City of Burbank Water and Power Since 1913

Always There for You!

2014 - 2015 ANNUAL REPORT

CONTENTS

BWP's BOARD MEMBERS

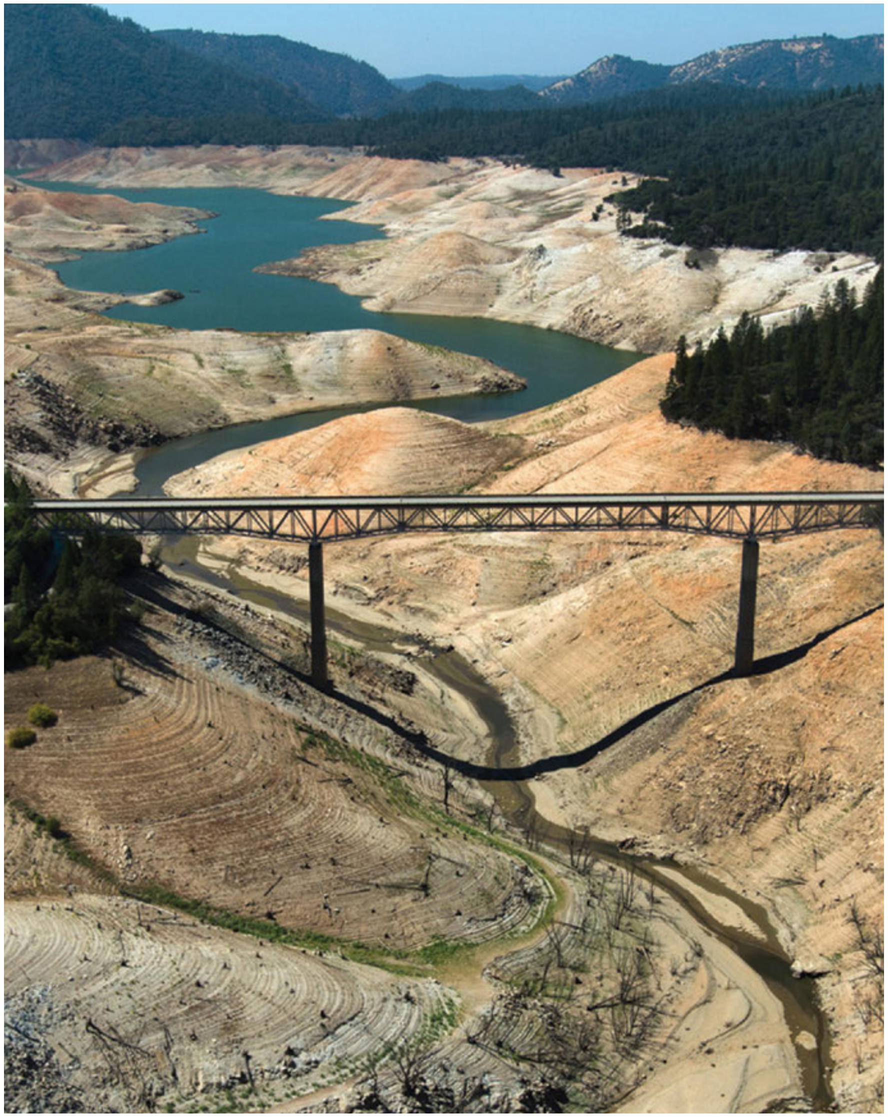
BWP Board: Robert Olson, Phillip Leclair, Annie P. Hovanessian, Ryan Ford, Lynn C. Kronzek, Jordan Smith, and Philippe Eskandar.

At the Heart of BWP is Local Control

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

Burbank believes in the importance of educating all of our customer-owners so they may take part in vital decisions that shape BWP's policies, operations, and the use of vital resources. Our customer-owners have input to the decision process both directly and through the Burbank City Council appointed BWP Board.

FOUR YEARS OF DROUGHT



As California neared the fourth year of its record-breaking drought, the State faced depleted water supplies. In response, for the first time in history a California Governor issued an executive order that proclaimed California to be in a state of emergency due to drought. The order mandated that water suppliers in California, cities and towns reduce water usage 25% as compared to the year 2013. For Burbank, the mandated goal is to save one billion gallons.

Left: Lake Oroville in 2015; Above: Lake Oroville in 2011

CALIFORNIA GOVERNOR ISSUES MANDATORY WATER CUTS

> “ Governor Jerry Brown on Wednesday ordered cities and towns across California to cut water use by 25% as part of a sweeping set of mandatory drought restrictions, the first in state history.”
>
> - Los Angeles Times, April 1, 2015

In response to the Governor’s Executive order, BWP challenged Burbank residents and businesses to save one billion gallons of potable water over nine months (June 2015 - February 2016).

Burbank got off to a fast start, saving approximately 327 million gallons in the first two months of the challenge.

RENEWABLE ENERGY IS CHANGING UTILITY DYNAMICS

Renewable Energy is Changing the Dynamic Between Electric Supply and Demand

Historically, the absence of utility scale electrical storage places a huge burden on electric schedulers to forecast the electric usage by customers and coordinate the production of electricity to match usage in real time. This dynamic is quickly changing as regulations require the increase use of renewable energy, primarily wind and solar. Schedulers of electricity have less control over when renewable energy is produced; in essence, schedulers cannot control when the wind blows or when the sun shines.

A key development in charting our course for the future will be the development of utility-scale storage to increase the use of renewable energy and give schedulers the control they need to match electric supply with customers demand. There will be challenges in matching supply with demand as more renewable energy is brought on-line until utility scale storage technology becomes available.

Copper Mountain Photovoltaic Solar Plant #3, pictured left, is located in Southern Nevada. Burbank owns 6.14% share in the site.

OPENING NEW OPPORTUNITIES IN THE ELECTRIC MARKET

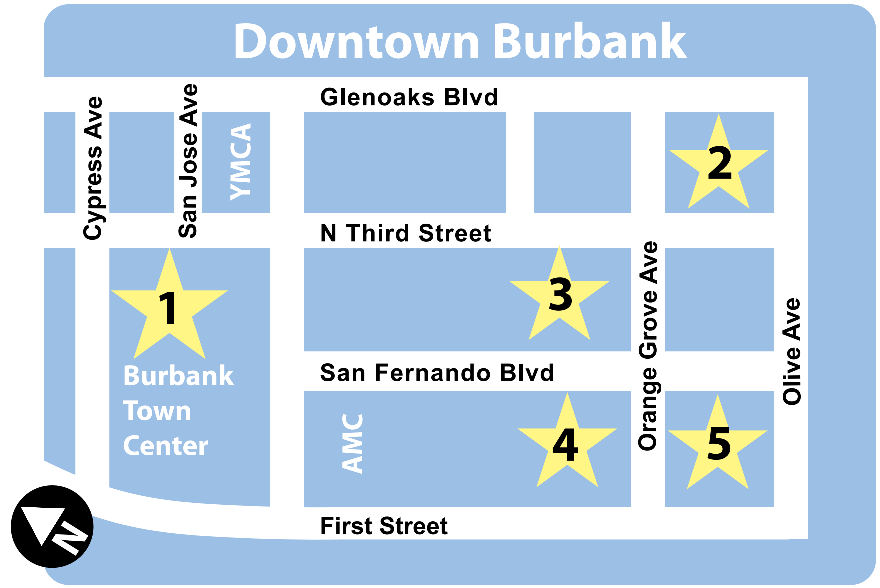
Electric Vehicle (EV) Charging Stations

BWP has installed 11 EV chargers at 6 sites throughout the City and plans to more than double that number of installations in the coming fiscal year.

Charging Station Locations

Each station has both a level 1 (120 V) and a level 2 (240V) charger operated by ChargePoint America. A ChargePoint account or RFID enabled credit card is needed to use the chargers.

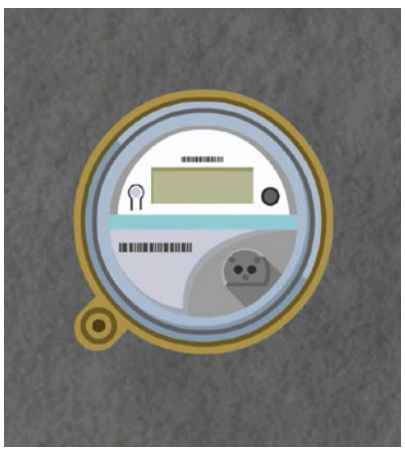
1. **201 E. Magnolia Blvd. (2 Chargers)**
   Outside of the Burbank Town Center Mall
2. **301 E. Olive Ave. (1 Charger)**
   By the City's Community Services Building
3. **240 E. Orange Grove (2 Chargers)**
   City Hall Parking Structure
4. **133 E. Orange Grove (2 Chargers)**
   Parking structure next to Islands Restaurant
5. **120 E. Orange Grove Ave. (2 Chargers)**
   Parking Structure (second floor) by Wood Ranch BBQ Grille
6. **327 N. Pass Ave. (2 Chargers)**
   Lakeside Shopping Center



THE FIVE 9's

For over 100 years BWP has brought value to the City of Burbank by providing water and power services our customer-owners can afford, can count on, and will be there for them in the future.

Through the use of digital technologies, big data, and analytics, BWP is pioneering new methods to live up to that promise and reach new highs of reliability never before reached in BWP's history.



How "Smart" Meters Are Transforming Burbank

Watch the Big Data Video

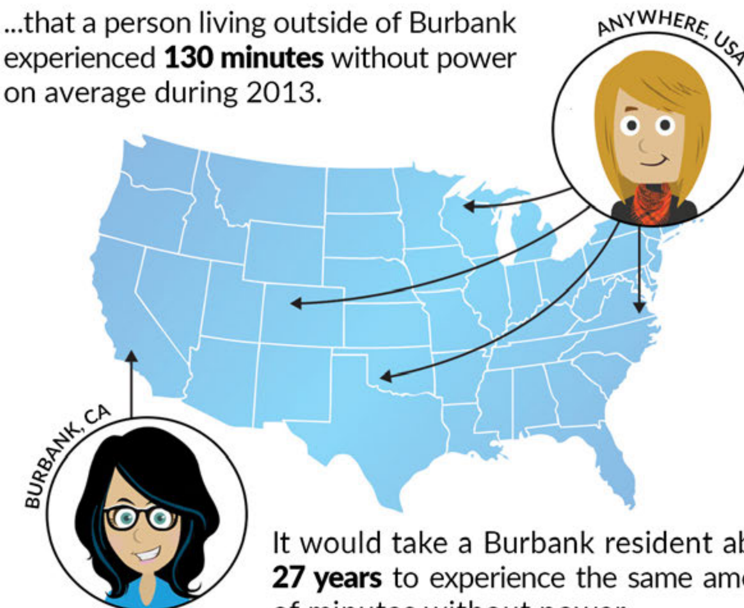
BWP has earned an **amazing** accomplishment in providing electric service to our customers. From 2014-2015 our availability rate was:

99.999%

[This means that the average Burbank resident had **4.79 minutes** without power for the entire year.]

