

# BURBANK WATER AND POWER FY 2020-2021 ANNUAL REPORT



Powering the flow of life  
today and tomorrow.

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## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Burbank  
Burbank, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Electric and Water Utility Funds of the City of Burbank (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric and Water Utility Enterprise Funds of the City of Burbank as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1(C) the financial statements present only the Electric and Water Utility Enterprise Funds and do not purport to, and do not, present fairly the financial position of the City of Burbank as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 17 to the financial statements, the Electric and Water Utility Enterprise Funds made certain restatements to their previously reported net positions. Our opinions are not modified with respect to this matter.

***Other Matters***

***Partial Comparative Information***

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended June 30, 2020 from which such partial information was derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability and related ratios of the defined benefit plans, the schedules of contributions of the defined benefit plans, the schedule of changes in net OPEB liability and related ratios and the schedule of contributions of the OPEB plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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



**CliftonLarsonAllen LLP**

Irvine, California  
November 23, 2021



## ***A Message from the General Manager, Dawn Roth Lindell***

FY20-21 brought many challenges and changes to Burbank Water and Power (BWP). While we are used to dealing with droughts, storms and changing economic conditions, dealing with a global pandemic brought an entirely new dimension. We took early steps to ensure the safety of our employees and our customers. We have faced falling revenues, difficulty in obtaining necessary inventory and the need to continuously shift protocols as information on coronavirus developed. Fortunately, the BWP team brought their strong passion for problem solving to bear on the many ways that this pandemic has impacted the team and our beautiful city.

Despite facing a year unlike any other in the history of Burbank, I am happy to report that BWP remains financially strong. We ended the year with solid financial footing in electric and water. Standard & Poor's has affirmed the 'AA-' rating for the electric fund and the 'AAA' rating for the water fund. Our risk management process led us to a strongly hedged position in gas, enabling us to continue to deliver low cost, highly reliable power. Given that commercial customers account for approximately 75% of sales, the business closures and curtailments of COVID-19 had a tremendous negative impact on energy sales. We used our asset optimization strategy during persistent, record-breaking heatwaves to end the fiscal year with positive electric net income. Commercial customers account for only 25% of total water sales. The decrease in commercial sales was offset by an increase in residential demand driven by both the stay-at-home order and weather, resulting in positive net income for the water fund.

We are committed to position BWP well to handle the changing industry dynamics and continue to lead in creating a carbon neutral future. To this end we initiated a strategic planning effort. We first reaffirmed our mission: We are committed to safely providing reliable, affordable, and sustainable utility services for our community.

We defined our higher purpose as powering the flow of life, today and tomorrow. This defines for us the critical role that BWP plays in the lives of every person who lives, works and plays in Burbank. We do what we do to enable everyone else in Burbank to do what they do. We continue our strong, caring customer connection with our community.

Finally, we created our values and vowed to live them. Here are a few accomplishments in each of our five value areas.

### **Stay focused - Drive to get it done**

- BWP completed the second major overhaul of Magnolia Power Plant to continue reliable power generation with zero injuries in this 40,000 labor hour effort. This first of its kind enhancement enables the plant to run at lower minimum output so that we can add more renewables and still reliably supply power to meet Burbank's needs - and provide operational cost savings of \$1 million per year.

- We completed life-cycle replacement of radio infrastructure to enable capability for regional interoperability for police, fire, and emergency response.
- The water team achieved compliance with the “America’s Water Infrastructure Act” before the mandated deadline. The certified water system resiliency assessment identified risks and developed prioritized mitigation measures for capital improvement.

**Continuously improve - Be curious, learn, improve, repeat**

- BWP received the American Public Power Association’s (APPA) Reliable Public Power Provider (RP3) Diamond Level status - the highest achievable rank awarded to only 6% of the nation’s 2000 APPA utilities! The RP3 program recognizes utilities that demonstrate high proficiency in reliability, safety, workplace development, and system improvements.
- Our marketing team launched Digital Currents – a monthly email newsletter for Burbank residents. The newsletter is emailed to approximately 27,000 residents and has an average open rate of 55% - double the industry standard for government agencies.

**Include others - Care, connect, collaborate, and create with intent**

- Our safety team implemented a web and mobile application, “EHS Insights” to enable employees to report safety incidents and work improvement observations. This application has helped BWP employees identify over 150 specific action items to prevent potential future incidents before they occur.
- BWP launched the COVID-19 Job Loss Bill Credit Program in November 2020 which provided \$200 in assistance for multifamily residents and \$300 for single-family residents who have been unemployed due to the pandemic. The program provided over \$700,000 in assistance to our community.

**Be respectful - Safeguard one another, our community, and the environment**

- Transportation accounts for 43% of greenhouse gases in Burbank, so BWP actively supports transportation electrification in order to mitigate these impacts. BWP launched the BWP Online EV Buyers Guide in January 2021 which makes it easy to get personalized recommendations on electric vehicles, charging stations, and EV vehicle purchase incentives and rebates.
- BWP installed 26 EV charging ports to meet three key community needs: workplace charging, public charging for visitors to Downtown Burbank and residents living within walking distance.
- Almost one billion gallons of recycled water was delivered to customers for irrigation and industrial use. Using recycled water, instead of potable water, reduces our carbon footprint and benefits the state’s river ecosystems.

**Deliver the future - Innovate with insight and purpose**

- Our high speed internet team increased OneBurbank services to 10% more customers despite COVID-related business shutdowns in our core market.
- BWP will execute a grant agreement with the U.S Bureau of Reclamation for a Drought Contingency Plan in the amount of \$175,000. These funds enable plan expansion for responding to future drought conditions and create actionable conservation measures. Having a Drought Contingency Plan is also a prerequisite for winning future grant funds.
- Our water team is using ultrasonic, nondestructive condition assessments combined with satellite imagery to determine risk of failure for our pipelines and prioritize our investment in asset management.

# CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)

The management of the City of Burbank's (City) Electric and Water Utility Enterprise Funds (Management) offers the following financial highlights and overview of factors that had a material effect on the financial condition and results of operations for the fiscal year ended June 30, 2021 (the fiscal year). Management encourages readers to utilize the information in the Management Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements and notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars. Totals may not foot due to rounding.

## **Overview of the Basic Financial Statements**

The MD&A is intended to serve as an introduction to the Electric and Water Utility Enterprise Funds' (Utility) basic financial statements and to provide an objective and easily understood analysis of the financial activities based on currently known facts, decisions, and conditions. For comparative purposes, this analysis includes the financial statements of the Utility for the two most recent fiscal years.

Management has elected to provide highlights to the basic financial statements as well as vital statistics and other relevant information concerning the Utility. Included as part of the financial statements are the following statements and notes:

*The Statement of Net Position* presents information on the Utility's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as total net position.

*The Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information on how the Utility's net position changed during the two most recent fiscal years. Financial results are recorded using the accrual basis of accounting. Under this method, all changes in net position are reported as soon as the underlying events occur, regardless of the timing of cash flows.

Thus, revenues and expenses reported in this statement for some items may affect cash flows in future fiscal periods (examples include billed but uncollected revenues and employee earned but unused vacation leave).

*The Statement of Cash Flows* reports cash receipts, cash payments, and net changes in cash from operations, non-capital financing, capital and related financing and investing activities.

*The Notes* to the basic financial statements provide additional information that is essential for a full understanding of the data provided in these financial statements.

## **Electric Utility Fund**

### **Electric Utility Fund highlights:**

- For the fiscal year, overall retail load was lower due to the closing of businesses within Burbank due to the COVID-19 pandemic (COVID-19) beginning in March 2020. With many Burbank commercial enterprises being closed or curtailing operations, it significantly impacted commercial demand for energy in Burbank. However, staff made prudent decisions to manage the resources well. The Electric Utility's staff monetized the excess retail transmission assets and used it to offset the downside from retail operations.
- For the fiscal year, the Electric Utility's availability rate was 99.999%. The system average interruption was only 5.75 minutes per customer served. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.26 outages per customer served every year.
- The American Public Power Association's Reliable Public Power Provider (RP3) program recognizes utilities that demonstrate high proficiency in reliability, safety,



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workforce development, and system improvement. In 2020, Burbank Water and Power (BWP) was designated a Diamond Level utility, the highest RP3 designation.

- Burbank’s electric rates are amongst some of the lowest in the region.
- For the fiscal year, the Electric Utility’s renewable energy resources made up 41.5% of its total retail sales. The Electric Utility is on track to meet the Renewables Portfolio Standard (RPS) of 35.75% for calendar year 2021.
- Total net position was higher by \$9,515, or 3.2%, compared to the prior fiscal year despite lower energy sales as a result of COVID-19 due to BWP’s asset optimization strategy during persistent and record-breaking heatwave during the summer months.

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**Financial Analysis**

<u>Schedule of Revenues, Expenses, and Changes in Fund Net Position (\$ in thousands)</u>			
	<u>2021</u>	<u>2020</u>	<u>Incr. (Decr.)</u>
Retail sales (in MWh)	962,319	1,019,371	(57,052)
Operating revenues:			
Retail	\$ 149,846	\$ 158,024	\$ (8,178)
Wholesale	42,088	15,442	26,646
Intergovernmental	94	94	-
Other revenues	<u>8,946</u>	<u>7,180</u>	<u>1,766</u>
Total operating revenues	<u>200,974</u>	<u>180,740</u>	<u>20,233</u>
Operating expenses:			
Power supply and fuel – retail	93,250	96,718	(3,469)
Purchased power and fuel – wholesale	34,197	14,126	20,072
Transmission expense	11,425	13,544	(2,119)
Distribution expense	11,158	13,892	(2,735)
Other operating expenses	24,869	25,720	(851)
Depreciation	<u>19,163</u>	<u>20,162</u>	<u>(998)</u>
Total operating expenses	<u>194,062</u>	<u>184,164</u>	<u>9,899</u>
Operating income	<u>6,912</u>	<u>(3,423)</u>	<u>10,335</u>
Nonoperating income (expenses):			
Interest income	733	3,330	(2,597)
Interest expense	(3,403)	(4,071)	668
Gain (loss) on disposal of capital assets	106	118	(12)
Other income (expenses), net	<u>2,200</u>	<u>1,618</u>	<u>582</u>
Total nonoperating income (expenses)	<u>(364)</u>	<u>995</u>	<u>(1,359)</u>
Income before contributions	<u>6,548</u>	<u>(2,428)</u>	<u>8,977</u>
Capital contributions and transfers:			
Capital contributions	2,949	6,361	(3,412)
Transfers from the City	31	1	30
Transfers to the City	<u>(13)</u>	<u>(358)</u>	<u>345</u>
Total capital contributions and transfers	<u>2,967</u>	<u>6,004</u>	<u>(3,037)</u>
Change in net position	<u>9,515</u>	<u>3,573</u>	<u>5,910</u>
Net position, beginning of year (as restated)	293,476	289,903	3,573
Net position, end of year	<u>\$ 302,991</u>	<u>\$ 293,476</u>	<u>\$ 9,515</u>



# CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* MANAGEMENT DISCUSSION AND ANALYSIS

## FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)

Retail (primarily sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 95.5% of the Electric Utility's operating revenues. Retail energy sales decreased by 57,052 MWh, or 5.6%, compared to the prior fiscal year primarily attributable to the closing of businesses within Burbank due to the COVID-19 beginning in March 2020. With many Burbank commercial enterprises being closed or curtailing operations, it significantly impacted commercial demand for energy in Burbank. Commercial load makes up about 75% of the Electric Utility's retail load. Retail revenues were lower by \$8,178, or 5.2%, resulting from lower demand. This fiscal year's Retail revenues include prior year overbilling adjustment of approximately \$625.

Wholesale trading opportunities exist because the Electric Utility is able to market excess capacity, energy, and transmission. Wholesale margins of \$7,891 contributed to the Electric Utility's financial performance by increasing the Electric Utility's Operating income. Wholesale margins were \$1,316 in the prior fiscal year. The increase in wholesale margin is attributable to BWP's asset optimization strategy during persistent and record-breaking heatwave during the summer months and monetizing excess retail transmission assets.

Other revenues consist of ONE Burbank revenues, transmission, telecommunications, and other miscellaneous revenues. These revenues were \$1,766, or 24.6%, higher than the prior fiscal year primarily due to insurance reimbursement from the Golden state sub-station fire in April 2020, higher revenues from ONE Burbank and were partially offset by lower revenues from Low Carbon Fuel Standard (LCFS) Credits. ONE Burbank is a fiber optic-based infrastructure program that includes dark fiber, carrier-class internet, and high-speed managed services for local Burbank businesses. ONE Burbank generated revenues of \$3,944 this fiscal year, compared to \$3,800 the prior fiscal year. During the fiscal year, ONE Burbank provided services to 10% more customers in spite of COVID-19 related business

shutdown in BWP's core market. The California Air Resources Board initiated a program, LCFS Credits, to reduce carbon intensity in transportation fuels as compared to conventional petroleum fuels, such as gasoline and diesel. The Electric Utility, on behalf of the City of Burbank, opted into the LCFS program in 2015, and began accumulating credits in the first quarter of 2016. The Electric Utility generates credits in two primary ways: providing electricity to residents through home electric vehicles (EV) charging and actual metered usage from workplace and public EV chargers. During the fiscal year, BWP installed 26 EV public charging ports. These charging ports meet three key community needs - workplace charging, public charging for Downtown Burbank visitors and residents living within walking distance.

Retail power supply and fuel expenses were \$3,469, or 3.6%, lower than the prior fiscal year primarily attributable to prudent management of retail load using the most efficient resources. Despite adding a new renewable resource and surging spot energy prices driven by weather events during the year, staff made prudent decisions in managing retail power supply costs. Operations and maintenance for the year is higher due to repair cost for the Lake generating unit.

Transmission expenses were \$2,119, or 15.6%, lower than the prior fiscal year primarily because of lower cost of Los Angeles Department of Water and Power (LADWP) transmission contracts and financing savings.

Distribution expenses were \$2,735, or 19.7%, lower than the prior fiscal year primarily as a result of higher amount of capital work performed than the prior year, thereby resulting in lower operations and maintenance expenses and partially offset by higher expenses for private contractual services.

In addition to the annual required contribution, the Electric Utility also made an additional voluntary lump sum payment to CALPERS to reduce the City's unfunded actuarial liability



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during the fiscal year. This is the second year of a multi-year citywide funding plan to reduce future pension obligations. This additional payment is included in the distribution expense and other operating expenses.

Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. For the fiscal year, depreciation expense was lower by \$998, or 5%, primarily as a result of the retirement of fully depreciated capital assets.

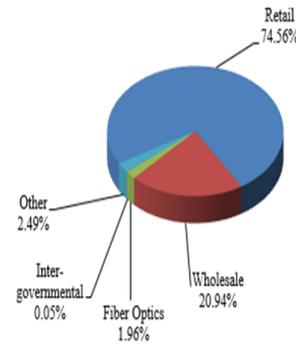
Interest income was \$2,597, or 78% lower. Prior year interest income included a significant increase in market value adjustment of investment holdings per GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". Interest income was also lower due to a lower rate of interest, as compared to prior fiscal year.

Other income was \$582, or 36%, higher primarily as a result of higher miscellaneous revenues, as compared to prior year.

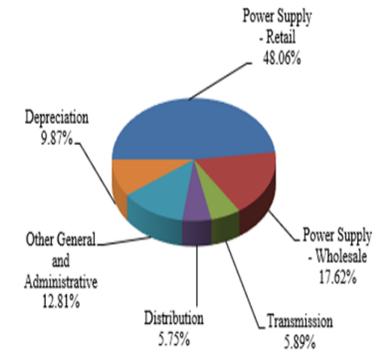
As of June 30, 2021, the Electric Utility had \$53,810 in outstanding revenue bonds. The bonds were issued for modernization, replacement and upgrades of the electric system, general plant, and other facilities (see Debt Administration). The Electric Utility paid \$3,403 in interest expense, compared to \$4,071 in the prior fiscal year.

