BURBANK
Water and Power
Since 1913
Always There for You!

Fiscal Year 2017 - 2018

ANNUAL REPORT

CONTENTS

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Burbank
Burbank, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric and Water Utility Enterprise Funds of the City of Burbank (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Offices located in Orange and San Diego Counties

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric and Water Utility Enterprise Funds of the City of Burbank, as of June 30, 2018, 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 Notes 1(D) and 20 to the financial statements, the Electric and Water Utility Enterprise Funds adopted Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required retrospective application resulting in a reduction of previously reported net positions.

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, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our opinions are not modified with respect to these matters.

Other Matters

Partial Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended June 30, 2017 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 and related ratios of the defined benefit plans and the schedule of contributions of the defined benefit plans, the schedule of net OPEB liability and related ratios – PEMHCA Plan, the schedule of changes in net OPEB liability and related ratios – URMT Plan and the schedule of Plan contributions – OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

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

White Nelson Diehl Evans LLP

Irvine, California
May 13, 2019

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, 2018 (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 Utility 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 Utility. 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:

- Total net position was higher by $24,134, or 10.0%, compared to the prior fiscal year due to favorable operating results. A restatement of the net position as of July 1, 2017 for the net Other Post-Employment Benefits (OPEB) liability per Governmental Accounting Standards Board (GASB) Statement No. 75, resulted in a one-time adjustment lowering total net position by $8,827 to $15,307. The favorable net position resulted in an increase in assets and deferred outflows of resources, offset partially by an increase in liabilities and deferred inflows of resources.

- For the fiscal year, the Electric Utility's availability rate was 99.998%. The system average interruption was only 11.3 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.3 outages per customer every year.

- The Electric Utility revenue bonds were upgraded by Moody's Investors Service from 'A1' to 'Aa3' rating in August 2017.
- For the fiscal year, the Electric Utility's renewable energy resources made up 31.9% of its total retail sales. The Electric Utility is on track to meet the Renewables Portfolio Standard (RPS) goal of 33% by 2020.

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Financial Analysis

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

	2018	2017	Incr. (Decr.)
Retail sales (in MWh)	1,077,593	1,079,709	(2,116)
Operating revenues:			
Retail	$ 176,450	$ 175,964	$ 486
Wholesale	21,252	23,512	(2,260)
Intergovernmental	95	92	4
Other revenues	6,353	5,820	533
Total operating revenues	204,150	205,388	(1,238)
Operating expenses:			
Power supply and fuel – retail	87,759	90,295	(2,536)
Purchased power and fuel – wholesale	19,045	20,599	(1,554)
Transmission expense	14,205	13,917	288
Distribution expense	9,965	9,371	593
Other operating expenses	24,718	22,728	1,990
Depreciation	17,392	16,912	480
Total operating expenses	173,083	173,821	(738)
Operating income	31,067	31,567	(501)
Nonoperating income (expenses):			
Interest income	720	478	241
Payments in lieu of taxes to City	(11,356)	(11,326)	(30)
Interest expense	(4,506)	(4,684)	178
Gain (loss) on disposal of capital assets	217	(131)	348
Other income (expenses), net	1,677	1,431	246
Total nonoperating income (expenses)	(13,248)	(14,231)	984
Income before contributions	17,819	17,335	484
Capital contributions	6,601	1,760	4,840
Transfers out to the City:	(286)	0	(286)
Total capital contributions and transfers	6,314	1,760	4,554
Change in net position	24,134	19,095	5,038
Net position, beginning of year	241,425	231,157	10,268
Net position, end of year	**$ 265,559**	**$ 250,252**	**$ 15,307**

Retail (primarily sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 96.8% of the Electric Utility's operating revenues. Retail energy sales decreased by 2,116 MWh, or 0.2%, compared to the prior fiscal year due to conservation. Retail revenues were higher by $486, or 0.3%, primarily as a result of higher demand revenue.

Wholesale trading opportunities exist because the Electric Utility is able to market excess capacity, energy, and transmission. Wholesale margins of $2,207 contributed to the Electric Utility's financial performance by reducing the Electric Utility's overall power supply expenses for the fiscal year. Wholesale margins were $2,913 in the prior fiscal year. The decrease in wholesale trading is primarily attributable to 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.

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 Electric Utility added twenty-three new customers and upgraded services for twenty-eight existing customers. ONE Burbank generated revenues of $3,653 this fiscal year, compared to $3,700 the prior fiscal year. ONE Burbank revenues are recorded as other revenues. Other revenues also include transmission, telecommunications, and other miscellaneous revenues. These revenues were $533, or 9.1%, higher than the prior fiscal year, primarily due to increased eligibility and participation in the Home Improvement Program (formerly known as the Green Home House Call Program). The Home Improvement Program is a joint sponsorship between Utility and Southern California Gas Company. The Utility funds the program and Southern California Gas Company reimburses the Utility its share.

Retail power supply and fuel expenses were $2,536, or 2.8%, lower than the prior fiscal year. The Utility manages and optimizes resources by taking advantage of lower fuel and energy prices to meet lower system load.

Transmission expenses were $288, or 2.1%, higher than the prior fiscal year primarily because the prior fiscal year included a one-time IPP STS refinancing and refunding settlement from Los Angeles Department of Water and Power (LADWP).

Distribution expenses were $593, or 6.3%, higher than the prior fiscal year primarily as a result of higher pension expenses. Additional information on GASB Statement No. 68 and 75 can be found in Note 15 and 16 to the basic financial statements.

Other operating expenses were $1,990, or 8.8%, higher compared to the prior fiscal year. The higher expenses were attributed to higher pension expenses and other operating expenses. Additional information on GASB Statement No. 68 and 75 can be found in Note 15 and 16 to the basic financial statements.

Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. For the fiscal year, depreciation expense was higher by $480, or 2.8%, primarily as a result of placing assets into service.

Interest income was $241, or 50.5%, higher compared to the prior fiscal year. The higher interest income was a result of higher interest rates and higher cash balances, offset slightly by a market value adjustment of investment holdings per GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

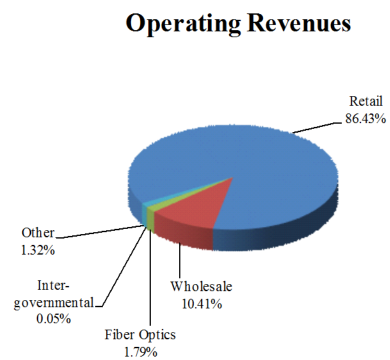
In accordance with the City Charter, the City Council had a long standing practice of authorizing annual transfers from the Electric Enterprise Fund to the City's General Fund in the form of an in-lieu transfer of 5.0% and a street lighting transfer of 1.5% of the City's gross sales of electricity (exclusive of wholesale sales to other public or privately-owned utilities). The practice of transfers from the Electric Enterprise Fund to the General Fund was challenged by a plaintiff in a complaint filed in June 2016, Christopher Matthew Spencer v. the City of Burbank (Case Number: BS162779). The court ruled against the transfers and the City Council has authorized appealing the trail court decision. In June of 2018 the voters of Burbank passed Measure T, a ballot measure that amended the City of Burbank Charter to continue this practice of transferring not more than 7% of Burbank Water and Power's gross annual sales of electricity, paid by retail electric rate payers. For the fiscal year, the Electric Utility transferred $8,821 and $2,536 to the City's General Fund in the form of an in-lieu transfer and a street lighting transfer, respectively. Retail customers also contributed $11,772 to the City's General Fund in the form of a utility users' tax of 7.0% of gross sales of electricity (exclusive of wholesale sales). In addition, the Electric Utility set aside $4,835, or 2.85%, of gross sales of electricity (exclusive of wholesale sales) for Public Benefits programs.

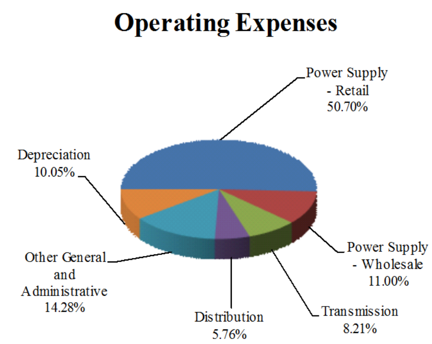
As of June 30, 2018, the Electric Utility had $73,755 in outstanding revenue bonds. The bonds were issued for systems modernization, replacement and upgrades of the electric system, general plant, and other facilities (see Debt Administration). The Electric Utility paid $4,506 in interest expense, compared to $4,684 in the prior fiscal year.

The gain on the disposal of capital assets was $348, or 265.1%, higher compared to the prior fiscal year. The prior fiscal year had a one-time write-off of poles and conductors and had lower revenues from the sale of old equipment compared to this fiscal year.

Other income was $246, or 17.2%, higher compared to the prior fiscal year primarily as a result of higher revenues from the use of joint poles.

Capital contributions were $4,840, or 275.0%, higher compared to the prior fiscal year. The fiscal year included higher revenue from Caltrans for the relocation of facilities for the I-5 improvement project and for the relocation of facilities for the Burbank bridge replacement.





The Electric Utility Fund's net position as of June 30, 2018 and June 30, 2017 were as follows:

Schedule of Net Position *($ in thousands)*

	2018	2017	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 150,378	$ 135,858	$ 14,520
Noncurrent and regulatory assets	108	3,877	(3,769)
Capital assets, net of accumulated depreciation	290,815	276,962	13,852
Total assets	**441,301**	**416,697**	**24,604**
Deferred outflows of resources			
Deferred outflows of resources	22,439	17,371	5,068
Total deferred outflows of resources	**22,439**	**17,371**	**5,068**
Liabilities			
Current liabilities	31,489	26,252	5,237
Noncurrent and regulatory liabilities	159,155	150,754	8,401
Total liabilities	**190,644**	**177,006**	**13,638**
Deferred inflows of resources			
Deferred inflows of resources	7,537	6,811	726
Total deferred inflows of resources	**7,537**	**6,811**	**726**
Net position			
Net investment in capital assets	216,195	197,772	18,423
Restricted for debt service	5,682	5,467	215
Unrestricted	43,683	47,013	(3,330)
Total net position	**$265,559**	**$250,252**	**$ 15,307**

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 $24,134, or 10.0%, compared to the prior fiscal year due to favorable operating results (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A restatement of the net position as of July 1, 2017 for the net OPEB liability per GASB Statement No. 75, resulted in a one-time adjustment lowering total net position by $8,827 to $15,307. Additional information on GASB Statement No. 75 can be found in Note 15 and 16 to the basic financial statements. A significant portion of the Electric Utility's total net position was in net investment in capital assets of $216,195, or 81.4%, of total net position (see Capital Assets). The restricted net position of $5,682, or 2.1%, was debt reserve requirements related to the Electric Revenue bonds (see Debt Administration).

The unrestricted net position of $43,683, or 16.4%, of total net position were funds available for future capital investments and maintenance activities.

The favorable net position resulted in an increase in assets and deferred outflows of resources, offset partially by an increase in liabilities and deferred inflows of resources. As of June 30, 2018, the Electric Fund's total assets increased by $24,604, or 5.9%, primarily due to an increase in net capital assets, operating cash, and deposits and prepaid expenses. Deferred outflows of resources as of June 30, 2018 increased by $5,068, or 29.2%, compared to the prior fiscal year due primarily to higher deferred amounts from pensions and Other Post-Employment Benefits (OPEB).

Additional information on GASB Statement No. 68 and 75 can be found in Note 15 and 16 to the basic financial statements. Total liabilities as of June 30, 2018 increased by $13,638, or 7.7%, compared to the prior fiscal year. This was due to an increase in net pension liabilities, net OPEB liabilities, unearned revenue for the Ontario Substation, accounts payable, and customer deposits, offset partially by a decrease in revenue bonds payable, as a result of payments made during the fiscal year (see Debt Administration). Deferred inflows of resources as of June 30, 2018 increased by $726, or 10.7%, compared to the prior fiscal year due primarily to increases in regulatory credits for Low Carbon Fuel Standard credits and deferred amounts on OPEB, offset partially by a decrease in deferred amounts on pensions. The California Air Resources Board initiated a program, Low Carbon Fuel Standard (LCFS) Credits, to reduce carbon intensity in transportation fuels as compared to conventional petroleum fuels, such as gasoline and diesel. In June 2018, the Electric Utility sold 7,000 credits for $1,249.

Capital Assets

As of June 30, 2018, the largest portion of the Electric Utility Fund's total assets, $290,815, or 65.9%, was invested in capital assets. The Electric Utility invested $36,312 in the acquisition and construction of capital assets funded primarily from cash reserves.

