BURBANK WATER AND POWER

CITY OF BURBANK
Water and Power
Since 1913

Fiscal Year 2015-2016

Audited Financial Statements

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Burbank
Burbank, California

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, 2016, 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.

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Offices located in Orange and San Diego Counties

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, 2016, 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 Matters

As discussed in Note 1(D), 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, 2016, 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 opinions are 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, 2015 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, the schedule of changes in the net pension liability and related ratios of the defined benefit plans and the schedule of contributions of the defined benefit plans, identified as Required Supplementary Information (RSI) in the accompanying 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 Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and supplemental 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.

White Nelson Diehl Evans LLP

Irvine, California
March 27, 2017

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, 2016 (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. Totals may not foot due to rounding.

Overview of the Basic Financial Statements

The MD&A is intended to serve as an introduction to the Electric and Water Utility Enterprise 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.

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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference 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:

- Retail energy sales decreased by 12,700 megawatt hours (MWh), or 1.1%, compared to the prior fiscal year due to conservation.
- Net position increased by $16,732, or 7.8%, due to favorable operating results. This resulted in an increase in total assets, primarily operating cash and inventories, a decrease in deferred inflows of resources, primarily

deferred amounts on pensions, and a decrease in total liabilities, primarily revenue bonds payable.

- The Electric Utility Fund invested $16,755 in the acquisition and construction of capital assets. The source of funding was from cash reserves, customer aid in construction, and grants from the California Energy Commission (CEC). The results of maintenance and pro-active capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the Electric Utility's availability rate was 99.996%. The system average interruption was only 19.34 minutes compared to an industry average in the range of 132 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately two outages per customer every 5 years, 60% below the industry average of one outage per customer every year.
- The Electric Utility revenue bonds were affirmed by Standard & Poor's with an 'AA-' rating with a stable outlook in September 2015 and by Moody's Investors Service with an 'A1' rating with a stable outlook in October 2015. These ratings reflect the Electric Utility's consistently strong and reliable financial performance, competitive rates, 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.

Financial Analysis

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

	2016	2015	Incr. (Decr.)
Retail sales (in MWh)	1,095,898	1,108,597	(12,700)
Operating revenues:			
Retail	$ 175,019	$ 172,344	$ 2,676
Wholesale	27,150	35,691	(8,541)
Intergovernmental	143	5,021	(4,878)
Other revenues	5,451	6,508	(1,057)
Total operating revenues	207,763	219,565	(11,802)
Operating expenses:			
Power supply and fuel – retail	94,195	94,218	(23)
Purchased power and fuel – wholesale	25,260	33,724	(8,465)
Transmission expense	14,834	14,806	28
Distribution expense	11,163	10,234	929
Other operating expenses	21,937	20,712	1,225
Depreciation	18,133	18,408	(275)
Total operating expenses	185,522	192,102	(6,580)
Operating income	22,241	27,463	(5,222)
Nonoperating income (expenses):			
Interest income	1,723	1,070	652
Payments in lieu of taxes to City	(11,236)	(11,106)	(130)
Interest expense	(4,862)	(5,003)	141
Gain (loss) on disposal of capital assets	253	204	49
Other income (expenses), net	5,529	(2,512)	8,041
Total nonoperating income (expenses)	(8,593)	(17,347)	8,754
Income before contributions	13,648	10,116	3,532
Capital contributions	3,084	663	2,421
Change in net position	16,732	10,779	5,953
Net position, beginning of year, as restated	214,425	203,646	10,779
Net position, end of year	**$ 231,157**	**$ 214,425**	**$ 16,732**

Retail (primarily sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 97.3% of the Electric Utility's operating revenues. Retail energy sales decreased by 12,700 megawatt hours (MWh), or 1.1%, compared to the prior fiscal year due to conservation. Retail revenues were higher by $2,676, or 1.6%, due to a rate increase that went into effect in July 2015.

Wholesale margins of $1,890 contributed to the Electric Utility's financial performance by reducing the Utility's overall power supply expenses for the fiscal year. Wholesale margins were $1,966 in the prior fiscal year. The decrease in wholesale trading is primarily attributable to excess supply of generation on the market, lower energy prices and volatility, and limited excess transmission capacity. Using existing transmission for renewables has also reduced the Utility's ability to monetize excess transmission capacity.

Intergovernmental revenues were $4,878, or 97.1%, lower than the prior fiscal year. The Electric Utility recognized $143 of grant revenue from the CEC as part of a $1 million grant for system modernization expenditures and as part of a $164 grant for Alternative and Renewable Fuel and Vehicle Technology Program, compared to $5,021 in the prior fiscal year from the Department of Energy (DOE) as part of a $20 million grant from the American Recovery and Reinvestment Act, and the CEC as part of a $1 million grant for system modernization expenditures. Grant revenue was accounted for in operating revenues as intergovernmental revenues, and the expenditures were accounted for in nonoperating income (expenses) as other expense.

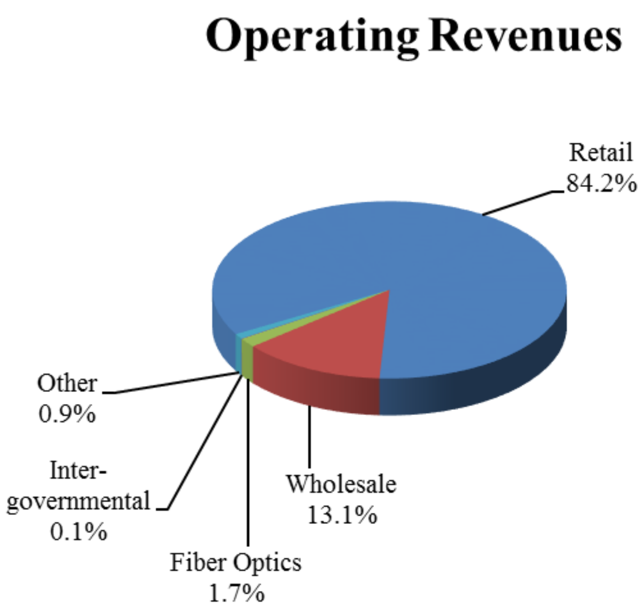
Other revenues were $1,057, or 16.2%, lower than the prior fiscal year. The prior year's revenues included a one-time payment from the release of restricted bond cash for the Mead-Phoenix and Mead-Adelanto transmission projects from the Southern California Public Power Authority (SCPPA). Fiber optic revenue was higher for the fiscal year with revenues of $3.5 million compared to $3.3 million the prior fiscal year as a result of the addition of 22 new customers and service upgrades by 18 existing customers.

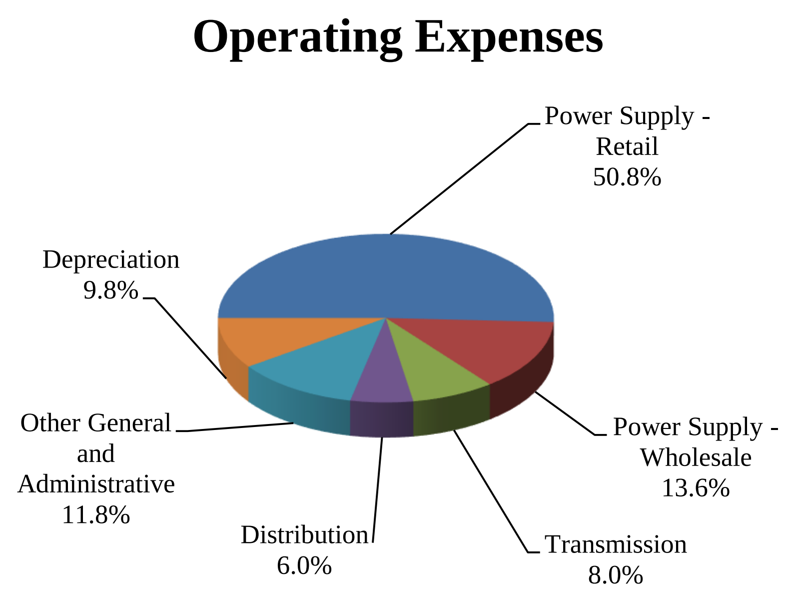
Interest income was $652, or 60.9%, higher compared to the prior fiscal year. The higher interest income was due to higher market valuation of investment holdings for the fiscal year and higher cash balances.

The Electric Utility transferred $8,720 and $2,515 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 $11,553 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 $4,769, or 2.85%, of certain electric retail revenues for Public Benefits programs.

Other income (expenses) was $8,041, or 320.1%, higher compared to the prior fiscal year. The prior year included expenditures of $4,927 as part of the DOE $20 million grant from the American Recovery and Reinvestment Act, and the CEC as part of a $1 million grant for system modernization expenditures. Grant revenue was accounted for in operating revenues as intergovernmental revenues, and the expenditures were accounted for in nonoperating income (expenses) as other expense. Other income also includes an offset to expense of $3,806 as part of the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions, compared to an offset to expense of $1,281 in the prior fiscal year.

Capital contributions were $2,421, or 365.3%, higher compared to the prior fiscal year and included revenue for the relocation of facilities for the I-5 improvement project and the installation of a padmount transformer and switch for the new IKEA.


Operating Revenues
Retail
84.2%
Other
0.9%
Inter-
governmental
0.1%
Wholesale
13.1%
Fiber Optics
1.7%


Operating Expenses
Power Supply -
Retail
50.8%
Depreciation
9.8%
Other General
and
Administrative
11.8%
Power Supply -
Wholesale
13.6%
Distribution
6.0%
Transmission
8.0%

The Electric Utility Fund's net position as of June 30, 2016 and June 30, 2015 were as follows:

Schedule of Net Position *($ in thousands)*

	2016	2015	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 124,356	$ 116,058	$ 8,299
Noncurrent and regulatory assets	3,976	4,092	(116)
Capital assets, net of accumulated depreciation	277,480	277,926	(446)
Total assets	**405,812**	**398,076**	**7,736**
Deferred outflows of resources			
Deferred outflows of resources	5,351	4,738	613
Total deferred outflows of resources	**5,351**	**4,738**	**613**
Liabilities			
Current liabilities	27,661	28,472	(811)
Noncurrent and regulatory liabilities	143,041	143,898	(857)
Total liabilities	**170,702**	**172,370**	**(1,668)**
Deferred inflows of resources			
Deferred inflows of resources	9,306	16,020	(6,714)
Total deferred inflows of resources	**9,306**	**16,020**	**(6,714)**
Net position			
Net investment in capital assets	193,821	189,895	3,926
Restricted for debt service	5,277	5,089	188
Unrestricted	32,059	19,441	12,618
Total net position	**$ 231,157**	**$ 214,425**	**$ 16,732**

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

Total net position was higher by $16,732, or 7.8%, 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 $193,821, or 83.8%, of total net position (see Capital Assets). The restricted net position of $5,277, or 2.3%, was debt reserve requirements related to the Electric Revenue bonds. The unrestricted net position of $32,059, or 13.9%, of total net position were funds available for future capital investments and maintenance activities.

