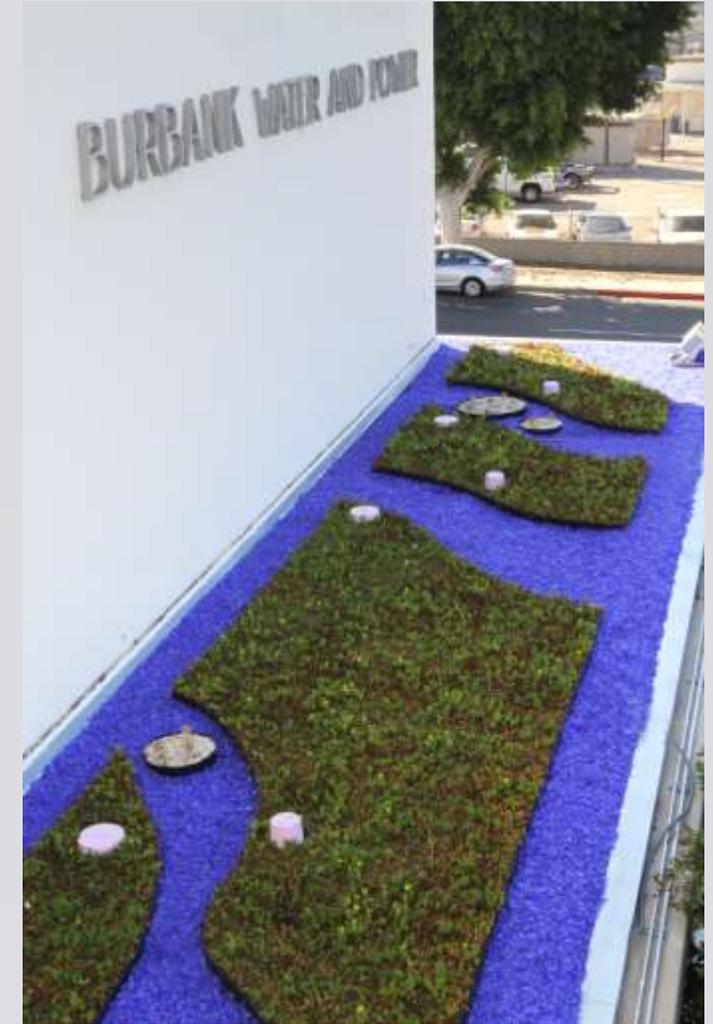


ANNUAL REPORT FISCAL YEAR 2019 - 2020

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CLA (CliftonLarsonAllen LLP)
2875 Michelle Drive
Suite 300
Irvine, CA 92606
714-978-1300 | fax 714-978-7893
CLAconnect.com

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, 2020, 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.

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, 2020, 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(C), the financial statements present only the Electric and Water Utility Enterprise Funds and do not purport to, and do not, present fairly the financial position of the City of Burbank as of June 30, 2020, 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, 2019 from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of net pension liability and related ratios of the defined benefit plans and the schedule of contributions of the defined benefit plans, the schedule of net OPEB liability and related ratios – PEMHCA Plan, the schedule of changes in net OPEB liability and related ratios – URMT Plan and the schedule of Plan contributions – OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
November 10, 2020

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

FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 (the fiscal year). Management encourages readers to utilize the information in the Management Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements and notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars. Totals may not foot due to rounding.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

Electric Utility Fund

Electric Utility Fund highlights:

- For the fiscal year, the Electric Utility's availability rate was 99.998%. The system average interruption was only 8.58 minutes per customer served. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.38 outages per customer served every year.
- The Electric Utility continues to maintain electric rate increases below the rate of inflation and Burbank's electric rates are amongst some of the lowest in the region. The City Council approved a 1% electric rate increase effective July 1, 2019.
- For the fiscal year, the Electric Utility's renewable energy resources made up 33.6% of its total retail sales. The Electric Utility is on track to meet the Renewables Portfolio Standard (RPS) of 33% for calendar year 2020.
- Total net position was higher by \$3,573, or 1.3%, compared to the prior fiscal year due to favorable operating results.



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

FISCAL YEAR ENDED JUNE 30, 2020

- In May 2020, Moody’s Investors Service affirmed Burbank CA Combined Utility Enterprise’s ‘Aa3’ rating.
- On June 1, 2020, the Electric Utility opted for an early redemption of the 2010A Electric Bonds to take advantage of interest rate savings. The Electric Utility paid \$10,090 from cash reserves for the full redemption of the 2010A Electric Revenue Bonds.

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Financial Analysis

Schedule of Revenues, Expenses, and Changes in Fund Net Position (\$ in thousands)			
	2020	2019	Incr. (Decr.)
Retail sales (in MWh)	1,019,371	1,060,549	(41,178)
Operating revenues:			
Retail	\$ 158,024	\$ 162,386	\$ (4,362)
Wholesale	15,442	21,791	(6,349)
Intergovernmental	94	94	-
Other revenues	7,180	8,410	(1,230)
Total operating revenues	<u>180,740</u>	<u>192,681</u>	<u>(11,940)</u>
Operating expenses:			
Power supply and fuel – retail	95,650	97,292	(1,642)
Purchased power and fuel – wholesale	14,126	20,273	(6,147)
Transmission expense	13,544	13,986	(442)
Distribution expense	12,535	10,739	1,796
Other operating expenses	24,712	24,167	545
Depreciation	20,162	18,281	1,881
Total operating expenses	<u>180,729</u>	<u>184,737</u>	<u>(4,008)</u>
Operating income	<u>11</u>	<u>7,943</u>	<u>(7,932)</u>
Nonoperating income (expenses):			
Interest income	3,330	4,205	(875)
Interest expense	(4,071)	(4,319)	247
Gain (loss) on disposal of capital assets	118	122	(3)
Other income (expenses), net	(1,816)	1,223	(3,040)
Total nonoperating income (expenses)	<u>(2,439)</u>	<u>1,231</u>	<u>(3,670)</u>
Income before contributions	<u>(2,428)</u>	<u>9,174</u>	<u>(11,602)</u>
Capital contributions and transfers:			
Capital contributions	6,361	8,180	(1,820)
Transfers from the City	1	-	1
Transfers to the City	(358)	-	(358)
Total capital contributions and transfers	<u>6,004</u>	<u>8,180</u>	<u>(2,177)</u>
Change in net position	<u>3,573</u>	<u>17,354</u>	<u>(13,780)</u>
Net position, beginning of year	282,913	265,559	17,354
Net position, end of year	<u>\$ 286,486</u>	<u>\$ 282,913</u>	<u>\$ 3,573</u>



**WATER AND
POWER**

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

FISCAL YEAR ENDED JUNE 30, 2020

Retail (primarily sales to residential and commercial customers) and wholesale revenues were the primary revenue sources for the Electric Utility. These revenues made up 96.0% of the Electric Utility's operating revenues. Retail energy sales decreased by 41,178 MWh, or 3.9%, compared to the prior fiscal year primarily attributable to the closing of businesses within Burbank due to the "Safer at home" order issued by Los Angeles County officials and California Governor Newsom on March 19, 2020. Retail revenues were lower by \$4,362, or 2.7%, resulting from lower demand.

Wholesale trading opportunities exist because the Electric Utility is able to market excess capacity, energy, and transmission. Wholesale margins of \$1,316 contributed to the Electric Utility's financial performance by increasing the Electric Utility's Operating income. Wholesale margins were \$1,518 in the prior fiscal year. The decrease in wholesale margin is attributable to excess generation throughout the state, low energy prices for part of the year coupled with lower demand due to milder temperatures in the region.

Other revenues consist of ONE Burbank revenues, transmission, telecommunications, and other miscellaneous revenues. These revenues were \$1,230, or 14.6%, lower than the prior fiscal year due to lower revenues from ONE Burbank, Low Carbon Fuel Standard (LCFS) Credits and Home Improvement Program. ONE Burbank is a fiber optic-based infrastructure program that includes dark fiber, carrier-class internet, and high-speed managed services for local Burbank businesses. During the fiscal year, the Electric Utility added thirty-one new ONE Burbank services, including nineteen new ONE Burbank customers. ONE Burbank generated revenues of \$3,800 this fiscal year, compared to \$3,984 the prior fiscal year. Sale proceeds from LCFS were also lower since the prior year included a prior period adjustment to the revenues. The California Air Resources Board initiated a program, LCFS Credits, to reduce carbon intensity in transportation fuels as compared to conventional petroleum fuels, such as gasoline and diesel. The Electric Utility, on behalf of the City of Burbank, opted into the LCFS program in 2015, and began accumulating credits in the first quarter of 2016. The

Electric Utility generates credits in two primary ways: providing electricity to residents through home electric vehicles (EV) charging and actual metered usage from workplace and public EV chargers. Participation decline in the Home Improvement Program, a joint sponsorship program, between the City and Southern California Gas Company (the Gas Company) has also resulted in lower reimbursement revenues from the Gas Company.

Retail power supply and fuel expenses were \$1,642, or 1.7%, lower than the prior fiscal year primarily because of lower retail demand and lower operations and maintenance expenses, offset by an increase in renewable resources and lower true up credits than the prior fiscal year.

