

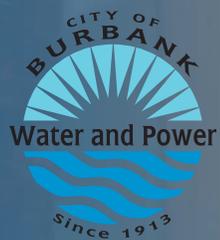
Burbank  
Water  
and Power

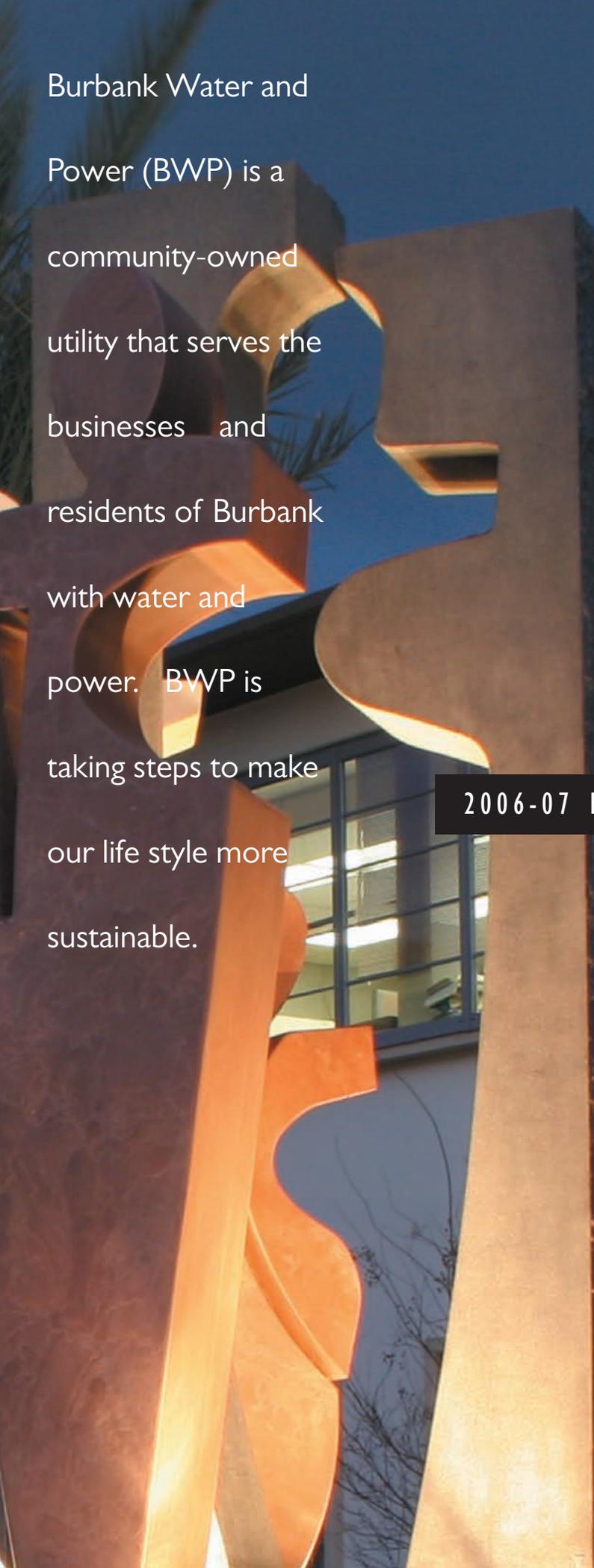
2007

Annual  
Report



Step by  
Step Toward  
Sustainability





Burbank Water and Power (BWP) is a community-owned utility that serves the businesses and residents of Burbank with water and power. BWP is taking steps to make our life style more sustainable.

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### 2006-07 Highlights

Adopted an Energy goal of having 33% Renewable energy Portfolio by 2020.

Reduced system lost and unaccounted water to below 4%.

Helped residents and businesses reduce their energy consumption through aggressive customer conservation, education, assistance and rebate programs.

Provided exceptionally reliable water and electric service. Electric customers were 3½ times less likely to experience an outage than industry norms.

Completed the 8th year of our infrastructure and improvement program in both the water and electric systems.

**Board Members**

Front row, left to right:

Martin Adams

Lynn Kronzek

Wendy James

Robert Olson

Back row, left to right:

Rod Kurihara

Lee Dunayer

Thomas Jamentz



**Board  
Members  
and  
Executive  
Team**



**Executive Team**

Pictured left to right: Bob Liu, Chief Financial Officer; Fredric Fletcher, Assistant General Manager – Power Supply; JoAnn Davis, Administrative Officer; Joanne Fletcher, Assistant General Manager – Customer Service & Marketing; Gregory Simay, Assistant General Manager – Electrical Services; Ronald Davis, General Manager; William Mace, Assistant General Manager – Water



Being good stewards of the water we have is a step toward our future sustainability. BWP provides classes on Southern California friendly landscaping, including how to select beautiful native and low-water-use plants.

## Step by Step Toward Sustainability

Burbank Water and Power (BWP) is proud of its history of providing Burbank's residents and businesses with safe, reliable and affordable water and electric service. In recent years, BWP has developed and implemented innovative projects and programs that have helped to stabilize our rates, improve our water and electric system's efficiency and reliability, and encourage conservation.

Looking forward, BWP is working toward reducing Burbank's carbon footprint and being an integral part of creating a more sustainable community and life style. From both a resource and environmental perspective our current use of natural resources is not sustainable; for instance, our dependence on fossil fuel and imported potable water, two natural resources that are in increasingly short supply.

The Burbank City Council was the first city in the nation to adopt a 33% Renewable Portfolio Standard. One third of the energy used in Burbank will come from green energy resources by 2020. By 2027, BWP expects also to achieve a 40% reduction from 1990 carbon dioxide emission levels by reducing Burbank's dependence on fossil fuel power generation, relying on energy efficiency gains, and by constructing and contracting for renewable resources such as wind, solar, and geothermal.

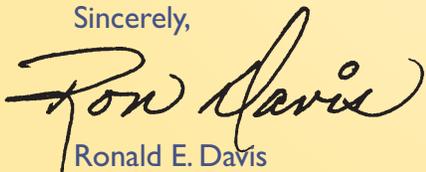
On the water side, our need to pursue a more sustainable future is even more imperative as traditional sources of water supply continue to be adversely impacted by drought and other environmental factors. By 2012 Burbank will double its use of recycled water. In addition, BWP is near completion of its Pacoima spreading ground connection project to implement groundwater storage of seasonally available water.

Other efforts underway to make Burbank more sustainable are to implement conservation encouraging rates, to offer sustainability educational programs and incentives, and to advocate changes in local, state and federal building and landscaping codes that result in conservation of water and energy.

With all this change, I am pleased to report that the financial results for both the Water and Electric Funds were strong in Fiscal Year 2006-07. 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.

The steps BWP is taking will lead us into exciting and challenging times. I am confident that BWP will do its part in working toward achieving a more sustainable community, one that promotes a healthy economy, and safe and reliable services, while significantly increasing our use of renewable resources and protecting the environment.

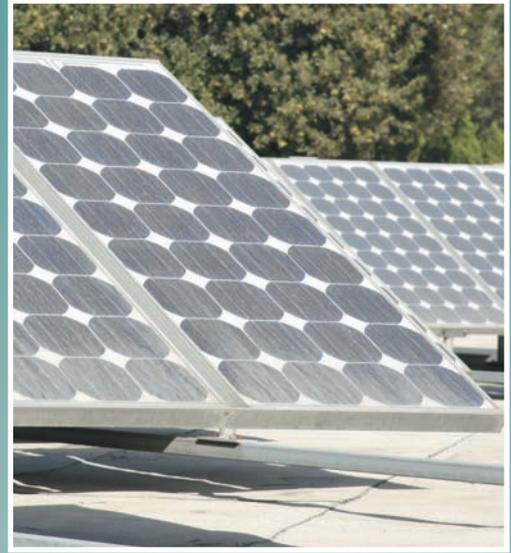
Sincerely,



Ronald E. Davis  
General Manager

**SUSTAINABILITY** – a method of using resources so that the resources are not depleted or permanently damaged.

BWP is searching throughout the west to find economically viable renewable energy, such as wind, solar and geothermal, to make our community more sustainable and reduce our carbon footprint.



Check out BWP's solar photovoltaic (PV) power generation rebate programs online at [burbankwaterandpower.com](http://burbankwaterandpower.com). Did you know that BWP allows you to connect your solar system to the utility grid? You can buy power from BWP when you need it and bank a credit by turning the meter backward when you produce more power than you need.



BWP offers rebates on refrigerators, washing machines, dishwashers, room air conditioners, ceiling fans and Low-E windows and sliding doors that are Energy Star rated. Come into BWP to get the details.

BWP Conservation Services, 164 W. Magnolia Blvd.,  
Burbank, CA 91502, 818-238-3730

# Power Sustainability

Key to developing a sustainable community is reducing our dependence on fossil fuels and reducing our harmful greenhouse gas emissions.

– **Renewable Energy** The Burbank City Council recently adopted the goal of having a 33% Renewable Portfolio Standard by 2020. BWP plans to meet this goal, and reduce 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.

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

– **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 on BWP's already strong reliability. BWP has made these efficiency and reliability improvements without the use of capital financing while maintaining a very competitive rate structure.

– **Education** BWP maintains a user friendly web site that explains how all Burbank customers can conserve energy and take advantage of a wide range of educational and rebate programs related to energy conservation. BWP also has conservation staff on duty in its lobby 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 that require 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 rate design that encourages energy conservation and load shifting, especially during peak electric load periods.