The majority of these investments were for expansion and replacement of the distribution system. These investments have resulted in improved efficiency and reliability of the Electric Utility.

As part of the Electrical Distribution Master Plan, the Electric Utility is constructing Ontario Substation, a 69 kV to 12 kV electrical substation, at the corner of Ontario Street and Winona Avenue. Building Ontario Substation would pave the way to retiring two of the four oldest substations (Victory and Winona). This strategic location for the Ontario Substation provides a pathway to expand the 69 kV sub-transmission system and enables 12 kV conversion of the older 4 kV circuits coming from both the 34.5 kV Winona and Victory Substations, allowing for their eventual retirement and consistent with the Master Plan goals. Furthermore, as loads are transferred to the new station, it will further eliminate a 34.5/69 kV substation. In addition, the location also provides a corridor to extend 69 kV sub-transmission and 12 kV distribution to the area currently served by the 34.5 kV McCambridge substation allowing for retirement of additional aging infrastructure in the future.

The Electric Utility, in alignment with the Electric Distribution Master Plan, is strategically converting 4kV load to 12kV to address BWP's aging infrastructure, resolve overload and voltage issues, and improve grid efficiency. During the fiscal year, the Electric Utility continued investing in the upgrade of 4 kV to 12 kV electrical distribution lines. Conversion to a higher voltage will reduce operating line losses.

The Electric Utility has been relocating electric facilities near the Golden State Freeway (I-5) and Burbank Blvd overpass. Over the next few years, Caltrans will construct a new interchange at Empire Avenue and San Fernando Boulevard and widen the Burbank Boulevard overpass.

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

($ in thousands)

Ontario Distributing Station	$ 8,994
4kV to 12kV Conversions	4,871
Aid in Construction for Caltrans Burbank Bridge Replacement	3,282
Meter Data Management System Upgrade and Update	1,738
Pacific Northwest DC Intertie	1,310
Overhead/Underground Distribution Lines	1,231
Build New Customer Transformer Stations, 750 kVA & Under	713
Fleet Building Modification	687
Service Replacements	448
Voltage Corrections	349
69 kV and 34.5 kV Line Replacements	347
ONE Burbank Network Infrastructure Expansion	323
Electric Substations Equipment Replacement	317
Total	**$ 24,609**

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 99.998%, or in other words the average Burbank resident could expect to experience only one electric service outage of just 23 minutes every three years.

The system average interruption was only 11.3 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.3 outages per customer every year.

The American Public Power Association's Reliable Public Power Provider (RP3) program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. In 2018, Burbank Water and Power was designated a Diamond Level utility, the highest RP3 designation.

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

Debt Administration

As of June 30, 2018, the Electric Utility had $73,755 in outstanding revenue bonds, of which $4,280 will be due within a year. The Electric Utility repaid $4,100 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 upgraded by Moody's Investors Service from 'A1' to 'Aa3' rating in August 2017. This rating reflects the rating agency's view of the Electric Utility's improved financial and liquidity profiles, strong operating and reliability performance, stable debt service coverage ratios, cash reserves, a relatively stable, strong and diverse economic base with above-average income, and continuous support from the Electric Utility's Board and City Council. Additional information on long term debt can be found in Note 9 to the basic financial statements.

Environmental, Supply, and Economic Factors

During the fiscal year, renewable energy came from the Copper Mountain Solar 3 Project in Nevada, biomethane gas, wind and landfill gas as a result of the Morgan Stanley Exchange, Don A. Campbell Geothermal Project in Nevada, Tieton Hydropower in Washington, Milford Wind I in Utah, Pebble Springs Wind in Oregon, Iberdrola Wind in Wyoming, Ameresco Chiquita Landfill in California, Burbank customer solar, Burbank's solar demonstration project, and Burbank's Valley Pumping Station.

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 17-18	% Total Retail Sales
Copper Mountain Solar 3	Solar	Clark County, Nevada	May 2014	250.000	40.000	98,636	9.2%
Biomethane gas	Biomethane		Jun 2011			73,360	6.8%
Morgan Stanley Exchange	Wind & Landfill Gas		Apr 2012			56,985	5.3%
Don A. Campbell Geothermal	Geothermal	Mineral County, Nevada	Dec 2013	25.000	3.845	27,726	2.6%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	26,957	2.5%
Milford Wind I	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	19,144	1.8%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	18,454	1.7%
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	11,517	1.1%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	10.000	1.667	7,996	0.7%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	2,653	0.2%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	268	0.0%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	225	0.0%
Total						**343,921**	**31.9%**

In December 2017, the City, along with the Cities of Anaheim and Vernon, entered into a power sales agreement with SCPPA for Desert Harvest Project. The Desert Harvest Project is located in Riverside County, California and has an expected commercial operation date of December 1, 2020. SCPPA is entitled to 70 MW share of the Desert Harvest Project generated at either the 150 MW solar photovoltaic project located in Riverside County called the Desert Harvest Project or at the 500 MW solar photovoltaic project located in East Riverside County called the Maverick Solar Project. The City has entitlement up to 22 MW or 31.429% of its output.

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. Consistent with State legislation, the Burbank City Council adopted a RPS policy in November 2003, which was revised in June 2007 to address the growing concerns about the environment. Pursuant to a resolution approved in June 2007, the Burbank City Council revised the RPS's initial goal of meeting 20% of Burbank's retail energy sales with renewable energy resources by 2017 to 33% by 2020. As required by Senate Bill X1-2, the California Renewable Energy

Resources Act, signed into law in April 2011, Burbank has met the three-year compliance period targets for 2011-2013 (i.e., the procurement of eligible renewable energy resources at least equal to an average of 20% of kWh retail sales over such period) and 2014-2016 (i.e., the procurement of eligible renewable energy resources totaling at least 20% of 2014 retail sales, 20% of 2015 retail sales and 25% of 2016 retail sales) and is currently on track to reach the compliance period targets for 2017-2020 (i.e., the procurement of eligible renewable energy resources totaling at least 27% of 2017 retail sales, 29% of 2018 retail sales, 31% of 2019 retail sales and 33% of 2020 retail sales). For the fiscal year, the Electric Utility's renewable energy resources made up 31.9% of its total retail sales. The Electric Utility is ahead in meeting the State's interim targets of the procurement of eligible renewable energy resources totaling at least 27% of 2017 retail sales, 29% of 2018 retail sales, 31% of 2019 retail sales and is on track to meet the RPS goal of 33% by 2020.

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

On September 10, 2018, SB 100, also known as the 100 Percent Clean Energy Act of 2018 (100 Percent Clean Energy Act), was signed into law. SB 100 would require the state of California to obtain all of its electricity from clean sources by 2045. Similar to the Clean Energy Act, the 100 Percent Clean Energy Act sets interim targets of 20% by December 31, 2013, 33% by December 31, 2020, 50% by December 31, 2026, 60% by December 31, 2030, and 100% by December 31, 2045.

The Burbank City Council approved the most recent Integrated Resource Plan (IRP), the 2019 IRP, on December 11, 2018, which focuses on decisions impacting coal fired generation and the addition of cost effective renewable energy in an environment of reduced load growth. It also recognizes the need to plan for the continued reduction in greenhouse gases and outlines the strategy to meet the RPS requirement.

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. As of the end of calendar year 2017, the Electric Utility had an excess of about 321,000 GHG allowances. The closing price of the November 2018 auction was $15.31 per allowance.

Southern California Gas Company (SoCal Gas) owns and operates the natural gas infrastructure in most of Southern California.

This infrastructure supplies natural gas-fired power plants operated by Burbank Water & Power (BWP), Glendale Water & Power (GWP), LADWP, and others in the LA Basin. For many years, SoCal Gas has used its Aliso Canyon natural gas storage facility, located near Porter Ranch, California, to ensure reliable natural gas supply in the basin, including to these generators. Aliso Canyon is the largest such facility in the Western United States.

On October 23, 2015, one of Aliso Canyon's 114 wells began to leak and the facility was shut down and mostly emptied. The leak was plugged on February 18, 2016, after significant leakage of natural gas into the atmosphere. SoCal Gas, the California Governor's Office, the California legislature, numerous federal and state agencies, electric utilities (including BWP), and other stakeholders have been working since the leak was discovered to understand the leak's potential impact on electric reliability and develop mitigation plans. In this connection, action plans have been jointly developed by the California Public Utilities Commission (CPUC), the CEC, the California Independent System Operator, SoCal Gas, and LADWP (together, the Aliso Working Group). On July 19, 2017, the CPUC and the Division of Oil, Gas, and Geothermal Resources cleared SoCal Gas to resume limited injections at the Aliso Canyon natural gas storage facility. It will now operate at approximately 28 percent capacity. Enhancements were implemented to improve the margin of safety at the State's direction. At the State's direction, the field will also be operated at a reduced pressure. In addition, SoCal Gas has implemented industry leading practices including enhanced training for employees and contractors, around-the-clock pressure monitoring of all wells in a 24-hour operations center, daily patrols to visually inspect every well four times a day, and daily infrared thermal scanning of each well. Injections will not resume immediately. Injections will resume after completion of the State's outlined steps, which include a leak survey of the facility and a flyover measure of methane emissions at the site.

SoCal Gas Pipeline 235-5 has been out of service for assessment and remediation since a rupture occurred on the pipeline on October 1, 2017. SoCal Gas has remediated and repaired the ruptured segment; however, SoCal Gas has also initiated additional work to assess, analyze, and repair other segments on Line 235-2 that are of the same family of pipeline. After the rupture, SoCal Gas retained outside experts to analyze the root cause of the incident. The root cause analysis results included recommended enhancements in the areas of in-line inspection data analysis, cathodic protection data integration practices, and procedural changes for pressure reduction requirements. This work is on-going and is expected to continue through at least the 2nd quarter of 2019. Once SoCal Gas completes the initial remediation plan, SoCal Gas expects to return Phase 1 of Line 235-2 to service at a reduced operating pressure until all salient root cause analysis recommendations can be fully implemented.

Water Utility Fund

Water Utility Fund highlights:

- Water supply expenses were higher by $1,198, or 11.1%, compared to the prior fiscal year primarily due to a MWD rate increase, higher potable water demand, and lower usage of the Burbank Operable Unit (BOU). MWD increased treated water rates by 3.9% and 3.7% in January 2017 and January 2018, respectively.

- Total net position was higher by $2,876, or 5.2%, compared to the prior fiscal year due to favorable operating results. A restatement of the net position as of July 1, 2017 for the net OPEB liability per GASB Statement No. 75, resulted in a one-time adjustment lowering total net position by $838 to $2,038. The favorable net position resulted in an increase in total assets, deferred outflows of resources and liabilities, and a decrease in deferred inflows of resources.

- The water production facilities and systems were very reliable with only 3.9% of unbilled water, including losses, compared to the national average of approximately 16% and the state average of approximately 7%.

- The Water Utility revenue bonds were affirmed by Fitch Ratings with an 'AAA' rating with a stable outlook in September 2018. An 'AAA' rating is the highest quality rating.

Financial Analysis

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

	2018	2017	Incr. (Decr.)
Potable water (in AF)	15,568	14,382	1,185
Recycled water (in AF)	3,281	3,004	277
Operating revenues:			
Potable water sales	$ 26,613	$ 24,242	$ 2,371
Recycled water sales	3,951	3,593	357
Intergovernmental	8	29	(21)
Other revenues	3,510	2,673	837
Total operating revenues	34,083	30,538	3,545
Operating expenses:			
Water supply expenses	12,015	10,817	1,198
Operations, maintenance and administration	10,010	9,034	976
Other operating expenses	4,867	3,720	1,146
Depreciation	3,683	3,603	80
Total operating expenses	30,575	27,175	3,400
Operating income	3,508	3,363	146
Nonoperating income (expenses):			
Interest income	43	22	22
Bond interest expense	(1,763)	(1,597)	(166)
Loan interest expense	(188)	(198)	
Gain (loss) on disposal of capital assets	3	24	(21)
Other income (expenses), net	534	531	2
Total nonoperating income (expenses)	(1,369)	(1,217)	(152)
Income before contributions	2,139	2,145	(6)
Capital contributions	737	619	118
Change in net position	2,876	2,765	112
Net position, beginning of year	55,462	53,534	1,927
Net position, end of year	**$ 58,338**	**$ 56,300**	**$ 2,038**

Potable water sales were the primary source of revenue for the Water Utility. Potable water revenue made up 78.1% of the total Water Utility operating revenues. Potable water sales volume increased by 1,185 AF, or 8.2%, compared to the prior fiscal year due to warmer temperatures and dryer conditions. Burbank received 6.39 inches of rainfall this fiscal year compared to an average precipitation of 17.32 inches. Potable water revenues were higher by $2,371, or 9.8%, compared to the prior fiscal year as a result of higher sales volume and a 3.4% rate increase that went into effect in July 2017.