Which is pretty **great** considering...

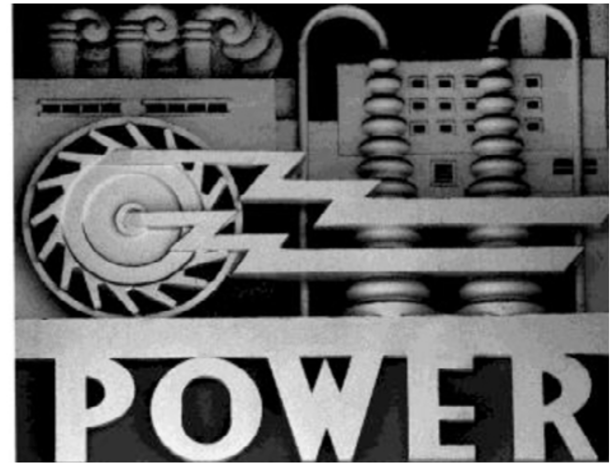
...that a person living outside of Burbank experienced **130 minutes** without power on average during 2013.



It would take a Burbank resident about **27 years** to experience the same amount of minutes without power.

An availability rate this good is just another **awesome** benefit to having a community-owned utility.

BURBANK WATER AND POWER



FISCAL YEAR 2014-2015
FINANCIAL STATEMENTS*

* For website presentation and ease of access, management has elected to reformat the financial statements. To access the actual Audited Financial Statements, please click **here**.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

CITY COUNCIL MEMBERS
CITY OF BURBANK
BURBANK, CA

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, 2015, and the related notes to the financial statements, as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric and Water Utility Enterprise

Funds of the City of Burbank, as of June 30, 2015, 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(C), the financial statements present only the Electric and Water Utility Enterprise Funds and do not purport to, and do not, present fairly the financial position of the City of Burbank as of June 30, 2015, 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.

As discussed in Notes 1(D) and 15(D) to the financial statements, the Electric and Water Utility Enterprise Funds adopted Governmental Accounting Standards Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. The adoption of these standards required retrospective application resulting in a restatement of the net position of the Electric and Water Utility Funds.

Our opinions are not modified with respect to these matters.

OTHER MATTERS

Partial Comparative Information

The financial statements include partial prior 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 Electric and Water Utility Enterprise Funds of the City of Burbank's financial statements for the year ended June 30, 2014 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 net pension liability information and 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 Information

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

White Nelson Diehl Evans LLP

Irvine, California
May 31, 2016

MANAGEMENT DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

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, 2015 (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:

- Net position increased by $10,779, or 5.3%, due to favorable operating results. This resulted in an increase in total assets, primarily operating cash and deposits and prepaid expenses, an increase in deferred inflows of resources, primarily deferred amounts on pensions, and a decrease in total liabilities, primarily net pension liability and bonds payable.

- 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.

- The Electric Utility Fund invested $14,082 in the acquisition and construction of capital assets. The source of funding was from cash reserves, and grants from the Department of Energy (DOE) and 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 99.999%. The system average interruption was only 4.79 minutes compared to an industry average in the range of 130 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately one outage per customer every 5 years, 80% below the industry average of one outage per customer every year.

- In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (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". The result of the implementation of this standard decreased the net position at July 1, 2014 of the Electric Utility Enterprise Fund by $71,810. As a result, the beginning net position was restated. As of June 30, 2015, total liabilities for the Electric Fund include $55,064 of net pension liabilities and $15,061 of deferred inflows amounts on pensions.

FINANCIAL ANALYSIS

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

	2015	2014	Incr. (Decr.)
Retail sales (in MWh)	1,108,597	1,123,482	(14,885)
Operating revenues:			
Retail	$ 172,344	$ 165,757	$ 6,587
Wholesale	35,691	50,151	(14,460)
Intergovernmental	5,021	2,623	2,399
Other revenues	6,508	9,060	(2,552)
Total operating revenues	219,565	227,592	(8,027)
Operating expenses:			
Power supply and fuel – retail	94,218	96,982	(2,764)
Purchased power and fuel – wholesale	33,724	46,441	(12,716)
Transmission expense	14,806	15,409	(603)
Distribution expense	10,234	10,318	(84)
Other operating expenses	20,712	20,084	628
Depreciation	18,408	17,023	1,385
Total operating expenses	192,102	206,257	(14,155)
Operating income	27,463	21,335	6,128
Nonoperating income (expenses):			
Interest income	1,070	1,437	(366)
Payments in lieu of taxes to City	(11,106)	(10,968)	(138)
Interest expense	(5,003)	(5,168)	165
Gain (loss) on disposal of capital assets	204	181	22
Other income (expenses), net	(2,512)	1,139	(3,651)
Total nonoperating income (expenses)	(17,347)	(13,379)	(3,968)
Income before contributions	10,116	7,956	2,160
Capital contributions	663	563	100
Change in net position	10,779	8,518	2,261
Net position, beginning of year, as restated	203,646	195,128	8,518
Net position, end of year	**$ 214,425**	**$ 203,646**	**$ 10,779**

Retail (primarily sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 94.7% of the Electric Utility's operating revenues. Retail energy sales decreased by 14,885 megawatt hours (MWh), or 1.3%, compared to the prior fiscal year due to conservation. Retail revenues were higher by $6,587, or 4.0%, due to a rate increase that went into effect in July 2014.

Wholesale margins of $1,967 contributed to the Electric Utility's financial performance by reducing the Utility's overall power supply expenses for the fiscal year. Wholesale margins were $3,710 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. In general, when energy prices are low, there is less market volatility and accordingly, the wholesale opportunities are diminished. Using existing transmission for renewables has also reduced the Utility's ability to monetize excess transmission capacity.

Intergovernmental revenues were $2,399, or 91.5%, higher than the prior fiscal year. The Electric Utility recognized $5,021 of grant revenue from the DOE as part of the $20 million grant from the American Recovery and Reinvestment Act, and the CEC as part of a $1 million grant for system modernization expenditures, compared to $2,623 in the prior fiscal year. Grant revenue was accounted for in operating revenues as intergovernmental revenues and the system modernization expenditures were accounted for in nonoperating income (expenses) as other expense. Other expenses were $3,651, or 320.5%, higher compared to the prior fiscal year and included system modernization expenditures.

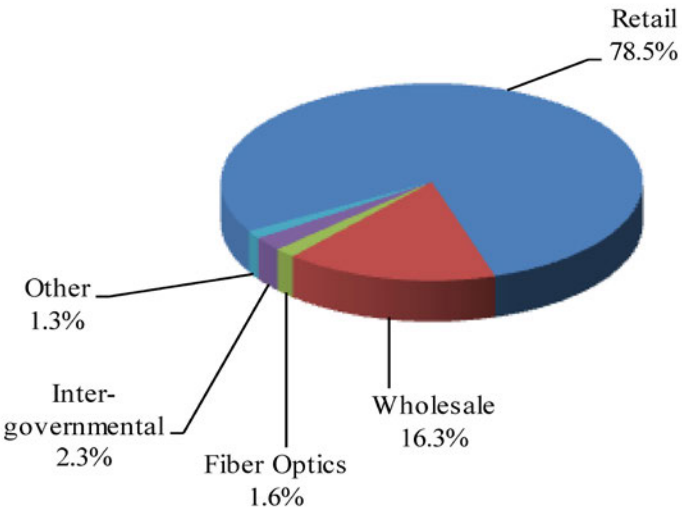
Other revenues were $2,552, or 28.2%, lower than the prior fiscal year. The prior year's revenues included a one-time payment from the release of restricted bond cash for the Mead-Phoenix and Mead-Adelanto transmission projects from the Southern California Public Power Authority (SCPPA). Fiber optic 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.

Retail power supply expenses were $2,764, or 2.8%, lower than the prior fiscal year. Expenses were lower as a result of lower demand, higher refunds from Intermountain Power Agency (IPA) and SCPPA for the annual invoice reconciliations, a one-time refund from SCPPA for the major overhaul of the Magnolia Power Project, and biomethane gas under-deliveries. These savings were partially offset by additional renewable energy resources from the Copper Mountain 3 Solar Project and the Don A. Campbell Geothermal Project, both of which supplied a full year of renewable energy compared to only a partial-year in the prior fiscal year.

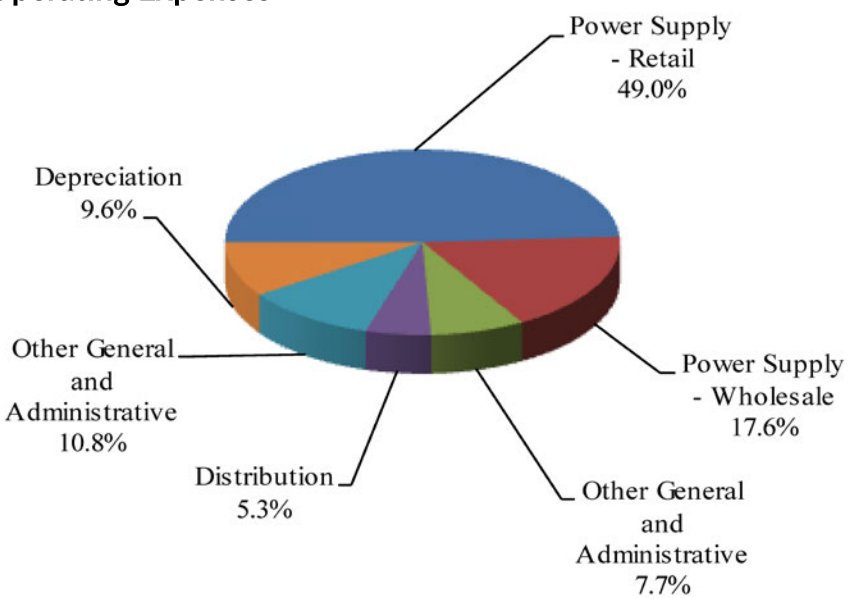
Depreciation expense was $1,385, or 8.1%, higher compared to the prior fiscal year. The increase was primarily the result of placing new capital assets, such as the Integrated Automated Dispatch System, the Customer Information System, the Meter Data Management System, and the Electrical Service Building, into service.