The favorable net position resulted in an increase in total assets, and a decrease in deferred inflows of resources and total liabilities. As of June 30, 2016, the Electric Fund's total assets increased by $7,736, or 1.9%, primarily due to increases in operating cash and inventories. Deferred inflows of resources as of June 30, 2016 decreased by $6,714, or 41.9%, compared to the prior fiscal year due mainly to deferred amounts on pensions. Total liabilities as of June 30, 2016 decreased by $1,668, or 1.0%, compared to the prior fiscal year. This was mainly due to principal repayment on bonds and loans made during the fiscal year (see Debt Administration) offset partially by an increase in net pension liability.

In fiscal year 2014-15, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions, an

Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As of June 30, 2016, total liabilities for the Electric Fund include $58,442 of net pension liabilities and $8,490 of deferred inflows amounts on pensions.

Capital Assets

As of June 30, 2016, the largest portion of the Electric Utility Fund's total assets, $277,480, or 68.4%, was invested in capital assets. The Electric Utility invested $16,755 in the acquisition and construction of capital assets funded primarily from cash reserves. The majority of these investments were for replacement and upgrade of the transmission and distribution system. These investments have resulted in improved efficiency and reliability of the Electric Utility.

During the fiscal year, the Electric Utility continued investing in the upgrade of 4 kilovolts (kV) to 12 kV electrical distribution lines, replacing overhead and underground distribution lines for services to customers, and upgrading circuits on lines to increase capacity, improve reliability and safety, and reduce distribution line losses. The Utility continued construction of new customer transformer stations up to 750 kilovolt-amp (kVA) to serve loads from new developments.

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 by local Burbank businesses. During the fiscal year, the City added 20 new customers and upgraded services for 28 existing customers. ONE Burbank generated $3.5 million in this fiscal year. On August 17, 2015, BWP Wi-Fi launched throughout the City of Burbank as a free limited citywide wireless community broadband service.

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

($ in thousands)	
4kV to 12kV Conversions	$ 3,294
Aid in Construction for the I-5 Improvement	$ 2,410
Overhead/Underground Distribution Lines	$ 1,769
Material Storage Area	$ 1,438
New Customer Transformer Stations, 750 kVA & Under	$ 991
Circuit Upgrades on Underground Lines	$ 674
Distribution System Volt-Ampere Reactive (VAR) Balancing	$ 605
Service Replacements	$ 579
Customer Information System Upgrade	$ 516
Replace Equipment at Electric Stations	$ 462
Total	**$ 12,738**

The results of maintenance and pro-active capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the Electric Utility's maintains the most reliable and among the top in the nations, with availability rate of 99.996%. The system average interruption was only 19.34 minutes compared to an industry average in the range of 132 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately two outages per customer every five years, 60% below the industry average of one outage per customer every year.

Additional information on capital assets can be found in Note 7 to the basic financial statements.

Debt Administration

As of June 30, 2016, the Electric Utility had $81,775 in outstanding revenue bonds, of which $3,920 will be due within a year. The Electric Utility repaid $3,745 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 revenue bonds were affirmed by Standard & Poor's with an 'AA-' rating with a stable outlook in September 2015 and by Moody's Investors Service with an 'A1' rating with a stable outlook in October 2015. 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. Additional information on long term debt can be found in Note 9 to the basic financial statements.

Environmental, Supply, and Economic Factors

In 2002, California established its Renewables Portfolio Standard (RPS) Program, with the goal of increasing the percentage of renewable energy in the state's electricity mix. In April 2011, Governor Brown signed Senate Bill X 1-2 to codify the goal of 33% renewable energy by 2020. This RPS applies to all electricity retailers in the state. All entities need to adopt the RPS goals of 20% of retail sales from renewables by the end of 2013, 25% by the end of 2016, and the 33% requirement being met by the end of 2020. For the fiscal year, the Electric Utility's renewable energy resources made up 29.5% of its total energy supply, compared to 29.6% for the prior fiscal year. The Electric Utility is ahead in meeting the State's interim targets and is on track to meet the RPS goal of 33% by 2020.

On October 7, 2015, California Governor Brown signed Senate Bill 350 (SB 350), the Clean Energy and Pollution Reduction Act of 2015 (Clean Energy Act), into law. Under SB 350, the new RPS would require 50% of the State's electricity to come from renewable energy resources by 2030 for both retail sellers of electricity and publicly owned utilities. The Clean Energy Act sets interim renewable energy targets of 40% by December 31, 2024, 45% by December 31, 2027, and 50% by December 31, 2030.

During the fiscal year, renewable energy came from the Don A. Campbell Geothermal Project, 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 City Council approved the 2006 Integrated Resource Plan (IRP) and supports policy recommendations that BWP meet future power supply needs by developing resources in the following order of priority: Energy Efficiency and Conservation, Renewable Energy, and Other Resources. Burbank has been working on updating the IRP. The updated IRP focuses on decisions impacting coal fired generation and the addition of cost effective renewable energy in an environment of reduced load growth. It also recognizes the need to plan for the continued reduction in greenhouse gases and outlines the strategy to meet the requirement of having 33% of Burbank's energy portfolio from renewable sources by 2020 and 50% by 2030. The updated IRP will be presented to City Council for review and approval in early 2017. At the same time, BWP is planning for its next IRP, which, pursuant to new requirements embedded in AB350, is due January 1, 2019.

Southern California Gas Company (SoCal Gas) owns and operates the natural gas infrastructure in most of Southern California, including supply to natural gas-fired power plants operated by BWP, GWP, LADWP, and others in the LA Basin. For many years, SoCal Gas has used its Aliso Canyon natural gas storage facility, located near Porter Ranch, CA, to ensure reliable natural gas supply in the basin, including to these generators. Aliso Canyon is the largest such facility in the Western U.S. On October 23, 2015, one of Aliso Canyon's 115 wells began to leak and the facility was shut down and mostly emptied. The leak was plugged on February 18, 2016 after significant leakage of natural gas into the atmosphere. SoCal Gas, the California Governor's Office, the California legislature, numerous federal and state agencies, electric utilities (including BWP), and other stakeholders have been working since the leak was discovered to understand the leak's potential impact on electric reliability and develop mitigation plans. In this connection, an Action Plan was jointly developed by the California Public Utilities Commission, the California Energy Commission, the California Independent System Operator, SoCal Gas, and LADWP (Aliso Working Group). The

Action Plan proposes 18 steps that utilities can take to mitigate the risk of outages. The Action Plan anticipated, as a base case, 14 days of Aliso-related electric outages in this past summer (none actually occurred) and an unknown number this winter (when natural gas demand is greater). On a parallel path, Governor Brown signed SB380 (Pavley) into law. SB380 dictates, among other things, that testing and certification is required at Aliso Canyon before it may resume operations. Unfortunately, the full impact of the Aliso Canyon shut-down is not yet known. In light of these developments, a new BWP staff committee, the Electric Reliability Committee, is working to prudently and responsibly plan for and address the Aliso Canyon situation and any related issues as BWP seeks to maintain reliable electric service to its customers.

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 15-16	% Total Energy Supply
Copper Mountain Solar 3	Solar	Clark County, Nevada	May 2014	250.000	40.000	96,105	8.3956%
Biomethane gas	Biomethane		Jun 2011			68,300	5.9666%
Morgan Stanley Exchange	Landfill Gas		Apr 2012			52,315	4.5702%
Don A. Campbell Geothermal	Geothermal	Mineral County, Nevada	Dec 2013	25.000	3.845	27,923	2.4393%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	26,290	2.2967%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	24,467	2.1374%
Milford Wind I	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	19,408	1.6955%
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	11,657	1.0183%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	10.000	1.667	8,092	0.7069%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	2,343	0.2047%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	584	0.0510%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	302	0.0264%
Total						**337,786**	**29.5084%**

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 set an upper limit on statewide GHG emissions beginning in 2013, reduced GHG emissions by approximately 2% in 2014, and will reduce GHG emissions by approximately 3% annually thereafter until 2020. Electric utilities were 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, 2014, and 2015, the Electric Utility had an excess of about 101,000 GHG allowances. In the August 2016 auction, allowances were selling for $12.73.

Water Utility Fund

Water Utility Fund highlights:

- Total water sales were lower by 2,954 acre feet (AF), or 17.9%, compared to the prior fiscal year primarily due to drought watering restrictions and recycled water conversions. California is in the fifth year of one of the State's worst droughts.
- Recycled water sales (in AF) made up 16.6% of total water sales. The Utility has been expanding its recycled water system throughout Burbank to help make water availability more sustainable. During the fiscal year, 37 new customer connections were made to the recycled water system. Recycled water sales volume increased by 444 AF, or 19.6%, from the prior fiscal year.
- Net position increased by $2,070, or 4.0%, due to favorable operating results. This resulted in an increase in total assets, primarily capital assets, net of accumulated depreciation and accounts receivable, a decrease in deferred inflows of resources, primarily deferred amounts on pensions, and a decrease in total liabilities, primarily revenue bonds payable and loans payable.
- The Water Utility Fund invested $5,763 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 4.2% of non-revenue water, including losses, compared to the national average of approximately 16% and the state average of approximately 10%.
- The Water Utility revenue bonds were affirmed by Fitch Ratings with an ‘AAA’ rating with a stable outlook in October 2016. An ‘AAA’ rating is the highest quality rating. This rating reflects the rating agency’s view of the Water Utility’s solid financial performance, moderate debt burden, drought conservation, strong service area, strong coverage, solid rate flexibility, and adequate water supply.
- The Water Utility was awarded a $701 grant on June 22, 2015 from the Los Angeles County Flood Control District (LACFCD) to protect communities from drought, improve water reliability, protect and improve water quality, and improve local water security by reducing dependence on imported water, as part of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act (Proposition 84).
- In April 2016, the Water Utility won the California Municipal Utilities Association (CMUA) award for Best Water Program for a Large Water Agency for its Home

Water Reports program. In April 2015, at the peak of a four year statewide drought, BWP began providing Home Water Reports to 15,000 single-family customers.