Distribution expenses were \$1,796, or 16.7%, higher than the prior fiscal year primarily as a result of higher professional service expenses and lower amount of capital work performed than the prior year. Lower amount of capital work was attributable to lower resource availability as a result of the "Safer at home" order, thereby resulting in higher operations and maintenance expenses.

Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. For the fiscal year, depreciation expense was higher by \$1,881, or 10.3%, primarily as a result of placing the Ontario Distribution Station in service.

Interest income was \$875, or 20.8% lower. Prior year interest income included a significant increase in market value adjustment of investment holdings per GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". Interest income was also slightly lower due to lower cash balance, as compared to prior fiscal year.

Other expenses were \$3,040, or 248.4%, higher primarily as a result of unfunded pension liability pre-payment. In line with City of Burbank's pension prepayment plan, this fiscal year was the first year of the multi-year funding plan to reduce future pension obligations. Additional information can be found in Note 15 to the basic financial statements.



**WATER AND
POWER**

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

FISCAL YEAR ENDED JUNE 30, 2020

As of June 30, 2020, the Electric Utility had \$54,900 in outstanding revenue bonds. The bonds were issued for modernization, replacement and upgrades of the electric system, general plant, and other facilities (see Debt Administration). The Electric Utility paid \$4,071 in interest expense, compared to \$4,319 in the prior fiscal year.

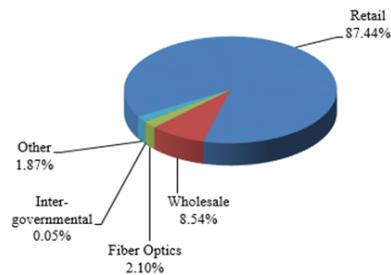
Capital contributions were \$1,820, or 22.2%, lower compared to the prior fiscal year. The prior fiscal year included higher capital contribution for the Ontario Distribution Station.

The Electric Utility Fund's net position as of June 30, 2020 and June 30, 2019 were as follows:

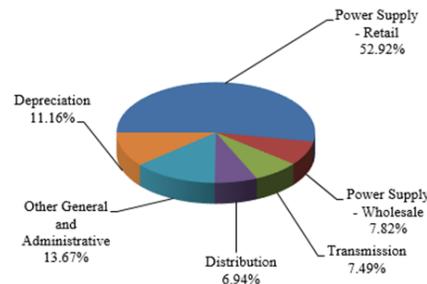
Schedule of Net Position (\$ in thousands)

	2020	2019	Incr. (Decr.)
Assets			
Current and regulatory assets	\$ 125,852	\$ 140,297	\$ (14,444)
Noncurrent and regulatory assets	3	43	(39)
Capital assets, net of accumulated depreciation	310,807	306,506	4,301
Total assets	436,662	446,845	(10,183)
Deferred outflows of resources			
Deferred outflows of resources	14,913	15,285	(373)
Total deferred outflows of resources	14,913	15,285	(373)
Liabilities			
Current liabilities	20,535	23,580	(3,045)
Noncurrent and regulatory liabilities	138,199	149,497	(11,298)
Total liabilities	158,734	173,077	(14,342)
Deferred inflows of resources			
Deferred inflows of resources	6,354	6,141	214
Total deferred inflows of resources	6,354	6,141	214
Net position			
Net investment in capital assets	258,563	230,655	27,908
Restricted for debt service	2,511	5,896	(3,386)
Unrestricted	25,412	46,362	(20,949)
Total net position	\$ 286,486	\$ 282,913	\$ 3,573

Operating Revenues



Operating Expenses



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

The highlight of changes in the Schedule of Net Position are decreases in the Current and regulatory assets and Current liabilities. The primary drivers of the decrease in the Current and regulatory assets by \$14,444 during the fiscal year are the payment of \$10,090 for full redemption of the 2010A Electric Bonds and a \$2,500 loan to the Water Utility Fund. The corresponding Noncurrent and regulatory liabilities decreased by the amount paid for the full redemption of the 2010A Electric Bonds. The increase in Capital assets is due to new capital investment, net of depreciation and retirement during the fiscal year. Information regarding the decrease in the deferred outflow of resources is explained in Note 16 to the basic financial statements.



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

FISCAL YEAR ENDED JUNE 30, 2020

Total net position was higher by \$3,573, or 1.3%, 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 \$258,563, or 90.3%, of total net position (see Capital Assets). The restricted net position of \$2,511, or 0.9%, was debt reserve requirements related to the Electric Revenue bonds (see Debt Administration). The unrestricted net position of \$25,412, or 8.9%, of total net position were funds available for future capital investments and maintenance activities.

Capital Assets

As of June 30, 2020, the largest portion of the Electric Utility Fund's total assets, \$310,807, or 71.2%, was invested in capital assets. The Electric Utility invested \$24,463 in the acquisition and construction of capital assets funded from cash reserves and Aid-in-Construction (AIC) funds. The majority of these investments were for expansion and replacement of the distribution system. These investments have resulted in improved efficiency and reliability of the Electric Utility.

The Electric Utility, in alignment with the Electric Distribution Master Plan, continued making strategic capital investments during the fiscal year to improve the robustness and reliability of the electric system. Some of the projects highlighted below include 4 kV to 12 kV conversions, cable installations, and the procurement of a mobile substation.

Converting 4 kV load to 12 kV is a capital investment strategy that helps BWP to manage its aging infrastructure by upgrading old 4 kV distribution equipment to new 12 kV standards and retiring old 4 kV substations, thereby enhancing system reliability and reducing long term costs. In addition, 12 kV conversions also improve grid efficiency by transmitting electricity at a higher operating voltage which significantly reduces power losses and translates to cost reduction.

The Electric Utility also increased the resiliency of its electric system through installation of distribution cable from its new Ontario substation and procurement of its mobile substation which was delivered in November 2019. In April 2020, due to an unexpected transformer failure which led to a complete substation outage, the Electric Utility quickly restored power to all customers within about 3 hours, which is an incredible feat for this type of system outage. Along with the ingenuity and steadfastness of its field crews and system operators, recent capital investments including the Ontario Substation completed in 2019 and installation of distribution circuit ties from the new station made it possible to minimize the outage by shifting electrical load to circuits from other substations. In addition, the Electric Utility deployed its new mobile substation before higher electrical loads in the summer arrived, reducing electrical stress on the remaining substation transformer and providing a fully redundant backup for the substation.

The City of Burbank, Public Works Department (PWD) owns and operates the Burbank Landfill Site Number 3 (Landfill). BWP has an interoffice agreement with PWD that allows BWP to utilize the gas generated at the Landfill exclusively for beneficial use or flaring. BWP installed microturbines to generate electric power from Landfill Gas (LFG) at the Landfill. BWP owned and maintained the microturbine system until 2014 when the microturbines reached their end of life. BWP subsequently performed a study and it was determined that renewable energy generation with modern microturbines would be the best alternative. The Landfill Generator upgrade project adds 800 kW of production capacity. The project enhances the City's environmental stewardship by reestablishing successful electrical generation from the LFG that is produced and collected at the Landfill. The microturbines and gas conditioning skid are fully operational and generating power for the Burbank Electrical System as of February 2020. The total project cost was \$3,670.

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



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

FISCAL YEAR ENDED JUNE 30, 2020

(\$ in thousands)

Build New Customer Transformer Stations, 750 kVA & Under	\$	4,302
4kV to 12kV Conversions		3,661
Overhead/Underground Distribution Lines		2,470
Landfill Generator Upgrade		2,176
Pacific Northwest DC Intertie		2,116
Distribution Substation Transformer Backup & Mobile Substation		2,097
Ontario Distributing Station		890
Golden State substation Transformer Replacement		620
Energy Control Center Renovation/Rebuild		562
Service Replacements		548
69 kV and 34.5 kV Line Replacements		512
Enterprise Data and Information Architecture Implementation		457
ONE Burbank Network Infrastructure Expansion		379
Electric Substations Equipment Replacement		372
Electric Vehicle Charging Program		365
Total	\$	21,528

The results of maintenance and pro-active capital investments are reflected in the exceptional system-wide reliability statistics. For the fiscal year, the Electric Utility’s availability rate was 99.998%, or in other words the average Burbank resident could expect to experience only one electric service outage of just 15.6 minutes every 2.6 years. The system average interruption was only 8.58 minutes per customer. A low frequency of outages helped minimize the system average outage duration. The Burbank outage frequency rate was approximately 0.38 outages per customer every year.

The American Public Power Association’s Reliable Public Power Provider (RP3) program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. In 2018, Burbank Water and Power was designated a Diamond Level utility, the highest RP3 designation. The RP3 application is carefully evaluated every three years to ensure that the criteria is relevant, thorough and is keeping up with industry trends and best practices.