Increasing lighting efficiency is one of the fastest ways to decrease energy bills. By replacing just 25% of the lights in high-use areas with compact fluorescent lamps (CFL), the lighting portion of an energy bill can be reduced by 50%. These efficient bulbs use 75% less energy than incandescent equivalents and last 6-10 times as long. Although compact fluorescent lamps are more expensive than incandescent bulbs, they pay for themselves by saving energy over their lifetime. Over their 8,000 hour lives a 15-watt CFL will cost about \$15.60 to operate. Over that same 8,000 hours a 60-watt incandescent bulbs with equivalent light output will cost about \$62.40 to operate, a difference of \$46.80. If every household in Burbank replaced two incandescent bulbs with equivalent light output CFL's, we'd save enough energy to power about 500 homes for a year.

John Joyce, Electrical Engineering Associate, shows-off BWP's Plug-In Electric Vehicle (PHEV) whenever he gets the chance. The batteries of PHEV's are recharged from standard household 120V outlets. PHEV's are cheaper to operate than gasoline automobiles and operate at an equivalent fuel cost of about \$1.00 per gallon, while producing significantly less harmful air emissions. John is helping BWP demonstrate that PHEV technology is now an economically viable alternative for consumers who are interested in protecting our environment and reducing our dependence on fossil fuels. You should be able to reduce your vehicle operating costs and impact on the environment by buying your own PHEV in 2010.





The BWP Electric Division actively cares for the electric system to maintain system reliability and improve system efficiency. BWP also uses an aggressive apprentice program to recruit, train and retain skilled workers.



## BWP Engineer saves Burbank residents money and headaches ...

Michael Hether, Water Division Civil Engineering Assistant, successfully managed BWP's first directional drilling project. Michael's project allowed BWP to avoid replacing the aging infrastructure of one water zone by connecting it through a granite mountainside with another larger and more reliable pressure zone. The project resulted in lower initial infrastructure replacement costs, reduced future maintenance costs, improved water quality, and an improvement in the mountainside's appearance, without disrupting the neighborhood, other infrastructure or services. Way to go Michael!



Visit BWP's web site or conservation desk to find out about how to get a rebate on your next purchase of a high efficiency major appliance.  
[www.burbankwaterandpower.com](http://www.burbankwaterandpower.com)



BWP plans to spread seasonally available water at the Pacoima spreading ground facility to increase ground water inventory for use during droughts or emergencies.



The BWP Water Division actively maintains the water system to reduce system losses and maintain reliability. BWP also uses an aggressive apprentice program to recruit, train and retain skilled workers.

# Water Sustainability

The State of California is currently in a water supply crisis. The crisis is a result of severe drought and other environmental factors. BWP is actively participating in processes to find economically and environmentally viable solutions for the water crisis. In addition, BWP is taking several steps locally to help make Burbank's water supply a sustainable resource. Some of those steps include:

– **Pacoima Spreading Ground Connection** BWP has almost completed its connection to the Pacoima Spreading Ground. This connection will allow BWP to purchase and store water for use during drought conditions and emergencies. BWP plans to purchase the water seasonally when water availability is high and water prices are low, and when economic opportunities arise.

– **Water System Losses** Unaccounted for water, water lost in a water system primarily to leaks, typically takes up 7% of a water system's supply. In Burbank, as a result of a multi-year and 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 three straight years, resulting in significant water conservation and a reduced cost of service to the community.

– **Education and Challenges** BWP maintains a user friendly web site that explains how Burbank customers can conserve more water and take advantage of a wide range of educational and rebate programs related to water conservation. In addition, BWP recently implemented a challenge and educational program to cut use per person by 20 gallons per day.

– **Recycled Water** Burbank has been a leader in recycled water use. Over the next five 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.

– **Local Ordinances and Rates** One important step toward a sustainable water future in our community is to develop local ordinances that require homes and businesses to use water saving fixtures and irrigation systems. In addition, BWP will be implementing metering systems that will allow rate design that encourages water conservation.

**THE 20 GALLON CHALLENGE**

For all of Burbank! For each person!

This is a call to **REDUCE** your personal daily use of water by 20 gallons. Why? It's been a very dry year and we are in a drought. So reduce your water use and conserve!

**Here are some tips:**

Indoor Tips	Estimated Savings
• Wash only full loads of clothes	25-50 gallons per load
• Shorten showers	2.5 gallons per minute
• Fix leaky faucets	10-20 gallons per day per leak

**Outdoor Tips**

• Use a broom that is made on driveway	30 gallons per minute
• Repair any leaks around back pumps	30 gallons per minute
• Repair leaking hose taps	15-20 gallons per day per leak

**Landscape Irrigation**

• Adjust sprinklers to prevent overwatering	10-20 gallons per day
• Repair broken sprinkler heads	20 gallons per day per leak
• Add mulch around trees & plants to reduce evaporation	20-30 gallons per day

For more water conservation ideas visit: [BurbankWaterandPower.com](http://BurbankWaterandPower.com)

Burbank's water supply systems are exceptionally reliable.

– Water safety and quality are a priority at BWP. BWP constantly monitors the water supply to insure it meets all Federal, State and local drinking water standards.

– Rates for Burbank water are competitive and have funded on-going capital infra-structure repairs and maintenance necessary to not only achieve a standard of no deferred maintenance, but to also provide high reliability and minimize lost or unaccounted for water.

# CONSERVATION



BWP is committed to sustainability through conservation efforts and operates a conservation help desk in its main lobby at 164 W. Magnolia Blvd. Visitors to the conservation help desk can get assistance there with a wide range of programs designed to conserve energy and water.

Rose Worthen, Customer Programs Assistant, assists a customer with a water saving drip irrigation system.

**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, 2007 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, 2006 and, in our report dated September 29, 2006, 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, 2007, 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.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2007 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 15, 2007

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

Management's Discussion and Analysis • Year ended June 30, 2007

The management of the Water and Electric Utility Enterprise Funds (The Management or Management) offer the following overview and analysis of the basic financial statements for the fiscal year ended June 30, 2007 (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 Funds' basic financial statements. For comparative purposes, these financial statements include the activities of the Electric and Water Utility Enterprise Funds for the two most recent Fiscal Years.

Management has elected to provide not only highlights to the basic financial statements, but also vital statistics and other relevant data and information associated with 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. In this basis, all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that may result in cash flows in a future fiscal period (For example: 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 to fully understand the data provided in the financial statements.

### ELECTRIC UTILITY FUND

During the year ending June 30, 2007, the significant financial highlights are as follows:

- Net assets increased by \$19,492, or 11%, due to positive operating results. This increase was used to fund capital asset additions, build up cash reserves and reduce outstanding liabilities. During this fiscal year, total assets were increased by \$17,340 with majority of the increases in unrestricted cash reserves and capital asset additions.
- The Electric Utility Fund invested an additional \$13,325 in capital assets during this fiscal year. This is consistent with the Electric Utility Enterprise Fund's goal to deliver reliable services at competitive and stable rates. The Electric Utility management's emphasis on a highly reliable electric distribution system has been reflected in the system-wide reliability statistics. The average customer was out of service every 2.8 years, compared to an industry average of 0.8 outages per year. Customers who had an outage were out of service an average of 72 minutes, compared to an industry average of 80 minutes.

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

Management's Discussion and Analysis • Year ended June 30, 2007

### FINANCIAL ANALYSIS

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

	2007	2006	Incr. (Decr.)
Retail sales (in MWh)	1,188,312	1,137,703	50,609
<b>Operating revenues:</b>			
Retail	\$ 153,916	143,487	10,429
Wholesale	207,259	195,512	11,747
Miscellaneous/ Other revenues	7,585	6,159	1,426
<b>Total operating revenues</b>	<b>368,760</b>	<b>345,158</b>	<b>23,602</b>
<b>Operating expenses:</b>			
Power supply and fuel – retail	93,286	88,495	4,791
Purchased power and fuel – wholesale	201,132	188,655	12,477
Transmission expense	9,995	10,176	(181)
Distribution expense	10,958	10,022	936
Other operating expenses	15,606	15,380	226
Depreciation	11,990	11,678	312
<b>Total operating expenses</b>	<b>342,967</b>	<b>324,406</b>	<b>18,561</b>
<b>Operating income</b>	<b>25,793</b>	<b>20,752</b>	<b>5,041</b>
<b>Nonoperating income (expenses):</b>			
Interest income	4,731	2,668	2,063
Other income (expenses), net	849	(312)	1,161
Interest expense	(4,155)	(4,426)	271
<b>Total nonoperating income (expenses)</b>	<b>1,425</b>	<b>(2,070)</b>	<b>3,495</b>
<b>Income before contributions and transfers</b>	<b>27,218</b>	<b>18,682</b>	<b>8,536</b>
<b>Contributions and transfers:</b>			
Capital contributions	1,839	1,913	(74)
Transfers in from the City	0	0	0
Transfers out to the City	(9,565)	(9,016)	(549)
<b>Change in net assets</b>	<b>19,492</b>	<b>11,579</b>	<b>7,913</b>
<b>Net assets, beginning of year</b>	<b>184,223</b>	<b>172,644</b>	<b>11,579</b>
<b>Net assets, end of year</b>	<b>\$ 203,715</b>	<b>184,223</b>	<b>19,492</b>

Retail (residential, commercial, and industrial) and wholesale revenues were the primary revenue sources for the Electric Utility, making up to 97% of the total operating revenues. Retail revenue grew by \$10,429, or 7.3%, due to a 3.5% rate increase and load growth.