Financial Analysis

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

	2016	2015	Incr. (Decr.)
Potable water (in AF)	13,544	16,498	(2,954)
Recycled water (in AF)	2,705	2,261	444
Operating revenues:			
Potable water sales	$ 21,975	$ 24,391	$ (2,416)
Recycled water sales	3,125	2,540	585
Intergovernmental	727	7	721
Other revenues	3,285	1,098	2,188
Total operating revenues	29,111	28,036	1,075
Operating expenses:			
Water supply expenses	10,126	11,981	(1,855)
Operations, maintenance and administration	10,838	8,686	2,152
Other operating expenses	2,923	2,027	897
Depreciation	3,578	3,792	(215)
Total operating expenses	27,465	26,486	979
Operating income	1,647	1,549	98
Nonoperating income (expenses):			
Interest income	262	182	80
Repayment of in lieu taxes from City (note 11)	-	1,225	(1,225)
Interest expense	(2,034)	(2,072)	38
Gain (loss) on disposal of capital assets	46	2	44
Other income (expenses), net	1,106	736	371
Total nonoperating income (expenses)	(620)	73	(693)
Income before contributions	1,027	1,622	(595)
Capital contributions	1,043	414	629
Change in net position	2,070	2,036	35
Net position, beginning of year, as restated	51,464	49,428	2,036
Net position, end of year	**$ 53,534**	**$ 51,464**	**$ 2,070**

Potable water sales were the primary source of revenue for the Water Utility. Potable water revenue made up 75.5% of the total Water Utility operating revenues. Potable water sales volume decreased by 2,954 AF, or 17.9%, due to drought watering restrictions and recycled water conversions. On June 1, 2015, the Stage III Burbank Sustainable Water Use Ordinance went into effect. Stage III limits outdoor watering to two days a week April through October, and one day a week November through March. Pools are also required to be covered and hand watering is limited to early mornings and evenings. The City was given a directive to reduce water usage by 24% following Governor Jerry Brown's Executive Order. Additional information on the drought can be found under Environmental, Supply, and Economic Factors on pages 19-21. Currently, the City has not implemented a drought surcharge. Given that temperatures this year were generally higher than normal, the reduction in use can reasonably be attributed to conservation efforts by Burbank customers. Potable water revenue was lower by $2,416, or 9.9%, compared to the prior fiscal year as a result of lower sales volume.

In April 2016, BWP won the California Municipal Utilities Association (CMUA) award for Best Water Program for a Large Water Agency for its Home Water Reports program. In April 2015, at the peak of a four year statewide drought, BWP began providing Home Water Reports to 15,000 single-family customers. Each report contains information on the household's recent water use, a comparison with similarly sized homes, and programs and tips to reduce water use and monthly bills. Additionally, the Home Water Reports program provides online access to the resident's hourly, daily, and weekly water use so that customers can best understand and work to reduce their water usage. The online portal also includes a library of water conservation tips and a leak detection module. A recent enhancement to the program was the addition of the automatic customer notification feature for possible leaks detected by the program.

Recycled water sales (in AF) made up 16.6% of total water sales. The Utility has been expanding its recycled water system throughout Burbank as outlined in its Recycled Water Master Plan. Increasing the use of recycled water for landscaping and industrial or commercial cooling towers helps make water availability in Burbank more sustainable. During the fiscal year, 37 new customer connections were added or converted from the potable to the recycled water system. Recycled water sales volume increased by 444 AF, or 19.6%, from the prior fiscal year. Recycled water revenue was higher by $585, or 23.0%, compared to the prior fiscal year as a result of higher sales volume and the 3.4% rate increase that went into effect in July 2015.

Intergovernmental revenues were $721 higher than the prior fiscal year. The Water Utility recognized $701 of grant revenue from the Los Angeles County Flood Control District (LACFCD) to protect communities from drought, improve water reliability, protect and improve water quality, and improve local water security by reducing dependence on imported water, as part of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act (Proposition 84).

Other revenues were $2,188, or 199.3%, higher than the prior fiscal year and include reimbursements of $2,411 from LADWP for construction of recycled water mains in the City of Los Angeles under the Joint Service Agreement (JSA) between BWP and LADWP.

Water supply expenses were lower by $1,855, or 15.5%, compared to the prior fiscal year primarily due to lower potable water demand and use of the Burbank Operable Unit (BOU), partially offset by MWD rate increases. MWD increased treated water rates by 3.7% and 2.1% in January 2015 and January 2016, respectively. The average cost of MWD's treated water was $933/AF. MWD supplied approximately 34.8% of the City's potable water supply this fiscal year compared to approximately 41.0% in the prior fiscal year. MWD water cost continues to be mitigated by the displacement of potable water by recycled water and by higher production at Burbank's groundwater treatment facility – the BOU.

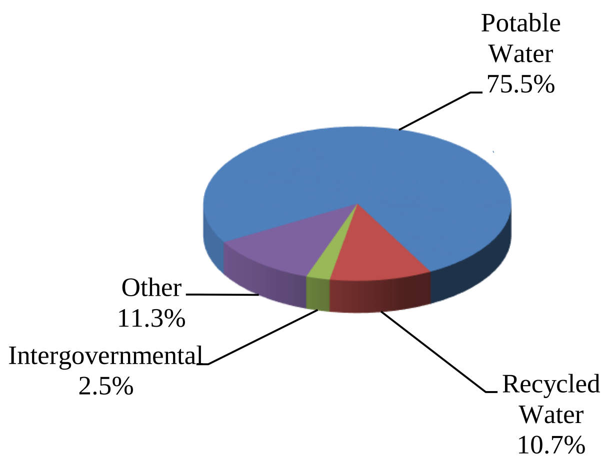
The BOU supplied approximately 65.2% of the City's potable water supply this fiscal year compared to approximately 59.0% in the prior fiscal year. The BOU ran at 63.25% of operating capacity for the fiscal year compared to the prior fiscal year's capacity of 68.58%. The BOU's operating capacity was lower than the prior fiscal year due to operational restrictions on minimum imported water intake as a result of the mandatory water restrictions, and a capital improvement project for the Valley Pumping Plant that reduced pumping capacity while overhauling the pumps (the utility's prime movers) over a ten month period. During that period, storage was used and blending was optimized to minimize purchasing additional water from MWD. The average cost of groundwater produced at the BOU was $408/AF, compared to the average cost of MWD's untreated water at $582/AF and treated water at $933/AF. The Water Utility purchased 7,505.5 AF of untreated water from MWD for groundwater storage for BOU production and to drought proof a portion of the City's water supply.

Operations, maintenance, and administrative expenses were $2,152, or 24.8%, higher compared to the prior fiscal year and include expenses of $2,399 for the construction of recycled water mains in the City of Los Angeles under the Joint Service Agreement (JSA) between BWP and LADWP. See Other Revenues on page 15 for additional information.

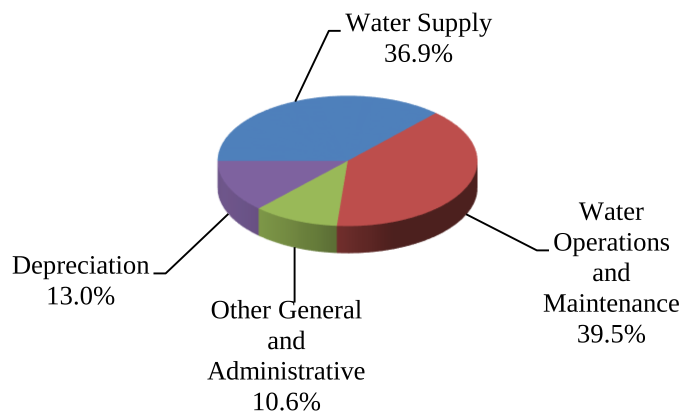
Other operating expenses were $897, or 44.2%, higher compared to the prior fiscal year primarily because of higher water conservation program expenses. In fiscal year 2007-08, the BWP Board approved an annual water conservation program that is funded by a 2% set aside of water revenues. The BWP Conservation Department implements water conservation strategies to educate customers in conserving water to avoid potential water use restrictions and fines. These strategies are budgeted as Water Conservation Programs, which are annually approved by the City Council and the BWP Board. Water use restrictions mandated by the Burbank City Council and the State of California resulted in lower than planned revenues. Since the 2% set aside funds were lower than planned and conservation costs increased to mitigate potential significant fines from the State of California, the set aside funds were fully expended by the end of fiscal year 2014-15.

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 Water Utility did not transfer money to the City's General Fund in the form of an in-lieu of tax this fiscal year. 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, but the Water Enterprise Fund is permitted to continue to transfer revenues for rights-of-way maintenance in accordance with a mutually agreed upon methodology. In addition, the City will return a total of $1,500 less legal fees to the Water Enterprise Fund over four years as settlement for all prior year transfers. For fiscal year 2014-15 and 2015-16, the City transferred $100 and $375, respectively, to the Water Enterprise Fund per the settlement, and the City will transfer $375 per year for the next two fiscal years.

Operating Revenues



Operating Expenses



The Water Utility Fund's net positions as of June 30, 2016 and June 30, 2015 were as follows:

Schedule of Net Position *($ in thousands)*

	2016	2015	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 19,203	$ 19,354	$ (151)
Noncurrent and regulatory assets	217	307	(90)
Capital assets, net of accumulated depreciation	93,667	92,732	935
Total assets	**113,086**	**112,393**	**693**
Deferred outflows of resources			
Deferred outflows of resources	823	751	72
Total deferred outflows of resources	**823**	**751**	**72**
Liabilities			
Current liabilities	4,942	4,259	683
Noncurrent and regulatory liabilities	50,973	51,811	(838)
Total liabilities	**55,914**	**56,070**	**(156)**
Deferred inflows of resources			
Deferred inflows of resources	4,460	5,610	(1,150)
Total deferred inflows of resources	**4,460**	**5,610**	**(1,150)**
Net position			
Net investment in capital assets	52,379	50,186	2,193
Restricted for debt service	179	174	4
Unrestricted	976	1,104	(128)
Total net position	**$ 53,534**	**$ 51,464**	**$ 2,070**

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

Total net position was higher by $2,070, or 4.0%, 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 Water Utility's total net position was in net investment in capital assets of $52,379, or 97.8%, of total net position (see Capital Assets). The unrestricted net position of $976, or 1.8%, of total net position were funds available for future capital investments and maintenance activities.

