



**2008 - 2009  
Annual Report**



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## 2008-2009 HIGHLIGHTS

- Completed the tenth year of an infrastructure modernization and improvement program in the water and electric systems for reliability, safety and efficiency.
- Received the American Public Power Association RP3 award for outstanding electric distribution system reliability and safety.
- Continued the expedited build-out of the recycled water system to reduce potable water system demand and supply costs.
- Strong financial results and investment ratings from bond agencies for both the Water and Electric Funds.
- Helped residents and businesses with their water and energy consumption through aggressive conservation, education, assistance and rebate programs.

*\*To be environmentally friendly, the Burbank Water and Power Annual Report is only available online.*



## **BWP BOARD**

*Front row, left to right:*

Martin Adams  
Lynn Kronzek  
Wendy James  
Robert Olson

*Back row, left to right:*

Rod Kurihara  
Lee Dunayer  
Thomas Jamentz

## **EXECUTIVE TEAM**

*Back row, left to right:*

**Gregory Simay**  
Assistant General Manager – Electrical Services

**Ronald Davis**  
General Manager

**William Mace**  
Assistant General Manager – Water

**Fredric Fletcher**  
Assistant General Manager – Power Supply

*Front row, left to right:*

**Joanne Fletcher**  
Assistant General Manager – Customer Service & Marketing

**Bob Liu**  
Chief Financial Officer

**JoAnn Davis**  
Administrative Officer





*"We Can Do It!" because BWP employees are committed to planning, developing, building and implementing infrastructure and programs designed to improve Burbank's water and energy sustainability while providing safe, reliable and affordable services.*





## GENERAL MANAGER'S LETTER

### Building a Sustainable Community

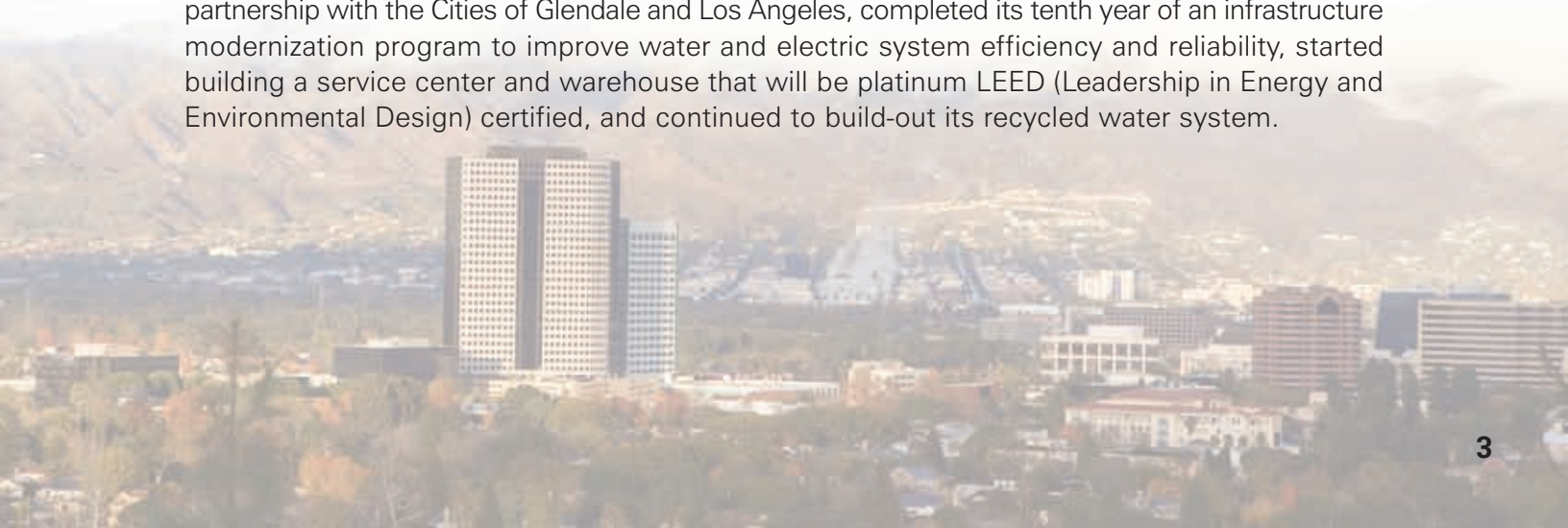
Burbank Water and Power (BWP) has made building a sustainable community a priority while continuing its proud tradition of providing Burbank residents and businesses with safe, reliable, and affordable water and electric services. Improving how efficiently BWP delivers water and energy by avoiding losses, minimizing peak energy use by shifting energy use to off-peak, and reducing potable water demand by shifting applicable demand to recycled water, will be the focus of much of the utility's resources for the foreseeable future. These strategies, as well as working with our customers to conserve and use water and energy more wisely, are the significant building blocks of BWP's sustainability plan. BWP also plans to offer and provide its customers more opportunities, incentives and education related to conservation and the smart use of water and energy.



Burbank's water supply has been adversely impacted by drought, environmental, and judicial decisions beyond its control. Recent California legislation is providing the groundwork for addressing in part, some of California's water issues; but any favorable supply impact for Southern California and Burbank is still many years off. The scarcity of water is driving the cost of water service significantly higher. The Burbank City Council approved BWP's plans to commit to significant water capital improvement projects directly related to water sustainability. For instance, the implementation of BWP's Recycled Water Master Plan will shift a significant portion of potable water demand for irrigation of landscaped areas, and to a lesser extent fire protection and cooling systems, to recycled water.

The Burbank City Council also approved BWP's Smart Grid project as a key element of the City's sustainability efforts. This enabling infrastructure project over the coming years will improve the efficiency of Burbank's electric system through demand management. It will also eventually allow customers to better manage their energy and water use, and integrate their own electric generation and storage, such as solar panels and plug-in electric vehicles, into the energy grid. In November 2009, the Department of Energy awarded BWP a \$20 million stimulus grant for its Smart Grid project.

In the fiscal year 2008-2009, BWP completed or made significant headway on several large projects. BWP secured the rights to purchase the Tieton Dam project in Washington State in partnership with the Cities of Glendale and Los Angeles, completed its tenth year of an infrastructure modernization program to improve water and electric system efficiency and reliability, started building a service center and warehouse that will be platinum LEED (Leadership in Energy and Environmental Design) certified, and continued to build-out its recycled water system.



Financial results for the Water and Electric Funds were strong in fiscal year 2008-2009. BWP's water and electric rates provided sufficient funding for operations and maintenance including covering the rising costs of procuring water and energy, while also providing funds for system reliability and capital improvements. BWP's strong and enviable financial standing has the utility poised to take advantage of water and energy market opportunities as they arise, and has positioned it to acquire favorable financing terms for planned utility projects that will continue building Burbank as a sustainable community.

Subsequent to fiscal year 2008-2009, Standard & Poor's upgraded the Electric Fund's credit rating to a very strong "AA-" based in part on the electric utility's strong financial performance, its debt service and fixed-charge coverages, and its liquidity. The Water Fund's bond rating is "AA+". These ratings are significant, given BWP's capital improvement efforts over the last 10 years of modernizing and improving system efficiency and reliability without taking on additional associated debt. BWP's electric system is one of the most reliable in the nation, in the top one percent, and is recognized as a Platinum Public Power Provider by the American Public Power Association.

Over the past few years, BWP has proven its ability and commitment to balancing Burbank's need for safe, reliable, and affordable water and electric services by focusing in on its responsibility to develop sustainable water and energy resources. I am confident that BWP will continue to promote a healthy economy while increasing the use of renewable energy resources, improving the efficiency of the water and electric distribution systems, protecting our environment, and using water resources more wisely.

Sincerely,



Ron Davis  
General Manager





# WATER SUSTAINABILITY

## ANSWERS TO YOUR WATER SUSTAINABILITY QUESTIONS

### **Q1: Is there really a water shortage?**

**A1:** Yes, there is a water shortage. Burbank imports its water from Northern California and the Colorado River through the Metropolitan Water District (MWD). A Federal Court decision that limits pumping in the Sacramento-San Joaquin Delta and a seven year drought in the Colorado River Basin have dramatically reduced Southern California water supplies.

### **Q2: What can residents do to save water and reduce their water bills?**

**A2:** There are literally hundreds of actions all of us can take to save water. BWP invites you to visit its website, [www.burbankwaterandpower.com](http://www.burbankwaterandpower.com), for water saving ideas and more information about water conservation and sustainability, the water supply crisis, and water incentive programs; just click on the "Water Calculator" or "Water Conservation" tabs on the website. You can also visit BWP's Conservation Desk during normal business hours at 164 W. Magnolia Blvd.



### **Q3: What has BWP been doing to improve Burbank's water sustainability?**

**A3:** The water utility has just completed its tenth year of an infrastructure replacement program. This program not only has been improving the system's reliability and safety, but it has been plugging small system leaks that, if left unattended, would waste billions of gallons of water. Burbank's water losses are at record lows and far below national averages. In addition, BWP is aggressively building out its recycled water system to significantly reduce the demand for potable water on large irrigated landscaped areas in the City. BWP is also educating our citizens and working with regional agencies to directly influence the state legislature to develop and support long-term comprehensive sustainable water supply solutions for the State and Southern California.

### **Q4: Why did Burbank need to implement a sustainable water use ordinance?**

**A4:** The ordinance is designed to encourage a more sustainable pattern of water use by prohibiting common wasteful water practices. It encourages behavioral changes in the way we think and how we use water. For instance, a large part of Burbank's potable water is used outside homes and businesses for irrigation of landscaped areas. The ordinance requires that water applied to landscaped areas not be excessive and/or misdirected. For instance, the ordinance limits the number of days, the time of day, and the amount of time sprinkler systems can be used to a level sufficient to keep landscaped areas healthy. It also prohibits watering outdoor landscaped areas on rainy days and for two days after it rains, prohibits sprinkler systems from spraying onto paved areas and sidewalks, and requires leaks be repaired within seven days of discovery.



# WATER SUSTAINABILITY

- The State of California is in its third year of a water supply crisis. The crisis is a result of a Federal Court decision that has dramatically reduced the pumping of water from the Sacramento-San Joaquin Delta, and is aggravated in Southern California by a long drought in the Colorado River Basin. The crisis is expected to continue many more years despite landmark legislation recently passed by the State. BWP is actively working to find economically and environmentally viable solutions for the water supply crisis. In addition, BWP is taking several steps locally to help make Burbank's water supply a sustainable resource. Some of these steps include:

- **Education and Programs** – BWP maintains a user-friendly website that explains how Burbank customers can conserve water and take advantage of a wide range of educational and rebate programs related to water conservation. It is important to Burbank's future that residents and businesses take a "Can Do" attitude toward water conservation.