Recycled water sales (in AF) made up 17.4% of total water sales. 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, five new customer connections were added or converted from the potable to the recycled water system. Recycled water sales volume increased by 277 AF, or 9.2%, from the prior fiscal year. Recycled water revenues were higher by $357, or 9.9%, compared to the prior fiscal year as a result of higher sales volume and the 3.4% rate increase that went into effect in July 2017.

Other revenues include connection fees, recycled water credits and other miscellaneous revenues. These revenues were $837, or 31.3%, higher than the prior fiscal year. The fiscal year included higher reimbursements from LADWP for construction of recycled water mains in the City of Los Angeles under the Joint Service Agreement (JSA) between BWP and LADWP. A JSA between BWP and LADWP was executed on January 28, 2015. This agreement covers the construction of recycled water mains in the City of Los Angeles under contract to BWP with all costs for the work to be reimbursed to BWP from LADWP. The work under the agreement consists of three extensions into Los Angeles from points of metered connection to the BWP recycled water system for delivery of recycled water to end-use customers in Los Angeles. Once active, BWP will receive an equal volume of ground water pumping credits for the water delivered to Los Angeles customers. Construction is complete on the recycled water distribution main extensions into Los Angeles. Reimbursements from LADWP were accounted for in operating revenues, and the expenditures were accounted for in other operating expenses.

Water supply expenses were higher by $1,198, or 11.1%, compared to the prior fiscal year primarily due to a MWD rate increase, higher potable water demand, and lower usage of the Burbank Operable Unit (BOU). MWD increased treated water rates by 3.9% and 3.7% in January 2017 and January 2018, respectively. The average cost of MWD's treated water was $997/AF, compared to $961/AF in the prior fiscal year. MWD treated water supplied approximately 37.2% of the City's potable water supply this fiscal year compared to approximately 35.2% in the prior fiscal year. MWD water cost continues to be mitigated by the displacement of potable water by recycled water and by production at Burbank's groundwater treatment facility – the BOU. The BOU supplied approximately 62.8% of the City's potable water supply this fiscal year compared to approximately 64.8% in the prior fiscal year. The BOU ran at 70.55% of operating capacity for the fiscal year compared to the prior fiscal year's capacity of 66.63%. The Water Utility purchased 7,200 AF of untreated water from MWD for groundwater storage for BOU production and to drought proof a portion of the City's water supply. The average cost of MWD's untreated water was $666/AF, compared to $594/AF in the prior fiscal year, an increase of 12.1% from the prior year.

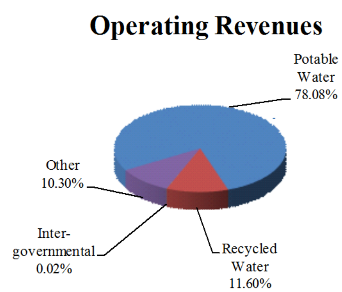
Operations, maintenance, and administrative expenses were $976, or 10.8%, higher compared to the prior fiscal year. The higher expenses were largely attributed to higher salary and pension expenses. Additional information on GASB Statement No. 68 and 75 can be found in Note 15 and 16 to the basic financial statements.

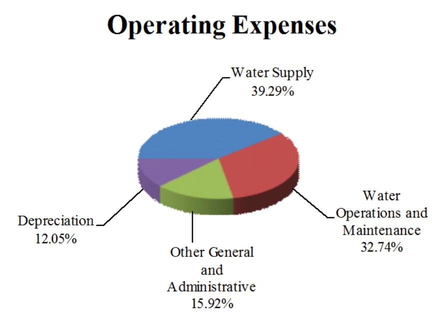
Other operating expenses were $1,146, or 30.8%, higher compared to the prior fiscal year. Expenses for the construction of recycled water mains in the City of Los Angeles under the JSA between BWP and LADWP were higher compared to the prior

Other operating expenses were $1,146, or 30.8%, higher compared to the prior fiscal year. Expenses for the construction of recycled water mains in the City of Los Angeles under the JSA between BWP and LADWP were higher compared to the prior fiscal year. Reimbursements from LADWP were accounted for in operating revenues, and the expenditures were accounted for in other operating expenses.

As of June 30, 2018, the Water Utility had $31,765 in outstanding revenue bonds and $6,825 in outstanding SWRCB loans (see Debt Administration). The Water Utility paid $1,763 in bond interest expense, compared to $1,597 in the prior fiscal year and paid $188 in loan interest expense, compared to $198 in the prior fiscal year.

Capital contributions were $118, or 19.1%, higher compared to the prior fiscal year. The fiscal year included revenue for the installation of water mains for the new Talaria Project.





The Water Utility Fund's net positions as of June 30, 2018 and June 30, 2017 were as follows:

Schedule of Net Position *($ in thousands)*

	2018	2017	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 20,390	$ 18,999	$ 1,390
Noncurrent and regulatory assets	123	162	(40)
Capital assets, net of accumulated depreciation	94,015	94,061	(46)
Total assets	**114,527**	**113,222**	**1,305**
Deferred outflows of resources			
Deferred outflows of resources	3,502	2,748	754
Total deferred outflows of resources	**3,502**	**2,748**	**754**
Liabilities			
Current liabilities	4,099	4,312	(213)
Noncurrent and regulatory liabilities	51,515	50,791	723
Total liabilities	**55,614**	**55,104**	**510**
Deferred inflows of resources			
Deferred inflows of resources	4,077	4,564	(488)
Total deferred inflows of resources	**4,077**	**4,564**	**(488)**
Net position			
Net investment in capital assets	55,328	54,058	1,270
Restricted for debt service	184	180	4
Unrestricted	2,826	2,062	764
Total net position	**$ 58,338**	**$ 56,300**	**$ 2,038**

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 $2,876, or 5.2%, compared to the prior fiscal year due to favorable operating results (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A restatement of the net position as of July 1, 2017 for the net OPEB liability per GASB Statement No. 75, resulted in a one-time adjustment lowering total net position by $838 to $2,038. Additional information on GASB Statement No. 75 can be found in Note 15 and 16 to the basic financial statements. A significant portion of the Water Utility's total net position was in net investment in capital assets of $55,328, or 94.8%, of total net position (see Capital Assets). The restricted net position of $184, or 0.3%, was debt service fund requirements related to the Water Revenue bonds (see Debt Administration). The unrestricted net position of $2,826, or 4.8%, of total net position were funds available for future capital investments and maintenance activities.

The favorable net position resulted in an increase in total assets, deferred outflows of resources and liabilities, and a decrease in deferred inflows of resources. As of June 30, 2018, total assets increased by $1,305, or 1.2%, primarily due to an increase in operating cash. Deferred outflows of resources as of June 30, 2018 increased by $754, or 27.4%, compared to the prior fiscal year due to higher deferred amounts from pensions and Other Post-Employment Benefits (OPEB). Additional information on GASB Statement No. 68 and 75 can be found in Note 15 and 16 to the basic financial statements. Total liabilities as of June 30, 2018 increased by $510, or 0.9%, compared to the prior fiscal year. This was due to an increase in net pension liability and net OPEB liability, offset partially by decreases in revenue bonds payable and loans payable, as a result of payments made during the fiscal year (see Debt Administration), and decreases in customer deposits. Additional information on GASB Statement No. 68 and 75 can be found in Note 15 and 16 to the basic financial statements. Deferred inflows of resources as of June 30, 2018 decreased by $488, or 10.7%, compared to the prior fiscal year due primarily to Water Cost Adjustment Charge (WCAC) regulatory credits. During the year, WCAC expenses exceeded WCAC revenues, therefore reducing the WCAC balance. The decrease in deferred inflows of resources was also as a result of a decrease in deferred amounts on pensions. Additional information on GASB Statement No. 68 and 75 can be found in Note 15 and 16 to the basic financial statements. In addition, the decrease in deferred inflows of resources was also as a result of 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.

Capital Assets

As of June 30, 2018, the Water Utility Fund invested $94,015, or 82.1%, 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, $3,637 was spent on the acquisition and construction of capital improvement projects. The majority of the investments were for the replacement and upgrade of distribution of water mains, service expansions and meter replacements.

The Water Utility has on-going capital improvement programs, such as main, service and meter replacement programs, which are designed to upgrade, replace and expand the water system infrastructure to ensure reliability, and to provide safe and accurately measured services. The water production facilities and systems were very reliable with only 3.9% of unbilled water, including losses, compared to the national average of approximately 16% and the state average of approximately 7%. These ongoing and pro-active investments reflect the Water Utility's goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities.

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

($ in thousands)	
Potable Water Main - Scott, Tulare to Glenoaks	$ 445
Potable System Expansion	411
Potable Meter Replacements	316
Potable Water Main - Hollywood Way, Allan to Jeffries	283
Recycled Water Main - Olive, Lima to Alameda	193
Potable Water Main - Mariposa, Chestnut to Burbank	116
Direct Potable Reuse Study	108
Alternative Feed of MWD Water	102
Total	**$ 1,975**

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

Debt Administration

As of June 30, 2018, the Water Utility had $31,765 in outstanding revenue bonds, of which $860 will be due within a year. The Water Utility repaid $830 toward outstanding revenue bonds during the fiscal year.

The Water Utility received a total of $9,254 in loans from the State Water Resources Control Board (SWRCB) for three recycled water transmission main extensions and a water pumping station since fiscal year 2011-12. All the SWRCB loans have 20-year repayment terms with an annual interest rate of 2.6%. As of June 30, 2017, there was $6,825 outstanding in SWRCB loans, of which $421 will be due within a year. The Water Utility repaid $410 towards these outstanding loans this fiscal year.

As a subsequent event, the Water Utility revenue bonds were affirmed by Fitch Ratings with an 'AAA' rating with a stable outlook in September 2018. An 'AAA' rating is the highest quality rating. This rating reflects the rating agency's view of the Water Utility's solid financial performance overall, moderate debt burden, strong revenue defensibility, adequate supply position, healthy financial profile, credit profile, strong coverage and cash flows, moderate debt burden, solid rate flexibility, adequate water supply, and strong service area. 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. 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. The initial allocation for the 2018 SWP was 15% on December 1, 2017. The allocation was increased to 20% on January 29, 2018, 30% on April 24, 2018 and then to 35% on May 24, 2018. A SWP allocation of 35% with moderate demand from member agencies has the system in balance and will not require any withdrawals from what MWD has in storage. Construction repair work on the Oroville Dam Spillway began again at the beginning of May 2018. The lake level has been held lower to allow an earlier start on this years' construction. The relatively low level of the lake through the winter is one factor in an initial lower SWP allocation. The repair work on the main spillway was completed on November 1, 2018. It appears Lake Oroville will be approved for near "normal" operational storage levels this winter.

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 of the Environmental Impact Statement (EIS) for the revised/recirculated BDCP, titled the California WaterFix, was released by the State Department of Water Resources in December 2016. WaterFix was identified as the best option for both increasing water supply reliability and addressing current Delta ecosystem concerns while minimizing environmental impact. WaterFix is the State's plan to upgrade infrastructure in the estuary where two major rivers – the Sacramento and San Joaquin – meet before flowing to San Francisco Bay. The project consists of three new intakes in the northern Delta and two 35-mile-long tunnels to transport water to the existing pumping plants in the south Delta. The California Water Fix passed a major milestone on April 10, 2018 when MWD's Board voted to proceed with the full two tunnel project and finance the full unsubscribed share of the estimated construction cost to move the project forward. It is also strongly anticipated that Central Valley farmers, south of the Delta, will be paying proportionate use fees to move their water offsetting costs to MWD customers. The Santa Clara Valley Water Authority (SCVWA) voted in early May 2018 to fund their share of the California Water Fix and explore participating in an unsubscribed portion of the project. The Delta Conveyance Design and Construction Joint Powers Authority (DCA) also decided to join the project on May 14, 2018. The DCA will sell bonds for project financing and direct design and construction. Now that the funding question has been resolved, permitting and design will go forward despite many protests by the project opponents. Notwithstanding the aforementioned events and actions, MWD conducted a revote on the California Water Fix at the July 10, 2018 Board meeting to bypass a protest by external parties, which claim there may have been a violation of the Brown Act prior to the vote. MWD counsel has determined that no violation took place but the revote eliminated any continuing protests regarding the complaints. The Delta Stewardship Council issued a draft staff prepared Council determination on November 8, 2018 that appeals to the Department of Water Resources (DWR) certification of consistency with the Delta Plan for its California WaterFix Project have merit and that substantial does not exist in the record to support DWR's findings that the California WaterFix is consistent with the Delta Plan's co-equal goals or Delta Plan policies. The Council held a workshop on November 15, 2018 to receive comments on the staff draft Determination. On Friday, December 7, 2018, The Department of Water Resources (DWR) withdrew its petition to the Delta Stewardship Council (Council) to have California Water Fix deemed in compliance with the Delta Plan – a set of policy goals mandated by state law that asserts coequal goals of protecting the fragile estuary with more reliable water supplies. DWR will submit their revised plan sometime in 2019.

