	Noncurrent	9,169		16	(425)	8,760
	Total	9,595	(425)	16	-	9,186
Bond issuance costs	Current	174	(174)		173	173
	Noncurrent	1,074		(298)	(173)	603
	Total	1,248	(174)	(298)	-	776
	Current	600	(599)		598	599
	Noncurrent	10,243		(282)	(598)	9,364
Total - Electric Fund		\$ 10,843	(599)	(282)	-	\$ 9,963
<hr/>						
		Balance - June 30, 2013	Amortized Expense	Additions / (Deletions)	Amortization next period	Balance - June 30, 2014
Water Fund:						
Pension/OPEB costs	Current	\$ 67	(68)		68	\$ 67
	Noncurrent	873			(68)	805
	Total	940	(68)		-	872
Bond issuance costs	Current	56	(56)		56	56
	Noncurrent	395			(56)	339
	Total	451	(56)		-	395
	Current	123	(124)		125	124
	Noncurrent	1,268			(125)	1,143
Total - Water Fund		\$ 1,391	(124)		-	\$ 1,267

The Electric Utility's 2012A Series Bonds' term is 10 years, and the Water Utility's 2010A and 2010B Series Bonds' terms are 12 years and 30 years, respectively.

NOTE 7: CAPITAL ASSETS

Capital assets include the following as of June 30, 2014:

Electric	Balance as of June 30, 2013	Additions	Deletions	Balance as of June 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,734	-	-	\$ 2,734
Construction in progress	19,527	25,557	(39,772)	5,312
Total capital assets not being depreciated	22,261	25,557	(39,772)	8,046
Capital assets being depreciated:				
Rights to purchase power	1,335	-	-	1,335
Accumulated depreciation	(584)	(43)	-	(627)
Buildings and improvements	405,125	21,794	(1,920)	424,999
Accumulated depreciation	(168,273)	(12,316)	772	(179,817)
Machinery and equipment	50,789	17,695	(3,226)	65,258
Accumulated depreciation	(28,760)	(4,758)	434	(33,084)
Total capital assets being depreciated, net	259,632	22,372	(3,940)	278,064
Total net capital assets	\$ 281,893	47,929	(43,712)	\$ 286,110

Water	Balance as of June 30, 2013	Additions	Deletions	Balance as of June 30, 2014
Capital assets not being depreciated:				
Land	\$ 309	-	-	\$ 309
Construction in progress	13,296	7,507	(19,478)	1,325
Total capital assets not being depreciated	13,605	7,507	(19,478)	1,634
Capital assets being depreciated:				
Buildings and improvements	118,715	22,927	(1,162)	140,480
Accumulated depreciation	(46,533)	(4,894)	343	(51,084)
Machinery and equipment	5,194	198	(27)	5,365
Accumulated depreciation	(3,623)	(324)	27	(3,920)
Total capital assets being depreciated, net	73,753	17,907	(819)	90,841
Total net capital assets	\$ 87,358	25,414	(20,297)	\$ 92,475

Capitalized Interest

During the fiscal year the Electric and Water Utility Funds had capitalized interest of \$0 and \$269, respectively, compared to the prior fiscal year of \$715 and \$410, respectively.

Pacific 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 Pacific DC Intertie. As of June 30, 2014, 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 \$11,642, for a net asset value of \$2,992. 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.

NOTE 8: REGULATORY CREDITS FOR FUTURE RECOVERY

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been recorded as unearned in a water cost adjustment regulatory credit account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. The unearned WCAC revenue balance is \$392 and \$1,110 at June 30, 2014 and 2013, respectively, and is reported in noncurrent liabilities.

NOTE 9: LOAN PAYABLE AND REVENUE BONDS PAYABLE

(A) Loan Payable

<u>Water Loan Payable</u>	<u>Water</u>	
	<u>2014</u>	<u>2013</u>
This SWRCB Loan was issued for the purpose of construction improvements 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 January 2015, 20 years from the loan date.	\$ 36	\$ 241
Less current portion	(36)	(205)
Total for Recycled Water Distribution System	-	36
This SWRCB Loan was issued for the purpose of upgrading the Recycled Water Pumping Station PS-1 project to create capacity needed to distribute recycled water to new users. The cost of the project is estimated to be \$1,916, of which \$521 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than November 2030.	475	497
Less current portion	(23)	(22)
Total for Recycled Water Pumping Station	452	475
This loan was issued for the purpose of Constructing the Valhalla Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Valhalla Memorial Park and Cemetery and other recycled water customers in its vicinity. The project also includes the design of a below-grade inline booster station to maintain pressure in the western extents of this extension. The cost of the project was \$5,062, of which \$3,709 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2031.	3,327	3,481
Less current portion	(158)	(154)
Total for Valhalla Recycled Water Main Extension	3,169	3,327

Water Loan Payable (cont.)

This loan was issued for the purpose of Constructing the Studio District Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Warner Brothers, Disney, and NBC Studios and other recycled water customers in their vicinity. The project also includes the design of a below-grade inline booster station to maintain pressure in the western extents of this extension. The cost of the project was \$5,161, of which \$3,240 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2032.

Less current portion

Total for Studio District Recycled Water Main Extension

Water	
2014	2013
2,915	3,041
(130)	(126)
2,785	2,915

This loan was issued for the purpose of constructing the Northern Burbank Main Extension. This pipeline extends the existing recycled water distribution system to Brace Canyon Park, Woodbury University and I-5 landscaping and other recycled water customers in its vicinity. The cost of the project is estimated to be \$1,934, of which \$1,784 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2033.