- **Expanding Recycled Water Use** – Burbank has long been a leader in recycled water use. Over the next four years, BWP plans to double the use of recycled water within Burbank. This expansion in recycled water use will reduce the amount of water Burbank needs to import and reduce demand on our potable water system.

- **Conservation and Water Use Efficiencies** – The Burbank City Council adopted a Sustainable Water Use Ordinance for the purpose of curtailing wasteful water use practices in the City and to provide procedures for reducing water use citywide in the event of dire water shortages. BWP is tirelessly encouraging Burbank's residents and businesses to use water saving fixtures, appliances and irrigation systems to conserve water. In addition, BWP is developing water metering systems that will allow for rate designs that encourage water conservation and other sustainable practices.



- **Reducing Water System Losses** – Water that is unaccounted for, usually resulting from leaks, typically takes up 7% of a water system's supply. In Burbank, as a result of a multi-year concerted effort by BWP's Water Division to replace and maintain water infrastructure and meters, BWP's unaccounted water has dropped well below 4% for five straight years, resulting in significant water conservation and a reduced cost of service to the community.

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



# ENERGY SUSTAINABILITY

## ANSWERS TO YOUR ENERGY SUSTAINABILITY QUESTIONS

**Q1: What has BWP been doing to improve Burbank's energy sustainability?**

**A1:** The electric utility has just completed its tenth year of an infrastructure replacement program. This program not only has been improving the system's reliability and safety, but it has been improving the system's efficiency by increasing the distribution system's average voltage, resulting in saving millions of kilowatts by reducing line losses. In addition, the utility has been planning and developing renewable energy projects to meet the City's goal of having 30% of its energy come from renewable sources by the year 2020.

**Q2: What is a "Green Home House Call"?**

**A2:** "Green Home House Call" is the name of a complementary service provided by BWP and the Southern California Gas Company that provides a scheduled comprehensive review of Burbank homes, inside and out, by a trained energy and water specialist. The specialist will install high quality energy and water efficiency products such as water aerators, attic insulation, weather stripping and energy-efficient light bulbs free of charge. The specialist will also prescribe the fixes needed to make the home even more energy and water efficient. For more information, or to schedule an appointment, go to BWP's website, [www.burbankwaterandpower.com](http://www.burbankwaterandpower.com), and click on the "Green Home House Call" tab.



**Q3: Where are electric utility rates going?**

**A3:** No one knows for sure how much energy is going to cost to produce in the future, but one thing is fairly certain, the cost of energy is going to go up and, therefore, electric rates will also go up. There are several factors that will impact future rates, including the cost of obtaining and delivering (transmission) renewable energy sources, such as solar, wind and geothermal, and the costs associated with regulatory efforts to reduce green house gas emissions from fossil fuels. BWP is committed to looking ahead and being proactive not only locally, but also in state, regional and national energy initiatives and issues.

**Q4: What can residents do to save energy and reduce their energy bills?**

**A4:** There are literally hundreds of actions all of us can take to save energy and money. BWP invites you to visit its website, [www.burbankwaterandpower.com](http://www.burbankwaterandpower.com), for energy saving ideas and information about energy conservation and sustainability, and to find out more about energy incentive programs and rates. You can also visit BWP's Conservation Desk during normal business hours at 164 W. Magnolia Blvd.





## ENERGY SUSTAINABILITY

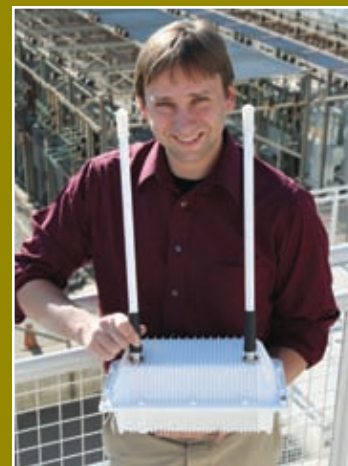
Key to developing a sustainable community is reducing our dependence on fossil fuels and reducing our harmful greenhouse gas emissions. BWP's plans for achieving a sustainable energy community include:

- **Expanded Use of Renewable Energy** – The Burbank City Council has adopted a 33% Renewable Portfolio Standard by 2020 goal. BWP plans to meet this goal, reducing Burbank's dependence on fossil fuel power generation, through efficiency gains and by constructing and contracting for renewable resources such as wind, solar, and geothermal.
- **Smart Grid** – BWP is planning to develop a citywide utility wireless two-way communications and control network that will allow the utility to incorporate new technologies and renewable energy sources into our electric system. BWP plans to provide customers with better visibility and control of their energy usage, improve the efficiency of its systems, implement electric peak load shifting capabilities, and reduce the cost of monitoring and controlling the electric system.

- **Being Environmentally Friendly** – A transition from fossil fuels to renewable energy sources will result in a significant reduction in BWP's greenhouse gas emissions and go a long way toward reducing Burbank's carbon footprint. By 2027, BWP plans to reduce its carbon dioxide emission levels by 40% from 1990 emission levels.



- **Improving System Efficiency** – For several years BWP has been investing in system efficiency to reduce system energy losses. These improvements have had, and will continue to have, a significant impact on reducing energy demand, while also improving BWP's already strong reliability. BWP has made these efficiency and reliability improvements while maintaining a very competitive rate structure.
- **Educating our Customers** – BWP maintains a user-friendly website that explains how all Burbank customers can conserve energy and take advantage of a wide range of energy conservation programs. BWP also has conservation staff on duty during regular business hours to assist residents and businesses with conservation questions and issues.
- **Local Ordinances and Rates** – One important step toward a sustainable energy future in our community is to develop local ordinances requiring homes and businesses to be energy efficient. BWP will be advocating economically sensible changes that will conserve energy. In addition, BWP plans to implement metering systems that will allow for rate designs that encourage energy conservation and load shifting, especially during peak electric load periods.



Sky Craig, Electrical Engineering Associate, has been working on the design and development of a utility wireless communications network. The network, part of BWP's Smart Grid project, will be an enabling piece of the infrastructure that will allow the integration of new technologies and renewable energy resources, such as plug-in electric vehicles and solar power. These are key elements in BWP's plans for improving our community's energy sustainability and improving our electric system efficiency and reliability.





**CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS**

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

### Independent Auditors' Report

We have audited the accompanying financial statements of the Water and Electric Utility Funds, each an enterprise fund of the City of Burbank, California as of and for the year ended June 30, 2009 as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the City of Burbank, California. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Water and Electric Utility Funds of the City of Burbank for the year ended June 30, 2008 and, in our report dated November 10, 2008, we expressed an unqualified opinion on the respective financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water and Electric Utility Funds of the City of Burbank, California, as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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



In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McLean P.C.*

Irvine, California  
November 13, 2009

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2009

The management of the Water and Electric Utility Enterprise Funds ("Management") offers the following overview and analysis of the basic financial statements for the fiscal year ended June 30, 2009 ("the fiscal year"). Management encourages readers to utilize information in the Management Discussion and Analysis ("MD&A") in conjunction with the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

*The Statement of Revenues, Expenses, and Changes in Fund Net Assets* presents information showing how the Water and Electric Utility Funds' net assets changed during the two most recent fiscal years. Financial results are recorded using the accrual basis of accounting. Under this method, all changes in net assets are reported as soon as the underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement for some items may affect cash flows in 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 the financial statements.

## ELECTRIC UTILITY FUND

During the year ended June 30, 2009, the significant financial highlights are as follows:

- Net assets increased by \$14,077 or 6.6% from the prior fiscal year due to favorable operating results.
- The Electric Utility Fund invested \$17,636 in capital assets funded from cash reserves. The Electric Utility's capital improvement programs support the goal of delivering reliable services at competitive and stable rates and these capital investments were reflected in the system-wide reliability statistics. The average customer experienced a service outage only once every 5.0 years compared to an industry average of 1.2 outages per year. Customers who had an outage were out of service for an average of only 59.5 minutes compared to an industry average of 80.0 minutes.



# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2009

## FINANCIAL ANALYSIS

<b>Schedule of Revenues, Expenses, and Changes in Fund Net Assets (\$ in thousands)</b>			
	<b>2009</b>	<b>2008</b>	<b>Incr. (Decr.)</b>
Retail sales (in MWh)	1,183,987	1,180,500	3,487
<b>Operating revenues:</b>			
Retail	\$ 158,039	155,514	2,525
Wholesale	120,716	220,177	(99,461)
Miscellaneous/Other revenues	8,834	6,476	2,358
<b>Total operating revenues</b>	<b>287,589</b>	<b>382,167</b>	<b>(94,578)</b>
<b>Operating expenses:</b>			
Power supply and fuel – retail	95,043	105,481	(10,438)
Purchased power and fuel – wholesale	116,544	212,823	(96,279)
Transmission expense	11,632	11,607	25
Distribution expense	10,495	8,619	1,876
Other operating expenses	16,852	15,511	1,341
Depreciation	12,651	12,220	431
<b>Total operating expenses</b>	<b>263,217</b>	<b>366,261</b>	<b>(103,044)</b>
<b>Operating income</b>	<b>24,372</b>	<b>15,906</b>	<b>8,466</b>
<b>Non-operating income (expenses):</b>			
Interest income	1,707	4,649	(2,942)
Other income (expenses), net	484	542	(58)
Interest income (expenses), net	(3,581)	(3,883)	302
<b>Total non-operating income (expenses)</b>	<b>(1,390)</b>	<b>1,308</b>	<b>(2,698)</b>
<b>Income before contributions and transfers</b>	<b>22,982</b>	<b>17,214</b>	<b>5,768</b>
<b>Contributions and transfers:</b>			
Capital contributions	1,233	1,537	(304)
Transfers in from the City	0	55	(55)
Transfers out to the City	(10,138)	(9,836)	(302)
<b>Change in net assets</b>	<b>14,077</b>	<b>8,970</b>	<b>5,107</b>
<b>Net assets, beginning of year</b>	<b>212,685</b>	<b>203,715</b>	<b>8,970</b>
<b>Net assets, end of year</b>	<b>\$ 226,762</b>	<b>212,685</b>	<b>14,077</b>

Retail (sales to residential, commercial, and large industrial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 96.9% of the Electric Utility's operating revenues. Retail revenues grew by \$2,525 or 1.6% as a result of load growth and a full twelve months of a rate increase that went into effect in January 2008.

Other revenues were higher by \$2,358 or 36.4% compared to the prior year. These higher revenues were the result of power invoice reconciliations from prior periods from the Southern California Public Power Authority ("SCPPA").

Interest income was lower by \$2,942 or 63.3% compared to the prior year due to lower interest rates and lower cash balances. The average interest rate for the fiscal year was 3.5% compared to 4.7% in the prior year.

Wholesale margins for the fiscal year were \$4,172. Wholesale purchases and sales were lower by 45.2% because of lower energy prices and the economic downturn. However, wholesale margins continued to contribute to the Electric Utility's financial performance by reducing the utility's overall power supply expenses.