The Electric Utility transferred $8,626 and $2,480 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 $11,358 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 $4,689, or 2.85%, of certain electric retail revenues for Public Benefits programs.

Operating Revenues



Operating Expenses



The Electric Utility Fund's net position as of June 30, 2015 and June 30, 2014 were as follows:

Schedule of Net Position *($ in thousands)*

	2015	2014	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 116,058	$ 104,743	$ 11,315
Noncurrent and regulatory assets	4,092	4,222	(130)
Capital assets, net of accumulated depreciation	277,926	286,110	(8,184)
Total assets	**398,076**	**395,075**	**3,001**
Deferred outflows of resources			
Deferred outflows of resources	4,738	4,258	480
Total deferred outflows of resources	**4,738**	**4,258**	**480**
Liabilities			
Current liabilities	28,472	26,878	1,594
Noncurrent and regulatory liabilities	143,898	163,675	(19,777)
Total liabilities	**172,370**	**190,552**	**(18,182)**
Deferred inflows of resources			
Deferred inflows of resources	16,020	5,136	10,884
Total deferred inflows of resources	**16,020**	**5,136**	**10,884**
Net position			
Net investment in capital assets	189,895	193,798	(3,904)
Restricted for debt service	5,089	4,890	199
Unrestricted	19,441	4,957	14,484
Total net position	**$ 214,425**	**$ 203,646**	**$ 10,779**

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 $10,779, or 5.3%, 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 $189,895, or 88.6% of total net position (see Capital Assets). The restricted net position of $5,089, or 2.4%, was debt reserve requirements related to the Electric Revenue bonds. The unrestricted net position of $19,441, or 9.1%, 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 deferred inflows of resources, and a decrease in total liabilities. As of June 30, 2015, the Electric Fund's total assets increased by $3,001, or 0.8%, primarily due to increases in operating cash and deposits and prepaid expenses, offset partially by a decrease in total capital assets net of accumulated depreciation. Deferred inflows of resources as of June 30, 2015 increased by $10,884, or 211.9%, compared to the prior fiscal year due mainly to deferred amounts on pensions as a result of the implementation of GASB Statement No. 68. Total liabilities as of June 30, 2015 decreased by $18,182, or 9.5%, compared to the prior fiscal year. This was due to decreases in net pension liability as a result of the implementation of GASB Statement No. 68, and bonds payable as a result of payments made during the fiscal year (see Debt Administration).

In fiscal year 2014-2015, 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. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2014 of the Electric Utility Enterprise Fund by $71,810. As a result, the beginning net position was restated. As of June 30, 2015, total liabilities for the Electric Fund include $55,064 of net pension liabilities and $15,061 of deferred inflows amounts on pensions.

CAPITAL ASSETS

As of June 30, 2015, the largest portion of the Electric Utility Fund's total assets, $277,926, or 69.8%, was invested in capital assets. The Electric Utility invested $14,082 in the acquisition and construction of capital assets funded primarily from cash reserves. The majority of these investments were for systems modernization, replacement and upgrade of the transmission and distribution system, general plant, Optical Network Enterprise Burbank (ONE Burbank), and fiber connectivity and other facilities. These investments have resulted in improved efficiency and reliability of the Electric Utility.

During the fiscal year, the Electric Utility continued investing in the upgrade of 4 kilovolts (kV) to 12 kV electrical distribution lines and replacing overhead and underground distribution lines for services to customers 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. The Utility invested in the upgrading of existing overhead conductors to allow circuits to reach higher amperes in order to better serve existing loads. And the Utility has been optimizing the sizing and location of capacitor banks on the distribution system in order to provide optimal voltage levels to customers experiencing low voltage.

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 22 new customers and upgraded services for 18 existing customers. ONE Burbank generated $3.5 million in this fiscal year compared to $3.3 million in the prior fiscal year.

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

($ in thousands)

4kV to 12kV Conversions	$	3,729
Overhead/Underground Distribution Lines	$	1,281
New Customer Transformer Stations, 750 kVA & Under	$	1,184
Circuit Upgrades on Overhead Lines	$	1,082
Distribution System Volt-Ampere Reactive (VAR) Balancing	$	867
ONE Burbank/Fiber Connectivity	$	751
Lake Generator Controls Replacement	$	505
Aid in Construction for the I-5 Improvement	$	481
Service Replacements	$	477
Reconfigure Circuits to Mitigate Loading	$	358
Lake Generator Cooling Tower Installation	$	308
Replace Equipment at Electric Stations	$	283
Total	**$**	**11,306**

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 99.999%. The system average interruption was only 4.79 minutes compared to an industry average in the range of 130 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately one outage per customer every 5 years, 80% 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, 2015, the Electric Utility had $85,520 in outstanding revenue bonds, of which $3,745 will be due within a year. The Electric Utility repaid $3,580 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 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 29.6% of its total energy supply, compared to 28.9% 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.

As a subsequent event, 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 Electric Utility received a full year of renewable energy from the Don A. Campbell Geothermal Project and the Copper Mountain 3 Solar Project. In November 2013, the City began receiving its 15.380% share of the Don A. Campbell Project, a geothermal project from Mineral County, Nevada. The project has a nameplate capacity of 25 megawatts (MW) with a projected net output of 16.2 MW; a geothermal generation facility typically consumes a substantial portion of its own power, therefore lowering the overall output of the plant. In May 2014, the City began receiving its 16.000% share of Copper Mountain Solar 3 Project, a solar project from Clark County, Nevada. The project has a nameplate capacity of 250 MW and went from partial commercial operations to full commercial operations in 2015.

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 14-15	% Total Energy Supply
Biomethane gas	Biomethane		Jun 2011			105,962	9.0877%
Copper Mountain Solar 3	Solar	Clark County, Nevada	May 2014	250.000	40.000	71,606	6.1412%
Morgan Stanley Exchange	Landfill Gas		Apr 2012			51,828	4.4449%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	26,552	2.2772%
Don A. Campbell Geothermal	Geothermal	Mineral County, Nevada	Dec 2013	25.000	3.845	25,117	2.1541%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	23,059	1.9776%
Milford Wind I	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	18,385	1.5768%
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	10,617	0.9105%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	10.000	1.667	7,321	0.6279%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	3,040	0.2607%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	785	0.0673%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	361	0.0310%
Landfill Micro-Turbines	Landfill Gas	Los Angeles County, California	2001/2005	0.550	0.550	296	0.0254%
Total						**344,929**	**29.5822%**

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 and 2014, the Electric Utility had an excess of about 147,000 GHG allowances. In the August 2015 auction, allowances were selling for $12.52. For calendar year 2015, the Electric Utility received sufficient emission allowances from CARB to meet the 2015 GHG compliance obligations.

WATER UTILITY FUND

WATER UTILITY FUND HIGHLIGHTS:

- Total water sales were lower by 2,373 acre feet (AF), or 12.6%, compared to the prior fiscal year primarily due to conservation. California is in the fourth year of one of the State's worst droughts.

- Recycled water sales (in AF) made up 12.2% 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, 20 new customer connections were made to the recycled water system. Recycled water sales volume decreased by 88 AF, or 3.7%, from the prior fiscal year. The growth in the recycled water system offset most of the conservation efforts.

- Net position increased by $2,036 or 4.1%, due to favorable operating results. This resulted in an increase in total assets, primarily receivables from the City, an increase in deferred inflows of resources, primarily deferred amounts on pensions, and a decrease in total liabilities, primarily net pension liability and bonds payable.

- The Water Utility Fund invested $4,144 in the acquisition and construction of capital assets. The Water Utility is committed to serving its customers with safe drinking water at competitive rates, promoting sustainability, and drought proofing a portion of the water supply by investing in the recycled water system. The water production facilities and systems were very reliable with only 2.06% of unaccounted water, including losses, compared to the national average of approximately 7.2%.

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

- In fiscal year 2014-2015, 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". The result of the implementation of this standard decreased the net position at July 1, 2014 of the Water Utility Enterprise Fund by $11,274. As a result, the beginning net position was restated. As of June 30, 2015, total liabilities for the Water Fund include $8,647 of net pension liabilities and $2,365 of deferred inflows amounts on pensions.

FINANCIAL ANALYSIS

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

	2015	2014	Incr. (Decr.)
Potable water (in AF)	16,498	18,871	(2,373)
Recycled water (in AF)	2,282	2,370	(88)
Operating revenues:			
Potable water sales	$ 24,391	$ 27,505	$ (3,115)
Recycled water sales	2,540	2,531	9
Intergovernmental	7	-	7
Other revenues	1,098	1,265	(167)
Total operating revenues	28,036	31,301	(3,265)
Operating expenses:			
Water supply expenses	11,981	13,278	(1,297)
Operations, maintenance and administration	8,686	8,337	349
Other operating expenses	2,027	2,151	(124)
Depreciation	3,792	3,971	(179)
Total operating expenses	26,486	27,736	(1,251)
Operating income	1,549	3,565	(2,016)
Nonoperating income (expenses):			
Interest income	182	323	(142)
Payments in lieu of taxes to City	-	(1,316)	1,316
Repayment of in lieu taxes from City (note 11)	1,225	-	1,225
Interest expense	(2,072)	(1,811)	(261)
Gain (loss) on disposal of capital assets	2	3	(1)
Other income (expenses), net	736	528	207
Total nonoperating income (expenses)	73	(2,273)	2,346
Income before contributions	1,622	1,293	329
Capital contributions	414	405	8
Change in net position	2,036	1,698	338
Net position, beginning of year, as restated	49,428	47,730	1,698
Net position, end of year	**$ 51,464**	**$ 49,428**	**$ 2,036**

Potable water sales were the primary source of revenue for the Water Utility. Potable water revenue made up 87.0% of the total Water Utility operating revenues. Potable water sales volume decreased by 2,373 AF, or 12.6%, due to conservation. On August 1, 2014, the Stage II Burbank Sustainable Water Use Ordinance went into effect, and on June 1, 2015, the Stage III Burbank Sustainable Water Use Ordinance went into effect. The City was given a directive to reduce water usage by 24% following Governor Jerry Brown's Executive Order. 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 our customers. Potable water revenue was lower by $3,115, or 11.3%, compared to the prior fiscal year as a result of lower sales volume.