Less current portion

Total for Northern Burbank Main Extension

1,685	
(70)	
1,615	-
\$ 8,021	\$ 6,753

Total long-term intergovernmental loan payments

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2014 is as follows:

**SWRCB Loan for the
Recycled Water Distribution System**

	Water		
	Principal	Interest	Total
2015	\$ 36		\$ 36
	\$ 36	-	\$ 36

**SWRCB Loan for the
Recycled Water Pumping Station**

	Water		
	Principal	Interest	Total
2015	\$ 23	12	\$ 35
2016	23	12	35
2017	24	11	35
2018	24	11	35
2019	25	10	35
2020-2024	135	39	174
2025-2029	154	21	175
2030-2031	67	3	70
	\$ 475	119	\$ 594

**SWRCB Loan for the Valhalla
Recycled Water Main Extension**

	Water		
	Principal	Interest	Total
2015	\$ 158	87	\$ 245
2016	162	82	244
2017	166	78	244
2018	171	74	245
2019	174	69	243
2020-2024	947	276	1,223
2025-2029	1,077	147	1,224
2030-2031	472	18	490
	\$ 3,327	831	\$ 4,158

**SWRCB Loan for the Studio
District Recycled Water Main
Extension**

	Water		
	Principal	Interest	Total
2015	\$ 130	76	\$ 206
2016	132	72	204
2017	136	69	205
2018	139	65	204
2019	143	62	205
2020-2024	773	251	1,024
2025-2029	879	146	1,025
2030-2032	583	31	614
	\$ 2,915	772	\$ 3,687

**SWRCB Loan for the Northern
Burbank Main Extension**

	Principal	Interest	Total
	2015	\$ 70	44
2016	71	42	113
2017	73	40	113
2018	75	38	113
2019	77	36	113
2020-2024	418	150	568
2025-2029	475	93	568
2030-2033	426	28	454
	\$ 1,685	471	\$ 2,156

(B) Revenue Bonds Payable

All the revenue bonds issued by the Electric or Water 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 Electric or Water Utility Funds, less amounts required for payment of operating expenses.

	Electric	
	2014	2013
<u>2010A Series Bonds:</u>		
These bonds were issued to partially advance refund the 1998 Bonds and the 2001 Bonds and to pay the costs of issuance of the Series 2010A Bonds. Payable in installments ranging from \$2,290 to \$3,530. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	\$ 28,450	\$ 31,045
Less:		
Current portion	(2,700)	(2,595)
Original issue discount/premium	1,092	1,360
Long-term Bonds Series A of 2010	\$ 26,842	\$ 29,810

	Electric	
	2014	2013
<u>2010B Series Bonds:</u>		
These bonds were issued to finance a portion of the costs of certain improvements to the Electric System, including the conversion of certain residential and commercial distribution circuits, to fund a deposit in the Parity Reserve Fund and to pay the costs of issuance. Payable in installments ranging from \$2,210 to \$4,195. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	\$ 52,665	\$ 52,665
Less:		
Current portion	-	-
Original issue discount/premium	1,349	1,662
Long-term Bonds Series B of 2010	\$ 54,014	\$ 54,327
<u>2012 Series A Bonds:</u>		
These bonds were issued to refund on a current basis all of the outstanding 2002 Electric Bonds and to pay the costs of issuance of the Series 2012A Bonds. Payable in installments ranging from \$375 to \$1,145. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	\$ 7,985	\$ 8,840
Less:		
Current portion	(880)	(855)
Original issue discount/premium	771	959
Long-term Bonds Series A of 2012	\$ 7,876	\$ 8,944
Total Electric long-term revenue bonds payable	\$ 88,732	\$ 93,081

2010A Series Bonds:

These bonds were issued to refund on a current basis all of the outstanding 1998 Water Bonds, finance the costs of certain improvements to the City's water system and to pay the costs of issuance of the Series 2010A Bonds. Payable in installments ranging from \$165 to \$970. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.

Less:

Current portion	(735)	(470)
Original issue discount/premium	616	752

Long-term Bonds Series A of 2010	\$ 6,826	\$ 7,697
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Water	
2014	2013
\$ 6,945	\$ 7,415

2010B Series Bonds:

These bonds were issued to finance the costs of the 2010 Water Project and to pay the costs of issuance of the Series 2010B Bonds. Payable in installments ranging from \$850 to \$2,275. Interest rates range from 4.89% to 5.79%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account. The City expects to receive a direct cash subsidy from the United States Department of Treasury equal to 35% of the interest on the Series 2010B Bonds.

Less:

Current portion	-	-
Original issue discount/premium	(133)	(141)

Long-term Bonds Series B of 2010	\$ 27,812	\$ 27,804
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Total Water long-term revenue bonds payable	\$ 34,638	\$ 35,501
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Water	
2014	2013
\$ 27,945	\$ 27,945

The Electric and Water Funds are in compliance with the covenants contained in the various debt indentures, which require the establishment of certain specific accounts for the revenue and revenue/refunding bonds.

A schedule of aggregate maturities on bonds payable subsequent to June 30, 2014 is as follows:

	Electric		Water		Total
	Principal	Interest	Principal	Interest	
2015	\$ 3,580	3,885	735	1,858	\$ 10,058
2016	3,745	3,723	765	1,828	10,061
2017	3,920	3,545	795	1,798	10,058
2018	4,100	3,368	830	1,766	10,064
2019	4,280	3,183	860	1,733	10,056
2020-2024	19,020	12,740	4,860	8,089	44,709
2025-2029	12,445	9,318	5,815	6,776	34,354
2030-2034	15,200	6,608	7,750	4,986	34,544
2035-2039	18,615	3,219	10,205	2,469	34,508
2040	4,195	172	2,275	132	6,774
Total	\$ 89,100	49,761	34,890	31,435	\$ 205,186

(C) Pledged Revenue

The Electric and Water Utility Funds have debt issuances outstanding that are collateralized by the pledging of utility net revenues. The amount and term of the remainder of these commitments are indicated in the Revenue Bonds Payable tables in Section (B). Utility net revenues are pledged to secure the payment of the principal of and redemption premium, if any, and interest on the bonds outstanding, and any parity debt. All remaining utility net revenues, after making the aforementioned secured payments, will be available to the Electric and Water Funds for all lawful utility purposes. The pledge of utility net revenues shall be irrevocable until all of the bonds and parity debt are no longer outstanding.