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

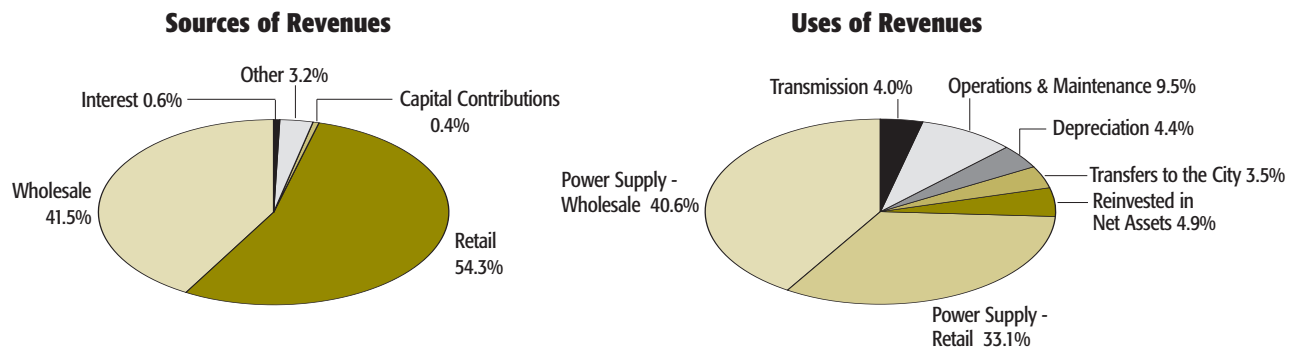
Management's Discussion and Analysis • Year ended June 30, 2009

Retail power supply expenses were \$10,438 or 9.9% lower than the prior year as a result of lower energy prices and effective power supply management. Market energy prices were approximately 35.0% lower compared to the prior year.

Distribution expenses were \$1,876 or 21.8% higher than the prior year. The increase was primarily due to higher wages and benefits from labor surveys and an adjustment in compensated absences. This year's compensated absences included an additional six months of expenses that were omitted from the prior year.

Other operating expenses were higher by \$1,341 or 8.6% compared to the prior year. The increase was primarily due to a higher cost allocation for City of Burbank ("City") provided services and an annual contribution to the International Brotherhood of Electrical Workers Retirees' Medical Trusts that started this fiscal year.

The Electric Utility transferred \$10,138 to the City's General Fund in the form of an in-lieu tax of 5.0% of the electric retail revenues and a street lighting transfer of 1.5% of the electric retail revenues. Retail customers also contributed \$10,376 or 7.0% of the electric retail revenues to the City's General Fund in the form of a Utility Users Tax. In addition, the Electric Utility set aside \$4,283 or 2.85% of the retail revenues for Public Benefit ("PB") programs.



The Electric Utility Fund's net assets at June 30, 2009 and June 30, 2008 are as follows:

<b>Schedule of Net Assets</b> (\$ in thousands)			
	<b>2009</b>	<b>2008</b>	<b>Incr. (Decr.)</b>
<b>Assets</b>			
Current assets	\$ 80,763	99,644	(18,881)
Non-current assets	12,820	13,884	(1,064)
Capital assets, net of retirement and accumulated depreciation	231,580	226,484	5,096
<b>Total assets</b>	<b>325,163</b>	<b>340,012</b>	<b>(14,849)</b>
<b>Liabilities</b>			
Current liabilities	32,650	53,240	(20,590)
Non-current liabilities	65,751	74,087	(8,336)
<b>Total liabilities</b>	<b>98,401</b>	<b>127,327</b>	<b>(28,926)</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	161,165	145,998	15,167
Restricted net assets	8,890	10,579	(1,689)
Unrestricted net assets	56,707	56,108	599
<b>Total net assets</b>	<b>\$ 226,762</b>	<b>212,685</b>	<b>14,077</b>

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2009

Changes in net assets may serve over time as a useful indicator of the Electric Utility Fund's financial strength. With a favorable operating result, net assets increased by \$14,077 for the year ended June 30, 2009 while total assets of \$325,163 exceeded liabilities by \$226,762 on June 30, 2009.

The current assets and current liabilities were lower than the prior year by \$18,881 and \$20,590 respectively, primarily due to lower wholesale related receivables and payables in June 2009.

A significant portion of the Electric Utility Fund's net assets, \$161,165 or 71.1% is invested in capital assets. The restricted net assets of \$8,890 or 3.9% are reserves with constraints imposed by financing requirements. The unrestricted net assets of \$56,707 or 25.0% are funds available for future investments in capital assets and maintenance activities. This amount was lower than the prior fiscal year because capital expenditures exceeded the change in net assets.

### CAPITAL ASSETS

As of June 30, 2009, the largest portion of the Electric Utility Fund's total assets, \$231,580 or 71.2%, was invested in capital assets. Additions to the Electric Utility Fund's capital assets included electric system and facility improvements, Aid-In-Construction ("AIC") projects, and other capital improvement projects for preventive maintenance and modernization.

Capital expenditures during the year were \$17,636. The Electric Utility has ongoing capital improvement programs to modernize its infrastructure, and information and control systems to ensure reliable and affordable services for existing and future customers. The Electric Utility is actively upgrading its power lines, moving toward the replacement of its remaining older substations, and increasing the number of paths that electric power can take in reaching customers. Many of the new lines are energized at 12kV (kilovolts) to accommodate the growing needs of our customers and to promote energy conservation by reducing system losses.

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

<i>(\$ in thousands)</i>	
Convert 4kV to 12kV	\$ 3,904
Completion of the New Burbank Substation (total cost of \$22.7 million)	3,140
Replacement Service Center/Warehouse	909
Upgrade/Construct 34.5kV line	896
Replace miscellaneous small equipment at major stations	809
Administration building remodeling	690
Provide service to larger buildings	456
Rebuild overhead electrical distribution lines	330
Upgrade underground electrical distribution lines	317
Underground the existing overhead lines	267
<b>Total</b>	<b>\$ 11,718</b>

The system-wide reliability statistics reflect the success of the Electric Utility's emphasis on a highly reliable electric distribution system. The average customer experienced a service outage only once every 5.0 years compared to an industry average of 1.2 outages per year. Customers who had an outage were out of service for an average of only 59.5 minutes compared to an industry average of 80.0 minutes.

### DEBT ADMINISTRATION

As of June 30, 2009, the Electric Utility Fund has \$70,560 in outstanding revenue bonds, of which \$9,125 will be due within a year. The Electric Utility paid off \$8,805 in outstanding bond debt during the fiscal year. These bond proceeds were issued for improvement projects for the electric system, construction of a generating unit, and to retrofit existing generators.



# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2009

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

## ENVIRONMENTAL AND ECONOMIC FACTORS

The Electric Utility is committed to reduce the City's carbon footprint by acquiring additional renewable energy resources through collaborative efforts with SCPA in accordance with the City's Renewable Portfolio Standard ("RPS") policy. The RPS requires that 33% of the Utility's energy supply come from eligible renewable resources by 2020. For the fiscal year, renewable energy resources made up 2.5% of the Electric Utility's total energy supply and are expected to grow to approximately 9.5% of the total energy supply by the end of the next fiscal year. During the fiscal year, the Electric Utility received energy from Pebble Springs Wind Development in Oregon, Tieton Hydropower in Washington, and Iberdrola Wind in Wyoming. The Milford Wind Development in Utah is being developed and is projected to supply an additional 2% of the City's energy requirements by late 2009. The Ameresco Project in California is also projected to be in service by late 2009 and will supply an additional 1% of the City's energy requirements. In addition, there are photovoltaic and geothermal projects under development or in the exploratory development stage to add to the City's Renewable Portfolio.

Natural gas prices fluctuated sharply during the fiscal year. The monthly Natural Gas Intelligent (NGI) price ranged from \$2.81 to \$12.27 during the fiscal year. The Electric Utility has been proactively hedging its retail power supply costs, including fuel for generation, against price volatility and will continue with this program to ensure rate stability and competitiveness.

## WATER UTILITY FUND

During the year ended June 30, 2009, the Water Utility Fund's significant financial highlights are as follows:

- Water sales were lower by 463,097 CCF (hundred cubic feet) or 4.9% compared to the last fiscal year primarily due to water conservation and cooler temperatures. Net assets increased by \$2,444 or 5.2% due to favorable operating results. This increase was used to reduce outstanding liabilities and to support additional capital funding.
- The Water Utility Fund invested an additional \$5,842 in capital assets during the fiscal year. This spending was funded by cash reserves. The Water Utility's goal is to deliver competitive rates and safe drinking water to customers by continuously modernizing the water production facilities, reducing system losses, and expanding the use of recycled water.

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2009

## FINANCIAL ANALYSIS

<b>Schedule of Revenues, Expenses, and Changes in Fund Net Assets (\$ in thousands)</b>			
	<b>2009</b>	<b>2008</b>	<b>Incr. (Decr.)</b>
Potable water (in CCF)	8,979,830	9,446,484	(466,654)
<b>Operating revenues:</b>			
Potable water sales	\$ 19,407	21,079	(1,672)
Recycled water sales	1,446	1,424	22
Miscellaneous/Other revenues	519	721	(202)
<b>Total operating revenues</b>	<b>21,372</b>	<b>23,224</b>	<b>(1,852)</b>
<b>Operating expenses:</b>			
Water supply expenses	7,895	10,174	(2,279)
Operations, maintenance and administration	6,388	5,637	751
Other operating expenses	2,764	2,147	617
Depreciation	2,526	2,405	121
<b>Total operating expenses</b>	<b>19,573</b>	<b>20,363</b>	<b>(790)</b>
<b>Operating income</b>	<b>1,799</b>	<b>2,861</b>	<b>(1,062)</b>
<b>Non-operating income (expenses):</b>			
Interest income	309	1,166	(857)
Other income (expenses), net	43	86	(43)
Interest income (expenses), net	(258)	(296)	38
<b>Total non-operating income (expenses)</b>	<b>94</b>	<b>956</b>	<b>(862)</b>
<b>Income before contributions and transfers</b>	<b>1,893</b>	<b>3,817</b>	<b>(1,924)</b>
<b>Contributions and transfers:</b>			
Capital contributions	1,516	1,098	418
Transfers in from the City	-	1	(1)
Transfers out to the City	(965)	(947)	(18)
<b>Change in net assets</b>	<b>2,444</b>	<b>3,969</b>	<b>(1,525)</b>
<b>Net assets, beginning of year</b>	<b>47,403</b>	<b>43,434</b>	<b>3,969</b>
<b>Net assets, end of year</b>	<b>\$ 49,847</b>	<b>47,403</b>	<b>2,444</b>

Potable water sales were the primary source of revenue for the Water Utility Fund. This revenue made up 90.8% of the total Water Utility's operating revenues. Potable water revenue was lower by \$1,672 or 7.9% compared to the prior fiscal year. This decrease was a result of water conservation coupled with a cooler than average summer.