Capital contributions were \$3,412, or 53.6%, lower compared to the prior fiscal year. The prior fiscal year included higher capital contribution for Caltrans Burbank Bridge.

**Operating Revenues**



**Operating Expenses**



The Electric Utility Fund's net position as of June 30, 2021 and June 30, 2020 were as follows:

<b>Schedule of Net Position (\$ in thousands)</b>			
	<b>2021</b>	<b>2020</b>	<b>Incr. (Decr.)</b>
<b>Assets</b>			
Current and regulatory assets	\$ 133,226	\$ 119,402	\$ 13,823
Noncurrent and regulatory assets	6,450	6,453	(3)
Capital assets, net of accumulated depreciation	313,391	310,807	2,584
<b>Total assets</b>	<b>453,067</b>	<b>436,662</b>	<b>16,405</b>
<b>Deferred outflows of resources</b>			
Deferred outflows of resources	15,215	14,913	303
<b>Total deferred outflows of resources</b>	<b>15,215</b>	<b>14,913</b>	<b>303</b>
<b>Liabilities</b>			
Current liabilities	23,335	13,545	9,790
Noncurrent and regulatory liabilities	139,092	138,689	403
<b>Total liabilities</b>	<b>162,427</b>	<b>152,234</b>	<b>10,192</b>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources	2,864	5,864	(3,000)
<b>Total deferred inflows of resources</b>	<b>2,864</b>	<b>5,864</b>	<b>(3,000)</b>
<b>Net position</b>			
Net investment in capital assets	261,742	258,563	3,179
Restricted for public benefits	7,796	6,990	806
Unrestricted	33,453	27,923	5,530
<b>Total net position</b>	<b>\$302,991</b>	<b>\$293,476</b>	<b>\$ 9,515</b>



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## FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)

Changes in total net position may serve as useful indicators of the Electric Utility Fund's financial strength over time. The highlight of changes in the Schedule of Net Position are increases in the Current and regulatory assets and Current liabilities. The primary drivers of the increase in the Current and regulatory assets by \$13,823 during the fiscal year is the increase in general operating cash and increase in Accounts receivable, offset by reduction in Deposits and prepaid expenses. Cash increased due to favorable operating results, increase in customer deposits and insurance reimbursement from Golden state sub-station fire in April 2020. The increases in accounts receivable are partially due to the Public Utilities Commission of the State of California's (CPUC) decision to extend the moratorium on suspension of electric services. The City expects to receive some relief as part of \$300,000 in federal funding allocated by the California legislature. The increase in capital assets is due to new capital investment, net of depreciation and retirement during the fiscal year. The primary drivers of the increase in Current liabilities by \$9,790 are increase in accounts payable, accrued expenses and customer deposits. Deferred inflows of resources as of June 30, 2021 decreased by \$3,000, or 51.2%, compared to the prior fiscal year primarily due to lower amounts deferred on pensions and Other Post-Employment Benefits (OPEB). Additional information on GASB Statement No. 68 and 75 as it relates to pensions and OPEB can be found in Note 12 and 13 to the basic financial statements.

Total net position was higher by \$9,515, or 3.2%, compared to the prior fiscal year due to favorable operating results (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A significant portion of the Electric Utility's total net position was in net investment in capital assets of \$261,742, or 86.4%, of total net position (see Capital Assets). \$7,796, or 2.6% of the total net position was restricted for public benefits. The unrestricted net position of \$33,453, or 11.0%, of total net position were funds available for future capital investments and maintenance activities.

### Capital Assets

As of June 30, 2021, the largest portion of the Electric Utility Fund's total assets, \$313,391, or 69.2%, was invested in capital assets. The Electric Utility invested \$21,747 in the acquisition and construction of capital assets funded from cash reserves and Aid-In-Construction (AIC) funds. The majority of these investments were for expansion and replacement of the distribution system. These investments have resulted in improved efficiency and reliability of the Electric Utility.

The Electric Utility, in alignment with the Electric Distribution Master Plan, continued making strategic capital investments such as 4 kV to 12 kV conversions during the fiscal year to improve the robustness and reliability of the electric system. Converting 4 kV load to 12 kV is a capital investment strategy that helps BWP to manage its aging infrastructure by upgrading old 4 kV distribution equipment to new 12 kV standards and retiring old 4 kV substations, thereby enhancing system reliability, and reducing long term costs. In addition, 12 kV conversions also improve grid efficiency by transmitting electricity at a higher operating voltage which significantly reduces power losses and translates to cost reduction.

There has been increased development and service requests including large site developments, major housing developments, and accessory dwelling units during the fiscal year and this trend is expected to continue in the years to come. Approximately 750 service orders were issued in the fiscal year to install or upgrade small-to-medium commercial and residential services including solar installations and accessory dwelling units. Several thousands of feet of cable, conduit, and many manholes were also installed to serve larger developments and services including Avion Burbank, 1<sup>st</sup> Street Village, the Second Century Project at The Burbank Studios, and electric vehicle charging installations.

Due to an anticipated increase in electrical load growth to meet the



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City’s housing, development, and sustainability goals, BWP will need more system capacity to serve future loads. In order to serve the Second Century Project at The Burbank Studios, BWP entered into to an agreement with the developer of the project, authorizing the construction of a new 80 MVA (mega volt amp), 69 kV to 12 kV electrical substation in the Media District. In addition to serving the project, this new electrical substation will help BWP to reduce long-term costs, reduce system power losses, enhance system reliability, provide capacity for future development in the Media District and 12 kV conversions, and eliminate two older 34 kV to 4 kV substations.

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

*(\$ in thousands)*

4kV to 12kV Conversions	\$ 5,388
Build New Customer Transformer Stations, 750 kVA & Under	2,033
Overhead/Underground Distribution Lines	1,892
Pacific Northwest DC Intertie	1,684
Build Facilities for Avion Burbank Development	1,569
Transmission Distribution Management System	1,250
Electric SCADA Hardware Replacement	804
Ontario Distributing Station	597
Service Replacements	562
69 kV and 34.5 kV Line Replacements	534
ONE Burbank Network Infrastructure Expansion	481
Fiber Optic Services to Customers City Wide	413
Electric Substations Equipment Replacement	341
Replace Station High Voltage Oil Circuit Breakers	308
Upgrade Relays for 34 kV Lines	222
<b>Total</b>	<b>\$ 18,076</b>

The results of maintenance and pro-active capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the Electric Utility’s availability rate was 99.999%, or in other words, the average Burbank resident could expect to experience only one electric service outage of just 14 minutes every 3.9 years. The system average interruption was only 5.75 minutes per customer. A low frequency of

outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.26 outages per customer every year.

The American Public Power Association’s Reliable Public Power Provider (RP3) program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. In 2020, BWP was designated a Diamond Level utility, the highest RP3 designation. The RP3 application is carefully evaluated every three years to ensure that the criteria is relevant, thorough and is keeping up with industry trends and best practices.

Additional information on capital assets can be found in Note 6 to the basic financial statements.

**Debt Administration**

As of June 30, 2021, the Electric Utility had \$53,810 in outstanding revenue bonds, of which \$1,145 will be due within a year. These bonds were issued for modernization, replacement and upgrades of the electric system, general plant, and other facilities. The Electric Utility maintained a AA- rating from Standard & Poor’s and Aa3 rating from Moody’s.

**Environmental, Supply, and Economic Factors**

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



**WATER AND POWER**

The Desert Harvest II Solar Project is a 70 MW solar project

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located in Riverside County, California. It achieved commercial operations on December 17, 2020.

The Electric Utility's renewable projects for the fiscal year were as follows:

Projects	Source of Energy	County, State	In-service Date	Plant Capacity MW	Burbank's Capacity MW	Energy Received in MWh FY 20-21	% Total Retail Sales
Copper Mountain Solar 3	Solar	Clark County, Nevada	May 2014	250.000	40.000	98,669	10.3%
Biomethane gas	Biomethane		Jun 2011			76,146	7.9%
Morgan Stanley Exchange	Wind & Landfill Gas		Apr 2012			66,429	6.9%
Desert Harvest II Solar	Solar	Riverside County, California	Dec 2020	70.000	22.001	34,519	3.6%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	23,550	2.4%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	21,165	2.2%
Don A. Campbell Geothermal	Geothermal	Mineral County, Nevada	Dec 2013	25.000	3.845	20,713	2.2%
Milford Wind I	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	19,840	2.1%
Renewable Certificate	Wind, Biomass, Solar, Hydro	N/A	N/A	N/A	N/A	14,000	1.5%
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	11,796	1.2%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	10.000	1.667	5,800	0.6%
Burbank Landfill	Landfill Gas	Los Angeles County, California	Feb 2020	0.800	0.800	4,245	0.4%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	2,355	0.2%
Micra Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	308	0.0%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	175	0.0%
<b>Total</b>						<b>399,710</b>	<b>41.5%</b>

BWP continues to be on track to meet RPS compliance requirements for calendar year 2021. The calendar year 2021 goal is 35.75% RPS. BWP staff continues to evaluate renewable resources in order to meet future compliance requirements.

On December 22, 2020, the California Energy Commission (CEC) adopted new regulations on several important RPS regulations. The regulations were finalized on July 12, 2021. The CEC provided clarification on how to count resources towards the long-term requirement, which requires that 65% of RPS compliance come from contracts that are 10 years or longer in duration, as well as set new interim targets, post calendar year 2020. The new regulations now comply with the SB 100 requirement of utilities needing to meet a 60% RPS by 2030.

Negotiations with Los Angeles Department of Water and Power (LADWP), for several existing long-term Transmission Service Agreements (TSA), including those associated with Hoover Dam and Intermountain Power Project (IPP)

generation resources were completed. City Council approved the renewal for both of these TSA's on August 10, 2021 through September 2067 for Hoover TSA and June 2077 for IPP TSA.

LADWP, BWP and Glendale Water and Power (the IPP repowering participants) are working together to create a detailed roadmap for green hydrogen production, storage, and power generation at IPP. In the medium-term, the IPP renewal participants are targeting 30% green hydrogen combustion by July 2025, when the repowered project is scheduled to come on-line. On a monthly basis, IPP participants continue to meet to discuss the IPP Renewal, including concerns on facilities development and potential additional resources at the site. At the June 3, 2021, BWP Board meeting staff provided an IPP update. The update included details on the IPP renewal contract, costs and how the green hydrogen will be incorporated into the IPP renewal.

The Cap-and-Trade Program, adopted by the California Air Resources Board (CARB), went into effect on January 1, 2012, and emission obligations commenced on January 1, 2013, for compliance to Assembly Bill 32 (AB 32), the Global Warming Solutions Act of 2006. Under AB 32, CARB is mandated to implement regulations that reduce greenhouse gas (GHG) emissions. Electric utilities were given emission allowances to cover their obligations.

Southern California continues to experience natural gas reliability and affordability challenges because of supply and demand mismatches. SoCalGas' system capacity and supply are primarily a function of two components: (1) transmission pipelines, which bring gas into and then transport it throughout the system; and (2) underground natural gas storage connected to transmission pipelines near system load. While one component of the system's limited supply is the transmission pipeline reductions and outages, the other critical component is storage operating constraints from the CPUC restricting the use of the Aliso Canyon Storage Facility. The current effective withdrawal protocol is



**WATER AND POWER**

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restrictive but is less restrictive than the previous protocol, in that Aliso Canyon was only allowed to be withdrawn from if curtailment was imminent, but now can occur under less acute circumstances.

**Water Utility Fund**

**Water Utility Fund highlights:**

- Total water sales have been minimally impacted by COVID-19. Commercial customers account for 25% of total sales. A decrease in commercial sales has been offset by an increase in residential demand primarily driven by the stay-at-home order, as well as weather driven demand during the year.
- Total net position was higher by \$3,323, or 5.1%, compared to the prior fiscal year due to favorable operating results.
- Burbank’s water rates are amongst some of the lowest in the region.
- In January 2021, Fitch Ratings affirmed the ‘AAA’ rating for the Water Revenue Bonds, Series 2010B.

**Financial Analysis**

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

	2021	2020	Incr. (Decr.)
Potable water (in AF)	15,457	15,009	448
Recycled water (in AF)	2,995	3,032	(37)
<b>Operating revenues:</b>			
Potable water sales	\$ 29,037	\$ 28,440	\$ 597
Recycled water sales	3,924	3,953	(29)
Intergovernmental	-	32	(32)
Other revenues	1,064	923	142
Total operating revenues	<u>34,025</u>	<u>33,349</u>	<u>676</u>
<b>Operating expenses:</b>			
Water supply expenses	12,102	12,994	(892)
Operations, maintenance and administration	12,800	12,638	162
Other operating expenses	1,750	2,062	(312)
Depreciation	4,208	4,072	136
Total operating expenses	<u>30,860</u>	<u>31,766</u>	<u>(906)</u>
Operating income	<u>3,165</u>	<u>1,583</u>	<u>1,582</u>
<b>Nonoperating income (expenses):</b>			
Interest income	106	492	(386)
Bond interest expense	(1,568)	(1,687)	119
Loan interest expense	(251)	(246)	(5)
Gain (loss) on disposal of capital assets	-	6	(6)
Other income (expenses), net	546	539	7
Total nonoperating income (expenses)	<u>(1,167)</u>	<u>(896)</u>	<u>(270)</u>
Income before contributions	<u>1,998</u>	<u>687</u>	<u>1,311</u>
<b>Capital contributions and transfers:</b>			
Capital contributions	1,325	727	598
Transfers to the City	-	(14)	14
Total capital contributions and transfers	<u>1,325</u>	<u>713</u>	<u>612</u>
Change in net position	<u>3,323</u>	<u>1,400</u>	<u>1,923</u>
Net position, beginning of year (as restated)	64,725	63,325	1,399
Net position, end of year	<u>\$ 68,048</u>	<u>\$ 64,725</u>	<u>\$ 3,323</u>

Potable water sales were the primary source of revenue for the Water Utility. Potable water revenue made up 85.3% of the total Water Utility operating revenues. Potable water sales volume increased by 448 AF, or 3%, compared to the prior fiscal year. A decrease in commercial sales has been offset by



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an increase in residential demand primarily driven by the stay-at-home order, as well as warmer-than-average summer temperatures and a dry winter. Burbank received 4.9 inches of rainfall this fiscal year compared to an average precipitation of 13.8 inches. Potable water revenues were higher by \$597, or 2.1%, compared to the prior fiscal year as a result of higher demand.

Recycled water sales (in AF) made up 16.2% of total water sales. Increasing the use of recycled water for landscaping and industrial or commercial cooling towers helps make water availability in Burbank more sustainable. During the fiscal year, 11 new customer connections were added or converted from the potable to the recycled water system. The recycled water system did not lose any customers during the fiscal year. Recycled water sales volume decreased by 37 AF, or 1.2% due to Magnolia Power Plant major overhaul. Recycled water revenues were lower by \$29, or 0.7%, compared to the prior fiscal year as a result of lower sales volume.

Other revenues include connection fees, recycled water credits and other miscellaneous revenues. These revenues were \$142, or 15.3%, higher than the prior fiscal year due to higher revenues from Metropolitan Water District (MWD)'s local resource program (LRP). MWD provides financial incentives for local resource development within MWD's service area for the purposes of improving regional water supply reliability.