	FY 13-14 Net Revenue Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year	Interest Paid this Fiscal Year
Electric Utility	\$ 38,919	89,100	49,761	3,450	5,168
Water Utility	\$ 9,189	34,890	31,435	470 ⁽¹⁾	1,607 ⁽²⁾

⁽¹⁾ For 2010A Series Bonds.

⁽²⁾ Includes interest only payments of \$1,568 for 2010B Series Bonds; interest expense (page 39) includes a reduction for capital interest of \$269.

(D) Utility Funds' Long-Term Liabilities

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2014:

	July 1, 2013	Additions	Retirements	June 30, 2014	Due within 1 Year
Revenue Bonds Payable:					
2010 Series A Bonds	\$ 31,045		(2,595)	28,450	\$ 2,700
2010 Series B Bonds	52,665		-	52,665	-
2012 Series A Bonds	8,840		(855)	7,985	880
Compensated Absences	4,913		(73)	4,840	398
	<u>\$ 97,463</u>		<u>(3,523)</u>	<u>93,940</u>	<u>\$ 3,978</u>
Less current portion	(3,857)			(3,978)	
Less unamortized bond premium (discount)	3,981			3,212	
Total	<u>\$ 97,587</u>			<u>\$ 93,174</u>	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2014:

	July 1, 2013	Additions	Retirements	June 30, 2014	Due within 1 Year
Loans and Revenue Bonds Payable:					
Intergovernmental Loan Payable	\$ 241		(205)	36	\$ 36
Intergovernmental Loan Payable	497		(22)	475	23
Intergovernmental Loan Payable	3,481		(154)	3,327	158
Intergovernmental Loan Payable	3,041		(126)	2,915	129
Intergovernmental Loan Payable	-	1,784	(99)	1,685	70
2010 Series A Bonds	7,415		(470)	6,945	735
2010 Series B Bonds	27,945		-	27,945	-
Compensated Absences	833	13	(14)	832	16
	<u>\$ 43,453</u>	<u>1,797</u>	<u>(1,090)</u>	<u>44,160</u>	<u>\$ 1,167</u>
Less current portion	(1,007)			(1,167)	
Less unamortized bond premium (discounts)	611			483	
Total	<u>\$ 43,057</u>			<u>\$ 43,476</u>	

NOTE 10: CUSTOMER DEPOSITS

A portion of the Utility's customer deposits are non-refundable due to a mandate from the State of California (Electric Utility) and a BWP Board motion (Water Utility).

California AB 1890 directs municipalities, including the Electric Utility, to collect 2.85% of its electric revenues for Public Benefits' (PB) programs, including investment in renewable resources. The entire unspent portion of the PB obligation for the Electric Utility has been recorded in the Electric Utility Fund's liabilities included in customer deposit 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 as of June 30, 2014 and 2013 is \$3,057 and \$3,940, respectively (see note 19).

In fiscal year 2007-08 the BWP Board approved an annual water conservation program that is funded by a 2% set aside of water revenues. The BWP Conservation Department implements water conservation strategies to educate customers in conserving water to avoid potential water use restrictions. These strategies are budgeted as Water Conservation Programs, which are annually approved by the City Council and the BWP Board. The unspent portion of the 2% set aside is reported as customer deposits; however, these funds are not refundable - the unspent balance is mandated for future conservation programs. The unspent balance as of June 30, 2014 and 2013 is \$485 and \$577, respectively.

NOTE 11: RELATED PARTY TRANSACTIONS

The City assesses a 5.0% in-lieu of taxes on Electric and Water Utility Funds' retail revenues. In addition, an assessment of 1.5% is made on electric retail 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 position for the years ended June 30, 2014 and 2013 as follows:

		Electric		Water	
		2014	2013	2014	2013
In-lieu of taxes	\$	8,518	8,497	1,316	1,252
Street Lighting		2,450	2,407	-	-
Total Payment in-lieu of taxes	\$	<u>10,968</u>	<u>10,904</u>	<u>1,316</u>	<u>1,252</u>

The City also allocates certain administrative and overhead costs to the Electric and Water Utility Funds in the other operating expenses category. These costs for the years ended June 30, 2014 and 2013 were as follows:

		Electric		Water	
		2014	2013	2014	2013
Administrative and overhead costs	\$	4,622	4,749	829	913
Total	\$	4,622	4,749	829	913

In addition, the City receives a 7% Utility Users Tax on electric revenues that is not reflected in the Electric Utility Fund's financial statements; it is recorded directly into the General Fund. This tax for the year ended June 30, 2014 and 2013 is as follows:

		Electric	
		2014	2013
Utility Users Tax	\$	11,036	11,047
Total	\$	11,036	11,047

NOTE 12: 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 include "take or pay", "take and pay" and term purchases. Local generation and market purchases supplement firm contracts to meet the City's retail load requirements.