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



WATER AND POWER

Debt Administration

As of June 30, 2020, the Electric Utility had \$54,900 in outstanding revenue bonds, of which \$1,090 will be due within a year. During the fiscal year, the Electric Utility opted for an early redemption of the 2010A Electric Bonds to take advantage of interest rate savings. In 2010, the City of Burbank issued the 2010A Electric Revenue Bonds with an early redemption option for bonds maturing after June 2020 on or after June 1, 2020. During the fiscal year, the Electric Utility fully redeemed the outstanding balance of the 2010A Electric Revenue Bonds in addition to the annual principal due of \$4,485. These bonds were issued for modernization, replacement and upgrades of the electric system, general plant, and other facilities.

In May 2020, Moody’s Investors Service affirmed Burbank CA Combined Utility Enterprise’s ‘Aa3’ rating. This rating action considers BWP's relatively small service territory, low debt levels, a history of effective wildfire mitigation and prevention programs, and a strong liquidity profile which reduces concerns around the utility's potential contingent liabilities related to wildfire and inverse condemnation risk. The rating action also acknowledges positive credit factors including BWP's historically sound financial performance, strong socioeconomic measures within its service territory and the Burbank City Council's demonstrated willingness to raise rates when needed. Additional information on long term debt can be found in Note 9 to the basic financial statements.

Environmental, Supply, and Economic Factors

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

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

FISCAL YEAR ENDED JUNE 30, 2020

Valley Pumping Station.

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

Projects	Source of Energy	County, State	In-service Date	Plant Capacity MW	Burbank's Capacity MW	Energy Received in MWh FY 19-20	% Total Retail Sales
Copper Mountain Solar 3	Solar	Clark County, Nevada	May 2014	250.000	40.000	99,970	9.8%
Biomethane gas	Biomethane		Jun 2011			68,721	6.7%
Morgan Stanley Exchange	Wind & Landfill Gas		Apr 2012			55,949	5.5%
Pebble Springs Wind	Wind	Gilliam County, Oregon	Feb 2009	98.700	10.000	24,717	2.4%
Don A. Campbell Geothermal	Geothermal	Mineral County, Nevada	Dec 2013	25.000	3.845	20,237	2.0%
Milford Wind I	Wind	Beaver and Millard Counties, Utah	Nov 2009	200.000	10.000	19,417	1.9%
Tieton Hydro power	Hydro	Yakima County, Washington	Mar 2009	13.600	6.800	17,689	1.7%
Renewable Certificate	Wind & Biomass	N/A	N/A	N/A	N/A	12,500	1.2%
Iberdrola Wind	Wind	Uinta County, Wyoming	Jul 2006	144.000	4.997	12,205	1.2%
Ameresco Chiquita Landfill	Landfill Gas	Los Angeles County, California	Nov 2010	10.000	1.667	7,249	0.7%
Customer Solar	Solar	Los Angeles County, California	Ongoing	1.500	1.500	2,391	0.2%
Burbank Landfill	Landfill Gas	Los Angeles County, California	Feb 2020	0.800	0.800	1,112	0.1%
Solar Demo	Solar	Los Angeles County, California	1998	0.500	0.500	262	0.0%
Micro Hydro	Hydro	Los Angeles County, California	2002	0.450	0.450	271	0.0%
Total						342,690	33.6%

The Burbank City Council approved to reduce Burbank’s participation in the renewal of the Intermountain Power Project from 35 megawatts (MW) to 28 MW (a 20% reduction) on July 23, 2019.

Negotiations with Los Angeles Department of Water and Power (LADWP), for several existing long-term Transmission Service Agreements, including those associated with Hoover Dam and IPP generation resources are ongoing. A one-year extension of the existing Hoover Transmission Service Agreement was approved by Burbank City Council on April 28, 2020. The IPP related Transmission Service Agreement expires in 2027.

LADWP, BWP and Glendale Water and Power (GWP), the IPP repowering participants are working together to create a detailed roadmap for green hydrogen production, storage, and power generation at IPP. In the medium-term, the participants are targeting 30% green hydrogen



combustion by July 2025, when the repowered project is scheduled to come on-line.

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 their obligations. Electric utilities can buy or sell the allowances to comply with the emission regulation. As of the end of calendar year 2019, the Electric Utility had an excess of about 300,000 GHG allowances. The closing price of the August 2020 auction was \$16.68 per allowance.

Southern California Gas Company (SoCal Gas) owns and operates the natural gas infrastructure in most of Southern California. This infrastructure supplies natural gas-fired power plants operated by Burbank Water & Power (BWP), Glendale Water & Power (GWP), LADWP, and others in the LA Basin. For many years, SoCal Gas has used its Aliso Canyon natural gas storage facility, located near Porter Ranch, California, to ensure reliable natural gas supply in the basin, including to these generators. Aliso Canyon is the largest such facility in the Western United States. On October 23, 2015, one of Aliso Canyon’s 114 wells began to leak and the facility was shut down and mostly emptied. The leak was plugged on February 18, 2016, after significant leakage of natural gas into the atmosphere. SoCal Gas, the California Governor’s Office, the California legislature, numerous federal and state agencies, electric utilities (including BWP), and other stakeholders have been working since the leak was discovered to understand the leak’s potential impact on electric reliability and develop mitigation plans. In this connection, action plans have been jointly developed by the California Public Utilities Commission (CPUC), the CEC, the

California Independent System Operator, SoCal Gas, and LADWP (together, the Aliso Working Group). On July 19, 2017, the CPUC and the Division of Oil, Gas, and Geothermal Resources cleared SoCal Gas to resume limited injections at the Aliso Canyon natural gas storage facility. It will now operate at approximately 28 percent capacity. Enhancements were implemented to improve the margin of safety at the State's direction. At the State's direction, the field will also be operated at a reduced pressure. In addition, SoCal Gas has implemented industry leading practices including enhanced training for employees and contractors, around-the-clock pressure monitoring of all wells in a 24-hour operations center, daily patrols to visually inspect every well four times a day, and daily infrared thermal scanning of each well.

Southern California continues to experience natural gas reliability and affordability challenges because of supply and demand mismatches. SoCal Gas' system capacity and supply are primarily a function of two components - transmission pipelines, which bring gas into and then transport it throughout the system; and underground natural gas storage connected to transmission pipelines near system load. While one component of the system's limited supply is the transmission pipeline reductions and outages, the other critical component is storage operating constraints from the CPUC restricting the use of the Aliso Canyon Storage Facility. The current effective withdrawal protocol is restrictive but is less restrictive than the previous protocol, in that Aliso Canyon was only allowed to be withdrawn from if curtailment was imminent, but now can occur under less acute circumstances. SoCal Gas Pipeline 235-5 returned to service at a reduced pressure on October 15, 2019 after a rupture occurred on the pipeline on October 1, 2017; however it was again removed from service on January 27, 2020 after a preliminary report was received indicating a single location that needed to be immediately remediated. The repair was completed, and the pipeline was returned to service at a reduced pressure on February 17, 2020. Following the Line 235-2 rupture, SoCal Gas reduced the pressure of Line 4000 because it is in the same "family" of pipelines as

Line 235-2. SoCal Gas lowered the pressure to increase the factor of safety on the pipeline until SoCal Gas can conduct further analysis of Line 4000 based on what is learned from Line 235-2. In addition, this increased safety margin and reduced the safety risk to employees working on Line 235-2, which is in close proximity to Line 4000 for the first five to six miles. Line 4000 was taken out of service on September 19, 2019 for validation digs. Line 4000 returned to service on October 24, 2019 at reduced pressure.

Water Utility Fund

Water Utility Fund highlights:

- The water production facilities and systems were very reliable with 6.8% of potable water unbilled, including losses, compared to the national average of approximately 16% and the state average of approximately 7.0%.
- Total net position was higher by \$1,400, or 2.3%, compared to the prior fiscal year due to favorable operating results.
- The Water Utility Fund pre-paid \$4,100 to Metropolitan Water District of Southern California (MWD) for 5,609 AF (acre feet) of imported water under the Cyclic Storage Program during the fiscal year, for future use. This investment is intended to mitigate future impacts of planned upgrade work at the Pacoima Spreading Grounds and higher priced untreated water. (See Environmental, Supply and Economic Factors).
- On June 1, 2020, the Water Utility opted for an early redemption of the 2010A Water Bonds to take advantage of interest rate savings. Water Utility paid \$2,065 from cash reserves for the full redemption of the 2010A Water Revenue Bonds.
 - Burbank's water rates are amongst some of the lowest in the region. The City Council approved a 4.9% water rate increase effective July 1, 2019.