On April 1, 2015, Governor Brown issued an executive order mandating a 25% reduction in urban water use statewide. The State Water Resources Control Board (SWRCB) adopted the regulations and they were approved by the State Office of Administrative Law. Burbank was required to meet a 24% reduction in overall water use as measured against water use in the same period of 2013. Burbank consistently met the reduction requirements by utilizing the appropriate stages of the Sustainable Water Use Ordinance. Initially, it was Stage III that limited watering to two days a week in the summer and one day a week in winter. With experience and some relaxation of the State mandate, Burbank currently limits outdoor watering to three days a week year round. This is now embodied in the Burbank Sustainable Water Use Ordinance in Stage I and is the "New Normal" in Burbank. The effect of the three day a week watering limitation will continue to be monitored. Given potential future actions by the State, Burbank appears well positioned to meet the future requirements. Besides conservation measures, Burbank made significant strides in converting major irrigation and building cooling towers to recycled water, which is 100% conservation that will continue year after year. BWP continues to work with customers to utilize recycled water where practical but recognizes that the largest users have been converted.

Governor Brown issued Executive Order B-40-17, on April 7, 2017, recognizing that the drought was over in California, with the exception of 4 counties in the Central Valley that rely on depleted groundwater basins. The Executive Order does state that the Orders and Provisions in "Making Water Conservation a California Way of Life" remain in full force and effect. This includes the Department of Water Resources (Department) continuing to work with the Water Board to develop standards that urban water suppliers will use to set new urban water use standards that urban water suppliers will use to set new urban water use efficiency targets as directed by Executive Order B-37-16. Upon enactment of legislation, the Water Board shall adopt urban water use efficiency standards that include indoor use, outdoor use and leaks, as well as performance measures for commercial, industrial and institutional water use. Some language is also directed at conserving recycled water which is not in short supply. This would impact Burbank's use of recycled water.

The Department shall provide technical assistance and urban landscape area data to urban water suppliers for determining efficient outdoor use. These water use standards must be in place by May 20, 2021, but the State Water Board may set interim standards to ensure progress before the long term standards are adopted in 2021.This promises a significant intrusion by the State into detailed water use decisions in Burbank, as well as any other water purveyor, beyond simple efficient volumetric use of water. BWP is paying close attention and working with regional and industry groups to comment on, and influence, the development of these standards. As noted above, these actions require enabling legislation which was passed by the legislature this year. The legislature is considering "clean up" language in the next session. Burbank will pursue this, particularly as it relates to recycled water use.

Legislation is also moving forward for the state to fund operation and maintenance of water facilities in disadvantaged communities, as well as separate legislation to provide low income rate assistance. Both of these efforts are moving forward under the auspices of water as a basic human right as defined by the California Legislature. One means of paying for these initiatives is proposed as fees attached to individual consumer's water bills as opposed to funding through the State General Fund. The Governor has also included this funding mechanism in the proposed state budget. This approach is highly contested by water agencies and is active in the current legislative session. The proposed monthly $1 fee on water bills is now proposed as a voluntary contribution that may be opted out of by the customer. The proposal did not pass this year but will be brought back in the next session.

Due to the bountiful 2017 water year, MWD added excess water supply of 1.3 million acre-feet beyond its 2017 demand to its storage facilities. The available water exceeded MWD's capacity to place water into its storage facilities so MWD created a Cyclic Storage Program to allow Member Agencies to store water in their groundwater basins and then pay for the water when they take it. At the end of December 2018, Burbank had spread a total of 5,674 acre-feet in the MWD Cyclic Storage account for future purchase as well as the budgeted annual purchase of untreated volumetric water of 7,200 acre feet in the FY17/18 budget. Burbank spread the 7,200 acre feet between October and December. It is anticipated that the Pacoima spreading ground will not be available in October of 2019 due to construction. Burbank will then draw down on its Cyclic Storage account.

City Council approved two agreements covering future operation of the Burbank Operable Unit (BOU). The agreements will allow well water from North Hollywood to be brought to the BOU for treatment and the treated/blended water from the Valley Pumping Plant will be delivered into the Los Angeles potable water system. One agreement is between Burbank and Los Angeles and the other is between Burbank and Lockheed Martin Corporation. Lockheed is responsible for all infrastructure costs and the additional operational costs going forward per the Consent Decree. This assures the continuance of the payment of all BOU costs by Lockheed Martin well into the future.

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.

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CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
Statement of Net Position
June 30, 2018
(With comparative financial information for the year ended June 30, 2017)
(In Thousands)

	Electric		Water	
Assets	**2018**	**2017**	**2018**	**2017**
Current and regulatory assets:				
Cash and cash equivalents (note 2):				
General operating	$ 75,097	67,022	9,480	7,835
Capital and debt reduction	10,000	10,000	2,220	2,220
General plant	800	800	-	-
Fleet replacement	2,210	2,210	-	-
Greenhouse gas credits' proceeds	69	69	-	-
Lower carbon fuel credits' proceeds	1,249	-	-	-
WCAC	-	-	344	607
Distribution mains	-	-	1,100	1,100
Total cash and cash equivalents	89,425	80,101	13,145	11,762
Accounts receivable, net (note 3)	16,459	14,212	3,335	3,460
Inventories (note 4)	6,300	6,477	3,487	3,009
Due from the City (note 11)	670	1,221	-	375
Deposits and prepaid expenses (note 5)	31,341	27,966	34	32
Interest receivable	403	295	58	45
Regulatory costs to be recovered in one year (note 6)	98	119	147	136
Restricted nonpooled investments (note 2)	5,682	5,467	184	180
Total current and regulatory assets	150,378	135,858	20,390	18,999
Noncurrent and regulatory assets:				
OPEB assets (note 16)	-	3,679	-	-
Regulatory costs for future recovery (note 6)	108	198	123	162
Total noncurrent and regulatory assets	108	3,877	123	162
Capital assets (note 7):				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335	-	-
Utility plant and buildings	456,386	448,536	149,979	148,030
Machinery and equipment	70,342	68,428	6,639	5,766
Construction in progress	43,225	21,828	6,511	5,697
Total utility plant and equipment	574,022	542,861	163,438	159,802
Less accumulated depreciation	(283,207)	(265,899)	(69,423)	(65,741)
Total capital assets, net	290,815	276,962	94,015	94,061
Total assets	441,301	416,697	114,527	113,222
Deferred amounts from pensions (note 15)	21,779	17,371	3,410	2,748
Deferred amounts from OPEB (note 16)	660	-	92	-
Total deferred outflows of resources	22,439	17,371	3,502	2,748
Total assets and deferred outflows of resources	$ 463,740	434,068	118,029	115,969

See accompanying notes to basic financial statements.

(Continued)

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
Statement of Net Position
June 30, 2018
(With comparative financial information for the year ended June 30, 2017)
(In Thousands)

	Electric		Water	
Liabilities	**2018**	**2017**	**2018**	**2017**
Current liabilities:				
Accounts payable	$ 8,425	6,772	1,974	2,053
Accrued expenses	1,663	3,453	-	-
Bond interest payable	361	377	150	146
Due to the City of Burbank (note 11)	661	716	-	-
Customer deposits (note 10)	9,302	7,704	658	844
Unearned revenue (note 14)	6,440	2,718	-	-
Current portion of revenue bonds payable, net (note 9)	4,280	4,100	860	830
Current portion of loan payable (note 9)	-	-	421	409
Current portion of compensated absences (note 9)	357	412	36	30
Total current liabilities	31,489	26,252	4,099	4,312
Noncurrent liabilities:				
Revenue bonds payable, net (note 9)	70,340	75,090	31,003	31,939
Loan payable (note 9)	-	-	6,404	6,825
Compensated absences (note 9)	4,794	4,359	854	830
Net OPEB liability (note 16)	5,441	-	914	-
Net pension liability (note 15)	78,580	71,305	12,340	11,197
Total noncurrent and regulatory liabilities	159,155	150,754	51,515	50,791
Total liabilities	190,644	177,006	55,614	55,104
Deferred inflows of resources:				
Deferred amounts on pensions (note 15)	5,257	6,039	825	949
Deferred amounts on OPEB (note 16)	353	-	18	-
Regulatory credits for future recovery (note 8)	-	-	344	607
Regulatory credits (note 14)	1,927	772	2,890	3,009
Total deferred inflows of resources	7,537	6,811	4,077	4,564
Net Position				
Net position, as restated (see note 20):				
Net investment in capital assets	216,195	197,772	55,328	54,058
Restricted for debt service	5,682	5,467	184	180
Unrestricted	43,683	47,013	2,826	2,062
Total net position, as restated (see note 20)	$ 265,559	250,252	58,338	56,300

See accompanying notes to basic financial statements.

CITY OF BURBANK

WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

June 30, 2018

(With comparative financial information for the year ended June 30, 2017)

(In thousands)

	Electric		Water	
	2018	2017	2018	2017
Operating revenues:				
Sale of power-retail	$ 176,450	175,964	-	-
Sale of power and fuel-wholesale (note 13)	21,252	23,512	-	-
Sale of water	-	-	30,565	27,836
Intergovernmental	95	92	8	29
Other revenues	6,353	5,820	3,510	2,673
Total operating revenues	204,150	205,388	34,083	30,538
Operating expenses:				
Power supply expenses-retail (note 12)	87,759	90,295	-	-
Purchased power and fuel expenses-wholesale (note 13)	19,045	20,599	-	-
Water supply expenses (note 1)	-	-	12,015	10,817
Water maintenance and operation expenses	-	-	10,010	9,034
Transmission expenses	14,205	13,917	-	-
Distribution expenses	9,965	9,371	-	-
Other operating expenses (note 1)	24,718	22,728	4,867	3,720
Depreciation	17,392	16,912	3,683	3,603
Total operating expenses	173,083	173,821	30,575	27,175
Operating income	31,067	31,567	3,508	3,363
Nonoperating income (expenses):				
Interest income	720	478	43	22
Payments for in lieu of taxes to City (note 11)	(11,356)	(11,326)	-	-
Bond interest expense	(4,506)	(4,684)	(1,763)	(1,597)
Loan interest expense	-	-	(188)	(198)
Gain (loss) on disposal of capital assets (note 1)	217	(131)	3	24
Other income (expenses), net (note 14)	1,677	1,431	534	531
Total nonoperating income (expenses)	(13,248)	(14,231)	(1,369)	(1,217)
Income before contributions	17,819	17,335	2,139	2,145
Capital contributions	6,601	1,760	737	619
Transfers to the City	(286)	-	-	-
Total capital contributions and transfers	6,314	1,760	737	619
Change in net position	24,134	19,095	2,876	2,765
Net position, July 1, as restated (see note 20)	241,425	231,157	55,462	53,534
Net position, June 30	$ 265,559	250,252	58,338	56,300

See accompanying notes to basic financial statements

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
Statement of Cash Flows
June 30, 2018
(With comparative financial information for the year ended June 30, 2017)

(In Thousands)

	Electric		Water	
	2018	**2017**	**2018**	**2017**
Cash flows from operating activities:				
Cash received from customers	$ 202,128	206,596	33,915	30,731
Cash paid to suppliers	(118,348)	(140,331)	(21,130)	(19,539)
Cash paid to employees	(25,756)	(21,241)	(6,107)	(5,208)
Net cash provided by operating activities	58,024	45,024	6,678	5,984
Cash flows from noncapital financing activities:				
Payments received from other funds	551	-	-	-
Proceeds from other governmental agencies	94	92	8	29
Transfer from other funds	-	1,136	-	-
Transfers to other funds	-	(471)	-	-
Other income (expense)	264	(10)	569	561
Payment in lieu of taxes to City	(11,356)	(11,326)	-	-
Net cash provided by (used in) noncapital financing activities	(10,447)	(10,579)	577	590
Cash flows from capital and related financing activities:				
Principal payments - bond	(4,100)	(3,920)	(830)	(795)
Interest paid	(4,522)	(4,699)	(1,763)	(1,798)
Contributed capital	6,601	1,760	737	619
Acquisition and construction of assets	(36,312)	(16,394)	(3,637)	(3,997)
Principal payments - loan payable	-	-	(409)	(399)
Net cash used in capital and related financing activities	(38,333)	(23,253)	(5,902)	(6,370)
Cash flows from investing activities:				
Interest received	612	380	30	11
Purchases of restricted investments	(532)	-	-	(1)
Net cash provided by investing activities	80	380	30	10
Net increase (decrease) in cash and cash equivalents	9,324	11,572	1,384	214
Cash and cash equivalents - July 1	80,101	68,529	11,762	11,549
Cash and cash equivalents - June 30	$ 89,425	80,101	13,145	11,762