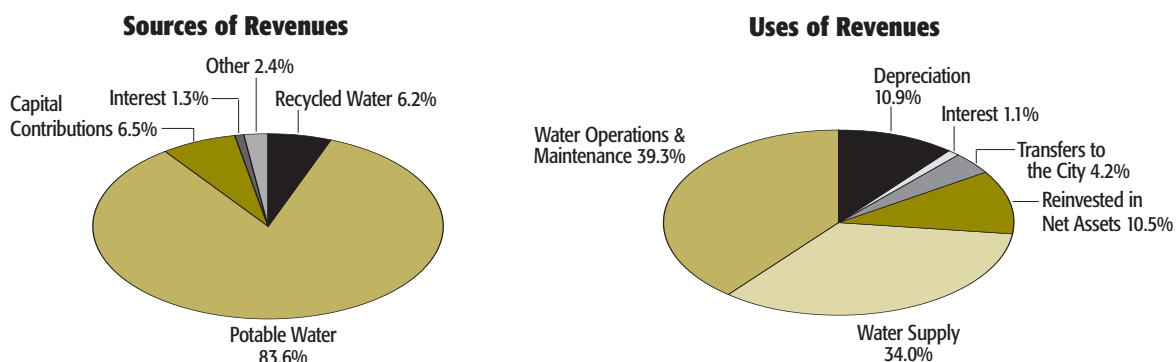
Water supply expenses were lower by \$2,279 or 22.4% compared to the prior fiscal year primarily due to an accounting change for groundwater inventory that started this fiscal year. Lower water sales and a 17.3% decrease in the volume of treated water purchased from the Metropolitan Water District ("MWD") also contributed to lower water supply expenses. These decreased expenses were partially offset by higher prices for the treated water; the average cost of purchased water per acre foot (AF) was up by 8.6% compared to the prior fiscal year.

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2009

The Burbank Operable Unit ("BOU") ran at 60.7% of operating capacity for the fiscal year compared to the prior year's capacity of 54.2%. The BOU supplied approximately 42.2% of the City's total water supply compared to 35.1% in the prior fiscal year. Production efficiency was the result of capital improvements at the water production facilities and contributed to lower water supply expenses.

The Water Utility transferred \$965 or 5.0% of the water revenues to the City's General Fund in the form of an in-lieu tax.



The Water Utility Fund's net assets at June 30, 2009 and June 30, 2008 are as follows:

<b>Schedule of Net Assets</b> ( <i>\$ in thousands</i> )			
	2009	2008	Incr. (Decr.)
<b>Assets</b>			
Current assets	\$ 12,472	14,488	(2,016)
Non-current assets	1,021	1,183	(162)
Capital assets, net of retirement and accumulated depreciation	47,204	43,902	3,302
<b>Total assets</b>	<b>60,697</b>	<b>59,573</b>	<b>1,124</b>
<b>Liabilities</b>			
Current liabilities	6,585	7,031	(446)
Non-current liabilities	4,265	5,139	(874)
<b>Total liabilities</b>	<b>10,850</b>	<b>12,170</b>	<b>(1,320)</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	42,626	37,920	4,706
Restricted net assets	470	693	(223)
Unrestricted net assets	6,751	8,790	(2,039)
<b>Total net assets</b>	<b>\$ 49,847</b>	<b>47,403</b>	<b>2,444</b>

Changes in net assets may serve over time as a useful indicator of the Water Utility Fund's financial strength. With a favorable operating result, total net assets increased by \$2,444 for the year ended June 30, 2009. Of the change in total net assets, \$1,124 or 46.0% was used to fund capital asset additions and improvements. The remaining portion of the change in total net assets of \$1,320 or 54.0% was used to reduce the Water Utility's outstanding liabilities.

Total assets increased to \$60,697 with assets exceeding liabilities by \$49,847 as of June 30, 2009. The increases in total assets are primarily attributed to capital asset additions which are discussed in the following section.



# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2009

## CAPITAL ASSETS

As of June 30, 2009, the majority of the Water Utility Fund's total assets, \$47,204 or 77.8%, was invested in capital assets. Capital assets included water system improvements, AIC projects, and other capital expenditures.

Capital expenditures during the year were \$5,792. Capital improvement programs are designed to upgrade and replace the water system infrastructure to ensure reliability and to provide safe and accurately measured services. These ongoing and planned investments reflect the Water Utility's goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities.

The Water Utility is in its second year of building out the Recycled Water System and its infrastructure in accordance with the City's Recycled Water Master Plan. This program will shift outdoor irrigation use of potable water to recycled water for golf courses, many parks and businesses, and some schools. The City plans to continue its expansion of the recycled water usage program to help reduce the community's dependence on imported water and enable the community to withstand prolonged water shortage conditions.

Some of the major investments during the year are as follows:

<i>(\$ in thousands)</i>	
System/Service replacement	\$ 997
Meter replacements	951
Recycled water	858
Domestic water mains	763
Transmission water mains	729
Water tanks and reservoir repair	185
<b>Total</b>	<b><u>\$ 4,483</u></b>

## DEBT ADMINISTRATION

As of June 30, 2009, the Water Utility Fund has \$3,810 in outstanding revenue bonds, of which \$910 is due within a year. These bonds were issued to finance additions and improvements to the water system.

In addition to revenue bonds, the Water Utility Fund also has an outstanding State Water Resources Control Loan of \$1,007, of which \$184 is due within a year. This loan was issued for improvements to the Reclaimed Water Distribution System (now known as the Recycled Water System). The Water Utility repaid a total of \$1,054 toward outstanding bonds and loans during the fiscal year.

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

## ENVIRONMENTAL AND ECONOMIC FACTORS

Burbank's water supply is highly dependent on the annual precipitation in Northern California. With four years of below normal precipitation in Northern California, coupled with judicial intervention on water from the Sacramento-San Joaquin River Delta, California is currently facing a water shortage crisis. Statewide water conservation is in effect under the State's Drought Declaration issued on June 4, 2008, and the State of Emergency Proclamation on Water Supply issued on February 27, 2009, to promote water usage reduction per capita by 20%. These actions are to prevent the need for water rationing and to promote efficient use of our precious water. The City has passed a mandatory conservation program that is consistent with the statewide public education programs to educate and enlighten water customers on the critical challenges confronting the State's water supply and delivery systems.

## **CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS**

Management's Discussion and Analysis • Year ended June 30, 2009

Effective September 1, 2009, MWD approved a second full-service treated water rate increase of 19.7% for the calendar year 2009. This increase is in addition to the 14.3% increase that went into effect in January 2009. These rate increases are the result of the water shortage, since the Water Supply Allotment from the State Water Project to MWD was decreased from 65% to 40% in 2009, compared to normal precipitation years.

Chromium VI contamination in groundwater is under review by the California Department of Health Services in order to draft a new Public Health Goal, since Chromium VI was concluded to be carcinogenic when ingested. The current Federal and State maximum contaminant limits are 100 parts per billion (ppb) and 50 ppb respectively. Currently, by Burbank City Council direction, Burbank's drinking water does not exceed 5 ppb. If the Water Utility is required to provide water with Chromium VI levels below 5 ppb, there will be an increased reliance on importing water from MWD or the Water Utility will need to make significant investments in the water system for the removal of Chromium VI from the groundwater. Such a change for the Water Utility would increase water costs and strain the City's water supply significantly.

### **REQUESTS FOR INFORMATION**

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

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

### Statement of Net Assets • June 30, 2009

*With comparative financial information for the year ended June 30, 2008 • \$ in thousands*

<b>Assets</b>	<b>Water</b>		<b>Electric</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Current assets:</b>				
Cash and cash equivalents (note 2):				
General operating	\$ 2,541	6,276	26,635	31,285
Capital and debt reduction	3,720	2,807	10,000	10,000
General plant	-	-	800	800
Fleet replacement	-	-	2,210	3,000
Water replenishment	-	1,000	-	-
WCAC	1,543	593	-	-
Distribution main	1,100	1,100	-	-
Total cash and cash equivalents	8,904	11,776	39,645	45,085
Accounts receivable, net (note 3)	2,149	1,838	13,629	32,189
Inventories (note 4)	1,337	741	5,744	4,221
Deposits and prepaid expenses (note 5)	6	6	21,427	17,631
Interest receivable	76	127	318	518
<b>Total current assets</b>	<b>12,472</b>	<b>14,488</b>	<b>80,763</b>	<b>99,644</b>
<b>Non-current assets:</b>				
Restricted non-pooled investments (note 2)	654	730	10,249	10,699
Advances receivable	326	410	2,167	2,725
Deferred bond issuance and acquisition costs	41	43	404	460
<b>Total non-current assets</b>	<b>1,021</b>	<b>1,183</b>	<b>12,820</b>	<b>13,884</b>
<b>Capital assets (note 6):</b>				
Land	309	309	2,734	2,734
Rights to purchase power	-	-	1,335	1,335
Utility plant and equipment	76,887	74,096	328,813	313,724
Construction in progress	7,890	4,853	52,174	49,473
Total utility plant and equipment	85,086	79,258	385,056	367,266
Less accumulated depreciation	(37,882)	(35,356)	(153,476)	(140,782)
<b>Total capital assets, net</b>	<b>47,204</b>	<b>43,902</b>	<b>231,580</b>	<b>226,484</b>
<b>Total assets</b>	<b>60,697</b>	<b>59,573</b>	<b>325,163</b>	<b>340,012</b>

*(Continued)*

See accompanying notes to basic financial statements.



## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Assets (continued) • June 30, 2009

*With comparative financial information for the year ended June 30, 2008 • \$ in thousands*

<b>Liabilities</b>	<b>Water</b>		<b>Electric</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Current liabilities:</b>				
Accounts payable and accrued expenses (note 7)	\$ 3,085	2,575	8,245	30,259
Current portion of loan payable (note 8)	184	179	-	-
Current portion of compensated absences (note 8)	73	36	324	214
Accrued payroll	1	1	12	11
Bond interest payable	13	16	93	119
Due to the City of Burbank	39	45	411	463
Customer deposits (note 9)	2,280	3,304	14,440	13,369
Current portion of revenue bonds payable, net (note 8)	910	875	9,125	8,805
<b>Total current liabilities</b>	<b>6,585</b>	<b>7,031</b>	<b>32,650</b>	<b>53,240</b>
<b>Non-current liabilities:</b>				
Revenue bonds payable, net (note 8)	2,832	3,738	61,197	70,287
Loan payable (note 8)	823	1,007	-	-
Compensated absences (note 8)	610	394	4,554	3,800
<b>Total non-current liabilities</b>	<b>4,265</b>	<b>5,139</b>	<b>65,751</b>	<b>74,087</b>
<b>Total liabilities</b>	<b>10,850</b>	<b>12,170</b>	<b>98,401</b>	<b>127,327</b>
<b>Net Assets</b>				
<b>Net assets:</b>				
Invested in capital assets, net of related debt	42,626	37,920	161,165	145,998
Restricted for debt service	470	693	8,890	10,579
Unrestricted	6,751	8,790	56,707	56,108
<b>Total net assets</b>	<b>\$ 49,847</b>	<b>47,403</b>	<b>226,762</b>	<b>212,685</b>

See accompanying notes to basic financial statements.