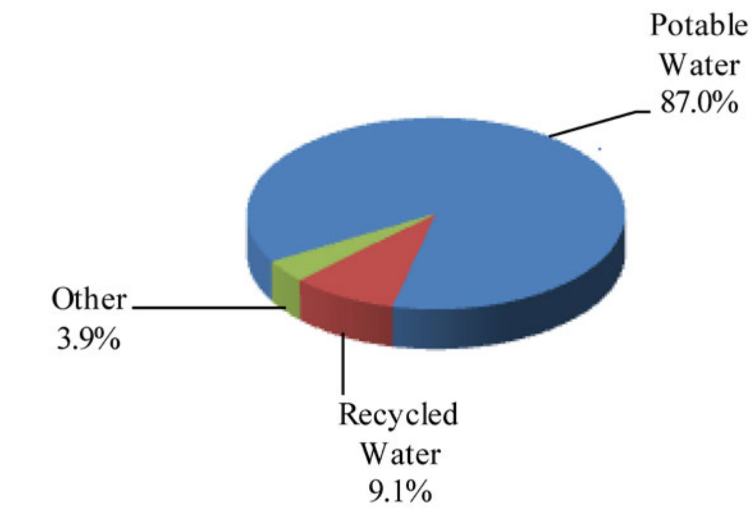
Recycled water sales (in AF) made up 12.2% of total water sales. The Utility has been expanding its recycled water system throughout Burbank as outlined in its Recycled Water Master Plan. Increasing the use of recycled water for landscaping and industrial or commercial cooling towers helps make water availability in Burbank more sustainable. During the fiscal year, 20 new customer connections were made to the recycled water system. Recycled water sales volume decreased by 88 AF, or 3.7%, from the prior fiscal year. The growth in the recycled water system offset most of the conservation efforts. Recycled water revenue was higher by $9, or 0.3%, compared to the prior fiscal year as a result of the 4.75% rate increase that went into effect in July 2014, offset by lower sales volume.

Water supply expenses were lower by $1,297, or 9.8%, compared to the prior fiscal year primarily due to lower potable water demand resulting in the need for less water purchases from the Metropolitan Water District (MWD). MWD increased treated water rates by 5.1% and 3.7% in January 2014 and January 2015, respectively. The average cost of MWD's treated water was $901/AF. MWD supplied approximately 41.0% of the City's potable water supply this fiscal year compared to approximately 45.6% 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 Burbank Operable Unit (BOU).

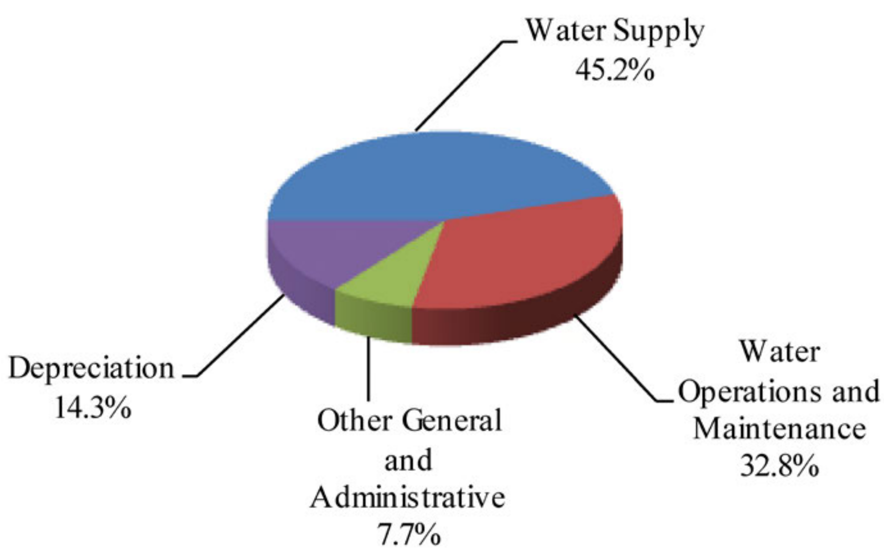
The BOU supplied approximately 59.0% of the City's potable water supply this fiscal year compared to approximately 54.4% in the prior fiscal year. The BOU ran at 68.58% of operating capacity for the fiscal year compared to the prior fiscal year's capacity of 72.5%. The BOU's operating capacity was lower than the prior fiscal year due to mandatory water conservation and flow limitations out of the BOU due to system construction activities. The average cost of groundwater produced at the BOU was $401/AF, compared to the average cost of MWD's untreated water at $593/AF and treated water at $901/AF. The Water Utility purchased 7,350 AF of untreated water from MWD for groundwater storage for BOU production and to drought proof a portion of the City's water supply.

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 transfer to the City's General Fund for such water sales for the fiscal year ended June 30, 2014 was $1,316. The Water Utility did not transfer money to the City's General Fund in the form on 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, the City transferred $100 ($375 less associated legal fees of $275) to the Water Enterprise Fund per the settlement and the City will transfer $375 per year for the next three years.

Operating Revenues



Operating Expenses



The Water Utility Fund's net positions as of June 30, 2015 and June 30, 2014 were as follows:

Schedule of Net Position *($ in thousands)*

	2015	2014	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 19,354	$ 18,842	$ 512
Noncurrent and regulatory assets	307	339	(32)
Capital assets, net of accumulated depreciation	92,732	92,475	257
Total assets	**112,393**	**111,656**	**737**
Deferred outflows of resources			
Deferred outflows of resources	751	669	82
Total deferred outflows of resources	**751**	**669**	**82**
Liabilities			
Current liabilities	4,259	4,596	(337)
Noncurrent and regulatory liabilities	51,811	54,938	(3,127)
Total liabilities	**56,070**	**59,534**	**(3,464)**
Deferred inflows of resources			
Deferred inflows of resources	5,610	3,363	2,247
Total deferred inflows of resources	**5,610**	**3,363**	**2,247**
Net position			
Net investment in capital assets	50,186	49,091	1,095
Restricted for debt service	174	171	3
Unrestricted	1,104	166	938
Total net position	**$ 51,464**	**$ 49,428**	**$ 2,036**

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 $2,036, or 4.1%, 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 $50,186, or 97.5% of total net position (see Capital Assets). The restricted net position of $174, or 0.3%, were debt reserve requirements related to the Water Revenue bonds. The unrestricted net position of $1,104, or 2.1%, 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 deferred inflows of resources, and a decrease in total liabilities. As of June 30, 2015, the Water Fund's total assets increased by $737, or 0.7%, primarily due to an increase in receivables from the City. Deferred inflows of resources as of June 30, 2015 increased by $2,247, or 66.8%, compared to the prior fiscal year due mainly to deferred amounts on pensions as a result of the implementation of GASB Statement No. 68. Total liabilities as of June 30, 2015 decreased by $3,464, or 5.8%, compared to the prior fiscal year. This was due to decreases in net pension liability as a result of the implementation of GASB Statement No. 68 and bonds payable as a result of payments made during the fiscal year (see Debt Administration).

In fiscal year 2014-2015, 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. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2014 of the Water Utility Enterprise Fund by $11,274. As a result, the beginning net position was restated. As of June 30, 2015, total liabilities for the Water Fund include $8,647 of net pension liabilities and $2,365 of deferred inflows amounts on pensions.

CAPITAL ASSETS

As of June 30, 2015, the Water Utility Fund invested $92,732, or 82.5%, 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, $4,144 was spent on the acquisition and construction of capital improvement projects. The majority of the investments were for replacement and upgrade of the distribution water mains, service and meter replacements, and the Reservoir 1 Reconstruction project.

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 2.06% of unaccounted water, including losses, compared to the national average of approximately 7.2%. These ongoing and pro-active investments reflect the Water Utility's goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities.

Work continued on the Reservoir 1 Reconstruction project which was placed into service in November 2013. The project is composed of two reservoirs with a total storage capacity of 9.5 million gallons of water. These new reservoirs were built within the original footprint of the original reservoir and conform to current design standards and the California Department of Public Health criteria. The new reservoirs are five feet deeper with vertical walls and have 40%, or 2.6 million gallons, more in storage capacity than the original reservoir.

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

($ in thousands)

Distribution Water Mains	$	1,231
System/Service Replacements	$	684
Meter Replacements	$	501
Reservoir 1 Reconstruction - Total Project Spending $14,072	$	289
Replacement of Recycled Water Pump Station Controls	$	272
Recycled System Expansion	$	112
Service Replacements	$	112
Valve Replacements	$	108
Overhaul of Valley Pumping Plant Pumps	$	104
Total	**$**	**3,413**

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

DEBT ADMINISTRATION

As of June 30, 2015, the Water Utility had $34,155 in outstanding revenue bonds, of which $765 will be due within a year. The Water Utility repaid $735 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 2011-2012. All the SWRCB loans have 20-year repayment terms with an annual interest rate of 2.6%. As of June 30, 2015, there was $8,023 outstanding in SWRCB loans, of which $389 will be due within a year. The Water Utility repaid $414 towards these outstanding loans this fiscal year.

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

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 2015 water year was released on December 1, 2014 at 10% and revised to 15% on

January 15, 2015. The final allocation for 2015 was released on March 2, 2015 at 20%. 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. Most precipitation in 2015 has come as rain with very little contributing to the Sierra snowpack. Fortunately, the reservoirs had the capacity to capture the storm flows. The final snowpack measurement for the year was done on April 1, 2015 and snowpack was found to be 5% of normal.

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 is titled, The California Water Fix. The final Environmental Impact Report/Environmental Impact Statement is anticipated to be released in early 2016.

California is in the fourth 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 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 executive order regulations issued on May 18, 2015, Burbank was in tier 7 requiring a 28% reduction in overall water use from June 1, 2015 through the end of February 2016 (as measured in 2013-14 and 2015-16). Residential per capita per day use was used to set the tier. Burbank staff challenged this and the final conservation standard released on June 1, 2015 had Burbank at tier 6, or a 24% reduction standard. 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 and continuing to educate and remind the public will be required. Enforcement through fines is being conducted with any funds received set aside to assist conservation efforts for low-income customers during the drought. Fiscal year-end data indicated water use by the City has been reduced. Given that temperatures this year were generally higher than normal, the reduction in use can reasonably be attributed to conservation efforts by our customers. The actual measurement period dictated by the Governor's executive order began on June 1, 2015. For the months of June, July, August, September, and October of 2015, potable water use was 26%, 28%, 27%, 30% and 26% respectively, below the 2013 benchmark and meeting the 24% state mandated conservation standard in each month.