Water supply expenses were lower by \$892, or 6.9%, compared to the prior fiscal year due to using higher amount of the lower cost groundwater. The Burbank Operable Unit (BOU) supplied approximately 73.2% of the City's potable water supply for the fiscal year compared to approximately 57.9% in the prior fiscal year. The increase in BOU local production during the fiscal year is due to technological and operational changes, although the ability to operate at this higher level of production is subject to a variety of factors, including review and approval by the Environmental Protection Agency and the California Division of Drinking Water. The BOU water is less costly than the imported MWD water, resulting in cost savings.

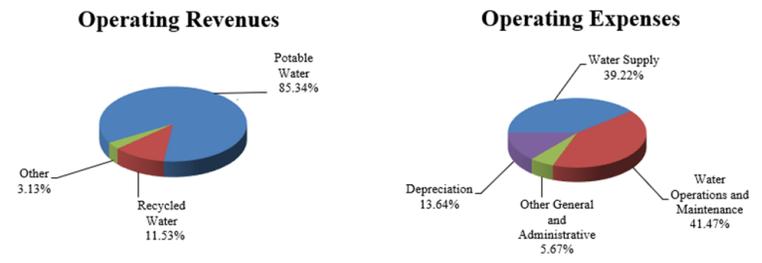
Other operating expenses were \$312, or 15.1%, lower compared to the prior fiscal year. The lower expenses were largely attributed to lower cost of shared services.

In addition to the annual required contribution, the Water Utility also made an additional voluntary lump sum payment to CalPERS to reduce the City's unfunded actuarial liability during the fiscal year. This is the second year of a multi-year citywide funding plan to reduce future pension obligations. This additional payment is included in the operations, maintenance, and administration expenses and other operating expenses.

Interest income was \$386, or 78.6% lower. Prior year interest income included a significant increase in market value adjustment of investment holdings per GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". Interest income was also lower due to a lower rate of interest as compared to prior fiscal year.

As of June 30, 2021, the Water Utility had \$27,945 in outstanding revenue bonds and \$5,530 in outstanding SWRCB loans (see Debt Administration). The Water Utility paid \$1,568 in bond interest expense, compared to \$1,687 in the prior fiscal year, and paid \$251 in loan interest expense, compared to \$246 in the prior fiscal year.

Capital contributions were \$598, or 82.3%, higher compared to the prior fiscal year, primarily due to capital contributions for the Los Angeles-Burbank ground water system interconnection project and various other customer driven projects.



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The Water Utility Fund’s net positions as of June 30, 2021 and June 30, 2020 were as follows:

<b>Schedule of Net Position (\$ in thousands)</b>	<b>2021</b>	<b>2020</b>	<b>Incr. (Decr.)</b>
<b>Assets</b>			
Current and regulatory assets	\$ 29,972	\$ 27,354	\$ 2,618
Noncurrent and regulatory assets	23	42	(19)
Capital assets, net of accumulated depreciation	92,681	93,804	(1,123)
<b>Total assets</b>	<b>122,676</b>	<b>121,200</b>	<b>1,476</b>
<b>Deferred outflows of resources</b>			
Deferred outflows of resources	2,341	2,323	18
<b>Total deferred outflows of resources</b>	<b>2,341</b>	<b>2,323</b>	<b>18</b>
<b>Liabilities</b>			
Current liabilities	3,335	4,437	(1,102)
Noncurrent and regulatory liabilities	53,134	53,392	(258)
<b>Total liabilities</b>	<b>56,469</b>	<b>57,828</b>	<b>(1,359)</b>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources	500	967	(468)
<b>Total deferred inflows of resources</b>	<b>500</b>	<b>967</b>	<b>(468)</b>
<b>Net position</b>			
Net investment in capital assets	59,154	60,064	(910)
Unrestricted	8,894	4,660	4,234
<b>Total net position</b>	<b>\$ 68,048</b>	<b>\$ 64,725</b>	<b>\$ 3,323</b>

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

Total net position was higher by \$3,323, or 5.1%, compared to the prior fiscal year (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A significant portion of the Water Utility’s total net position was in net investment in capital assets of \$59,154, or 86.9%, of total net position (see Capital Assets). The unrestricted net position of \$8,894, or 13.1%, of total net position were funds available for future capital investments and maintenance activities.

As of June 30, 2021, total assets increased by \$1,476, or 1.2%, primarily due to the increase in general operating cash, driven by favorable operating results, increase in accounts receivable and partially offset by decrease in deposits and prepaid expenses and decrease in capital assets due to retirements of fully depreciated assets. The increase in accounts receivable is partially due to the April 2, 2020 California Executive Order N-42-20 indefinitely restricting the shut off of water services to residential and qualifying small business customers. The City expects to receive some relief as part of \$985,000 in federal funding allocated by the California legislature. The State Water Board is creating a new program, California Water and Wastewater Arrearage Payment Program (“CWWAPP”), to provide relief to community water and wastewater systems for unpaid bills related to the pandemic. The funding will cover water debt from residential and commercial customers accrued between March 4, 2020 and June 15, 2021. CWWAPP will initially prioritize drinking water residential and commercial arrearages. Funding to community water systems is expected to be disbursed through January 31, 2022.

Total liabilities as of June 30, 2021 decreased by \$1,359, or 2.4%, compared to the prior fiscal year. This decrease was primarily due to a decrease in current liabilities driven by a decrease in accounts payable and a decrease in customer deposits. Deferred inflows of resources as of June 30, 2021 decreased by \$468, or 48.4%, compared to the prior fiscal year primarily due to lower amounts deferred on pensions and Other Post-Employment Benefits (OPEB). Additional information on GASB Statement No. 68 and 75 as it relates to pensions and OPEB can be found in Note 12 and 13 to the basic financial statements.

**Capital Assets**

As of June 30, 2021, the Water Utility Fund invested \$92,681, or



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**FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

75.5%, of its total assets in capital improvements. Capital improvement programs are designed to upgrade, replace and expand the water system infrastructure, ensure reliability, and provide safe drinking water and services at competitive rates.

For the fiscal year, the Water Utility invested \$3,130 in the acquisition and construction of capital assets funded from cash reserves and AIC funds. The majority of the investments were for the replacement and upgrade of distribution of water mains, service expansions and meter replacements.

The Water Utility has on-going capital improvement programs, such as main, and service and meter replacement programs, which are designed to upgrade, replace and expand the water system infrastructure to ensure reliability, and to provide safe and accurately measured services. The water production facilities and systems were very reliable with the Water Utility’s losses of 26.6 Water losses per service connection (GPD), compared to the national average of 66 GPD and the state average of 42 GPD. The Water Utility is using ultrasonic, nondestructive condition assessments combined with satellite imagery to determine risk of failure for the Water Utility’s pipelines and prioritize the investment in asset management. These ongoing and pro-active investments reflect the Water Utility’s goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities.

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

<i>(\$ in thousands)</i>		
Potable System Expansion	\$	912
Potable Large Water Mains		430
Potable Transmission Main Valves Replacement		423
Potable Meter Replacements		336
Potable Boosters		237
Potable Small Water Mains		167
Potable Storage - Reservoirs and Tanks		147
Potable Valve Replacements		129
Potable Miscellaneous Facilities		119
Potable Hydrants Replacement		112
<b>Total</b>	<b>\$</b>	<b>3,012</b>



Additional information on capital assets can be found in Note 6 to the basic financial statements.

**Debt Administration**

As of June 30, 2021, the Water Utility had \$27,945 in outstanding revenue bonds, of which none will be due within a year.

The Water Utility maintained a AAA rating from Standard & Poor’s and Fitch. In January 2021, Fitch Ratings affirmed the ‘AAA’ rating for the Water Revenue Bonds, Series 2010B, primarily due to the Water Utility’s strong debt profile coupled with strong revenue profile and low operating risks.

The Water Utility received a total of \$9,254 in loans from the State Water Resources Control Board (SWRCB) for three recycled water transmission main extensions and a water pumping station beginning fiscal year 2011-12. All the SWRCB loans have 20-year repayment terms with an annual interest rate of 2.6%. As of June 30, 2021, there was \$5,530 outstanding in SWRCB loans, of which \$454 will be due within a year. The Water Utility repaid \$443 towards these outstanding loans this fiscal year.

**Environmental, Supply, and Economic Factors**

**Drought.** The State has a history of experiencing periods of drought, including most recently in 2012-2016. In April 2021, Governor Newsom declared a drought state of emergency in 41 of the State’s 58 counties, primarily in the northern portion of the State and in the Central Valley. In July 2021, Governor Newsom issued an executive order expanding the drought state of emergency to 50 of the State’s 58 counties (not including the County) and calling for Californians to voluntarily reduce water use by 15%. The SWP, which is one source of water for MWD, is a state water management project that collects water from rivers in the northern part of the State and through a network of aqueducts and pumping stations and redistributes it to the southern part of the State. Water

# CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* MANAGEMENT DISCUSSION AND ANALYSIS

## FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)

allocation from the SWP varies according to factors including reservoir storage, weather projections, and projected runoff into streams, reservoirs, and aquifers. These factors are impacted by precipitation that usually occurs from December through April, when California historically receives more than 90% of its snow and rain. In March 2021, due to ongoing dry conditions, the SWP allocation to MWD was reduced from 10% to 5%.

On August 16, 2021 the historic Colorado River Shortage Declaration was made by the Bureau of Reclamation declaring an official shortage condition due to the lowering of Lake Mead's water level behind Hoover dam to below 1,075 feet. The next day, on August 17, 2021, MWD declared a Water Supply Alert signaling an urgent need throughout the region to do more to reduce water use, and asked water agencies to look within their respective water shortage contingency plans to implement appropriate local actions to achieve conservation through the current drought conditions. On September 14, 2021, the Burbank City Council authorized the move to Stage II and defined conditions to move to Stage III of the Sustainable Water Use Ordinance. Stage I of the Sustainable Water Use Ordinance has been in effect since the last drought and has become the new normal in Burbank. Stage I allows landscape watering for no more than 15 minutes per station three days each week (Tuesdays, Thursdays, and Saturdays) year-round. Attended hand-watering is allowed any day of the week. By activating Stage II, all existing Stage I restrictions remain in place, plus the additional restrictions are (i) Watering of outdoor landscaped areas during the months of November through March is limited to fifteen (15) minutes per station, one (1) day per week (Saturday). (ii) The filling or refilling of an artificial or ornamental body of water that does not use recycled water is prohibited.

**Water Supply Availability and Treatment.** In 2017, MWD created a Cyclic Storage Program to store water supply that was in excess of MWD's demand and storage capacity. The program allows MWD to deliver water in advance of demand to

Member Agencies for storage in the groundwater basin. Member agencies participating in the program are charged MWD's rate for full service untreated water in effect at the time the stored water is withdrawn and the water taken without affecting the capacity charge that would otherwise be in place. In December of 2018, BWP made an advanced payment for 5,719 Acre-feet at a cost of \$3,970 of Cyclic Storage Water ("CSW") under this program, funded by a loan of \$3,950 from the Electric Fund. During Fiscal Year 2019-20, BWP made another advance payment for 5,609 Acre-feet at a cost of \$4,100, partially funded by a loan of \$2,500 from the Electric Fund. As of June 30, 2021, the City had accumulated a total of 11,283 acre-feet in CSW. The City intends to coincide the use of CSW with planned upgrade work at the Pacoima Spreading Grounds, during which annual water spreading will be limited. The upgrade work at the Pacoima Spreading Grounds began in June 2021 and is expected to finish in July 2024. Burbank ratepayers will benefit from these advance purchases by avoiding MWD's future rate increases. The interest rate for the \$3,950 loan in FY 2018- 19 is the City's pooled investment return rate with payment terms not to exceed August 2027. The interest rate for the \$2,500 million loan in FY 2019-20 is the City's pooled investment return rate with a term not to exceed 4 years. The outstanding balance of the two loans as of June 30, 2021 was \$6,450. The City expects to repay the loan within the next three years.

During the last fiscal year, the construction of the "temporary interconnection" (LAIX) under an agreement between BWP and Los Angeles Department of Water and Power (LADWP) was completed. This temporary interconnection uses excess capacity at the Burbank Operable Unit (BOU) to benefit Burbank ratepayers when BWP demand is lower than BOU capacity. The transfer agreement stipulates that LADWP will directly pay MWD for the treated surface water used to blend with the treated ground water and will reimburse BWP for their volumetric portion of the costs to operate, maintain, distribute and pump the water. The LAIX



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# CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* MANAGEMENT DISCUSSION AND ANALYSIS

## FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)

began normal operation in October 2019 and continues to date. During the fiscal year, 611 A.F. was delivered to LADWP through LAIX.

For many years Burbank's water quality, rates and reliability have been some of the best in the region. The water utility has leaned on a strategy of predictive and preventative capital replacement and maintenance as a key part of this success. Burbank's history and record of being predictive and proactive in capital and maintenance spending has proven to be a cost-effective and very rate friendly strategy. The last Water Fund bond issuance was in 2010 to replace a potable water reservoir, expand the recycled water system, modernize the overall water system and refinancing of bonds to lower interest costs. Since then, the Water Fund has avoided debt issuance and has funded its capital projects through financial reserves. The Water Fund's assets have been dutifully maintained and it is now time to undertake "generational" projects to replace some of these assets. These projects are recommended to be funded through the issuance of bonds and they will provide long-term benefits to ratepayers and future generations. In October 2021, the City Council approved the issuance of water revenue bonds, not to exceed \$31,000, for water system capital investments and prepayment of the SWRCB loans. The new bond issuance is primarily intended to upgrade the City's main pumping station and a reservoir, accelerate pipeline replacements, and make other upgrades to the water system as identified through the use of new available technologies. Prepayment of the SWRCB loans is estimated to generate a present value savings of 6.39%, or \$.353. Management intends to utilize up to \$25,470 of the \$31,000 water revenue bonds issuance for water system capital upgrades and replacements; and the remaining \$5,530 for SWRCB loan prepayments. The 30-year fixed rate tax-exempt bonds will incur an interest rate of 2.74%. In November 2021 the SWRCB loan were retired.

In October 2021, S&P Global Ratings assigned its 'AAA' long-term rating to the City of Burbank's proposed 2021 water revenue bonds and re-affirmed its 'AAA' long-term rating on the City's existing water revenue bonds. This rating action considers the Water Utility's robust historical financial performance coupled with its financial forecast, coupled with the City's strong service area demographics. The rating action also acknowledges the underlying economic strength, diversity and wealth of the Water Utility's customer base, the Burbank City Council's demonstrated ability and willingness to raise rates when needed, strong liquidity and transparent and well-defined financial management practices.