Wholesale margins were similar to the prior year and continues to contribute significantly to the Electric Utility's financial performance by reducing the utility's overall power supply costs. Management's goal is to maximize the utility's asset utilization in wholesale to maintain competitive and stable rates for retail customers. A Risk Management Policy was adopted in 2003 to address risks associated with retail and wholesale trading activities.

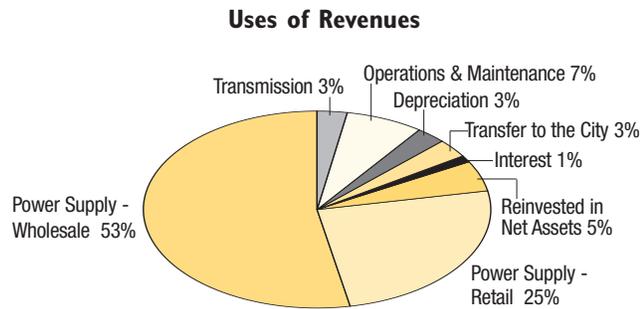
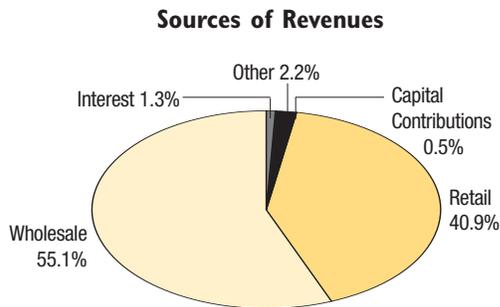
Retail power supply expenses were higher compared to the prior year corresponding with load increases. The increase in expenses is smaller in comparison to the increase in revenues, primarily driven by operational efficiencies and a refund from the Magnolia Power Project for prior year reconciliations.

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

Management's Discussion and Analysis • Year ended June 30, 2007

A \$9,565 transfer to the City's General Fund included the in-lieu and street lighting transfers. The in-lieu and street lighting transfers were computed based on 5% and 1.25% of current fiscal year retail revenues respectively. The Electric Utility retail customers also contributed an additional 7% of retail revenues in the form of a Utility User's Tax (UUT) to the City's General Fund. Additionally, \$4.4 million, or 2.85%, of the Utility's retail revenues are set aside for Public Benefit programs. Some of the major Public Benefit programs are outlined below:

<b>Program</b> ( <i>\$ in thousands</i> )	<b>Amount</b>
Lifeline and Life Support - residential	\$ 613
Business Bucks audit - business	469
Energy Solution rebate - business	345
Home Reward rebates - residential	335
Low Income Refrigerator Exchanges - residential	100
Made in the Shade - residential	70
Refrigerator Round-Up - residential	63
<b>Total</b>	<b>\$ 1,995</b>



The Electric Utility Fund's net assets at June 30, 2007 and June 30, 2006 are as follows:

**Schedule of Net Assets** (*\$ in thousands*)

	2007	2006	Incr. (Decr.)
<b>Assets</b>			
Current assets	\$ 114,754	105,907	8,847
Noncurrent assets	15,143	13,445	1,698
Capital assets, net	204,977	198,182	6,795
<b>Total assets</b>	<b>334,874</b>	<b>317,534</b>	<b>17,340</b>
<b>Liabilities</b>			
Current liabilities	48,476	42,389	6,087
Noncurrent liabilities	82,683	90,922	(8,239)
<b>Total liabilities</b>	<b>131,159</b>	<b>133,311</b>	<b>(2,152)</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	116,082	101,387	14,695
Restricted net assets	10,492	11,092	(600)
Unrestricted net assets	77,141	71,744	5,397
<b>Total net assets</b>	<b>\$ 203,715</b>	<b>184,223</b>	<b>19,492</b>

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

Management's Discussion and Analysis • Year ended June 30, 2007

Changes in net assets may serve over time as a useful indicator of the Electric Utility Fund's financial position. In the case of the Electric Utility Fund, assets exceeded liabilities by \$203,715 at June 30, 2007, which was an increase of \$19,492 from the prior year due to a positive operating result.

Of this increase, \$17,340 or 89% was primarily used to pay for capital assets and to build up cash reserves. Cash reserves for the year were up by \$8,248, and will be likely used to pay for planned capital improvement projects. Capital assets are discussed in the following section. The remaining portion of the net assets increase, \$2,152, was used to reduce the Electric Utility's outstanding liabilities.

### CAPITAL ASSETS

As of June 30, 2007, the largest portion, or 61%, of the Electric Utility Fund's total assets were invested in capital assets.

Additions to the Electric Utility Fund's capital assets included electric system improvements, Aid-In-Construction (AIC) projects, and other capital improvement projects. Net capital asset additions during the year were approximately \$13,325. The Electric Utility's emphasis on a highly reliable electric distribution system through preventive maintenance, modernization, and redundancy programs have been reflected in the system-wide reliability statistics. The average customer was out of service every 2.8 years, compared to an industry average of 0.8 outages per year. Customers who had an outage were out of service an average of 72 minutes, compared to an industry average of 80 minutes. A list of major capital projects completed and capitalized during the year are as follows:

<i>(\$ in thousands)</i>	
Relocate and reconstruct the new Burbank Substation	\$ 4,572
Increase capacity of internal transmission system	1,135
Upgrade overhead electrical distribution lines	946
Reduce energy losses by increasing the operating voltage	738
Replace Circuit Breakers At Lincoln & Valley Switching Stations	712
Upgrade underground electrical distribution lines	571
Underground the existing overhead lines	566
Administration Building remodeling	471
<b>Total</b>	<b><u>\$ 9,711</u></b>

### DEBT ADMINISTRATION

As of June 30, 2007, the Electric Utility Fund had \$87,563 in outstanding revenue bonds, of which \$8,505 will be due within a year. The Electric Utility paid off \$8,230 in outstanding bond debt during this fiscal year. These bonds were issued for improvements to the electric system, construction of a new generator, and to retrofit the existing generators.

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

### ECONOMIC FACTORS

The City Council approved a rate increase of 2.5% for Burbank's electric customers beginning on January 1, 2008, due to a significant increase in fuel prices. The Electric Utility's management continues to develop both short and long-term procurement strategies to proactively manage price volatility and ensure a stable supply of natural gas.

The City Council also approved a revision to the City's Renewable Portfolio Standard on June 5, 2007. The City of Burbank increased its commitment to procure eligible renewable resources by raising its Renewable Portfolio Standard from 20% by 2017 to 33% by 2020, while taking into consideration the effect on rates, reliability, financial resources and the goal of environmental improvement.

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

Management's Discussion and Analysis • Year ended June 30, 2007

The City Council approved a 30 year Prepaid Natural Gas Agreement with the Southern California Public Power Authority (SCPPA) in August 2007. Natural gas is an integral element of the City's long term electric generating resource portfolio. This agreement will provide an annual savings of approximately \$1.3 million over the next 30 years by taking advantage of the utility's good credit and low borrowing rate.

BWP management will continue the pursuit of securing a stable supply of natural gas and power portfolio to hedge against volatile prices. In addition, management is committed to providing environmental improvements through the acquisition of renewable energy projects and resources through a collaborative effort with SCPPA.

### **WATER UTILITY FUND**

During the year ending June 30, 2007, the Water Utility Fund's significant financial highlights are as follows:

- Net assets increased by \$4,045, or 10%, as a result of favorable operating results. Total assets increased by \$5,421, or 10%, during the year. Of this increase, 75% was funded by current year positive operating results and 25% from additional liabilities.
- The Water Utility Fund invested an additional \$3,042 in capital assets during this fiscal year. This capital investment is consistent with the Water Utility's goal to deliver competitive rates and safe drinking water to customers by continuously modernizing water production facilities, reducing system losses, and expanding its recycled water business.

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

Management's Discussion and Analysis • Year ended June 30, 2007

### FINANCIAL ANALYSIS

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

	2007	2006	Incr. (Decr.)
Potable water (in CCF)	9,989,040	9,246,172	742,868
<b>Operating revenues:</b>			
Potable water sales	\$ 17,372	16,167	1,205
Recycled water sales	1,405	638	767
Miscellaneous/ Other revenues	841	2,131	(1,290)
<b>Total operating revenues</b>	<b>19,618</b>	<b>18,936</b>	<b>682</b>
<b>Operating expenses:</b>			
Water supply expenses	6,794	6,429	365
Operations, maintenance, and administration	5,576	5,403	173
Other operating expenses	2,086	1,392	694
Depreciation	2,279	2,118	161
<b>Total operating expenses</b>	<b>16,735</b>	<b>15,342</b>	<b>1,393</b>
<b>Operating income</b>	<b>2,883</b>	<b>3,594</b>	<b>(711)</b>
<b>Nonoperating income (expenses):</b>			
Interest income	758	210	548
Other income (expenses), net	9	16	(7)
Interest expense	(329)	(366)	37
<b>Total nonoperating income (expenses)</b>	<b>438</b>	<b>(140)</b>	<b>578</b>
<b>Income before contributions and transfers</b>	<b>3,321</b>	<b>3,454</b>	<b>(133)</b>
<b>Contributions and transfers:</b>			
Capital contributions	1,660	915	745
Transfers out to the City	(936)	(854)	(82)
<b>Change in net assets</b>	<b>4,045</b>	<b>3,515</b>	<b>530</b>
<b>Net assets, beginning of year</b>	<b>39,389</b>	<b>35,874</b>	<b>3,515</b>
<b>Net assets, end of year</b>	<b>\$ 43,434</b>	<b>39,389</b>	<b>4,045</b>

Potable water sales were the primary revenue source for the Water Utility Fund, making up 89% of total operating revenues. Potable water revenues were higher by approximately 7% compared to prior year due to higher consumption and rate increases. Recycled water sales were higher compared to the prior fiscal year because Magnolia Power Plant was not fully operational until September 2005.

