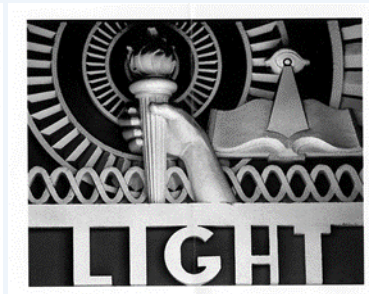
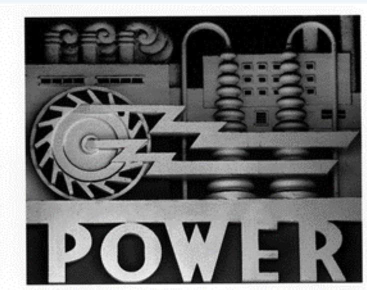
Fiscal Year 2016 - 2017

ANNUAL REPORT







AUDITED FINANCIAL STATEMENTS

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WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Burbank
Burbank, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric and Water Utility Enterprise Funds of the City of Burbank (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric and Water Utility Enterprise Funds of the City of Burbank, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1(D), 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, 2017, 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.

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, 2016 from which such partial information was derived.

Required Supplementary Information

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

Other Matters (Continued)

Other Information

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

White Nelson Diehl Evans LLP

Irvine, California
March 19, 2018

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, 2017 (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:

- Retail energy sales decreased by 16,188 megawatt hours (MWh), or 1.5%, compared to the prior fiscal year due to conservation. Retail revenues were higher by $945, or 0.5%, due to a 2.1% rate increase that went into effect in July 2016.
- Wholesale margins of $2,913 contributed to the Electric Utility's financial performance by reducing the Electric Utility's overall power supply expenses for the fiscal year. Wholesale margins were $1,890 in the prior fiscal year.
- Total net position was higher by $19,095, or 8.3%, compared to the prior fiscal year due to favorable operating results. The favorable net position resulted in an increase in deferred outflows of resources and total assets, offset partially with and an increase in total liabilities and deferred inflows of resources.

- For the fiscal year, the Electric Utility's availability rate was 99.998%. The system average interruption was only 10.96 minutes per customer compared to an industry average in the range of 176 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.5 outages per customer every year, 66.7% below the industry average of 1.5 outages per customer every year.
- The Electric Utility revenue bonds were upgraded by Moody's Investors Service from 'A1' to 'Aa3' rating with a stable outlook in August 2017.
- For the fiscal year, the Electric Utility's renewable energy resources made up 33.3% of its total retail sales. The Electric Utility is ahead in meeting the State's interim targets and is on track to meet the Renewables Portfolio Standard (RPS) goal of 33% by 2020.

Financial Analysis

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

	2017	2016	Incr. (Decr.)
Retail sales (in MWh)	1,079,709	1,095,898	(16,188)
Operating revenues:			
Retail	$ 175,964	$ 175,019	$ 945
Wholesale	23,512	27,150	(3,638)
Intergovernmental	92	143	(52)
Other revenues	5,820	5,451	369
Total operating revenues	205,388	207,763	(2,375)
Operating expenses:			
Power supply and fuel – retail	90,295	92,959	(2,664)
Purchased power and fuel – wholesale	20,599	25,260	(4,660)
Transmission expense	13,917	14,834	(917)
Distribution expense	9,371	9,626	(255)
Other operating expenses	22,728	20,905	1,823
Depreciation	16,912	18,133	(1,221)
Total operating expenses	173,821	181,716	(7,895)
Operating income	31,567	26,047	5,520
Nonoperating income (expenses):			
Interest income	478	1,723	(1,245)
Payments in lieu of taxes to City	(11,326)	(11,236)	(90)
Interest expense	(4,684)	(4,862)	177
Gain (loss) on disposal of capital assets	(131)	253	(385)
Other income (expenses), net	1,431	1,723	(292)
Total nonoperating income (expenses)	(14,231)	(12,399)	(1,833)
Income before contributions	17,335	13,648	3,687
Capital contributions	1,760	3,084	(1,324)
Change in net position	19,095	16,732	2,363
Net position, beginning of year	231,157	214,425	16,732
Net position, end of year	**$ 250,252**	**$ 231,157**	**$ 19,095**

Retail (primarily sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 97.1% of the Electric Utility's operating revenues. Retail energy sales decreased by 16,188 MWh, or 1.5%, compared to the prior fiscal year due to conservation. Retail revenues were higher by $945, or 0.5%, due to a 2.1% rate increase that went into effect in July 2016.

Wholesale trading opportunities exist because the Electric Utility is able to market excess capacity, energy, and transmission. Wholesale margins of $2,913 contributed to the Electric Utility's financial performance by reducing the Electric Utility's overall power supply expenses for the fiscal year. Wholesale margins were $1,890 in the prior fiscal year. The increase in wholesale trading is primarily attributable to monetizing the Electric Utility's transmission assets by moving lower priced hydro energy from the Northwest, as a result of spring run-off, to various energy delivery points to take advantage of price disparities.

Intergovernmental revenues were $52, or 36.0%, lower than the prior fiscal year. The Electric Utility recognized $94 of grant revenue from the California Energy Commission (CEC) as part of a $1 million grant for system modernization expenditures. In addition to recognizing $94 of grant revenue from the CEC as part of a $1 million grant for system modernization expenditures, the prior fiscal year also included $49 of grant revenue from the CEC as part of a $164 grant for the Alternative and Renewable Fuel and Vehicle Technology Program.

ONE Burbank is a fiber optic-based infrastructure that includes dark fiber, carrier-class, and high-speed managed services by local Burbank businesses. During the fiscal year, the City added twenty new customers and upgraded services for twenty-nine existing customers. ONE Burbank generated revenues of $3,700 this fiscal year, compared to $3,500 the prior fiscal year. ONE Burbank revenues are recorded as other revenues. Other revenues also include transmission, telecommunications, and other miscellaneous revenues. These revenues were $369, or 6.8%, higher than the prior fiscal year.

Retail power supply and fuel expenses were $2,664, or 2.9%, lower than the prior fiscal year primarily due to economic dispatch and optimizing of resources by taking advantage of lower fuel and energy prices to meet lower system load and lower biomethane gas expense associated with the delivery of less biomethane gas than the prior fiscal year. These savings were offset partially by higher pension expenses. In 2012, the Governmental Accounting Standards Board (GASB) approved a new standard designed to improve accounting and financial reporting for state and local government pension plans. This standard is GASB 68 "Accounting and Financial Reporting for Pensions" effective for fiscal years after June 15, 2014. The primary objective of this Standard is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Additional information on GASB Statement No. 68 can be found in Note 15 to the basic financial statements.

Transmission expenses for the fiscal year included a one-time Intermountain Power Project (IPP) Southern Transmission System (STS) refinancing and refunding settlement from the Los Angeles Department of Water and Power (LADWP) of $1,428 based upon a retroactive adjustment for prior years' services, and as a result were $917, or 6.2%, lower than the prior fiscal year.

Distribution expenses were $255, or 2.6%, lower than the prior fiscal year primarily as a result of capitalizing more labor costs in connection with the construction of capital assets, offset partially by higher pension expenses. Additional information on GASB Statement No. 68 can be found in Note 15 to the basic financial statements.

Other operating expenses were $1,823, or 8.7%, higher compared to the prior fiscal year. The higher expenses were largely attributed to higher pension expenses, higher costs associated with services provided by the City, and higher costs for professional service agreements. Additional information on GASB Statement No. 68 can be found in Note 15 to the basic financial statements.

Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. For the fiscal year, depreciation expense was lower by $1,221, or 6.7%, primarily as a result of the retirement of capital assets.

Interest income was $1,245, or 72.2%, lower compared to the prior fiscal year. The lower interest income was due to a market value adjustment of investment holdings per GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools”.

In accordance with the City Charter, the City Council had a long standing practice of authorizing annual transfers from the Electric Enterprise Fund to the City’s General Fund in the form of an in-lieu transfer of 5.0% and a street lighting transfer of 1.5% of the City’s gross sales of electricity (exclusive of wholesale sales to other public or privately-owned utilities). The practice of transfers from the Electric Enterprise Fund to the General Fund was challenged by a plaintiff in a complaint filed in June 2016, Christopher Matthew Spencer v. the City of Burbank (Case Number: BS162779). The court ruled against the transfers and the City Council has authorized appealing the trial court decision. For the fiscal year, the Electric Utility transferred $8,797 and $2,529 to the City’s General Fund in the form of an in-lieu transfer and a street lighting transfer, respectively.

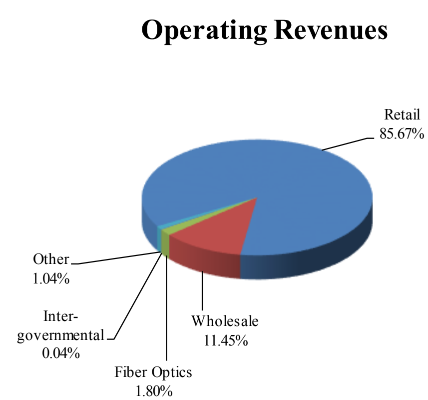
Retail customers also contributed $11,683 to the City’s General Fund in the form of a utility users’ tax of 7.0% of gross sales of electricity (exclusive of wholesale sales). In addition, the Electric Utility set aside $4,803, or 2.85%, of gross sales of electricity (exclusive of wholesale sales) for Public Benefits programs.

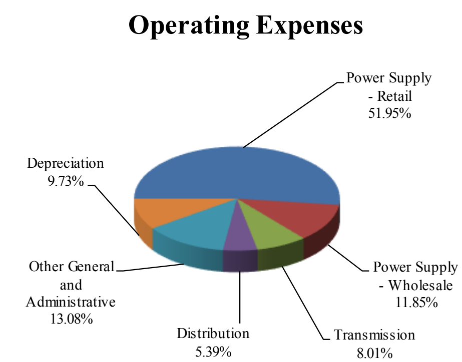
As of June 30, 2017, the Electric Utility had $77,855 in outstanding revenue bonds. The bonds were issued for systems modernization, replacement and upgrades of the electric system, general plant, and other facilities (see Debt Administration). The Electric Utility paid $4,684 in interest expense, compared to $4,862 in the prior fiscal year.

The gain on the disposal of capital assets was $385, or 151.9%, lower compared to the prior fiscal year. The fiscal year had a one-time write-off of poles and conductors and had lower revenues from the sales of old equipment compared to the prior fiscal year.

Other income was $292, or 16.9%, lower compared to the prior fiscal year primarily as a result of lower revenues from the use of joint poles.

Capital contributions were $1,324, or 42.9%, lower compared to the prior fiscal year. The prior fiscal year included higher revenue for the relocation of facilities for the I-5 improvement project and the installation of a pad-mount transformer and switch for the new IKEA.





The Electric Utility Fund's net position as of June 30, 2017 and June 30, 2016 were as follows:

Schedule of Net Position *($ in thousands)*

	2017	2016	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 135,858	$ 124,356	$ 11,502
Noncurrent and regulatory assets	3,877	3,976	(99)
Capital assets, net of accumulated depreciation	276,962	277,480	(518)
Total assets	**416,697**	**405,812**	**10,885**
Deferred outflows of resources			
Deferred outflows of resources	17,371	5,351	12,020
Total deferred outflows of resources	**17,371**	**5,351**	**12,020**
Liabilities			
Current liabilities	26,252	27,661	(1,410)
Noncurrent and regulatory liabilities	150,754	143,041	7,713
Total liabilities	**177,006**	**170,702**	**6,304**
Deferred inflows of resources			
Deferred inflows of resources	6,811	9,306	(2,495)
Total deferred inflows of resources	**6,811**	**9,306**	**(2,495)**
Net position			
Net investment in capital assets	197,772	193,821	3,951
Restricted for debt service	5,467	5,277	190
Unrestricted	47,013	32,059	14,954
Total net position	**$ 250,252**	**$ 231,157**	**$ 19,095**

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

Total net position was higher by $19,095, or 8.3%, compared to the prior fiscal year due to favorable operating results (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A significant portion of the Electric Utility's total net position was in net investment in capital assets of $197,772, or 79.0%, of total net position (see Capital Assets). The restricted net position of $5,467, or 2.2%, was debt reserve requirements related to the Electric Revenue bonds (see Debt Administration).

The unrestricted net position of $47,013, or 18.8%, of total net position were funds available for future capital investments and maintenance activities.

The favorable net position resulted in an increase in deferred outflows of resources, an increase in total assets, and a decrease in deferred inflows of resources, offset partially with an increase in total liabilities. Deferred outflows of resources as of June 30, 2017 increased by $12,020, or 224.6%, compared to the prior fiscal year due to net differences between projected and actual earnings on plan investments and pension contributions subsequent to measurement date. As of June 30, 2017, the Electric Fund's total assets increased by $10,885, or 2.7%, primarily due to an increase in operating cash, offset partially by a decrease in inventories. Deferred inflows of resources as of June 30, 2017 decreased by $2,495, or 26.8%, compared to the prior fiscal year due primarily to differences between actual and expected return on assets and changes in actuarial assumptions for pension liabilities. Total liabilities as of June 30, 2017 increased by $6,304, or 3.7%, compared to the prior fiscal year. This was due to an increase in net pension liability, unearned revenue, and accounts payable, offset by a decrease in accrued expenses and revenue bonds payable, as a result of payments made during the fiscal year (see Debt Administration).