**WATER AND
POWER**

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

FISCAL YEAR ENDED JUNE 30, 2020

Financial Analysis

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

	2020	2019	Incr. (Decr.)
Potable water (in AF)	15,009	14,871	138
Recycled water (in AF)	3,032	2,824	208
Operating revenues:			
Potable water sales	\$ 28,440	\$ 26,825	\$ 1,616
Recycled water sales	3,953	3,753	200
Intergovernmental	32	39	(7)
Other revenues	923	663	260
Total operating revenues	<u>33,349</u>	<u>31,280</u>	<u>2,069</u>
Operating expenses:			
Water supply expenses	12,994	11,892	1,102
Operations, maintenance and administration	12,085	10,986	1,099
Other operating expenses	2,062	1,795	267
Depreciation	4,072	3,929	143
Total operating expenses	<u>31,213</u>	<u>28,602</u>	<u>2,611</u>
Operating income	<u>2,136</u>	<u>2,678</u>	<u>(542)</u>
Nonoperating income (expenses):			
Interest income	492	546	(54)
Bond interest expense	(1,687)	(1,730)	42
Loan interest expense	(246)	(191)	(55)
Gain (loss) on disposal of capital assets	6	4	2
Other income (expenses), net	(14)	538	(552)
Total nonoperating income (expenses)	<u>(1,449)</u>	<u>(833)</u>	<u>(616)</u>
Income before contributions	<u>687</u>	<u>1,845</u>	<u>(1,158)</u>
Capital contributions and transfers:			
Capital contributions	727	606	121
Transfers to the City	(14)	-	(14)
Total capital contributions and transfers	<u>713</u>	<u>606</u>	<u>107</u>
Change in net position	<u>1,400</u>	<u>2,451</u>	<u>(1,051)</u>
Net position, beginning of year	60,789	58,338	2,450
Net position, end of year	<u>\$ 62,189</u>	<u>\$ 60,789</u>	<u>\$ 1,400</u>

Potable water sales were the primary source of revenue for the Water Utility. Potable water revenue made up 85.3% of the total Water Utility operating revenues. Potable water sales volume increased by 138 AF, or 0.9%, compared to the prior fiscal year due to lower rainfall. Burbank received 14.51 inches of rainfall this fiscal year compared to an average precipitation of 15.13 inches. Potable water revenues were higher by \$1,616, or 6%, compared to the prior fiscal year as a result of higher demand and a 4.9% rate increase that went into effect in July 2019.

Recycled water sales (in AF) made up 16.8% of total water sales. Increasing the use of recycled water for landscaping and industrial or commercial cooling towers helps make water availability in Burbank more sustainable. During the fiscal year, four new customer connections were added or converted from the potable to the recycled water system. Recycled water sales volume increased by 208 AF, or 7.4%. The prior fiscal year had lower recycled water sales due to the failure of pumps at the Beachwood Sewage Lift Station. The Beachwood Sewage Lift Station operated by the Burbank Public Works Department suffered a complete failure of their pumping capability on April 1, 2018. This station pumped approximately half of Burbank's sewage flow to the reclamation plant where recycled water is recovered. The flow was bypassed to Los Angeles for treatment. This situation significantly reduced the availability of recycled water and at certain times of the day required potable water to be added to the Recycled Water System. The pump station resumed operation in September 2019. Recycled water revenues were higher by \$200, or 5.3%, compared to the prior fiscal year as a result of higher sales volume and a 4.9% rate increase that went into effect in July 2019.

Other revenues include connection fees, recycled water credits and other miscellaneous revenues. These revenues were \$260, or 39.2%, higher than the prior fiscal year due to higher revenues from MWD's local resource program (LRP). MWD provides financial incentives for local resource development within MWD's service area for the purposes of improving regional water supply reliability.



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

FISCAL YEAR ENDED JUNE 30, 2020

Water supply expenses were higher by \$1,102, or 9.3%, compared to the prior fiscal year due to higher demand and MWD rate increases. MWD increased treated water rates by 3.4% and 2.7% in January 2019 and January 2020, respectively. The average cost of MWD’s treated water was \$1,064/AF, compared to \$1,033/AF in the prior fiscal year. MWD treated water made-up approximately 42.1% of the City’s potable water supply for the fiscal year compared to approximately 37.5% in the prior fiscal year. MWD water costs continue to be mitigated in part by the displacement of potable water by recycled water and by production at Burbank’s groundwater treatment facility known as the Burbank Operable Unit (BOU). The BOU supplied approximately 57.9% of the City’s potable water supply for the fiscal year compared to approximately 62.5% in the prior fiscal year. In April 2020, there was a fire at an electrical substation that supplies electricity to the BOU. The fire interrupted electrical service to the BOU shutting down water production for three days necessitating the purchase of additional water from MWD (see Environmental, Supply, and Economic Factors). The BOU ran at 68.0% of operating capacity for the fiscal year compared to the prior fiscal year’s capacity of 67.4%. The Water Utility purchased 6,600 AF of untreated water from MWD for groundwater storage and future BOU production; storing ground water drought proofs a significant portion of the City’s water supply. The average cost of MWD’s untreated water was \$743/AF, compared to \$713/AF in the prior fiscal year, an increase of 4.2%.

Operations, maintenance, and administrative expenses were \$1,099, or 10.0%, higher compared to the prior fiscal year. The higher expenses were largely attributed to higher professional service expenses.

Other operating expenses were \$267, or 14.8%, higher compared to the prior fiscal year. The higher expenses were largely attributed to higher expense allocation from the Electric Utility.

Other expenses were \$552, or 102.5%, higher primarily as a result of unfunded pension liability pre-payment. In line with City of Burbank’s pension prepayment plan, this fiscal year was the first year of the multi-year funding plan to reduce future pension obligations. Additional information can be found in Note 15 to the basic financial statements.

As of June 30, 2020, the Water Utility had \$27,945 in outstanding revenue bonds and \$5,973 in outstanding SWRCB loans (see Debt Administration). The Water Utility paid \$1,687 in bond interest expense, compared to \$1,730 in the prior fiscal year, and paid \$246 in loan interest expense, compared to \$191 in the prior fiscal year.

Capital contributions were \$121, or 19.9%, higher compared to the prior fiscal year, primarily due to capital contributions for the Burbank bridge replacement.



The Water Utility Fund’s net positions as of June 30, 2020 and June 30, 2019 were as follows:



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

FISCAL YEAR ENDED JUNE 30, 2020

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

	2020	2019	Incr. (Decr.)
Assets			
Current and regulatory assets	\$ 27,354	\$ 25,106	\$ 2,248
Noncurrent and regulatory assets	42	75	(33)
Capital assets, net of accumulated depreciation	93,804	94,618	(814)
Total assets	121,199	119,798	1,401
Deferred outflows of resources			
Deferred outflows of resources	2,323	2,391	(69)
Total deferred outflows of resources	2,323	2,391	(69)
Liabilities			
Current liabilities	4,437	4,503	(66)
Noncurrent and regulatory liabilities	53,273	53,129	144
Total liabilities	57,710	57,632	77
Deferred inflows of resources			
Deferred inflows of resources	3,621	3,769	(148)
Total deferred inflows of resources	3,621	3,769	(148)
Net position			
Net investment in capital assets	60,064	57,092	2,972
Restricted for debt service	91	182	(92)
Unrestricted	2,033	3,516	(1,483)
Total net position	\$ 62,189	\$ 60,789	\$ 1,400

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 \$1,400, or 2.3%, compared to the prior fiscal year (see Schedule of Revenues, Expenses, and Changes in Fund Net Position). A significant portion of the Water Utility’s total net position was in net investment in capital assets of \$60,064, or 96.6%, of total net position (see Capital Assets). The restricted net position of \$91, or 0.1%, was debt service fund requirements related to the Water Revenue bonds (see Debt Administration). The unrestricted net position of \$2,033, or 3.3%, of total net position were funds available for future capital investments and maintenance activities.

As of June 30, 2020, total assets increased by \$1,401, or

1.2%, primarily due to the purchase of cyclic storage water for future use (See Environmental, Supply and Economic Factors). Deferred outflows of resources as of June 30, 2020 decreased by \$69, or 2.9%, compared to the prior fiscal year primarily due to lower deferred amounts from pensions and Other Post-Employment Benefits (OPEB). Additional information on GASB Statement No. 68 and 75 as it relates to pensions and OPEB can be found in Note 16 and 17 to the basic financial statements. Total liabilities as of June 30, 2020 increased by \$77, or 0.1%, compared to the prior fiscal year. This increase was due to an increase in inter-fund loan payable, increases in customer deposits and accounts payable, offset partially by repayment of revenue bonds payable (see Debt Administration). During the fiscal year, the Water Utility Fund borrowed \$2,500 of inter-fund loan from the Electric Utility Fund for the purchase of cyclic storage water from MWD. Deferred inflows of resources as of June 30, 2020 decreased by \$148, or 3.9%, compared to the prior fiscal year primarily due to lower amounts deferred on pensions.

Capital Assets

As of June 30, 2020, the Water Utility Fund invested \$93,804, or 77.4%, of its total assets in capital improvements. Capital improvement programs are designed to upgrade, replace and expand the water system infrastructure, ensure reliability, and provide safe drinking water and services at competitive rates.

For the fiscal year, the Water Utility invested \$3,258 in the acquisition and construction of capital assets funded from cash reserves and AIC funds. The majority of the investments were for the replacement and upgrade of distribution of water mains, service expansions and meter replacements.

The Water Utility has on-going capital improvement programs, such as main, and service and meter replacement programs, which are designed to upgrade, replace and expand the water system infrastructure to ensure reliability, and to provide safe and accurately measured services. The water production facilities and systems were very reliable with 6.8% of unbilled



WATER AND POWER

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

FISCAL YEAR ENDED JUNE 30, 2020

water, including losses, compared to the national average of approximately 16% and the state average of approximately 7%. These ongoing and pro-active investments reflect the Water Utility’s goal of delivering competitive rates and safe drinking water with reliable production and distribution facilities.