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Assets • Year ended June 30, 2009

*With comparative financial information for the year ended June 30, 2008 • \$ in thousands*

	Water		Electric	
	2009	2008	2009	2008
<b>Operating revenues:</b>				
Sale of power-retail	\$ -	-	158,039	155,514
Sale of power and fuel-wholesale (note 12)	-	-	120,716	220,177
Sale of water	20,853	22,503	-	-
Other revenues	519	721	8,834	6,476
<b>Total operating revenues</b>	<b>21,372</b>	<b>23,224</b>	<b>287,589</b>	<b>382,167</b>
<b>Operating expenses:</b>				
Power supply expenses-retail (note 11)	-	-	95,043	105,481
Purchased power and fuel expenses-wholesale (note 12)	-	-	116,544	212,823
Water supply expenses (note 1)	7,895	10,174	-	-
Water maintenance and operation expenses	6,388	5,637	-	-
Transmission expenses	-	-	11,632	11,607
Distribution expenses	-	-	10,495	8,619
Other operating expenses (note 1)	2,764	2,147	16,852	15,511
Depreciation	2,526	2,405	12,651	12,220
<b>Total operating expenses</b>	<b>19,573</b>	<b>20,363</b>	<b>263,217</b>	<b>366,261</b>
<b>Operating income</b>	<b>1,799</b>	<b>2,861</b>	<b>24,372</b>	<b>15,906</b>
<b>Non-operating income (expenses):</b>				
Interest income	309	1,166	1,707	4,649
Interest expense	(258)	(296)	(3,581)	(3,883)
Other income (expenses), net	43	86	484	542
<b>Total non-operating income (expenses)</b>	<b>94</b>	<b>956</b>	<b>(1,390)</b>	<b>1,308</b>
<b>Income before contributions and transfers</b>	<b>1,893</b>	<b>3,817</b>	<b>22,982</b>	<b>17,214</b>
Capital contributions	1,516	1,098	1,233	1,537
Transfers in from the City	-	1	-	55
Transfers out to the City:				
Payments in-lieu of taxes (note 10)	(965)	(947)	(10,138)	(9,836)
<b>Change in net assets</b>	<b>2,444</b>	<b>3,969</b>	<b>14,077</b>	<b>8,970</b>
<b>Net assets, July 1</b>	<b>47,403</b>	<b>43,434</b>	<b>212,685</b>	<b>203,715</b>
<b>Net assets, June 30</b>	<b>\$ 49,847</b>	<b>47,403</b>	<b>226,762</b>	<b>212,685</b>

See accompanying notes to basic financial statements.

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statements of Cash Flows • Year ended June 30, 2009  
 With comparative financial information for the year ended June 30, 2008 • \$ in thousands

	Water		Electric	
	2009	2008	2009	2008
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 21,061	23,564	306,146	376,068
Cash paid to suppliers	(10,803)	(13,805)	(240,749)	(319,940)
Cash paid to employees	(7,107)	(5,815)	(35,263)	(30,498)
Cash received for miscellaneous purposes	14	-	109	-
<b>Net cash provided by (used in) operating activities</b>	<b>3,165</b>	<b>3,944</b>	<b>30,243</b>	<b>25,630</b>
<b>Cash flow from noncapital financing activities:</b>				
Advances receivable	84	-	558	-
Transfers from the City	-	1	-	55
Transfers to the City	(965)	(947)	(10,138)	(9,836)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(881)</b>	<b>(946)</b>	<b>(9,580)</b>	<b>(9,781)</b>
<b>Cash flows from capital and related activities:</b>				
Proceeds from sale of capital assets	29	-	375	452
Other income - net of sale proceeds of capital assets	-	86	-	90
Principal payments - bond	(875)	(840)	(8,805)	(8,505)
Interest payments	(256)	(299)	(3,516)	(3,853)
Capital contributions	1,516	1,098	1,233	1,537
Acquisition and construction of capital assets	(5,828)	(6,907)	(17,747)	(32,851)
Payments on loans	(179)	(175)	-	-
<b>Net cash used in capital and related activities</b>	<b>(5,593)</b>	<b>(7,037)</b>	<b>(28,460)</b>	<b>(43,130)</b>
<b>Cash flows from investing activities:</b>				
Interest received	361	1,194	1,907	4,818
Sale of restricted investment	76	7	450	67
<b>Net cash provided by investing activities</b>	<b>437</b>	<b>1,201</b>	<b>2,357</b>	<b>4,885</b>
Net increase (decrease) in cash and cash equivalents	(2,872)	(2,838)	(5,440)	(22,396)
<b>Cash and cash equivalents, beginning of year</b>	<b>11,776</b>	<b>14,614</b>	<b>45,085</b>	<b>67,481</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,904</b>	<b>11,776</b>	<b>39,645</b>	<b>45,085</b>

(Continued)

See accompanying notes to basic financial statements.



## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statements of Cash Flows (continued) • Year ended June 30, 2009  
 With comparative financial information for the year ended June 30, 2008 • \$ in thousands

	Water		Electric	
	2009	2008	2009	2008
<b>Cash flows from operating activities:</b>				
Operating income (loss)	\$ 1,799	2,861	24,372	15,906
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,526	2,405	12,651	12,220
Other non-operating revenue and expenses, net of sales proceeds of capital assets	14	91	109	124
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(311)	340	18,560	(6,096)
Increase (decrease) in due to/from the City of Burbank	-	-	(52)	69
(Increase) decrease in inventories	(596)	509	(1,523)	1,065
(Increase) decrease in deposits and prepaid expenses	-	10	(3,796)	(2,424)
(Increase) decrease in advances receivable	-	16	-	128
(Increase) decrease in rights to purchase power	-	-	-	43
Increase (decrease) in accounts payable and accrued expenses	504	(2,087)	(22,014)	4,187
Increase (decrease) in accrued payroll	-	(169)	1	(932)
Increase (decrease) in compensated absences	253	29	864	157
Increase (decrease) in customer deposits	(1,024)	(61)	1,071	1,183
Total adjustments	1,366	1,083	5,871	9,724
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,165</b>	<b>3,944</b>	<b>30,243</b>	<b>25,630</b>
<b>Noncash investing, capital and financing activities:</b>				
<b>Increase (decrease) in fair market value of investments</b>	<b>\$ (160)</b>	<b>118</b>	<b>(713)</b>	<b>609</b>

See accompanying notes to basic financial statements.

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
*\$ in thousands*

## NOTE 1: Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City as they pertain to the Water and Electric Utility Funds.

### (A) ACCOUNTING METHODS

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

The basic financial statements include the following:

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

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

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

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

### (B) BASIS OF PRESENTATION

The Water and Electric Utility Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be 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 Water and Electric Utility Funds' operations were established by the City in 1913. Burbank Water and Power ("BWP") manages the generation, purchase, transmission, distribution, and sale of electric energy and water. The activities of BWP are overseen by the City Council and the BWP Board.

The Water and Electric Utility Funds are used to account for the construction, operation and maintenance of the City owned water and electric utility. The City considers the Water and Electric Utility Funds to be Enterprise Funds (a proprietary fund type)

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009

*\$ in thousands*

as defined under accounting principles generally accepted in the United States of America; accordingly, the accrual basis of accounting is followed by the Water and Electric Utility Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Estimated earned but unbilled revenues which result from cycle utility billing practices are accrued. As an integral part of the City's overall operations, the Water and Electric Utility Funds' operations are also included in the City's Comprehensive Annual Financial Report.

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

### (D) SELF-INSURANCE PROGRAM

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

### (E) CAPITAL ASSETS

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at fair market value at the date of donation. The threshold for capitalizing assets is \$5 or greater, except for betterments which could be less. When items are sold or retired, related gains or losses are included in non-operating income (expenses). Maintenance and repairs are charged to expense as incurred. Improvements to plant and equipment are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

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



## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009

*\$ in thousands*

### **(F) INVENTORIES**

Inventories consist of groundwater, stored fuel, natural gas, and materials and supplies held for future consumption and are priced at average cost.

### **(G) COMPENSATED ABSENCES**

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

### **(H) 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.

### **(I) REVENUE RECOGNITION**

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

### **(J) 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 11.

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

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

### **(K) DEBT ISSUANCE COSTS**

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

### **(L) BOND REFUNDING COSTS**

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

### **(M) 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 Water and Electric Utility Funds' prior year financial statements, from which this selected data was derived.

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

## NOTE 2: Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	Water	Electric	Total
Pooled cash and cash equivalents	\$ 8,904	39,629	48,533
Restricted non-pooled cash and cash equivalents	-	16	16
Restricted investments	654	10,249	10,903
<b>Total</b>	<b>\$ 9,558</b>	<b>49,894</b>	<b>59,452</b>
Cash on hand	\$ -	16	16
Investments	9,558	49,878	59,436
<b>Total</b>	<b>\$ 9,558</b>	<b>49,894</b>	<b>59,452</b>

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

Restricted non-pooled cash and cash equivalents consist of minimum required balances primarily for checking accounts.

Cash and investments restricted for a specific purpose by either bond resolution, funding agency or an outside third party are classified as restricted assets.

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

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

Authorized Investment Type	Authorized by City Policy	Maximum Maturity	Max. Percentage of Portfolio	Max. Investment One Issuer
Agency-U.S. Federal Agency	Yes	5 years	70%	None
Burbank Investment Pool	Yes	N/A	None	None
Corporates-Medium Term Notes	Yes	5 years	30%	5%
LAIF-Local Agency Investment Fund	Yes	N/A	None	None
U.S. Treasury Obligations	Yes	5 years	100%	None
Banker's Acceptances	No	180 days	40%	30%
Commercial Paper	No	270 days	15%	2%
Timed Certificates of Deposit	Yes	5 years	40%	\$250
Negotiable Certificates of Deposit	Yes	5 years	20%	\$250
Money Market Mutual Funds	Yes	90 days	15%	None
Local Agency Bonds	No	N/A	N/A	N/A
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

### INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

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

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

### DISCLOSURES RELATING TO INTEREST RATE RISK

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

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
Burbank Investment Pool	\$ 48,533	-	-	-	48,533
Held by Bond Trustee:					
Investment Agreements	-	2,104	-	6,323	8,427
Money Market	2,284	-	-	-	2,284
U.S. Treasury Obligations	192	-	-	-	192
<b>Total</b>	<b>\$ 51,009</b>	<b>2,104</b>	<b>-</b>	<b>6,323</b>	<b>59,436</b>

Note: The table above excludes cash on hand of \$16 (see pg. 29).