### Requests for Information

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



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

Statement of Net Position

June 30, 2021

(With partial comparative financial information for the year ended June 30, 2020)

(in thousands)

Assets	Electric		Water	
	2021	2020	2021	2020
Current and regulatory assets:				
Cash and cash equivalents				
General operating	\$ 66,714	46,227	10,970	7,296
Capital and debt reduction	10,000	10,000	2,220	2,220
Restricted nonpooled cash and cash equivalents	2,505	2,511	89	92
General plant	800	800	-	-
Fleet replacement	2,210	2,210	-	-
Greenhouse gas credits' proceeds	-	69	-	-
Lower carbon fuel credits' proceeds	2,999	3,413	-	-
Distribution mains	-	-	1,100	1,100
Total cash and cash equivalents	<u>85,228</u>	<u>65,230</u>	<u>14,379</u>	<u>10,707</u>
Accounts receivable, net	21,974	14,930	4,032	3,834
Inventories	8,747	7,102	605	623
Deposits and prepaid expenses	17,104	31,830	10,758	11,981
Interest receivable	159	259	29	40
Regulatory costs to be recovered in one year	14	51	169	169
Total current and regulatory assets	<u>133,226</u>	<u>119,402</u>	<u>29,972</u>	<u>27,354</u>
Noncurrent and regulatory assets:				
Interfund receivable	6,450	6,450	-	-
Regulatory costs for future recovery	-	3	23	42
Total noncurrent and regulatory assets	<u>6,450</u>	<u>6,453</u>	<u>23</u>	<u>42</u>
Capital assets:				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335	-	-
Utility plant and buildings	541,437	518,636	163,339	158,535
Machinery and equipment	78,273	74,943	7,891	7,660
Construction in progress	29,527	34,020	2,577	4,541
Total utility plant and equipment	<u>653,306</u>	<u>631,668</u>	<u>174,116</u>	<u>171,045</u>
Less accumulated depreciation	<u>(339,915)</u>	<u>(320,861)</u>	<u>(81,435)</u>	<u>(77,241)</u>
Total capital assets, net	<u>313,391</u>	<u>310,807</u>	<u>92,681</u>	<u>93,804</u>
Total assets	<u>453,067</u>	<u>436,662</u>	<u>122,676</u>	<u>121,200</u>
Deferred outflows of resources:				
Deferred amounts from pensions	14,001	13,795	2,263	2,230
Deferred amounts from OPEB	1,214	1,118	78	93
Total deferred outflows of resources	<u>15,215</u>	<u>14,913</u>	<u>2,341</u>	<u>2,323</u>
Total assets and deferred outflows of resources	<u>\$ 468,282</u>	<u>451,575</u>	<u>125,017</u>	<u>123,523</u>

See accompanying notes to basic financial statements.

(Continued)

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

Statement of Net Position  
June 30, 2021

(With partial comparative financial information for the year ended June 30, 2020)  
(in thousands)

Liabilities	Electric		Water	
	2021	2020	2021	2020
Current liabilities:				
Accounts payable	\$ 8,887	5,714	1,316	2,028
Accrued expenses	4,172	1,910	5	-
Bond interest payable	279	284	135	136
Due to the City of Burbank	12	172	-	-
Customer deposits	8,535	4,095	1,369	1,767
Current portion of revenue bonds payable, net	1,145	1,090	-	-
Current portion of loan payable	-	-	454	443
Current portion of compensated absences	305	280	56	63
Total current liabilities	<u>23,335</u>	<u>13,545</u>	<u>3,335</u>	<u>4,437</u>
Noncurrent liabilities:				
Revenue bonds payable, net	52,497	53,665	27,866	27,859
Loan payable	-	-	5,076	5,530
Interfund payable	-	-	6,450	6,450
Compensated absences	6,922	6,214	1,073	865
Regulatory credits	327	490	-	118
Net OPEB liability	3,766	3,382	451	455
Net pension liability	75,580	74,938	12,218	12,114
Total noncurrent and regulatory liabilities	<u>139,092</u>	<u>138,689</u>	<u>53,134</u>	<u>53,392</u>
Total liabilities	<u>162,427</u>	<u>152,234</u>	<u>56,469</u>	<u>57,828</u>
Deferred inflows of resources:				
Deferred amounts on pensions	1,013	3,414	164	552
Deferred amounts on OPEB	1,851	2,450	336	415
Total deferred inflows of resources	<u>2,864</u>	<u>5,864</u>	<u>500</u>	<u>967</u>
<b>Net Position</b>				
Net position:				
Net investment in capital assets	261,742	258,563	59,154	60,064
Restricted for public benefits	7,796	6,990	-	-
Unrestricted	<u>33,453</u>	<u>27,923</u>	<u>8,894</u>	<u>4,660</u>
Total net position (see Note 17)	<u>\$ 302,991</u>	<u>293,476</u>	<u>68,048</u>	<u>64,725</u>

See accompanying notes to basic financial statements.

**CITY OF BURBANK**  
**WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
June 30, 2021  
(With partial comparative financial information for the year ended June 30, 2020)  
(in thousands)

	Electric		Water	
	2021	2020	2021	2020
Operating revenues:				
Sale of power-retail	\$ 149,846	158,024	-	-
Sale of power and fuel-wholesale	42,088	15,442	-	-
Sale of water	-	-	32,961	32,394
Intergovernmental	94	94	-	32
Other revenues	8,946	7,180	1,064	923
Total operating revenues	<u>200,974</u>	<u>180,740</u>	<u>34,025</u>	<u>33,349</u>
Operating expenses:				
Power supply expenses-retail	93,250	96,718	-	-
Purchased power and fuel expenses-wholesale	34,197	14,126	-	-
Water supply expenses	-	-	12,102	12,994
Water maintenance and operation expenses	-	-	12,800	12,638
Transmission expenses	11,425	13,544	-	-
Distribution expenses	11,158	13,892	-	-
Other operating expenses	24,869	25,720	1,750	2,062
Depreciation	19,163	20,162	4,208	4,072
Total operating expenses	<u>194,062</u>	<u>184,164</u>	<u>30,860</u>	<u>31,766</u>
Operating income	<u>6,912</u>	<u>(3,423)</u>	<u>3,165</u>	<u>1,583</u>
Nonoperating income (expenses):				
Interest income	733	3,330	106	492
Bond interest expense	(3,403)	(4,071)	(1,568)	(1,687)
Loan interest expense	-	-	(251)	(246)
Gain (loss) on disposal of capital assets	106	118	-	6
Other income (expenses), net	2,200	1,618	546	539
Total nonoperating income (expenses)	<u>(364)</u>	<u>995</u>	<u>(1,167)</u>	<u>(896)</u>
Income before contributions	<u>6,548</u>	<u>(2,428)</u>	<u>1,998</u>	<u>687</u>
Capital contributions	2,949	6,361	1,325	727
Transfers from the City	31	1	-	-
Transfers to the City	(13)	(358)	-	(14)
Total capital contributions and transfers	<u>2,967</u>	<u>6,004</u>	<u>1,325</u>	<u>713</u>
Change in net position	9,515	3,573	3,323	1,400
Net position, July 1 - (as restated, see Note 17)	<u>293,476</u>	<u>289,903</u>	<u>64,725</u>	<u>63,325</u>
Net position, June 30	<u>\$ 302,991</u>	<u>293,476</u>	<u>68,048</u>	<u>64,725</u>

See accompanying notes to basic financial statements

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

Statement of Cash Flows

June 30, 2021

(With partial comparative financial information for the year ended June 30, 2020)

(in thousands)

	Electric		Water	
	2021	2020	2021	2020
Cash flows from operating activities:				
Cash received from customers	\$ 193,899	179,153	33,827	32,666
Cash paid to suppliers	(127,341)	(111,015)	(19,312)	(23,525)
Cash paid to employees	(26,448)	(51,083)	(7,445)	(8,306)
Other income (expense)	2,200	1,173	546	605
Net cash provided by operating activities	<u>42,310</u>	<u>18,228</u>	<u>7,616</u>	<u>1,440</u>
Cash flows from noncapital financing activities:				
Loans to other funds	-	(2,500)	-	-
Proceeds from other governmental agencies	-	94	-	32
Proceeds from other funds	31	390	-	2,500
Transfers to / from other funds	(13)	(357)	-	(14)
Net cash provided by (used in) noncapital financing activities	<u>18</u>	<u>(2,373)</u>	<u>-</u>	<u>2,519</u>
Cash flows from capital and related financing activities:				
Principal payments - bond	(1,090)	(15,889)	-	(2,960)
Interest paid	(3,381)	(3,442)	(1,813)	(1,797)
Contributed capital	2,949	6,361	1,325	727
Acquisition and construction of assets	(21,747)	(24,463)	(3,130)	(3,258)
Proceeds from sales of capital assets	106	118	-	-
Principal payments - loan payable	-	-	(443)	(431)
Net cash used in capital and related financing activities	<u>(23,163)</u>	<u>(37,315)</u>	<u>(4,061)</u>	<u>(7,720)</u>
Cash flows from investing activities:				
Interest received	833	3,474	117	511
Net cash provided by investing activities	<u>833</u>	<u>3,474</u>	<u>117</u>	<u>511</u>
Net increase (decrease) in cash and cash equivalents	19,998	(17,987)	3,672	(3,251)
Cash and cash equivalents - July 1	<u>65,230</u>	<u>77,320</u>	<u>10,707</u>	<u>13,774</u>
Cash and cash equivalents - June 30	<u>\$ 85,228</u>	<u>65,230</u>	<u>14,379</u>	<u>10,707</u>

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

Statement of Cash Flows

June 30, 2021

(With partial comparative financial information for the year ended June 30, 2020)

(in thousands)

	Electric		Water	
	2021	2020	2021	2020
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 6,912	(3,423)	3,165	1,583
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	19,163	20,162	4,208	4,072
Other income	2,200	1,173	546	605
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(7,044)	(1,448)	(198)	(726)
(Increase) decrease in inventories	(1,645)	436	18	3,167
(Increase) decrease in prepaid items	14,726	(587)	1,223	(7,959)
(Increase) decrease in deferred outflows	(302)	372	(18)	68
(Increase) decrease in deferred bond issuance costs	40	64	18	-
Increase (decrease) in accounts payable and accrued expenses	5,274	862	(709)	432
Increase (decrease) in net pension and OPEB liability	1,026	(293)	100	157
Increase (decrease) in deferred inflows	(3,000)	307	(467)	133
Increase (decrease) in compensated absences	683	745	201	111
Increase (decrease) in deferred / unearned revenue	-	-	(118)	(118)
Increase (decrease) in customer deposits	4,440	(47)	(353)	253
Increase (decrease) in deferred revenue	(163)	(94)	-	(338)
Total adjustments	<u>35,398</u>	<u>21,652</u>	<u>4,451</u>	<u>(144)</u>
Net cash provided by operating activities	<u>\$ 42,310</u>	<u>18,228</u>	<u>7,616</u>	<u>1,440</u>
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	<u>\$ (426)</u>	<u>1,182</u>	<u>(76)</u>	<u>205</u>

See accompanying notes to basic financial statements

**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**NOTE 1: Summary of Significant Accounting Policies**

**(A) Accounting Methods**

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

The basic financial statements include the following:

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

- Net investment in capital assets consists of 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 position are those in which use is restricted through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of entities with jurisdiction, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

**Statement of Revenues, Expenses and Changes in Fund Net Position**

– The statement of revenues, expenses and changes in fund net position reports revenues by major source and distinguishes between operating and nonoperating revenues and expenses.

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

**(B) Basis of Presentation**

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

**(C) Reporting Entity**

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

The Electric and Water Utility Enterprise Funds are used to account



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

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

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

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

**(D) Self-Insurance**

The Electric and Water Utility Funds are part of the City's self-insurance programs, which provide coverage for general liability and workers' compensation claims. See NOTE 14 Self-Insurance, for additional information on the City's self-insurance programs.

**(E) Capital Assets**

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at acquisition value at the date of donation. The threshold for capitalizing assets is \$5 or greater, except for betterments which could be less. When items are sold or retired, related gains or immaterial losses are included in nonoperating income (expenses). Material losses on retirements are reported as regulatory assets, as provided by GASB Statement No. 62, to be collected from future ratepayers. There are no material losses on retirements as of June 30, 2021. Maintenance and repairs that do not add value to or materially extend

useful lives of assets are expensed as incurred. Improvements to plant and equipment are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Electric transformers are capitalized when purchased. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows (see NOTE 6):

Boiler Plant	20 to 30 years
Buildings and Improvements	25 to 40 years
Distribution Stations	20 to 40 years
Electric Meters	10 to 15 years
Machinery and Equipment (except vehicles)	5 to 40 years
Office Equipment	5 years
Poles, Towers, and Fixtures	30 to 40 years
Production Plant	20 to 40 years
Reservoirs and Tanks	40 years
Transformers	30 years
Transmission Equipment	40 years
Transmission Structures	40 years
Vehicles	5 to 12 years
Water Meters	20 years
Water Services	30 years
Water Wells and Springs	40 years

**(F) Accounts Receivable and Allowance for Uncollectible Accounts**

Accounts receivable includes billed and unbilled utility customer accounts, wholesale power sales, and miscellaneous charges unpaid as of June 30, 2021, offset by estimates for uncollectible accounts. Estimated allowances for uncollectible accounts are adjusted to the 91 days and over receivables' balances (see NOTE 3 for changes related to COVID-19).

**(G) Inventories**

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



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**(H) Deposits and Prepaid Expenses**

The Electric and Water Funds, in the normal course of operations place deposits and reserves with other governmental agencies, power providers and vendors, and record them as such. The Electric and Water Funds also prepay certain expenses, recording them as prepaid, which are then recognized as expense as benefits are received (see NOTE 4).

**(I) Restricted Nonpooled Investments**

The Electric and Water Funds have restricted nonpooled investments, in the form of debt service and parity reserves, to comply with the covenants contained in the various debt indentures requiring the establishment of certain specific accounts (see NOTES 2 and 7).

**(J) Compensated Absences**

The cost of employees' vested compensated absences, such as vacation and sick pay benefits, are accrued as they are earned by the employees (see NOTE 7).

**(K) Use of Estimates**

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

**(L) Revenue Recognition**

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

customers such as aid-in-construction (AIC), service connections and relocation fees.

The Electric Utility Fund's revenues include grant reimbursements from the California Energy Commission (CEC) for systems modernization projects and new electric vehicle charging stations. The CEC total Grants of \$1,000 allows for 100% prorated reimbursement for approved expenditures.

**(M) Operating Expenses**

Purchased power and fuel expenses include all open market purchases of energy and fuel, firm contracts for the purchase of energy and fuel, energy production costs, and the costs of entitlements for energy and transmission as discussed in NOTE 9.

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 Electric and Water Utility Funds' operations and maintenance of general plant and equipment, administration, customer service, telecom and internet services, public benefits programs, warehousing, security, technology operations, work for others and transfers to the City for cost allocations (see NOTE 8).

**(N) Bond Premiums and Discounts, and Debt Issuance Costs**

Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bond issuance costs, including underwriters' discount, are reported as current and noncurrent regulatory costs. Amortization of bond premiums and discounts are included in interest expense (see NOTE 7).



**WATER AND  
POWER**

**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**(O) Prior Year Data**

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

**(P) Pensions**

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

**(Q) Postemployment Benefits Other Than Pensions (OPEB)**

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

**(R) Lease Obligations**

The Utility is lessee under certain leases accounted for as operating leases. Operating leases do not give rise to

property rights or lease obligations, and therefore the results of the lease agreements are not reflected as assets or liabilities in the Utility's statement of net position.

**NOTE 2: Cash and Investments**

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Unrestricted cash and investments	\$ 82,723	14,290	\$ 97,013
Restricted investments	2,505	89	2,594
<b>Total</b>	<b>\$ 85,228</b>	<b>14,379</b>	<b>\$ 99,607</b>
Cash on hand	\$ 13	-	\$ 13
Held by fiscal agent	2,505	89	2,594
Equity in City investment pool	82,710	14,290	97,000
<b>Total</b>	<b>\$ 85,228</b>	<b>14,379</b>	<b>\$ 99,607</b>

The City combines the cash and investments of all funds into two pools (the City pool, and the Housing Authority pool), except for funds required to be held by outside fiscal agents under the provisions of bond indentures. The Electric and Water Utility Funds have investments of debt proceeds held by bond trustee that are classified as current restricted nonpooled investments.

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

BWP has no separate bank accounts or investments other than investments held by bond trustee and BWP's equity in the cash and investment pool managed by the City. BWP is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council. BWP has not adopted a formal investment policy separate from that of the City. GASB



**WATER AND  
POWER**

**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

Statement No. 72 establishes disclosure requirements for fair value measurements related to investments. The information related to authorized investments, credit risk, etc. is available in the AFR of the City. The Electric and Water Utility Funds' equity in the City's investment pool is not subject to fair value hierarchy.

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

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value 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. Investments held by fiscal agents consists mostly of money market mutual funds, which are due in less than one year.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code.