The Utility's total share of the City of Burbank's CalPERS Miscellaneous Plan (Plan) Net Pension Liability (NPL) for the current and prior fiscal year were $82,502 and $67,619, with the proportionate share to the Electric Fund of $71,305 and $58,442, respectively. The change from the prior fiscal year's balance was $12,863 for the Electric Utility. This reported change is primarily driven by lower than projected Plan investment earnings as of June 30, 2016. Planned investment earnings were projected at 7.50%, with actual earnings at .61%, as reported by CalPERS. The impact of the investment earnings shortfall were reported in deferred inflows of resources, with the fiscal year balance of $6,039 for the Electric Fund. The prior year's Electric Fund deferred inflows of resources balance was $8,490. The Electric Fund's deferred outflows of resources balances for the current and prior fiscal years were $17,371 and $5,351, respectively. The increase of $12,020 from the prior fiscal year's balance is based on pension contributions subsequent to measurement date.

Additional information on GASB Statement No. 68 can be found in Note 15 to the basic financial statements.

Capital Assets

As of June 30, 2017, the largest portion of the Electric Utility Fund's total assets, $276,962, or 66.5%, was invested in capital assets. The Electric Utility invested $16,394 in the acquisition and construction of capital assets funded primarily from cash reserves. The majority of these investments were for replacement and upgrade of the transmission and distribution system. These investments have resulted in improved efficiency and reliability of the Electric Utility.

During the fiscal year, the Electric Utility continued investing in the upgrade of 4 kV to 12 kV electrical distribution lines, replacing overhead distribution lines, and building new and replacing old services to increase capacity, improve reliability and safety, and reduce distribution line losses. The Electric Utility also continued relocating facilities for the Caltrans Burbank bridge replacement aid-in-construction project and the Caltrans I-5 improvement aid-in-construction project.

On April 4, 2017, the Electric Utility outlined a plan to seek design build contractors to design and construct a new electric substation at the corner of Ontario Street and Winona Avenue as well as an associated agreement with the developers of the Avion Burbank Project to provide funding. The Avion Burbank Project will construct a business park on approximately 60 acres of vacant land adjacent to the Burbank Bob Hope Airport. The Avion Burbank Project will be served by the Ontario Substation. The Ontario Substation will be a 69 kV to 12 kV electrical owned by the City. While designed for the final build out, it will be constructed in two phases, with the initial phase having two 69 kV sub-transmission lines, two transformer banks, six 12 kV feeder positions, and all foundations and substructure for both phases. The final phase will include a third 69 kV sub-transmission line, a third transformer bank, and three additional feeder positions. The total cost to construct the Ontario Substation, including both phases, is estimated at $24,227. Funding from the developers of the Avion Burbank Project will total $6,509, of which $2,718 was deposited in May 2017, and the remaining $3,722 was deposited in July 2017.

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

($ in thousands)		
4kV to 12kV Conversions	$	4,763
Overhead/Underground Distribution Lines	$	1,841
Aid in Construction for Caltrans Burbank Bridge Replacement	$	944
Aid in Construction for the I-5 Improvement	$	660
Service Replacements	$	599
Build Service to Large Project Over 1 MVA	$	552
ONE Burbank Network Infrastructure Expansion	$	446
San Jose Station Capacity Upgrade	$	424
Data Time Synchronization & Centralized Digital Fault Recording	$	373
Data Storage Servers	$	351
Replace Equipment at Electric Stations	$	349
Provide Fiber Optic Services to Customers City Wide	$	326
NERC Security, Physical Security Systems at the Energy Control Center	$	272
Roof Replacement Program	$	268
Total	**$**	**12,168**

The results of maintenance and pro-active capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the Electric Utility's availability rate was 99.998%. The system average interruption was only 10.96 minutes per customer compared to an industry average in the range of 176 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.5 outages per customer every year, 66.7% below the industry average of 1.5 outages per customer every year.

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

Debt Administration

As of June 30, 2017, the Electric Utility had $77,855 in outstanding revenue bonds, of which $4,100 will be due within a year. The Electric Utility repaid $3,920 toward outstanding bonds during the fiscal year. The bonds were issued for systems modernization, replacement and upgrades of the electric system, general plant, and other facilities.

The Electric Utility revenue bonds were upgraded by Moody's Investors Service from 'A1' to 'Aa3' rating with a stable outlook in August 2017. This rating reflects the rating agency's view of the Electric Utility's improved financial and liquidity profiles, strong operating and reliability performance, stable debt service coverage ratios, cash reserves, a relatively stable, strong and diverse economic base with above-average income, and continuous support from the Electric Utility's Board and City Council. Additional information on long term debt can be found in Note 9 to the basic financial statements.

Environmental, Supply, and Economic Factors

In 2002, California established its Renewables Portfolio Standard (RPS) Program, with the goal of increasing the percentage of renewable energy in the State's electricity mix. Consistent with State legislation, the Burbank City Council adopted a RPS policy in November 2003, which was revised in June 2007 to address the growing concerns about the environment. Pursuant to a resolution approved in June 2007, the Burbank City Council revised the RPS's initial goal of meeting 20% of Burbank's retail energy sales with renewable energy resources by 2017 to 33% by 2020. In April 2011, Governor Brown signed Senate Bill X 1-2 to codify the goal of 33% renewable energy by 2020. This RPS applies to all electricity retailers in the state. All entities need to adopt the RPS goals of 20% of retail sales from renewables by the end of 2013, 25% by the end of 2016, and the 33% requirement being met by the end of 2020. Burbank has met the three-year compliance period targets for 2011-2013 (i.e., the procurement of eligible renewable energy resources at least equal to an average of 20% of kWh retail sales over such period) and 2014-2016 (i.e., the procurement of eligible renewable energy resources totaling at least 20% of 2014 retail sales, 20% of 2015 retail sales and 25% of 2016 retail sales) and is currently on track to reach the compliance period targets for 2017-2020 (i.e., the procurement of eligible renewable energy resources totaling at least 27% of 2017 retail sales, 29% of 2018 retail sales, 31% of 2019 retail sales and 33% of 2020 retail sales). For the fiscal year, the Electric Utility's renewable energy resources made up 33.3% of its total retail sales. The Electric Utility is ahead in meeting the State's interim targets of the procurement of eligible renewable energy resources totaling at least 27% of 2017 retail sales, 29% of 2018 retail sales, 31% of 2019 retail sales and is on track to meet the RPS goal of 33% by 2020.

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

The Burbank City Council approved the most recent Integrated Resource Plan (IRP) on January 10, 2017, which focuses on decisions impacting coal fired generation and the addition of cost effective renewable energy in an environment of reduced load growth. It also recognizes the need to plan for the continued reduction in greenhouse gases and outlines the strategy to meet the requirement of having 33% of Burbank's energy portfolio from renewable resources by 2020 and 50% by 2030. Burbank is planning for its next IRP which, pursuant to State law, is due January 1, 2019.

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

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 16-17	% Total Retail Sales
Copper Mountain Solar 3	Solar	Clark County, Nevada	May 2014	250.000	40.000	96,724	9.0%
Biomethane gas	Biomethane		Jun 2011			74,973	6.9%
Morgan Stanley Exchange	Wind & Landfill Gas		Apr 2012			62,020	5.7%
Tieton Hydropower	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	29,953	2.8%
Don A. Campbell Geothermal	Geothermal	Mineral County, Nevada	Dec 2013	25.000	3.845	27,629	2.6%
Milford Wind I	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	25,132	2.3%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	19,948	1.8%
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	12,041	1.1%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	10.000	1.667	8,307	0.8%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	2,558	0.2%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	380	0.0%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	279	0.0%
Total						**359,944**	**33.3%**

The Cap-and-Trade Program, adopted by the California Air Resources Board (CARB), went into effect on January 1, 2012, and emission obligations commenced on January 1, 2013, for compliance to Assembly Bill 32 (AB 32), the Global Warming Solutions Act of 2006. Under AB 32, CARB is mandated to implement regulations that reduce greenhouse gas (GHG) emissions by capping them at 1990 levels. The regulation set an upper limit on statewide GHG emissions beginning in 2013, reduced GHG emissions by approximately 2% in 2014, and will reduce GHG emissions by approximately 3% annually thereafter until 2020. Electric utilities were given emission allowances to cover all or most of their obligations at the beginning of the regulation. Electric utilities can buy or sell the allowances to comply with the emission regulation. The GHG emission allowances allocated by CARB will not expire during the term of the program. The emission allowances can be resold or used for future obligations. As of the end of calendar year 2016, the Electric Utility had an excess of about 226,000 GHG allowances. The closing price of the November 2017 auction was $15.06 per allowance.

Southern California Gas Company (SoCal Gas) owns and operates the natural gas infrastructure in most of Southern California. This infrastructure supplies natural gas-fired power plants operated by Burbank Water & Power (BWP), Glendale Water & Power (GWP), LADWP, and others in the LA Basin. For many years, SoCal Gas has used its Aliso Canyon natural gas storage facility, located near Porter Ranch, California, to ensure reliable natural gas supply in the basin, including to these generators. Aliso Canyon is the largest such facility in the Western United States. On October 23, 2015, one of Aliso Canyon's 114 wells began to leak and the facility was shut down and mostly emptied. The leak was plugged on February 18, 2016, after significant leakage of natural gas into the atmosphere. SoCal Gas, the California Governor's Office, the California legislature, numerous federal and state agencies, electric utilities (including BWP), and other stakeholders have been working since the leak was discovered to understand the leak's potential impact on electric reliability and develop mitigation plans. In this connection, action plans have been jointly developed by the California Public Utilities Commission (CPUC), the CEC, the California Independent System Operator, SoCal Gas, and LADWP (together, the Aliso Working Group). The action plans propose 18 steps that utilities can take to mitigate the risk of outages. The action plan for summer 2016 anticipated, as a base case, 14 days of Aliso-related electric outages during that time (none actually occurred) and an unknown number during the 2016-17 winter, when natural gas demand is greater. The action plan for summer 2017 was issued and is being utilized. On July 19, 2017, the CPUC and the Division of Oil, Gas, and Geothermal Resources cleared SoCal Gas to resume limited injections at the Aliso Canyon natural gas storage facility. It will now operate at approximately 28 percent capacity. Enhancements were implemented to improve the margin of safety at the State's direction. One of the enhancements includes the practice of only flowing gas through newly installed and pressure tested, inner steel tubing. The other casing of wells will only serve as a secondary layer of protection. At the State's direction, the field will also be operated at a reduced pressure. In addition, SoCal Gas has implemented industry leading practices including enhanced training for employees and contractors, around-the-clock pressure monitoring of all wells in a 24-hour operations center, daily patrols to visually inspect every well four times a day, and daily infrared thermal scanning of each well. Injections will not resume immediately. Injections will resume after completion of the State's outlined steps, which include a leak survey of the facility and a flyover measure of methane emissions at the site. To best maintain electric reliability, SoCal Gas is continuing to work with its generator-customers, including BWP, to enhance coordination relative to reliability. After performing an analysis of system reliability for the upcoming winter, SoCal Gas concludes supply reductions resulting from the current pipeline outages and pressure limitations, along with the restrictions imposed by the CPUC on the use of Aliso Canyon. Additionally, under a cold temperature and dry hydro condition, SoCal Gas forecasts that its gas in storage will be fully depleted before the end of February 2018. SoCal Gas therefore expects that noncore service, which includes utilities, will need to be curtailed in order to preserve service to core retail customers.

Water Utility Fund

Water Utility Fund highlights:

- Potable water sales volume increased by 838 acre feet (AF), or 6.2%, compared to the prior fiscal year due to warmer temperatures, drier conditions, and easing of outdoor watering restrictions from 2 days a week to 3 days a week. Potable water revenues were higher by $2,267, or 10.3%, compared to the prior fiscal year as a result of higher sales volume and a 3.4% rate increase that went into effect in July 2016.

- Recycled water sales (in AF) made up 17.3% of total water sales. The Water Utility has been expanding its recycled water system throughout Burbank as outlined in its Recycled Water Master Plan. During the fiscal year, seven new customer connections were added or converted from the potable to the recycled water system. Recycled water sales volume increased by 296 AF, or 10.9%, from the prior fiscal year. Recycled water revenues were higher by $469, or 15.0%, compared to the prior fiscal year as a result of higher sales volume and the 3.4% rate increase that went into effect in July 2016.

- Total net position was higher by $2,765, or 5.2%, compared to the prior fiscal year due to favorable operating results. The favorable net position resulted in an increase in deferred outflows of resources and total assets, and a decrease in deferred inflows of resources and total liabilities.

- The water production facilities and systems were very reliable with only 3.7% of unbilled water, including losses, compared to the national average of approximately 16% and the state average of approximately 7%.