As a subsequent event, on November 13, 2015, Governor Brown issued an executive order extending the water restrictions to October 31, 2016 if drought conditions persist through January 2016. This decision will be reconsider in April/May in light of subsequent precipitation that may occur.

The MWD Board adopted a Water Supply Allocation Plan (WSAP) at a level 3 (15%) reduction at their monthly board meeting on April 14, 2015. This is a 15% reduction on water deliveries based on a 15% reduction of retail sales. The Utility was expecting this and was positioned to handle the reduced deliveries and avoid penalties for excess water deliveries. The MWD Board also voted on May 28, 2015 to extend funding for conservation rebates, particularly turf removal, for residences. However, turf removal incentives are no longer being offered region-wide in MWD's service area because funding has been exhausted.

Low levels of Chromium VI are naturally occurring in geological formations throughout California, but contamination from historic industrial use for manufacturing textile dyes, wood preservation, leather tanning and anti- corrosion coatings has migrated into the groundwater. The concerns about Chromium VI's potential carcinogenicity, when ingested, resulted in a state law that required the California Department of Public Health (CDPH) to adopt a Chromium VI specific maximum contaminant level (MCL). The development of the MCL took into consideration the protection of public health and feasibility factors such as reliable detection limits, removal levels possible with existing validated technology, and a reasonable cost and/or economic impact on communities. On April 15, 2014, the CDPH released the nation's first drinking water standard for Chromium VI at MCL of 10 parts per billion (ppb). The Office of Administrative Law approved the regulations on May 28, 2014, which became effective on July 1, 2014. The CDPH will review this standard at least every five years after its adoption. As technology improves and reasonable economic impacts can be ascertained, the standard may change. The City is in compliance with the new Chromium VI MCL. Starting on July 1, 2014, the City stopped blending water to limit Chromium VI to an administrative limit of 5 ppb. Chromium VI in the water distribution system is currently at 8 ppb or lower.

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, 2015

(With comparative financial information for the year ended June 30, 2014)

(In Thousands)

		Electric		Water	
Assets		**2015**	**2014**	**2015**	**2014**
Current and regulatory assets:					
Cash and cash equivalents (note 2):					
General operating	$	48,157	38,935	8,780	9,240
Restricted bond proceeds for capital improvements				-	427
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			
WCAC				887	392
Distribution mains				1,100	1,100
Total cash and cash equivalents		61,236	51,945	12,987	13,379
Accounts receivable, net (note 3)		15,063	15,705	2,761	3,289
Inventories (note 4)		6,152	6,122	2,221	1,916
Due from the City (note 11)		190	-	1,125	
Deposits and prepaid expenses (note 5)		28,020	25,791	-	2
Interest receivable		152	118	32	29
Regulatory costs to be recovered in one year (note 6)		156	172	54	56
Restricted nonpooled investments (note 2)		5,089	4,890	174	171
Total current and regulatory assets		116,058	104,743	19,354	18,842
Noncurrent and regulatory assets:					
OPEB assets (note 16)		3,645	3,619		
Regulatory costs for future recovery (note 6)		447	603	307	339
Total noncurrent and regulatory assets		4,092	4,222	307	339
Capital assets (note 7):					
Land		2,734	2,734	309	309
Rights to purchase power		1,335	1,335		
Utility plant and buildings		425,147	424,999	141,470	140,480
Machinery and equipment		67,249	65,258	5,635	5,365
Construction in progress		13,289	5,312	4,050	1,325
Total utility plant and equipment		509,754	499,638	151,464	147,479
Less accumulated depreciation		(231,828)	(213,528)	(58,732)	(55,004)
Total capital assets, net		277,926	286,110	92,732	92,475
Total assets		398,076	395,075	112,393	111,656
Deferred outflows of resources:					
Deferred amounts from pensions (note 15)		4,738	4,258	751	669
Total deferred outflows of resources		4,738	4,258	751	669
Total assets and deferred outflows of resources	$	402,814	399,333	113,144	112,325

See accompanying notes to basic financial statements.

(Continued)

WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

STATEMENT OF NET POSITION

June 30, 2015

(With comparative financial information for the year ended June 30, 2014)

(In Thousands)

Liabilities		Electric 2015	Electric 2014	Water 2015	Water 2014
Current liabilities:					
Accounts payable	$	3,572	2,558	1,501	1,884
Accrued expenses		11,702	12,487		
Bond interest payable		406	441	152	156
Current regulatory deferred credits in one year		59	235		
Customer deposits (note 10)		8,650	7,178	1,437	1,389
Current portion of revenue bonds payable, net (note 9)		3,745	3,580	765	735
Current portion of loan payable (note 9)				389	416
Current portion of compensated absences (note 9)		338	398	15	16
Total current liabilities		28,472	26,878	4,259	4,596
Noncurrent liabilities:					
Revenue bonds payable, net (note 9)		84,286	88,732	33,758	34,638
Loan payable (note 9)				7,634	8,021
Compensated absences (note 9)		4,548	4,442	885	816
Net pension liability (note 15)		55,064	70,501	8,647	11,071
Regulatory credits for future recovery (note 8)				887	392
Total noncurrent and regulatory liabilities		143,898	163,675	51,811	54,938
Total liabilities		172,370	190,552	56,070	59,534
Deferred inflows of resources:					
Deferred amounts on pensions (note 15)		15,061		2,365	
Regulatory credits (note 14)		959	5,136	3,245	3,363
Total deferred inflows of resources		16,020	5,136	5,610	3,363
Net Position					
Net position:					
Net investment in capital assets		189,895	193,798	50,186	49,091
Restricted for debt service		5,089	4,890	174	171
Unrestricted		19,441	4,957	1,104	166
Total net position	$	214,425	203,646	51,464	49,428

See accompanying notes to basic financial statements.

WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Year ended June 30, 2015

(With comparative financial information for the year ended June 30, 2014)

(In Thousands)

	Electric 2015	Electric 2014	Water 2015	Water 2014
Operating revenues:				
Sale of power-retail	$ 172,344	165,757		
Sale of power and fuel-wholesale (note 13)	35,691	50,151		
Sale of water			26,930	30,036
Intergovernmental	5,021	2,623	7	
Other revenues	6,508	9,060	1,098	1,265
Total operating revenues	219,565	227,592	28,036	31,301
Operating Expenses				
Power supply expenses-retail (note 12)	94,218	96,982		
Purchased power and fuel expenses-wholesale (note 13)	33,724	46,441		
Water supply expenses (note 1)			11,981	13,278
Water maintenance and operation expenses			8,686	8,337
Transmission expenses	14,806	15,409		
Distribution expenses	10,234	10,318		
Other operating expenses (note 1)	20,712	20,084	2,027	2,151
Depreciation	18,408	17,023	3,792	3,971
Total operating expenses	192,102	206,257	26,486	27,736
Operating income	27,463	21,335	1,549	3,565
Nonoperating income (expenses):				
Interest income	1,070	1,437	182	323
Payments for in lieu of taxes to City (note 11)	(11,106)	(10,968)		(1,316)
Repayment of in lieu taxes from City (note 11)			1,225	
Interest expense	(5,003)	(5,168)	(2,072)	(1,811)
Gain (loss) on disposal of capital assets (note 1)	204	181	2	3
Other income (expenses), net (note 14, 15)	(2,512)	1,139	736	528
Total nonoperating income (expenses)	(17,347)	(13,379)	73	(2,273)
Income before contributions	10,116	7,956	1,622	1,293
Capital contributions	663	563	414	405
Change in net position	10,779	8,518	2,036	1,698
Net position, July 1 (as restated - see note 1, 15)	203,646	195,128	49,428	47,730
Net position, June 30	$ 214,425	203,646	51,464	49,428

See accompanying notes to basic financial statements.

WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

Year ended June 30, 2015

(With comparative financial information for the year ended June 30, 2014)

(In Thousands)

		Electric		Water	
		2015	2014	2015	2014
Cash flows from operating activities:					
Cash received from customers	$	215,264	227,799	29,195	31,190
Cash paid to suppliers		(161,442)	(167,872)	(17,562)	(16,970)
Cash paid to employees		(20,591)	(20,813)	(5,368)	(5,690)
Net cash provided by operating activities		33,231	39,114	6,265	8,530
Cash flows from noncapital financing activities:					
Proceeds from other governmental agencies		5,021	2,623	7	
Transfer from other funds		70	196	100	
Transfers to other funds			(618)		
Other income (expense)		1,097	1,140	(174)	528
Payment in lieu of taxes to City		(11,106)	(10,968)		(1,316)
Net cash provided by (used in) noncapital financing activities		(4,918)	(7,627)	(67)	(788)
Cash flows from capital and related financing activities:					
Proceeds from debt issuance					1,784
Principal payments - bond		(3,580)	(3,450)	(735)	(470)
Interest paid		(5,565)	(5,168)	(2,157)	(2,080)
Contributed capital		593	486	414	405
Acquisition and construction of assets		(11,207)	(23,429)	(3,844)	(8,819)
Principal payments - loan payable				(414)	(607)
Net cash used in capital and related financing activities		(19,759)	(31,562)	(6,736)	(9,787)
Cash flows from investing activities:					
Interest received		936	544	149	29
Purchases of restricted investments		(199)	(187)	(3)	(21)
Net cash provided by investing activities		737	357	146	8
Net increase (decrease) in cash and cash equivalents		9,291	282	(392)	(2,037)
Cash and cash equivalents - July 1		51,945	51,664	13,379	15,416
Cash and cash equivalents - June 30	$	61,236	51,945	12,987	13,379

See accompanying notes to basic financial statements.