B) Joint Powers Agency Contracts

The City, through its Electric Utility Fund, has entered into several "take or pay" contracts and "take and pay" contracts through its participation in two joint power agencies, the Intermountain Power Agency (IPA) and SCPPA in order to meet the electric needs of its customers. These contracts are not considered joint ventures since the City has no interest in the assets, liabilities, or equity associated with any

of the projects to which these contracts refer. Under the "take or pay" contract, 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. The City is only obligated to pay its share of the indebtedness upon delivery of energy under the "take and pay" contracts. However, in the opinion of management, the City does not have a financial responsibility for purposes of GASB Statement No. 14 because the IPA and SCPPA do not depend on revenue from the City to continue in existence.

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.

During the fiscal years ended June 30, 2014 and 2013, the Electric Fund made payments totaling \$68,074 and \$63,749 for "take or pay" contracts, respectively, and \$2,825 and \$1,181 for the "take and pay" contract, respectively.

(a) Intermountain Power Agency (IPA)

In 1980, the City, along with the California Cities of Los Angeles, Anaheim, Glendale, Pasadena and Riverside, entered into a power sales contract with IPA, which obligates each purchaser to purchase, on a "take or pay" basis, a percentage share of capacity and energy generated by the Intermountain Power Project (IPP) in Utah. 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.

(b) Southern California Public Power Authority (SCPPA)

SCPPA membership consists of 10 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.

Southern Transmission System Project (STS)

Pursuant to an agreement dated May 1, 1983 with the IPA, SCPPA made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the 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 SCPPA, serves as project manager and operating agent of IPP. The STS consists of a 488 mile transmission line and the associated converter station on each end. The 500kV DC bi-pole transmission lines are currently rated at 2,400 megawatts (MW) as a result of an upgrade completed in December 2010. The City's ownership share of this project is 4.498%.

Magnolia Power Project (MPP)

In March 2003, the City, along with the Cities of Anaheim, Cerritos, Colton, Glendale and Pasadena, entered into a power sales agreement with SCPPA for MPP. MPP commenced commercial operations in Burbank, California in September 2005. MPP is a combined-cycle natural gas-fired generation plant with a nominal rate net base capacity of 242 MW, but can boost its output to 310 MW, if needed. The City has entitlement up to 97.6 MW or 30.992% of its output. The City's share of outstanding debt is 32.350% which excludes debt relating solely to the City of Cerritos. The City is also MPP's operating agent.

Prepaid Natural Gas Project (PNGP)

The PNGP primarily consists of the acquisition by SCPPA of the right to receive an aggregate amount of approximately 135 billion cubic feet of natural gas, which subsequently was reduced to approximately 90 billion cubic feet as a result of restructuring to accelerate a portion of the long-term savings, reduce the remaining volumes of gas to be delivered, and shorten the overall duration of five prepaid agreements (with the City, and the Cities of Anaheim, Colton, Glendale and Pasadena).

The City's natural gas supply agreement with SCPPA is expected to provide approximately one-fourth of the City's gas requirements for MPP. The City has no obligation under the natural gas supply agreement to pay for gas not delivered.

Milford I Wind Project (M1WP)

M1WP is located near Milford, Utah and began commercial operations in November 2009. The facility is a 200 MW nameplate capacity wind farm comprised of 97 wind turbine generators, delivered by a 90 mile transmission line, 345 kV, extending from the generation site to the IPP switchyard in Delta, Utah. This plant generates enough capacity to supply electricity to power more than 60,000 homes and offset over 366,000 tons per year of carbon dioxide that would otherwise be emitted from a coal-powered plant. SCPPA (on behalf of project participants LADWP, the City and the City of Pasadena, California) acquired 100% of this facility and issued bonds in 2010 to finance the purchase by prepayment of a specified quantity of energy from this facility over the 20-year delivery term, with a guaranteed annual quantity in each year. The City's share of this project is 5.000% of the total capacity of 10 MW, energy, and environmental attribute rights produced at this facility.

Mead-Adelanto Project (MA)

SCPPA also entered into an agreement dated December 17, 1991 to acquire a 67.917% interest in the MA, 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 MA. The project is a 202 mile, 500 kV AC transmission line with a rating of 1,200 MW. The City's ownership share of MA is 11.534%.

Palo Verde Project (PV)

Pursuant to an assignment agreement dated August 14, 1981 with the Salt River Project, SCPPA purchased a 5.910% interest in the Palo Verde Nuclear Generating Station, a 3,810 MW nuclear-fueled generating station near Phoenix, Arizona and a 6.550% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the PV). Units 1, 2 and 3 of PV began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.400% (9.7 MW).

Tieton Hydro Project (THP)

This facility was acquired by SCPPA in November 2009 with 100% of entitlement shares. Each of the two project participants, the City and the City of Glendale,

California, have an equal 50.000% entitlement share of this project. THP is a run of the reservoir hydroelectric facility, comprised of a powerhouse constructed at the base of the United States Bureau of Reclamation (USBR) Tieton Dam on the Tieton River in the State of Washington, on a 21 mile, 115 kV transmission line from the plant substation to the interconnection of the electrical grid. The powerhouse has a maximum capacity of 20 MW, with a nameplate capacity of 13.6 MW. USBR owns and operates the dam and controls the flows into the Tieton River from the Rimrock Lake reservoir, which was created by the dam. Average annual generation from this plant is approximately 48,000 megawatt hours (MWh). The City is also Tieton's operating agent.

Mead-Phoenix Project (MP)

SCPPA entered into an agreement dated December 17, 1991 to acquire an interest in the MP, a transmission line extending between the West Wing substation in Arizona and the Marketplace substation in Nevada. The agreement provides SCPPA with an 18.308% interest in the West Wing-Mead project, a 17.756% interest in the Mead substation project component and a 22.408% 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 MP is 15.400%.