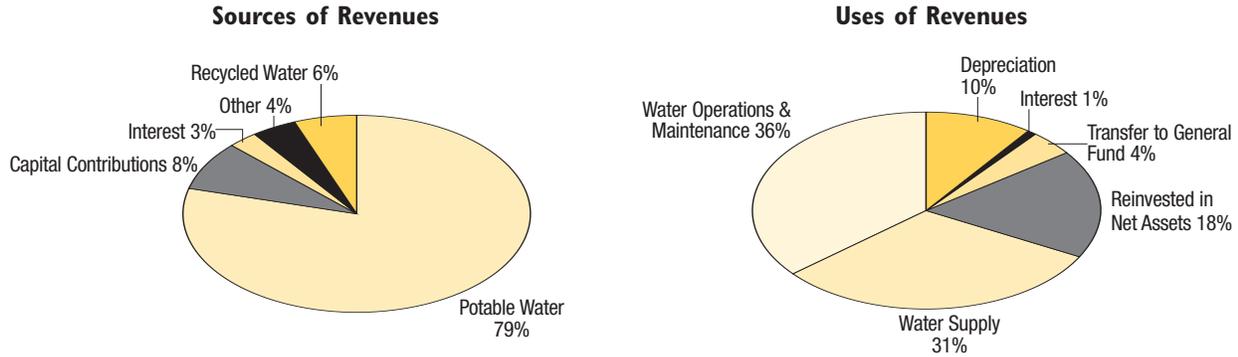
Water supply expenses were higher compared to the prior fiscal year corresponding to higher potable water sales. The operating capacity of 70% at the Burbank Operable Unit (BOU) for the fiscal year was higher than the prior year's capacity of 61%. This is due to the availability of more water wells for service this fiscal year in addition to continuing improvements made to the production facility at the BOU during the year. For the year, the BOU supplied approximately 43% of the total water supply compared to 41% in the prior year. The average cost of purchased water per Acre Foot (AF) is up by 4% from prior fiscal year.

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

Management's Discussion and Analysis • Year ended June 30, 2007

Other operating expenses were higher, primarily due to an increase in the cost allocation from the General City. A new allocation method was used to more accurately reflect the Water Utility's share of cost allocation.

The in-lieu transfer of \$936 from the Water Utility Fund to the City's General Fund was based on 5% of the water revenues.



The Water Utility Fund's net assets at June 30, 2007 and June 30, 2006 are as follows:

### Schedule of Net Assets (\$ in thousands)

	2007	2006	Incr. (Decr.)
<b>Assets</b>			
Current assets	\$ 18,212	14,152	4,060
Noncurrent assets	1,208	949	259
Capital assets, net	39,486	38,384	1,102
<b>Total assets</b>	<b>58,906</b>	<b>53,485</b>	<b>5,421</b>
<b>Liabilities</b>			
Current liabilities	9,311	7,014	2,297
Noncurrent liabilities	6,161	7,082	(921)
<b>Total liabilities</b>	<b>15,472</b>	<b>14,096</b>	<b>1,376</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	32,508	30,465	2,043
Restricted net assets	674	747	(73)
Unrestricted net assets	10,252	8,177	2,075
<b>Total net assets</b>	<b>\$ 43,434</b>	<b>39,389</b>	<b>4,045</b>

Changes in net assets are a useful indicator of the Water Utility Fund's financial position. The Water Utility Fund's assets exceeded liabilities by \$43,434 as of June 30, 2007. This was an increase of \$4,045 over the prior year due to a favorable operating result.

Total assets increased by \$5,421, or 10%, from the prior fiscal year. The majority of this increase, or 75%, was funded by positive operating results and the remaining 25% from an increase in liabilities. Capital assets are discussed in the following section.

# CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Management's Discussion and Analysis • Year ended June 30, 2007

## CAPITAL ASSETS

As of June 30, 2007, the majority, or 67%, of the Water Utility Fund's total assets were invested in capital assets.

Additions to the Water Utility Fund's capital assets were due to water system improvements, Aid-In-Construction (AIC) projects, and other capital projects. Net capital asset additions during the year were approximately \$3,042. Some of the major capital projects completed and capitalized during the year are as follows:

<i>(\$ in thousands)</i>	
Potable water mains	\$ 650
Potable services	347
Meter replacements	338
Water tanks and reservoir repair	232
Fire services	203
Recycled water	156
<b>Total</b>	<b><u>\$ 1,926</u></b>

## DEBT ADMINISTRATION

At the end of the current fiscal year, the Water Utility Fund had \$5,450 in outstanding revenue bonds, of which \$840 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 had an outstanding State Water Resources Control Loan of \$1,361, of which \$174 is due within a year. This loan was issued for improvements to the recycled water distribution system. The Water Utility repaid a total of \$975 toward outstanding bonds and loans this fiscal year.

Standard & Poor's Ratings Services upgraded its underlying rating on the Water Utility Fund to "AA-" from "A+". Moody's Investor Service maintains Water Utility's rating at "A1". This upgrade reflected sustained strong financial performance, including maintenance of strong debt service coverage and liquidity.

## ECONOMIC FACTORS

The City Council approved a 4.8% water rate increase for Fiscal Year 2007-08.

The Metropolitan Water District (MWD) had an average increase of 6%, compared to the prior calendar year. According to MWD, the average annual rate increase is expected to be approximately 10% for calendar years 2007-10. These increases are due to an increase in the cost of power, debt service, operations & maintenance, and capital improvement programs.

California is currently in a water shortage as a result of both natural and judicial causes. The natural causes of this crisis are the record low rainfall and drought in the Colorado River. The recent court decision on the State Water Project will have bigger impacts on the region's water supply by curtailing water pumping from the Sacramento-San Joaquin River Delta (the Delta), which is the hub of the State's water distribution system. About two-thirds of all Californians and millions of acres of irrigated farmland rely on the Delta for water from the State Water Project. BWP and other public agencies have launched statewide public education programs to educate Californians about critical challenges now confronting the State's water supply and delivery system.

The City and Water Utility have recognized the long-term benefits of utilizing recycled water as an alternative source of water that promotes conservation of the limited resources of potable water, and increases its overall supply reliability. The Recycled Water Master Plan approved by the City Council in October 2007, outlines the expansion of the existing recycled water system to include major potential users throughout the City such as parks, cemetery, schools and business districts. This expansion will be funded by a bond financing. The debt service on this bond will be paid from the revenues generated by future recycled water sales. A successful

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

Management's Discussion and Analysis • Year ended June 30, 2007

implementation of the Recycled Water Master Plan will reduce water supply expenses and Burbank's dependence on potable water. In light of the State's current water crisis, recycled water will be a much needed resource.

### **REQUESTS FOR INFORMATION**

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

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

Statement of Net Assets • June 30, 2007

*With comparative financial information for the year ended June 30, 2006 • \$ in thousands*

<b>Assets</b>	Water		Electric	
	2007	2006	2007	2006
<b>Current assets:</b>				
Cash and cash equivalents (note 2):				
General operating	\$ 6,960	4,971	49,676	41,619
Capital and debt reduction	2,807	2,807	10,000	10,000
General plant	-	-	800	800
Fleet replacement	-	-	3,000	3,000
Bond construction	-	-	4,005	3,814
Water replenishment	1,000	1,000	-	-
WCAC	2,747	1,641	-	-
Distribution main	1,100	1,100	-	-
Total cash and cash equivalents	14,614	11,519	67,481	59,233
Accounts receivable, net (note 3)	2,178	2,142	26,093	32,894
Inventories (note 4)	1,250	414	5,286	4,878
Deposits and prepaid expenses (note 5)	16	17	15,207	8,461
Interest receivable	154	60	687	441
<b>Total current assets</b>	<b>18,212</b>	<b>14,152</b>	<b>114,754</b>	<b>105,907</b>
<b>Noncurrent assets:</b>				
Restricted nonpooled investments (note 2)	737	902	10,766	11,822
Rights to purchase power	-	-	1,009	1,053
Advances receivable	426	-	2,853	-
Deferred bond issuance and acquisition costs	45	47	515	570
<b>Total noncurrent assets</b>	<b>1,208</b>	<b>949</b>	<b>15,143</b>	<b>13,445</b>
<b>Capital assets (note 6):</b>				
Land	309	309	2,734	2,734
Utility plant and equipment	68,700	65,827	295,288	289,854
Construction in progress	3,427	3,260	35,082	27,191
Total utility plant and equipment	72,436	69,396	333,104	319,779
Less accumulated depreciation	(32,950)	(31,012)	(128,127)	(121,597)
<b>Total capital assets, net</b>	<b>39,486</b>	<b>38,384</b>	<b>204,977</b>	<b>198,182</b>
<b>Total assets</b>	<b>58,906</b>	<b>53,485</b>	<b>334,874</b>	<b>317,534</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, 2007

*With comparative financial information for the year ended June 30, 2006 • \$ in thousands*