CITY OF BURBANK

WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

Year ended June 30, 2015

(With comparative financial information for the year ended June 30, 2014)

(In Thousands)

		Electric		Water	
		2015	2014	2015	2014
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities :					
Operating income (loss)	$	27,463	21,335	1,549	3,565
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation		18,408	17,023	3,792	3,971
GASB 31 market value adjustment		100	913	30	284
Gain/(loss) on sale of fixed assets		204	181	2	3
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable		641	(642)	527	(96)
Increase (decrease) in due to/from City of Burbank				(1,125)	
(Increase) decrease in inventories		(30)	2,688	(305)	(206)
(Increase) decrease in prepaid items		(2,229)	(1,943)	2	10
(Increase) decrease in deferred amounts from pensions		(480)		(82)	
(Increase) decrease in advances receivable			17		3
Change in reporting of operating / non-operating income		(8,009)	(991)	1,788	(1,121)
(Increase) decrease in regulatory assets		173	881	34	124
(Increase) decrease in OPEB assets		(26)			
Increase (decrease) in accounts payable and accrued expenses		228	(78)	(383)	(1,532)
Increase (decrease) in net pension liability		(15,436)		(2,424)	
Increase (decrease) in deferred amounts on pensions		15,061		2,365	
Increase (decrease) in compensated absences		45	(73)	68	(1)
Increase (decrease) in intergovernmental payable					1,178
Increase (decrease) in customer deposits		1,471	(237)	48	(113)
Increase (decrease) in regulatory credits		(4,353)	37	377	2,646
Other proceeds			4		(185)
Total adjustments		5,769	17,779	4,716	4,965
Net cash provided by operating activities	$	33,231	39,114	6,265	8,530
Noncash investing, capital, and financing activities:					
Increase (decrease) in fair value of investments	$	100	913	30	284

See accompanying notes to basic financial statements.

ELECTRIC AND WATER UTILITY ENTERPRISE FUNDS NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year ended June 30, 2015
(With certain comparative summary information for the year ended June 30, 2014)
($ in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) ACCOUNTING METHODS

The reporting model includes financial statements prepared using full accrual accounting for the Electric and Water Utility Funds' activities 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

Current Year Standards

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (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. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2014 of the Electric Utility Enterprise Fund by $71,810 and the Water Utility Enterprise Fund by $11,274 (see note 15).

GASB Statement No. 69 - *"Government Combinations and Disposals of Government Operations"* was required to be implemented in the current fiscal year and did not impact the Utility.

Pending Accounting Standards:

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

- GASB 72 - *"Fair Value Measurement and Application"*, effective for periods beginning after June 15, 2015.
- 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 non-employer 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 Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.
- GASB 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, effective for periods beginning after June 15, 2015.
- 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"*, effective for periods beginning after June 15, 2015 - except for

certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015.

- GASB 80 - *"Blending Requirements for Certain Component Units"*, effective for periods beginning after June 15, 2016.

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

- GASB 82 - *"Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73"*, effective for periods beginning after June 15, 2016.

(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.

(F) CAPITAL ASSETS

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at fair market value at the date of donation. The threshold for capitalizing assets is $5 or greater, except for betterments which could be less. When items are sold or retired, related gains or immaterial losses are included in nonoperating income (expenses). Material losses on retirements are reported as regulatory assets, as provided by GASB No. 62, to be collected from future ratepayers. There are no material losses on retirements as of June 30, 2015. 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, 2015, offset by estimates for uncollectible accounts. Estimated allowances for uncollectible accounts are adjusted to the 91 days and over receivables' balances (see note 3).

(H) INVENTORIES

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

(I) DEPOSITS AND PREPAID EXPENSES

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

(J) RESTRICTED NONPOOLED INVESTMENTS

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

(K) COMPENSATED ABSENCES

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

(L) USE OF ESTIMATES

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

(M) REVENUE RECOGNITION

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

The Electric Utility Fund's revenues include grant reimbursements from the Department of Energy (DOE) and the California Energy Commission (CEC) for systems modernization projects. The CEC Grant of $1,000 allows for 100% prorated reimbursement for approved expenditures (the same approved expenditures as the DOE). Grant revenue is deferred to match depreciation as capitalized systems modernization projects have been placed in service (see note 14).

The Water Utility Fund's revenues include 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) RECLASSIFICATIONS

Certain items in the 2014 financial statements have been reclassified to reflect the classifications used in the financial statements as of and for the year ended June 30, 2015. These reclassifications had no impact on the net position or changes in net position.

(P) 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).

(Q) 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.

(R) 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, 2015 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Unrestricted cash and investments	$ 61,236	12,987	**$ 74,223**
Restricted investments	5,089	174	**5,263**
Total	**$ 66,325**	**13,161**	**$ 79,486**
Cash on hand	$ 16	-	**$ 16**
Investments	66,309	13,161	**79,470**
Total	**$ 66,325**	**13,161**	**$ 79,486**

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

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

BWP has no separate bank accounts or investments other than investments held by bond trustee and BWP's equity in the cash and investment pool managed by the City. BWP is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council. BWP has not adopted a formal investment policy separate from that of the City. GASB Statement No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB 40 related to authorized investments, credit risk, etc. is available in the Comprehensive Annual Financial Report of the City.

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable for the Electric and Water Utility Funds as of June 30, 2015 and 2014 are:

	Electric		Water	
	2015	**2014**	**2015**	**2014**
Billed accounts receivable	$ 7,810	9,224	1,582	1,904
Unbilled accounts receivable	7,416	6,783	1,241	1,443
Allowance	(163)	(302)	(61)	(58)
Total	**$ 15,063**	**15,705**	**2,761**	**3,289**

NOTE 4: INVENTORIES

Inventories for the Electric and Water Utility Funds as of June 30, 2015 and 2014 are:

	Electric		Water	
	2015	2014	2015	2014
Materials supplies inventory	$ 6,152	6,122	516	586
Ground water purchases inventory	-	-	1,705	1,330
Total	**$ 6,152**	**6,122**	**2,221**	**1,916**

NOTE 5: DEPOSITS AND PREPAID EXPENSES

The Electric Utility Fund shows a total of $ 28,020 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a $15,778 deposit with SCPPA for future use in projects, a $7,211 prepayment to the SCPPA Natural Gas Reserve for future gas deliveries, a $2,723 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), a $1,624 prepayment for renewable energy, a $190 Morgan Stanley power exchange prepayment, and various other prepaid expenses of $6. 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, 2015, the Electric Fund amortized $75 on this prepaid lease, leaving a balance of $488.

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, 2015 and 2014 are $603 and $775, and $361 and $395, 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, 2015:

Electric	Balance as of June 30, 2014	Additions	Deletions	Balance as of June 30, 2015
Capital assets not being depreciated:				
Land	$ 2,734	-	-	**$ 2,734**
Construction in progress	5,312	13,514	(5,537)	**13,289**
Total capital assets not being depreciated	**8,046**	**13,514**	**(5,537)**	**16,023**
Capital assets being depreciated:				
Rights to purchase power	1,335	-	-	**1,335**
Accumulated depreciation	(627)	(43)	-	**(670)**
Buildings and improvements	424,999	37,910	(37,762)	**425,147**
Accumulated depreciation	(179,817)	(13,153)	-	**(192,970)**
Machinery and equipment	65,258	3,403	(1,412)	**67,249**
Accumulated depreciation	(33,084)	(5,179)	75	**(38,188)**
Total capital assets being depreciated, net	**278,064**	**22,938**	**(39,099)**	**261,903**

Water	Balance as of June 30, 2014	Additions	Deletions	Balance as of June 30, 2015
Capital assets not being depreciated:				
Land	$ 309	-	-	**$ 309**
Construction in progress	1,325	3,255	(530)	**4,050**
Total capital assets not being depreciated	**1,634**	**3,255**	**(530)**	**4,359**
Capital assets being depreciated:				
Buildings and improvements	140,480	1,046	(56)	**141,470**
Accumulated depreciation	(51,084)	(3,972)	531	**(54,525)**
Machinery and equipment	5,365	299	(29)	**5,635**
Accumulated depreciation	(3,920)	(339)	52	**(4,207)**
Total capital assets being depreciated, net	**90,841**	(2,966)	498	**88,373**
Total net capital assets	**$ 92,475**	**289**	**(32)**	**$ 92,732**

CAPITALIZED INTEREST

The Electric and Water Utility Funds had no capitalized interest for the fiscal year, compared to the prior fiscal year of $0 and $269, respectively.

PACIFIC DC INTERTIE

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale, and the City of Pasadena for an unrestricted 3.846% interest in the Pacific DC Intertie. As of June 30, 2015, 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 $12,374, for a net asset value of $2,260. 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 $887 and $392 at June 30, 2015 and 2014, respectively, and is reported in noncurrent liabilities.

NOTE 9: LONG-TERM LIABILITIES, INCLUDING LOAN PAYABLE AND REVENUE BONDS PAYABLE

A) LOAN PAYABLE

	Water	
Water Loan Payable	**2015**	**2014**
This SWRCB Loan was issued for the purpose of construction improvements to the Recycled Water Distribution System. Funds were disbursed on either a reimbursement basis, or at such time, as they were due and payable by the City. The interest rate was 2.7%, and the principal was repaid in January 2015, 20 years from the loan date.		$ 36
Less current portion		(36)
Total for Recycled Water Distribution System		-
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.	452	475
Less current portion	(22)	(23)
Total for Recycled Water Pumping Station	**430**	**452**
This loan was issued for the purpose of Constructing the Valhalla Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Valhalla Memorial Park and Cemetery and other recycled water customers in its vicinity. The project also includes the design of a below-grade inline booster station to maintain pressure in the western extents of this extension. The cost of the project was $5,062, of which $3,709 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2031.	3,169	3,327
Less current portion	(161)	(158)
Total for Valhalla Recycled Water Main Extension	**3,008**	**3,169**
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.	2,786	2,915
Less current portion	(134)	(130)
Total for Studio District Recycled Water Main Extension	**2,652**	**2,785**

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2015 is as follows:

Water Loan Payable (cont.)