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

(\$ in thousands)

Potable System Expansion	\$	639
Potable Large Water Mains		424
Recycled System Expansion		394
Potable Storage - Reservoirs and Tanks		352
Potable Meter Replacements		347
Potable Small Water Mains		244
Potable Transmission Main Valves Replacement		147
Potable Miscellaneous Facilities		125
Potable Hydrants Replacement		101
Total	\$	2,774

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

Debt Administration

As of June 30, 2020, the Water Utility had \$27,945 in outstanding revenue bonds, of which none will be due within a year. During the fiscal year, the Water Utility opted for early redemption of the 2010A Water Bonds to take advantage of interest rate savings. In 2010, the City of Burbank issued the 2010A Water Revenue Bonds with an early redemption option for bonds maturing after June 2020. Water Utility paid \$2,065 for the full redemption of 2010A Water Revenue Bonds in addition to the annual principal due of \$895.

The Water Utility received a total of \$9,254 in loans from the State Water Resources Control Board (SWRCB) for three recycled water transmission main extensions and a water pumping station beginning fiscal year 2011-12.



WATER AND POWER

All the SWRCB loans have 20-year repayment terms with an annual interest rate of 2.6%. As of June 30, 2020, there was \$5,973 outstanding in SWRCB loans, of which \$443 will be due within a year. The Water Utility repaid \$431 towards these outstanding loans this fiscal year.

During the fiscal year, the Water Utility Fund borrowed an additional \$2,500 of inter-fund loan from the Electric Utility Fund for the purchase of cyclic storage water from MWD. The interest rate for the loans is the City of Burbank’s pooled investment return rate. The payment term of the loan borrowed during the fiscal year is not to exceed four years. Additional information on Debt Administration 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 and pumping stations and redistributes it to the south. Water allocation from the SWP varies according to factors including reservoir storage, weather projections, and projected runoff into streams, reservoirs, and aquifers. These factors are impacted by precipitation that usually occurs from December through April, when California historically receives more than 90% of its snow and rain. On May 22, 2020, the Department of Water Resources (DWR) increased the SWP allocation amounts from 15 to 20% due to above-average precipitation in May. The May announcement was the final allocation update of 2020. SWP’s 2020 allocation amounts to 843,696 AF of water. Reservoir storage, snowpack, precipitation, and releases to meet local deliveries were among several factors used in determining allocations. This year’s snowpack is the 11th driest on record since 1950 and precipitation stands as the seventh driest on record since 1977. Thirty percent of California’s annual water supply comes from snowpack.

In 2017, MWD created a Cyclic Storage Program to store water supply that was in excess of MWD’s demand and

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

FISCAL YEAR ENDED JUNE 30, 2020

storage capacity. The program allowed MWD to deliver water in advance of demand to Member Agencies for storage in the groundwater basin. Member agencies participating in the program would be charged MWD's rate for full service untreated water in effect at the time the stored water was withdrawn and the water taken without affecting the capacity charge that would otherwise be in place. In December of 2018, BWP purchased 5,719 AF of Cyclic Storage Water (CSW) under this program. Due to the bountiful 2019 water year, the Cyclic Storage Water (CSW) was offered. During the fiscal year, the Water Utility made an advance payment of CSW to replaced planned purchases for FYs 21/22 and 22/23 of \$4,100 (5,609 AF for \$731/AF). Burbank intends to coincide the use of CSW with planned upgrade work at the Pacoima Spreading Grounds (PSG) that is currently anticipated to commence in the Fall of 2021 and finish in the Spring of 2023; any remaining CSW will be used to displace future higher priced untreated water. The PSG is where Burbank typically spreads annually about 6,600 AF of water for storage in the San Fernando Groundwater Basin. Burbank ratepayers will benefit from these advance purchases by avoiding MWD's future rate increases.

During this fiscal year, the construction of the "temporary interconnection" (LAIX) under the agreement between BWP and LADWP was completed. This temporary interconnection allows the Burbank Operable Unit (BOU) to maximize BOU capacity to benefit Burbank ratepayers when BWP demand is lower than BOU capacity, typically during winter months. The transfer agreement stipulates that LADWP will directly reimburse MWD for the treated water used to blend with the treated ground water and will reimburse BWP for their volumetric portion of the costs to operate, maintain, distribute and pump the water. The LAIX began normal operation in October 2019 and continues to date. During the fiscal year, 810.7 A.F. was delivered to LADWP through temporary interconnection.

In April 2020 there was a fire at an electrical substation that supplies electricity to the City ground water treatment plant and well field, also known as the BOU. The fire interrupted electrical service to the BOU shutting down water production for three days necessitating the purchase of additional water from MWD. The BOU was placed in service at half capacity for approximately three weeks before repairs could be completed and the BOU brought back to full capacity.

On October 23, 2018, America's Water Infrastructure Act (AWIA) was signed into U.S. Federal law. AWIA Section 2013 requires community drinking water systems serving more than 3,300 people to develop or update risk assessments and emergency response plans (ERP). The law specifies the components that the risk assessments and ERPs must address and establishes deadlines by which water systems must certify to U.S. Environmental Protection Agency completion of the risk assessment and ERP. The risk assessment was certified as complete on March 25, 2020. The findings of the risk assessment were incorporated into the updated emergency response plan, which was also certified as complete on September 24, 2020. The certifications were completed ahead of their respective deadlines. All requirements pertaining to AWIA have been fulfilled. The law requires community drinking water systems to perform risk assessments and update their ERPs every five years, with the next certification due in 2025.

Requests for Information

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



CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Position

June 30, 2020

(With comparative financial information for the year ended June 30, 2019)

(In Thousands)

Assets	Electric		Water	
	2020	2019	2020	2019
Current and regulatory assets:				
Cash and cash equivalents (note 2):				
General operating	\$ 46,226	61,975	7,295	10,293
Capital and debt reduction	10,000	10,000	2,220	2,220
General plant	800	800	-	-
Fleet replacement	2,210	2,210	-	-
Greenhouse gas credits' proceeds	69	69	-	-
Lower carbon fuel credits' proceeds	3,413	2,267	-	-
WCAC	-	-	-	162
Distribution mains	-	-	1,100	1,100
Total cash and cash equivalents	<u>62,719</u>	<u>77,320</u>	<u>10,615</u>	<u>13,775</u>
Accounts receivable, net (note 3)	14,930	13,482	3,834	3,108
Inventories (note 4)	7,102	7,538	623	3,790
Interfund receivable (note 11)	6,450	4,340	-	-
Deposits and prepaid expenses (note 5)	31,830	31,243	11,981	4,023
Interest receivable	259	403	40	59
Regulatory costs to be recovered in one year (note 6)	51	75	169	168
Restricted nonpooled investments (note 2)	2,511	5,896	92	182
Total current and regulatory assets	<u>125,852</u>	<u>140,297</u>	<u>27,354</u>	<u>25,106</u>
Noncurrent and regulatory assets:				
Regulatory costs for future recovery (notes 4, 6)	3	43	42	75
Total noncurrent and regulatory assets	<u>3</u>	<u>43</u>	<u>42</u>	<u>75</u>
Capital assets (note 7):				
Land	2,734	2,734	309	309
Rights to purchase power	1,335	1,335	-	-
Utility plant and buildings	518,636	490,837	158,535	153,415
Machinery and equipment	74,943	71,153	7,660	6,645
Construction in progress	34,020	41,898	4,541	7,541
Total utility plant and equipment	<u>631,668</u>	<u>607,957</u>	<u>171,045</u>	<u>167,910</u>
Less accumulated depreciation	<u>(320,861)</u>	<u>(301,451)</u>	<u>(77,241)</u>	<u>(73,292)</u>
Total capital assets, net	<u>310,807</u>	<u>306,506</u>	<u>93,804</u>	<u>94,618</u>
Total assets	<u>436,662</u>	<u>446,845</u>	<u>121,199</u>	<u>119,798</u>
Deferred outflows of resources:				
Deferred amounts from pensions (note 16)	13,795	14,603	2,230	2,298
Deferred amounts from OPEB (note 17)	1,118	682	93	93
Total deferred outflows of resources	<u>14,913</u>	<u>15,285</u>	<u>2,323</u>	<u>2,391</u>
Total assets and deferred outflows of resources	<u>\$ 451,575</u>	<u>462,131</u>	<u>123,522</u>	<u>122,189</u>

See accompanying notes to basic financial statements.