<b>Liabilities</b>	Water		Electric	
	2007	2006	2007	2006
<b>Current liabilities:</b>				
Accounts payable and accrued expenses (note 7)	4,662	2,398	26,072	21,647
Current portion of loan payable (note 8)	174	170	-	-
Current portion of compensated absences (note 8)	37	38	232	194
Accrued payroll	170	204	943	989
Bond interest payable	19	24	144	173
Due to the City of Burbank	44	38	394	367
Customer deposits (note 9)	3,365	3,337	12,186	10,789
Current portion of revenue bonds payable, net (note 8)	840	805	8,505	8,230
<b>Total current liabilities</b>	<b>9,311</b>	<b>7,014</b>	<b>48,476</b>	<b>42,389</b>
<b>Noncurrent liabilities:</b>				
Revenue bonds payable, net (note 8)	4,610	5,446	79,058	87,528
Loan payable (note 8)	1,187	1,361	-	-
Compensated absences (note 8)	364	275	3,625	3,394
<b>Total noncurrent liabilities</b>	<b>6,161</b>	<b>7,082</b>	<b>82,683</b>	<b>90,922</b>
<b>Total liabilities</b>	<b>15,472</b>	<b>14,096</b>	<b>131,159</b>	<b>133,311</b>
<b>Net Assets</b>				
<b>Net assets:</b>				
Invested in capital assets, net of related debt	33,182	31,212	126,574	112,479
Unrestricted	10,252	8,177	77,141	71,744
<b>Total net assets</b>	<b>\$ 43,434</b>	<b>39,389</b>	<b>203,715</b>	<b>184,223</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, 2007

*With comparative financial information for the year ended June 30, 2006 • \$ in thousands*

	Water		Electric	
	2007	2006	2007	2006
<b>Operating revenues:</b>				
Sale of power-retail	\$ -	-	153,916	143,487
Sale of power and fuel-wholesale (note 12)	-	-	207,259	195,512
Sale of water	18,777	16,805	-	-
Other revenues	841	2,131	7,585	6,159
<b>Total operating revenues</b>	<b>19,618</b>	<b>18,936</b>	<b>368,760</b>	<b>345,158</b>
<b>Operating expenses:</b>				
Power supply expenses-retail (note 11)	-	-	93,286	88,495
Purchased power and fuel expenses-wholesale (note 12)	-	-	201,132	188,655
Water supply expenses (note 1)	6,794	6,429	-	-
Water maintenance and operation expenses	5,576	5,403	-	-
Transmission expenses	-	-	9,995	10,176
Distribution expenses	-	-	10,958	10,022
Other operating expenses (note 1)	2,086	1,392	15,606	15,380
Depreciation	2,279	2,118	11,990	11,678
<b>Total operating expenses</b>	<b>16,735</b>	<b>15,342</b>	<b>342,967</b>	<b>324,406</b>
<b>Operating income</b>	<b>2,883</b>	<b>3,594</b>	<b>25,793</b>	<b>20,752</b>
<b>Nonoperating income (expenses):</b>				
Interest income	758	210	4,731	2,668
Interest expense	(329)	(366)	(4,155)	(4,426)
Other income (expenses), net	9	16	849	(312)
<b>Total nonoperating income (expenses)</b>	<b>438</b>	<b>(140)</b>	<b>1,425</b>	<b>(2,070)</b>
<b>Income before contributions and transfers</b>	<b>3,321</b>	<b>3,454</b>	<b>27,218</b>	<b>18,682</b>
Capital contributions	1,660	915	1,839	1,913
Transfers in from the City	-	-	-	-
Transfers out to the City:				
Payments in lieu of taxes (note 10)	(936)	(840)	(9,565)	(8,903)
Other	-	(14)	-	(113)
<b>Change in net assets</b>	<b>4,045</b>	<b>3,515</b>	<b>19,492</b>	<b>11,579</b>
<b>Net assets, July 1</b>	<b>39,389</b>	<b>35,874</b>	<b>184,223</b>	<b>172,644</b>
<b>Net assets, June 30</b>	<b>\$ 43,434</b>	<b>39,389</b>	<b>203,715</b>	<b>184,223</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, 2007  
 With comparative financial information for the year ended June 30, 2006 • \$ in thousands

	Water		Electric	
	2007	2006	2007	2006
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 19,582	18,552	375,561	331,700
Cash paid to suppliers	(7,978)	(8,212)	(305,893)	(280,436)
Cash paid to employees	(5,387)	(5,354)	(28,967)	(27,754)
Cash paid for other expenses	(42)	-	(329)	(424)
Cash received from other income, net of sale proceeds of capital assets	-	4	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>6,175</b>	<b>4,990</b>	<b>40,372</b>	<b>23,086</b>
<b>Cash flow from noncapital financing activities:</b>				
Transfers to City	(936)	(855)	(9,565)	(9,016)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(936)</b>	<b>(855)</b>	<b>(9,565)</b>	<b>(9,016)</b>
<b>Cash flows from capital and related activities:</b>				
Proceeds from sale of capital assets	51	12	1,178	112
Principal payments - bond	(805)	(770)	(8,230)	(7,980)
Interest expense	(334)	(367)	(4,129)	(4,375)
Capital contributions	1,660	915	1,839	1,913
Acquisition and construction of capital assets	(3,375)	(3,148)	(18,758)	(13,408)
Payments on loans	(170)	(165)	-	-
<b>Net cash used in capital and related activities</b>	<b>(2,973)</b>	<b>(3,523)</b>	<b>(28,100)</b>	<b>(23,738)</b>
<b>Cash flows from investing activities:</b>				
Interest received	664	179	4,485	2,537
Purchase of restricted investment	165	195	1,056	1,092
<b>Net cash provided by investing activities</b>	<b>829</b>	<b>374</b>	<b>5,541</b>	<b>3,629</b>
 Net increase (decrease) in cash and cash equivalents	 3,095	 986	 8,248	 (6,039)
Cash and cash equivalents, beginning of year	11,519	10,533	59,233	65,272
<b>Cash and cash equivalents, end of year</b>	<b>\$ 14,614</b>	<b>11,519</b>	<b>67,481</b>	<b>59,233</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, 2007  
 With comparative financial information for the year ended June 30, 2006 • \$ in thousands

	Water		Electric	
	2007	2006	2007	2006
Cash flows from operating activities:				
Operating income (loss)	\$ 2,883	3,594	25,793	20,752
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,279	2,118	11,990	11,678
Other nonoperating revenue and expenses net of sales proceeds of capital assets	(36)	4	(294)	(424)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(36)	(384)	6,801	(13,458)
(Increase) decrease in inventories	(836)	(86)	(408)	(124)
(Increase) decrease in deposits and prepaid expenses	1	12	(6,746)	(7,073)
(Increase) decrease in advances receivable	(426)	-	(2,853)	-
(Increase) decrease in right to purchase power	-	-	44	73
Increase (decrease) in accounts payable and accrued expenses	2,264	154	4,425	9,452
Increase (decrease) in accrued payroll	(34)	56	(46)	122
Increase (decrease) in compensated absences	88	25	269	188
Increase (decrease) in customer deposits	28	(503)	1,397	1,900
Total adjustments	3,292	1,396	14,579	2,334
 <b>Net cash provided by (used by) operating activities</b>	<b>\$ 6,175</b>	<b>4,990</b>	<b>40,372</b>	<b>23,086</b>
 Noncash investing, capital and financing activities:				
Increase (decrease) in fair market value of investments	\$ 92	(70)	456	(242)

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, 2007

*\$ in thousands*

### NOTE I: Summary of Significant Accounting Policies

#### (A) SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the City of Burbank, California (the City) as they pertain to the City's Water and Electric Utility Enterprise Funds (Water and Electric Utility Funds).

#### (B) 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, consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted 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 other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets consists 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 statements 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.

#### (C) 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 financed or 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.

#### (D) REPORTING ENTITY

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

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

Notes to Basic Financial Statements • Year ended June 30, 2007  
*\$ in thousands*

The Water and Electric Utility Enterprise 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) 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 assumed and 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 (ARBs) of the Committee on Accounting Procedure.

**(E) 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 15, Self-Insurance Program, for additional information on the City's self-insurance programs.

**(F) CAPITAL ASSETS**

Capital Assets are recorded at cost or, in the case of gifts or contributed assets, at fair market value at the date of donation. 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:

	<u>Estimated useful life</u>
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, 2007

*\$ in thousands*

### **(G) INVENTORIES**

Inventories consist of materials and supplies held for future consumption and are priced at average cost.

### **(H) COMPENSATED ABSENCES**

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

### **(I) 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.

### **(J) 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 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 electric and water, charges for electric and water related work performed for customers, such as service connection fees, 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.

### **(K) OPERATING EXPENSES**

Purchased power includes 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, public benefits programs, and transfers to the City for cost allocation.

### **(L) 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.

### **(M) 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.

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

### NOTE 2: Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Pooled cash and investments	\$ 67,465	14,614	82,079
Restricted non-pooled cash and cash equivalents	16	-	16
Restricted investments	10,766	737	11,503
<b>Total</b>	<b>\$ 78,247</b>	<b>15,351</b>	<b>93,598</b>
Cash on hand	\$ 16	-	16
Investments	78,231	15,351	93,582
<b>Total</b>	<b>\$ 78,247</b>	<b>15,351</b>	<b>93,598</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 balance primarily for checking account and petty cash.