	Water 2015	Water 2014
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 $1,784 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2033.	1,616	1,685
Less current portion	(72)	(70)
Total for Northern Burbank Main Extension	**1,544**	**1,615**
Total long-term intergovernmental loan payments	**$ 7,634**	**$ 8,021**

SWRCB Loan for the Recycled Water Distribution System

	Water Principal	Water Interest	Water Total
2016	$ 22	12	$ 34
2017	24	11	35
2018	24	11	35
2019	25	10	35
2020	26	9	35
2021-2025	139	36	175
2026-2030	158	17	175
2031	34	1	35
	$ 452	**107**	**$ 559**

SWRCB Loan for the Valhalla Recycled Water Main Extension

	Water Principal	Water Interest	Water Total
2016	$ 161	82	$ 243
2017	167	78	245
2018	172	74	246
2019	175	69	244
2020	180	65	245
2021-2025	971	252	1,223
2026-2030	1,104	119	1,223
2031	239	6	245
	$ 3,169	**745**	**$ 3,914**

SWRCB Loan for the Studio District Recycled Water Main Extension

	Water		
	Principal	Interest	Total
2016	$ 134	72	$ 206
2017	135	69	204
2018	139	65	204
2019	143	62	205
2020	146	58	204
2021-2025	793	231	1,024
2026-2030	902	123	1,025
2031-2032	394	15	409
	$ 2,786	**695**	**$ 3,481**

SWRCB Loan for the Northern Burbank Main Extension

	Principal	Interest	Total
2016	$ 72	42	$ 114
2017	74	40	114
2018	75	38	113
2019	77	36	113
2020	79	34	113
2021-2025	428	139	567
2026-2030	487	81	568
2031-2033	324	17	341
	$ 1,616	**427**	**$ 2,043**

(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:	**2015**	**2014**
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.	$ 25,750	$ 28,450
Less:		
Current portion	(2,835)	(2,700)
Original issue discount/premium	854	1,092
Long-term Bonds Series A of 2010	**$ 23,769**	**$ 26,842**

2010B Series Bonds:	Electric 2015	Electric 2014
These bonds were issued to finance a portion of the costs of certain improvements to the Electric System, including the conversion of certain residential and commercial distribution circuits, to fund a deposit in the Parity Reserve Fund and to pay the costs of issuance. Payable in installments ranging from $2,210 to $4,195. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	$ 52,665	$ 52,665
Less:		
Current portion	-	-
Original issue discount/premium	1,054	1,349
Long-term Bonds Series B of 2010	**$ 53,719**	**$ 54,014**

2012 Series A Bonds:	Electric 2015	Electric 2014
These bonds were issued to refund on a current basis all of the outstanding 2002 Electric Bonds and to pay the costs of issuance of the Series 2012A Bonds. Payable in installments ranging from $375 to $1,145. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	$ 7,105	$ 7,985
Less:		
Current portion	(910)	(880)
Original issue discount/premium	603	771
Long-term Bonds Series A of 2012	**$ 6,798**	**$ 7,876**
Total Electric long-term revenue bonds payable	**$ 84,286**	**$ 88,732**

2010A Series Bonds:	Water 2015	Water 2014
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.	$ 6,210	$ 6,945
Less:		
Current portion		
Original issue discount/premium	(765)	(735)
	492	616
Long-term Bonds Series A of 2010	**$ 5,937**	**$ 6,826**

2010B Series Bonds:	Water 2015	Water 2014
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	(124)	(133)
Original issue discount/premium		
Long-term Bonds Series B of 2010	**$ 27,821**	**$ 27,812**
Total Water long-term revenue bonds payable	**$ 33,758**	**$ 34,638**

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, 2015 is as follows:

	Electric		Water		
	Principal	Interest	Principal	Interest	Total
2016	$ 3,745	3,723	765	1,828	$ **10,061**
2017	3,920	3,545	795	1,798	**10,058**
2018	4,100	3,368	830	1,766	**10,064**
2019	4,280	3,183	860	1,733	**10,056**
2020	4,485	2,979	895	1,698	**10,057**
2021-2025	16,830	11,816	5,050	7,867	**41,563**
2026-2030	12,950	8,823	6,020	6,456	**34,249**
2031-2035	15,830	5,987	8,355	4,549	**34,721**
2036-2040	19,380	2,454	10,585	1,883	**34,302**
Total	**$ 85,520**	**45,878**	**34,155**	**29,578**	**$ 195,131**

(C) PLEDGED REVENUE

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

	FY 14-15 Net Revenue Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year	Interest Paid this Fiscal Year
Electric Utility	$ 45,870	85,520	45,878	3,580	3,885 [1]
Water Utility	$ 5,341	34,155	29,578	735 [2]	1,858 [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.

(D) UTILITY FUNDS' LONG-TERM LIABILITIES

The Electric following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2015:

	July 1, 2014	Additions	Retirements	June 30, 2015	Due within 1 Year
Revenue Bonds Payable:					
2010 Series A Bonds	$ 28,450		(2,700)	25,750	$ 2,835
2010 Series B Bonds	52,665		-	52,665	-
2012 Series A Bonds	7,985		(880)	7,105	910
Compensated Absences	4,840	444	(398)	4,886	338
	$ 93,940	**444**	**(3,978)**	**90,406**	**$ 4,083**
Less current portion	(3,978)			(4,083)	
Less unamortized bond premium bond (discount)	**3,212**			**2,511**	
Total	**$ 93,174**			**$ 88,833**	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2015:

	July 1, 2014	Additions	Retirements	June 30, 2015	Due within 1 Year
Loans and Revenue Bonds Payable:					
Intergovernmental Loan Payable	$ 36		(36)	-	$ -
Intergovernmental Loan Payable	475		(23)	452	22
Intergovernmental Loan Payable	3,327		(158)	3,169	161
Intergovernmental Loan Payable	2,915		(129)	2,786	134
Intergovernmental Loan Payable	1,685		(69)	1,616	72
2010 Series A Bonds	6,945		(735)	6,210	765
2010 Series B Bonds	27,945		-	27,945	-
Compensated Absences	832	84	(16)	900	15
	$44,160	**84**	**(1,166)**	**43,078**	**$ 1,169**
Less current portion	(1,167)			(1,169)	
Less unamortized bond premium (discounts)	483			368	
Total	**$43,476**			**$ 42,277**	

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, 2015 and 2014 is $4,417 and $4,380, 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, 2015 and 2014 is $0 and $485, respectively.

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 $100 ($375 less $275 for attorney fees). 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, 2015 and 2014 as follows:

		Electric		Water	
		2015	2014	2015	2014
In-lieu of taxes	$	8,626	8,518	(1,225)	1,316
Street Lighting		2,480	2,450	-	-
Total Payment in-lieu of taxes	**$**	**11,106**	**10,968**	**(1,225)**	**1,316**

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, 2015 and 2014 were as follows:

		Electric		Water	
		2015	2014	2015	2014
Administrative and overhead costs	$	5,267	4,622	1,342	829
Total	**$**	**5,267**	**4,622**	**1,342**	**829**

Administrative and overhead costs increased for the Water Utility by $607 for water services' right of ways, and police and fire protection for the Water Utility's facilities throughout the City.

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, 2015 and 2014 is as follows:

		Electric	
		2015	2014
Utility Users Tax	$	11,358	11,036
Total	**$**	**11,358**	**11,036**

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, 2015 and 2014, the Electric Fund made payments totaling $74,518 and $68,074 for “take or pay” contracts, respectively, and $2,204 and $2,825 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.

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, 2015 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%	$ 47,824	$ 52,842
SCPPA:[1]			
Southern Transmission System	4.498%	29,719	37,874
Magnolia Power Project (Project A)	32.350%	101,784	147,461
Prepaid Natural Gas Project #1	33.000%	102,173	171,990
Milford I Wind Project	5.000%	10,260	14,846
Mead-Adelanto	11.534%	12,547	14,313
Palo Verde	4.400%	1,590	1,650
Tieton Hydropower Project	50.000%	24,835	45,368
Mead-Phoenix	15.400%	5,109	5,734
Natural Gas Project - Barnett	100.000%	19,019	27,416
Hoover Uprating Project	15.957%	973	1,051
Natural Gas Project - Pinedale	100.000%	6,141	8,852
SCPPA Total		$ 314,149	$ 476,554
Total		**$ 361,973**	**$ 529,396**

[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).

	2015/16		2016/17		2017/18	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	$ 5,730	$ 1,590	$ 3,673	$ 1,493	$ 6,585	$ 943
SCPPA:						
Southern Transmission System	2,388	1,197	2,413	1,221	2,443	1,119
Magnolia Power Project (Project A)	3,461	3,432	3,614	3,273	2,239	3,138
Prepaid Natural Gas Project #1	1,345	5,167	1,411	5,099	1,520	5,025
Milford I Wind Project	441	494	459	474	481	451
Mead-Adelanto	2,040	535	2,074	448	2,128	358
Palo Verde	514	33	529	20	546	7
Tieton Hydropower Project	420	1,251	435	1,234	455	1,215
Mead-Phoenix	844	193	849	159	872	122
Natural Gas Project - Barnett	1,701	1,034	1,674	941	1,485	854
Hoover Uprating Project	308	43	324	26	341	9
Natural Gas Project - Pinedale	549	334	541	304	480	276
Total:	**$ 19,742**	**$ 15,304**	**$ 17,997**	**$ 14,691**	**$ 19,574**	**$ 13,517**

	2018/19		2019/20		2020/25	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	$ 7,321	$ 928	$ 7,606	$ 420	$ 16,908	$ (357)
SCPPA:						
Southern Transmission System	2,523	997	2,204	883	13,723	2,441
Magnolia Power Project (Project A)	2,342	3,032	2,455	2,919	14,828	12,810
Prepaid Natural Gas Project #1	1,777	4,943	2,127	4,843	16,655	21,966
Milford I Wind Project	504	427	529	402	3,057	1,586
Mead-Adelanto	2,213	250	2,306	137	1,785	39
Palo Verde						
Tieton Hydropower Project	475	1,193	500	1,168	2,923	5,397
Mead-Phoenix	905	85	929	50	711	16
Natural Gas Project - Barnett	1,342	776	1,240	705	5,205	2,607
Hoover Uprating Project						
Natural Gas Project - Pinedale	433	251	400	228	1,680	842
Total	**$ 19,836**	**$ 12,882**	**$ 20,295**	**$ 11,755**	**$ 77,474**	**$ 47,348**

	2025/30		2030/35		2035/40		2040/45		Total	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Intermountain Power Project									$47,824	$5,018
SCPPA:										
Southern Transmission System	4,025	296							29,719	8,155
Magnolia Power Project (Project A)	20,864	9,809	25,471	6,199	26,510	1,064			101,784	45,677
Prepaid Natural Gas Project #1	29,690	16,016	41,727	6,609	5,922	149			102,173	69,817
Milford I Wind Project	3,891	730	899	22					10,260	4,586
Mead-Adelanto									12,547	1,766
Palo Verde									1,590	60
Tieton Hydropower Project	4,793	4,255	5,115	3,094	6,528	1,646	3,193	80	24,835	20,533
Mead-Phoenix									5,109	625
Natural Gas Project - Barnett	4,146	1,280	2,226	199					19,019	8,397
Hoover Uprating Project									973	78
Natural Gas Project - Pinedale	1,339	413	719	64					6,141	2,711
Total	**$ 68,748**	**$ 32,800**	**$ 76,157**	**$ 16,188**	**$ 38,959**	**$ 2,859**	**$ 3,193**	**$ 80**	**$ 361,973**	**$ 167,723**

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, 2015, 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, 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:

		2015	2014
Wholesale	$	35,691	50,151
Wholesale Costs		33,724	46,441
Wholesale Margin	$	1,967	3,710

NOTE 14: DEFERRED INFLOWS OF RESOURCES

On October 27, 2009 the Electric Utility was awarded a $20 million grant from the DOE under the American Recovery and Reinvestment Act of 2009. This DOE grant program officially closed on March 23, 2015. During the fiscal year and the previous fiscal year, the DOE reimbursed the Electric Utility $137 and $2 respectively, for covered expenditures related to various systems modernization capital projects. The DOE grant allowed for reimbursement of approved expenditures at 39.4% (previously at 31.9%) up to $20 million; however, accelerated payments at 50% were received during all fiscal years. All DOE payments have been received and fully recognized as of the end of the fiscal year. The Electric Utility also recorded systems modernization expense of $4,721 to match grant reimbursements received for approved expenditures. This systems modernization expense is reported as other income (expense), net.