Natural Gas Project (NGP)

The NGP was acquired by SCPPA 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.

SCPPA issued 2008 Bonds to provide monies for the refinancing of the City's share of the costs of acquisition and development of the NGP through the redemption of a portion of SCPPA's draw down bonds previously issued for the NGP.

SCPPA has sold entitlements to 100% of the production capacity of the NGP pursuant to separate gas sales agreements with the five participants - the City, and the Cities of Anaheim, Colton, Glendale and Pasadena. 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 NGP, on a "take or pay" basis. The City has 14.286% of entitlement shares in the Pinedale, Wyoming Subproject (2005 purchase), and 27.273% of entitlement shares in the Barnett, Texas Subproject (2006 purchase).

Hoover Uprating Project (HU)

On March 1, 1986, SCPPA and the City, and eight participants including the Cities of Anaheim, Azusa, Banning, Colton, Glendale, Pasadena, Riverside and Vernon entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to SCPPA in return for SCPPA's agreement to make advance payments to the USBR on behalf of such participants. SCPPA has an 18.680% interest in the contingent capacity of the HU. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 15.957% (15 MW) ownership interest in this project.

Ameresco/Chiquita Landfill Gas Project

Ameresco/Chiquita Landfill Gas Project is located in Valencia, California near Lake Castaic and began commercial operations in November 2010. The renewable energy is generated using landfill gas produced at the Chiquita Canyon Landfill. This plant has a total generating capacity of 10 MW and SCPPA members receive 100% of the project output. The project participants are the City and the City of Pasadena. The City contracted to purchase approximately 16.7% or 1.7 MW.

Don A Campbell Geothermal (aka Wild Rose)

In November 2013, the City began to receive geothermal energy output from the Wild Rose Geothermal (aka Don A. Campbell) Project, located in Mineral County, Nevada. The term of this agreement is 20 years. This is a geothermal power generating facility with a generating nameplate capacity of 25 MWs and a projected capacity of 16.2 MW. The City and the City of Los Angeles are project participants. The City contracted to purchase approximately 15.38% (3.845 MW).

Pebble Springs Wind Project

Pebble Springs is located in Gilliam County, Oregon, near the town of Arlington and began commercial operations in early 2009. The term of this agreement is 18 years. The City, and the Cities of Los Angeles and Glendale receive the entire energy output of 99 MW. The City contracted to purchase approximately 10% (10 MW).

A summary of the City's contracts and related projects and its commitments at June 30, 2014 are in the table to the right:

	Bonds and notes outstanding	City of Burbank portion*	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
Intermountain Power Project	\$ 1,633,087	3.371%	\$ 55,051	\$ 61,984
SCPPA: ⁽¹⁾				
Southern Transmission System	657,630	4.498%	29,580	39,034
Magnolia Power Project (Project A)	314,634	32.350%	101,784	149,215
Prepaid Natural Gas Project #1	308,689	33.099%	102,173	174,590
Milford I Wind Project	205,195	5.000%	10,259	15,097
Mead-Adelanto	108,382	11.534%	12,500	14,556
Palo Verde	36,130	4.400%	1,589	1,670
Tieton Hydropower Project	49,670	50.000%	24,835	45,998
Mead-Phoenix	32,975	15.400%	5,079	5,810
Natural Gas Project-Barnett	19,019	100.000%	19,019	27,955
Hoover Up-rating Project	6,554	15.957%	1,045	1,165
Natural Gas Project-Pinedale	6,141	100.000%	6,141	9,028
SCPPA Total	1,745,019	17.994%	314,004	484,118
Total	\$ 3,378,106	10.925%	\$ 369,055	\$ 546,102

⁽¹⁾ All SCPPA listed obligations are "take or pay" contracts except the Prepaid Natural Gas Project #1, a "take and pay" contract, and the Milford I Wind Project, a prepaid purchase power agreement.

* Burbank shares in % and amounts are estimated based on weighted average.

The schedule to the right details the amount of principal and interest that is due and payable by the City as part of the joint power agency contracts, by project, in the fiscal year indicated (year ending June 30).

	<u>2014/15</u>		<u>2015/16</u>		<u>2016/17</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Intermountain Power Project	\$ 4,753	1,805	8,205	1,610	3,673	1,494
SCPPA:						
Southern Transmission System	2,368	1,348	2,358	1,292	2,388	1,208
Magnolia Power Project (Proj A)	3,461	3,507	3,614	3,357	2,239	3,189
Prepaid Natural Gas Project #1	1,345	5,201	1,411	5,134	1,520	5,063
Milford I Wind Project	441	503	459	485	481	463
Mead-Adelanto	1,994	583	2,074	484	2,128	411
Palo Verde	514	40	529	27	546	14
Tieton Hydropower Project	420	1,259	435	1,244	455	1,225
Mead-Phoenix	813	212	849	173	872	144
Natural Gas Project-Barnett	1,701	1,081	1,674	987	1,485	895
Hoover Uprating Project	304	55	320	39	337	22
Natural Gas Project-Pinedale	549	349	541	319	480	289
Total	\$ 18,663	15,943	22,470	15,151	16,604	14,417
	<u>2017/18</u>		<u>2018/19</u>		<u>2019/23</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Intermountain Power Project	6,585	926	7,321	1,029	24,514	69
SCPPA:						
Southern Transmission System	\$ 2,468	1,089	2,148	966	13,514	3,021
Magnolia Power Project (Proj A)	2,342	3,087	2,455	2,978	14,828	13,102
Prepaid Natural Gas Project #1	1,777	4,987	2,127	4,898	16,655	22,403
Milford I Wind Project	504	439	529	415	3,057	1,661
Mead-Adelanto	2,213	305	2,306	194	1,785	79
Palo Verde	-	-	-	-	-	-
Tieton Hydropower Project	475	1,204	500	1,181	2,923	5,479
Mead-Phoenix	905	101	929	69	711	32
Natural Gas Project-Barnett	1,342	813	1,240	739	5,205	2,750
Hoover Uprating Project	85	4	-	-	-	-
Natural Gas Project-Pinedale	433	263	400	239	1,680	888
Total	\$ 19,129	13,218	19,955	12,708	84,872	49,484