(Continued)

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Position

June 30, 2020

(With comparative financial information for the year ended June 30, 2019)

(In Thousands)

Liabilities	Electric		Water	
	2020	2019	2020	2019
Current liabilities:				
Accounts payable	\$ 5,714	5,949	2,028	1,437
Accrued expenses	1,910	819	-	-
Bond interest payable	284	344	136	147
Due to the City of Burbank	172	167	-	-
Customer deposits (note 10)	11,085	11,481	1,767	1,525
Current portion of revenue bonds payable, net (note 9)	1,090	4,485	-	895
Current portion of loan payable (note 9)	-	-	443	431
Current portion of compensated absences (note 9)	280	335	63	67
Total current liabilities	20,535	23,580	4,437	4,503
Noncurrent liabilities:				
Revenue bonds payable, net (note 9)	53,665	65,470	27,859	30,045
Loan payable (note 9)	-	-	5,530	5,973
Interfund payable (note 11)	-	-	6,450	3,950
Compensated absences (note 9)	6,214	5,414	865	750
Net OPEB liability (note 17)	3,382	5,387	455	913
Net pension liability (note 16)	74,938	73,226	12,114	11,499
Total noncurrent and regulatory liabilities	138,199	149,497	53,273	53,129
Total liabilities	158,734	173,077	57,710	57,632
Deferred inflows of resources:				
Deferred amounts on pensions (note 16)	3,414	5,184	552	814
Deferred amounts on OPEB (note 17)	2,450	373	415	20
Regulatory credits for future recovery (note 8)	-	-	-	162
Regulatory credits (note 14)	490	584	2,654	2,772
Total deferred inflows of resources	6,354	6,141	3,621	3,769
Net Position				
Net position:				
Net investment in capital assets	258,563	230,655	60,064	57,092
Restricted for debt service	2,511	5,896	92	182
Unrestricted	25,412	46,362	2,033	3,516
Total net position	\$ 286,486	282,913	62,189	60,789

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS
Statement of Revenues, Expenses and Changes in Fund Net Position
June 30, 2020
(With comparative financial information for the year ended June 30, 2019)
(In thousands)

	<u>Electric</u>		<u>Water</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating revenues:				
Sale of power-retail	\$ 158,024	162,386	-	-
Sale of power and fuel-wholesale (note 13)	15,442	21,791	-	-
Sale of water	-	-	32,394	30,578
Intergovernmental	94	94	32	39
Other revenues	7,180	8,410	923	663
Total operating revenues	<u>180,740</u>	<u>192,681</u>	<u>33,349</u>	<u>31,280</u>
Operating expenses:				
Power supply expenses-retail (note 12)	95,650	97,292	-	-
Purchased power and fuel expenses-wholesale (note 13)	14,126	20,273	-	-
Water supply expenses (note 1)	-	-	12,994	11,892
Water maintenance and operation expenses	-	-	12,085	10,986
Transmission expenses	13,544	13,986	-	-
Distribution expenses	12,535	10,739	-	-
Other operating expenses (note 1)	24,712	24,167	2,062	1,795
Depreciation	20,162	18,281	4,072	3,929
Total operating expenses	<u>180,729</u>	<u>184,737</u>	<u>31,213</u>	<u>28,602</u>
Operating income	<u>11</u>	<u>7,943</u>	<u>2,136</u>	<u>2,678</u>
Nonoperating income (expenses):				
Interest income	3,330	4,205	492	546
Bond interest expense	(4,071)	(4,319)	(1,687)	(1,730)
Loan interest expense	-	-	(246)	(191)
Gain (loss) on disposal of capital assets (note 1)	118	122	6	4
Other income (expenses), net (notes 14, 15)	(1,816)	1,223	(14)	538
Total nonoperating income (expenses)	<u>(2,439)</u>	<u>1,231</u>	<u>(1,449)</u>	<u>(833)</u>
Income before contributions	<u>(2,428)</u>	<u>9,174</u>	<u>687</u>	<u>1,845</u>
Capital contributions	6,361	8,180	727	606
Transfers from the City	1	-	-	-
Transfers to the City	(358)	-	(14)	-
Total capital contributions and transfers	<u>6,004</u>	<u>8,180</u>	<u>713</u>	<u>606</u>
Change in net position	3,573	17,354	1,400	2,451
Net position, July 1	<u>282,913</u>	<u>265,559</u>	<u>60,789</u>	<u>58,338</u>
Net position, June 30	<u>\$ 286,486</u>	<u>282,913</u>	<u>62,189</u>	<u>60,789</u>

See accompanying notes to basic financial statements

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Cash Flows

June 30, 2020

(With comparative financial information for the year ended June 30, 2019)

(In Thousands)

	Electric		Water	
	2020	2019	2020	2019
Cash flows from operating activities:				
Cash received from customers	\$ 179,153	193,760	32,666	31,438
Cash paid to suppliers	(104,638)	(151,142)	(22,815)	(18,510)
Cash paid to employees	(54,471)	(25,833)	(8,397)	(6,516)
Other income (expense)	(1,816)	1,240	(14)	572
Net cash provided by operating activities	<u>18,228</u>	<u>18,025</u>	<u>1,440</u>	<u>6,984</u>
Cash flows from noncapital financing activities:				
Payments received from other funds	-	280	-	-
Loans to other funds	(2,500)	(3,950)	-	-
Proceeds from other governmental agencies	94	94	32	39
Proceeds from other funds	390	-	2,500	3,950
Transfers to / from other funds	(357)	50	(14)	-
Net cash provided by (used in) noncapital financing activities	<u>(2,373)</u>	<u>(3,526)</u>	<u>2,518</u>	<u>3,989</u>
Cash flows from capital and related financing activities:				
Principal payments - bond	(15,889)	(4,280)	(2,960)	(860)
Interest paid	(3,442)	(4,336)	(1,797)	(1,733)
Contributed capital	6,361	8,180	727	606
Acquisition and construction of assets	(24,463)	(30,495)	(3,258)	(8,479)
Proceeds from sales of capital assets	118	122	-	-
Principal payments - loan payable	-	-	(431)	(421)
Net cash used in capital and related financing activities	<u>(37,315)</u>	<u>(30,809)</u>	<u>(7,719)</u>	<u>(10,887)</u>
Cash flows from investing activities:				
Interest received	3,474	4,205	511	545
Decrease in investments	3,388	-	91	-
Net cash provided by investing activities	<u>6,862</u>	<u>4,205</u>	<u>602</u>	<u>545</u>
Net increase (decrease) in cash and cash equivalents	(14,599)	(12,105)	(3,158)	631
Cash and cash equivalents - July 1	<u>77,320</u>	<u>89,425</u>	<u>13,775</u>	<u>13,145</u>
Cash and cash equivalents - June 30	<u>\$ 62,719</u>	<u>77,320</u>	<u>10,615</u>	<u>13,775</u>

See accompanying notes to basic financial statements.

CITY OF BURBANK
WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Cash Flows
June 30, 2020

(With comparative financial information for the year ended June 30, 2019)

(In Thousands)

	Electric		Water	
	2020	2019	2020	2019
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities :				
Operating income (loss)	\$ 11	7,943	2,136	2,678
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	20,162	18,281	4,072	3,929
Other income	1,173	1,240	605	572
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,448)	2,977	(726)	227
(Increase) decrease in due to/from City of Burbank	-	(4,164)	-	-
(Increase) decrease in inventories	436	(1,238)	3,167	(304)
(Increase) decrease in prepaid items	(587)	98	(7,959)	(3,989)
(Increase) decrease in deferred outflows	372	7,154	68	1,111
Change in reporting of operating / non-operating income	(3,085)	(182)	(891)	(260)
(Increase) decrease in deferred bond issuance costs	64	(297)	-	(37)
Increase (decrease) in accounts payable and accrued expenses	862	(3,320)	432	(420)
Increase (decrease) in interfund payable	-	-	-	3,950
Increase (decrease) in net pension and OPEB liability	(293)	(5,408)	157	(842)
Increase (decrease) in deferred inflows	307	(53)	133	(308)
Increase (decrease) in compensated absences	745	598	111	(73)
Increase (decrease) in unearned revenue	-	(6,440)	(118)	(118)
Increase (decrease) in customer deposits	(396)	2,179	253	867
Increase (decrease) in deferred revenue	(94)	(1,343)	-	-
Total adjustments	<u>18,218</u>	<u>10,081</u>	<u>(697)</u>	<u>4,306</u>
Net cash provided by operating activities	<u>\$ 18,228</u>	<u>18,025</u>	<u>1,440</u>	<u>6,984</u>
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	<u>\$ 1,182</u>	<u>1,895</u>	<u>205</u>	<u>285</u>

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 and deferred outflows / inflows of resources. Accrual accounting also reports all of the revenues and costs of providing services each fiscal year, not just those received or paid in the current fiscal year or soon thereafter.

The basic financial statements include the following:

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

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

Statement of Revenues, Expenses and Changes in Fund Net Position

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

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

(B) Basis of Presentation

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

C) Reporting Entity

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



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

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

(D) New Accounting Pronouncements

Current Year Standards

- GASB (Government Accounting Standards Board) 95— *Postponement of the Effective Dates of Certain Authority Guidance*, effective during fiscal year 2019-20 and resulted delaying the implementation requirements for certain Statements and Implementation Guides to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.
- GASB 97— *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement*

No. 32, effective for fiscal years beginning after June 15, 2021, paragraphs 4 and 7. The requirements of these paragraphs did not impact the City.