### DISCLOSURES RELATING TO CREDIT RISK

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



## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

		<b>Minimum Legal Rating</b>	<b>Exempt from Disclosure</b>
Burbank Investment Pool	\$ 48,533	N/A	N/A
Held by Bond Trustee:			
Investment Agreements	8,427	A	N/A
Money Market	2,284	Aaa	N/A
U.S. Treasury Obligations	192	Aaa	192
<b>Total</b>	<b>\$ 59,436</b>		

	Rating as of Year-End					Total
	Aaa	Aa	A	Baa	Not Rated	
Burbank Investment Pool	\$ -	-	-	-	48,533	48,533
Held by Bond Trustee:						
Investment Agreements	-	8,427	-	-	-	8,427
Money Market	2,284	-	-	-	-	2,284
U.S. Treasury Obligations	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,284</b>	<b>8,427</b>	<b>-</b>	<b>-</b>	<b>48,533</b>	<b>59,244</b>

### CUSTODIAL CREDIT RISK

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

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

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

### INVESTMENT IN STATE INVESTMENT POOL

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

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

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

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

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

### NOTE 3: Accounts Receivable

	Water		Electric	
	2009	2008	2009	2008
Accounts receivable	\$ 2,176	1,906	13,818	32,344
Allowance for uncollectible accounts	(27)	(68)	(189)	(155)
<b>Accounts receivable-net</b>	<b>\$ 2,149</b>	<b>1,838</b>	<b>13,629</b>	<b>32,189</b>

The Utility fully reserves accounts receivable over 90 days old in allowance for uncollectible accounts receivable.

The Electric Utility Fund's receivables were lower compared to last fiscal year due to decreased energy trading activities in the wholesale market.

### NOTE 4: Inventories

The Water and Electric Utility Funds' inventories as of June 30, 2009 and June 30, 2008 are:

	Water		Electric	
	2009	2008	2009	2008
Materials and supplies inventory	\$ 581	741	5,744	3,961
Natural gas inventory	-	-	-	260
Groundwater purchases inventory	756	-	-	-
<b>Total</b>	<b>\$ 1,337</b>	<b>741</b>	<b>5,744</b>	<b>4,221</b>

The Electric Utility Fund exhausted its natural gas inventory in fiscal year 2008-2009.

The Water Utility Fund purchased groundwater inventory in fiscal year 2008-2009. At June 30, 2009 the Water Utility's average cost of groundwater inventory was \$111.33 per AF.

### NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of \$21,427 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses include a \$2,865 deposit with SCPPA as a fuel reserve for the Magnolia Power Project ("MPP"), a \$6,770 deposit with SCPPA for future use in multiple projects, a \$7,895 deposit with Tieton Hydropower, L.L.C. for future energy deliveries, a \$1,725 prepayment to Powerex for future energy deliveries, and a \$1,188 prepayment to SCPPA Natural Gas Reserve for future gas deliveries. 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, 2009, the Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$938.

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

### NOTE 6: Capital Assets

Capital assets include the following at June 30, 2009 and 2008:

#### North-South DC Intertie

WATER	Balance as of June 30, 2007	Additions	Deletions	Balance as of June 30, 2008	Additions	Deletions	Balance as of June 30, 2009
Capital assets not being depreciated:							
Land	\$ 309	-	-	309	-	-	309
Construction in progress	3,427	6,346	(4,920)	4,853	5,752	(2,715)	7,890
Total capital assets not being depreciated	3,736	6,346	(4,920)	5,162	5,752	(2,715)	8,199
Capital assets being depreciated:							
Buildings and improvements	63,537	4,855	-	68,392	2,654	-	71,046
Accumulated depreciation	(29,267)	(2,091)	-	(31,358)	(2,228)	-	(33,586)
Machinery and equipment	5,163	541	-	5,704	137	-	5,841
Accumulated depreciation	(3,683)	(315)	-	(3,998)	(297)	(1)	(4,296)
Total capital assets being depreciated, net	35,750	2,990	-	38,740	266	(1)	39,005
<b>Total net capital assets</b>	<b>\$ 39,486</b>	<b>9,336</b>	<b>(4,920)</b>	<b>43,902</b>	<b>6,018</b>	<b>(2,716)</b>	<b>47,204</b>
ELECTRIC	Balance as of June 30, 2007	Additions	Deletions	Balance as of June 30, 2008	Additions	Deletions	Balance as of June 30, 2009
Capital assets not being depreciated:							
Land	\$ 2,734	-	-	2,734	-	-	2,734
Construction in progress	35,082	30,913	(16,522)	49,473	15,741	(13,040)	52,174
Total capital assets not being depreciated	37,816	30,913	(16,522)	52,207	15,741	(13,040)	54,908
Capital assets being depreciated:							
Land improvements	2,282	-	-	2,282	-	-	2,282
Accumulated depreciation	(227)	(91)	-	(318)	(91)	-	(409)
Rights to purchase power	1,335	-	-	1,335	-	-	1,335
Accumulated depreciation	(326)	(43)	-	(369)	(43)	-	(412)
Buildings and improvements	268,644	17,802	-	286,446	14,118	-	300,564
Accumulated depreciation	(112,454)	(10,646)	-	(123,100)	(11,055)	-	(134,155)
Machinery and equipment	24,362	634	-	24,996	980	(9)	25,967
Accumulated depreciation	(15,446)	(1,549)	-	(16,995)	(1,506)	1	(18,500)
Total capital assets being depreciated, net	168,170	6,107	-	174,277	2,403	(8)	176,672
<b>Total net capital assets</b>	<b>\$ 205,986</b>	<b>37,020</b>	<b>(16,522)</b>	<b>226,484</b>	<b>18,144</b>	<b>(13,048)</b>	<b>231,580</b>

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale and the City of Pasadena for an unrestricted 3.846% interest in the North-South DC Intertie. As of June 30, 2009, the Electric Utility Fund has recorded its share of the Intertie of approximately \$14,634 within its plant and equipment assets, less accumulated depreciation approximating \$9,812, for a net asset value of \$4,822. Such asset is being depreciated using the straight-line method over a useful life of 40 years. The City's voting right in the project is directly in proportion to its percentage interest.

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

### NOTE 7: Accounts Payable and Accrued Expenses

The Water Utility Fund's revenues include a Water Cost Adjustment Charge. WCAC revenues in excess of water supply expenses have been deferred to a water cost adjustment deferred revenue account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. The deferred WCAC balances were \$1,543 and \$593 at June 30, 2009 and 2008, respectively.

The Electric Utility Fund's accounts payable and accrued expenses were lower compared to last fiscal year due to decreased energy trading activities in the wholesale market.

	Water		Electric	
	2009	2008	2009	2008
Accounts payable & accrued expenses	\$ 1,542	1,982	8,245	30,259
WCAC	1,543	593	-	-
<b>Total</b>	<b>\$ 3,085</b>	<b>2,575</b>	<b>8,245</b>	<b>30,259</b>

### NOTE 8: Loan and Revenue Bonds Payable

#### (A) LOAN PAYABLE

	Water	
	2009	2008
This State Water Resources Control Loan was issued for the purpose of construction improvement to the Reclaimed Water Distribution System (now known as the Recycled Water System). Funds are disbursed on either a reimbursement basis, or at such time, as they are due and payable by the City. The interest rate is 2.7%, with the principal to be repaid no later than April 2014, 20 years from the loan date.	\$ 1,007	1,186
Less current portion	(184)	(179)
<b>Long-term intergovernmental loan payment</b>	<b>\$ 823</b>	<b>1,007</b>

A schedule of aggregate maturities, including interest, on the intergovernmental loan payable subsequent to June 30, 2009 is as follows:

	Water		
	Principal	Interest	Total
2010	184	27	211
2011	189	22	211
2012	194	17	211
2013	199	12	211
2014	241	7	248
	<b>\$ 1,007</b>	<b>85</b>	<b>1,092</b>

#### (B) REVENUE BONDS PAYABLE

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



## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

	Water		Electric	
	2009	2008	2009	2008
<b>1998 Series A Bonds:</b>				
\$45,160 Public Service Department Electric Revenue Bonds, 1998 Series A, and \$10,585 Public Service Department Water Revenue Bonds, 1998 Series A were issued to partially advance refund the 1992 Series A Public Service Department Water and Electric Revenue Bonds and to provide funds for additions and improvements, payable in installments ranging from \$750 to \$3,700. Interest rates range from 2.90% to 4.75%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023.	\$ 3,810	4,685	38,385	40,175
Less:				
Current portion	(910)	(875)	(1,865)	(1,790)
Original issue discount/premium	(68)	(72)	(361)	(380)
<b>Long-term 1998 Series A Bonds</b>	<b>\$ 2,832</b>	<b>3,738</b>	<b>36,159</b>	<b>38,005</b>
<b>2001 Series A Bonds:</b>				
\$54,745 Burbank Water and Power Electric Revenue Bonds, Series A of 2001, were issued to fund the acquisition and installation of a 47 MW gas-fired turbine, other electric improvements and refund outstanding senior lien revenue bonds. Payments are in installments ranging from \$5,360 to \$6,770. Interest rates range from 2.25% to 4.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2011.	\$ -	-	12,435	18,330
Less:				
Current portion	-	-	(6,105)	(5,895)
Original issue discount/premium	-	-	(59)	(88)
<b>Long-term 2001 Series A Bonds</b>	<b>\$ -</b>	<b>-</b>	<b>6,271</b>	<b>12,347</b>
<b>2002 Series A Bonds:</b>				
\$25,000 Burbank Water and Power Electric Revenue Bonds, Series A of 2002, were issued for retrofitting Olive 1 and Olive 2 steam generators to meet new air quality emission limits, other electric improvements and refund certain electric revenue bonds. Payments are in installments ranging from \$990 to \$2,000. Interest rates range from 3.000% to 5.375%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022.	\$ -	-	19,740	20,860
Less:				
Current portion	-	-	(1,155)	(1,120)
Original issue discount/premium	-	-	182	195
<b>Long-term 2002 Series A Bonds</b>	<b>-</b>	<b>-</b>	<b>18,767</b>	<b>19,935</b>
<b>Total long-term revenue bonds payable</b>	<b>\$ 2,832</b>	<b>3,738</b>	<b>61,197</b>	<b>70,287</b>

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

A schedule of aggregate maturities on bonds payable subsequent to June 30, 2009 is as follows:

	Water		Electric		Total
	Principal	Interest	Principal	Interest	
2010	\$ 910	192	9,125	3,287	13,514
2011	955	145	9,475	2,939	13,514
2012	1,005	96	3,295	2,538	6,934
2013	65	45	3,585	2,382	6,077
2014	70	42	3,760	2,211	6,083
2015 – 2019	405	154	21,790	8,082	30,431
2020 – 2023	400	48	19,530	2,266	22,244
<b>Total</b>	<b>\$ 3,810</b>	<b>722</b>	<b>70,560</b>	<b>23,705</b>	<b>98,797</b>

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2009:

<b>June 30, 2009</b>	<b>July 1, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2009</b>	<b>Due within One Year</b>
Intergovernmental Loan Payable	\$ 1,186	-	(179)	1,007	184
Revenue Bond Payable:					
1998 Series A Bonds	4,685	-	(875)	3,810	910
Compensated Absences	430	253	-	683	73
	<u>\$ 6,301</u>	<u>253</u>	<u>(1,054)</u>	<u>5,500</u>	<u>1,167</u>
Less current portion	(1,090)			(1,167)	
Less unamortized bond premium (discounts)	(72)			(68)	
<b>Total</b>	<b>\$ 5,139</b>			<b>4,265</b>	
<b>June 30, 2008</b>	<b>July 1, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2008</b>	<b>Due within One Year</b>
Intergovernmental Loan Payable	\$ 1,361	-	(175)	1,186	179
Revenue Bond Payable:					
1998 Series A Bonds	5,525	-	(840)	4,685	875
Compensated Absences	401	66	(37)	430	36
	<u>\$ 7,287</u>	<u>66</u>	<u>(1,052)</u>	<u>6,301</u>	<u>1,090</u>
Less current portion	(1,051)			(1,090)	
Less unamortized bond premium (discounts)	(75)			(72)	
<b>Total</b>	<b>\$ 6,161</b>			<b>5,139</b>	

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2009:

<b>June 30, 2009</b>	<b>July 1, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2009</b>	<b>Due within One Year</b>
Revenue Bond Payable:					
1998 Series A Bonds	\$ 40,175	-	(1,790)	38,385	1,865
2001 Series A Bonds	18,330	-	(5,895)	12,435	6,105
2002 Series A Bonds	20,860	-	(1,120)	19,740	1,155
Compensated Absences	4,014	1,078	(214)	4,878	324
	<u>\$ 83,379</u>	<u>1,078</u>	<u>(9,019)</u>	<u>75,438</u>	<u>9,449</u>
Less current portion	(9,019)			(9,449)	
Less unamortized bond premium (discounts)	(273)			(238)	
<b>Total</b>	<b>\$ 74,087</b>			<b>65,751</b>	
<b>June 30, 2008</b>	<b>July 1, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2008</b>	<b>Due within One Year</b>
Revenue Bond Payable:					
1998 Series A Bonds	\$ 41,900	-	(1,725)	40,175	1,790
2001 Series A Bonds	24,030	-	(5,700)	18,330	5,895
2002 Series A Bonds	21,940	-	(1,080)	20,860	1,120
Compensated Absences	3,856	389	(231)	4,014	214
	<u>\$ 91,726</u>	<u>389</u>	<u>(8,736)</u>	<u>83,379</u>	<u>9,019</u>
Less current portion	(8,736)			(9,019)	
Less unamortized bond premium (discounts)	(307)			(273)	
<b>Total</b>	<b>\$ 82,683</b>			<b>74,087</b>	

### NOTE 9: Customer Deposits

AB 1890 requires the Electric Utility to spend 2.85% of its electric revenues for PB purposes. The entire unspent portion of the PB obligation for the Electric Utility has been recorded in the Electric Utility Fund's liabilities. The amount of the PB obligation is part of customer deposits, but reported as the PB liability. The unspent portion of the PB obligation is included in customer deposits and as of June 30, 2009 and June 30, 2008 is \$9,752 and \$9,528, respectively.

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
\$ in thousands

### NOTE 10: Related Party Transactions

The City assesses a 5.0% in-lieu of taxes on Water and Electric Utility Fund revenues. In addition, an assessment of 1.5% is made on electric revenues to maintain and operate the City's street lighting system. These charges are reflected in the accompanying statements of revenues, expenses and changes in fund net assets for the years ended June 30, 2009 and 2008 as follows:

	Water		Electric	
	2009	2008	2009	2008
In-lieu of taxes	\$ 965	947	7,899	7,669
Street lighting	-	-	2,239	2,167
<b>Total payment in-lieu of taxes</b>	<b>\$ 965</b>	<b>947</b>	<b>10,138</b>	<b>9,836</b>

The City also allocates certain administrative and overhead costs to the Water and Electric Utility Funds in the other operating expenses category. These costs for the years ended June 30, 2009 and 2008 were as follows:

	Water		Electric	
	2009	2008	2009	2008
Administrative and overhead costs	\$ 688	726	3,028	2,911
<b>Total</b>	<b>\$ 688</b>	<b>726</b>	<b>3,028</b>	<b>2,911</b>

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. This tax for the year ended June 30, 2009 and 2008 was as follows:

	Electric	
	2009	2008
Utility Users Taxes	\$ 10,376	10,330
<b>Total</b>	<b>\$ 10,376</b>	<b>10,330</b>

### NOTE 11: Power Supply and Fuel Expenses - Retail

#### A) RETAIL ENERGY SUPPLY

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

#### B) "TAKE OR PAY" CONTRACTS

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



## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009

*\$ in thousands*

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

### **(a) SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ("SCPPA" OR "AUTHORITY")**

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

#### **Hoover Uprating Project (HU)**

On March 1, 1986, the Authority and six participants entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to the Authority in return for the Authority's agreement to make advance payments to the United States Bureau of Reclamation (USBR) on behalf of such participants. The Authority has an 18.68% interest in the contingent capacity of the Hoover Uprating Project. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 16.00% (15 megawatt) ownership interest in this project.

#### **Southern Transmission System Project (STS)**

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

#### **Mead-Phoenix Project (MP)**

The Authority entered into an agreement dated as of December 17, 1991 to acquire an interest in the Mead-Phoenix Project, a transmission line extending between the West Wing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the West Wing-Mead project, a 17.76% interest in the Mead substation project component and a 22.41% interest in the Mead-Marketplace component. The project is a 256 mile, 500 kV AC transmission line with a rating of 1,300 MW. The City's ownership share of Mead-Phoenix is 15.40%.

#### **Mead-Adelanto Project (MA)**

The Authority also entered into an agreement dated as of December 17, 1991 to acquire a 67.92% interest in the Mead-Adelanto Project, a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer from the multiple projects fund, and commercial operations commenced in April 1996. LADWP serves as the operations manager of Mead-Adelanto. The project is a 202 mile, 500 kV AC transmission line with a rating of 1,200 MW. The City's ownership share of Mead-Adelanto is 11.50%.

#### **Palo Verde Project (PV)**

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

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
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the Palo Verde Project). Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.40% (9.70 MW).

### Magnolia Power Project (MPP)

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

### Natural Gas Project

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

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

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

### (b) INTERMOUNTAIN POWER AGENCY (IPA)

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

A summary of the City of Burbank "take or pay" contracts and related projects and its contingent liability at June 30, 2009 is as follows:

	Bonds and notes outstanding	City of Burbank portion	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
SCPPA:				
Hoover Upgrading	\$ 15,975	15.957%	\$ 2,549	\$ 3,230
Southern Transmission System	931,290	4.498%	41,889	62,212
Mead-Adelanto	199,920	11.534%	23,059	29,840
Mead-Phoenix	63,510	15.400%	9,781	12,603
Palo Verde	99,830	4.400%	4,393	4,860
Magnolia Power Project (Project A)	375,015	32.350%	121,317	190,691
Natural Gas Project - Pinedale	10,134	100.000%	10,134	15,425
Natural Gas Project - Barnett	31,386	100.000%	31,386	47,777
Natural Gas Prepaid Project #1	504,445	33.099%	166,966	355,801
Intermountain Power Project	2,807,040	3.371%	94,625	123,330
<b>Total</b>	<b>\$ 5,038,545</b>	<b>10.045%</b>	<b>\$ 506,099</b>	<b>\$ 845,769</b>

## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009

*\$ in thousands*

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

	2009/10		2010/11		2011/12	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ 236	122	246	113	255	103
IPP STS	1,376	1,019	1,484	1,981	1,604	1,896
Mead-Adelanto	1,093	536	1,556	1,092	1,650	990
Mead-Phoenix	442	232	754	474	799	424
Palo Verde	456	9	441	98	455	87
Magnolia Power Project	2,737	1,074	2,835	4,303	2,958	4,183
Natural Gas Project-Pinedale	531	254	787	489	896	462
Natural Gas Project-Barnett	1,644	787	2,438	1,516	2,774	1,430
Natural Gas Prepaid Project #1	-	8,467	1,862	8,420	1,892	8,327
Intermountain Power Project	4,788	4,050	7,523	3,896	6,992	3,353
<b>Total</b>	<b>\$ 13,303</b>	<b>16,550</b>	<b>19,926</b>	<b>22,382</b>	<b>20,275</b>	<b>21,255</b>
	2012/13		2013/14		2015/19	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ 267	93	280	79	1,266	170
IPP STS	2,435	1,804	2,151	1,679	11,753	7,203
Mead-Adelanto	1,757	881	1,876	765	10,432	2,240
Mead-Phoenix	852	372	909	315	4,154	894
Palo Verde	469	76	483	64	2,089	133
Magnolia Power Project	3,080	4,061	3,220	3,925	15,321	17,333
Natural Gas Project-Pinedale	660	427	570	400	2,552	1,594
Natural Gas Project-Barnett	2,045	1,323	1,765	1,238	7,903	4,937
Natural Gas Prepaid Project #1	1,753	8,235	1,590	8,152	6,916	39,720
Intermountain Power Project	5,978	3,281	7,415	2,750	35,432	9,770
<b>Total</b>	<b>\$ 19,296</b>	<b>20,553</b>	<b>20,259</b>	<b>19,367</b>	<b>97,818</b>	<b>83,994</b>
	2020/24		2025/29		2030/34	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ -	-	-	-	-	-
IPP STS	15,464	3,874	5,623	866	-	-
Mead-Adelanto	4,694	278	-	-	-	-
Mead-Phoenix	1,871	111	-	-	-	-
Palo Verde	-	-	-	-	-	-
Magnolia Power Project	14,624	13,889	20,049	10,763	24,474	7,363
Natural Gas Project-Pinedale	1,780	985	1,387	536	970	145
Natural Gas Project-Barnett	5,514	3,053	4,298	1,659	3,005	448
Natural Gas Prepaid Project #1	12,644	37,386	23,934	32,668	39,616	24,642
Intermountain Power Project	26,498	1,604	-	-	-	-
<b>Total</b>	<b>\$ 83,089</b>	<b>61,180</b>	<b>55,291</b>	<b>46,492</b>	<b>68,065</b>	<b>32,598</b>
	2035/39		2040/43			
	Principal	Interest	Principal	Interest		
SCPPA:						
Hoover Uprating	\$ -	-	-	-		
IPP STS	-	-	-	-		
Mead-Adelanto	-	-	-	-		
Mead-Phoenix	-	-	-	-		
Palo Verde	-	-	-	-		
Magnolia Power Project	32,019	2,480	-	-		
Natural Gas Project-Pinedale	-	-	-	-		
Natural Gas Project-Barnett	-	-	-	-		
Natural Gas Prepaid Project #1	58,990	12,370	17,769	448		
Intermountain Power Project	-	-	-	-		
<b>Total</b>	<b>\$ 91,009</b>	<b>14,850</b>	<b>17,769</b>	<b>448</b>		