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	No	N/A	N/A	N/A
LAIF-Local Agency Investment Fund	Yes	N/A	None	None
U.S. Treasury obligations	Yes	5 years	100%	None
Banker's acceptances	No	N/A	N/A	N/A
Commercial paper	No	N/A	N/A	N/A
Timed certificates of deposit	No	N/A	N/A	N/A
Negotiable certificates of deposit	No	N/A	N/A	N/A
Money market mutual funds	No	N/A	N/A	N/A
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, 2007

*\$ 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 which 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 of the ways 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	\$ 78,074	-	-	-	78,074
LAIF-Local Agency Investment Fund	4,005	-	-	-	4,005
Held by Bond Trustee:					
Investment Agreements	-	-	2,968	6,801	9,769
Money Market	1,543	-	-	-	1,543
U.S. Treasury Obligations	191	-	-	-	191
<b>Total</b>	<b>\$ 83,813</b>	<b>-</b>	<b>2,968</b>	<b>6,801</b>	<b>93,582</b>

**Note:** This table above excludes cash on hand of \$16 (See Pg. 31).

### 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. Presented below is 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, 2007

*\$ in thousands*

		Minimum Legal Rating	Exempt from Disclosure
Burbank Investment Pool	\$ 78,074	N/A	N/A
LAIF-Local Agency Investment Fund	4,005	N/A	N/A
Held by Bond Trustee:			
Investment Agreements	9,769	A	N/A
Money Market	1,543	Aaa	N/A
U.S. Treasury Obligations	191	Aaa	N/A
<b>Total</b>	<b>\$ 93,582</b>		

	Rating as of Year-End				
	Aaa	Aa	A	Not Rated	Total
Burbank Investment Pool	\$ -	-	-	78,074	78,074
LAIF-Local Agency Investment Fund	-	-	-	4,005	4,005
Held by Bond Trustee:					
Investment Agreements	9,347	422	-	-	9,769
Money Market	1,543	-	-	-	1,543
U.S. Treasury Obligations	191	-	-	-	191
<b>Total</b>	<b>\$ 11,081</b>	<b>422</b>	<b>-</b>	<b>82,079</b>	<b>93,582</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.

### 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 of Burbank. BWP is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Burbank. BWP has not adopted a formal investment policy separate from that of the City of Burbank; 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

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

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	
	2007	2006	2007	2006
Accounts receivable	\$ 2,224	2,182	26,244	33,061
Allowance	(46)	(40)	(151)	(167)
<b>Total</b>	<b>\$ 2,178</b>	<b>2,142</b>	<b>26,093</b>	<b>32,894</b>

The Utility fully reserves receivables over 90 days old.

In July, 2006, The Electric Utility Fund received a \$5,183 reimbursement from SCPPA for an advance made to the Magnolia Power Project during FY 2005-06. The Electric Utility Fund left these proceeds on deposit with SCPPA for future use in multiple projects. (See also note 5 Deposits and Prepaid Expenses).

### NOTE 4: Inventories

The Water and Electric Utility Funds' inventories as of June 30, 2007 and June 30, 2006:

	Water		Electric	
	2007	2006	2007	2006
Materials and supplies inventory	\$ 623	414	3,948	3,242
Natural gas inventory	-	-	1,338	1,636
Ground water	627	-	-	-
<b>Total</b>	<b>\$ 1,250</b>	<b>414</b>	<b>5,286</b>	<b>4,878</b>

On June 30, 2007, the natural gas inventory was 251,298 MMBtu, valued at \$5.33 per MMBtu, for a balance of \$1,338. On June 30, 2006, the natural gas inventory was 278,554 MMBtu, valued at \$5.87 per MMBtu, for a balance of \$1,636.

The ground water inventory is valued at fair market value as of June 30, 2007.

### NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of \$15,207 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a \$7,269 deposit with SCPPA as a fuel reserve for the Magnolia Power Project and a \$6,185 deposit with SCPPA for future use in multiple projects. In addition, in June 2000, the City of Burbank 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, 2007, the Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$1,088.

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

Notes to Basic Financial Statements • Year ended June 30, 2007

\$ in thousands

### NOTE 6: Capital Assets

Capital assets include the following at June 30, 2007 and 2006:

WATER	Balance as of June 30, 2005	Additions	Deletions	Balance as of June 30, 2006	Additions	Deletions	Balance as of June 30, 2007
Capital assets not being depreciated:							
Land	\$ 309	-	-	309	-	-	309
Construction in progress	3,545	2,708	(2,993)	3,260	3,304	(3,137)	3,427
Total capital assets not being depreciated	<u>3,854</u>	<u>2,708</u>	<u>(2,993)</u>	<u>3,569</u>	<u>3,304</u>	<u>(3,137)</u>	<u>3,736</u>
Capital assets being depreciated:							
Buildings and improvements	57,399	3,171	-	60,570	2,967	-	63,537
Accumulated depreciation	(25,432)	(1,852)	-	(27,284)	(1,983)	-	(29,267)
Machinery and equipment	4,997	265	(5)	5,257	245	(339)	5,163
Accumulated depreciation	(3,468)	(265)	5	(3,728)	(294)	339	(3,683)
Total capital assets being depreciated, net	<u>33,496</u>	<u>1,319</u>	<u>-</u>	<u>34,815</u>	<u>935</u>	<u>-</u>	<u>35,750</u>
<b>Total net capital assets</b>	<b>\$ 37,350</b>	<b>4,027</b>	<b>(2,993)</b>	<b>38,384</b>	<b>4,239</b>	<b>(3,137)</b>	<b>39,486</b>

ELECTRIC	Balance as of June 30, 2005	Additions	Deletions	Balance as of June 30, 2006	Additions	Deletions	Balance as of June 30, 2007
Capital assets not being depreciated:							
Land	\$ 2,734	-	-	2,734	-	-	2,734
Construction in progress	30,958	10,898	(14,665)	27,191	18,291	(10,400)	35,082
Total capital assets not being depreciated	<u>33,692</u>	<u>10,898</u>	<u>(14,665)</u>	<u>29,925</u>	<u>18,291</u>	<u>(10,400)</u>	<u>37,816</u>
Capital assets being depreciated:							
Land improvements	898	1,384	-	2,282	-	-	2,282
Accumulated depreciation	(49)	(87)	-	(136)	(91)	-	(227)
Buildings and improvements	249,192	14,649	-	263,841	10,135	(5,332)	268,644
Accumulated depreciation	(97,104)	(10,184)	-	(107,288)	(10,405)	5,239	(112,454)
Machinery and equipment	22,654	1,178	(101)	23,731	1,090	(459)	24,362
Accumulated depreciation	(12,869)	(1,405)	101	(14,173)	(1,494)	221	(15,446)
Total capital assets being depreciated, net	<u>162,722</u>	<u>5,535</u>	<u>-</u>	<u>168,257</u>	<u>(765)</u>	<u>(331)</u>	<u>167,161</u>
<b>Total net capital assets</b>	<b>\$ 196,414</b>	<b>16,433</b>	<b>(14,665)</b>	<b>198,182</b>	<b>17,526</b>	<b>(10,731)</b>	<b>204,977</b>

### North-South DC Intertie

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale and the City of Pasadena for an unrestricted 3.846% interest in the North-South DC Intertie. As of June 30, 2007, 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 \$9,080 for a net asset value of \$5,554. 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, 2007

*\$ in thousands*

### NOTE 7: Accounts Payable and Accrued Expenses

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been deferred to a water cost adjustment payable account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. The deferred WCAC balances were \$2,747 and \$1,641 at June 30, 2007 and 2006, respectively.

At June 30, 2007, the Electric Utility Fund had accrued expense for power purchases of approximately \$22,099 that was paid in July 2007.

	Water		Electric	
	2007	2006	2007	2006
Accounts Payable & Accrued Expenses	\$ 1,915	757	26,072	21,647
WCAC	2,747	1,641	-	-
<b>Total</b>	<b>\$ 4,662</b>	<b>2,398</b>	<b>26,072</b>	<b>21,647</b>

### NOTE 8: Loan and Revenue Bonds Payable

#### (A) LOAN PAYABLE

	Water	
	2007	2006
<p>This State Water Resources Control Loan was issued for the purpose of construction improvement to the Recycled Water Distribution System. Funds are disbursed on either a reimbursement basis, or at such time, as they are due and payable by the City. The interest rate is 2.7%, with the principal to be repaid no later than April 2014, 20 years from the loan date.</p>	\$ 1,361	1,531
Less current portion	(174)	(170)
<b>Long-term intergovernmental loan payment</b>	<b>\$ 1,187</b>	<b>1,361</b>

A schedule of aggregate maturities, including interest, on the intergovernmental loan payable subsequent to June 30, 2007 is as follows:

	Water		Total
	Principal	Interest	
2008	\$ 174	37	211
2009	179	32	211
2010	184	27	211
2011	189	22	211
2012	194	17	211
2013 – 2014	440	19	459
	<b>\$ 1,360</b>	<b>154</b>	<b>1,514</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, 2007

*\$ in thousands*

	Water		Electric	
	2007	2006	2007	2006
<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.	\$ 5,525	6,330	41,900	43,560
Less:				
Current portion	(840)	(805)	(1,725)	(1,660)
Original issue discount/premium	(75)	(79)	(399)	(418)
<b>Long-term 1998 Series A Bonds</b>	<b>4,610</b>	<b>5,446</b>	<b>39,776</b>	<b>41,482</b>
 <b>2001 Series Bonds:</b>				
\$54,745 Burbank Water and Power Electric Revenue Bonds, Series 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.	\$ -	-	24,030	29,550
Less:				
Current portion	-	-	(5,700)	(5,520)
Original issue discount/premium	-	-	(117)	(147)
<b>Long-term Bonds Series of 2001</b>	<b>-</b>	<b>-</b>	<b>18,213</b>	<b>23,883</b>
 <b>2002 Series Bonds:</b>				
\$25,000 Burbank Water and Power Electric Revenue Bonds, Series 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 3.00% to 5.375%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022.	\$ -	-	21,940	22,990
Less:				
Current portion	-	-	(1,080)	(1,050)
Original issue discount/premium	-	-	209	223
<b>Long-term Bonds Series of 2002</b>	<b>-</b>	<b>-</b>	<b>21,069</b>	<b>22,163</b>
<b>Total long-term revenue bonds payable</b>	<b>\$ 4,610</b>	<b>5,446</b>	<b>79,058</b>	<b>87,528</b>