Pending Accounting Standards

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

- GASB 84 — *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2019.
- GASB 87— *Leases*, effective for periods beginning after June 15, 2021.
- GASB 89— *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2020.
- GASB 90— *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for reporting periods beginning after December 15, 2019.
- GASB 91— *Conduit Debt Obligations*, effective for reporting periods beginning after December 15, 2021.
- GASB 92— *Omnibus 2020*, primarily effective for reporting periods beginning after June 15, 2020.
- GASB 93— *Replacement of Interbank Offered Rates*, effective for periods beginning after June 15, 2021.



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- GASB 94—*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022.
- GASB 96—*Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022.
- GASB 97—*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for fiscal years beginning after June 15, 2021, except for the requirements of paragraph 4.

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 18, Self-Insurance, for additional information on the City’s self-insurance programs.

(F) Capital Assets

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at acquisition value at the date of donation. The threshold for capitalizing assets is \$5 or greater, except for betterments which could be less. When items are sold or retired, related gains or immaterial losses are included in nonoperating income (expenses). Material losses on retirements are reported as regulatory assets, as provided by GASB Statement No. 62, to be collected from future ratepayers. There are no material losses on retirements as of June 30, 2020. Maintenance and repairs that do not add value to or materially extend useful lives of assets are expensed as incurred. Improvements to plant and equipment are capitalized. Major outlays for capital assets

and improvements are capitalized as projects are constructed. 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	30 years
Electric Meters	10 years
Machinery and Equipment (except vehicles)	5 to 40 years
Office Equipment	5 years
Poles, Towers, and Fixtures	30 to 40 years
Production Plant	20 to 40 years
Reservoirs and Tanks	40 years
Transformers	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, 2020, 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).



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FISCAL YEAR ENDED JUNE 30, 2020 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2019)

(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 expense 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.



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

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

(P) Prior Year Data

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

(Q) Pensions

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

(R) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB

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

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Unrestricted cash and investments	\$ 62,719	10,615	\$ 73,333
Restricted investments	2,511	92	2,602
Total	\$ 65,229	10,706	\$ 75,935
Cash on hand	\$ 14	-	\$ 14
Held by fiscal agent	2,511	92	2,602
Equity in City investment pool	62,705	10,615	73,320
Total	\$ 65,229	10,706	\$ 75,935

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

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

BWP has no separate bank accounts or investments other than investments held by bond trustee and BWP's equity



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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 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.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Investments held by fiscal agents consists mostly of money market mutual funds, which are due in less than one year.

Disclosures Relating to Credit Risk

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

stipulated by the Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The amount of deposits are covered by FDIC (Federal Insurance Deposit Corporation) insurance or collateralized under California law.

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

Fair Value Measurements

The City's investments are reported at fair value. The City categorizes its fair values measurement within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the relative inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets.



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Level 2 inputs are quoted prices of similar assets in active markets and Level 3 inputs are significant unobservable inputs. Investments held by fiscal agent are not subject to fair value hierarchy.

NOTE 3: Accounts Receivable

Accounts receivable for the Electric and Water Utility Funds as of June 30, 2020 and 2019 are:

	Electric		Water	
	2020	2019	2020	2019
Billed accounts receivable	\$ 9,264	\$ 7,218	\$ 2,244	\$ 1,529
Unbilled accounts receivable	6,192	6,447	1,705	1,602
Allowance	(525)	(183)	(115)	(23)
Total	\$ 14,930	13,482	3,834	3,108

Accounts receivable, net for the Electric and Water Funds increased by \$1,448 and \$726, respectively, from the prior fiscal year. The increases are partially due to the economic impact of Governor Newsom’s Stay at Home and Public Health Executive Order N-33-20, executed in March 2020, on local commercial businesses’ and City residents’ ability to pay for electric and water services. For the Electric Fund, \$495 of its \$1,448 increase is due to year-end accruals of wholesale power sales; and for the Water Fund, \$308 of its \$726 is due to a June 2020 billing for aid-in-construction revenue.

NOTE 4: Inventories

Inventories for the Electric and Water Utility Funds as of June 30, 2020 and 2019 are:

	Electric		Water	
	2020	2019	2020	2019
Materials and supplies inventory	\$ 7,102	7,538	623	578
Ground water inventory	-	-	-	3,212
Total	\$ 7,102	7,538	623	3,790

During the fiscal year, the ground water inventory balance of \$3,212 for the Water Utility was reclassified and is reported in Prepaid expense. See Note 5 for further information.

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of \$31,830 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses includes a \$17,163 deposit with Southern California Public Power Authority (SCPPA) for future use in projects, a \$10,350 prepayment to the SCPPA Natural Gas Reserve for future gas deliveries, a \$2,870 deposit with SCPPA as a fuel reserve for the Magnolia Power Project (MPP), \$1,021 in various prepaid renewables, and \$314 in administrative prepaid expenses. 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, 2020, the Electric Fund amortized \$75 on this prepaid lease, leaving a balance of \$112.

The Water Utility Fund shows a total of \$11,981 in deposits and prepaid expenses for the fiscal year ended June 30, 2020, compared to \$4,023 for the prior fiscal year. The composition of these prepaid expenses include \$8,074 of prepaid CSW for future use that includes the previous advance payment of \$3,975 (5,718.7 AF for \$695/AF) from the prior year, and the current advance payment of \$8,924 (12,208.5 AF for \$731/AF), reduced by \$4,182 or 9,328.3 AF for use during the fiscal year; the ground water inventory balance of \$3,212 from the prior fiscal year (see Note 4); and \$52 for other administrative prepaid expenses.

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, 2020 and 2019 are \$54



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and \$118, and \$210 and \$243, respectively. During the fiscal year, the Electric and Water Utility's 2010A Series Bonds were paid in full, and the remaining bond issuance costs were fully amortized. The Water Utility's 2010B Series Bonds' term is 30 years.

NOTE 7: Capital Assets

Electric	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
Capital assets not being depreciated:				
Land	\$ 2,734	-	-	\$ 2,734
Construction in progress	41,898	25,743	(33,621)	34,020
Total capital assets not being depreciated	44,632	25,743	(33,621)	36,754
Capital assets being depreciated:				
Rights to purchase power	1,335	-	-	1,335
Accumulated depreciation	(842)	-	(64)	(906)
Buildings and improvements	490,837	31,118	(3,319)	518,636
Accumulated depreciation	(244,891)	(15,211)	675	(259,427)
Machinery and equipment	71,153	4,959	(1,169)	74,943
Accumulated depreciation	(55,718)	(4,951)	141	(60,528)
Total capital assets being depreciated, net	261,874	15,915	(3,736)	274,053
Total net capital assets	\$ 306,506	41,658	(37,357)	\$ 310,807

Water	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
Capital assets not being depreciated:				
Land	\$ 309	-	-	\$ 309
Construction in progress	7,541	3,405	(6,405)	4,541
Total capital assets not being depreciated	7,850	3,405	(6,405)	4,850
Capital assets being depreciated:				
Buildings and improvements	153,415	5,249	(129)	158,535
Accumulated depreciation	(68,242)	(3,606)	123	(71,725)
Machinery and equipment	6,645	1,072	(57)	7,660
Accumulated depreciation	(5,050)	(466)	-	(5,516)
Total capital assets being depreciated, net	86,768	2,249	(63)	88,954
Total net capital assets	\$ 94,618	5,654	(6,468)	\$ 93,804

Pacific DC Intertie

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

During the fiscal year, the Electric Utility invested \$2,136 in betterments for its share of the Intertie; and accrued capitalized assets of \$179, and \$13 in accumulated depreciation and depreciation expense. These capital improvements are expected to continue until 2024.

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 \$0 and \$162 at June 30, 2020 and 2019, respectively, and is reported in deferred inflows of resources. During the fiscal year the Water Utility under collected revenues from its customers.

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



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(A) Loan Payable

<u>Water Loan Payable</u>	<u>2020</u>	<u>2019</u>
This SWRCB Loan was issued for the purpose of upgrading the Recycled Water Pumping Station PS-1 project to create capacity needed to distribute recycled water to new users. The cost of the project is \$1,916, of which \$521 is funded by the SWRCB loan. The interest rate is 2.6%, with the principal to be repaid no later than November 2030.	\$ 330	\$ 356
Less current portion	(26)	(26)
Total for Recycled Water Pumping Station	304	330
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.	2,314	2,494
Less current portion	(185)	(180)
Total for Valhalla Recycled Water Main Extension	2,129	2,314
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.	2,089	2,236
Less current portion	(151)	(147)
Total for Studio District Recycled Water Main Extension	1,938	2,089
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.	1,239	1,318
Less current portion	(81)	(79)
Total for Northern Burbank Main Extension	1,158	1,239
Total long-term intergovernmental loan payments	\$ 5,530	\$ 5,973

A schedule of aggregate maturities, including interest, on the intergovernmental loans payable subsequent to June 30, 2020 is as follows:

SWRCB Loan for the Studio District Recycled Water Main Extension	Water		
	Principal	Interest	Total
2021	151	54	205
2022	154	50	204
2023	159	46	205
2024	163	42	205
2025	167	38	205
2026-2030	902	123	1,025
2031-2032	393	15	408
	\$ 2,089	368	\$ 2,457

SWRCB Loan for the Northern Burbank Main Extension	Water		
	Principal	Interest	Total
2021	81	32	113
2022	83	30	113
2023	86	28	114
2024	88	26	114
2025	90	23	113
2026-2030	487	81	568
2031-2033	324	17	341
	\$ 1,239	237	\$ 1,476



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SWRCB Loan for the Recycled Water Distribution System			
	Water		
	Principal	Interest	Total
2021	26	9	35
2022	27	8	35
2023	28	7	35
2024	28	6	34
2025	29	6	35
2026-2030	158	17	175
2031	34	1	35
	\$ 330	54	\$ 384

SWRCB Loan for the Valhalla Recycled Water Main Extension			
	Water		
	Principal	Interest	Total
2021	184	60	244
2022	189	55	244
2023	194	50	244
2024	199	45	244
2025	204	40	244
2026-2030	1,104	119	1,223
2031	238	6	244
	\$ 2,314	375	\$ 2,687

Series bonds were paid in full.