- The Water Utility revenue bonds were affirmed by Fitch Ratings with an 'AAA' rating with a stable outlook in October 2016. An 'AAA' rating is the highest quality rating.
- The State Water Resources Control Board (SWRCB) issued new regulations on May 18, 2016, allowing individual water utilities to set their own conservation standards based on local water supply conditions. The Metropolitan Water District (MWD), as Burbank's water wholesaler, was able to certify no water supply shortage for the next three years, enabling Burbank to self-certify no supply shortage for the next three years, setting Burbank's mandatory conservation standard at 0%. On August 12, 2016, Council amended its Sustainable Water Use Ordinance and adopted three day watering per week for outdoor irrigation as its new normal.

Financial Analysis

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

	2017	2016	Incr. (Decr.)
Potable water (in AF)	14,382	13,544	838
Recycled water (in AF)	3,004	2,709	296
Operating revenues:			
Potable water sales	$ 24,242	$ 21,975	$ 2,267
Recycled water sales	3,593	3,125	469
Intergovernmental	29	727	(698)
Other revenues	2,673	3,285	(612)
Total operating revenues	30,538	29,111	1,427
Operating expenses:			
Water supply expenses	10,817	10,126	691
Operations, maintenance and administration	9,034	7,870	1,164
Other operating expenses	3,720	5,319	(1,598)
Depreciation	3,603	3,578	25
Total operating expenses	27,175	26,892	283
Operating income	3,363	2,219	1,144
Nonoperating income (expenses):			
Interest income	22	262	(240)
Repayment of in lieu taxes from City (note 11)	-	-	-
Interest expense	(1,795)	(2,034)	239
Gain (loss) on disposal of capital assets	24	46	(22)
Other income (expenses), net	531	534	(3)
Total nonoperating income (expenses)	(1,217)	(1,192)	(25)
Income before contributions	2,145	1,027	1,119
Capital contributions	619	1,043	(424)
Change in net position	2,764	2,070	694
Net position, beginning of year	53,534	51,464	2,069
Net position, end of year	**$ 56,300**	**$ 53,534**	**$ 2,765**

Potable water sales were the primary source of revenue for the Water Utility. Potable water revenue made up 79.4% of the total Water Utility operating revenues. Potable water sales volume increased by 838 AF, or 6.2%, compared to the prior fiscal year due to warmer temperatures, drier conditions, and easing of outdoor watering restrictions from 2 days a week to 3 days a week. Potable water revenues were higher by $2,267, or 10.3%, compared to the prior fiscal year as a result of higher sales volume and a 3.4% rate increase that went into effect in July 2016.

Recycled water sales (in AF) made up 17.3% of total water sales. The Water Utility has been expanding its recycled water system throughout Burbank as outlined in its Recycled Water Master Plan. Increasing the use of recycled water for landscaping and industrial or commercial cooling towers helps make water availability in Burbank more sustainable. During the fiscal year, seven new customer connections were added or converted from the potable to the recycled water system. Recycled water sales volume increased by 296 AF, or 10.9%, from the prior fiscal year. Recycled water revenues were higher by $469, or 15.0%, compared to the prior fiscal year as a result of higher sales volume and the 3.4% rate increase that went into effect in July 2016.

Intergovernmental revenues were $698, or 96.0%, lower than the prior fiscal year. In the prior fiscal year, the Water Utility recognized $701 of grant revenue from the Los Angeles County Flood Control District (LACFCD) to protect communities from drought, improve water reliability, protect and improve water quality, and improve local water security by reducing dependence on imported water, as part of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act (Proposition 84).

Other revenues include connection fees, recycled water credits and other miscellaneous revenues. These revenues were $612, or 18.6%, lower than the prior fiscal year. The prior fiscal year included higher reimbursements from LADWP for construction of recycled water mains in the City of Los Angeles under the Joint Service Agreement (JSA) between BWP and LADWP. A JSA between BWP and LADWP was executed on January 28, 2015. This agreement covers the construction of recycled water mains in the City of Los Angeles under contract to BWP with all costs for the work to be reimbursed to BWP from LADWP. The work under the agreement consists of three extensions into Los Angeles from points of metered connection to the BWP recycled water system for delivery of recycled water to end-use customers in Los Angeles. Once active, BWP will receive an equal volume of groundwater pumping credits for the water delivered to Los Angeles. Total construction time to complete all three extensions is 18-24 months. The first two phases were completed in March 2016 and reimbursement from LADWP has been received. Phase three began in June 2016. Completion of phase three is anticipated in December 2017.

Water supply expenses were higher by $691, or 6.8%, compared to the prior fiscal year primarily due to a MWD rate increase, higher potable water demand, and lower usage of the Burbank Operable Unit (BOU). MWD increased treated water rates by 2.1% and 3.9% in January 2016 and January 2017, respectively. The average cost of MWD's treated water was $961/AF. MWD treated water supplied approximately 35.2% of the City's potable water supply this fiscal year compared to approximately 34.8% in the prior fiscal year. MWD water cost continues to be mitigated by the displacement of potable water by recycled water and by production at Burbank's groundwater treatment facility – the BOU. The BOU supplied approximately 64.8% of the City's potable water supply this fiscal year compared to approximately 65.2% in the prior fiscal year. The BOU ran at 66.63% of operating capacity for the fiscal year compared to the prior fiscal year's capacity of 63.25%. The Water Utility purchased 6,967 AF of untreated water from MWD for groundwater storage for BOU production and to drought proof a portion of the City's water supply. The average cost of MWD's untreated water was $594/AF, compared to $582/AF in the prior fiscal year.

Operations, maintenance, and administrative expenses were $1,164, or 14.8%, higher compared to the prior fiscal year. The higher expenses were largely attributed to higher pension expenses, capitalizing less labor costs in connection with the construction of capital assets, and higher costs associated with services provided by the City. Additional information on GASB Statement No. 68 can be found in Note 15 to the basic financial statements.

Other operating expenses were $1,598, or 30.1%, lower compared to the prior fiscal year. Expenses for the construction of recycled water mains in the City of Los Angeles under the JSA between BWP and LADWP were lower compared to the prior fiscal year. In addition, BWP reduced water conservation program expenses this fiscal year since having met the state mandate and since recognizing that the drought was over in California. In 2015, with the probability of the drought stretching into a fifth year was becoming more plausible, California Governor Brown issued an executive order mandating water suppliers reduce water usage by 25% as compared to 2013 for the months of June 2015 through February 2016. Consequently, Burbank increased conservation efforts in the prior fiscal year to educate the community on meeting the state mandated water conservation requirement. Burbank started a campaign to decrease Burbank's water usage by one billion gallons from June 2015 to February 2016. Burbank saved one billion gallons of water two months ahead of schedule.

Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. For the fiscal year, depreciation expense was $25, or 0.7%, higher compared to the prior fiscal year. The increase was primarily the result of placing new capital assets into service.

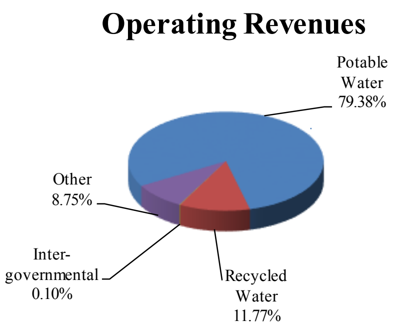
Interest income was $240, or 91.7%, lower compared to the prior fiscal year. The lower interest income was due to a market value adjustment of investment holdings per GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

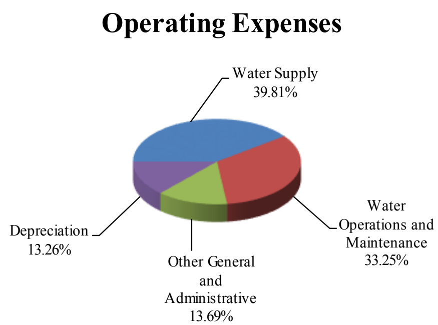
In accordance with the City Charter, the City Council had a long standing practice of authorizing annual transfers of 5% of the City's gross sales of water from the Water Enterprise Fund to the General Fund in lieu of taxes. The Water Utility did not transfer money to the City's General Fund in the form of an in-lieu of tax this fiscal year. The practice of transfers from the Water Enterprise Fund to the General Fund was challenged by a plaintiff in a lawsuit filed in September 2013 as a violation of Proposition 218. The City and the plaintiff settled their dispute through a settlement agreement. The key terms of this settlement include the City undoing the transfer from the Water Enterprise Fund to the General Fund for all future years beginning with fiscal year 2014-15, but the Water Enterprise Fund is permitted to continue to transfer revenues for rights-of-way maintenance and other services provided by the City in accordance with a mutually agreed upon methodology. In addition, the City will return a total of $1,500 less legal fees to the Water Enterprise Fund over four years as settlement for all prior year transfers. For fiscal years 2014-15, 2015-16, and 2016-17, the City transferred $100, $375, and $375, respectively, to the Water Enterprise Fund per the settlement. The City will transfer $375 during the next fiscal year.

As of June 30, 2017, the Water Utility had $32,595 in outstanding revenue bonds and $7,235 in outstanding SWRCB loans (see Debt Administration). The Water Utility paid $1,795 in interest expense, compared to $2,034 in the prior fiscal year.

The gain on the disposal of capital assets was $22, or 47.8%, lower compared to the prior fiscal year. The fiscal year had lower revenues from the sales of old equipment compared to the prior fiscal year.

Capital contributions were $424, or 40.6%, lower compared to the prior fiscal year. The prior fiscal year included higher revenue for the relocation of a water main at the Regional Intermodal Transportation Center at the Bob Hope Airport and the installation of water mains for the new Talaria Project.





The Water Utility Fund's net positions as of June 30, 2017 and June 30, 2016 were as follows:

Schedule of Net Position *($ in thousands)*

	2017	2016	Incr. (Decr.)
Assets			
Current and regulatory assets	$ 18,999	$ 19,203	$ (203)
Noncurrent and regulatory assets	162	217	(54)
Capital assets, net of accumulated depreciation	94,061	93,667	394
Total assets	**113,222**	**113,086**	**136**
Deferred outflows of resources			
Deferred outflows of resources	2,748	823	1,925
Total deferred outflows of resources	**2,748**	**823**	**1,925**
Liabilities			
Current liabilities	4,312	4,942	(629)
Noncurrent and regulatory liabilities	50,791	50,137	654
Total liabilities	**55,104**	**55,078**	**27**
Deferred inflows of resources			
Deferred inflows of resources	4,564	5,296	(732)
Total deferred inflows of resources	**4,564**	**5,296**	**(732)**
Net position			
Net investment in capital assets	54,058	52,379	1,678
Restricted for debt service	180	179	1
Unrestricted	2,062	976	1,086
Total net position	**$ 56,300**	**$ 53,534**	**$ 2,765**

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

Total net position was higher by $2,765, or 5.2%, compared to the prior fiscal year due to favorable operating results (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A significant portion of the Water Utility's total net position was in net investment in capital assets of $54,058, or 96.0%, of total net position (see Capital Assets). The restricted net position of $180, or 0.3%, was debt reserve requirements related to the Water Revenue bonds (see Debt Administration). The unrestricted net position of $2,062, or 3.7%, of total net position were funds available for future capital investments and maintenance activities.

The favorable net position resulted in an increase in deferred outflows of resources, an increase in total assets, and a decrease in deferred inflows of resources, offset slightly with an increase in total liabilities. Deferred outflows of resources as of June 30, 2017 increased by $1,925, or 234.1%, compared to the prior fiscal year due to net differences between projected and actual earnings on plan investments and pension contributions subsequent to measurement date. As of June 30, 2017, total assets increased by $136, or 0.1%, primarily due to an increase in total net capital assets, operating cash, and inventories, offset partially by a decrease in dues from the City and accounts receivable. Deferred inflows of resources as of June 30, 2017 decreased by $732, or 13.8%, compared to the prior fiscal year due primarily to differences between actual and expected return on assets, changes in actuarial assumptions for pension liabilities, and Water Cost Adjustment Charge (WCAC) regulatory credits. The Water Utility Fund's revenues include a WCAC. WCAC revenues in excess of water supply expenses have been recorded as unearned in a water cost adjustment regulatory credit account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. Total liabilities as of June 30, 2017 increased by $27, or 0.0%, compared to the prior fiscal year. This was due to an increase in net pension liability, offset mostly by decreases in revenue bonds payable and loans payable, as a result of payments made during the fiscal year (see Debt Administration), and decreases in customer deposits.

The Utility's total share of the City of Burbank's CalPERS Miscellaneous Plan (Plan) Net Pension Liability (NPL) for the current and prior fiscal year were $82,502 and $67,619, with the proportionate share to the Water Fund of $11,197 and $9,177, respectively. The change from the prior fiscal year's balance was $2,020 for the Water Utility. This reported change is primarily driven by lower than projected Plan investment earnings as of June 30, 2016. Planned investment earnings were projected at 7.50%, with actual earnings at .61%, as reported by CalPERS. The impact of the investment earnings shortfall were reported in deferred inflows of resources, with the fiscal year balance of $949 for the Water Fund. The prior year's Water Fund deferred inflows of resources balance was $1,333. The Water Fund's deferred outflows of resources balances for the current and prior fiscal years were $2,748 and $823, respectively. The increase of $1,925 from the prior fiscal year's balance is based on pension contributions subsequent to measurement date.