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Cash Flows
June 30, 2018
(With comparative financial information for the year ended June 30, 2017)

(In Thousands)

	Electric		Water	
	2018	**2017**	**2018**	**2017**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities :				
Operating income (loss)	$ 31,067	31,567	3,508	3,363
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	17,392	16,912	3,683	3,603
Other income	357	-	6	-
Gain/(loss) on sale of fixed assets	217	(131)	-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(2,247)	962	125	228
(Increase) decrease in due to/from City of Burbank	551	(450)	375	375
(Increase) decrease in inventories	232	297	(478)	(134)
(Increase) decrease in prepaid items	(3,375)	(76)	(2)	(15)
(Increase) decrease in deferred outflows	(5,068)	(447)	(754)	(107)
Change in reporting of operating / non-operating income	267	23	(230)	(35)
(Increase) decrease in regulatory assets	3,769	(417)	(253)	(60)
(Increase) decrease in deferred bond issuance costs	(359)	-	(47)	-
Increase (decrease) in accounts payable and accrued expenses	(137)	(4,224)	(78)	(297)
Increase (decrease) in net pension and OPEB liability	12,716	12,863	1,271	2,020
Increase (decrease) in deferred inflows	(429)	(14,024)	(106)	(2,202)
Increase (decrease) in compensated absences	(490)	(452)	(18)	(25)
Increase (decrease) in unearned/deferred revenue	3,722	2,718	-	-
Increase (decrease) in customer deposits	(1,314)	(53)	(204)	(613)
Increase (decrease) in deferred revenue	1,155	(44)	(119)	(118)
Total adjustments	26,959	13,457	3,170	2,620
Net cash provided by operating activities	$ 58,024	45,024	6,678	5,984
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	$ (1,723)	(443)	(255)	(68)

See accompanying notes to basic financial statements

NOTE 1: Summary of Significant Accounting Policies

(A) Accounting Methods

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

The basic financial statements include the following:

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

- Net investment in capital consists of capital assets, including 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 position that do not meet the definition of restricted for debt service or net investment in capital assets.

Statement of Revenues, Expenses and Changes in Fund Net Position – The statement of revenues, expenses and changes in fund net position reports revenues by major source and distinguishes between operating and nonoperating revenues and expenses.

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

(B) Basis of Presentation

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

C) Reporting Entity

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

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

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

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

(D) New Accounting Pronouncements

<u>Current Year Standards</u>

- GASB 75 - "In fiscal year 2017-2018 the City implemented GASB 75 "Accounting and Financial Reporting for Postemployment Benefit other Than Pension Plans". This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pensions. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased net positions at July 1, 2017 (See Note 20).

- GASB 82 - "Pension Issues", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which has no impact on the Utility.

- GASB 85 - "Omnibus 2017", effective for periods beginning after June 15, 2017, which has no impact on the Utility.

- GASB 86 - "Certain Debt Extinguishment Issues", effective for periods beginning after June 15, 2017 that 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 83 - "Certain Asset Retirement Obligations", effective for periods beginning after June 15, 2018.

- GASB 84 - "Fiduciary Activities", effective for periods beginning after December 15, 2018.

- GASB 87 - "Leases", effective for periods beginning after December 15, 2019.

- GASB 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements", effective for periods beginning after June 15, 2018.

- GASB 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period", effective for periods beginning after December 15, 2019.

- GASB 90 - "Majority Equity Interests", effective for periods beginning after December 15, 2018.

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

(E) Self-Insurance

The Electric and Water Utility Funds are part of the City's self-insurance programs, which provide coverage for general liability and workers' compensation claims. See NOTE 17, Self-Insurance, for additional information on the City's self-insurance programs.

(F) Capital Assets

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at acquisition value at the date of donation. The threshold for capitalizing assets is $5 or greater, except for betterments which could be less. When items are sold or retired, related gains or immaterial losses are included in nonoperating income (expenses). Material losses on retirements are reported as regulatory assets, as provided by GASB Statement No. 62, to be collected from future ratepayers. There are no material losses on retirements as of June 30, 2018. 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 to 30 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	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, 2018, offset by estimates for uncollectible accounts. Estimated allowances for uncollectible accounts are adjusted to the 91 days and over receivables' balances (see NOTE 3).

(H) Inventories

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

(I) Deposits and Prepaid Expenses

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

(J) Restricted Nonpooled Investments

The Electric and Water Funds have restricted nonpooled investments, in the form of debt service and parity reserves, to comply with the covenants contained in the various debt indentures requiring the establishment of certain specific accounts (see NOTES 2 and 9).

(K) Compensated Absences

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

(L) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of

America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(M) Revenue Recognition

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

The Electric Utility Fund's revenues include grant reimbursements from the California Energy Commission (CEC) for systems modernization projects and new electric vehicle charging stations. The CEC total Grants of $1,164 allows for 100% prorated reimbursement for approved expenditures. Grant revenue is deferred to match depreciation as capitalized 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, work for others and transfers to the City for cost allocations.

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

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

(P) Prior Year Data

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

(Q) Pensions

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

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

(R) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB's plan and additions to/deductions from the OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms.

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Unrestricted cash and investments	$ 89,425	13,145	**$ 102,569**
Restricted investments	5,682	184	**5,866**
Total	**$ 95,107**	**13,329**	**$ 108,435**
Cash on hand	$ 14	-	**$ 14**
Equity in City investment pool	95,092	13,329	**108,422**
Total	**$ 95,107**	**13,329**	**$ 108,436**

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. 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. GASB Statement No. 72 establishes disclosure requirements for fair value measurements related to investments. 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 Electric and Water Utility Funds' equity in the City's investment pool is not subject to fair value hierarchy.

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, 2018 and 2017 are:

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

	Electric		Water	
	2018	2017	2018	2017
Billed accounts receivable	$ 9,368	6,567	1,502	1,897
Unbilled accounts receivable	7,263	7,864	1,872	1,605
Allowance	(171)	(219)	(39)	(42)
Total	**$ 16,459**	**14,212**	**3,335**	**3,460**

The Electric Fund's accounts receivable includes billings of $1,456 for lower carbon fuel credits' sales made in June 2018, and accruals of $918 for CalTrans reimbursements for the relocation of the Burbank Boulevard Bridge and continuous work on the Interstate 5 Project.

NOTE 4: Inventories

Inventories for the Electric and Water Utility Funds as of June 30, 2018 and 2017 are:

	Electric		Water	
	2018	2017	2018	2017
Materials and supplies inventory	$ 6,300	6,477	544	592
Ground water inventory	-	-	2,942	2,417
Total	**$ 6,300**	**6,477**	**3,487**	**3,009**

During October through December 2017 the Water Utility purchased 7,200 AF of untreated water at a cost of $666/AF in exchange for groundwater credits from LADWP.

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of $31,341 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a $16,492 deposit with SCPPA for future use in projects, a $10,065 prepayment to the SCPPA Natural Gas Reserve for future gas deliveries, a $2,787 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), $1,343 in various prepaid SCPPA renewables, a $54 Morgan Stanley power exchange prepayment and various other prepaid expenses of $337. 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, 2018, the Electric Fund amortized $75 on this prepaid lease, leaving a balance of $263.

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, 2018 and 2017 are $206 and $317, and $269 and $298, respectively. The Electric Utility's 2012A Series Bonds' term is 10 years, and the Water Utility's 2010A and 2010B Series Bonds' term are 12 years and 30 years, respectively.

NOTE 7: Capital Assets

Capital assets include the following as of June 30, 2018:

Electric	Balance as of June 30, 2017	Additions	Deletions	Balance as of June 30, 2018
Capital assets not being depreciated:				
Land	$ 2,734	-	-	**$ 2,734**
Construction in progress	21,828	26,855	(5,458)	**43,225**
Total capital assets not being depreciated	**24,562**	**26,855**	**(5,458)**	**45,959**
Capital assets being depreciated:				
Rights to purchase power	1,335	-	-	**1,335**
Accumulated depreciation	(756)	(43)	-	**(799)**
Buildings and improvements	448,536	8,337	(487)	**456,386**
Accumulated depreciation	(218,205)	(13,039)	16	**(231,228)**
Machinery and equipment	68,428	2,392	(478)	**70,342**
Accumulated depreciation	(46,938)	(4,310)	68	**(51,180)**
Total capital assets being depreciated, net	**252,400**	**(6,663)**	**(881)**	**244,857**
Total net capital assets	**$ 276,962**	**20,192**	**(6,339)**	**$ 290,815**

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

Water	Balance as of June 30, 2017	Additions	Deletions	Balance as of June 30, 2018
Capital assets not being depreciated:				
Land	$ 309	-	-	$ **309**
Construction in progress	5,697	3,663	(2,849)	**6,511**
Total capital assets not being depreciated	**6,006**	**3,663**	**(2,849)**	**6,820**
Capital assets being depreciated:				
Buildings and improvements	148,030	1,951	(1)	**149,979**
Accumulated depreciation	(61,236)	(3,475)	1	**(64,710)**
Machinery and equipment	5,766	873	-	**6,639**
Accumulated depreciation	(4,505)	(208)	-	**(4,713)**
Total capital assets being depreciated, net	**88,055**	**(859)**	**-**	**87,195**
Total net capital assets	**$ 94,061**	**2,804**	**(2,849)**	**$ 94,015**

Capitalized Interest

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

Pacific DC Intertie

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale, and the City of Pasadena for an unrestricted 3.846% interest in the Pacific DC Intertie. As of June 30, 2018, the Electric Utility Fund has recorded its share of the Intertie of approximately $14,634 within its plant and equipment assets, less accumulated depreciation of $14,634. Such asset has been fully 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.

During the fiscal year, the Electric Utility invested $2,340 in betterments for its share of the Intertie. These capital improvements are expected to continue until 2020.

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 $344 and $607 at June 30, 2018 and 2017, respectively, and is reported in deferred inflows of resources.

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

(A) Loan Payable

Water Loan Payable	2018	2017
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.	$ 381	$ 405
Less current portion	(25)	(24)
Total for Recycled Water Pumping Station	**356**	**381**
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.	2,670	2,840
Less current portion	(176)	(171)
Total for Valhalla Recycled Water Main Extension	**2,494**	**2,669**
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.	2,379	2,518
Less current portion	(143)	(139)
Total for Studio District Recycled Water Main Extension	**2,236**	**2,379**

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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 $1,784 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2033.	1,396	1,471
Less current portion	(77)	(75)
Total for Northern Burbank Main Extension	**1,318**	**1,396**
Total long-term intergovernmental loan payments	**$ 6,404 $**	**$ 6,825**

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2018 is as follows:

SWRCB Loan for the Studio District Recycled Water Main Extension

	Water		
	Principal	**Interest**	**Total**
2019	$ 143	62	$ 205
2020	147	58	205
2021	151	54	205
2022	154	50	205
2023	159	46	205
2024-2028	857	168	1,024
2029-2032	768	51	819
	$ 2,379	**489**	**$ 2,868**

SWRCB Loan for the Northern Burbank Main Extension

	Principal	**Interest**	**Total**
2019	$ 77	36	$ 113
2020	79	34	113
2021	81	32	113
2022	83	30	113
2023	86	28	114
2024-2028	463	105	568
2029-2033	527	42	569
	$ 1,396	**307**	**$ 1,703**

SWRCB Loan for the Recycled Water Distribution System

	Water		
	Principal	**Interest**	**Total**
2019	25	10	35
2020	26	9	35
2021	26	9	35
2022	27	8	35
2023	146	29	175
2028-2031	131	9	140
	$ 381	**74**	**$ 455**

SWRCB Loan for the Valhalla Recycled Water Main Extension

	Principal	**Interest**	**Total**
2019	176	69	245
2020	180	65	245
2021	184	60	244
2022	189	55	244
2023	1,023	200	1,223
2028-2031	918	60	978
	$ 2,670	**509**	**$ 3,179**

(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.