**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 amount of deposits are covered by FDIC (Federal Insurance Deposit Corporation) insurance or collateralized under California law.

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.

**Fair Value Measurements**

The City's investments are reported at fair value. The City categorizes its fair values measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are quoted prices of similar assets in active markets and Level 3 inputs are significant unobservable inputs. Investments held by fiscal agent are not subject to fair value hierarchy.

**NOTE 3: Accounts Receivable**

Accounts receivable for the Electric and Water Utility Funds as of June 30, 2021 are:



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

	Electric	Water
	2021	2021
Billed accounts receivable	\$ 16,235	\$ 2,367
Unbilled accounts receivable	6,746	1,859
Allowance	(1,007)	(194)
<b>Total</b>	<b>\$ 21,974</b>	<b>4,032</b>

The CPUC’s decision to extend the moratorium on suspension of electric services, and the April 2, 2020 California Executive Order N -42-20 indefinitely restricting the shut off of water services to residential and qualifying small business customers resulted in an increase of \$1,283 to the aged receivables balance.

The Electric Utility Fund accrued \$3,679 for wholesale and retail resale power sales invoices; and \$1,390 was accrued for AIC projects’ invoices.

The allowance for uncollectibles calculation deterred from Policy due to COVID-19. The allowance for uncollectibles was calculated at 50% of the 91 days and over receivables balance, given that it is expected that at least half of retail and business customers with these aged balances will eventually pay the Utility, once California’s moratoriums and restrictions are lifted.

**NOTE 4: Deposits and Prepaid Expenses**

The Electric Utility Fund shows a total of \$17,104 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a \$10,158 prepayment to the Southern California Public Power Authority (SCPPA) Natural Gas Reserve for future gas deliveries, a \$3,740 deposit with SCPPA for future use in projects, a \$2,871 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), \$342 in administrative prepaid expenses; offset by \$44 in renewables. In addition, in June 2000, the City prepaid a lease payment of \$1,500 for the use of land to locate a new switching station. The terms of the agreement was an advance payment of \$1,500 for a twenty-year lease term, with the City's right to renew for

ten years at an annual base payment of \$50 in year 21, with a 3% increase in years 22-30. The twenty-year lease began in January 2002. The Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$38.

The deposit with SCPPA decreased by \$13,423 to pay for purchased power costs in response to lower SCPPA investment earnings than the City’s investment earnings.

The Water Utility Fund shows a total of \$10,758 in deposits and prepaid expenses. The composition of these prepaid expenses include \$8,074 of prepaid cyclic storage water, \$2,645 of untreated groundwater, and \$39 for other administrative prepaid expenses.

**NOTE 5: Regulatory Assets (Costs)**

Utility regulatory assets are reported for unamortized bond issuance costs. These assets are classified as current and noncurrent, and the balances for the Electric and Water Utility Funds as of June 30, 2021 are \$14 and \$193, respectively. The Water Utility’s 2010B Series Bonds’ term is 30 years.

**NOTE 6: Capital Assets**

Electric Fund	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated :				
Land	\$ 2,734	-	-	\$ 2,734
Construction in progress	34,020	20,396	(24,889)	29,527
Total capital assets not being depreciated	<b>36,754</b>	<b>20,396</b>	<b>(24,889)</b>	<b>32,261</b>
Capital assets being depreciated :				
Rights to purchased power	1,335	-	-	1,335
Accumulated depreciation	(906)	(44)	-	(950)
Buildings & Improvements	518,637	22,968	(168)	541,437
Accumulated depreciation	(259,428)	(15,224)	183	(274,469)
Machinery & other	74,943	3,300	-	78,243
Accumulated depreciation	(60,527)	(3,939)	-	(64,466)
Total capital assets being depreciated, net	<b>274,054</b>	<b>7,061</b>	<b>15</b>	<b>281,130</b>
<b>Total net capital assets - Electric utility</b>	<b>\$ 310,808</b>	<b>27,457</b>	<b>(24,874)</b>	<b>\$ 313,391</b>



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

<b>Water Fund</b>	<b>July 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2021</b>
Capital assets not being depreciated :				
Land	\$ 309	-	-	\$ 309
Construction in progress	4,540	3,725	(5,688)	2,577
Total capital assets not being depreciated	<b>4,849</b>	<b>3,725</b>	<b>(5,688)</b>	<b>2,886</b>
Capital assets being depreciated :				
Buildings & Improvements	158,535	4,818	(14)	163,339
Accumulated depreciation	(71,724)	(3,791)	13	(75,502)
Machinery & other	7,660	231	-	7,891
Accumulated depreciation	(5,516)	(417)	-	(5,933)
Total capital assets being depreciated, net	<b>88,955</b>	<b>841</b>	<b>(1)</b>	<b>89,795</b>
<b>Total net capital assets - Water utility</b>	<b>\$ 93,804</b>	<b>4,566</b>	<b>(5,689)</b>	<b>\$ 92,681</b>

**Pacific DC Intertie**

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale, and the City of Pasadena for an unrestricted 3.846% interest in the Pacific DC Intertie. The City's voting right in the project is directly in proportion to its percentage interest.

The Electric Utility invested \$1,684 in betterments for its share of the Intertie; and accrued capitalized assets of \$58, and \$1 in accumulated depreciation and depreciation expense. These capital improvements are expected to continue until 2024.

**NOTE 7: Long-Term Liabilities, including Loan Payable and Revenue Bonds Payable**

The Water Utility Fund has outstanding loans that are collateralized by the pledging of Water Utility net revenues. These loans were direct borrowings. The following outstanding SWRCB loans were retired in November 2021.

<b>Water Loan Payable</b>	<b>2021</b>
This SWRCB Loan was issued for the purpose of upgrading the Recycled Water Pumping Station PS-1 project to create capacity needed to distribute recycled water to new users. The cost of the project is \$1,916, of which \$521 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than November 2030.	\$ 304
Less current portion	(27)
<b>Total for Recycled Water Pumping Station</b>	<b>277</b>
This loan was issued for the purpose of Constructing the Valhalla Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Valhalla Memorial Park and Cemetery and other recycled water customers in its vicinity. The project also includes the design of a below-grade inline booster station to maintain pressure in the western extents of this extension. The cost of the project was \$5,062, of which \$3,709 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2031.	2,129
Less current portion	(189)
<b>Total for Valhalla Recycled Water Main Extension</b>	<b>1,940</b>
This loan was issued for the purpose of Constructing the Studio District Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Warner Brothers, Disney, and NBC Studios and other recycled water customers in their vicinity. The project also includes the design of a below-grade inline booster station to maintain pressure in the western extents of this extension. The cost of the project was \$5,161, of which \$3,240 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2032.	1,938
Less current portion	(154)
<b>Total for Studio District Recycled Water Main Extension</b>	<b>1,784</b>
This loan was issued for the purpose of constructing the Northern Burbank Main Extension. This pipeline extends the existing recycled water distribution system to Brace Canyon Park, Woodbury University and I-5 landscaping and other recycled water customers in its vicinity. The cost of the project is estimated to be \$1,934, of which \$1,784 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2033.	1,158
Less current portion	(83)
<b>Total for Northern Burbank Main Extension</b>	<b>1,075</b>
<b>Total long-term intergovernmental loan payments</b>	<b>\$ 5,076</b>

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2021 is as follows:



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**SWRCB Loan for the Studio  
District Recycled Water Main  
Extension**

	Water		Total
	Principal	Interest	
2022	154	50	204
2023	159	46	205
2024	163	42	205
2025	167	38	205
2026-2030	902	123	1,025
2031-2032	393	15	408
	<b>\$ 1,938</b>	<b>314</b>	<b>\$ 2,252</b>

**SWRCB Loan for the Northern  
Burbank Main Extension**

	Principal	Interest	Total
2022	83	30	113
2023	86	28	114
2024	88	26	114
2025	90	23	113
2026-2030	487	81	568
2031-2033	324	17	341
	<b>\$ 1,158</b>	<b>205</b>	<b>\$ 1,363</b>

**SWRCB Loan for the Recycled  
Water Distribution System**

	Water		Total
	Principal	Interest	
2022	27	8	35
2023	28	7	35
2024	28	6	34
2025	29	6	35
2026-2030	158	17	175
2031	34	1	35
	<b>\$ 304</b>	<b>45</b>	<b>\$ 349</b>

**SWRCB Loan for the Valhalla  
Recycled Water Main Extension**

	Principal	Interest	Total
2022	189	55	244
2023	194	50	244
2024	199	45	244
2025	204	40	244
2026-2030	1,104	119	1,223
2031	238	6	244
	<b>\$ 2,128</b>	<b>315</b>	<b>\$ 2,443</b>

**(B) Revenue Bonds Payable**

All the revenue bonds issued by the Electric or Water Utility Funds are secured by a pledge of a lien upon the net revenues of the Electric or Water Utility Funds, depending on the purpose of the debt, as well as all amounts on deposit in the funds and accounts established under the indenture, including the reserve account. Net reserves include all revenues received by the Electric or Water Utility Funds, less amounts required for payment of operating expenses. The Electric and Water 2010A Series bonds have been paid in full.

	Electric
	2021
<b>2010B Series Bonds:</b>	
These bonds were issued to finance a portion of the costs of certain improvements to the Electric System, including the conversion of certain residential and commercial distribution circuits, to fund a deposit in the Parity Reserve Fund and to pay the costs of issuance. Payable in installments ranging from \$2,210 to \$4,195. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	\$ 52,665
Less:	
Current portion	-
Original issue discount/premium	(182)
<b>Long-term Bonds Series B of 2010</b>	<b>\$ 52,483</b>



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	<u>Electric</u>
	<u>2021</u>
<b><u>2012 Series A Bonds:</u></b>	
These bonds were issued to refund on a current basis all of the outstanding 2002 Electric Bonds and to pay the costs of issuance of the Series 2012A Bonds. Payable in installments ranging from \$375 to \$1,145. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	\$ 1,145
Less:	
Current portion	(1,145)
Original issue discount/premium	14
<b>Long-term Bonds Series A of 2012</b>	<b>\$ 14</b>
<b>Total Electric long-term revenue bonds payable</b>	<b>\$ 52,497</b>
	<u>Water</u>
	<u>2021</u>
<b><u>2010B Series Bonds:</u></b>	
These bonds were issued to finance the costs of the 2010 Water Project and to pay the costs of issuance of the Series 2010B Bonds. Payable in installments ranging from \$850 to \$2,275. Interest rates range from 4.89% to 5.79%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account. The City expects to receive a direct cash subsidy from the United States Department of Treasury equal to 35% of the interest on the Series 2010B Bonds.	\$ 27,945
Less:	
Current portion	-
Original issue discount/premium	(79)
<b>Long-term Bonds Series B of 2010</b>	<b>\$ 27,866</b>
<b>Total Water long-term revenue bonds payable</b>	<b>\$ 27,866</b>

The Electric and Water Funds are in compliance with the covenants contained in the various debt indentures, which require the establishment of certain specific accounts for the revenue and revenue/refunding bonds.



A schedule of aggregate maturities on bonds payable subsequent to June 30, 2021 is as follows:

	Electric		Water		Total
	Principal	Interest	Principal	Interest	
2022	\$ 1,145	\$ 2,199	-	1,568	\$ 4,912
2023	-	2,142	850	1,568	4,560
2024	2,210	2,142	1,050	1,527	6,929
2025	2,295	2,054	1,085	1,475	6,909
2026	2,390	1,963	1,120	1,422	6,895
2027-2031	13,475	8,307	6,240	6,116	34,138
2032-2036	16,485	5,337	8,980	4,077	34,879
2037-2040	15,810	1,656	8,620	1,274	27,360
<b>Total</b>	<b>\$ 53,810</b>	<b>\$ 25,800 <sup>(1)</sup></b>	<b>27,945</b>	<b>19,027</b>	<b>\$ 126,582</b>

<sup>(1)</sup> Electric Series 2010B Bonds are Build America Bonds. \$25,744 of the Electric interest shown is gross of the expected receipt of Federal Subsidy equal to 35% of the interest payment due.

**(C) Pledged Revenue**

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

	FY 20-21 Net Revenue Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year	Interest Paid this Fiscal Year
Electric Utility	\$ 26,076	53,810	25,800	1,090	3,403 <sup>(1)</sup>
Water Utility	\$ 7,372	27,945	19,027	-	1,568 <sup>(1), (3)</sup>

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

<sup>(2)</sup> For 2010A Series Bonds.

<sup>(3)</sup> Includes interest only payments of \$1,568 for 2010B Series Bonds.

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**(D) Utility Funds' Long-Term Liabilities**

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2021:

Electric	July 1, 2020	Additions	Retirements	July 1, 2021	Due within 1 Year
<b>Revenue Bonds Payable:</b>					
2010 Series B Bonds	52,665	-	-	52,665	-
2012 Series A Bonds	2,235		(1,090)	1,145	1,145
Compensated Absences	6,494	3,581	(2,848)	7,227	305
	<u>\$ 61,394</u>	<u>3,581</u>	<u>(3,938)</u>	<u>61,037</u>	<u>\$ 1,450</u>
Less current portion	(1,370)			(1,450)	
Less unamortized bond premium (discount)	(145)			(168)	
<b>Total</b>	<u>\$ 59,879</u>			<u>\$ 59,419</u>	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2021:

	July 1, 2020	Additions	Retirements	July 1, 2021	Due within 1 Year
<b>Loans and Revenue Bonds Payable:</b>					
Intergovernmental Loan Payable	\$ 330		(26)	304	\$ 27
Intergovernmental Loan Payable	2,314		(184)	2,129	189
Intergovernmental Loan Payable	2,089		(151)	1,938	154
Intergovernmental Loan Payable	1,238		(80)	1,158	83
2010 Series B Bonds	27,945		-	27,945	-
Compensated Absences	928	608	(407)	1,128	56
	<u>\$ 34,844</u>	<u>608</u>	<u>(849)</u>	<u>34,602</u>	<u>\$ 510</u>
Less current portion	(506)			(510)	
Less unamortized bond premium (discounts)	(86)			(86)	
<b>Total</b>	<u>\$ 34,254</u>			<u>\$ 34,008</u>	

**NOTE 8: Related Party Transactions**

The City allocates certain administrative and overhead costs to the Electric and Water Utility Funds in the other operating expenses category. These costs for the year ended June 30, 2021 is as follows:

	Electric 2021	Water 2021
Administrative and overhead costs	\$ 6,271	2,101
<b>Total</b>	<u>\$ 6,271</u>	<u>2,101</u>

The City receives a 7% Utility Users Tax on electric revenues that is not reflected in the Electric Utility Fund's financial statements; it is recorded directly into the General Fund. This tax for the year ended June 30, 2021 is \$9,830.

In addition, the City receives a 7% In-lieu of Taxes on electric retail revenues that is not reflected in the Electric Fund's financial statements; it is recorded directly into the General Fund. This tax for the year ended June 30, 2021 is Electric in-lieu of \$8,288 and Street Lighting in-lieu of \$2,260.

During the prior fiscal year, the Water Utility borrowed \$2,500 from the City for the purchase of cyclic storage water from MWD. The interest rate for this loan is the City's pooled investment return rate with a term not to exceed four years. The interest paid was \$37. In fiscal year 2018-19, the Water Utility borrowed \$3,950 from the City, also for the purchase of cyclic storage water from MWD. The interest rate for this loan is at the City's pooled investment return rate with payment terms not to exceed August 2027. The interest paid was \$59. The loan payable balance is \$6,450.