Additional information on GASB Statement No. 68 can be found in Note 15 to the basic financial statements.

Capital Assets

As of June 30, 2017, the Water Utility Fund invested $94,061, or 83.1%, of its total assets in capital improvements. Capital improvement programs are designed to upgrade, replace and expand the water system infrastructure, ensure reliability, and provide safe drinking water and services at competitive rates.

For the fiscal year, $3,997 was spent on the acquisition and construction of capital improvement projects. The majority of the investments were for the seismic retrofitting of tanks, service and meter replacements, and replacement and upgrade of distribution potable water mains.

The Water Utility has on-going capital improvement programs, such as main, service and meter replacement programs, which are designed to upgrade, replace and expand the water system infrastructure to ensure reliability, and to provide safe and accurately measured services. The water production facilities and systems were very reliable with only 3.7% of unbilled water, including losses, compared to the national average of approximately 16% and the state average of approximately 7%. These ongoing and pro-active investments reflect the Water Utility's goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities.

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

($ in thousands)	
Seismic Retrofit of Steel Tanks - McClure	$ 925
Potable Meter Replacements	$ 643
Second Crossing Tie-in	$ 325
Potable Water Main - Beachwood Drive, Victory to 1333	$ 311
Potable System Expansion	$ 276
Integration of Various Operations Technology Systems	$ 198
Potable Water Main - Hollywood Way, Burbank to Allan	$ 190
Potable Transmission Main Valve Replacements	$ 190
Potable Water Main - Myers, Verdugo to Clark	$ 159
Recycled Distribution Mains to Zone 2	$ 137
Potable Hydrant Replacements	$ 120
Potable Water Main - Valley, Chandler to Clybourn	$ 117
Total	**$ 3,592**

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

Debt Administration

As of June 30, 2017, the Water Utility had $32,595 in outstanding revenue bonds, of which $830 will be due within a year. The Water Utility repaid $795 toward outstanding revenue bonds during the fiscal year.

The Water Utility received a total of $9,254 in loans from the SWRCB for three recycled water transmission main extensions and a water pumping station since fiscal year 2011-12. All the SWRCB loans have 20-year repayment terms with an annual interest rate of 2.6%. As of June 30, 2017, there was $7,235 outstanding in SWRCB loans, of which $409 will be due within a year. The Water Utility repaid $399 towards these outstanding loans this fiscal year.

The Water Utility revenue bonds were affirmed by Fitch Ratings with an 'AAA' rating with a stable outlook in October 2016. An 'AAA' rating is the highest quality rating. This rating reflects the rating agency's view of the Water Utility's solid financial performance, moderate debt burden, drought conservation, strong service area, strong coverage, solid rate flexibility, and adequate water supply. Additional information on long term debt can be found in Note 9 to the basic financial statements.

Environmental, Supply, and Economic Factors

The California State Water Project (SWP) is a state water management project that collects water from rivers in Northern California and through a network of aqueducts, pumping stations, and power plants redistributes it to the south. The SWP water allocation is currently 85% as of April 14, 2017. Water allocation from SWP varies according to factors including reservoir storage, weather projections, and projected runoff into streams, reservoirs, and aquifers. These factors are impacted by precipitation normally from December through April. California receives more than 90% of its snow and rain during this period.

Pumping restrictions on the Sacramento-San Joaquin River Delta (Delta) continue to impact California's water supply since it is the location of the pumping facilities for SWP. The decline of the ecosystem triggered litigation and pumping restrictions that have dramatically altered water management and resources. The California Natural Resources Agency released a draft and several subsequent revisions of the Bay Delta Conservation Plan (BDCP) with goals to improve the water supply reliability and restore the ecosystem in the Delta, since the Delta is a vital estuary for many species that are struggling due to a number of stressors. The final revision of the Environmental Impact Statement (EIS) for the revised/recirculated BDCP, titled the California WaterFix, was released by the State Department of Water Resources in December 2016. WaterFix was identified as the best option for both increasing water supply reliability and addressing current Delta ecosystem concerns while minimizing environmental impact. WaterFix is the State's plan to upgrade infrastructure in the estuary where two major rivers – the Sacramento and San Joaquin – meet before flowing to San Francisco Bay. If approved, the project is scheduled to begin as early as 2018. The project consists of three new intakes in the northern Delta and two 35-mile-long tunnels to transport water to the existing pumping plants in the south Delta. In the coming months, State and Federal agencies are poised to make several major decisions on the California WaterFix. Resolution of the proposed California WaterFix project will culminate at the end of 2017.

On April 1, 2015, Governor Brown issued an executive order mandating a 25% reduction in urban water use statewide. The SWRCB adopted the regulations and they were approved by the State Office of Administrative Law. Burbank was required to meet a 24% reduction in overall water use as measured against water use in the same period of 2013. Burbank consistently met the reduction requirements by utilizing the appropriate stages of the Sustainable Water Use Ordinance. Besides conservation measures, Burbank made significant strides in converting major irrigation and building cooling towers to recycled water, which is 100% conservation that will continue year after year. BWP continues to work with customers to utilize recycled water where practical but recognizes that the largest users have been converted.

The SWRCB issued new regulations on May 18, 2016, allowing individual water utilities to set their own conservation standards based on local water supply conditions. The MWD, as Burbank's water wholesaler, was able to certify no water supply shortage for the next three years, enabling Burbank to self-certify no supply shortage for the next three years, setting Burbank's mandatory conservation standard at 0%. On August 12, 2016, Council amended its Sustainable Water Use Ordinance and adopted three day watering per week for outdoor irrigation as its new normal.

Governor Brown issued Executive Order B-40-17, on April 7, 2017, recognizing that the drought was over in California. The Executive Order does state that the Orders and Provisions in "Making Water Conservation a California Way of Life" remain in full force and effect, which includes the Department of Water Resources (Department) continuing to work with the Water Board to develop standards that urban water suppliers will use to set new urban water use efficiency targets as directed by Executive Order B-37-16. Upon enactment of legislation, the Water Board shall adopt urban water use efficiency standards that include indoor use, outdoor use and leaks as well as performance measures for commercial, industrial and institutional water use. These water use standards must be in place by May 20, 2021, but the State Water Board may set interim standards to ensure progress before the long term standards are adopted in 2021.

On April 14, 2016, a new Waste Discharge Requirements and Water Recycling Requirements Permit was granted to the City of Burbank by the Regional Water Quality Control Board. This brought the City into full compliance by recognizing the use of recycled water in cooling towers. A Waste Water Change Petition was submitted to the SWRCB, Division of Water Rights. The purpose of the petition is to amend Burbank's water rights to its recycled water account for its recent expansion of use and for its plans of additional use 10 years into the future. The petition was posted by the State Board on March 29, 2017. Review of the water rights petition is underway at the SWRCB, Division of Water Rights. The City of Los Angeles filed a protest on the Waste Water Change Petition in April 2017. BWP is proceeding with answering the protest and securing approval. This process will take several months.

On September 20, 2016, the Burbank City Council approved the formation of a joint powers authority (JPA) between BWP and the LADWP. The new JPA will be known as Southern California Public Water Authority (SCPWA). SCPWA was modeled after the Southern California Public Power Authority (SCPPA) with the intent of developing water projects and also providing low cost financing options if needed. A special feature of SCPWA will be its ability to issue high credit Rate Reduction Bonds for certain types of water projects. Although BWP will not immediately participate in a SCPWA project, creating SCPWA will build a solid foundation for future projects.

Requests for Information

This financial report is designed to provide a general overview of the Electric and Water Utility Enterprise Funds. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to Bob Liu, Chief Financial Officer, Burbank Water and Power, 164 W. Magnolia Blvd., Burbank, CA 91503.

CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS

FISCAL YEAR ENDED JUNE 30, 2017 * (with certain comparative summary information for the fiscal year ended June 30, 2016)

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Position

June 30, 2017
(With comparative financial information for the year ended June 30, 2016)
(In Thousands)

	Electric		Water	
Assets	**2017**	**2016**	**2017**	**2016**
Current and regulatory assets:				
Cash and cash equivalents (note 2):				
General operating	$ 67,022	55,450	7,835	7,363
Capital and debt reduction	10,000	10,000	2,220	2,220
General plant	800	800	-	-
Fleet replacement	2,210	2,210	-	-
Greenhouse gas credits' proceeds	69	69	-	-
WCAC	-	-	607	867
Distribution mains	-	-	1,100	1,100
Total cash and cash equivalents	80,101	68,529	11,762	11,549
Accounts receivable, net (note 3)	14,212	15,174	3,460	3,688
Inventories (note 4)	6,477	6,837	3,009	2,874
Due from the City (note 11)	1,221	300	375	750
Deposits and prepaid expenses (note 5)	27,966	27,904	32	17
Interest receivable	295	197	45	34
Regulatory costs to be recovered in one year (note 6)	119	138	136	111
Restricted nonpooled investments (note 2)	5,467	5,277	180	179
Total current and regulatory assets	135,858	124,356	18,999	19,203
Noncurrent and regulatory assets:				
OPEB assets (note 16)	3,679	3,665	-	-
Regulatory costs for future recovery (note 6)	198	311	162	217
Total noncurrent and regulatory assets	3,877	3,976	162	217
Capital assets (note 7):				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335	-	-
Utility plant and buildings	448,536	432,636	148,030	143,183
Machinery and equipment	68,428	65,592	5,766	5,614
Construction in progress	21,828	24,584	5,697	6,746
Total utility plant and equipment	542,861	526,881	159,802	155,852
Less accumulated depreciation	(265,899)	(249,401)	(65,741)	(62,185)
Total capital assets, net	276,962	277,480	94,061	93,667
Total assets	416,697	405,812	113,222	113,086
Deferred outflows of resources:				
Deferred amounts from pensions (note 15)	17,371	5,351	2,748	823
Total deferred outflows of resources	17,371	5,351	2,748	823
Total assets and deferred outflows of resources	$ 434,068	411,163	115,969	113,909

See accompanying notes to basic financial statements.

(Continued)

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Position

June 30, 2017
(With comparative financial information for the year ended June 30, 2016)
(In Thousands)

	Electric		Water	
Liabilities	**2017**	**2016**	**2017**	**2016**
Current liabilities:				
Accounts payable	$ 6,772	4,098	2,053	2,120
Accrued expenses	3,453	10,140	-	-
Bond interest payable	377	392	146	149
Due to the City of Burbank (note 11)	716	709	-	-
Customer deposits (note 10)	7,704	8,041	844	1,457
Unearned revenue (note 14)	2,718	-	-	-
Current portion of revenue bonds payable, net (note 9)	4,100	3,920	830	795
Current portion of loan payable (note 9)	-	-	409	399
Current portion of compensated absences (note 9)	412	363	30	20
Total current liabilities	26,252	27,661	4,312	4,942
Noncurrent liabilities:				
Revenue bonds payable, net (note 9)	75,090	79,739	31,939	32,859
Loan payable (note 9)	-	-	6,825	7,235
Compensated absences (note 9)	4,359	4,860	830	865
Net pension liability (note 15)	71,305	58,442	11,197	9,177
Total noncurrent and regulatory liabilities	150,754	143,041	50,791	50,137
Total liabilities	177,006	170,702	55,104	55,078
Deferred inflows of resources:				
Deferred amounts on pensions (note 15)	6,039	8,490	949	1,333
Regulatory credits for future recovery (note 8)	-	-	607	836
Regulatory credits (note 14)	772	816	3,009	3,127
Total deferred inflows of resources	6,811	9,306	4,564	5,296
Net Position				
Net position:				
Net investment in capital assets	197,772	193,821	54,058	52,379
Restricted for debt service	5,467	5,277	180	179
Unrestricted	47,013	32,059	2,062	976
Total net position	$ 250,252	231,157	56,300	53,534

See accompanying notes to basic financial statements.

CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS

FISCAL YEAR ENDED JUNE 30, 2017 * (with certain comparative summary information for the fiscal year ended June 30, 2016)

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Revenues, Expenses and Changes in Fund Net Position

June 30, 2017
(With comparative financial information for the year ended June 30, 2016)
(In thousands)

	Electric 2017	Electric 2016	Water 2017	Water 2016
Operating revenues:				
Sale of power-retail	$ 175,964	175,019	-	-
Sale of power and fuel-wholesale (note 13)	23,512	27,150	-	-
Sale of water			27,836	25,099
Intergovernmental	92	143	29	727
Other revenues	5,820	5,451	2,673	3,285
Total operating revenues	205,388	207,763	30,538	29,111
Operating expenses:				
Power supply expenses-retail (note 12)	90,295	92,959	-	-
Purchased power and fuel expenses-wholesale (note 13)	20,599	25,260	-	-
Water supply expenses (note 1)			10,817	10,126
Water maintenance and operation expenses			9,034	7,870
Transmission expenses	13,917	14,834	-	-
Distribution expenses	9,371	9,626	-	-
Other operating expenses (note 1)	22,728	20,905	3,720	5,319
Depreciation	16,912	18,133	3,603	3,578
Total operating expenses	173,821	181,716	27,175	26,892
Operating income	31,567	26,047	3,363	2,219
Nonoperating income (expenses):				
Interest income	478	1,723	22	262
Payments for in lieu of taxes to City (note 11)	(11,326)	(11,236)	-	-
Interest expense	(4,684)	(4,862)	(1,795)	(2,034)
Gain (loss) on disposal of capital assets (note 1)	(131)	253	24	46
Other income (expenses), net (note 14)	1,431	1,723	531	534
Total nonoperating income (expenses)	(14,231)	(12,399)	(1,217)	(1,192)
Income before contributions	17,335	13,648	2,145	1,027
Capital contributions	1,760	3,084	619	1,043
Change in net position	19,095	16,732	2,765	2,070
Net position, July 1	231,157	214,425	53,534	51,464
Net position, June 30	$ 250,252	231,157	56,300	53,534

See accompanying notes to basic financial statements

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Cash Flows
June 30, 2017
(With comparative financial information for the year ended June 30, 2016)

(In Thousands)

	Electric 2017	Electric 2016	Water 2017	Water 2016
Cash flows from operating activities:				
Cash received from customers	$ 206,596	206,620	30,731	25,639
Cash paid to suppliers	(140,331)	(145,585)	(19,539)	(16,096)
Cash paid to employees	(21,241)	(20,258)	(5,208)	(4,952)
Net cash provided by operating activities	45,024	40,777	5,984	4,591
Cash flows from noncapital financing activities:				
Payments received from other funds			29	
Proceeds from other governmental agencies	92	143	-	-
Transfer from other funds	1,136	80	-	-
Transfers to other funds	(471)	-	-	727
Other income (expense)	(10)	(165)	561	(28)
Payment in lieu of taxes to City	(11,326)	(11,236)	-	-
Net cash provided by (used in) noncapital financing activities	(10,579)	(11,178)	590	699
Cash flows from capital and related financing activities:				
Proceeds from salse of capital assets	-	-	-	-
Other income-net of sale proceeds of capital assets	-	-	-	-
Principal payments - bond	(3,920)	(3,745)	(795)	(765)
Interest paid	(4,699)	(5,349)	(1,798)	(2,037)
Contributed capital	1,760	2,997	619	2,484
Acquisition and construction of assets	(16,394)	(17,887)	(3,997)	(6,210)
Principal payments - loan payable	-	-	(399)	(460)
Net cash used in capital and related financing activities	(23,253)	(23,984)	(6,370)	(6,988)
Cash flows from investing activities:				
Interest received	380	1,678	11	260
Purchases of restricted investments	-	-	(1)	-
Net cash provided by investing activities	380	1,678	10	260
Net increase (decrease) in cash and cash equivalents	11,572	7,293	214	(1,438)
Cash and cash equivalents - July 1	68,529	61,236	11,549	12,987
Cash and cash equivalents - June 30	$ 80,101	68,529	11,762	11,549

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Cash Flows, (concluded)
June 30, 2017
(With comparative financial information for the year ended June 30, 2016)

(In Thousands)

	Electric		Water	
	2017	2016	2017	2016
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities :				
Operating income (loss)	$ 31,567	26,047	3,363	2,219
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	16,912	18,133	3,603	3,578
Other income	-	1,481	-	596
Gain/(loss) on sale of fixed assets	(131)	253	-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	962	(1,230)	228	(318)
(Increase) decrease in due to/from City of Burbank	(450)	(110)	375	375
(Increase) decrease in inventories	297	(685)	(134)	(653)
(Increase) decrease in prepaid items	(76)	96	(15)	(17)
(Increase) decrease in deferred outflows from pension	(447)	(613)	(107)	(72)
Change in reporting of operating / non-operating income	23	118	(35)	(742)
(Increase) decrease in regulatory assets	(417)	-	(60)	-
Increase (decrease) in accounts payable and accrued expenses	(4,224)	(29)	(297)	(161)
Increase (decrease) in net pension liability	12,863	3,378	2,020	530
Increase (decrease) in deferred inflows from pension	(14,024)	(6,571)	(2,202)	(1,032)
Increase (decrease) in compensated absences	(452)	337	(25)	(15)
Increase (decrease) in unearned/deferred revenue	2,718	-	-	-
Increase (decrease) in customer deposits	(53)	338	(613)	398
Increase (decrease) in deferred revenue	(44)	(143)	(118)	(118)
Other proceeds/adjustments	-	(23)	-	23
Total adjustments	13,457	14,730	2,620	2,372
Net cash provided by operating activities	$ 45,024	40,777	5,984	4,591
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	$ (443)	490	(68)	86

See accompanying notes to basic financial statements

NOTE 1: Summary of Significant Accounting Policies

(A) Accounting Methods

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

The basic financial statements include the following:

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

- Net investment in capital consists of capital assets, including capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted for debt service net position are those in which use is restricted through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of entities with jurisdiction, or constraints imposed by law through constitutional provisions or enabling legislation.

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

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

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

(B) Basis of Presentation

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

C) Reporting Entity

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

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

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

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

(D) New Accounting Pronouncements

Current Year Standards

- GASB 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", effective for periods beginning after June 15, 2016, which has no impact on the Utility.

- GASB 77 - "Tax Abatement Disclosure", effective for periods beginning after December 15, 2015, which has no impact on the Utility.

- GASB 79 - "Certain External Investment Pools and Pool Participants", was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow which are effective for periods beginning after December 15, 2015, which has no impact on the Utility.

- GASB 80 - "Blending Requirements for Certain Component Units", effective for periods beginning after June 15, 2016, which has no impact on the Utility.

Pending Accounting Standards:

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

- GASB 75 - "Accounting and Financial Reporting for Postemployment Benefit Other Than Pension Plans", effective for periods beginning after June 15, 2017.

- GASB 82 - "Pension Issues", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

- GASB 85 - "Omnibus 2017", effective for periods beginning after June 15, 2017.

- GASB 86 - "Certain Debt Extinguishment Issues", effective for periods beginning after June 15, 2017.

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

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

(E) Self-Insurance

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

(F) Capital Assets

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at 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 No. 62, to be collected from future ratepayers. There are no material losses on retirements as of June 30, 2017. Maintenance and repairs that do not add value to assets or materially extend useful lives of assets are expensed as incurred. Improvements to plant and equipment are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows (see NOTE 7):

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

(G) Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable includes billed and unbilled utility customer accounts, wholesale power sales, and miscellaneous charges unpaid as of June 30, 2017, offset by estimates for uncollectible accounts. Estimated allowances for uncollectible accounts are adjusted to the 91 days and over receivables' balances (see NOTE 3).

(H) Inventories

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

(I) Deposits and Prepaid Expenses

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

(J) Restricted Nonpooled Investments

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

(K) Compensated Absences

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

(L) Use of Estimates

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

(M) Revenue Recognition

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

The Electric Utility Fund's revenues include grant reimbursements from the California Energy Commission (CEC) for systems modernization projects and new electric vehicle charging stations. The CEC total Grants of $1,164 allows for 100% prorated reimbursement for approved expenditures. Grant revenue is deferred to match depreciation as capitalized projects have been placed in service (see NOTE 14).

The Water Utility Fund's revenues include the recognition of contributed assets for the Burbank Empire Center and Bob Hope Airport. The values of the contributed assets have been recorded as regulatory credits. The contributed assets are recognized as revenue to match depreciation expense over the course of their useful lives at 25 to 40 years (see NOTE 14).

Also included in the Water Utility Fund's revenues is a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been recorded as regulatory credits (see NOTE 8).

(N) Operating Expenses

Purchased power and fuel expenses include all open market purchases of energy and fuel, firm contracts for the purchase of energy and fuel, energy production costs, and the costs of entitlements for energy and transmission as discussed in NOTE 12.

Water supply expenses include purchased water, electricity used to pump water, and chemicals used in water treatment (see NOTE 8).

Other operating expenses include all costs associated with the Electric and Water Utility Funds' operations and maintenance of general plant and equipment, administration, customer service, telecom and internet services, public benefits programs, warehousing, security, technology operations, work for others and transfers to the City for cost allocations.

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

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

(P) Prior Year Data

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

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

(Q) Pensions

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

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Unrestricted cash and investments	$ 80,101	11,762	$ **91,863**
Restricted investments	5,467	180	**5,646**
Total	**$ 85,568**	**11,942**	**$ 97,509**
Cash on hand	$ 14	-	**$ 14**
Equity in City investment pool	85,554	11,942	**97,496**
Total	**$ 85,568**	**11,942**	**$ 97,509**

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

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

BWP has no separate bank accounts or investments other than investments held by bond trustee and BWP's equity in the cash and investment pool managed by the City. BWP is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council. BWP has not adopted a formal investment policy separate from that of the City. GASB Statement No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. GASB Statement No. 72 establishes disclosure requirements for fair value measurements related to investments. The information required by GASB 40 related to authorized investments, credit risk, etc. is available in the Comprehensive Annual Financial Report of the City. The Electric and Water Utility Funds' equity in the City's investment pool is not subject to fair value hierarchy.

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

NOTE 3: Accounts Receivable

Accounts receivable for the Electric and Water Utility Funds as of June 30, 2017 and 2016 are:

	Electric		Water	
	2017	**2016**	**2017**	**2016**
Billed accounts receivable	$ 6,567	7,485	1,897	2,129
Unbilled accounts receivable	7,864	7,788	1,605	1,568
Allowance	(219)	(99)	(42)	(9)
Total	**$ 14,212**	**15,174**	**3,460**	**3,688**

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

NOTE 4: Inventories

Inventories for the Electric and Water Utility Funds as of June 30, 2017 and 2016 are:

	Electric		Water	
	2017	2016	2017	2016
Materials and supplies inventory	$ 6,477	6,837	592	558
Ground water purchases inventory	-	-	2,417	2,316
Total	**$ 6,477**	**6,837**	**3,009**	**2,874**

During October through December 2016 the Water Utility purchased 6,967 AF of untreated water at a cost of $594/AF in exchange for groundwater credits from LADWP.

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of $27,966 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a $15,787 deposit with SCPPA for future use in projects, a $8,900 prepayment to the SCPPA Natural Gas Reserve for future gas deliveries, a $2,758 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), a $81 Morgan Stanley power exchange prepayment and various other prepaid expenses of $104. In addition, in June 2000, the City prepaid a lease payment of $1,500 for the use of land to locate a new switching station. The twenty-year lease began in January 2002. For the fiscal year ended June 30, 2017, the Electric Fund amortized $75 on this prepaid lease, leaving a balance of $336.

NOTE 6: Regulatory Assets (Costs)

Utility regulatory assets are reported for unamortized bond issuance costs. These assets are classified as current and noncurrent, and the balances for the Electric and Water Utility Funds as of June 30, 2017 and 2016 are $317 and $449, and $298 and $328, respectively. The Electric Utility's 2012A Series Bonds' term is 10 years, and the Water Utility's 2010A and 2010B Series Bonds' terms are 12 years and 30 years, respectively.

NOTE 7: Capital Assets

Capital assets include the following as of June 30, 2017:

Electric	Balance as of June 30, 2016	Additions	Deletions	Balance as of June 30, 2017
Capital assets not being depreciated:				
Land	$ 2,734			**$ 2,734**
Construction in progress	24,584	17,136	(19,892)	**21,828**
Total capital assets not being depreciated	**27,318**	**17,136**	**(19,892)**	**24,562**
Capital assets being depreciated:				
Rights to purchase power	1,335			**1,335**
Accumulated depreciation	(713)	(43)		**(756)**
Buildings and improvements	432,636	16,952	(1,053)	**448,535**
Accumulated depreciation	(205,920)	(12,645)	362	**(218,203)**
Machinery and equipment	65,592	4,407	(1,571)	**68,428**
Accumulated depreciation	(42,768)	(4,224)	53	**(46,939)**
Total capital assets being depreciated, net	**250,162**	**4,447**	**(2,209)**	**252,400**
Total net capital assets	**$ 277,480**	**21,583**	**(22,101)**	**$ 276,962**

Water	Balance as of June 30, 2016	Additions	Deletions	Balance as of June 30, 2017
Capital assets not being depreciated:				
Land	$ 309			**$ 309**
Construction in progress	6,746	4,291	(5,340)	**5,697**
Total capital assets not being depreciated	**7,055**	**4,291**	**(5,340)**	**6,006**
Capital assets being depreciated:				
Buildings and improvements	143,183	4,863	(16)	**148,030**
Accumulated depreciation	(57,851)	(3,402)	17	**(61,236)**
Machinery and equipment	5,614	259	(107)	**5,766**
Accumulated depreciation	(4,334)	(201)	30	**(4,505)**
Total capital assets being depreciated, net	**86,612**	**1,519**	**(76)**	**88,055**
Total net capital assets	**$ 93,667**	**5,810**	**(5,416)**	**$ 94,061**

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

Capitalized Interest

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

Pacific DC Intertie

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale, and the City of Pasadena for an unrestricted 3.846% interest in the Pacific DC Intertie. As of June 30, 2017, the Electric Utility Fund has recorded its share of the Intertie of approximately $14,634 within its plant and equipment assets, less accumulated depreciation approximating $13,838, for a net asset value of $796. Such asset is being depreciated using the straight-line method over a useful life of 40 years. The City's voting right in the project is directly in proportion to its percentage interest.