The favorable net position resulted in an increase in total assets, and a decrease in deferred inflows of resources and total liabilities. As of June 30, 2016, the Water Fund's total assets increased by $693, or 0.6%, primarily due to an increase in capital assets, net of accumulated depreciation and accounts receivable, offset partially by a decrease in general operating cash. Deferred inflows of resources as of June 30, 2016 decreased by $1,150, or 20.5%, compared to the prior fiscal year due mainly to deferred amounts on pensions. Total liabilities as of June 30, 2016 decreased by $156, or 0.3%, compared to the prior fiscal year. This was due to decreases in revenue bonds payable and loans payable, as a result of payments made during the fiscal year (see Debt Administration), partially offset by increases in net pension liability and accounts payable.

In fiscal year 2014-15, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27" and GASB Statement No.

71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As of June 30, 2016, total liabilities for the Water Fund include $9,177 of net pension liabilities and $1,333 of deferred inflows amounts on pensions.

Capital Assets

As of June 30, 2016, the Water Utility Fund invested $93,667, or 82.8%, 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, $5,763 was spent on the acquisition and construction of capital improvement projects. The majority of the investments were for recycled water pipelines, replacement and upgrade of distribution potable water mains, and service and meter replacements.

The Water Utility has on-going capital improvement programs, such as main, service and meter replacement programs, which 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 only 4.2% of non-revenue water, including losses, compared to the national average of approximately 16% and the state average of approximately 10%. 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.

A Joint Service Agreement (JSA) between BWP and LADWP was executed on January 28, 2015. This agreement covers the construction of recycled water mains in the City of Los Angeles under contract to BWP with all costs for the work to be reimbursed to BWP from LADWP. The work under the agreement consists of three extensions into Los Angeles from points of metered connection to the BWP recycled water system for delivery of recycled water to end use customers in Los Angeles. Once deliveries begin, BWP will receive an equal volume of ground water pumping credits for the water delivered to Los Angeles. Construction of two of the three extensions began in October 2015 and was completed on March 21, 2016. Total construction time to complete all three extensions is 18-24 months.

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

($ in thousands)

LADWP Recycled Water Pipeline	$ 1,698
Recycled Distribution Mains to Zone 2	$ 815
Potable System Expansion	$ 534
Potable Meter Replacements	$ 490
Recycled Service Expansion	$ 298
Potable Water Main - Ontario, Victory to Monterey	$ 271
Potable SCADA Software Implementation	$ 261
Potable Water Main - Winona, San Fernando to Ontario	$ 182
Recycled SCADA Software Implementation	$ 113
Reservoir #1 Rebuild	$ 110
Total	**$ 4,771**

Additional information on capital assets can be found in Note 7 to the basic financial statements.

Debt Administration

As of June 30, 2016, the Water Utility had $33,390 in outstanding revenue bonds, of which $795 will be due within a year. The Water Utility repaid $765 toward outstanding revenue bonds during the fiscal year.

The Water Utility received a total of $9,254 in loans from the State Water Resources Control Board (SWRCB) for three recycled water transmission main extensions and a water pumping station since fiscal year 2011-12. All the SWRCB loans have 20-year repayment terms with an annual interest rate of 2.6%. As of June 30, 2016, there was $7,634 outstanding in SWRCB loans, of which $399 will be due within a year. The Water Utility repaid $389 towards these outstanding loans this fiscal year.

The Water Utility revenue bonds were affirmed by Fitch Ratings with an 'AAA' rating with a stable outlook in October 2016. An 'AAA' rating is the highest quality rating. This rating reflects the rating agency's view of the Water Utility's solid financial performance, moderate debt burden, drought conservation, strong service area, strong coverage, solid rate flexibility, and adequate water supply. Additional information on long term debt can be found in Note 9 to the basic financial statements.

Environmental, Supply, and Economic Factors

The California State Water Project (SWP) is a state water management project that collects water from rivers in Northern California and through a network of aqueducts, pumping stations, and power plants redistributes it to the south. The initial SWP water allocation for the 2016 water year was released on January 26, 2016 at 15%, revised to 30% on February 24, 2016, further revised to 45% on March 18, 2016, and revised once more to 60% on April 21, 2016. 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. Precipitation in the Northern Sierra was sufficient to allow a 60% allocation on the State Water Project for 2016. Although the reservoirs weren't completely full, this is a "normal" annual allocation.

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 and several subsequent revisions of the Bay Delta Conservation Plan (BDCP) with 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 final revision titled the California Water Fix was released in December 2016. WaterFix was identified as the best option for both increasing water supply reliability and addressing current Delta ecosystem concerns while minimizing environmental impact. WaterFix is the State's plan to upgrade infrastructure in the estuary where two major rivers – the Sacramento and San Joaquin – meet before flowing to San Francisco Bay. The project, scheduled to begin as early as 2018, consists of three new intakes in the northern Delta and two 35-mile-long tunnels to transport water to the existing pumping plants in the south Delta.

California is in the fifth 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 April 1, 2015, Governor Brown issued an executive order mandating a 25% reduction in urban water use statewide. The State Water Resources Control Board (SWRCB) finalized and adopted the regulations on May 5, 2015. The regulations were approved by the State Office of Administrative Law on May 18, 2015. The regulations prohibit specific water use/waste practices and provide for issuing citations and subsequent fines for individuals and water retail agencies that violate the prohibitions. In the final conservation standard released on June 1, 2015, Burbank was in tier 6, requiring a 24% reduction in overall water use from June 1, 2015 through the end of February 2016 (as measured in 2013). Stage III of Burbank's Sustainable Water Use Ordinance was implemented effective June 1, 2015. Stage III limits outdoor watering to two days a week April through October, and one day a week November through March. Pools are also required to be covered and hand watering is limited to early mornings and evenings. Strictly adhering to the watering restrictions and conservation practices, rapidly completing remaining recycled water conversions, continuing to educate and remind the public, and enforcement through fines, with any funds received set aside to assist conservation efforts for low-income customers during the drought, assisted Burbank in meeting the mandated reduction goal. The actual measurement period dictated by the Governor's executive order began on June 1, 2015. In the months of June 2015 through February 2016, potable water use just met the 24% state mandated overall volumetric reduction for the nine month period. The two day a week watering restriction played a large part in water use reduction in the warmer months. The heaviest water use months are through October. Outdoor watering was limited to one day a week November through March. Because watering limitations were not in effect in 2013, significant reduction in water use compared to 2013 enabled Burbank to meet the mandated reduction goal. March, April, May, and June 2016 show a continued trend in lower water usage, 29.8%, 29.6%, 28.6%, and 27.8%, respectively, compared to March, April, May, and June of

2013. The SWRCB issued new regulations on May 18, 2016, allowing individual water utilities to set their own conservation standards based on local water supply conditions. These regulations became effective June 1, 2016. The Metropolitan Water District (MWD), as Burbank's water wholesaler, has been able to certify no water supply shortage for the next three years. This enables Burbank to self-certify no supply shortage for the next three years, setting Burbank's mandatory conservation standard at 0% on June 22, 2016. This will be effective until January 2017. On June 21, the City Council voted to make changes to the City's Sustainable Water Use Ordinance. Council implemented Stage II Sustainable Water Use Ordinance on June 21, 2016, which allows for landscape watering three days a week, while approving modification of the ordinance to change watering to three days a week in Stage I. Effective August 12, 2016, Council implemented the Stage I Sustainable Water Use Ordinance while still allowing for landscape watering three days a week.

MWD suspended the Water Supply Allocation Plan in conjunction with the Governor's modification of the Executive Order. MWD continues to offer targeted conservation rebates for various activities and water saving fixtures.

As a subsequent event, on September 20, 2016, the Burbank City Council approved the formation of a joint powers authority (JPA) between BWP and the Los Angeles Department of Water and Power. The new JPA will be known as Southern California Public Water Authority (SCPWA). SCPWA was modeled after the Southern California Public Power Authority with the intent of developing water projects and also providing low cost financings options if needed. A special feature of SCPWA will be its ability to issue high credit Rate Reduction Bonds. Although BWP will not immediately participate in a SCPWA project, creating SCPWA will build a solid foundation for future projects.

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.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Position

June 30, 2016
(With comparative financial information for the year ended June 30, 2015)
(In Thousands)

	Electric 2016	Electric 2015	Water 2016	Water 2015
Assets				
Current and regulatory assets:				
Cash and cash equivalents (note 2):				
General operating	$ 55,450	48,157	7,363	8,779
Capital and debt reduction	10,000	10,000	2,220	2,220
General plant	800	800	-	-
Fleet replacement	2,210	2,210	-	-
Greenhouse gas credits' proceeds	69	69	-	-
WCAC	-	-	867	887
Distribution mains	-	-	1,100	1,100
Total cash and cash equivalents	68,529	61,236	11,549	12,987
Accounts receivable, net (note 3)	15,174	15,063	3,688	2,761
Inventories (note 4)	6,837	6,152	2,874	2,221
Due from the City (note 11)	300	190	750	1,125
Deposits and prepaid expenses (note 5)	27,904	28,020	17	-
Interest receivable	197	152	34	32
Regulatory costs to be recovered in one year (note 6)	138	156	111	54
Restricted nonpooled investments (note 2)	5,277	5,089	179	174
Total current and regulatory assets	124,356	116,058	19,203	19,354
Noncurrent and regulatory assets:				
OPEB assets (note 16)	3,665	3,645	-	-
Regulatory costs for future recovery (note 6)	311	447	217	307
Total noncurrent and regulatory assets	3,976	4,092	217	307
Capital assets (note 7):				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335	-	-
Utility plant and buildings	432,636	425,147	143,183	141,470
Machinery and equipment	65,592	67,249	5,614	5,635
Construction in progress	24,584	13,289	6,746	4,050
Total utility plant and equipment	526,881	509,754	155,852	151,464
Less accumulated depreciation	(249,401)	(231,828)	(62,185)	(58,732)
Total capital assets, net	277,480	277,926	93,667	92,732
Total assets	405,812	398,076	113,086	112,393
Deferred outflows of resources:				
Deferred amounts from pensions (note 15)	5,351	4,738	823	751
Total deferred outflows of resources	5,351	4,738	823	751
Total assets and deferred outflows of resources	$ 411,163	402,814	113,909	113,144

See accompanying notes to basic financial statements.