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	Electric	
2010A Series Bonds:	**2018**	**2017**
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.	$ 16,815	$ 19,940
Less:		
Current portion	(3,280)	(3,125)
Original issue discount/premium	294	454
Long-term Bonds Series A of 2010	**$ 13,829**	**$ 17,269**

	Electric	
2012 Series A Bonds:	**2018**	**2017**
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.	$ 4,275	$ 5,250
Current portion	(1,000)	(975)
Original issue discount/premium	208	320
Long-term Bonds Series A of 2012	**$ 3,483**	**$ 4,595**
Total Electric long-term revenue bonds payable	**$ 70,340**	**$ 75,090**

	Electric	
2010B Series Bonds:	**2018**	**2017**
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
Current portion	-	-
Original issue discount/premium	363	560
Long-term Bonds Series B of 2010	**$ 53,028**	**$ 53,225**

	Water	
2010A Series Bonds:	**2018**	**2017**
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.	$ 3,820	$ 4,650
Less:		
Current portion	(860)	(830)
Original issue discount/premium	198	283
Long-term Bonds Series A of 2010	**$ 3,158**	**$ 4,103**

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	Water 2018	Water 2017
2010B Series Bonds:		
These bonds were issued to finance the costs of the 2010 Water Project and to pay the costs of issuance of the Series 2010B Bonds. Payable in installments ranging from $850 to $2,275. Interest rates range from 4.89% to 5.79%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account. The City expects to receive a direct cash subsidy from the United States Department of Treasury equal to 35% of the interest on the Series 2010B Bonds.	$ 27,945	$ 27,945
Current portion	-	-
Original issue discount/premium	(101)	(109)
Long-term Bonds Series B of 2010	$ 27,844	$ 27,836
Total Water long-term revenue bonds payable	$ 31,003	$ 31,939

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, 2018 is as follows:

	Electric Principal	Electric Interest	Water Principal	Water Interest	Total
2019	$ 4,280	3,183	860	1,733	$ 10,056
2020	4,485	2,979	895	1,698	10,057
2021	4,290	2,758	930	1,662	9,640
2022	4,505	2,544	970	1,625	9,644
2023	3,530	2,318	1,015	1,577	8,440
2024-2028	11,965	9,794	5,620	7,078	34,457
2029-2033	14,600	7,201	7,165	5,391	34,357
2034-2038	17,875	3,954	9,840	3,031	34,700
2039-2040	8,225	510	4,470	391	13,596
Total	**$ 73,755**	**35,241**	**31,765**	**24,186**	**$ 164,947**

(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 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 17-18 Net Revenue Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year	Interest Paid this Fiscal Year
Electric Utility	$ 48,420	73,755	35,241	4,100	4,506 (1)
Water Utility	$ 7,191	31,765	24,186	830 (2)	1,763 (1), (3)

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

(2) For 2010A Series Bonds.

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

(D) Utility Funds' Long-Term Liabilities

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2018:

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

	July 1, 2017	Additions	Retirements	July 1, 2018	Due within 1 Year
Revenue Bonds Payable:					
2010 Series A Bonds	$ 19,940	-	(3,125)	16,815	$ 3,280
2010 Series B Bonds	52,665	-	-	52,665	-
2012 Series A Bonds	5,250	-	(975)	4,275	1,000
Compensated Absences	4,771	3,764	(3,384)	5,151	357
	$ 82,626	**3,764**	**(7,484)**	**78,907**	**$ 4,637**
Less current portion	(4,512)			(4,636)	
Less unamortized bond premium (discount)	1,334			865	
Total	**$ 79,448**			**$ 75,134**	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2018:

	July 1, 2017	Additions	Retirements	July 1, 2018	Due within 1 Year
Loans and Revenue Bonds Payable:					
Intergovernmental Loan Payable	$ 405		(24)	381	$ 25
Intergovernmental Loan Payable	2,841		(171)	2,670	176
Intergovernmental Loan Payable	2,518		(139)	2,379	143
Intergovernmental Loan Payable	1,471		(75)	1,396	77
2010 Series A Bonds	4,650		(830)	3,820	860
2010 Series B Bonds	27,945		-	27,945	-
Compensated Absences	860	492	(462)	890	36
	$ 40,690	**492**	**(1,702)**	**39,480**	**$ 1,318**
Less current portion	(1,269)			(1,317)	
Less unamortized bond premium (discounts)	174			97	
Total	**$ 39,594**			**$ 38,260**	

NOTE 10: Customer Deposits

A portion of the Utility's customer deposits are nonrefundable 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 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, 2018 and 2017 is $5,549 and $4,520, respectively.

NOTE 11: Related Party Transactions

In accordance with the City Charter, the City Council has a long standing practice of authorizing annual transfers from the Electric Enterprise Fund to the City's General Fund in the form of an in-lieu transfer of 5.0% and a street lighting transfer of 1.5% of the City's gross sales of electricity (exclusive of wholesale sales to other public or privately-owned utilities). The practice of transfers from the Electric Enterprise Fund to the General Fund was challenged by a plaintiff in a complaint filed in June 2016, Christopher Matthew Spencer v. the City of Burbank (Case Number: BS162779). In June 2018 the voters of Burbank passed Measure T, a ballot measure that amended the City of Burbank Charter to continue this practice of annual transfers from Burbank Water and Power's gross annual sales of electricity, paid by retail electric rate payers. During the fiscal year, the City assessed a 5.0% in-lieu of taxes on Electric retail revenues; and an additional assessment of 1.5% made on Electric retail revenues to maintain and operate the City's street lighting system. 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, 2018 and 2017 as follows:

	Electric	
	2018	**2017**
In-lieu of taxes	$ 8,821	$ 8,797
Street Lighting	2,536	2,529
Total Payment in-lieu of taxes	**$ 11,356**	**$ 11,326**

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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 its final installment of $375.

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, 2018 and 2017 were as follows:

		Electric		Water	
		2018	2017	2018	2017
Administrative and overhead costs	$	5,281	5,605	1,743	1,645
Total	**$**	**5,281**	**5,605**	**1,743**	**1,645**

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, 2018 and 2017 is as follows:

		Electric	
		2018	2017
Utility Users Tax	$	11,772	11,683
Total	**$**	**11,772**	**11,683**

In the prior fiscal year, a loan balance owed to the Electric Utility from the Street Lighting Fund was recorded as Due from the City. In FY 2011-12, the original loan amount was $1,053. Cumulative payments as of fiscal year end are $383.

During the fiscal year, the prior year's Electric Fund short term loan to the City's Tieton Hydro Project Fund of $471 was repaid in full.

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, 2018 and 2017, the Electric Fund made payments totaling $66,072 and $69,399 for "take or pay" contracts, respectively, and $2,636 and $2,220 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.

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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, 2018 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%	$ 30,751	31,111
SCPPA: (1)			
Southern Transmission System	4.498%	21,878	26,381
Magnolia Power Project (Project A)	32.350%	92,016	114,668
Prepaid Natural Gas Project #1	33.000%	97,898	152,423
Milford I Wind Project	5.000%	8,879	12,046
Mead-Adelanto	11.534%	6,304	6,730
Tieton Hydropower Project	50.000%	23,525	40,358
Mead-Phoenix	15.400%	2,544	2,695
Natural Gas Project - Barnett	100.000%	14,159	19,726
Natural Gas Project - Pinedale	100.000%	4,571	6,369
SCPPA Total		271,775	381,395
Total		**$302,526**	**$ 412,507**

(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.

Following is a schedule detailing 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).

	2018/19		2019/20		2020/21	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	$ 6,824	870	7,350	293	7,302	(281)
SCPPA:						
Southern Transmission System	2,523	970	2,204	855	2,758	750
Magnolia Power Project (Project A)	2,229	2,627	2,337	2,517	37,235 *	2,053
Prepaid Natural Gas Project #1	1,777	4,943	2,127	4,843	2,549	4,720
Milford I Wind Project	504	427	529	402	555	375
Mead-Adelanto	2,213	250	2,306	137	1,785	39
Tieton Hydropower Project	475	1,193	500	1,168	525	1,142
Mead-Phoenix	905	85	929	50	711	16
Natural Gas Project - Barnett	1,342	776	1,240	705	1,160	639
Natural Gas Project - Pinedale	433	251	400	228	375	206
Total	**$ 19,225**	**12,391**	**19,922**	**11,199**	**54,955**	**9,659**

* Last payment for the Magnolia 2017-1 Bonds assumes no refinancing. However, SCPPA anticipates refinancing the 2017-1 bonds by the end of 3 year put option or before July 1, 2020.

	2021/22		2022/23		2023/28	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	$ 5,198	(393)	3,707	(132)	371	2
SCPPA:						
Southern Transmission System	3,567	614	2,747	465	8,078	850
Magnolia Power Project (Project A)	2,573	1,582	2,169	1,470	10,938	6,278
Prepaid Natural Gas Project #1	2,950	4,576	3,203	4,414	23,862	18,792
Milford I Wind Project	582	348	610	318	3,531	1,100
Mead-Adelanto						
Tieton Hydropower Project	553	1,113	583	1,082	4,333	4,745
Mead-Phoenix						
Natural Gas Project - Barnett	1,096	577	1,036	518	4,479	1,789
Natural Gas Project - Pinedale	354	186	334	167	1,446	578
Total	**$ 16,873**	**8,603**	**14,389**	**8,303**	**57,037**	**34,133**

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

	2028/33 Principal	2028/33 Interest	2033/38 Principal	2033/38 Interest	2038/43 Principal	2038/43 Interest
Intermountain Power Project	$ -	-	-	-	-	-
SCPPA:						
Southern Transmission System	-	-	-	-	-	-
Magnolia Power Project (Project A)	13,349	4,386	21,185	1,738	-	-
Prepaid Natural Gas Project #1	39,498	10,789	21,932	1,450	-	-
Milford I Wind Project	2,570	197	-	-	-	-
Mead-Adelanto	-	-	-	-	-	-
Tieton Hydropower Project	4,640	3,582	5,923	2,268	5,995	541
Mead-Phoenix	-	-	-	-	-	-
Natural Gas Project - Barnett	3,806	562	-	-	-	-
Natural Gas Project - Pinedale	1,229	182	-	-	-	-
Total	$ 65,092	19,698	49,039	5,456	5,995	541

	Total Principal	Total Interest
Intermountain Power Project	30,751	360
SCPPA:		
Southern Transmission System	21,878	4,503
Magnolia Power Project (Project A)	92,016	22,652
Prepaid Natural Gas Project #1	97,898	54,525
Milford I Wind Project	8,879	3,167
Mead-Adelanto	6,304	426
Tieton Hydropower Project	23,525	16,833
Mead-Phoenix	2,544	151
Natural Gas Project - Barnett	14,159	5,567
Natural Gas Project - Pinedale	4,571	1,797
Total	**$302,526**	**109,981**

During the fiscal year, the outstanding principal and interest for the Palo Verde and Hoover Uprating Projects were paid in full.

Hedge Policies and Outstanding Hedge Contracts

The Electric Utility Fund utilizes natural gas hedging as outlined in its Energy Risk Management Policy. For the fiscal year, the Electric Utility Fund has entered into physical hedge contracts for the delivery of natural gas. The purpose of hedging is to protect against fluctuating prices and deliver stable and competitive rates to its retail customers.

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, 2018, 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, 2013 through 2016.

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, 2018 and 2017 are as follows:

	2018	2017
Wholesale Revenues	$ 21,252	23,512
Wholesale Costs	19,045	20,599
Wholesale Margin	$ **2,207**	**2,913**

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NOTE 14: Deferred Inflows of Resources / Unearned Revenue

On January 22, 2013 the Electric Utility was awarded a grant of $1,000 from the California Energy Commission (CEC) in support of the Department of Energy's systems' modernization capital projects funded during fiscal years 2010/11 through 2014/15. In fiscal year 2015/16 the CEC also awarded a grant for an additional $164 for installation of new electric vehicle charging stations. The Electric Utility is deferring payments received for these capital assets to match corresponding depreciation over their useful lives, as allowed by Accounting Standards Codification 980 rules under GASB Statement No. 62. The Electric Utility recognized revenue and depreciation expense of $94 for this fiscal year, and $44 the prior fiscal year. The deferred CEC payments were reported as regulatory credits in deferred inflows of resources and were $609 for this fiscal year, compared to $703 for the prior fiscal year.

During fiscal year 2014/15, the Electric Utility sold greenhouse gas allowance credits at auction, resulting in proceeds of $69. These proceeds were reported as deferred inflows of resources, and will remain deferred until such time that the City Council authorizes use that supports the intent of California Assembly Bill 32, which includes mitigating risks associated with climate change while improving energy efficiency, expanding the use of renewable energy resources, cleaner transportation, and reducing waste.