Note 8: Regulatory Credits for Future Recovery

The Water Utility Fund's revenues include a Water Cost Adjustment Charge (WCAC). WCAC revenues in excess of water supply expenses have been recorded as unearned in a water cost adjustment regulatory credit account. Water supply expenses (WCAC expenses) include purchased water, electricity to pump water, and chemicals used to treat water. The WCAC regulatory credits balance is $607 and $836 at June 30, 2017 and 2016, respectively, and is reported in deferred inflows of resources.

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

(A) Loan Payable

Water Loan Payable	2017	2016
This SWRCB Loan was issued for the purpose of upgrading the Recycled Water Pumping Station PS-1 project to create capacity needed to distribute recycled water to new users. The cost of the project is estimated to be $1,916, of which $521 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than November 2030.	$ 405	$ 429
Less current portion	(24)	(24)
Total for Recycled Water Pumping Station	**381**	**405**
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.	2,840	3,007
Less current portion	(171)	(166)
Total for Valhalla Recycled Water Main Extension	**2,669**	**2,840**
This loan was issued for the purpose of Constructing the Studio District Recycled Water Main Extension. This pipeline extends the existing Recycled Water Distribution System to Warner Brothers, Disney, and NBC Studios and other recycled water customers in their vicinity. The project also includes the design of a below-grade inline booster station to maintain pressure in the western extents of this extension. The cost of the project was $5,161, of which $3,240 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2032.	2,518	2,654
Less current portion	(139)	(136)
Total for Studio District Recycled Water Main Extension	**2,379**	**2,518**

Water Loan Payable (cont.)	2017	2016
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 $1,784 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than June 2033.	1,471	1,544
Less current portion	(75)	(73)
Total for Northern Burbank Main Extension	**1,396**	**1,471**
Total long-term intergovernmental loan payments	**$ 6,825 $**	**$ 7,235**

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2017 is as follows:

SWRCB Loan for the Studio District Recycled Water Main Extension

	Water		
	Principal	Interest	Total
2018	$ 139	65	$ 204
2019	142	62	204
2020	147	58	205
2021	151	54	205
2022	154	50	204
2023-2027	835	190	1,025
2028-2032	950	75	1,025
	$ 2,518	**$ 554**	**$ 3,072**

SWRCB Loan for the Northern Burbank Main Extension

	Principal	Interest	Total
2018	$ 75	38	$ 113
2019	77	36	113
2020	79	34	113
2021	81	32	113
2022	83	30	113
2023-2027	451	117	568
2028-2032	513	55	568
2033	112	2	114
	$ 1,471	**$ 344**	**$ 1,815**

SWRCB Loan for the Recycled Water Distribution System

	Water		
	Principal	Interest	Total
2018	$ 24	11	$ 35
2019	25	10	35
2020	26	9	35
2021	26	9	35
2022	27	8	35
2023-2027	146	29	175
2028-2031	131	9	140
	$ 405	**85**	**$ 490**

SWRCB Loan for the Valhalla Recycled Water Main Extension

	Principal	Interest	Total
2018	$ 171	74	$ 245
2019	175	69	244
2020	180	65	245
2021	184	60	244
2022	189	55	244
2023-2027	1,023	200	1,223
2028-2031	918	60	978
	$ 2,840	**583**	**$ 3,423**

(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.

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

	Electric	
2010A Series Bonds:	**2017**	**2016**
These bonds were issued to partially advance refund the 1998 Bonds and the 2001 Bonds and to pay the costs of issuance of the Series 2010A Bonds. Payable in installments ranging from $2,290 to $3,530. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	$ 19,940	$ 22,915
Less:		
Current portion	(3,125)	(2,975)
Original issue discount/premium	454	641
Long-term Bonds Series A of 2010	**$ 17,269**	**$ 20,581**

	Electric	
2010B Series Bonds:	**2017**	**2016**
These bonds were issued to finance a portion of the costs of certain improvements to the Electric System, including the conversion of certain residential and commercial distribution circuits, to fund a deposit in the Parity Reserve Fund and to pay the costs of issuance. Payable in installments ranging from $2,210 to $4,195. Interest rates range from 3.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Electric Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	$ 52,665	$ 52,665
Current portion	-	-
Original issue discount/premium	560	791
Long-term Bonds Series B of 2010	53,225	53,456

	Electric	
2012 Series A Bonds:	**2017**	**2016**
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.	$ 5,250	$ 6,195
Current portion	(975)	(945)
Original issue discount/premium	320	452
Long-term Bonds Series A of 2012	**$ 4,595**	**$ 5,702**
Total Electric long-term revenue bonds payable	**$ 75,090**	**$ 79,287**

	Water	
2010A Series Bonds:	**2017**	**2016**
These bonds were issued to refund on a current basis all of the outstanding 1998 Water Bonds, finance the costs of certain improvements to the City's water system and to pay the costs of issuance of the Series 2010A Bonds. Payable in installments ranging from $165 to $970. Interest rates range from 2.00% to 5.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2023. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account.	$ 4,650	$ 5,445
Less:		
Current portion	(830)	(795)
Original issue discount/premium	283	381
Long-term Bonds Series A of 2010	**4,103**	**5,031**

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

	Water 2017	Water 2016
2010B Series Bonds:		
These bonds were issued to finance the costs of the 2010 Water Project and to pay the costs of issuance of the Series 2010B Bonds. Payable in installments ranging from $850 to $2,275. Interest rates range from 4.89% to 5.79%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2040. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund, as well as all amounts on deposit in the accounts established under the indenture, including the reserve account. The City expects to receive a direct cash subsidy from the United States Department of Treasury equal to 35% of the interest on the Series 2010B Bonds.	$ 27,945	$ 27,945
Current portion	-	-
Original issue discount/premium	(109)	(116)
Long-term Bonds Series B of 2010	**$ 27,836**	**$ 27,829**
Total Water long-term revenue bonds payable	**$ 31,939**	**$ 32,860**

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, 2017 is as follows:

	Electric Principal	Electric Interest	Water Principal	Water Interest	Total
2018	$ 4,100	3,368	830	1,766	**$ 10,064**
2019	4,280	3,183	860	1,733	**10,056**
2020	4,485	2,979	895	1,698	**10,057**
2021	4,290	2,758	930	1,662	**9,640**
2022	4,505	2,544	970	1,625	**9,644**
2023-2027	12,910	10,344	5,430	7,361	**36,045**
2028-2032	14,025	7,767	6,605	5,764	**34,161**
2033-2037	17,165	4,659	9,490	3,570	**34,884**
2038-2040	12,095	1,008	6,585	773	**20,461**
Total	**$ 77,855**	**38,610**	**32,595**	**25,952**	**$ 175,012**

(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 16-17 Net Revenue Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year	Interest Paid this Fiscal Year
Electric Utility	$ 48,479	77,855	38,610	3,920	3,624 (1)
Water Utility	$ 6,965	32,595	25,952	795 (2)	1,286 (1), (3)

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

(2) For 2010A Series Bonds.

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

(D) Utility Funds' Long-Term Liabilities

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2017:

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

	July 1, 2016	Additions	Retirements	June 30, 2017	Due within 1 Year
Revenue Bonds Payable:					
2010 Series A Bonds	$ 22,915		(2,975)	19,940	$ 3,125
2010 Series B Bonds	52,665		-	52,665	-
2012 Series A Bonds	6,195		(945)	5,250	975
Compensated Absences	5,223	49	(501)	4,771	412
	$ 86,998	**49**	**(4,421)**	**82,626**	**$ 4,512**
Less current portion	(4,283)			(4,512)	
Less unamortized bond premium (discount)	2,511			1,334	
Total	**$ 85,226**			**$ 79,449**	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2017:

	July 1, 2016	Additions	Retirements	June 30, 2017	Due within 1 Year
Loans and Revenue Bonds Payable:					
Intergovernmental Loan Payable	$ 429		(24)	405	$ 24
Intergovernmental Loan Payable	3,007		(166)	2,841	171
Intergovernmental Loan Payable	2,654		(136)	2,518	139
Intergovernmental Loan Payable	1,544		(73)	1,471	75
2010 Series A Bonds	5,445		(795)	4,650	830
2010 Series B Bonds	27,945		-	27,945	-
Compensated Absences	885	10	(35)	860	30
	$ 41,910	**10**	**(1,229)**	**40,690**	**$ 1,269**
Less current portion	(1,214)			(1,269)	
Less unamortized bond premium (discounts)	264			174	
Total	**$ 40,960**			**$ 39,594**	

NOTE 10: Customer Deposits

A portion of the Utility's customer deposits are nonrefundable due to a mandate from the State of California (Electric Utility) and a BWP Board motion (Water Utility). California AB 1890 directs municipalities, including the Electric Utility, to spend 2.85% of its electric revenues for Public Benefits' (PB) programs, including investment in renewable resources. The entire unspent portion of the PB obligation for the Electric Utility has been recorded in the Electric Utility Fund's liabilities, included in customer deposit liabilities. The amount of the PB obligation is part of customer deposits, but reported as the PB liability. The unspent portion of the PB obligation as of June 30, 2017 and 2016 is $4,520 and $4,224, respectively.

NOTE 11: Related Party Transactions

The City assesses a 5.0% in-lieu of taxes on Electric retail revenues. In addition, an assessment of 1.5% is made on electric retail revenues to maintain and operate the City's street lighting system. The practice of the City assessing in- lieu taxes on Water retail revenues, also at 5%, was challenged by a plaintiff in a lawsuit filed in September 2013 as a violation of Proposition 218.

The City and the plaintiff settled their dispute through a settlement agreement. The key terms of this settlement included the City undoing the transfer from the Water Enterprise Fund to the General Fund for all future years beginning with fiscal year 2014-15, and the City transferring a total of $1,225 (net of attorney fees) to the Water Enterprise Fund over four years as settlement for all prior year transfers. During the fiscal year the City transferred $375; the remaining balance is $375 and is the final installment to be transferred during the next fiscal year. These charges and credits are reflected in the accompanying statements of revenues, expenses and changes in fund net position for the years ended June 30, 2017 and 2016 as follows:

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

	Electric			
		2017		2016
In-lieu of taxes	$	8,797	$	8,720
Street Lighting		2,529		2,515
Total Payment in-lieu of taxes	**$**	**11,326**	**$**	**11,236**

The City also allocates certain administrative and overhead costs to the Electric and Water Utility Funds in the other operating expenses category. These costs for the years ended June 30, 2017 and 2016 were as follows:

		Electric		Water	
		2017	2016	2017	2016
Administrative and overhead costs	$	5,605	5,184	1,645	1,477
Total	**$**	**5,605**	**5,184**	**1,645**	**1,477**

In addition, the City receives a 7% Utility Users Tax on electric revenues that is not reflected in the Electric Utility Fund's financial statements; it is recorded directly into the General Fund. This tax for the year ended June 30, 2017 and 2016 is as follows:

		Electric	
		2017	2016
Utility Users Tax	$	11,683	11,553
Total	**$**	**11,683**	**11,553**

During the fiscal year, a loan balance owed to the Electric Utility from the Street Lighting Fund was recorded as Due from the City for $750. In FY 2011-12 the original loan amount was $1,053, and cumulative payments as of fiscal year end are $303. In addition, the Electric Utility Fund provided a short term loan of $471 to the City's Tieton Hydro Project Fund to fund current operations.

NOTE 12: Power Supply and Fuel Expenses - Retail

A) Retail Energy Supply

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

B) Joint Powers Agency Contracts

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

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

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

During the fiscal years ended June 30, 2017 and 2016, the Electric Fund made payments totaling $69,399 and $73,323 for "take or pay" contracts, respectively, and $2,220 and $1,703 for the "take and pay" contract, respectively.

(a) Intermountain Power Agency (IPA)

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

(b) Southern California Public Power Authority (SCPPA)

SCPPA membership consists of 10 Southern California cities and one public irrigation district of the State of California, which serves the electric power needs of its Southern California electricity customers. SCPPA, a public entity organized under the laws of the State of California, was formed by a joint powers agreement dated November 1, 1980, pursuant to the Joint Exercise of Powers Act of the State of California. SCPPA was created for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation and transmission of electric energy for sale to its participants. The joint power agreement has a term of 50 years.