(Continued)

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Position

June 30, 2016
(With comparative financial information for the year ended June 30, 2015)
(In Thousands)

Liabilities	Electric 2016	Electric 2015	Water 2016	Water 2015
Current liabilities:				
Accounts payable	$ 4,098	3,572	2,120	1,501
Accrued expenses	10,140	11,702	-	-
Bond interest payable	392	406	149	152
Current regulatory deferred credits in one year	-	59	-	-
Due to the City of Burbank	709	-	-	-
Customer deposits (note 10)	8,041	8,650	1,457	1,437
Current portion of revenue bonds payable, net (note 9)	3,920	3,745	795	765
Current portion of loan payable (note 9)	-	-	399	389
Current portion of compensated absences (note 9)	363	338	20	15
Total current liabilities	27,661	28,472	4,942	4,259
Noncurrent liabilities:				
Revenue bonds payable, net (note 9)	79,739	84,286	32,859	33,758
Loan payable (note 9)	-	-	7,235	7,634
Compensated absences (note 9)	4,860	4,548	865	885
Net pension liability (note 15)	58,442	55,064	9,177	8,647
Regulatory credits for future recovery (note 8)	-	-	836	887
Total noncurrent and regulatory liabilities	143,041	143,898	50,973	51,811
Total liabilities	170,702	172,370	55,914	56,070
Deferred inflows of resources:				
Deferred amounts on pensions (note 15)	8,490	15,061	1,333	2,365
Regulatory credits (note 14)	816	959	3,127	3,245
Total deferred inflows of resources	9,306	16,020	4,460	5,610
Net Position				
Net position:				
Net investment in capital assets	193,821	189,895	52,379	50,186
Restricted for debt service	5,277	5,089	179	174
Unrestricted	32,059	19,441	976	1,104
Total net position	$ 231,157	214,425	53,534	51,464

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

Year ended June 30, 2016
(With comparative financial information for the year ended June 30, 2015)
(In thousands)

	Electric		Water	
	2016	2015	2016	2015
Operating revenues:				
Sale of power-retail	$ 175,019	172,344	-	-
Sale of power and fuel-wholesale (note 13)	27,150	35,691	-	-
Sale of water			25,099	26,930
Intergovernmental	143	5,021	727	7
Other revenues	5,451	6,508	3,285	1,098
Total operating revenues	207,763	219,565	29,111	28,036
Operating expenses:				
Power supply expenses-retail (note 12)	94,195	94,218	-	-
Purchased power and fuel expenses-wholesale (note 13)	25,260	33,724	-	-
Water supply expenses (note 1)			10,126	11,981
Water maintenance and operation expenses			10,838	8,686
Transmission expenses	14,834	14,806	-	-
Distribution expenses	11,163	10,234	-	-
Other operating expenses (note 1)	21,937	20,712	2,923	2,027
Depreciation	18,133	18,408	3,578	3,792
Total operating expenses	185,522	192,102	27,465	26,486
Operating income	22,241	27,463	1,647	1,549
Nonoperating income (expenses):				
Interest income	1,723	1,070	262	182
Payments for in lieu of taxes to City (note 11)	(11,236)	(11,106)	-	-
Repayment of in lieu taxes from City (note 11)	-	-	-	1,225
Interest expense	(4,862)	(5,003)	(2,034)	(2,072)
Gain (loss) on disposal of capital assets (note 1)	253	204	46	2
Other income (expenses), net (note 14, 15)	5,529	(2,512)	1,106	736
Total nonoperating income (expenses)	(8,593)	(17,347)	(620)	73
Income before contributions	13,648	10,116	1,027	1,622
Capital contributions	3,084	663	1,043	414
Change in net position	16,732	10,779	2,070	2,036
Net position, July 1	214,425	203,646	51,464	49,428
Net position, June 30	$ 231,157	214,425	53,534	51,464

See accompanying notes to basic financial statements

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Cash Flows
Year ended June 30, 2016
(With comparative financial information for the year ended June 30, 2015)

(In Thousands)

	Electric		Water	
	2016	2015	2016	2015
Cash flows from operating activities:				
Cash received from customers	$ 206,620	215,264	25,639	29,195
Cash paid to suppliers	(145,585)	(161,442)	(16,096)	(17,562)
Cash paid to employees	(20,258)	(20,591)	(4,952)	(5,368)
Net cash provided by operating activities	40,777	33,231	4,591	6,265
Cash flows from noncapital financing activities:				
Proceeds from other governmental agencies	143	5,021	-	7
Transfer from other funds	80	70	-	100
Transfers to other funds	-	-	727	-
Other income (expense)	(165)	1,097	(28)	(174)
Payment in lieu of taxes to City	(11,236)	(11,106)	-	-
Net cash provided by (used in) noncapital financing activities	(11,178)	(4,918)	699	(67)
Cash flows from capital and related financing activities:				
Proceeds from salse of capital assets		-		-
Other income-net of sale proceeds of capital assets		-		-
Principal payments - bond	(3,745)	(3,580)	(765)	(735)
Interest paid	(5,349)	(5,565)	(2,037)	(2,157)
Contributed capital	2,997	593	2,484	414
Acquisition and construction of assets	(17,887)	(11,207)	(6,210)	(3,844)
Principal payments - loan payable	-	-	(460)	(414)
Net cash used in capital and related financing activities	(23,984)	(19,759)	(6,988)	(6,736)
Cash flows from investing activities:				
Interest received	1,678	936	260	149
Purchases of restricted investments	-	(199)	-	(3)
Net cash provided by investing activities	1,678	737	260	146
Net increase (decrease) in cash and cash equivalents	7,293	9,291	(1,438)	(392)
Cash and cash equivalents - July 1	61,236	51,945	12,987	13,379
Cash and cash equivalents - June 30	$ 68,529	61,236	11,549	12,987

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Cash Flows, (concluded)
Year ended June 30, 2016
(With comparative financial information for the year ended June 30, 2015)

(In Thousands)

	Electric		Water	
	2016	2015	2016	2015
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities :				
Operating income (loss)	$ 22,241	27,463	1,647	1,549
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	18,133	18,408	3,578	3,792
Other income	1,481	1,135	596	615
Gain/(loss) on sale of fixed assets	253			
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,230)	642	(318)	528
(Increase) decrease in due to/from City of Burbank	(110)		375	(1,125)
(Increase) decrease in inventories	(685)	(30)	(653)	(305)
(Increase) decrease in prepaid items	96	(2,256)	(17)	2
(Increase) decrease in deferred outflows from pension	(613)	(480)	(72)	(82)
Change in reporting of operating / non-operating income	3,924	(8,668)	(170)	1,241
Increase (decrease) in accounts payable and accrued expenses	(29)	114	(161)	51
Increase (decrease) in net pension liability	3,378	(15,436)	530	(2,425)
Increase (decrease) in deferred inflows from pension	(6,571)	15,061	(1,032)	2,365
Increase (decrease) in compensated absences	337	46	(15)	68
Increase (decrease) in customer deposits	338	1,409	398	109
Increase (decrease) in deferred revenue	(143)	(4,177)	(118)	(118)
Other proceeds/adjustments	(23)	1	23	(1)
Total adjustments	18,536	5,769	2,944	4,716
Net cash provided by operating activities	$ 40,777	33,231	4,591	6,265
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	$ 490	100	86	30

See accompanying notes to basic financial statements

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 of the City of Burbank (City). 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 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

<u>Current Year Standards</u>

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

– GASB 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", was required to be implemented in the current fiscal year, except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016, and did not impact the City.

- GASB Statement No. 76 - "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", was required to be implemented in the current fiscal year, and did not impact the City.

- GASB Statement No. 79 - "Certain External Investment Pools and Pool Participants", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

- GASB Statement No. 82 - "Pension Issues on Amendment of GASB Statement No. 67, No. 68 and No. 73", changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

Pending Accounting Standards:

GASB has issued the following statements which may impact the Utility’s financial reporting requirements in the future.

- GASB 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", effective for periods beginning after June, 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.

- GASB 74 – *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.

- GASB 75 - *""Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans"*, effective for periods beginning after June 15, 2017.

- GASB 77 - *""Tax Abatement Disclosure"*, effective for periods beginning after December 15, 2015.

- GASB 78 - *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for periods beginning after December 15, 2015.

- GASB 79 - *"Certain External Investment Pools and Pool Participants"*, the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.

- GASB 80 - *"Blending Requirements for Certain Component Units"*, effective for periods beginning after June 15, 2015.

- GASB 81 - *"Irrevocable Split-Interest Agreements"*, effective for periods beginning after December 15, 2016.

- GASB 82 - *"Pension Issues"*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

(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 17, Self-Insurance, for additional information on the City's self-insurance programs.

($ in thousands)

(F) Capital Assets

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at acquisition 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 GASB No. 62, to be collected from future ratepayers. There are no material losses on retirements as of June 30, 2016. 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, 2016, 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, 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 (notes 2 and 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 California Energy Commission (CEC) for systems modernization projects. The CEC Grants of $1,000 and $164 allow for 100% prorated reimbursement for approved expenditures. 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 the recognition of contributed assets for the Burbank Empire Center and Bob Hope Airport. The values of the contributed assets have been recorded as regulatory credits. The contributed assets are recognized as revenue to match depreciation expense over the course of their useful lives at 25 to 40 years (see note 14).

Also included in the Water Utility Fund's revenues is a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been recorded as regulatory credits (see note 8).

(N) 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.

(O) 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).

(P) 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.

($ in thousands)

(Q) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Unrestricted cash and investments	$ 68,529	11,549	**$ 80,078**
Restricted investments	5,277	179	**5,456**
Total	**$ 73,806**	**11,728**	**$ 85,534**
Cash on hand	$ 15	-	**$ 15**
Investments	73,790	11,728	**85,519**
Total	**$ 73,806**	**11,728**	**$ 85,534**

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.