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

A schedule of aggregate maturities on bonds payable subsequent to June 30, 2007 is as follows:

	Water		Electric		Total
	Principal	Interest	Principal	Interest	
2008	\$ 840	262	8,505	3,907	13,514
2009	875	228	8,805	3,607	13,515
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 – 2017	365	191	19,785	10,076	30,417
2018 – 2022	470	93	25,180	4,692	30,435
2023	105	5	3,700	176	3,986
<b>Total</b>	<b>\$ 5,525</b>	<b>1,212</b>	<b>87,870</b>	<b>31,222</b>	<b>125,829</b>

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2007:

June 30, 2007	July 1, 2006	Additions	Retirements	June 30, 2007	Due within One Year
Intergovernmental Loan Payable	\$ 1,531	-	(170)	1,361	174
Revenue Bond Payable:					
1998 Series A Bonds	6,330	-	(805)	5,525	840
Compensated Absences	313	126	(38)	401	37
	<u>\$ 8,174</u>	<u>126</u>	<u>(1,013)</u>	<u>7,287</u>	<u>1,051</u>
Less current portion	(1,013)			(1,051)	
Less unamortized bond premium (discounts)	(79)			(75)	
<b>Total</b>	<b>\$ 7,082</b>			<b>6,161</b>	

June 30, 2006	July 1, 2005	Additions	Retirements	June 30, 2006	Due within One Year
Intergovernmental Loan Payable	\$ 1,696	-	(165)	1,531	170
Revenue Bond Payable:					
1998 Series A Bonds	7,100	-	(770)	6,330	805
Compensated Absences	288	58	(33)	313	38
	<u>\$ 9,084</u>	<u>58</u>	<u>(968)</u>	<u>8,174</u>	<u>1,013</u>
Less current portion	(968)			(1,013)	
Less unamortized bond premium (discounts)	(83)			(79)	
<b>Total</b>	<b>\$ 8,033</b>			<b>7,082</b>	

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2007:

June 30, 2007	July 1, 2006	Additions	Retirements	June 30, 2007	Due within One Year
Revenue Bond Payable:					
1998 Series A Bonds	\$ 43,560	-	(1,660)	41,900	1,725
2001 Series A Bonds	29,550	-	(5,520)	24,030	5,700
2002 Series A Bonds	22,990	-	(1,050)	21,940	1,080
Compensated Absences	3,588	462	(194)	3,856	231
	<u>\$ 99,688</u>	<u>462</u>	<u>(8,424)</u>	<u>91,726</u>	<u>8,736</u>
Less current portion	(8,424)			(8,736)	
Less unamortized bond premium (discounts)	(342)			(307)	
<b>Total</b>	<b><u>\$ 90,922</u></b>			<b><u>82,683</u></b>	

June 30, 2006	July 1, 2005	Additions	Retirements	June 30, 2006	Due within One Year
Revenue Bond Payable:					
1998 Series A Bonds	\$ 45,160	-	(1,600)	43,560	1,660
2001 Series A Bonds	34,910	-	(5,360)	29,550	5,520
2002 Series A Bonds	24,010	-	(1,020)	22,990	1,050
Compensated Absences	3,400	396	(208)	3,588	194
	<u>\$ 107,480</u>	<u>396</u>	<u>(8,188)</u>	<u>99,688</u>	<u>8,424</u>
Less current portion	(8,188)			(8,424)	
Less unamortized bond premium (discounts)	(376)			(342)	
<b>Total</b>	<b><u>\$ 98,916</u></b>			<b><u>90,922</u></b>	

### NOTE 9: Customer Deposits

AB 1890 requires the Electric Utility to spend 2.85% of its electric revenues for Public Benefits (PB) purposes. The entire unspent portion of the PB obligation for the City and 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 Public Benefits liability. The unspent portion of the PB obligation is included in customer deposits and as of June 30, 2007 and June 30, 2006 is \$8,744 and \$7,277, respectively.

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

### NOTE 10: Related Party Transactions

The City assesses a 5% in-lieu of taxes on Water and Electric Utility Fund revenues. In addition, an assessment of 1.25% 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, 2007 and 2006 as follows:

	Water		Electric	
	2007	2006	2007	2006
In-lieu of taxes	\$ 936	840	7,720	7,166
Street lighting	-	-	1,845	1,737
<b>Total payment in-lieu of taxes</b>	<b>\$ 936</b>	<b>840</b>	<b>9,565</b>	<b>8,903</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, 2007 and 2006 were as follows:

	Water		Electric	
	2007	2006	2007	2006
Administrative and overhead costs	\$ 840	434	3,020	2,701
<b>Total</b>	<b>\$ 840</b>	<b>434</b>	<b>3,020</b>	<b>2,701</b>

In addition, the City receives a 7% user utility tax on electric revenues that is not reflected in the Electric Utility Fund's financial statements. This tax for the year ended June 30, 2007 and 2006 was as follows:

	Electric	
	2007	2006
User Utility Taxes	\$ 10,197	9,492
<b>Total</b>	<b>\$ 10,197</b>	<b>9,492</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 includes "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 of Burbank, through its Water and Electric Utility Enterprise Funds, 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 the Southern California Public Power Authority (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, 2007

*\$ 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)**

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 powers agreement dated November 1, 1980, pursuant to the joint exercise of powers act of the state of California. SCPPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The joint power agreement has a term of 50 years.

#### **Hoover Upgrading 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 Upgrading project. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 16% (15MW) 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 is currently rated at 1,920 megawatts. The City's ownership share of this project is 4.5%.

#### **Mead-Phoenix (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 Westwing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the Westwing-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 megawatts. The City's ownership share of Mead-Phoenix is 15.4%.

#### **Mead-Adelanto (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 of funds 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 megawatts. The City's ownership share of Mead-Adelanto is 11.5%.

#### **Palo Verde (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 megawatt nuclear-fueled generating station near

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

Phoenix, Arizona and a 6.55% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, 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 4.4% (9.7 MW).

### **Magnolia Power Project (MPP)**

In March 2003, the City of Burbank entered into a power sales agreement with the Authority for the Magnolia Power Project (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 megawatts, but can boost its output to 310 megawatts if needed. The City is obligated for 97.6 megawatts or 30.992% of its output. The City of Burbank is also MPP's operating agent.

### **Natural Gas Project**

The Authority, using a line of credit, purchased an interest in natural gas in the Pinedale Anticline region of the State of Wyoming in July of 2005 and in the Barnett Shale Formation in Texas in October of 2006.

The Natural Gas Project should assure the participants a secure long-term and stable supply of natural gas to fuel power plants. The City of Burbank, along with other project participants, have an operating agreement with the authority to assure close coordination and operation in efficiencies of the project.

The City of Burbank's participation in this project, through contract, is to purchase up to 3,000 MMBtu/day output shares of natural gas reserves over the expected life of the resources.

### **(b) Intermountain Power Agency (IPA)**

In 1980, the City of Burbank, 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 megawatts or 3.371% of the generation. 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 entitles the City to an additional share of 9 megawatts or 0.519% beginning March 25, 2007. The total City's obligation from Intermountain Power Project is 3.89% (69MW).

A summary of the City of Burbank "take or pay" contracts and related projects and its contingent liability at June 30, 2007 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
Southern California Public Power Authority:				
Hoover Upgrading	\$ 18,770	15.957%	\$ 2,995	\$ 3,947
Southern Transmission System	874,120	4.498%	39,318	57,459
Mead-Adelanto	218,320	11.534%	25,180	34,640
Mead-Phoenix	68,655	15.400%	10,572	14,545
Palo Verde	113,715	4.400%	5,003	6,080
Magnolia Power Project (Project A)	355,075	30.991%	110,042	190,652
Natural Gas Project - Pinedale	28,200	25.000%	7,050	7,475
Natural Gas Project - Barnett	44,900	33.333%	14,967	15,744
Intermountain Power Project	3,191,400	3.890%	124,145	166,900
<b>Total</b>	<b>\$ 4,913,155</b>	<b>6.905%</b>	<b>\$ 339,272</b>	<b>\$ 497,442</b>

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

The schedule below 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).