The Electric Utility is constructing an electrical substation on approximately 0.32 acres of land owned by the City at the southwest corner of the intersection of N. Ontario Street and Winona Avenue. During the fiscal year, contributed funds of $3,722 were received for the portion of the project related to serving the proposed development of the Avion Burbank Project. These proceeds were reported as unearned revenue, as were the contributed funds received in the prior fiscal year of $2,718. The funds will remain deferred until construction is complete. Construction began in September 2017 and is expected to end in March 2019.

The California Air Resources Board initiated a program, Low Carbon Fuel Credits Standard (LCFS), to reduce carbon intensity in transportation fuels as compared to conventional petroleum fuels, such as gasoline and diesel. In June 2018, the Electric Utility sold 7,000 credits for $1,249. These credit sales were reported as regulatory credits in deferred inflows of resources, until such time the actual credit transfers were made in July 2018.

Deferred inflows of resources and unearned revenue as of June 30, 2018 are as follows:

Electric Utility Unearned / Deferred Revenue	2018	2017	2014 - 2016	Total
Ontario Substation aid-in-construction	$ 3,722	$ 2,718	-	$ 6,440
Deferred aid-in-construction payments	**$ 3,722**	**$ 2,718**	**-**	**$ 6,440**
Systems Modernization expenditures	-	-	1,000	$ 1,000
Deferred California Energy Commission (CEC) payments recognized	(94)	(44)	(253)	(391)
Deferred CEC payments	**$ (94)**	**$ (44)**	**$ 747**	**$ 609**
Deferred greenhouse gas allowance sales proceeds	**-**	**-**	**69**	**69**
Deferred LCFS Credits	**$ 1,249**	**$ -**	**$ -**	**$ 1,249**
Total Unearned / Deferred Electric Revenue	**$ 4,877**	**$ 2,674**	**$ 816**	**$ 8,367**

The Water Utility has recorded contributed assets from prior periods for the Burbank Empire Center and Bob Hope Airport of $3,651 and $1,078, respectively. During the fiscal year the Water Utility recognized revenue and depreciation expense of $118, respectively. For the fiscal year, the Water Utility's regulatory credits balance for the contributed assets is $2,890, compared to $3,009 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.

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

1. *Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous (Non-Safety) Employee Pension Plans, an agent multiple-employer 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 to 62 with statutorily defined benefits. For employees hired into a plan with the 2.5% at 55 formula, eligibility for service retirement is age 50 with at least 5 years of service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 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, 2018, are summarized as follows:

	Miscellaneous	
	Prior to	On or After
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	5.75%
Required employer contribution rates	8.468%	8.468%
Payment of unfunded liability	$12,068,592	-

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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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. City Contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

B) Net Pension Liability

As of June 30, 2018 and 2017, 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:

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

Proportionate Share of Net Pension Liability

	June 30, 2018		June 30, 2017	
Electric Utility Fund	$	78,580	$	71,305
Water Utility Fund		12,340		11,197
Total Net Pension Liability	$	**90,920**		**82,502**

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 measurement dates were as follows:

	Electric Utility	Water Utility
Proportion - June 30, 2016	34.96%	5.49%
Proportion - June 30, 2017	34.96%	5.49%
Change - Increase (Decrease)	0.00%	0.00%

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

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

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

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

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

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

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

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

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

For the year ended June 30, 2018, the City recognized a debit to pension expense for the Electric and Water Utility of $8,933 and $1,403, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Electric	Water	Electric	Water
Pension contributions subsequent to measurement date	$ 6,782	1,055		
Differences between actual and expected experience			(4,817)	(756)
Change in assumptions	11,841	1,859	(440)	(69)
Net differences between projected and actual earnings on plan investments	3,156	496		
Total	**$ 21,779**	**3,410**	**(5,257)**	**(825)**

$6,782 and $1,055 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, 2019. 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	Electric Utility	Water Utility
2019	1,993	313
2020	7,327	1,151
2021	2,127	334
2022	(1,707)	(268)
Thereafter	-	-
Total Deferred Inflows of Resources	$ 9,740	$ 1,530

1. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 12.2% (1)
Mortality	(2)

(1) Varies by entry age and service.

(2) 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.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

In fiscal year 2017/2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

a. Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each plan, and reflects the long term expected rate of return for each plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 Public Employees Retirement Funds (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF, A, B, and C funds), expected compound (geometric) 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 PERF 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%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

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

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

	Utility	
1% Decrease		6.15%
Net Pension Liability	$	138,867
Current Discount Rate		7.15%
Net Pension Liability	$	90,920
1% Increase		8.15%
Net Pension Liability	$	51,714

2. Pension Plan Fiduciary Net Position

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

NOTE 16: Post-Retirement Health Care Benefits

PEMHCA

The CalPERS Public Employees' Medical and Hospital Care Act (PEMHCA) plan under the authority of section 22750 to 22948 of the state of California's government code, is an agent multiple employer plan. The City pays the required PEMHCA minimum contribution for all miscellaneous employees retiring directly from the City who enroll in a CalPERS medical plan. The current PEMHCA minimum contribution amount is $133 per month. In addition, the City pays retiree health contribution amounts of $88.24 per month for 17 management retirees, and $188 per month for 9 IBEW retirees. For these management/ IBEW retirees, the PEMHCA minimum required contribution of $133 is paid in addition to the retiree health contribution amounts. The allocated proportionate share to the Utility is 12.79% to the Electric Fund and 2.32% to the Water Fund. The PEMHCA benefit provisions are established and amended through negotiations between the City and its unions.

BERMT

The Burbank Employees Retiree Medical Trust (BERMT) is a single employer, defined benefit plan. The BERMT was established in April 2003 by the city's employee associations to provide post retirement medical benefits to all non-safety employees, including elected and appointed officials. Plan members are required to contribute fifty dollars per bi-weekly pay period, which the City matches. Plan provisions and contribution requirements are established by and may be amended by BERMT board. The trust is controlled by the seven voting members from the various employee associations appointed to three year terms. The City appoints an eighth member to the board, but that member is non-voting. Investments are determined by the BERMT plan trustees, and are governed by ERISA provisions.

Eligibility for benefits require that members are retired, and have reached age 58 with a minimum of 5 years of contributions into the plan. The benefit ranges from $150 to $630 in reimbursements per month based on years of service, for eligible medical expenses. The BERMT members represented by a bargaining group are required to contribute fifty dollars per pay period. The City contributes fifty dollars per pay period for both represented and unrepresented BERMT members. For the fiscal year 2017-18, the City contributed $1,346 to BERMT. BERMT is not subject to GASB 75 reporting.

URMT

The Utility Retiree Medical Trust (URMT) is an agent multiple employer plan, established during the 2008-09 fiscal year for IBEW members and 14 management employees as a supplement to benefit payments from BERMT and PEMHCA. The total target benefit is $1,200/month for individuals age 50 to age 64 and $750/month for those age 65 and above, with the exception that for qualifying employees who retire after December 16, 2015 and who have not contributed to Medicare while employed at Burbank and who are also not otherwise eligible for premium-free Medicare Part A at age 65 and older, the maximum amount at age 65 and older shall be $975/month for fiscal year 2016-17, including 65 and older, the maximum amount at age 65 and older shall be $975/ month for fiscal year 2016-17, including payments from BERMT, PEMHCA minimum and URMT. For the fiscal year 2017-18, the City contributed $154. The City's ADC was $173 (in thousands) for the fiscal year 2017-18.

Funding Policy

The City has pre-funded the PEMHCA and URMT Plans through CalPERS OPEB Trust (CERBT) and has a policy of contributing 100% of the City's Actuarially Determined Contribution (ADC) each year. For the fiscal year 2017-18, the City contributed $4,253 in form of deposits to CERBT. The City's ADC was $4,221 for the fiscal year 2017-18.

The CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information for the City, not individualized, but in aggregate with the other CERBT participating agencies.

This report may be obtained at the following address:

PEMHCA, CERBT—State of California, 400 Q Street, Sacramento, CA 95811

Employees Covered

As of June 30, 2017 measurement date, the following current and former

	URMT
Inactive employees or benficiaries currently receiving benefits	46
Active employees	145
Total	191

Miscellaneous employees were covered by the URMT plan:

Contributions

The URMT and PEMHCA contribution requirements are established by City policy and may be amended. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the City's total contributions of $4,261 consist of payments to the trust of $2,849, and the estimated implied subsidy of $1,412.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown on the next page.

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	PEMHCA	URMT
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.00%	3.00%
Expected long term investment rate of return	6.75%	6.75%
Healthcare cost trend rates (PEMHCA)	6.5% Medicare, 7.5% Non, decreasing to 4% in 2076 and later	
Benefit Increase trend rates (URMT)	0% to 2022, then 4.5% after	
Pre-retirement turnover	Derived from CALPERS pension plan	
Mortality	(2)	(2)

(2) The probabilities of mortality are derived using CalPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 1997-2011 experience study report.

The actuarial assumptions used in the June 30, 2017 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table :

Asset Class	Expected Real Return
Global Equity	4.82%
Global Fixed Income	1.47%
TIPS	1.29%
Real Estate	3.76%
Commodities	0.84%
Total	

Change of Discount Rate

The discount rate used in the June 30, 2017 valuation was 6.75% as compared to the June 30, 2015 valuation discount rate of 7.25%. The discount rate was changed due to lower expected average returns, a 2.75% inflation assumption reduced from 3.00%, and a 10-year Capital Market Assumption projection.

Changes in the NET OPEB Liability

Changes in the net OPEB liability - URMT

	Increase (Decrease) Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016 (Measurement date)	$ 9,056	8,380	676
Changes in the year :			
Service cost	283	-	283
Interest on the total OPEB liability	623	-	623
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contributions - employer	-	148	(148)
Contributions - employee	-	148	(148)
Net investment income	-	889	(889)
Administrative expenses	-	(5)	5
Benefit payments	(222)	(222)	-
Net Changes	684	958	(274)
Balance at June 30, 2017 (Measurement date)	$ 9,740	$ 9,338	$ 402

As of June 30, 2018 the Electric and Water Utility Funds reported net OPEB liability for its proportionate share of the net OPEB liability of the PEMHCA plan as follows:

Net OPEB Liability - PEMHCA Plan	June 30, 2018
Electric Utility	$ 5,039
Water Utility	914

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

There were no changes in assumptions, nor changes in benefit terms. There were no subsequent events that would materially affect the results presented in this disclosure.

a. Sensitivity of the net OPEB liability to changes in the discount rate

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

	PEMHCA	URMT
1% Decrease	5.75%	5.75%
Net OPEB Liability	$ 7,423	$ 2,155
Current Discount Rate	6.75%	6.75%
Net OPEB Liability	$ 5,953	$ 402
1% Increase	7.72%	7.75%
Net OPEB Liability	$ 4,752	$ (978)

b. Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the Utility, as well as what the Utility's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or higher than the current healthcare cost trend rates :

	PEMHCA	URMT
1% Decrease		
Net OPEB Liability	$ 4,668	$ (1,293)
Current Trend		
Net OPEB Liability	$ 5,953	$ 402
1% Increase		
Net OPEB Liability	$ 7,536	$ 2,510

OPEB expense and deferred outflows/inflows of resources related to OPEB :

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

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

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

- Deferred inflows related to OPEB for differences between projected and actual earnings on investments of the OPEB plan fiduciary net position. These amounts are amortized over five years.

For the fiscal year ended June 30, 2018 the City recognized OPEB expense of $610 and $130 for PEMHCA and URMT, respectively.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources :

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

		PEMHCA			
		Deferred Outflows of Resources		Deferred Inflows of Resources	
OPEB contributions subsequent to measurement date	Electric Fund	$	506	$	-
OPEB contributions subsequent to measurement date	Water Fund	$	92	$	-
Differences between actual and expected experience			-		-
Change in assumptions			-		-
Differences between projected and actual earnings	Electric Fund		-		(97)
Differences between projected and actual earnings	Water Fund		-		(18)
Total		$	598	$	(115)

		URMT			
		Deferred Outflows of Resources		Deferred Inflows of Resources	
OPEB contributions subsequent to measurement date	Electric Fund	$	154	$	-
Differences between actual and expected experience			-		-
Change in assumptions			-		-
Differences between projected and actual earnings	Electric Fund		-		(256)
Total		$	154	$	(256)

$598 and $154 reported as deferred outflows of resources related to contributions subsequent to the measurement date for PEMHCA and URMT respectively, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows :

Year Ending June 30,	PEMHCA		URMT	
2019	$	(29)	$	(64)
2020		(29)		(64)
2021		(29)		(64)
2022		(29)		(64)
2023		-		-
Thereafter		-		-
	$	**(115)**	**$**	**(256)**

Payable to the OPEB Plan

At June 30, 2018, the Utility reported a payable of $0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

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 is a member in ACCEL (Authority for California Cities Excess Liability), which is a risk sharing pool for municipal excess liability.