**NOTE 9: Power Supply and Fuel Expenses - Retail**

**A) Retail Energy Supply**

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



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**B) Joint Powers Agency Contracts**

The City, through its Electric Utility Fund, has entered into several "take or pay" contracts and "take and pay" contracts through its participation in two joint power agencies, the Intermountain Power Agency (IPA) and the SCPPA in order to meet the electric needs of its customers. These contracts are not considered joint ventures since the City has no interest in the assets, liabilities, or equity associated with any of the projects to which these contracts refer.

Under the "take or pay" contract, the City is obligated to pay its share of the indebtedness regardless of the ability of the contracting agency to provide electricity or the City's need for the electricity. The City is only obligated to pay its share of the indebtedness upon delivery of energy under the "take and pay" contracts. However, in the opinion of management, the City does not have a financial responsibility for purposes of GASB Statement No. 14, "Financial Reporting Entity", because the IPA and SCPPA do not depend on revenue from the City to continue in existence.

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

During the fiscal year, the Electric Fund made payments totaling \$54,613 for "take or pay" contracts, and \$17,878 for the "take and pay" contract.

**(a) Intermountain Power Agency (IPA)**

In 1980, the City, along with the California Cities of Los Angeles, Anaheim, Glendale, Pasadena and Riverside, entered into a power sales contract with IPA, which obligates each purchaser to purchase, on a "take or pay" basis, a percentage share of capacity and energy generated by the Intermountain Power Project (IPP) in Utah. The City, through contract, is entitled

to 60 MW or 3.371% of the 1,800 MW of generation at the plant. In addition, the City entered into an Excess Power Sales Agreement, also on a "take or pay" contract, with Utah municipal and cooperative IPP purchasers, which provides for the City to obtain up to an additional 0.797% (14 MW) when not used by the Utah municipal or cooperative IPP purchasers.

**(b) Southern California Public Power Authority (SCPPA)**

SCPPA membership consists of 11 Southern California cities and one public irrigation district of the State of California, which serves the electric power needs of its Southern California electricity customers. SCPPA, a public entity organized under the laws of the State of California, was formed by a joint powers agreement dated November 1, 1980, pursuant to the Joint Exercise of Powers Act of the State of California. SCPPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The joint power agreement has a term of 50 years.

**Southern Transmission System Project (STS)**

Pursuant to an agreement dated May 1, 1983 with the IPA, SCPPA made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the STS, which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles (LADWP), a member of SCPPA, serves as project manager and operating agent of IPP. The STS consists of a 488 mile transmission line and the associated converter station on each end. The 500 kV DC bi-pole transmission lines are currently rated at 2,400 megawatts (MW) as a result of an upgrade completed in December 2010. The City's ownership share of this project is 4.498%.



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**Magnolia Power Project (MPP)**

In March 2003, the City, along with the Cities of Anaheim, Cerritos, Colton, Glendale and Pasadena, entered into a power sales agreement with SCPPA for MPP. MPP commenced commercial operations in Burbank, California in September 2005. MPP is a combined-cycle natural gas-fired generation plant with a nominal rate net base capacity of 242 MW, but can boost its output to 310 MW, if needed. The City has entitlement up to 97.6 MW or 30.992% of its output. The City's share of outstanding debt is 32.350% which excludes debt relating solely to the City of Cerritos. The City is also MPP's operating agent.

**Prepaid Natural Gas Project (PNGP)**

The PNGP primarily consists of the acquisition by SCPPA of the right to receive an aggregate amount of approximately 135 billion cubic feet of natural gas, which subsequently was reduced to approximately 90 billion cubic feet as a result of restructuring to accelerate a portion of the long-term savings, reduce the remaining volumes of gas to be delivered, and shorten the overall duration of five prepaid agreements (with the City, and the Cities of Anaheim, Colton, Glendale and Pasadena).

The City's natural gas supply agreement with SCPPA is expected to provide approximately one-fourth of the City's gas requirements for MPP. The City has no obligation under the natural gas supply agreement to pay for gas not delivered.

**Milford I Wind Project (M1WP)**

M1WP is located near Milford, Utah and began commercial operations in November 2009. The facility is a 200 MW nameplate capacity wind farm comprised of 97 wind turbine generators, delivered by a 90 mile transmission line, 345 kV, extending from the generation site to the IPP switchyard in Delta, Utah. This plant generates enough capacity to supply electricity to power more than 60,000 homes and offset over

366,000 tons per year of carbon dioxide that would otherwise be emitted from a coal-powered plant. SCPPA (on behalf of project participants LADWP, the City and the City of Pasadena, California) acquired 100.000% of this facility and issued bonds in 2010 to finance the purchase by prepayment of a specified quantity of energy from this facility over the 20-year delivery term, with a guaranteed annual quantity in each year. The City's share of this project is 5.000% of the total capacity of 10 MW, energy, and environmental attribute rights produced at this facility.

**Mead-Adelanto Project (MA)**

SCPPA also entered into an agreement dated December 17, 1991 to acquire a 67.917% interest in the MA, a transmission line extending between the Adelanto substation in Southern California and the Marketplace substation in Nevada. Funding for these projects was provided by a transfer from the Multiple Projects Fund, and commercial operations commenced in April 1996. LADWP serves as the operations manager of MA. The project is a 202 mile, 500 kV AC transmission line with a rating of 1,200 MW. The City's ownership share of MA is 11.534%.

**Tieton Hydro Project (THP)**

This facility was acquired by SCPPA in November 2009 with 100.000% of entitlement shares. Each of the two project participants, the City and the City of Glendale, California, have an equal 50.000% entitlement share of this project. THP is a run of the reservoir hydroelectric facility, comprised of a powerhouse constructed at the base of the United States Bureau of Reclamation (USBR) Tieton Dam on the Tieton River in the State of Washington, on a 21 mile, 115 kV transmission line from the plant substation to the interconnection of the electrical grid. The powerhouse has a maximum capacity of 20 MW, with a nameplate capacity of 13.6 MW. USBR owns and operates the dam and controls the flows into the Tieton River from the Rimrock Lake reservoir, which was created by the dam. Average annual



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generation from this plant is approximately 48,000 megawatt hours (MWh). The City is also Tieton's operating agent.

**Mead-Phoenix Project (MP)**

SCPPA entered into an agreement dated December 17, 1991 to acquire an interest in the MP, a transmission line extending between the West Wing substation in Arizona and the Marketplace substation in Nevada. The agreement provides SCPPA with an 18.308% interest in the West Wing-Mead project, a 17.756% interest in the Mead substation project component and a 22.408% interest in the Mead-Marketplace component. The project is a 256 mile, 500 kV AC transmission line with a rating of 1,300 MW. The City's ownership share of MP is 15.400%.

**Natural Gas Project (NGP)**

The NGP was acquired by SCPPA in 2005 and 2006 and is being developed for the primary purpose of providing the participants with stable long-term supplies of gas for the purpose of fueling their electric generation needs. SCPPA issued 2008 Bonds to provide monies for the refinancing of the City's share of the costs of acquisition and development of the NGP through the redemption of a portion of SCPPA's draw down bonds previously issued for the NGP. SCPPA has sold entitlements to 100.000% of the production capacity of the NGP pursuant to separate gas sales agreements with the five participants - the City, and the Cities of Anaheim, Colton, Glendale and Pasadena. The participants are obligated to pay for such production capacity, including amounts required to pay debt service on bonds issued to finance their respective share of the NGP, on a "take or pay" basis. The City has 14.286% of entitlement shares in the Pinedale, Wyoming Subproject (2005 purchase), and 27.273% of entitlement shares in the Barnett, Texas Subproject (2006 purchase).

**Ameresco/Chiquita Landfill Gas Project**

Ameresco/Chiquita Landfill Gas Project is located in

Valencia, California near Lake Castaic and began commercial operations in November 2010. The renewable energy is generated using landfill gas produced at the Chiquita Canyon Landfill. This plant has a total generating capacity of 10 MW and SCPPA members receive 100.000% of the project output. The project participants are the City and the City of Pasadena. The City contracted to purchase approximately 16.700% or 1.7 MW.

**Don A Campbell Geothermal (aka Wild Rose)**

In November 2013, the City began to receive geothermal energy output from the Wild Rose Geothermal (aka Don A. Campbell) Project, located in Mineral County, Nevada. The term of this agreement is 20 years. This is a geothermal power generating facility with a generating nameplate capacity of 25 MW and a projected capacity of 16.2 MW. The City and the City of Los Angeles are project participants. The City contracted to purchase approximately 15.380% (3.845 MW).

**Pebble Springs Wind Project**

Pebble Springs is located in Gilliam County, Oregon, near the town of Arlington and began commercial operations in early 2009. The term of this agreement is 18 years. The City, and the Cities of Los Angeles and Glendale receive the entire energy output of 99 MW. The City contracted to purchase approximately 10.000% (10 MW).

**Copper Mountain 3 Solar Project**

Copper Mountain 3 Solar Project is located near Boulder City, Nevada, approximately 25 miles southeast of Las Vegas, Nevada.

The facility is the third phase of one of the largest photovoltaic solar facilities in the U.S. situated on about 1,400 acres of land. The City and the City of Los Angeles entered into a 20-year power sales agreement through SCPPA. The City's share of this project is 16.000% (40 MW) of the total capacity of 250 MW. In May 2014, ahead of schedule, the City began to receive commercial operations in 2015.



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**Desert Harvest II Solar Project**

The Desert Harvest II Solar Project is a 70 MW solar project located in Riverside County, California. It achieved commercial operations on December 17, 2020. Desert Harvest II Solar Project supplies energy and renewable attributes to SCPPA under a twenty-five year Renewable Energy Credit (REC) + Index structure contract. The City and the Cities of Anaheim and Vernon are the participants. The City contracted to purchase approximately 31.34%.

A summary of the City's contracts and related projects and its commitments at June 30, 2021 are:

	City of Burbank portion*	City of Burbank share of bonds	Burbank obligation relating to total debt service
Intermountain Power Project	3.371%	\$ 8,090	\$ 7,599
SCPPA: <sup>(1)</sup>			
Southern Transmission System	4.498%	10,740	12,315
Magnolia Power Project (Project A)	32.350%	75,498	103,515
Prepaid Natural Gas Project #1	33.000%	88,494	126,188
Milford I Wind Project	5.000%	4,816	5,960
Tieton Hydropower Project	50.000%	16,595	25,090
Natural Gas Project - Barnett	100.000%	9,321	12,464
Natural Gas Project - Pinedale	100.000%	3,009	4,024
SCPPA Total		208,473	289,557
Total		\$ 216,563	\$ 297,156

The following schedule details the amount of principal and interest that is due and payable by the City as part of the joint power agency contracts, by project, in the fiscal year indicated (year ending June 30).

	2021/22		2022/23		2023/24	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	\$ 4,012	(362)	3,707	(131)	371	2
SCPPA:						
Southern Transmission System	2,672	527	2,826	398	1,217	256
Magnolia Power Project (Project A)	4,162	4,426	3,352	2,687	3,529	2,566
Prepaid Natural Gas Project #1	3,203	4,498	3,713	4,330	4,241	4,135
Milford I Wind Project	505	240	530	216	556	189
Tieton Hydropower Project	583	820	613	788	650	752
Natural Gas Project - Barnett	1,036	547	983	490	930	435
Natural Gas Project - Pinedale	334	177	317	158	300	141
Total	\$ 16,506	10,872	16,039	8,935	11,793	8,476

	2024/25		2025/26		2026/31	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	\$ -	-	-	-	-	-
SCPPA:						
Southern Transmission System	1,277	196	1,341	133	1,407	66
Magnolia Power Project (Project A)	3,711	2,437	3,905	2,301	22,815	9,178
Prepaid Natural Gas Project #1	4,886	3,912	5,166	3,656	36,043	13,593
Milford I Wind Project	584	161	613	132	2,029	206
Tieton Hydropower Project	1,458	715	618	630	3,583	2,655
Natural Gas Project - Barnett	888	384	854	331	3,904	913
Natural Gas Project - Pinedale	287	124	276	107	1,261	295
Total	\$ 13,089	7,929	12,772	7,289	71,041	26,905

	2031/36		2036/41		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	\$ -	-	-	-	8,090	(491)
SCPPA:						
Southern Transmission System	-	-	-	-	10,740	1,575
Magnolia Power Project (Project A)	34,025	4,423	-	-	75,498	28,018
Prepaid Natural Gas Project #1	31,244	3,569	-	-	88,494	37,693
Milford I Wind Project	-	-	-	-	4,816	1,144
Tieton Hydropower Project	4,575	1,665	4,518	472	16,595	8,495
Natural Gas Project - Barnett	726	44	-	-	9,321	3,143
Natural Gas Project - Pinedale	234	14	-	-	3,009	1,015
Total	\$ 70,804	9,715	4,518	472	216,563	80,593

During the prior fiscal year, the outstanding principal and interest for the Mead Adelanto and Mead Phoenix Projects was paid in full.

For further information regarding SCPPA, please visit [www.scppa.org](http://www.scppa.org).

**Hedge Policies and Outstanding Hedge Contracts**

The Electric Utility Fund utilizes natural gas hedging as outlined in its Energy Risk Management Policy. The purpose of hedging is to protect against fluctuating prices and deliver stable and competitive rates to its retail customers.



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**Greenhouse Gas Cap-and-Trade Program**

The State of California has implemented a greenhouse gas cap-and-trade program, under California Assembly Bill 32 (the California Global Warming Solutions Act of 2006), to reduce greenhouse gas emissions. At June 30, 2021, the City of Burbank has sufficient allocated greenhouse gas allowances for its retail sales.

**NOTE 10: Purchased Power and Fuel Expenses - Wholesale**

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

The Electric Utility continues using the wholesale margin as an offset to its overall power supply expenses. Wholesale margins for the year ended June 30, 2021 are as follows:

	<u>2021</u>	
Wholesale Revenues	\$	42,088
Wholesale Costs		<u>34,197</u>
Wholesale Margin	\$	<u><u>7,891</u></u>

**NOTE 11: Deferred Inflows of Resources / Unearned Revenue**

On January 22, 2013 the Electric Utility was awarded a grant of \$1,000 from the California Energy Commission (CEC) in support of the Department of Energy’s systems’ modernization capital projects funded during fiscal years 2010-11 through 2014-15. The Electric Utility is deferring payments received for these capital assets to match corresponding depreciation expense over their useful lives, as allowed by Accounting Standards Codification (ASC) 980 rules under GASB Statement No. 62. The Electric Utility recognized revenue and depreciation expense of \$94. The deferred CEC payments were reported as regulatory credits in deferred inflows of resources and were \$327.

During fiscal year 2014-15, the Electric Utility sold greenhouse gas allowance credits at auction, resulting in proceeds of \$69. These proceeds were reported as deferred inflows of resources. During the fiscal year the Electric Utility used these proceeds to fund PCC (Product Content Category)-3 renewable energy credits. The deferred greenhouse gas allowance sales proceeds have been fully recognized as revenue.

**NOTE 12: Retirement Plan**

**A) Pension Plans**

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

*1. Plan Descriptions*

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

*2. Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited



**WATER AND  
POWER**

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service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily defined benefits. For employees hired into the plan with the 2.5% at 55 formula, eligibility for service retirement is age 50 with at least 5 years of service. PEPRA (Public Employees’ Pension Reform Act) miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at the June 30, 2020 measurement date, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	9.688%	10.555%
Payment of unfunded liability	\$17,187,123	-

**3. Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially

determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City employer contributions to CalPERS for the fiscal year were \$55,475. City Contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

**(B) Net Pension Liability**

As of June 30, 2021, the Electric and Water Utility Funds reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plan as follows:

	Proportionate Share of Net Pension Liability	
	June 30, 2021	June 30, 2020
Electric Utility Fund	\$ 75,580	\$ 74,938
Water Utility Fund	12,218	12,114

The Electric and Water Utility Funds’ net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, The Electric and Water Utility Funds’ net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The Electric and Water Utility Funds’ proportionate share of



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net pension liability was based on a projection of the Electric and Water Utility Funds' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Utility's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2020 measurement was as follows:

	<u>Electric Utility</u>	<u>Water Utility</u>
Proportion - June 30, 2020	34.27%	5.54%

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

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Utility has the following pension outflow that qualifies for reporting in this category:

- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows from pensions resulting from differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the Plan.