Hedge Policies and Outstanding Hedge Contracts

The Electric Utility Fund utilizes natural gas hedging as outlined in its Energy Risk Management Policy. The purpose of hedging is to protect against fluctuating prices and deliver stable and competitive rates to its retail customers. Currently, the Electric Utility Fund (Buyer) has natural gas swap agreements with a few low risk counterparties (Seller) in place. The Buyer pays the agreed or fixed price and the Seller pays the floating market price. Depending on the price at the delivery month, Buyer will make payments or receive payments based on the price differentials. The financial settlements will either offset or add to the actual price of natural gas purchased at the spot market. These contracts are not included within the scope of GASB Statement No. 53 - Accounting and Financial Reporting for Derivative Instruments because they are entered into for the purpose of gas/electricity use in the normal course of retail operations.

Greenhouse Gas Cap-and-Trade Program

The State of California has implemented a greenhouse gas cap-and-trade program, California Assembly Bill 32, to reduce greenhouse gas emissions. At June 30, 2014, the City of Burbank has sufficient freely allocated greenhouse gas allowances for the current and prior compliance periods ending December 31, 2014 and 2013.

		2023/28		2028/33		2033/38	
		Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	\$	-	-	-	-	-	-
SCPPA:							
Southern Transmission System		4,336	530	-	-	-	-
Magnolia Power Project (Project A)		20,864	10,136	25,471	6,597	26,510	1,478
Prepaid Natural Gas Project #1		29,690	16,778	41,727	7,653	5,922	299
Milford I Wind Project		3,891	827	899	45	-	-
Mead-Adelanto		-	-	-	-	-	-
Palo Verde		-	-	-	-	-	-
Tieton Hydropower Project		4,793	4,381	5,115	3,222	6,528	1,809
Mead-Phoenix		-	-	-	-	-	-
Natural Gas Project-Barnett		4,146	1,405	2,226	266	-	-
Hoover Upgrading Project		-	-	-	-	-	-
Natural Gas Project-Pinedale		1,339	454	719	86	-	-
Total	\$	69,059	34,511	76,157	17,869	38,960	3,586
		2038/43		Totals			
		Principal	Interest	Principal	Interest		
Intermountain Power Project	\$	-	-	55,051	6,933		
SCPPA:							
Southern Transmission System		-	-	29,580	9,454		
Magnolia Power Project (Project A)		-	-	101,784	47,431		
Prepaid Natural Gas Project #1		-	-	102,173	72,416		
Milford I Wind Project		-	-	10,259	4,838		
Mead-Adelanto		-	-	12,500	2,056		
Palo Verde		-	-	1,589	81		
Tieton Hydropower Project		3,193	160	24,835	21,164		
Mead-Phoenix		-	-	5,079	731		
Natural Gas Project-Barnett		-	-	19,019	8,936		
Hoover Upgrading Project		-	-	1,045	120		
Natural Gas Project-Pinedale		-	-	6,141	2,887		
Total *	\$	3,193	160	369,055	177,047		

* May not foot due to rounding.

NOTE 13: 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.

The Electric Utility continues using the wholesale margin as an offset to its overall power supply expenses. Wholesale margins for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Wholesale Revenues	\$ 50,151	44,295
Wholesale Costs	<u>46,441</u>	<u>41,875</u>
Wholesale Margin	<u>\$ 3,710</u>	<u>2,420</u>

NOTE 14: DEFERRED INFLOWS OF RESOURCES

On October 27, 2009 the Electric Utility was awarded a \$20 million grant from the DOE under the American Recovery and Reinvestment Act of 2009. During fiscal year 2013-2014 and the previous three fiscal years, the DOE reimbursed the Electric Utility \$2 and \$19,861 respectively, for covered expenditures related to various systems modernization capital projects. The DOE grant allows for reimbursement of approved expenditures at 31.9% up to \$20 million; however, accelerated payments at 50% were received during all fiscal years.

On January 22, 2013 the Electric Utility was awarded a grant of \$1,000 from the CEC in support of the DOE systems' modernization capital projects, and is deferring payments received for these capital assets to match corresponding depreciation over their useful lives, as allowed by Accounting Standards Codification 980 rules under GASB 62.

On August 11, 2014 the Electric Utility was awarded a grant of \$164 from the CEC for installation of up to eight public charging stations close to high traffic areas in Burbank. The term of this grant began June 18, 2014. No expenditures were incurred during the fiscal year.