Southern Transmission System Project (STS)

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

Magnolia Power Project (MPP)

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

Prepaid Natural Gas Project (PNGP)

The PNGP primarily consists of the acquisition by SCPPA of the right to receive an aggregate amount of approximately 135 billion cubic feet of natural gas, which subsequently was reduced to approximately 90 billion cubic feet as a result of restructuring to accelerate a portion of the long-term savings, reduce the remaining volumes of gas to be delivered, and shorten the overall duration of five prepaid agreements with the City, and (the Cities of Anaheim, Colton, Glendale and Pasadena). The City's natural gas supply agreement with SCPPA is expected to provide approximately one-fourth of the City's gas requirements for MPP. The City has no obligation under the natural gas supply agreement to pay for gas not delivered.

Milford I Wind Project (M1WP)

M1WP is located near Milford, Utah and began commercial operations in November 2009. The facility is a 200 MW nameplate capacity wind farm comprised of 97 wind turbine generators, delivered by a 90 mile transmission line, 345 kV, extending from the generation site to the IPP switchyard in Delta, Utah. This plant generates enough capacity to supply electricity to power more than 60,000 homes and offset over 366,000 tons per year of carbon dioxide that would otherwise be emitted from a coal-powered plant. SCPPA (on behalf of project participants LADWP, the City and the City of Pasadena, California) acquired 100.000% of this facility and issued bonds in 2010 to finance the purchase by prepayment of a specified quantity of energy from this facility over the 20-year delivery term, with a guaranteed annual quantity in each year. The City's share of this project is 5.000% of the total capacity of 10 MW, energy, and environmental attribute rights produced at this facility.

Mead-Adelanto Project (MA)

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

Palo Verde Project (PV)

Pursuant to an assignment agreement dated August 14, 1981 with the Salt River Project, SCPPA purchased a 5.910% interest in the Palo Verde Nuclear Generating Station, a 3,810 MW nuclear-fueled generating station near Phoenix, Arizona and a 6.550% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the PV). Units 1, 2 and 3 of PV began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.400% (9.7 MW).

Tieton Hydro Project (THP)

This facility was acquired by SCPPA in November 2009 with 100.000% of entitlement shares. Each of the two project participants, the City and the City of Glendale, California, have an equal 50.000% entitlement share of this project. THP is a run of the reservoir hydroelectric facility, comprised of a powerhouse constructed at the base of the United States Bureau of Reclamation (USBR) Tieton Dam on the Tieton River in the State of Washington, on a 21 mile, 115 kV transmission line from the plant substation to the interconnection of the electrical grid. The powerhouse has a maximum capacity of 20 MW, with a nameplate capacity of 13.6 MW. USBR owns and operates the dam and controls the flows into the Tieton River from the Rimrock Lake reservoir, which was created by the dam. Average annual generation from this plant is approximately 48,000 megawatt hours (MWh). The City is also Tieton's operating agent.

Mead-Phoenix Project (MP)

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

Natural Gas Project (NGP)

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

SCPPA issued 2008 Bonds to provide monies for the refinancing of the City's share of the costs of acquisition and development of the NGP through the redemption of a portion of SCPPA's draw down bonds previously issued for the NGP.

SCPPA has sold entitlements to 100.000% of the production capacity of the NGP pursuant to separate gas sales agreements with the five participants - the City, and the Cities of Anaheim, Colton, Glendale and Pasadena. The participants are obligated to pay for such production capacity, including amounts required to pay debt service on bonds issued to finance their respective share of the NGP, on a "take or pay" basis. The City has 14.286% of entitlement shares in the Pinedale, Wyoming Subproject (2005 purchase), and 27.273% of entitlement shares in the Barnett, Texas Subproject (2006 purchase).

Hoover Uprating Project (HU)

On March 1, 1986, SCPPA and the City, and eight participants including the Cities of Anaheim, Azusa, Banning, Colton, Glendale, Pasadena, Riverside and Vernon entered into an agreement pursuant to which each participant assigned its entitlement to capacity and associated firm energy to SCPPA in return for SCPPA's agreement to make advance payments to the USBR on behalf of such participants. SCPPA has an 18.680% interest in the contingent capacity of the HU. All 17 "uprated" generators of the HU have commenced commercial operations. The City has a 15.957% (15 MW) ownership interest in this project.

Ameresco/Chiquita Landfill Gas Project

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

Don A Campbell Geothermal (aka Wild Rose)

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

Pebble Springs Wind Project

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

Copper Mountain 3 Solar Project

Copper Mountain 3 Solar Project is located near Boulder City, Nevada, approximately 25 miles southeast of Las Vegas, Nevada. The facility is the third phase of one of the largest photovoltaic solar facilities in the U.S. situated on about 1,400 acres of land.

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The City and the City of Los Angeles entered into a 20-year power sales agreement through SCPPA. The City's share of this project is 16.000% (40 MW) of the total capacity of 250 MW. The purchase of 40 MW of renewable energy output per year, or approximately 90,000 megawatt hours (MWh) annually, will enable Burbank to meet approximately 7 percent of BWP's resource requirements. In May 2014, ahead of schedule, the City began to receive solar energy output from Copper Mountain 3. The plant went from partial commercial operations to full commercial operations in 2015.

A summary of the City's contracts and related projects and its commitments at June 30, 2017 are shown below:

	City of Burbank portion *	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
Intermountain Power Project	3.371%	$ 38,420	$ 40,382
SCPPA: [1]			
Southern Transmission System	4.498%	24,322	29,885
Magnolia Power Project (Project A)	32.350%	94,709	133,681
Prepaid Natural Gas Project #1	33.000%	99,417	158,968
Milford I Wind Project	5.000%	9,360	12,979
Mead-Adelanto	11.534%	8,432	9,216
Palo Verde	4.400%	546	553
Tieton Hydropower Project	50.000%	23,980	42,028
Mead-Phoenix	15.400%	3,416	3,689
Natural Gas Project - Barnett	100.000%	15,644	22,066
Hoover Uprating Project	15.957%	341	350
Natural Gas Project - Pinedale	100.000%	5,051	7,124
SCPPA Total		$ 285,218	$ 420,537
Total		**$ 323,638**	**$ 460,920**

1) All SCPPA listed obligations are "take or pay" contracts except the Prepaid Natural Gas Project #1, a "take and pay" contract, and the Milford I Wind Project, a prepaid purchase power agreement.

*Burbank shares in % and amounts are estimated based on weighted average.

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FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

This page contains a schedule detailing the amount of principal and interest that is due and payable by the City as part of the joint power agency contracts, by project, in the fiscal year indicated (year ending June 30).

	2017/18		2018/19		2019/20	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Intermountain Power Project	$ 6,585	$ 964	$ 7,321	$ 935	$ 7,606	$ 421
SCPPA:						
Southern Transmission System	2,443	1,061	2,523	970	2,204	855
Magnolia Power Project (Project A)	2,239	3,138	2,342	3,032	2,455	2,919
Prepaid Natural Gas Project #1	1,520	5,025	1,777	4,943	2,127	4,843
Milford I Wind Project	481	451	504	427	529	402
Mead-Adelanto	2,128	358	2,213	250	2,306	137
Palo Verde	546	7	-	-	-	-
Tieton Hydropower Project	455	1,215	475	1,193	500	1,168
Mead-Phoenix	872	122	905	85	929	50
Natural Gas Project - Barnett	1,485	854	1,342	776	1,240	705
Hoover Uprating Project	341	9	-	-	-	-
Natural Gas Project - Pinedale	480	276	433	251	400	228
Total	**$ 19,574**	**$ 13,479**	**$ 19,836**	**$ 12,860**	**$ 20,295**	**$ 11,727**

	2020/21		2021/22		2022/27	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Intermountain Power Project	$ 7,372	$ (67)	$ 5,336	$ (191)	$ 4,200	$ (99)
SCPPA:						
Southern Transmission System	2,758	750	3,567	614	9,418	1,282
Magnolia Power Project (Project A)	2,573	2,798	2,701	2,672	17,403	11,652
Prepaid Natural Gas Project #1	2,549	4,720	2,950	4,576	21,207	19,975
Milford I Wind Project	555	375	582	348	3,364	1,270
Mead-Adelanto	1,785	39	-	-	-	-
Tieton Hydropower Project	525	1,142	553	1,113	4,115	4,979
Mead-Phoenix	711	16	-	-	-	-
Natural Gas Project - Barnett	1,160	639	1,096	577	4,691	2,053
Natural Gas Project - Pinedale	375	206	354	186	1,514	663
Total	**$ 20,363**	**$ 10,619**	**$ 17,139**	**$ 9,894**	**$ 65,913**	**$ 41,776**

	2027/32		2032/37		2037/42	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
SCPPA:						
Southern Transmission System	$ 1,407	$ 33	$ -	$ -	$ -	$ -
Magnolia Power Project (Project A)	22,598	8,451	42,397	4,309	-	-
Prepaid Natural Gas Project #1	36,043	12,685	31,244	2,785	-	-
Milford I Wind Project	3,346	345	-	-	-	-
Tieton Hydropower Project	4,420	3,808	5,640	2,557	7,298	873
Natural Gas Project - Barnett	3,904	795	726	22	-	-
Natural Gas Project - Pinedale	1,261	257	234	7	-	-
Total	**$ 72,979**	**$ 26,373**	**$ 80,241**	**$ 9,680**	**$ 7,298**	**$ 873**

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

	Total	
	Principal	Interest
Intermountain Power Project	$ 38,420	$ 1,962
SCPPA:		
Southern Transmission System	24,322	5,563
Magnolia Power Project (Project A)	94,709	38,972
Prepaid Natural Gas Project #1	99,417	59,551
Milford I Wind Project	9,360	3,619
Mead-Adelanto	8,432	784
Palo Verde	546	7
Tieton Hydropower Project	23,980	18,048
Mead-Phoenix	3,416	273
Natural Gas Project - Barnett	15,644	6,421
Hoover Uprating Project	341	9
Natural Gas Project - Pinedale	5,051	2,073
Total	**$ 323,638**	**$ 137,282**

Hedge Policies and Outstanding Hedge Contracts

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

Greenhouse Gas Cap-and-Trade Program

The State of California has implemented a greenhouse gas cap-and-trade program, under California Assembly Bill 32 (the California Global Warming Solutions Act of 2006), to reduce greenhouse gas emissions. At June 30, 2017, the City of Burbank has sufficient freely allocated greenhouse gas allowances for the current compliance period, as was the case for the prior compliance periods ending December 31, 2013 through 2016.

NOTE 13: Purchased Power and Fuel Expenses - Wholesale

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

The Electric Utility continues using the wholesale margin as an offset to its overall power supply expenses. Wholesale margins for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Wholesale Revenues	$ 23,512	27,150
Wholesale Costs	20,599	25,260
Wholesale Margin	$ **2,913**	**1,890**

NOTE 14: Deferred Inflows of Resources

On January 22, 2013 the Electric Utility was awarded a grant of $1,000 from the California Energy Commission (CEC) in support of the Department of Energy's systems' modernization capital projects funded during fiscal years 2010/11 through 2014/15. In fiscal year 2015/16 the CEC also awarded a grant for an additional $164 for installation of new electric vehicle charging stations. The Electric Utility is deferring payments received for these capital assets to match corresponding depreciation over their useful lives, as allowed by Accounting Standards Codification 980 rules under GASB 62. The Electric Utility recognized revenue and depreciation expense of expense of $44 for this fiscal year and $143 the prior fiscal year. The deferred CEC payments are $703 for this fiscal year, compared to $747 for the prior fiscal year.

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

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

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

The Electric Utility Fund's CEC payments are reported as regulatory credits in deferred inflows of resources, and as of June 30, 2017 are as follows:

Electric Utility Unearned / Deferred Revenue	2017	2016	2015	2014	Total
Ontario Substation aid-in-construction	$ 2,718	-	-	-	$ 2,718
Deferred aid-in-construction payments	**$ 2,718**	**-**	**-**	**-**	**$ 2,718**
Systems Modernization expenditures	-	-	432	568	**$ 1,000**
Deferred California Energy Commission (CEC) payments recognized	(44)	(143)	(94)	(16)	**(297)**
Deferred CEC payments	**$ (44)**	**$ (143)**	**$ 339**	**552**	**$ 703**
Deferred greenhouse gas allowance sales proceeds	**-**	**-**	**69**	**-**	**69**
Total Unearned / Deferred Electric Revenue	**$ 2,674**	**$ (143)**	**408**	**552**	**$ 3,490**

The Water Utility has recorded contributed assets from prior periods for the Burbank Empire Center and Bob Hope Airport of $3,651 and $1,078, respectively. During the fiscal year the Water Utility recognized revenue and depreciation expense of $118, respectively. For the fiscal year, the Water Utility's regulatory credits balance for the contributed assets is $3,009, compared to $3,127 for the prior fiscal year. These regulatory credits are reported as deferred inflows of resources.