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

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

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

For the year ended June 30, 2021, the City recognized pension expense for the Electric and Water Funds of \$9,659 and \$1,561, respectively. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Electric	Water	Electric	Water
Pension contributions subsequent to measurement date	\$ 11,622	1,879		
Differences between actual and expected experience	\$ 495	80	(819)	(132)
Change in assumptions			(195)	(31)
Net differences between projected and actual earnings on plan investments	1,885	305		
<b>Total</b>	<b>\$ 14,001</b>	<b>2,263</b>	<b>(1,013)</b>	<b>(164)</b>

For the Electric and Water Utility Funds, \$11,622 and \$1,879, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending	Electric Utility	Water Utility
2022	\$ (1,456)	\$ (235)
2023	578	94
2024	1,226	198
2025	1,017	164
2026		
Thereafter		
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,366</b>	<b>\$ 221</b>

**1. Actuarial Assumptions**

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.625%
Payroll Growth	2.875%
Projected Salary Increase	3.2% - 12.2% <sup>(1)</sup>
Mortality <sup>(2)</sup>	
Post Retirement Benefit Increase <sup>(3)</sup>	

<sup>(1)</sup> Varies by entry age and service.  
<sup>(2)</sup> The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.  
<sup>(3)</sup> The less of contract COLA (Cost -of-Living Adjustment) or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**a. Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was



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projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The expected real rates of return by asset class are as follows:

Asset Class (a)	New Strategic Allocation	Real Return	Real Return
		Years 1 - 10 (b)	Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) In the CalPERS AFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% was used for this period.

(c) An expected inflation of 2.92% was used for this period.

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

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

	Utility	
1% Decrease		6.15%
Net Pension Liability	\$	137,241
Current Discount Rate		7.15%
Net Pension Liability	\$	87,798
1% Increase		8.15%
Net Pension Liability	\$	46,930

*2. Pension Plan Fiduciary Net Position*



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

**Payable to the Pension Plan**

At June 30, 2021, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**NOTE 13: Post-Retirement Health Care Benefits**

**PEMHCA**

The CalPERS Public Employees' Medical and Hospital Care Act (PEMHCA) plan under the authority of section 22750 to 22948 of the State of California's government code, is an agent multiple employer plan. The City pays the required PEMHCA minimum contribution for all miscellaneous employees retiring directly from the City who enroll in a CalPERS medical plan. The 2021 PEMHCA minimum contribution amount is \$143.00 per month. In addition, the City pays retiree health contribution amounts of \$100.00 per month for 15 management retirees, and \$188.00 per month for 9 IBEW retirees. For these management/IBEW retirees, the PEMHCA minimum required contribution of \$143.00 is paid in addition to the retiree health contribution amounts. The allocated proportionate share to the retiree health contribution amounts to the Utility is 12.79% to the Electric Fund and 2.32% to the Water Fund. The PEMHCA benefit provisions are established and amended through negotiations between the City and its unions.

**BERMT**

The Burbank Employees Retiree Medical Trust (BERMT) is a single employer, defined benefit plan. The BERMT was established in April 2003 by the city's employee

associations to provide post retirement medical benefits to all non-safety employees, including elected and appointed officials. BERMT members represented by a bargaining group are required to contribute \$50.00 per pay period, and the City contributes \$50.00 per pay period for these members. BERMT members unrepresented by a bargaining group are not able to make employee contributions, and the City contributes \$100.00 per pay period for these members.

BERMT plan provisions and contribution requirements are established by and may be amended by the BERMT board.

The trust is controlled by the seven voting members from the various employee associations appointed to three year terms. The City appoints an eighth member to the board, but that member is non-voting. Investments are determined by the BERMT plan trustees, and are governed by the Employee Retirement Income Security Act of 1974 (ERISA) provisions.

Eligibility for benefits require that members are retired from the City, and have reached age 58 with a minimum of 5 years of contributions into the plan. The benefit ranges from \$150.00 to \$630.00 in reimbursements per month based on number of contributions for eligible medical expenses. For the fiscal year 2020-21, the City contributed \$1,403 to BERMT. BERMT is not subject to GASB 75 reporting.

**Utility Retiree Medical Trust (URMT)**

The URMT is an agent multiple employer plan, established during the 2008-09 fiscal year for IBEW members and 14 management employees as a supplement to benefit payments from BERMT and PEMHCA. The total target benefit is \$1,200.00/month for individuals age 50 to age 64 and \$750.00/month for those age 65 and above, with the exception that for



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qualifying employees who retire after December 16, 2015 and who have not contributed to Medicare while employed at Burbank and who are also not otherwise eligible for premium-free Medicare Part A at age 65 and older, the maximum amount at age 65 and older shall be \$975.00/month, including payments from BERMT, PEMHCA minimum and URMT. For the fiscal year 2020-21 (measurement period of June 30, 2020), the City contributed \$170.

**Funding Policy**

The City has pre-funded the PEMHCA and URMT Plans through CalPERS OPEB Trust (CERBT) and has a policy of contributing 100% of the City's Actuarially Determined Contribution (ADC) each year. For the fiscal year 2020-21 (measurement period of June 30, 2020), the City contributed \$3,328, consisting of \$3,355 in CERBT contributions netted against \$27 in benefit payments and administrative expense.

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

This report may be obtained at the following address:

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

**Employees Covered**

As of June 30, 2020 measurement date, the following current and former Miscellaneous employees were covered by the URMT plan:

**Employees Covered**

As of June 30, 2020 measurement date, the following current and former Miscellaneous employees were covered by the URMT plan:

<b>Net OPEB Liability - PEMHCA Plan</b>	<b>URMT</b>
Inactive employees or beneficiaries currently receiving benefits	64
Active employees	144
<b>Total</b>	<b>208</b>

**Contributions**

The URMT and PEMHCA contribution requirements are established by City policy and may be amended. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the City's total contributions of \$3,029 consist of payments to the trust of \$3,029.

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability follows:



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Miscellaneous Plan	PEMHCA	URMT
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.00%	3.00%
Expected long term investment rate of return	6.75%	6.75%
Healthcare cost trends (PEMHCA)	6.3% Medicare, 7.25% Non-Medicare, decreasing to 4% in 2076 and later	
Benefit Increase trend rates (URMT)	0% to 2022, then 4% after	
Pre-retirement turnover	Derived from CalPERS pension plan	
Mortality <sup>(1)</sup>		
<sup>(1)</sup> The probabilities of mortality are derived using CalPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 1997-2015 experience study report.		

The actuarial assumptions used in the June 30, 2019 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

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

Asset Class	New Strategic Allocation	Expected Real Return
Global Equity	59.00%	4.82%
Global Fixed Income	25.00%	1.47%
TIPS (Treasury Inflation-Protected Security)	5.00%	1.29%
Real Estate	8.00%	3.76%
Commodities	3.00%	0.84%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Change of Discount Rate**

The discount rate used in the June 30, 2019 valuation was 6.75%, the same as the June 30, 2017 valuation discount rate of 6.75%. The discount rate was unchanged due to expected average returns, a 2.75% inflation assumption and a 10-year Capital Market Assumption projection.

**Changes in Assumptions**

Changes in assumptions since the measurement period June 30, 2018, consisted of updating Demographic assumptions to CALPERS 1997-2015 Experience Study, Mortality improvement



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scale was updated to Scale MP-2019 for both PEHMCA and URMT, PEHMCA participation was lowered, and Age factors for age-based claims were revised for URMT.

**Changes in the NET OPEB Liability**

**Changes in the net OPEB liability - URMT**

	<u>Total OPEB Liability</u>	<u>Increase (Decrease) Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2019 (Measurement date)	\$ 11,670	10,794	876
Changes in the year:			
Service cost	340		340
Interest on the total OPEB liability	802		802
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contributions - employer		170	(170)
Contributions - employee		168	(168)
Net investment income		405	(405)
Benefit payments	(266)	(266)	
Administrative expenses		(5)	5
<b>Net Changes</b>	<u>876</u>	<u>472</u>	<u>404</u>
Balance at June 30, 2020 (Measurement date)	\$ 12,546	11,266	1,280

As of June 30, 2021 the Electric and Water Utility Funds reported net OPEB liability for its proportionate share of the net OPEB liability of the PEMHCA plan as follows:

<b>Net OPEB Liability - PEMHCA Plan</b>	<u><b>June 30, 2021</b></u>
Electric Utility	\$ 2,486
Water Utility	\$ 451

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

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

	<u>PEMHCA</u>	<u>URMT</u>
1% Decrease Net OPEB Liability	\$ 4,066	\$ 3,514
Current Discount Rate Net OPEB Liability	\$ 2,937	\$ 1,280
1% Increase Net OPEB Liability	\$ 2,005	\$ (485)

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

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

	<u>PEMHCA</u>	<u>URMT</u>
1% Decrease (Asset) Net OPEB Liability	\$ 1,851	\$ (1,680)
Current Trend Net OPEB Liability	\$ 2,937	\$ 1,280
1% Increase Net OPEB Liability	\$ 4,278	\$ 5,071

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

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



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- Deferred outflow related to OPEB equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to OPEB for differences between projected and actual earnings on investments of the OPEB plan fiduciary net position. These amounts are amortized over five years.

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

- Deferred inflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflows related to OPEB for differences between projected and actual earnings on investments of the OPEB plan fiduciary net position. These amounts are amortized over five years.

For the fiscal year ended June 30, 2021 the Utility recognized OPEB expense of (\$31) and \$297 for PEMHCA and URMT, respectively.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as follows:

		PEMHCA	
		Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date:			
	Electric Fund	\$ 358	
	Water Fund	\$ 65	
Differences between actual and expected experience:			
	Electric Fund		284
	Water Fund		\$ 52
Change in assumptions:			
	Electric Fund		1,566
	Water Fund		284
Differences between projected and actual earnings:			
	Electric Fund	73	
	Water Fund	13	
<b>Total</b>		<b>\$ 510</b>	<b>\$ 2,186</b>

		Electric Fund	URMT	
			Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date				
			\$ 228	
Differences between actual and expected experience				
			242	
Change in assumptions				
			134	
Differences between projected and actual earnings				
			178	
<b>Total</b>			<b>\$ 782</b>	

\$423 and \$228 reported as deferred outflows of resources related to contributions subsequent to the measurement date for PEMHCA and URMT respectively, will be recognized as a reduction of the net



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	PEMHCA	URMT
2022	(434)	50
2023	(405)	112
2024	(394)	132
2025	(395)	128
2026	(429)	61
Thereafter	(43)	71
<b>Total Deferred Inflows of Resources</b>	<b>\$ (2,100)</b>	<b>\$ 554</b>

**Payable to the OPEB Plan**

At June 30, 2021, the Utility reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

**NOTE 14: Self-Insurance**

The Electric and Water Funds are in the City’s self-insurance program as part of its policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings. The City is a member in ACCEL (Authority for California Cities Excess Liability), which is a risk sharing pool for municipal excess liability.

Each individual member self-insures all general liability losses for the first \$1,000 and the members of the pool share losses between \$1,000 and \$10,000. The members jointly purchase additional layers of coverage beyond the pooled layer, with Burbank purchasing an additional \$45,000 of excess

coverage, for total coverage of \$55,000. The layers of coverage above \$10,000 are not pooled, but rather jointly purchased.

The workers’ compensation coverage is purchased through a pooling agreement. The City self-insures the first \$2,000 of each loss and then the pool covers all losses to statutory limits. The City charges the Electric and Water Utility Funds a premium based upon the proportional payroll cost, job classification, and claim history. There were no significant settlements or reductions in insurance coverage from settlements for the past three years.

Additional information regarding all the City’s self-insurance programs can be found in the City’s AFR.

**NOTE 15: Insurance Proceeds**

In April 2021, the City received an advance on its settlement with its insurance carrier concerning damaged property and equipment relating to the Golden State Substation fire. The proceeds received, which totaled \$3,000, exceeded the carrying value of damaged assets and additional clean-up costs by \$3,000. The excess of \$3,000 is included in Other revenues in the accompanying fiscal year 2020/21 statement of revenues, expenses and changes in fund net position.

**NOTE 16: Contingencies**

*Potential Litigation*

BWP is presently involved in certain matters of litigation that have arisen in the normal course of conducting electric and water operations. Management believes, based on consultation with the City Attorney, that these cases in the aggregate are not expected to result in a material adverse financial impact on either the Electric or Water Funds.



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Utility's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the Utility's financial condition, liquidity, operations and workforce. The Utility cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, due to the Utility's strong financial position, various revenue sources, credit ratings and reserves it believes it is in a very good position to adjust to the ongoing pandemic going forward.

Management intends to utilize \$24,500 for water system capital upgrades and replacements; \$5,106 for the SWRCB loan prepayments; and the remaining proceeds for cost of issuance and other costs associated with the 2021 bonds. The 30-year fixed rate tax-exempt bonds is expected to incur an interest rate of 2.74%. In November 2021, the 2021 water revenue bonds were issued, and the SWRCB loans were retired in full.

**NOTE 17: Restatement of Net Position at July 1, 2020**

As of July 1, 2020, the beginning net positions for the following activities were restated:

<u>Electric Fund restatement</u>	<u>Change in reported net position</u>	<u>Water Fund restatement</u>	<u>Change in reported net position</u>
Net position reported - June 30, 2020	\$ 286,486		\$ 62,189
Corrections to reported assets/liabilities:		Corrections to reported assets/liabilities:	
Recognition of Public Benefits unspent balance of California Assembly Bill 1890's 2.85% of retail revenues	\$ 6,990	Revenue recognition of capital assets for the Burbank Empire Center and Bob Hope Airport	\$ 2,536
<b>Restated net position at July 1, 2020</b>	<b>\$ 293,476</b>	<b>Restated net position at July 1, 2020</b>	<b>\$ 64,725</b>

**THIS SECTION INTENDED TO BE LEFT BLANK**

**NOTE 18: Subsequent Event**

In October 2021 the City Council approved the issuance of water revenue bonds, not to exceed \$31,000, for water system capital investments and prepayment of the SWRCB loans. The new bond issuance is primarily intended to upgrade the City's main pumping station and a reservoir, accelerate pipeline replacements, and make other upgrades to the water system as identified through the use of new available technologies. The remaining of the bond proceeds is intended to prepay the SWRCB loans generating a present value savings of 6.39%, or \$.353.



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* REQUIRED SUPPLEMENTARY INFORMATION \***

**SCHEDULE OF NET PENSION LIABILITY INFORMATION AND RATIOS**

**Last 10 Fiscal Years \***

**ELECTRIC FUND**

Fiscal Year Ended Measurement Period	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Plan's Proportionate Share of Net Pension Liability in %	34.27%	34.27%	34.96%	34.96%	34.96%	34.96%	34.96%
Plan's Proportionate Share of Net Pension Liability in \$	\$ 75,580	\$ 74,938	\$ 73,226	\$ 78,580	\$ 71,305	\$ 58,442	\$ 55,065
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77%	76%	77%	74%	75%	79%	80%
Covered-Employee Payroll	27,500	27,908	\$ 27,615	\$ 27,587	\$ 27,521	\$ 27,719	\$ 27,418
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	275%	269%	265%	285%	259%	211%	201%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 11,867	\$ 7,321	\$ 6,663	\$ 5,864	\$ 5,355	\$ 4,788	\$ 4,258

**WATER FUND**

Fiscal Year Ended Measurement Period	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Plan's Proportionate Share of Net Pension Liability in %	5.54%	5.54%	5.49%	5.49%	5.49%	5.49%	5.49%
Plan's Proportionate Share of Net Pension Liability in \$	\$ 12,218	\$ 12,114	\$ 11,499	\$ 12,340	\$ 11,198	\$ 9,178	\$ 8,647
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77%	76%	77%	74%	75%	79%	80%
Covered-Employee Payroll	\$ 4,446	\$ 4,512	\$ 4,337	\$ 4,332	\$ 4,322	\$ 4,353	\$ 4,306
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	275%	269%	265%	285%	259%	211%	201%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 1,918	\$ 1,183	\$ 1,046	\$ 921	\$ 841	\$ 752	\$ 669

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

Additional information regarding this Schedule can be found in the City's Annual Financial Report.