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
*\$ in thousands*

## Hedge Policies and Outstanding Hedge Contracts

The Electric Utility Fund utilizes natural gas hedging as outlined in the Energy Risk Management Policy. The purpose of hedging is to protect against fluctuating prices and deliver stable and competitive rates to its retail customers. Currently, the Electric Utility Fund (“Buyer”) has financial natural gas swap agreements with a few low risk counterparties (“Seller”) in place. The Buyer pays the agreed or fixed price and the Seller pays the floating market price. Depending on the price at the delivery month, Buyer will make payments or receive payments based on the price differentials. The financial settlements will either offset or add to the actual price of natural gas purchased at the spot market. These contracts are not included within the scope of GASB 53 because they are entered in for the purpose of gas/electricity use in the normal course of operations.

## NOTE 12: Purchased Power and Fuel Expenses - Wholesale

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

	<b>2009</b>	<b>2008</b>
Wholesale revenues	\$ 120,716	220,177
Wholesale costs	116,544	212,823
<b>Wholesale margin</b>	<b>\$ 4,172</b>	<b>7,354</b>

The Wholesale volume was lower compared to last fiscal year due to lower energy prices and less energy trading activity in the market.

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

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

Prior to July 1, 2008, the Water and Electric Utility Funds made 7% contributions on behalf of its employees. Effective July 1, 2008, the Water and Electric Utility Fund increased this contribution to 8%. The Water and Electric Utility Fund is required to contribute at an actuarially determined rate. In fiscal year 2008-2009, the Water and Electric Utility Fund, as employer, was required to contribute 9.752%. The contribution requirements of plan members and the City are established, and may be amended, by PERS.

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



## CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Notes to Basic Financial Statements • Year ended June 30, 2009  
*\$ in thousands*

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

Fiscal Year Ending	Annual Pension Cost ("APC")		Percentage of APC Contributed
	Electric	Water	
June 30, 2007	3,220	611	100%
June 30, 2008	3,781	696	100%
June 30, 2009	3,945	696	100%

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

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

### Other Post Employment Benefits

The Water and Electric Utility Funds, as part of the City, also make contributions for other post employment benefits ("OPEB"). The Water and Electric Utility Funds assume their share of OPEB costs based upon the results of actuarial studies. No separate obligations are calculated for the Water and Electric Utility Funds for the BERMT and the CalPERS Healthcare ("PEMHCA"); and accordingly, no obligation is presented herein. In addition, the City entered into an agreement to provide certain OPEB to the International Brotherhood of Electrical Workers ("IBEW") employees on July 22, 2008. The agreement is for IBEW members and 7 management employees as a supplement to benefit payments from BERMT and PEMHCA. The total target benefit is \$600/month for the first 2 years, including payments from BERMT, PEMHCA minimum and IBEW Retiree Medical Trust Fund. The Electric Utility Fund accrued an Annual Required Contribution of \$510 in its fiscal year 2008-2009 operating expenses and the estimated unfunded actuarial accrued liability is \$4,152. Further information regarding the City's participation in PERS and OPEB may be found in the City's Comprehensive Annual Financial Report.

### NOTE 14: Self-Insurance Program

The Water and Electric Utility Funds are in the City's self-insurance program as part of its policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings. The City has chosen to self-insure its liability exposure for the first \$1,000 of any loss. Additional coverage of \$4,000 is purchased through ACCEL, the Authority for California Cities Excess Liability. The City then purchased additional coverage from commercial market for total coverage of \$40,000.

The workers' compensation coverage is purchased through a pooling agreement. The City self-insures the first \$2,000 of each loss and then the pool covers all losses to statutory limits. The City charges the Water and Electric Utility Funds a premium based upon the proportional payroll cost, job classification, and claim history.

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

# **CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS**

Notes to Basic Financial Statements • Year ended June 30, 2009  
*\$ in thousands*

## **NOTE 15: Contingencies**

### **LITIGATION RELATED TO ALLEGED OVERCHARGES FOR THE SALE OF POWER**

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

### **OTHER LITIGATION**

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

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Supplementary Information • Historical Summary Schedules

## SCHEDULE 1: Annual Electric Supply

Fiscal Year ended June 30, 2009

Resource	MWh	Percentage
Intermountain Power Project	501,800	39.3%
Hoover Uprating	21,200	1.7%
Palo Verde Nuclear	79,600	6.2%
Magnolia Power Project	442,600	34.7%
Firm Contracts	62,900	4.9%
Non-Firm Contracts	114,400	9.0%
On-Site Generation	23,300	1.8%
Renewables	31,000	2.4%
<b>TOTAL</b>	<b>1,276,800</b>	<b>100.0%</b>

## SCHEDULE 2: Customers, Sales, Electric Revenues and Demand

Fiscal Years ended June 30; \$ in thousands

	2009	2008	2007	2006	2005
Number of Retail Customers:					
Residential	44,499	44,279	44,009	43,973	43,930
Commercial <sup>1</sup>	6,553	6,537	6,299	6,288	6,274
Large Commercial <sup>1</sup>	81	71	164	167	167
Other <sup>1,2</sup>	234	264	290	274	262
<b>Total</b>	<b>51,367</b>	<b>51,151</b>	<b>50,762</b>	<b>50,702</b>	<b>50,633</b>
Retail Kilowatt-hour Sales (millions):					
Residential	286	286	285	268	259
Commercial	309	282	257	244	241
Large Commercial	553	578	613	588	535
Other <sup>2</sup>	36	34	33	38	58
<b>Total</b>	<b>1,184</b>	<b>1,180</b>	<b>1,188</b>	<b>1,138</b>	<b>1,093</b>
Electric Revenues:					
Retail	\$ 158,039	155,514	153,916	143,487	136,304
Wholesale	120,716	220,177	207,259	195,512	110,037
Miscellaneous <sup>3</sup>	8,834	6,476	7,585	6,159	5,494
<b>Total</b>	<b>\$ 287,589</b>	<b>382,167</b>	<b>368,760</b>	<b>345,158</b>	<b>251,835</b>
<b>Peak Demand (MW)</b>	<b>289</b>	<b>308</b>	<b>307</b>	<b>284</b>	<b>281</b>

<sup>1</sup> Restructured commercial and large commercial customer classes starting January 1, 2008

<sup>2</sup> Other includes school, street lighting and miscellaneous users

<sup>3</sup> Other operating revenues include transmission, telecommunications and other miscellaneous revenues

## SCHEDULE 3: Weighted Average Billing Price – Electric<sup>1</sup>

Fiscal Years ended June 30; cents per kilowatt-hour

	2009	2008	2007	2006	2005
Residential	13.27	13.07	12.93	12.38	12.34
Commercial	13.93	13.45	13.20	12.69	13.17
Large Commercial	12.22	11.86	11.98	11.55	11.73
Weighted Average Electric Rate	12.94	12.55	12.47	12.01	12.18

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

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Supplementary Information • Historical Summary Schedules

## SCHEDULE 4: Annual Water Supply

Fiscal Year ended June 30, 2009

Resource	A.F.	Percentage
Metropolitan Water District	12,070	57.8%
Local Production – BOU	8,818	42.2%
<b>TOTAL</b>	<b>20,888</b>	<b>100.0%</b>

## SCHEDULE 5: Customers, Water Sales, Water Revenues

Fiscal Years ended June 30; \$ in thousands

	2009	2008	2007	2006	2005
Number of Potable Water Customers:					
Residential	22,033	22,043	22,046	22,050	22,104
Commercial	3,100	3,100	3,073	3,072	3,069
Large Commercial	114	116	114	114	121
Other <sup>1</sup>	1,206	1,112	1,104	1,102	1,096
<b>Total</b>	<b>26,453</b>	<b>26,371</b>	<b>26,337</b>	<b>26,338</b>	<b>26,390</b>
CCF Sales Per Year (x1,000):					
Potable					
Residential	6,556	6,942	7,381	6,755	6,620
Commercial	1,695	1,732	1,930	1,749	1,852
Large Commercial	356	364	373	370	344
Other <sup>1</sup>	377	409	305	338	256
Recycled	794	912	953	514	418
<b>Total</b>	<b>9,778</b>	<b>10,359</b>	<b>10,942</b>	<b>9,726</b>	<b>9,490</b>
Water Revenues:					
Retail <sup>2</sup>	\$ 20,853	22,503	18,777	16,805	16,420
Miscellaneous <sup>3</sup>	519	721	841	2,131	819
<b>Total</b>	<b>\$ 21,372</b>	<b>23,224</b>	<b>19,618</b>	<b>18,936</b>	<b>17,239</b>
<b>Maximum Day (Million gallons)</b>	<b>29.0</b>	<b>30.8</b>	<b>33.0</b>	<b>31.9</b>	<b>35.1</b>

<sup>1</sup> Other includes City department water, school, fire protection, and miscellaneous users

<sup>2</sup> Potable and Recycled

<sup>3</sup> Other operating revenues include connection fees, recycled water credits and other miscellaneous revenues

## SCHEDULE 6: Weighted Average Billing Price – Water

Fiscal Years ended June 30; \$ per CCF

	2009	2008	2007	2006	2005
Residential	2.17	1.99	1.84	1.81	1.75
Commercial	1.99	1.84	1.74	1.67	1.59
Large Commercial	1.85	1.74	1.67	1.58	1.54
Weighted Average Water Rate	2.12	1.95	1.82	1.78	1.71



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

Retail sales (in MWh)

Operating revenues:

- Retail
- Wholesale
- Miscellaneous/Other

Operating expenses:

- Power supply
- Purchased power
- Transmission expense
- Distribution expense
- Other operating expenses
- Depreciation

Total operating income (expenses)

Non-operating income (expenses):

- Interest income
- Other income (expenses), net
- Interest income (expenses), net

Total non-operating income (expenses)

Contributions and transfers:

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

Change in net assets

Net assets, beginning of year

Net assets, end of year



Burbank Water and Power • 2009 Annual Report

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