($ in thousands)

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. GASB Statement No. 72 establishes disclosure requirements for fair value measurements related to investments. The information required by GASB 40 and GASB 72 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, 2016 and 2015 are:

	Electric		Water	
	2016	2015	2016	2015
Billed accounts receivable	$ 7,485	7,810	2,129	1,582
Unbilled accounts receivable	7,788	7,416	1,568	1,241
Allowance	(99)	(163)	(9)	(61)
Total	**$ 15,174**	**15,063**	**3,688**	**2,761**

Accounts receivable for the Water Utility increased $927 primarily as a result of a 3.40% rate increase that went into effect for customer bills on or after August 1, 2015.

NOTE 4: Inventories

Inventories for the Electric and Water Utility Funds as of June 30, 2016 and 2015 are:

	Electric		Water	
	2016	2015	2016	2015
Materials and supplies inventory	$ 6,837	6,152	558	516
Ground water purchases inventory	-	-	2,316	1,705
Total	**$ 6,837**	**6,152**	**2,874**	**2,221**

($ in thousands)

In October 2015 the Water Utility purchased 7,200 AF of untreated water at a cost of $582.00/AF in exchange for groundwater credits from LADWP.

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of $ 27,904 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a $15,482 deposit with SCPPA for future use in projects, a $7,843 prepayment to the SCPPA Natural Gas Reserve for future gas deliveries, a $2,735 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), a $1,281 prepayment for renewable energy, a $127 Morgan Stanley power exchange prepayment, and various other prepaid expenses of $24. 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, 2016, the Electric Fund amortized $75 on this prepaid lease, leaving a balance of $412.

NOTE 6: Regulatory Assets (Costs)

Utility regulatory assets are reported for 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, 2016 and 2015 are $449 and $603, and $328 and $361, respectively. 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, 2016:

Electric	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets not being depreciated:				
Land	$ 2,734	-	-	$ **2,734**
Construction in progress	13,289	11,295	-	**24,584**
Total capital assets not being depreciated	**16,023**	**11,295**	**-**	**27,318**
Capital assets being depreciated:				
Rights to purchase power	1,335	-	-	**1,335**
Accumulated depreciation	(670)	(43)	-	**(713)**
Buildings and improvements	425,147	10,435	(2,946)	**432,636**
Accumulated depreciation	(192,970)	(13,203)	253	**(205,920)**
Machinery and equipment	67,249	1,736	(3,393)	**65,592**
Accumulated depreciation	(38,188)	(4,932)	352	**(42,768)**
Total capital assets being depreciated, net	**261,903**	**(6,007)**	**(5,734)**	**250,162**
Total net capital assets	**$ 277,926**	**5,288**	**(5,734)**	**$ 277,480**

($ in thousands)

Water	Balance as of June 30, 2015	Additions	Deletions	Balance as of June 30, 2016
Capital assets not being depreciated:				
Land	$ 309	-	-	$ **309**
Construction in progress	4,051	2,695	-	**6,746**
Total capital assets not being depreciated	**4,360**	**2,695**	**-**	**7,055**
Capital assets being depreciated:				
Buildings and improvements	141,470	1,716	(3)	**143,183**
Accumulated depreciation	(54,527)	(3,326)	2	**(57,851)**
Machinery and equipment	5,635	377	(398)	**5,614**
Accumulated depreciation	(4,206)	(253)	125	**(4,334)**
Total capital assets being depreciated, net	**88,372**	**(1,486)**	**(274)**	**86,612**
Total net capital assets	**$ 92,732**	**1,209**	**(274)**	**$ 93,667**

Capitalized Interest

The Electric and Water Utility Funds had no capitalized interest for the current and prior fiscal years.

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, 2016, 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 $13,106, for a net asset value of $1,528. 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 WCAC regulatory credits balance is $836 and $887 at June 30, 2016 and 2015, respectively, and is reported in noncurrent liabilities.

NOTE 9: Long-Term Liabilities, including Loan Payable and Revenue Bonds Payable

(A) Loan Payable

($ in thousands)

Water Loan Payable	**2016**	**2015**
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.	$ 429	$ 452
Less current portion	(24)	(22)
Total for Recycled Water Pumping Station	**405**	**430**
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	3,007	3,169
Less current portion	(166)	(161)
Total for Valhalla Recycled Water Main Extension	**2,840**	**3,008**
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.	2,654	2,786
Less current portion	(136)	(134)
Total for Studio District Recycled Water Main Extension	**2,518**	**2,651**

	Water	
Water Loan Payable (cont.)	**2016**	**2015**
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 $1,784 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2033.	1,544	1,616
Less current portion	(73)	(72)
Total for Northern Burbank Main Extension	**1,471**	**1,544**
Total long-term intergovernmental loan payments	**$ 7,235 $**	**$ 7,634**

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2016 is as follows:

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

Notes to the Basic Financial Statements

Fiscal Year ended June 30, 2016

(With certain comparative summary information for the year ended June 30, 2015)

($ in thousands)

SWRCB Loan for the Studio District Recycled Water Main Extension

	Water		
	Principal	Interest	Total
2017	$ 136	69	$ 205
2018	139	65	204
2019	143	62	205
2020	146	58	204
2021	151	54	205
2022-2026	814	211	1,025
2027-2031	925	99	1,024
2032	200	5	205
	$ 2,654	**623**	**$ 3,277**

SWRCB Loan for the Northern Burbank Main Extension

	Principal	Interest	Total
2017	$ 73	40	$ 113
2018	75	38	113
2019	77	36	113
2020	79	34	113
2021	81	32	113
2022-2026	440	128	568
2027-2031	500	68	568
2032-2033	219	9	228
	$ 1,544	**385**	**$ 1,929**

SWRCB Loan for the Recycled Water Distribution System

	Water		
	Principal	Interest	Total
2017	$ 24	11	$ 35
2018	24	11	35
2019	25	10	35
2020	26	9	35
2021	26	9	35
2022-2026	142	32	174
2027-2031	162	13	175
	$ 429	**95**	**$ 524**

SWRCB Loan for the Valhalla Recycled Water Main Extension

	Water		
	Principal	Interest	Total
2017	$ 166	78	$ 244
2018	172	74	246
2019	175	69	244
2020	180	65	245
2021	184	60	244
2022-2026	997	226	1,223
2027-2031	1,134	90	1,224
	$ 3,007	**662**	**$ 3,670**

($ in thousands)

(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	
2010A Series Bonds:	**2016**	**2015**
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.	$ 22,915	$ 25,750
Less:		
Current portion	(2,975)	(2,835)
Original issue discount/premium	641	854
Long-term Bonds Series A of 2010	**$ 20,581**	**$ 23,769**

	Electric	
2010B Series Bonds:	**2016**	**2015**
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	791	1,054
Long-term Bonds Series B of 2010	**$ 53,456**	**$ 53,719**

($ in thousands)

	Electric	
2012 Series A Bonds:	**2016**	**2015**
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.	$ 6,195	$ 7,105
Less:		
Current portion	(945)	(910)
Original issue discount/premium	452	603
Long-term Bonds Series A of 2012	**$ 5,702**	**$ 6,798**
Total Electric long-term revenue bonds payable	**$ 79,739**	**$ 84,286**

	Water	
2010A Series Bonds:	**2016**	**2015**
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.	$ 5,445	$ 6,210
Less:		
Current portion	(795)	(765)
Original issue discount/premium	381	492
Long-term Bonds Series A of 2010	**$ 5,031**	**$ 5,937**

($ in thousands)

	Water	
2010B Series Bonds:	**2016**	**2015**
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.	$ 27,945	$ 27,945
Less:		
Current portion	-	-
Original issue discount/premium	(116)	(124)
Long-term Bonds Series B of 2010	**$ 27,829**	**$ 27,821**
Total Water long-term revenue bonds payable	**$ 32,859**	**$ 33,758**

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, 2016 is as follows:

	Electric		Water		
	Principal	Interest	Principal	Interest	Total
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	4,485	2,979	895	1,698	**10,057**
2021	4,290	2,758	930	1,662	**9,640**
2022-2026	14,930	13,274	5,240	7,627	**41,071**
2027-2031	13,475	8,307	6,240	6,116	**34,138**
2032-2036	16,485	5,337	8,980	4,077	**34,878**
2037-2040	15,810	1,657	8,620	1,272	**27,360**
Total	**$ 81,775**	**44,408**	**33,390**	**27,750**	**$ 197,384**

(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.

($ in thousands)

		FY 15-16 Net Revenue Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year		Interest Paid this Fiscal Year	
Electric Utility	$	40,373	81,775	44,408	3,745		3,789	(1)
Water Utility	$	5,225	33,390	27,750	765	(2)	1,315	(1), (3)

(1) Net of 2012B Series Build America Bonds (BAB) Federal subsidy rebates.

(2) For 2010A Series Bonds.

(3) Includes interest only payments of $1,568 for 2010B Series Bonds.

($ in thousands)

(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, 2016:

	July 1, 2015	Additions	Retirements	June 30, 2016	Due within 1 Year
Revenue Bonds Payable:					
2010 Series A Bonds	$ 25,750		(2,835)	22,915	$ 2,975
2010 Series B Bonds	52,665		-	52,665	-
2012 Series A Bonds	7,105		(910)	6,195	945
Compensated Absences	4,886	675	(338)	5,223	363
	$ 90,406	**675**	**(4,083)**	**86,998**	**$ 4,283**
Less current portion	(4,083)			(4,283)	
Less unamortized bond premium (discount)	2,511			1,884	
Total	**$ 88,834**			**$ 84,598**	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2016:

	July 1, 2015	Additions	Retirements	June 30, 2016	Due within 1 Year
Loans and Revenue Bonds Payable:					
Intergovernmental Loan Payable	452		(23)	429	24
Intergovernmental Loan Payable	3,169		(162)	3,007	166
Intergovernmental Loan Payable	2,787		(132)	2,654	136
Intergovernmental Loan Payable	1,616		(72)	1,544	73
2010 Series A Bonds	6,210		(765)	5,445	795
2010 Series B Bonds	27,945		-	27,945	-
Compensated Absences	900	30	(45)	885	20
	$ 43,079	**30**	**(1,199)**	**41,910**	**$ 1,214**
Less current portion	(1,169)			(1,214)	
Less unamortized bond premium (discounts)	368			264	
Total	**$ 42,278**			**$ 40,960**	

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 spend 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, 2016 and 2015 is $4,224 and $4,417, respectively.

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 and fines. 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. During the fiscal year, water use restrictions were mandated twice by the Burbank City Council and once by the State of California, resulting in lower than planned revenues. Since the 2% set aside funds were lower than planned and conservation costs increased to mitigate potential significant fines from the State of California, the set aside funds were fully expended by the end of the fiscal year. The unspent balance as of June 30, 2016 and 2015 is $0.