The Electric Utility Fund's accelerated DOE payments and CEC deferred payments are reported as deferred inflows of resources, and as of June 30, 2014 are as follows:

Electric Utility Unearned / Deferred Revenue	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Total</u>
Systems Modernization expenditures	8,174	9,350	17,526	12,847	\$ 47,897
Accelerated DOE payments received	2	4,674	8,763	6,424	19,863
Less: Grant reimbursements @31.9%	(2,608)	(2,983)	(5,591)	(4,098)	(15,279)
Accelerated unearned DOE payments	<u>\$ (2,606)</u>	<u>\$ 1,691</u>	<u>\$ 3,172</u>	<u>\$ 2,326</u>	<u>\$ 4,584</u>
Systems Modernization expenditures	568	-	-	-	568
Deferred California Energy Commission (CEC) payments recognized	(16)	-	-	-	(16)
Deferred CEC payments	\$ 552	-	-	-	\$ 552
Total Unearned / Deferred Electric Revenue	<u>\$ 2,054</u>	<u>\$ 1,691</u>	<u>\$ 3,172</u>	<u>\$ 2,326</u>	<u>\$ 5,136</u>

For the fiscal year, the Electric Fund deferred \$4,098, compared to \$1,832 for the prior year, in purchased power costs for rate stabilization purposes, and is reported as deferred inflows of resources.

The Electric Utility Fund is amortizing a warehouse overhead recovery from SCPPA related to the major overhaul of MPP during fiscal year 2012-13. This overhead recovery is recorded as a deferred inflow of resources for rate stabilization purposes. The unamortized balance for both fiscal years is \$235 and \$411, respectively.

During the fiscal year, the Water Utility recorded contributed assets from prior periods for the Burbank Empire Center and Bob Hope Airport of \$3,651 and \$1,078, respectively. The Water Utility's net position as of July 1, 2013 reflects revenue recognition and depreciation adjustments of \$1,247 (see note 19). During the fiscal year the Water Utility recognized revenue and depreciation expense of \$119, respectively. As of June 30, 2014, the Water Utility's deferred revenue balance for the contributed assets is \$3,363 and reported as deferred inflows of resources.

**NOTE 15: DEFINED BENEFIT PENSION PLAN
AND POST-RETIREMENT HEALTH CARE BENEFITS**

The Electric and Water Utility Funds’ employees participate with other City employees in the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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.

For fiscal year 2013-14, the Electric and Water Utility Funds’ contributions ranged from 0% to 4%, dependent on the bargaining group. The Electric and Water Utility Funds are required to contribute at an actuarially determined rate. In fiscal year 2013-14, the Electric and Water Utility Funds, as employer, were required to contribute 15.775%. The contribution requirements of plan members and the City are established, and may be amended, by PERS. No CalPERS unfunded liabilities’ payments were made on behalf of the Utility in FY 2013-14.

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

Electric and Water Utility Funds’ annual pension costs are as follows:

Fiscal year ending	Annual Pension Cost (APC)		Percentage of APC contributed
6/30/2012	\$ 4,943	\$ 939	100%
6/30/2013	5,155	919	100%
6/30/2014	4,774	815	100%

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

Other Post-Employment Benefits (OPEB)

In addition to providing pension benefits, the Electric and Water Utility Funds, as part of the City, provide certain health care benefits for retired employees. Burbank Employees Retiree Medical Trust (BERMT) 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 were 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.

The Electric and Water Utility Funds, as part of the City, also make contributions for OPEB. The Electric and Water Utility Funds assume their share of OPEB costs based upon the results of actuarial studies. No separate obligations are calculated for the Electric and Water Utility Funds for the BERMT and the CalPERS Healthcare (PEMHCA); and accordingly, no obligation is presented herein.

In addition, the City entered into an agreement to provide certain OPEB to the IBEW employees on July 22, 2008. The agreement, known as the Utility Retiree Medical Trust (URMT), is for IBEW members and 12 management employees as a supplement to benefit payments from BERMT and PEMHCA. For the periods ending June 30, 2013 and 2014, the URMT was fully funded and had no unfunded liability. The total target benefit is \$600/month for the fiscal year, including payments from BERMT, PEMHCA minimum and URMT. The Electric Fund's current prepaid unfunded portion of the IBEW OPEB follows:

URMT	2014	2013
Annual required contribution	\$ (123)	\$ (185)
Interest on net OPEB obligation/(asset)	261	290
Adjustment to annual required contribution	(230)	(251)
Annual OPEB cost	(92)	(146)
Contributions made	108	92
Decrease in net OPEB obligation	16	(54)
Net OPEB obligation/(asset) - beginning of year	\$ 3,603	\$ 3,657
Net OPEB asset - end of year *	\$ 3,619	\$ 3,603
* Reported as Pension/OPEB Asset (noncurrent)		

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

NOTE 16: SELF-INSURANCE

The Electric and Water 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 Electric and Water Utility Funds a premium based upon the proportional payroll cost, job classification, and claim history. There were no significant settlements or reductions in insurance coverage from settlements for the past three years.

Additional information regarding all the City's self-insurance programs can be found in the City's Comprehensive Annual Financial Report.

NOTE 17: CONTINGENCIES

Potential Litigation

BWP is presently involved in certain matters of litigation that have arisen in the normal course of conducting electric and water operations. Management believes, based on consultation with the City Attorney, that these cases in the aggregate are not expected to result in a material adverse financial impact on either the Electric or Water Funds.

NOTE 18: SUBSEQUENT EVENTS

In accordance with the City Charter, the City Council had a long standing practice of authorizing annual transfers of 5% of the City's gross sales of water from the Water Enterprise Fund to the General Fund in lieu of taxes. The transfers to the City's General Fund for such water sales for the fiscal years ended June 30, 2014 and June 30, 2013 were \$1,316 and \$1,252, respectively. The practice of transfers from the Water Enterprise Fund to the General Fund was challenged by a plaintiff in a lawsuit filed in September 2013 as a violation of Proposition 218. The City and the plaintiff settled their dispute through a settlement agreement. The key terms of this settlement include the City undoing the transfer from the Water Enterprise Fund to the General Fund for all future years beginning with fiscal year 2014-15, and the City transferring a total of \$1,500 to the Water Enterprise Fund over four years as settlement for all prior year transfers. The Water Enterprise Fund will still be subject to transfers to the City General Fund for cost of services incurred.