On January 22, 2013 the Electric Utility was awarded a grant of $1,000 from the CEC in support of the DOE systems' modernization capital projects, and is deferring payments received for these capital assets to match corresponding depreciation over their useful lives, as allowed by Accounting Standards Codification 980 rules under GASB 62. Payments were received of $432 and $568 in June 2015 and May 2014, respectively. The Electric Utility recognized revenue and depreciation expense of $94 and $16 for this fiscal year and the prior fiscal year, respectively. The deferred CEC payments are $890 for this fiscal year, compared to $552 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. As of fiscal year end, $80 was expended for these charging stations; and the CEC was not billed.

During the fiscal year, the Electric Utility sold greenhouse gas allowance credits at auction, resulting in proceeds of $69. These proceeds are reported as deferred inflows of resources, 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 accelerated DOE payments and CEC payments are reported as regulatory credits in deferred inflows of resources, and as of June 30, 2015 are as follows:

Electric Utility Regulatory Credits	2015	2014	2013	2012	2011	Total
Systems Modernization expenditures	$ 2,921	8,174	9,350	17,526	12,847	**$ 50,818**
Accelerated DOE payments received	137	2	4,674	8,763	6,424	**20,000**
Less: Grant reimbursements @ 39.4%	(4,721)	(2,608)	(2,983)	(5,591)	(4,098)	**(20,000)**
Accelerated unearned DOE payments	**$ (4,584)**	**(2,606)**	**1,691**	**3,172**	**2,326**	**$ -**
Systems Modernization expenditures	432	568				**1,000**
California Energy Commission (CEC) payments recognized	(94)	(16)				**(110)**
CEC payments	**$ 339**	**552**				**$ 890**
Greenhouse gas allowance sales proceeds	**69**					**69**
Total Regulatory Credits	**$ (4,176)**	**(2,054)**	**1,691**	**3,172**	**2,326**	**$ 959**

During the prior fiscal year, the Water Utility recorded contributed assets from prior periods for the Burbank Empire Center and Bob Hope Airport of $3,651 and $1,078, respectively. During the fiscal year the Water Utility recognized revenue and depreciation expense of $118 and $128, respectively. For the fiscal year, the Water Utility's regulatory credits balance for the contributed assets is $3,245, compared to $3,363 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, 2015, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After 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, 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
Electric Utility Fund	$	55,064
Water Utility Fund		8,647
Total Net Pension Liability	$	63,711

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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

	Electric Utility	Water Utility
Proportion - June 30, 2013	34.96%	5.49%
Proportion - June 30, 2014	34.96%	5.49%
Change - Increase (Decrease)	0.00%	0.00%

(C) PENSION EXPENSES AND DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2015, the City recognized pension expense for the Utility of $4,492. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Electric Utility:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	4,738	$	-
Differences between actual and expected experience		-		-
Change in assumptions		-		-
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				(15,061)
Total	$	4,738	$	(15,061)

Water Utility:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	751	$	-
Differences between actual and expected experience		-		-
Change in assumptions		-		-

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		(2,365)
Total	$ 751	$ (2,365)

$5,489 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, 2016.

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, 2015	**Electric Utility**	**Water Utility**
2016	($3,765)	($591)
2017	(3,765)	(591)
2018	(3,765)	(591)
2019	(3,766)	(592)
2020	-	-
Thereafter		
Total Deferred Inflows of Resources	($15,061)	($2,365)

1. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
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 CalPERS membership data for all funds. The mortality table used was developed based 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.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

2. Discount Rate

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least fiscal year 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time a change in methodology occurs.

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.

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	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

An expected inflation of 2.5% used for this period

An expected inflation of 3.0% used for this period

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

The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate, 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-percent higher than the current rate:

		Utility
1% Decrease		6.50%
Net Pension Liability	$	105,188
Current Discount Rate		7.50%
Net Pension Liability	$	63,711
1% Increase		8.50%
Net Pension Liability	$	29,361

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.

(D) RESTATEMENT OF NET POSITION AT JULY 1, 2014

The result of the implementation of this GASB 68 decreased the net position at July 1, 2014 of the Electric Utility Enterprise Fund by $71,810 and the Water Utility Enterprise Fund by $11,274.

As of July 1, 2014, the beginning net positions for the following activities were restated:

Electric Fund restatement		Change in reported net position	Water Fund restatement		Change in reported net position
Net position reported - June 30, 2014	**$**	**275,456**	**Net position reported - June 30, 2014**	**$**	**60,702**
Corrections to reported assets / liabilities:			Corrections to reported assets / liabilities:		
To restate beginning equity for the net pension liability per GASB 68 requirements		(71,810)	To restate beginning equity for the net pension liability per GASB 68 requirements		(11,274)
***Restated* net position at July 1, 2014**	**$**	**203,646**	***Restated* net position at July 1, 2014**	**$**	**49,428**

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.

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

*** Reported as 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 May 31, 2016, the date the financial statements were available to be issued.

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

	Electric Fund	Water Fund
Plan's Proportionate Share of Net Pension Liability in %	34.96%	5.49%
Plan's Proportionate Share of Net Pension Liability in $	$ 55,064	$ 8,647
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.89%	79.89%
Covered-Employee Payroll	$ 27,719	$ 4,353
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	198.65%	198.65%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 4,258	$ 669

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Schedule of Plan Contributions

	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% payroll growth.

SUPPLEMENTAL DATA

Schedule 1

ANNUAL ELECTRIC SUPPLY Fiscal Year ended June 30, 2015		
Resource	**MWh**	**Percentage**
Intermountain Power Project	443,910	38.1%
Hoover Uprating	20,070	1.7%
Palo Verde Nuclear	65,650	5.6%
Magnolia Power Project	282,920	24.3%
Firm and Non-Firm Contracts	0	0.0%
On-Site Generation	8,540	0.7%
Renewables	344,930	29.6%
TOTAL	1,166,020	100.0%

Schedule 2

CUSTOMERS, SALES, ELECTRIC REVENUES AND DEMAND Fiscal Years ended June 30					
	2011	**2012**	**2013**	**2014**	**2015**
Number of Retail Service:					
Residential	45,049	45,164	45,287	46,204	46,259
Commercial[1]	6,887	6,857	6,914	6,956	6,948
Large Commercial[1]	75	75	75	94	94
Total	52,011	52,096	52,276	53,254	53,301
Retail Kilowatt-hour Sales (millions)					
Residential	265	265	281	268	273
Commercial	510	518	529	535	545
Large Commercial	344	338	331	320	291
Total	1,119	1,121	1,141	1,123	1,109
Electric Revenues ($ in thousands):					
Retail	$ 160,059	$ 161,788	$ 167,828	$ 165,757	$ 172,344
Wholesale	59,200	35,484	44,295	50,151	35,691
Other[2]	6,642	4,959	8,509	11,683	11,529
Total	$ 225,901	$ 202,231	$ 220,632	$ 227,592	$ 219,565
Peak Demand (MW)	316	305	292	296	317

[1]Starting 2014, meter counts includes 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					
	2011	**2012**	**2013**	**2014**	**2015**
Residential	14.50	14.81	15.13	15.33	15.81
Commercial	14.62	14.66	14.70	15.03	15.59
Large Commercial	12.87	12.98	13.20	13.15	13.95
System Weighted Average Electric Rate	14.05	14.19	14.37	14.57	15.21

[1] All weighted average rates exclude Street Lighting.

Schedule 4

ANNUAL WATER SUPPLY Fiscal Year ended June 30, 2015		
Resource	**Acre Feet (AF)**	**Percentage**
Metropolitan Water District	6,901	41.0%
Local Production – BOU	9,944	59.0%
Total	16,845	100.0%

Schedule 5

CUSTOMERS, WATER SALES, WATER REVENUES Fiscal Years ended June 30	2011	2012	2013	2014	2015
Number of Water Service:					
Residential	22,073	22,086	22,087	22,171	22,256
Commercial[1]	3,070	3,091	3,093	3,263	3,260
Large Commercial[1]	108	117	116	-	-
Other[2]	1,144	1,162	1,157	1,112	1,126
Recycled	109	125	142	158	184
Total	26,504	26,581	26,595	26,704	26,826
AF Sales Per Year:					
Potable					
Residential	12,587	13,052	13,639	14,059	12,065
Commercial[1]	3,553	3,390	3,482	4,319	4,078
Large Commercial[1]	646	693	744	-	-
Other[2]	625	642	599	493	355
Recycled	1,752	1,855	1,588	2,370	2,282
Total in AF	19,163	19,632	20,052	21,241	18,780
Water Revenues ($ in thousands):					
Retail[3]	$ 22,656	$ 25,734	$ 26,727	$ 30,036	$ 26,930
Other[4]	625	995	1,007	1,265	1,105
Total	$ 23,281	$ 26,729	$ 27,734	$ 31,301	$ 28,036
Maximum Demand Day (AF)	69.4	73.0	71.8	72.0	67.1

[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.

Schedule 6

WEIGHTED AVERAGE BILLING PRICE – WATER ($ per CCF[1])					
Fiscal Years ended June 30					
	2011	**2012**	**2013**	**2014**	**2015**
Residential	2.88	3.01	3.14	3.25	3.50
Commercial[2]	2.38	2.58	2.76	2.92	3.17
Large Commercial[2]	2.37	2.50	2.62	0.00	0.00
Weighted Average Water Rate	2.74	2.89	3.04	3.17	3.42

[1]CCF is one hundred of cubic feet; One CCF is equal to approximately 2.296E-3 AF.

[2]Starting 2014, Commercial includes Large Commercial.