NOTE 11: Related Party Transactions

The City assesses a 5.0% in-lieu of taxes on Electric 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. The practice of the City assessing in-lieu taxes on Water retail revenues, also at 5%, 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 included 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 $1,225 (net of attorney fees) to the Water Enterprise Fund over four years as settlement for all prior year transfers. During the fiscal year the City transferred $375; the remaining balance is $750. These charges and credits are reflected in the accompanying statements of revenues, expenses and changes in fund net position for the years ended June 30, 2016 and 2015 as follows:

($ in thousands)

		Electric		Water	
		2016	2015	2016	2015
In-lieu of taxes	$	8,720	8,626	-	(1,225)
Street Lighting		2,515	2,480	-	-
Total Payment in-lieu of taxes	**$**	**11,236**	**11,106**	**-**	**(1,225)**

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, 2016 and 2015 were as follows:

		Electric		Water	
		2016	2015	2016	2015
Administrative and overhead costs	$	5,184	5,267	1,477	1,342
Total	**$**	**5,184**	**5,267**	**1,477**	**1,342**

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, 2016 and 2015 is as follows:

		Electric	
		2016	2015
Utility Users Tax	$	11,553	11,358
Total	**$**	**11,553**	**11,358**

NOTE 12: Power Supply and Fuel Expenses - Retail

A) Retail Energy Supply

The City 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 the Southern California Public Power Authority (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, "Financial Reporting Entity", 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, 2016 and 2015, the Electric Fund made payments totaling $73,323 and $74,518 for "take or pay" contracts, respectively, and $1,703 and $2,204 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 of 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 500 kV 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 100.000% 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 100.000% 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 100.000% 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 100.000% of the project output. The project participants are the City and the City of Pasadena. The City contracted to purchase approximately 16.700% or 1.7 MW.

($ in thousands)

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 MW 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 15.380% (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 10.000% (10 MW).

Copper Mountain 3 Solar Project

Copper Mountain 3 Solar Project is located near Boulder City, Nevada, approximately 25 miles southeast of Las Vegas, Nevada. The facility is the third phase of one of the largest photovoltaic solar facilities in the U.S. situated on about 1,400 acres of land. The City and the City of Los Angeles entered into a 20-year power sales agreement through SCPPA. The City's share of this project is 16.000% (40 MW) of the total capacity of 250 MW. The purchase of 40 MW of renewable energy output per year, or approximately 90,000 megawatt hours (MWh) annually, will enable Burbank to meet approximately 7 percent of BWP's resource requirements. In May 2014, ahead of schedule, the City began to receive solar energy output from Copper Mountain 3. The plant went from partial commercial operations to full commercial operations in 2015.

A summary of the City's contracts and related projects and its commitments at June 30, 2016 are shown below:

	City of Burbank portion *	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
Intermountain Power Project	3.371%	$ 42,094	$ 45,540
SCPPA: (1)			
Southern Transmission System	4.498%	27,332	34,289
Magnolia Power Project (Project A)	32.350%	98,323	140,567
Prepaid Natural Gas Project #1	33.000%	100,827	165,477
Milford I Wind Project	5.000%	9,819	13,911
Mead-Adelanto	11.534%	10,507	11,738
Palo Verde	4.400%	1,075	1,102
Tieton Hydropower Project	50.000%	24,415	43,697
Mead-Phoenix	15.400%	4,265	4,697
Natural Gas Project - Barnett	100.000%	17,319	24,681
Hoover Uprating Project	15.957%	665	700
Natural Gas Project - Pinedale	100.000%	5,591	7,969
SCPPA Total		$ 300,138	$ 448,829
Total		**$ 342,232**	**$ 494,369**

($ in thousands)

(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 following schedule 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).

	2016/17		2017/18		2018/19	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	$ 3,673	$ 1,494	$ 6,585	$ 958	$ 7,321	$ 930
SCPPA:						
Southern Transmission System	2,413	1,221	2,443	1,119	2,523	997
Magnolia Power Project (Project A)	3,614	3,273	2,239	3,138	2,342	3,032
Prepaid Natural Gas Project #1	1,411	5,099	1,520	5,025	1,777	4,943
Milford I Wind Project	459	474	481	451	504	427
Mead-Adelanto	2,074	448	2,128	358	2,213	250
Palo Verde	529	20	546	7	-	-
Tieton Hydropower Project	435	1,234	455	1,215	475	1,193
Mead-Phoenix	849	159	872	122	905	85
Natural Gas Project - Barnett	1,674	941	1,485	854	1,342	776
Hoover Uprating Project	324	26	341	9	-	-
Natural Gas Project - Pinedale	541	304	480	276	433	251
Total	**$ 17,997**	**$ 14,693**	**$ 19,574**	**$ 13,532**	**$ 19,836**	**$ 12,884**

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

Notes to the Basic Financial Statements

Fiscal Year ended June 30, 2016

(With certain comparative summary information for the year ended June 30, 2015)

($ in thousands)

	2019/20		2020/21		2021/26	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	$ 7,606	$ 420	$ 7,372	$ (67)	$ 9,536	$ (290)
SCPPA:						
Southern Transmission System	2,204	883	2,900	775	12,100	1,831
Magnolia Power Project (Project A)	2,455	2,919	2,573	2,798	16,101	12,230
Prepaid Natural Gas Project #1	2,127	4,843	2,549	4,720	18,992	21,030
Milford I Wind Project	529	402	555	375	3,207	1,432
Mead-Adelanto	2,306	137	1,785	39	-	-
Palo Verde	-	-	-	-	-	-
Tieton Hydropower Project	500	1,168	525	1,142	3,905	5,205
Mead-Phoenix	929	50	711	16	-	-
Natural Gas Project - Barnett	1,240	705	1,160	639	4,932	2,325
Hoover Uprating Project	-	-	-	-	-	-
Natural Gas Project - Pinedale	400	228	375	206	1,593	751
Total	**$ 20,295**	**$ 11,755**	**$ 20,505**	**$ 10,644**	**$ 70,365**	**$ 44,514**

	2026/31		2031/36		2036/41	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project						
SCPPA:						
Southern Transmission System	2,748	132	-	-	-	-
Magnolia Power Project (Project A)	21,714	9,144	26,510	5,386	20,775	325
Prepaid Natural Gas Project #1	32,658	14,423	39,795	4,567	-	-
Milford I Wind Project	4,085	530	-	-	-	-
Tieton Hydropower Project	4,210	4,024	5,373	2,832	8,538	1,269
Natural Gas Project - Barnett	4,018	1,034	1,467	88	-	-
Natural Gas Project - Pinedale	1,297	334	473	28	-	-
Total	**$ 70,730**	**$ 29,621**	**$ 73,617**	**$ 12,901**	**$ 29,313**	**$ 1,594**

($ in thousands)

	Total Principal	Total Interest
Intermountain Power Project	$ 42,094	$ 3,446
SCPPA:		
Southern Transmission System	27,332	6,958
Magnolia Power Project (Project A)	98,323	42,244
Prepaid Natural Gas Project #1	100,827	64,649
Milford I Wind Project	9,819	4,092
Mead-Adelanto	10,507	1,231
Palo Verde	1,075	27
Tieton Hydropower Project	24,415	19,282
Mead-Phoenix	4,265	432
Natural Gas Project - Barnett	17,319	7,363
Hoover Uprating Project	665	35
Natural Gas Project - Pinedale	5,591	2,377
Total	**$ 342,232**	**$ 152,137**

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, under California Assembly Bill 32 (the California Global Warming Solutions Act of 2006), to reduce greenhouse gas emissions. At June 30, 2016, the City of Burbank has sufficient freely allocated greenhouse gas allowances for the current compliance period, as was the case for the prior compliance periods ending December 31, 2015, 2014 and 2013.

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, 2015 and 2014 are as follows:

($ in thousands)

	2016	2015
Wholesale	$ 27,150	35,691
Wholesale Costs	25,260	33,724
Wholesale Margin	$ **1,891**	**1,966**

NOTE 14: Deferred Inflows of Resources

On January 22, 2013 the Electric Utility was awarded a grant of $1,000 from the California Energy Commission (CEC) in support of the Department of Energy's systems' modernization capital projects funded during fiscal years 2010/11 through 2014/15. The Electric Utility 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. The Electric Utility recognized revenue and depreciation expense of $94 for this fiscal year and the same amount for the prior fiscal year. The deferred CEC payments are $796 for this fiscal year, compared to $890 for the prior fiscal year.

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. During the fiscal year the CEC made a payment of $50.

During last fiscal year, the Electric Utility sold greenhouse gas allowance credits at auction, resulting in proceeds of $69. These proceeds were reported as deferred inflows of resources, and will remain deferred until such time that the City Council authorizes use that supports the intent of California Assembly Bill 32, which includes mitigating risks associated with climate change while improving energy efficiency, expanding the use of renewable energy resources, cleaner transportation, and reducing waste.

The Electric Utility Fund's CEC payments are reported as regulatory credits in deferred inflows of resources, and as of June 30, 2016 are as follows:

($ in thousands)

Electric Utility Unearned / Deferred Revenue	2016	2015	2014	Total
Systems Modernization expenditures	$ -	432	568	$ 1,000
Deferred California Energy Commission (CEC) payments recognized	(143)	(94)	(16)	(253)
Deferred CEC payments	**$ (143)**	**$ 339**	**552**	**$ 747**
Deferred greenhouse gas allowance sales proceeds	**-**	**69**	**-**	**69**
Total Unearned / Deferred Electric Revenue	**$ (143)**	**408**	**552**	**$ 816**

The Water Utility has recorded contributed assets from prior periods for the Burbank Empire Center and Bob Hope Airport of $3,651 and $1,078, respectively. During the fiscal year the Water Utility recognized revenue and depreciation expense of $118, respectively. For the fiscal year, the Water Utility's regulatory credits balance for the contributed assets is $3,127, compared to $3,245 for the prior fiscal year. These regulatory credits are reported as deferred inflows of resources.

NOTE 15: Retirement Plan

(A) Pension Plans

The Utility Funds participate in the City's Miscellaneous Employee Defined Benefit Plans and the Utility Funds' share of net pension liability is reported as a cost sharing plan in these financial statements.

1. Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous (Non-Safety) Employee Pension Plans, a cost sharing defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports, which can be found on the CalPERS website, that include a full description of the pension plans regarding benefit provisions, assumptions and membership information.

2. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

($ in thousands)

	Miscellaneous	
	Prior to	On or After
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	19.95%	19.95%

3. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(B) Net Pension Liability

As of June 30, 2016 and 2015, the Electric and Water Utility Funds reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

Proportionate Share of Net Pension Liability

	June 30, 2016	June 30, 2015
Electric Utility Fund	$ 58,442	55,064
Water Utility Fund	9,177	8,647
Total Net Pension Liability	**$ 67,619**	**63,711**

($ in thousands)

The Electric and Water Utility Funds' net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Electric and Water Utility Funds' proportionate share of the net pension liability was based on a projection of the Electric and Water Utility Funds' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Utility's proportionate share of the net pension liability for the Miscellaneous Plan as of June 30, 2014 and 2015 was as follows:

	Electric Utility	Water Utility
Proportion - June 30, 2014	34.96%	5.49%
Proportion - June 30, 2015	34.96%	5.49%
Change - Increase (Decrease)	0.00%	0.00%

(C) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Utility has the following pension outflow that qualifies for reporting in this category:

- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For reporting purposes, pension inflows have been combined on the Statement of Net Position. The Utility has the following pension inflows that qualify for reporting in this category:

- Deferred inflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan, which is 3.3 years.

($ in thousands)

- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the Plan, which is 3.3 years.

- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

For the year ended June 30, 2016, the City recognized a credit to pension expense for the Utility of $4,378. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Electric	Water	Electric	Water
Pension contributions subsequent to measurement date	$ 5,351	823		
Differences between actual and expected experience			(3,103)	(487)
Change in assumptions			(3,373)	(530)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions				
Net differences between projected and actual earnings on plan investments			(2,014)	(316)
Total	**$ 5,351**	**823**	**(8,490)**	**(1,333)**

$6,174 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

($ in thousands)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30, 2017			
		Electric Utility	Water Utility
2017	$	(4,260)	(669)
2018		(4,260)	(669)
2019		(2,289)	(359)
2020		2,320	364
2021		-	-
Thereafter		-	-
Total Deferred Inflows of Resources	**$**	**(8,489)**	**(1,333)**

1. *Actuarial Assumptions*

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CaslPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

a. Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short term and long term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

($ in thousands)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$ 109,971
Current Discount Rate	7.65%
Net Pension Liability	$ 67,620
1% Increase	8.65%
Net Pension Liability	$ 32,684

2. Pension Plan Fiduciary Net Position

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

NOTE 16: Post-Retirement Health Care Benefits

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.

($ in thousands)

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. 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	2016	2015	2014
Annual required contribution	(20)	$ (19)	$ (123)
Interest on net OPEB obligation/(asset)	264	262	261
Adjustment to annual required contribution	(244)	(236)	(230)
Annual OPEB cost	-	7	(92)
Contributions made	20	19	108
Decrease in net OPEB obligation	20	26	16
Net OPEB obligation/(asset) - beginning of year	**$ 3,645**	**$ 3,619**	**$ 3,603**
Net OPEB asset - end of year *	**$ 3,665**	**$ 3,645**	**$ 3,619**

*** Reported as Pension/OPEB Asset (noncurrent)**

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

NOTE 17: 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 18: 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 19: Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 27, 2017, the date the financial statements were available to be issued.

CITY OF BURBANK
ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS

Notes to the Basic Financial Statements

Fiscal Year ended June 30, 2016

(With certain comparative summary information for the year ended June 30, 2015)

($ in thousands)

Required Supplemental Information

SCHEDULE OF NET PENSION LIABILITY INFORMATION AND RATIOS
Last 10 Fiscal Years *

ELECTRIC FUND

	2016	2015
Plan's Proportionate Share of Net Pension Liability in %	34.96%	34.96%
Plan's Proportionate Share of Net Pension Liability in $	$ 58,442	$ 55,064
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	80%
Covered-Employee Payroll	$ 27,719	$ 26,719
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	212%	199%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 9,046	$ 4,258

WATER FUND

	2016	2015
Plan's Proportionate Share of Net Pension Liability in %	5.49%	5.49%
Plan's Proportionate Share of Net Pension Liability in $	$ 9,178	$ 8,647
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	80%
Covered-Employee Payroll	$ 4,353	$ 4,196
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	212%	199%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 1,421	$ 669

* - Fiscal year 2015 was the 1st year of implementation.

Schedule of Plan Contributions - 2016

	Electric Fund	Water Fund
Actuarially Determined Contribution	$ 4,788	$ 752
Contributions in Relation to the Actuarially Determined Contribution	(4,788)	(752)
Contribution Deficiency (Excess)	$0	$0
Covered-Employee Payroll *	$ 29,407	$ 4,618
Contributions as a Percentage of Covered-Employee Payroll	16.28%	16.28%

* Covered-employee Payroll is based on prior year and assumes a 2.75% payroll growth.

Schedule of Plan Contributions - 2015

	Electric Fund	Water Fund
Actuarially Determined Contribution	$ 4,738	$ 751
Contributions in Relation to the Actuarially Determined Contribution	(4,738)	(751)
Contribution Deficiency (Excess)	$0	$0
Covered-Employee Payroll *	$ 27,719	$ 4,353
Contributions as a Percentage of Covered-Employee Payroll	17.09%	17.25%

* Covered-employee Payroll is based on prior year and assumes a 3.00% payroll growth.

Schedule 1

ANNUAL ELECTRIC SUPPLY Fiscal Year ended June 30, 2016		
Resource	**MWh**	**Percentage**
Intermountain Power Project	380,920	33.3%
Hoover Uprating	20,360	1.8%
Palo Verde Nuclear	63,390	5.5%
Magnolia Power Project	305,400	26.7%
On-Site Generation	14,530	1.3%
Renewables	360,110	31.5%
Total	**1,144,710**	**100.0%**

Schedule 2

CUSTOMERS, SALES, ELECTRIC REVENUES AND DEMAND					
Fiscal Years ended June 30					
	2012	**2013**	**2014**	**2015**	**2016**
Number of Retail Service:					
Residential	45,164	45,287	46,204	46,259	46,148
Commercial[1]	6,857	6,914	6,956	6,948	6,915
Large Commercial[1]	75	75	94	94	90
Total	**52,096**	**52,276**	**53,254**	**53,301**	**53,153**
Retail Kilowatt-hour Sales (millions)					
Residential	265	281	268	273	279
Commercial	518	529	535	545	538
Large Commercial	338	331	320	291	279
Total	**1,121**	**1,141**	**1,123**	**1,109**	**1,096**
Electric Revenues ($ in thousands):					
Retail	$161,788	$167,828	$165,757	$172,344	$175,019
Wholesale	$ 35,484	$ 44,295	$ 50,151	$ 35,691	$ 27,150
Other[2]	$ 4,959	$ 8,509	$ 11,683	$ 11,529	$ 5,594
Total	**$202,231**	**$220,632**	**$227,592**	**$219,565**	**$207,763**
Peak Demand (MW)	305	292	296	317	309

[1]Starting 2014, meter counts include standalone, totalized and submeters.

[2]Other miscellaneous revenues include transmission, telecommunications, etc.

Schedule 3

SYSTEM WEIGHTED AVERAGE BILLING PRICE – ELECTRIC [1]					
(Cents per Kilowatt-hour)					
	Fiscal Years ended June 30				
	2012	**2013**	**2014**	**2015**	**2016**
Residential	14.81	15.13	15.33	15.81	16.16
Commercial	14.66	14.70	15.03	15.59	16.08
Large Commercial	12.98	13.20	13.15	13.95	14.31
System Weighted Average Electric Rate	14.19	14.37	14.57	15.21	15.65

[1] All weighted average rates exclude Street Lighting.

Schedule 4

ANNUAL WATER SUPPLY Fiscal Year ended June 30, 2016		
Resource	**Acre Feet (AF)**	**Percentage**
Metropolitan Water District	4,921	34.8%
Local Production – BOU [1]	9,215	65.2%
Total	**14,136**	**100.0%**

Schedule 5

CUSTOMERS, WATER SALES, WATER REVENUES Fiscal Years ended June 30					
	2012	**2013**	**2014**	**2015**	**2016**
Number of Water Service:					
Residential	22,086	22,087	22,171	22,256	22,223
Commercial[1]	3,091	3,093	3,263	3,260	3,246
Large Commercial[1]	117	116	-	-	-
Other[2]	1,162	1,157	1,112	1,126	1,134
Recycled	125	142	158	184	217
Total	**26,581**	**26,595**	**26,704**	**26,826**	**26,820**
AF Sales Per Year:					
Potable					
Residential	13,052	13,639	14,059	12,065	10,002
Commercial[1]	3,390	3,482	4,319	4,078	3,368
Large Commercial[1]	693	744	-	-	-
Other[2]	642	599	493	355	174
Recycled	1,855	1,588	2,370	2,282	2,709
Total in AF	**19,632**	**20,052**	**21,241**	**18,780**	**16,253**
Water Revenues ($ in thousands):					
Retail[3]	$ 25,734	$ 26,727	$ 30,036	$ 26,930	$ 25,099
Other[4]	$ 995	$ 1,007	$ 1,265	$ 1,105	$ 4,012
Total	**$ 26,729**	**$ 27,734**	**$ 31,301**	**$ 28,036**	**$ 29,111**
Maximum Demand Day (AF)	73.0	71.8	72.0	67.1	53.1

[1]Starting 2014, Commercial includes Large Commercial.

[2]Other includes city department water, school, fire protection, and miscellaneous users

[3]Potable and Recycled

[4]Other operating revenues include connection fees, recycled water credits and other miscellaneous revenues.

Sched 6

WEIGHTED AVERAGE BILLING PRICE – WATER ($ per CCF[1])					
	Fiscal Years ended June 30				
	2012	**2013**	**2014**	**2015**	**2016**
Residential	3.01	3.14	3.25	3.50	3.71
Commercial[2]	2.58	2.76	2.92	3.17	3.29
Large Commercial[2]	2.50	2.62	0.00	0.00	0.00
Weighted Average Water Rate	2.89	3.04	3.17	3.42	3.61

[1]CCF is one hundred of cubic feet; one AF is equal to approximately 435.6 CCF.

[2]Starting 2014, Commercial includes Large Commercial.