NOTE 19: RESTATEMENT OF NET POSITION AT JULY 1, 2013

As of July 1, 2013, the beginning net positions for the following activities were restated:

<u>Electric Fund restatement</u>	<u>Change in reported net position</u>	<u>Water Fund - no restatement</u>	<u>Change in reported net position</u>
Net position reported - June 30, 2013	\$ 265,046	Net position reported - June 30, 2013	\$ 59,005
Corrections to reported assets / liabilities:		Corrections to reported assets / liabilities:	
Recognition of qualified Public Benefits expenditures per California AB 1890 (customer deposits)	2,296	Recognition of deferred assets for the Burbank Empire Center and Bob Hope Airport	1,247
Expense SCPPA participant share of building investment	(404)	Depreciation matching recognized revenue of contributed assets above	(1,247)
Restated net position at July 1, 2013	<u><u>\$ 266,938</u></u>	Net position at July 1, 2013	<u><u>\$ 59,005</u></u>

SUPPLEMENTAL DATA

SCHEDULE 1

Annual Electric Supply Fiscal Year ended June 30, 2014

<u>Resource</u>	<u>MWh</u>	<u>Percentage</u>
Intermountain Power Project	466,200	40.3%
Hoover Uprating	21,700	1.9%
Palo Verde Nuclear	64,900	5.6%
Magnolia Power Project	255,500	22.2%
Firm and Non-Firm Contracts	0	0.0%
On-Site Generation	12,300	1.1%
Renewables	332,800	28.9%
Total	1,153,400	100.0%

SCHEDULE 2

Customers, Sales, Electric Revenues and Demand
Fiscal Year ended June 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Retail Service:					
Residential	44,833	45,049	45,164	45,287	45,284
Commercial ⁽¹⁾	6,908	6,887	6,857	6,914	7,080
Large Commercial ⁽¹⁾	77	75	75	75	75
Total	51,818	52,011	52,096	52,276	52,439
Retail Kilowatt-hour Sales (millions):					
Residential	277	265	265	281	268
Commercial	498	510	518	529	535
Large Commercial	361	344	338	331	320
Total	1,136	1,119	1,121	1,141	1,123
Electric Revenues (\$ in thousands):					
Retail	\$ 154,174	\$ 160,059	\$ 161,788	\$ 167,828	\$ 165,757
Wholesale	75,946	59,200	35,484	44,295	50,151
Other ⁽²⁾	4,900	6,642	4,959	9,033	12,247
Total	\$ 235,020	\$ 225,901	\$ 202,231	\$ 221,156	\$ 228,155
Peak Demand (MW)	285	316	305	292	296

(1) Restructured commercial and large commercial customer classes in January 1, 2009 and January 1, 2010.

(2) Other miscellaneous revenues include transmission, telecommunications, etc. Starting in 2013, other operating revenues include capital contributions.

SCHEDULE 3

System Weighted Average Billing Price - Electric ⁽¹⁾
(Cents Per Kilowatt-hour)
Fiscal Year ended June 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	13.89	14.50	14.81	15.13	15.33
Commercial	13.85	14.62	14.66	14.70	15.06
Large Commercial	12.14	12.87	12.98	13.20	13.18
System Weighted Average Electric Rate	13.32	14.05	14.19	14.37	14.59

(1) All weighted average rates exclude Street Lighting.

SCHEDULE 4

Annual Water Supply
Fiscal Year ended June 30, 2014

<u>Resource</u>	<u>Acre Feet (AF)</u>	<u>Percentage</u>
Metropolitan Water District	8,817	45.6%
Local Production - BOU	10,530	54.4%
Total	19,347	100.0%

SCHEDULE 5

Customers, Water Sales, Water Revenues

Fiscal Years ended June 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Number of Water Service:					
Residential	22,059	22,073	22,086	22,087	22,161
Commercial	3,095	3,070	3,091	3,093	3,186
Large Commercial	110	108	117	116	115
Other ⁽¹⁾	1,138	1,144	1,162	1,157	1,087
Recycled	101	109	125	142	163
Total	26,503	26,504	26,581	26,595	26,712
AF Sales Per Year:					
Potable					
Residential	13,196	12,587	13,052	13,639	14,059
Commercial	3,790	3,553	3,390	3,482	3,813
Large Commercial	707	646	693	744	506
Other ⁽¹⁾	663	625	642	599	493
Recycled	2,047	1,752	1,855	1,588	2,370
Total in AF	20,403	19,163	19,632	20,052	21,241
Water Revenues (\$ in thousands):					
Retail ⁽²⁾	\$ 21,472	\$ 22,656	\$ 25,734	\$ 26,727	\$ 30,036
Other ⁽³⁾	646	625	995	1,215	1,670
Total	\$ 22,118	\$ 23,281	\$ 26,729	\$ 27,942	\$ 31,706
Maximum Demand Day (AF)	73.3	69.4	73.0	71.8	72.0

(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. Starting in 2013, other operating revenues include capital contributions.

SCHEDULE 6

Weighted Average Billing Price - Water

\$ per CCF ⁽¹⁾

Fiscal Year ended June 30

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	2.17	2.50	2.88	3.01	3.14	3.25
Commercial	1.93	2.12	2.38	2.58	2.76	2.92
Large Commercial	1.85	2.04	2.37	2.50	2.62	2.96
Weighted Average Water Rate	2.10	2.39	2.74	2.89	3.04	3.17

(1) CCF is one hundred of cubic feet; One CCF is equal to approximately 0.0022956841138659 AF.