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**  
**\* REQUIRED SUPPLEMENTARY INFORMATION \***

**Schedule of Plan Contributions - 2021**

**ELECTRIC FUND**

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 8,880	\$ 8,438	\$ 7,463	\$ 6,657	\$ 5,355	\$ 4,788	\$ 4,258
Contributions in Relation to the Actuarially Determined Contribution	(11,622)	(11,865)	(7,463)	(6,657)	(5,355)	(4,788)	(4,258)
Contribution Deficiency (Excess)	<u>\$ (2,742)</u>	<u>\$ (3,427)</u>	<u>\$ 0</u>				
Covered-Employee Payroll	\$ 27,711	\$ 27,500	\$ 28,470	\$ 27,615	\$ 27,587	\$ 27,521	\$ 27,719
Contributions as a Percentage of Covered-Employee Payroll	41.94%	43.15%	26.21%	24.11%	19.41%	17.40%	15.36%

**WATER FUND**

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,436	\$ 1,364	\$ 1,172	\$ 1,045	\$ 841	\$ 752	\$ 669
Contributions in Relation to the Actuarially Determined Contribution	(1,879)	(1,918)	(1,172)	(1,045)	(841)	(752)	(669)
Contribution Deficiency (Excess)	<u>\$ (443)</u>	<u>\$ (554)</u>	<u>\$ 0</u>				
Covered-Employee Payroll	\$ 4,480	\$ 4,446	\$ 4,471	\$ 4,337	\$ 4,332	\$ 4,322	\$ 4,353
Contributions as a Percentage of Covered-Employee Payroll	41.94%	43.15%	26.21%	24.11%	19.41%	17.40%	15.36%
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* REQUIRED SUPPLEMENTARY INFORMATION \***

**SCHEDULE OF NET PEMCHA LIABILITY INFORMATION AND RATIOS**

**Last 10 Fiscal Years \* In Thousands**

**ELECTRIC FUND**

Fiscal Year Ended June 30, Measurement Date	2021	2020	2019	2018
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Plan's Proportionate Share of Net PEMCHA Liability in %	12.79%	12.79%	12.79%	12.79%
Plan's Proportionate Share of Net PEMCHA Liability in \$	\$ 2,486	\$ 2,506	\$ 5,034	\$ 5,039
Plan Fiduciary Net Position as a Percentage of the Total PEMCHA Liability	64.75%	63.03%	43.22%	40.30%
Covered-Employee Payroll	\$ 15,937	\$ 14,329	\$ 14,111	\$ 14,004
Plan Net PEMCHA Liability/(Asset) as a Percentage of Covered-Employee Payroll	16%	17%	36%	36%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 506	\$ 504	\$ 506	\$ 405

**WATER FUND**

Fiscal Year Ended June 30, Measurement Date	2021	2020	2019	2018
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Plan's Proportionate Share of Net PEMCHA Liability in %	2.32%	2.32%	2.32%	2.32%
Plan's Proportionate Share of Net PEMCHA Liability in \$	\$ 451	\$ 455	\$ 913	\$ 914
Plan Fiduciary Net Position as a Percentage of the Total PEMCHA Liability	64.75%	63.03%	43.22%	40.30%
Covered-Employee Payroll	\$ 2,891	\$ 2,599	\$ 2,560	\$ 2,540
Plan Net PEMCHA Liability/(Asset) as a Percentage of Covered-Employee Payroll	16%	17%	36%	36%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 92	\$ 91	\$ 92	\$ 73

\* Fiscal year 2018 was the 1st year of implementation; therefore, only four years are shown.  
Additional information regarding this Schedule can be found in the City's Annual Financial Report.



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* REQUIRED SUPPLEMENTARY INFORMATION \***

**SCHEDULE OF CHANGES IN THE NET URMT LIABILITY AND RELATED RATIOS**

**Last 10 Fiscal Years\***

**In Thousands**

Fiscal year end	2021	2020	2019	2018
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Service cost	\$ 340	\$ 299	\$ 291	\$ 283
Interest on the total pension liability	802	715	668	623
Actual vs. expected experience	-	320	-	-
Assumption changes	-	178	-	-
Benefit payments	(266)	(285)	(256)	(222)
Net Change in Total OPEB liability	876	1,227	703	684
Total OPEB Liability - Beginning of Year	11,670	10,443	9,740	9,056
Total OPEB Liability - End of Year (a)	12,546	11,670	10,443	9,740
Plan Fiduciary Net Position:				
Contributions - employer	170	167	154	148
Contributions - employee	168	167	154	148
Net investment income	405	657	717	889
Administrative expenses	(5)	(2)	(17)	(5)
Benefit payments	(266)	(285)	(256)	(222)
Net Change in Plan Fiduciary Net Position	472	704	752	958
Plan Fiduciary Net Position - Beginning of Year	10,794	10,090	9,338	8,380
Plan Fiduciary Net Position - End of Year (b)	11,266	10,794	10,090	9,338
Net OPEB liability - Ending (a) - (b)	\$ 1,280	\$ 876	\$ 353	\$ 402
Plan fiduciary net position as a percentage of the total OPEB liability	89.80%	92.49%	96.62%	95.87%
Covered payroll	\$ 19,521	\$ 17,698	\$ 17,084	\$ 18,086
Net OPEB liability as a percentage of covered payroll	6.56%	4.95%	2.07%	2.22%

**Notes to Schedule**

1. There were no changes in benefits.

2. There were no changes in assumptions.

\* Fiscal year ended June 30, 2018, was the first year of implementation; therefore, only four years are shown.



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* REQUIRED SUPPLEMENTARY INFORMATION \***



**Schedule of Plan Contributions - OPEB**

Last Ten Fiscal Years\*

In Thousands

UTILITY FUNDS	PEMHCA 6/30/2021	PEMHCA 6/30/2020	PEMHCA 6/30/2019	PEMHCA 6/30/2018
Actuarially determined contribution	\$ 410	\$ 621	\$ 608	\$ 598
Contributions in relation to the actuarially determined contribution	(423)	(603)	(608)	(598)
Contribution deficiency (excess)	\$ (13)	\$ 18	\$ -	\$ -
Covered payroll	\$ 17,282	\$ 18,828	\$ 16,928	\$ 16,671
Contributions as a percentage of covered-employee payroll	2.45%	3.20%	3.59%	3.59%

**Notes to Schedule**

**Schedule of Plan Contributions - OPEB**

Last Ten Fiscal Years\*

In Thousands

UTILITY FUNDS	URMT 6/30/2021	URMT 6/30/2020	URMT 6/30/2019	URMT 6/30/2018
Actuarially determined contribution	\$ 224	\$ 170	\$ 167	\$ 154
Contributions in relation to the actuarially determined contribution	(228)	(170)	(167)	(154)
Contribution deficiency (excess)	\$ (4)	\$ -	\$ -	\$ -
Covered payroll	\$ 18,172	\$ 19,521	\$ 17,698	\$ 17,084
Contributions as a percentage of covered-employee payroll	1.25%	0.87%	0.94%	0.90%

**Notes to Schedule**

Methods and assumptions used to determine contribution rates:

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

\* Fiscal year 2018 was the first year of implementation; therefore, four years are shown.

**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* SUPPLEMENTAL INFORMATION \***

Schedule 1

<b>ANNUAL ELECTRIC SUPPLY</b>		
<b>Fiscal Year ended June 30, 2021</b>		
<b>Resource</b>	<b>MWh</b>	<b>Percentage</b>
Renewables <sup>(1)</sup>	399,710	41.4%
Intermountain Power Project	201,300	20.9%
Magnolia Power Project	180,050	18.7%
Spot Purchases	105,250	10.9%
Palo Verde Nuclear	42,100	4.4%
On-Site Generation	16,270	1.7%
Hoover Upgrading	20,110	2.1%
<b>Total<sup>(2)</sup></b>	<b>964,790</b>	<b>100.0%</b>

<sup>1</sup>Renewable resources include the Southwest Wyoming Pleasant Valley Facility Wind Contract, Milford Phase I Wind Project, Tieton Hydropower Project, Pebble Springs Wind Project, Ameresco Chiquita Canyon Landfill Gas Project, Copper Mountain Solar Project, Don A. Campbell Geothermal Project, Desert Harvest II Solar Project, Renewable Certificate, local generation from BWP Valley Pumping Plant, bio-methane gas, customer and utility solar installations, and an exchange agreement. For the Fiscal Year ended June 30, 2021, renewable energy resources made up approximately 41.5% of Burbank's total retail sales. This number differs from the official Renewable Portfolio Standard (RPS) calculation and compliance period, which are based on retail sales and calendar year.

<sup>2</sup>Does not equal total sales to customers throughout the City due to distribution losses and timing differences in billing cycle.

Schedule 2

<b>CUSTOMERS, SALES, ELECTRIC REVENUES AND DEMAND</b>					
<b>Fiscal Years ended June 30</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Number of Retail Service:					
Residential	46,215	46,140	46,294	46,098	46,152
Commercial <sup>1</sup>	6,971	6,889	6,920	6,844	6,861
Large Commercial <sup>1</sup>	86	81	84	88	84
<b>Total</b>	<b>53,272</b>	<b>53,110</b>	<b>53,298</b>	<b>53,030</b>	<b>53,097</b>
Retail Kilowatt-hour Sales (millions)					
Residential	272	274	274	275	287
Commercial <sup>2</sup>	533	534	524	485	448
Large Commercial <sup>2</sup>	274	270	263	260	227
<b>Total</b>	<b>1,080</b>	<b>1,078</b>	<b>1,061</b>	<b>1,019</b>	<b>962</b>
Electric Revenues (\$ in thousands):					
Retail <sup>3</sup>	\$ 175,964	\$ 176,450	\$ 162,386	\$ 158,024	\$ 149,846
Wholesale	\$ 23,512	\$ 21,252	\$ 21,791	\$ 15,442	\$ 42,088
Other <sup>4</sup>	\$ 5,912	\$ 6,448	\$ 8,504	\$ 7,274	\$ 9,040
<b>Total</b>	<b>\$ 205,388</b>	<b>\$ 204,150</b>	<b>\$ 192,681</b>	<b>\$ 180,740</b>	<b>\$ 200,974</b>
Peak Demand (MW)					
	278	320	302	283	292

<sup>1</sup>Meter counts include all billed meters.

<sup>2</sup> Retail sales for Commercial and Large Commercial customers were lower in FY 2020-21 because of closing of businesses within Burbank due to the pandemic orders beginning on March 19th, 2020.

<sup>3</sup>Effective July 1, 2018, instead of passing through the Electric Fund, the in-lieu transfer is accounted for directly in the General Fund.

<sup>4</sup>Other miscellaneous revenues include transmission, telecommunications, intergovernmental, and other miscellaneous revenues. Other miscellaneous revenues do not include aid-in-construction.



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* SUPPLEMENTAL INFORMATION \***

Schedule 3

<b>SYSTEM WEIGHTED AVERAGE BILLING PRICE – ELECTRIC <sup>(1) (2)</sup></b>					
<b>(Cents per Kilowatt-hour)</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Residential	16.51	16.57	15.81	15.83	15.86
Commercial	16.49	16.76	15.89	16.07	16.02
Large Commercial	14.55	14.48	13.66	13.93	13.96
System Weighted Average Electric Rate	16.01	16.14	15.32	15.46	15.49

<sup>1</sup> All weighted average rates exclude Street Lighting charges.

<sup>2</sup> Effective FY 2019, all weighted average rates no longer include in-lieu transfer. Prior to 2019, this transfer was embedded in the rates. Burbank voters passed Measure T in June 2018 to continue a direct transfer of not more than 7% of Burbank Water and Power's gross annual sales of electricity to pay for City's essential services.

Schedule 4

<b>ANNUAL WATER SUPPLY</b>		
<b>Fiscal Year ended June 30, 2021</b>		
<b>Resource</b>	<b>Acre Feet (AF)</b>	<b>Percentage</b>
Metropolitan Water District	4,449	26.8%
Local Production – BOU	12,134	73.2%
<b>Total</b>	<b>16,583</b>	<b>100.0%</b>



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* SUPPLEMENTAL INFORMATION \***

Schedule 5

CUSTOMERS, WATER SALES, WATER REVENUES					
Fiscal Years ended June 30					
	2017	2018	2019	2020	2021
Number of Water Service:					
Potable					
Residential <sup>1</sup>	22,262	22,216	22,173	22,161	22,188
Commercial <sup>2</sup>	3,248	3,213	3,235	3,205	3,212
Other <sup>3</sup>	1,138	1,145	1,160	1,171	1,184
Recycled	228	234	236	240	250
<b>Total</b>	<b>26,876</b>	<b>26,808</b>	<b>26,804</b>	<b>26,777</b>	<b>26,834</b>
AF Sales Per Year:					
Potable					
Residential <sup>1</sup>	10,862	11,887	11,331	11,671	12,642
Commercial <sup>2</sup>	3,328	3,455	3,340	3,155	2,645
Other <sup>3</sup>	192	225	199	183	170
Recycled	3,004	3,281	2,824	3,032	2,927
<b>Total in AF</b>	<b>17,386</b>	<b>18,848</b>	<b>17,694</b>	<b>18,041</b>	<b>18,384</b>
Water Revenues (\$ in thousands):					
Retail <sup>4</sup>	\$ 27,836	\$ 30,565	\$ 30,578	\$ 32,394	\$ 32,961
Other <sup>5</sup>	\$ 2,702	\$ 3,518	\$ 702	\$ 955	\$ 1,064
<b>Total</b>	<b>\$ 30,538</b>	<b>\$ 34,083</b>	<b>\$ 31,280</b>	<b>\$ 33,349</b>	<b>\$ 34,025</b>
Maximum Demand Day (AF)	57.4	63.5	63.1	62.8	57.1

<sup>1</sup>Residential includes multi-family dwellings.

<sup>2</sup>Commercial includes Large Commercial.

<sup>3</sup>Other includes city department water, school, fire protection, and miscellaneous users

<sup>4</sup>Potable and Recycled.

<sup>5</sup>Other operating revenues include connection fees, recycled water credits and other miscellaneous revenues.



**CITY OF BURBANK \* ELECTRIC AND WATER UTILITY FUNDS \* SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2021 (in thousands)**

**\* SUPPLEMENTAL INFORMATION \***

Sched 6

<b>WEIGHTED AVERAGE BILLING PRICE – POTABLE WATER</b>					
<b>(\$ per CCF<sup>1</sup>)</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Residential <sup>2</sup>	3.75	3.82	4.04	4.21	4.18
Commercial <sup>3</sup>	3.56	3.66	3.87	4.17	4.29
Weighted Average Water Rate	3.71	3.78	4.00	4.20	4.20

<sup>1</sup>CCF is one hundred of cubic feet; one AF is equal to approximately 435.6 CCF.

<sup>2</sup>Residential includes multi-family dwellings.

<sup>3</sup>Commercial includes Large Commercial.