NOTE 15: Retirement Plan

Pension Plans

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

1. Plan Descriptions

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

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

2. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to	On or After
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	19.95%	19.95%

3. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(B) Net Pension Liability

As of June 30, 2017 and 2016, 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, 2017	June 30, 2016
Electric Utility Fund	$ 71,305	$ 58,442
Water Utility Fund	11,197	9,177
Total Net Pension Liability	**$ 82,502**	**67,619**

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, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Electric and Water Utility Funds' proportionate share of the net pension liability was based on a projection of the Electric and Water Utility Funds' long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Utility's proportionate share of the net pension liability for the Miscellaneous Plan as of June 30, 2015 and 2016 measurement dates were as follows:

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

	Electric Utility	Water Utility
Proportion - June 30, 2015	34.96%	5.49%
Proportion - June 30, 2016	34.96%	5.49%
Change - Increase (Decrease)	0.00%	0.00%

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

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

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

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

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

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

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

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

For the year ended June 30, 2017, the City recognized a credit to pension expense for the Utility of $1,898. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Electric	Water	Electric	Water
Pension contributions subsequent to measurement date	$ 5,798	930		
Differences between actual and expected experience			4,133	649
Change in assumptions			1,906	300
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions				
Net differences between projected and actual earnings on plan investments	11,573	1,817		
Total	**$ 17,371**	**2,748**	**6,039**	**949**

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

$6,728 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, 2018. 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
2018	$ (2,259)	$ (355)
2019	(288)	(45)
2020	5,046	792
2021	3,035	476
2022	-	-
Thereafter	-	-
Total Deferred Inflows of Resources	$ 5,534	$ 868

1. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Mortality (2)	

(1) Varies by entry age and service.

(2) The probabilities of mortality are derived using CaslPERS 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 2013 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2007, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

a. Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

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 (PERF) 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 (11-60) years using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

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

		Utility
1% Decrease		6.65%
Net Pension Liability	$	125,482
Current Discount Rate		7.65%
Net Pension Liability	$	82,502
1% Increase		8.65%
Net Pension Liability	$	47,005

FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

2. *Pension Plan Fiduciary Net Position*

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

NOTE 16: Post-Retirement Health Care Benefits

In addition to providing pension benefits, the Electric and Water Utility Funds, as part of the City, provide certain health care benefits for retired employees. Burbank Employees Retiree Medical Trust (BERMT), a single employer, defined benefit plan, was established in April 2003 by the City to provide post-retirement medical benefits to all non-safety employees, including elected and appointed officials.

BERMT Plan provisions and contribution requirements are established by and may be amended by the BERMT board. Plan members are required to contribute fifty dollars per bi-weekly pay period, which the City matches. Eligibility for benefits require that members are retired, and have reached 58 with a minimum of 5 years of contributions into the plan. The benefit ranges from $150 to $630 in reimbursements per month based on years of service, for eligible medical expenses. BERMT is not subject to GASB 45 reporting.

Additional information regarding the health care benefits for retired employees can be found in the City's Comprehensive Annual Financial Report.

The Electric and Water Utility Funds, as part of the City, also make contributions for OPEB. The Electric and Water Utility Funds assume their share of OPEB costs based upon the results of actuarial studies. No separate obligations are calculated for the Electric and Water Utility Funds for the CalPERS Healthcare (PEMHCA); and accordingly, no obligation is presented herein.

In addition, the City entered into an agreement to provide certain OPEB to the IBEW employees on July 22, 2008. The agreement, known as the Utility Retiree Medical Trust (URMT), is for IBEW members and 12 management employees as a supplement to benefit payments from BERMT and PEMHCA. The total target benefit is $600/month for the fiscal year, including payments from BERMT, PEMHCA minimum and URMT. The Electric Fund's current prepaid unfunded portion of the IBEW OPEB follows:

Further information regarding the City's participation in OPEB may be found in the City's Comprehensive Annual Financial Report.

NOTE 17: Self-Insurance

URMT	2017	2016	2015	2014
Annual required contribution	$ 155	$ 20	$ 19	$ 123
Interest on net OPEB obligation/(asset)	(266)	(264)	(262)	(261)
Adjustment to annual required contribution	252	244	236	230
Annual OPEB cost	141	-	(7)	92
Contributions made	(155)	(20)	(19)	(108)
Decrease in net OPEB obligation	(14)	(20)	(26)	(16)
Net OPEB obligation/(asset) - beginning of year	**$ 3,665**	**$ 3,645**	**$ 3,619**	**$ 3,603**
Net OPEB asset - end of year *	**$ 3,679**	**$ 3,665**	**$ 3,645**	**$ 3,619**

*** Reported as Pension/OPEB Asset (noncurrent)**

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

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

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

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

NOTE 18: Contingencies

Potential Litigation

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

NOTE 19: Subsequent Events

In August 2017, the Electric Utility revenue bonds were upgraded by Moody's Investors Service from an 'A1' to 'Aa3' rating with a stable outlook.

In August 2017, SCPPA refinanced bond debt that resulted in reductions in total principal of $455 and total interest of $6,011, for a total debt savings of $6,466.

In December 2016, the CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

In July 2017, additional contributed funds of $3,722 (total of $6,440) were received for the portion of the Electric Utility's Ontario Substation project related to serving the proposed development of the Avion Burbank Project (see NOTE 14). The City Council approved construction of the project in September 2017.

In accordance with the City Charter, the City Council has a long standing practice of authorizing annual transfers from the Electric Enterprise Fund to the City's General Fund in the form of an in-lieu transfer of 5.0% and a street lighting transfer of 1.5% of the City's gross sales of electricity (exclusive of wholesale sales to other public or privately-owned utilities). The practice of transfers from the Electric Enterprise Fund to the General Fund was challenged by a plaintiff in a complaint filed in June of 2016, Christopher Matthew Spencer v. the City of Burbank (Case Number: BS162779). The case is still pending as the parties are providing additional briefings at the request of the court. For the fiscal year, the Electric Utility transferred $8,797 and $2,529 to the City's General Fund in the form of an in-lieu tax and a street lighting transfer, respectively.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 19, 2018 the date the financial statements were available to be issued.

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FISCAL YEAR ENDED JUNE 30, 2017 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2016)

* REQUIRED SUPPLEMENTARY INFORMATION *

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

ELECTRIC FUND

	2017	2016	2015
Plan's Proportionate Share of Net Pension Liability in %	34.96%	34.96%	34.96%
Plan's Proportionate Share of Net Pension Liability in $	$ 71,305	$ 58,442	$ 55,064
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	79%	80%
Covered-Employee Payroll	$ 29,407	$ 27,719	26,719
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	242%	211%	206%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 5,355	$ 4,788	$ 4,258

WATER FUND

	2017	2016	2015
Plan's Proportionate Share of Net Pension Liability in %	5.49%	5.49%	5.49%
Plan's Proportionate Share of Net Pension Liability in $	$ 11,197	$ 9,177	$ 8,647
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	79%	80%
Covered-Employee Payroll	$ 4,618	$ 4,353	4,196
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	242%	211%	206%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 841	$ 752	$ 669

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

Schedule of Plan Contributions - 2017

ELECTRIC FUND

	2017	2016	2015
Actuarially Determined Contribution	$ 5,798	$ 5,351	$ 4,738
Contributions in Relation to the Actuarially Determined Contribution	(5,798)	(5,351)	(4,738)
Contribution Deficiency (Excess)	$0	$0	$0
Covered-Employee Payroll *	$ 27,587	$ 29,407	$ 27,719
Contributions as a Percentage of Covered-Employee Payroll	21.02%	18.20%	17.09%

* Covered-employee Payroll is based on prior year and assumes a 3.30% to 14.20% payroll growth, depending on age, service and type of employment.

WATER FUND

	2017	2016	2015
Actuarially Determined Contribution	$ 930	$ 822	$ 751
Contributions in Relation to the Actuarially Determined Contribution	(930)	(822)	(751)
Contribution Deficiency (Excess)	$0	$0	$0
Covered-Employee Payroll *	$ 4,332	$ 4,618	$ 4,353
Contributions as a Percentage of Covered-Employee Payroll	21.47%	17.80%	17.25%

* Covered-employee Payroll is based on prior year and assumes a 3.00% payroll growth.

Schedule 1

ANNUAL ELECTRIC SUPPLY		
Fiscal Year ended June 30, 2017		
Resource	**MWh**	**Percentage**
Intermountain Power Project	352,430	30.7%
Hoover Uprating	18,500	1.6%
Palo Verde Nuclear	67,820	5.9%
Magnolia Power Project	336,970	29.4%
On-Site Generation	12,390	1.1%
Renewables[(1)]	359,940	31.4%
Total[(2)]	**1,148,050**	**100.0%**

[1] Renewable resources include the Southwest Wyoming Pleasant Valley Facility Wind Contract, Milford Phase I Wind Project, Tieton Hydropower Project, Pebble Springs Wind Project, Ameresco Chiquita Canyon Landfill Gas Project, Copper Mountain Solar Project, Don A. Campbell Geothermal Project, local generation from BWP Valley Pumping Plant, bio-methane gas, customer and utility solar installations, and an exchange agreement.

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

Schedule 2

CUSTOMERS, SALES, ELECTRIC REVENUES AND DEMAND					
Fiscal Years ended June 30					
	2013	**2014**	**2015**	**2016**	**2017**
Number of Retail Service:					
Residential	45,287	46,204	46,259	46,148	46,215
Commercial[1]	6,914	6,956	6,948	6,915	6,971
Large Commercial[1]	75	94	94	90	86
Total	**52,276**	**53,254**	**53,301**	**53,153**	**53,272**
Retail Kilowatt-hour Sales (millions)					
Residential	281	268	273	279	272
Commercial	529	535	545	538	533
Large Commercial	331	320	291	279	274
Total	**1,141**	**1,123**	**1,109**	**1,096**	**1,080**
Electric Revenues ($ in thousands):					
Retail	$ 167,828	$ 165,757	$ 172,344	$ 175,019	$ 175,964
Wholesale	$ 44,295	$ 50,151	$ 35,691	$ 27,150	$ 23,512
Other[2]	$ 8,509	$ 11,683	$ 11,529	$ 5,595	$ 5,912
Total	**$ 220,632**	**$ 227,592**	**$ 219,565**	**$ 207,763**	**$ 205,388**
Peak Demand (MW)	292	296	317	309	278

[1] Starting 2014, meter counts include standalone, totalized and submeters.

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

Schedule 3

SYSTEM WEIGHTED AVERAGE BILLING PRICE – ELECTRIC [1] (Cents per Kilowatt-hour)					
	Fiscal Years ended June 30				
	2013	2014	2015	2016	2017
Residential	15.13	15.33	15.81	16.16	16.51
Commercial	14.70	15.03	15.59	16.08	16.49
Large Commercial	13.20	13.15	13.95	14.31	14.55
System Weighted Average Electric Rate	14.37	14.57	15.21	15.65	16.01

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

Schedule 4

ANNUAL WATER SUPPLY Fiscal Year ended June 30, 2017		
Resource	Acre Feet (AF)	Percentage
Metropolitan Water	5,271	35.2%
Local Production – BOU	9,691	64.8%
Total	**14,962**	**100.0%**

Schedule 5

CUSTOMERS, WATER SALES, WATER REVENUES					
	Fiscal Years ended June 30				
	2013	2014	2015	2016	2017
Number of Water Service:					
Residential[1]	22,087	22,171	22,256	22,223	22,262
Commercial[2]	3,093	3,263	3,260	3,246	3,248
Large Commercial[2]	116	-	-	-	-
Other[3]	1,157	1,112	1,126	1,134	1,138
Recycled	142	158	184	217	228
Total	**26,595**	**26,704**	**26,826**	**26,820**	**26,876**
AF Sales Per Year:					
Potable					
Residential[1]	13,639	14,059	12,065	10,002	10,862
Commercial[2]	3,482	4,319	4,078	3,368	3,328
Large Commercial[2]	744	-	-	-	-
Other[3]	599	493	355	174	192
Recycled	1,588	2,370	2,282	2,709	3,004
Total in AF	**20,052**	**21,241**	**18,780**	**16,253**	**17,386**
Water Revenues ($ in thousands):					
Retail[4]	$ 26,727	$ 30,036	$ 26,930	$ 25,099	$ 27,836
Other[5]	$ 1,007	$ 1,265	$ 1,105	$ 4,013	$ 2,702
Total	**$ 27,734**	**$ 31,301**	**$ 28,036**	**$ 29,111**	**$ 30,538**
Maximum Demand Day (AF)	71.8	72.0	67.1	53.1	57.4

[1]Residential includes multi-family dwellings.
[2]Starting 2014, Commercial includes Large Commercial.
[3]Other includes city department water, school, fire protection, and miscellaneous users
[4]Potable and Recycled
[5]Other operating revenues include connection fees, recycled water credits and other miscellaneous revenues.

Schedule 6

WEIGHTED AVERAGE BILLING PRICE – WATER ($ per CCF[1])					
	Fiscal Years ended June 30				
	2013	**2014**	**2015**	**2016**	**2017**
Residential[2]	3.14	3.25	3.50	3.71	3.75
Commercial[3]	2.76	2.92	3.17	3.29	3.56
Large Commercial[3]	2.62	0.00	0.00	0.00	0.00
Weighted Average Water Rate	3.04	3.17	3.42	3.61	3.71

[1]CCF is one hundred of cubic feet; one AF is equal to approximately 435.6 CCF.

[2]Residential includes multi-family dwellings.

[3]Starting 2014, Commercial includes Large Commercial.