Each individual member self-insures all general liability losses for the first $1,000 and the members of the pool share losses between $1,000 and $5,000. The members jointly purchase additional layers of coverage beyond the pooled layer, with Burbank purchasing an additional $45,000 of excess coverage, for total coverage of $50,000. The layers of coverage above $5,000 are not pooled, but rather jointly purchased.

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

FISCAL YEAR ENDED JUNE 30, 2018 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2017)

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: Commitments

During the fiscal year, the Water Utility entered into a 10-year agreement with MWD related to its Cyclic Storage Program. In 2017, MWD had more water available than it could place in its storage facilities. In response, MWD created the Cyclic Storage Program, which allows for the delivery of imported water in advance of demand to its Member Agencies for storage in groundwater basins.

The Agreement allows MWD to store up to 7,200 acre feet (AF) of cyclic storage water for Burbank in the San Fernando groundwater basin. As of June 30, 2018, from August to December 2017, MWD delivered 5,718.7 AF of cyclic storage water to the San Fernando groundwater basin. The existing rate at fiscal year end was $695.00 per AF, representing a minimum commitment of $3,974.

NOTE 20: Restatement of Net Position

Electric Fund restatement	Change in reported net position	Water Fund - no restatement	Change in reported net position
Net position reported - June 30, 2017	**$ 250,252**	**Net position reported - June 30, 2017**	**$ 56,300**
To restate beginning equity for the net OPEB liability per GASB 75	(8,827)	To restate beginning equity for the net OPEB liability per GASB 75	(838)
***Restated* net position at July 1, 2017**	**$ 241,425**	***Restated* net position at July 1, 2017**	**$ 55,462**

NOTE 21: Subsequent Event

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 13, 2019, the date the financial statements were available to be issued.

CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2018

* REQUIRED SUPPLEMENTARY INFORMATION *

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

ELECTRIC FUND

	2018	2017	2016	2015
Plan's Proportionate Share of Net Pension Liability in %	34.96%	34.96%	34.96%	34.96%
Plan's Proportionate Share of Net Pension Liability in $	$ 78,580	$ 71,305	$ 58,442	$ 55,064
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74%	75%	79%	80%
Covered-Employee Payroll	$ 27,615	27,587	$ 27,521	27,719
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	285%	258%	212%	199%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 5,864	$ 5,355	$ 4,788	$ 4,258

WATER FUND

	2018	2017	2016	2015
Plan's Proportionate Share of Net Pension Liability in %	5.49%	5.49%	5.49%	5.49%
Plan's Proportionate Share of Net Pension Liability in $	$ 12,340	$ 11,197	$ 9,177	$ 8,647
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74%	75%	79%	80%
Covered-Employee Payroll	$ 4,337	$ 4,332	$ 4,322	4,353
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	285%	258%	212%	199%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 921	$ 841	$ 752	$ 669

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

* REQUIRED SUPPLEMENTARY INFORMATION *

Schedule of Plan Contributions - 2018

ELECTRIC FUND

	2018	2017	2016	2015
Actuarially Determined Contribution	$ 6,782	$ 5,798	$ 5,351	$ 4,738
Contributions in Relation to the Actuarially Determined Contribution	(6,782)	(5,798)	(5,351)	(4,738)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Covered-Employee Payroll *	$ 27,615	$ 27,587	$ 27,521	$ 27,719
Contributions as a Percentage of Covered-Employee Payroll	21.23%	21.02%	19.44%	17.09%

* Includes one year's payroll growth using 3.00 percent payroll assumption.

WATER FUND

	2018	2017	2016	2015
Actuarially Determined Contribution	$ 1,055	$ 930	$ 822	$ 751
Contributions in Relation to the Actuarially Determined Contribution	(1,055)	(930)	(822)	(751)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Covered-Employee Payroll *	$ 4,337	$ 4,332	$ 4,322	$ 4,353
Contributions as a Percentage of Covered-Employee Payroll	21.23%	21.47%	19.02%	17.25%

* Includes one year's payroll growth using 3.00 percent payroll assumption.

* REQUIRED SUPPLEMENTARY INFORMATION *

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

ELECTRIC FUND

		2018
Plan's Proportionate Share of Net PEMCHA Liability in %		12.79%
Plan's Proportionate Share of Net PEMCHA Liability in $	$	5,039
Plan Fiduciary Net Position as a Percentage of the Total PEMCHA Liability		40.30%
Covered-Employee Payroll	$	9,937
Plan Net PEMCHA Liability/(Asset) as a Percentage of Covered-Employee Payroll		51%
Plan's Proportionate Share of Aggregate Employer Contributions	$	506

WATER FUND

		2018
Plan's Proportionate Share of Net PEMCHA Liability in %		2.32%
Plan's Proportionate Share of Net PEMCHA Liability in $	$	914
Plan Fiduciary Net Position as a Percentage of the Total PEMCHA Liability		40.30%
Covered-Employee Payroll	$	1,803
Plan Net PEMCHA Liability/(Asset) as a Percentage of Covered-Employee Payroll		51%
Plan's Proportionate Share of Aggregate Employer Contributions	$	92

* - Fiscal year 2018 was the 1st year of implementation.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

In Thousands		URMT
Fiscal year end		6/30/2018
Measurement date		6/30/2017
Service cost	$	283
Interest on the total pension liability		623
Benefit payments		(222)
Net Change in Total OPEB liability		684
Total OPEB Liability - Beginning of Year		9,056
Total OPEB Liability - End of Year (a)		9,740
Plan Fiduciary Net Position:		
Contributions - employer		148
Contributions - employee		148
Net investment income		889
Administrative expenses		(5)
Benefit payments		(222)
Net Change in Plan Fiduciary Net Position		958
Plan Fiduciary Net Position - Beginning of Year		8,380
Plan Fiduciary Net Position - End of Year (b)		9,338
Net OPEB liability - Ending (a) - (b)	$	402
Plan fiduciary net position as a percentage of the total OPEB liability		95.87%
Covered payroll	$	17,084
Net OPEB liability as a percentage of covered payroll		2.35%

Notes to Schedule

1. There were no changes in benefits.
2. There were no changes in assumptions.

* Fiscal year ended June 30, 2018, was the first year of implementation; therefore, only one year is shown.

* REQUIRED SUPPLEMENTARY INFORMATION *

Schedule of Plan Contributions - OPEB

Last Ten Fiscal Years*

UTILITY FUNDS	PEMHCA 6/30/2018	URMT 6/30/2018
Actuarially determined contribution	$ 598	$ 154
Contributions in relation to the actuarially determined contribution	(598)	(154)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 16,671	$ 17,084
Contributions as a percentage of covered-employee payroll	0.54%	0.90%

Notes to Schedule

Valuation date	6/30/2017	6/30/2017

Methods and assumptions used to determine contribution rates:

Agent multiple employers	Investment rate of return - 6.75%
Amortization method	Investment gains and losses
Asset valuation method	spread over 5-year rolling period
CalPERS 1997-2011 experience study	Level percentage of payroll
Entry age normal	Mortality
Inflation - 2.75%	

* Fiscal year 2018 was the first year of implementation; therefore, one year is shown.

Schedule 1

ANNUAL ELECTRIC SUPPLY Fiscal Year ended June 30, 2018		
Resource	**MWh**	**Percentage**
Intermountain Power Project	320,630	28.7%
Hoover Uprating	16,160	1.4%
Palo Verde Nuclear	62,110	5.6%
Magnolia Power Project	306,300	27.5%
Spot Purchases	52,780	4.7%
On-Site Generation	13,580	1.2%
Renewables[(1)]	343,930	30.8%
Total[(2)]	**1,115,490**	**100.0%**

[1]Renewable resources include the Southwest Wyoming Pleasant Valley Facility Wind Contract, Milford Phase I Wind Project, Tieton Hydropower Project, Pebble Springs Wind Project, Ameresco Chiquita Canyon Landfill Gas Project, Copper Mountain Solar Project, Don A. Campbell Geothermal Project, local generation from BWP Valley Pumping Plant, bio-methane gas, customer and utility solar installations, and an exchange agreement. For the Fiscal Year ended June 30, 2018, renewable energy resources made up approximately 31.9% of Burbank's total retail sales.

[2]Does not equal total sales to customers throughout the City due to distribution losses and timing differences in billing cycle.

Schedule 2

CUSTOMERS, SALES, ELECTRIC REVENUES AND DEMAND Fiscal Years ended June 30					
	2014	**2015**	**2016**	**2017**	**2018**
Number of Retail Service:					
Residential	46,204	46,259	46,148	46,215	46,140
Commercial[1]	6,956	6,948	6,915	6,971	6,889
Large Commercial[1]	94	94	90	86	81
Total	**53,254**	**53,301**	**53,153**	**53,272**	**53,110**
Retail Kilowatt-hour Sales					
Residential	268	273	279	272	274
Commercial	535	545	538	533	534
Large Commercial	320	291	279	274	270
Total	**1,123**	**1,109**	**1,096**	**1,080**	**1,078**
Electric Revenues ($ in					
Retail	$ 165,757	$ 172,344	$ 175,019	$ 175,964	$ 176,450
Wholesale	$ 50,151	$ 35,691	$ 27,150	$ 23,512	$ 21,252
Other[2]	$ 11,683	$ 11,529	$ 5,595	$ 5,912	$ 6,448
Total	**$ 227,592**	**$ 219,565**	**$ 207,763**	**$ 205,388**	**$ 204,150**
Peak Demand (MW)	296	317	309	278	320

[1]Meter counts include standalone, totalized and submeters.

[2]Other miscellaneous revenues include transmission, telecommunications, intergovernmental, and other miscellaneous revenues. Other miscellaneous revenues do not include aid-in-construction.

Schedule 3

SYSTEM WEIGHTED AVERAGE BILLING PRICE – ELECTRIC [1] (Cents per Kilowatt-hour)					
	Fiscal Years ended June 30				
	2014	**2015**	**2016**	**2017**	**2018**
Residential	15.33	15.81	16.16	16.51	16.57
Commercial	15.03	15.59	16.08	16.49	16.76
Large Commercial	13.15	13.95	14.31	14.55	14.48
System Weighted Average Electric Rate	14.57	15.21	15.65	16.01	16.14

[1]All weighted average rates exclude Street Lighting charges.

Schedule 4

ANNUAL WATER SUPPLY Fiscal Year ended June 30, 2018		
Resource	**Acre Feet (AF)**	**Percentage**
Metropolitan Water District	6,044	37.2%
Local Production – BOU	10,216	62.8%
Total	**16,260**	**100.0%**

Schedule 5

CUSTOMERS, WATER SALES, WATER REVENUES
Fiscal Years ended June 30

	2014	2015	2016	2017	2018
Number of Water Service:					
Potable					
Residential[1]	22,171	22,256	22,223	22,262	22,216
Commercial[2]	3,263	3,260	3,246	3,248	3,213
Other[3]	1,112	1,126	1,134	1,138	1,145
Recycled	158	184	217	228	234
Total	**26,704**	**26,826**	**26,820**	**26,876**	**26,808**
AF Sales Per Year:					
Potable					
Residential[1]	14,059	12,065	10,002	10,862	11,887
Commercial[2]	4,319	4,078	3,368	3,328	3,455
Other[3]	493	355	174	192	225
Recycled	2,370	2,282	2,709	3,004	3,281
Total in AF	**21,241**	**18,780**	**16,253**	**17,386**	**18,848**
Water Revenues ($ in thousands):					
Retail[4]	$ 30,036	$ 26,930	$ 25,099	$ 27,836	$ 30,565
Other[5]	$ 1,265	$ 1,105	$ 4,013	$ 2,702	$ 3,518
Total	**$ 31,301**	**$ 28,036**	**$ 29,111**	**$ 30,538**	**$ 34,083**
Maximum Demand Day (AF)	72.0	67.1	53.1	57.4	63.5

[1]Residential includes multi-family dwellings.
[2]Commercial includes Large Commercial.
[3]Other includes city department water, school, fire protection, and miscellaneous users
[4]Potable and Recycled
[5]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				
	2014	**2015**	**2016**	**2017**	**2018**
Residential[2]	3.25	3.50	3.71	3.75	3.82
Commercial[3]	2.92	3.17	3.29	3.56	3.66
Weighted Average Water Rate	3.17	3.42	3.61	3.71	3.78

[1]CCF is one hundred of cubic feet; one AF is equal to approximately 435.6 CCF.
[2]Residential includes multi-family dwellings.
[3]Commercial includes Large Commercial.