	2007/08		2008/09		2009/10	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ 219	140	227	132	236	122
IPP STS	1,392	1,796	1,419	1,724	1,389	1,645
Mead-Adelanto	1,286	1,154	1,315	1,122	1,352	1,089
Mead-Phoenix	516	497	527	484	539	470
Palo Verde	523	194	539	173	443	153
Magnolia Power Project	2,239	1,853	2,386	4,497	2,597	4,424
Natural Gas Project-Pinedale	7,050	425	-	-	-	-
Natural Gas Project-Barnett	14,967	777	-	-	-	-
Intermountain Power	5,071	5,620	5,931	5,254	6,771	4,810
<b>Total</b>	<b>\$ 33,263</b>	<b>12,456</b>	<b>12,344</b>	<b>13,386</b>	<b>13,327</b>	<b>12,713</b>
	2010/11		2011/12		2013/17	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ 246	113	255	103	1,471	324
IPP STS	1,490	1,566	1,609	1,481	11,466	6,185
Mead-Adelanto	1,446	1,056	1,535	958	9,215	3,185
Mead-Phoenix	702	457	745	410	3,939	1,297
Palo Verde	457	135	470	118	2,571	304
Magnolia Power Project	2,692	4,328	2,808	4,212	15,998	19,099
Natural Gas Project-Pinedale	-	-	-	-	-	-
Natural Gas Project-Barnett	-	-	-	-	-	-
Intermountain Power	8,926	4,607	8,325	3,990	40,080	13,938
<b>Total</b>	<b>\$ 15,959</b>	<b>12,262</b>	<b>15,747</b>	<b>11,272</b>	<b>84,740</b>	<b>44,332</b>
	2018/22		2023/27		2028/32	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	\$ 341	18	-	-	-	-
IPP STS	15,002	3,407	5,551	337	-	-
Mead-Adelanto	9,031	896	-	-	-	-
Mead-Phoenix	3,604	358	-	-	-	-
Palo Verde	-	-	-	-	-	-
Magnolia Power Project	12,152	15,507	15,317	12,409	18,725	9,127
Natural Gas Project-Pinedale	-	-	-	-	-	-
Natural Gas Project-Barnett	-	-	-	-	-	-
Intermountain Power	43,131	4,641	5,910	(105)	-	-
<b>Total</b>	<b>\$ 83,261</b>	<b>24,827</b>	<b>26,778</b>	<b>12,641</b>	<b>18,725</b>	<b>9,127</b>
	2033/37					
	Principal	Interest				
SCPPA:						
Hoover Uprating	\$ -	-				
IPP STS	-	-				
Mead-Adelanto	-	-				
Mead-Phoenix	-	-				
Palo Verde	-	-				
Magnolia Power Project	35,128	5,154				
Natural Gas Project-Pinedale	-	-				
Natural Gas Project-Barnett	-	-				
Intermountain Power	-	-				
<b>Total</b>	<b>\$ 35,128</b>	<b>5,154</b>				

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

### 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 to reduce its power supply expenses.

	2007	2006
Wholesale Revenues	\$ 207,259	195,512
Wholesale Costs	201,132	188,655
<b>Wholesale Margin</b>	<b>\$ 6,127</b>	<b>6,857</b>

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

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

The Water and Electric Utility Fund makes a 7% contribution on behalf of its employees. The City is required to contribute at an actuarially determined rate. In FY 2006-07, the Water and Electric Utility Fund, as employer, was required to contribute an additional 9.456%. 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.

Water and Electric Utility Fund annual pension costs are in the following table:

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed
	Electric	Water	
June 30, 2005	1,899	364	100%
June 30, 2006	3,175	600	100%
June 30, 2007	3,220	611	100%

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

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Burbank Employees Retiree Medical Trust (BPRMT) 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 requirement 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 will be paid prior to April 2009. Additional information regarding the health care benefits for retired employees can be found in the City of Burbank's Comprehensive Annual Financial Report.

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

Notes to Basic Financial Statements • Year ended June 30, 2007

*\$ in thousands*

### **NOTE 14: Self-Insurance Program**

The Water and Electric Funds are in the City's self-insurance program as part of the City's 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 an additional coverage from commercial market for a 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 the City's insurance program can be found in the City's Comprehensive Annual Financial Report.

### **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 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, 2007*

Resource	MWh	Percentage
Intermountain Power Project	570,000	41.9%
Hoover	23,300	1.6%
Palo Verde Nuclear	73,400	5.4%
Magnolia Power Project	402,600	29.6%
Firm Contracts	29,400	2.2%
Non-Firm Contracts	231,400	17.0%
On-Site Generation	20,000	1.5%
Renewables	10,900	0.8%
<b>TOTAL</b>	<b>1,361,000</b>	<b>100.0%</b>

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

*Fiscal Years Ended June 30, 2007; \$ in Thousands*

	2007	2006	2005	2004	2003
Number of Customers:					
Residential	44,009	43,973	43,930	44,683	44,460
Commercial	6,299	6,288	6,274	6,278	6,396
Industrial	164	167	167	165	253
Other	289	274	262	234	330
<b>Total</b>	<b>50,762</b>	<b>50,702</b>	<b>50,633</b>	<b>51,360</b>	<b>51,439</b>
Kilowatt-hour Sales (millions):					
Residential	285	268	259	271	242
Commercial	257	244	241	246	235
Industrial	613	588	535	528	522
Other	33	38	58	59	37
<b>Total</b>	<b>1,188</b>	<b>1,138</b>	<b>1,093</b>	<b>1,104</b>	<b>1,036</b>
Electric Revenues:					
Retail	\$ 153,916	143,487	136,304	136,789	126,418
Wholesale	\$ 207,259	195,512	110,037	131,044	85,680
Other	\$ 7,585	6,159	5,494	3,342	3,484
<b>Total</b>	<b>\$ 368,760</b>	<b>345,158</b>	<b>251,835</b>	<b>271,175</b>	<b>215,582</b>
<b>Peak Demand (MW)</b>	<b>307</b>	<b>284</b>	<b>281</b>	<b>269</b>	<b>264</b>

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

*Fiscal Years Ended June 30, 2007; Cents per Kilowatt-hour*

	2007	2006	2005	2004	2003
Residential	12.93	12.38	12.34	12.34	12.28
Commercial	13.20	12.69	13.17	12.85	12.75
Industrial	12.03	11.55	11.73	11.89	11.80
Weighted Average Electric Rate	12.50	12.01	12.18	12.40	12.18

<sup>(1)</sup> All weighted average rates have been adjusted to exclude Public Benefit 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, 2007*

Resource	A.F.	Percentage
Metropolitan Water District	13,401	56.9%
Local Production – BOU	10,139	43.1%
<b>TOTAL</b>	<b>23,540</b>	<b>100.0%</b>

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

*Fiscal Years Ended June 30, 2007; \$ in Thousands*

	2007	2006	2005	2004	2003
Number of Customers:					
Residential	22,046	22,050	22,104	22,111	21,947
Commercial	3,073	3,072	3,069	3,036	3,120
Industrial	114	114	121	122	155
Other	1,104	1,102	1,096	1,046	1,018
<b>Total</b>	<b>26,337</b>	<b>26,338</b>	<b>26,390</b>	<b>26,315</b>	<b>26,240</b>
CCF Sales Per Year (x1,000):					
Residential	7,381	6,755	6,620	7,254	6,943
Commercial	1,930	1,749	1,852	1,829	1,718
Industrial	373	370	344	354	337
Other <sup>(1)</sup>	1,259	852	674	742	699
<b>Total</b>	<b>10,942</b>	<b>9,726</b>	<b>9,490</b>	<b>10,179</b>	<b>9,697</b>
Water Revenues:					
Retail	\$ 18,777	16,805	16,420	16,245	15,240
Other	\$ 841	2,131	819	1,016	1,706
<b>Total</b>	<b>\$ 19,618</b>	<b>18,936</b>	<b>17,239</b>	<b>17,261</b>	<b>16,946</b>
<b>Maximum Day (Million gallons)</b>	<b>33</b>	<b>31.9</b>	<b>35.1</b>	<b>34.2</b>	<b>33.3</b>

<sup>(1)</sup> Other water sales includes recycled water sales (CCF).

## SCHEDULE 6: Weighted Average Billing Price — Water

*Fiscal Years Ended June 30, 2007; Dollars per CCF*

	2007	2006	2005	2004	2003
Residential	1.84	1.81	1.75	1.60	1.55
Commercial	1.74	1.67	1.59	1.49	1.47
Industrial	1.67	1.58	1.54	1.50	1.40
Weighted Average Water Rate	1.82	1.78	1.71	1.54	1.53

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

Retail sales (in MWh)

Operating revenues:

- Retail
- Wholesale
- Miscellaneous/ other revenue

Total operating revenues

Operating expenses:

- Power supply and fuel – retail
- Purchased power and fuel – wholesale
- Transmission expense
- Distribution expense
- Other operating expenses
- Depreciation

Total operating expenses

Operating income

Nonoperating income (expense):

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

Total nonoperating expenses

Income before contributions and transfers

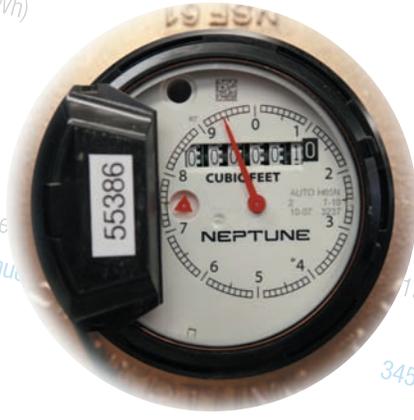
Contributions and transfers:

- 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 2007 Annual Report

	2007	2006	Incr. (Decr.)
Total operating revenues	1,137,703	1,093,700	44,003
Total operating expenses	345,158	251,835	93,323
Operating income	792,545	841,865	(49,320)
Total nonoperating expenses	(18,682)	(2,375)	(16,307)
Income before contributions and transfers	773,863	839,490	(65,627)
Change in net assets	23,460	(11,881)	35,341
Net assets, beginning of year	11,579	23,460	(11,881)
Net assets, end of year	23,460	11,579	11,881

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