	Electric	
	2020	2019
2010A Series Bonds:		
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 ranged from 3.00% to 5.00%. Payments were made semiannually on June 1 and December 1. These bonds were paid off in May 2020. The bonds were 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.	\$ -	\$ 13,535
Less:		
Current portion	-	(3,445)
Original issue discount/premium		163
Long-term Bonds Series A of 2010	\$ -	\$ 10,253

	Electric	
	2020	2019
2010B Series Bonds:		
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
Less:		
Current portion	-	-
Original issue discount/premium	(198)	201
Long-term Bonds Series B of 2010	\$ 52,467	\$ 52,866

(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. During the fiscal year, the Electric and Water 2010A



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	Electric	
	2020	2019
2012 Series A Bonds:		
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.	\$ 2,235	\$ 3,275
Less:		
Current portion	(1,090)	(1,040)
Original issue discount/premium	53	115
Long-term Bonds Series A of 2012	\$ 1,198	\$ 2,350
Total Electric long-term revenue bonds payable	\$ 53,665	\$ 65,470

	Water	
	2020	2019
2010A Series Bonds:		
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 ranged from 2.00% to 5.00%. Payments were made semiannually on June 1 and December 1. These bonds were paid off in May 2020. The bonds were 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.	\$ -	\$ 2,960
Less:		
Current portion	-	(895)
Original issue discount/premium	-	128
Long-term Bonds Series A of 2010	\$ -	\$ 2,193

	Water	
	2020	2019
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
Less:		
Current portion	-	-
Original issue discount/premium	(86)	(93)
Long-term Bonds Series B of 2010	\$ 27,859	\$ 27,852
Total Water long-term revenue bonds payable	\$ 27,859	\$ 30,045

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, 2020 is as follows:

	Electric		Water		Total
	Principal	Interest	Principal	Interest	
2021	1,090	3,406	-	1,568	6,065
2022	1,145	3,352	-	1,568	6,066
2023	-	3,295	850	1,568	5,714
2024	2,210	3,295	1,050	1,527	8,082
2025	2,295	3,160	1,085	1,475	8,015
2026-2030	12,950	13,573	6,020	6,456	38,999
2031-2035	15,830	9,211	8,355	4,549	37,945
2036-2040	19,380	3,775	10,585	1,885	35,625
Total	\$ 54,900	43,069 ⁽¹⁾	27,945	20,596	\$ 146,510

⁽¹⁾ Electric Series 2010B Bonds are Build America Bonds. \$42,900 of the Electric interest shown is gross of the expected receipt of Federal Subsidy equal to 35% of the interest payment due.



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(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 19-20 Net Revenue Pledged	Total Bond Principal Debt	Total Bond Interest Debt	Principal Paid this Fiscal Year	Interest Paid this Fiscal Year	
Electric Utility	\$ 20,173	54,900	43,069	14,575	4,071	(1)
Water Utility	\$ 6,208	27,945	20,596	2,960	1,687	(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, 2020:

	July 1, 2019	Additions	Retirements	July 1, 2020	Due within 1 Year
Revenue Bonds Payable:					
2010 Series A Bonds	\$ 13,535	-	(13,535)	-	\$ -
2010 Series B Bonds	52,665	-	-	52,665	-
2012 Series A Bonds	3,275	-	(1,040)	2,235	1,090
Compensated Absences	5,749	3,558	(2,813)	6,494	280
	\$ 75,224	3,558	(17,388)	61,394	\$ 1,370
Less current portion	(4,820)			(1,370)	
Less unamortized bond premium (discount)	480			(145)	
Total	\$ 70,884			\$ 59,879	

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2020:

	July 1, 2019	Additions	Retirements	July 1, 2020	Due within 1 Year
Loans and Revenue Bonds Payable:					
Intergovernmental Loan Payable	\$ 356		(26)	330	\$ 26
Intergovernmental Loan Payable	2,494		(180)	2,314	184
Intergovernmental Loan Payable	2,236		(147)	2,089	151
Intergovernmental Loan Payable	1,318		(79)	1,238	81
2010 Series A Bonds	2,960		(2,960)	-	-
2010 Series B Bonds	27,945		-	27,945	-
Compensated Absences	817	537	(425)	928	63
	\$ 38,124	537	(3,816)	34,844	\$ 506
Less current portion	(1,393)			(506)	
Less unamortized bond premium (discounts)	37			(86)	
Total	\$ 36,768			\$ 34,254	

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, 2020 and 2019 is \$6,990 and \$6,069, respectively.

NOTE 11: Related Party Transactions

The City allocates certain administrative and overhead costs to the Electric and Water Utility Funds in the other operating expenses category. These costs for the years ended June 30, 2020 and 2019 were as follows:



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		Electric		Water	
		2020	2019	2020	2019
Administrative and overhead costs	\$	6,087	5,992	2,070	1,999
Total	\$	6,087	5,992	2,070	1,999

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, 2020 and 2019 is as follows:

		Electric	
		2020	2019
Utility Users Tax	\$	10,461	10,856
Total	\$	10,461	10,856

In addition the City receives a 7% In-lieu of Taxes on electric retail revenues that is not reflected in the Electric Fund's financial statements; it is recorded directly into the General Fund. This tax for the year ended June 30, 2020 is Electric in-lieu of \$8,638 and Street Lighting in-lieu of \$2,356.

A loan balance owed to the Electric Utility from the Street Lighting Fund has been recorded as Due from the City. In FY 2011-12, the original loan amount was \$1,053. During the fiscal year \$390 was paid from the Street Lighting Fund to the Electric Fund, and the loan was paid in full.

During the fiscal year, the Water Utility borrowed \$2,500 from the City for the purchase of cyclic storage water from MWD. The interest rate for this loan is the City's pooled investment return rate with a term not to exceed 4 years. Last fiscal year, the Utility borrowed \$3,950 from the City, also for the purchase of cyclic storage water from MWD. The interest rate for this loan is at the City's pooled investment return rate with payment terms not to exceed August 2027. The loan payable balance at fiscal year-end is \$6,450.

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 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.



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During the fiscal years ended June 30, 2020 and 2019, the Electric Fund made payments totaling \$58,243 and \$55,239 for "take or pay" contracts, respectively, and \$16,071 and \$19,015 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 or 3.371% of the 1,800 MW of generation at the plant. In addition, the City entered into an Excess Power Sales Agreement, also on a "take or pay" contract, with Utah municipal and cooperative IPP purchasers, which provides for the City to obtain up to an additional 0.797% (14 MW) when not used by the Utah municipal or cooperative IPP purchasers.

(b) Southern California Public Power Authority (SCPPA)

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

Southern Transmission System Project (STS)

Pursuant to an agreement dated May 1, 1983 with the IPA, SCPPA made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the STS, which

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

Magnolia Power Project (MPP)

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

Prepaid Natural Gas Project (PNGP)

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

The City's natural gas supply agreement with SCPPA is expected to provide approximately one-fourth of the City's gas requirements for MPP. The City has no obligation under the natural gas supply agreement to pay



for gas not delivered.

Milford I Wind Project (M1WP)

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

Mead-Adelanto Project (MA)

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

Tieton Hydro Project (THP)

This facility was acquired by SCPPA in November 2009 with 100.000% of entitlement shares. Each of the two project participants, the City and the City of Glendale, California, have an equal 50.000% entitlement share of this project. THP is a run of the reservoir hydroelectric facility, comprised

of a powerhouse constructed at the base of the United States Bureau of Reclamation (USBR) Tieton Dam on the Tieton River in the State of Washington, on a 21 mile, 115 kV transmission line from the plant substation to the interconnection of the electrical grid. The powerhouse has a maximum capacity of 20 MW, with a nameplate capacity of 13.6 MW. USBR owns and operates the dam and controls the flows into the Tieton River from the Rimrock Lake reservoir, which was created by the dam. Average annual 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



**WATER AND
POWER**

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on bonds issued to finance their respective share of the NGP, on a "take or pay" basis. The City has 14.286% of entitlement shares in the Pinedale, Wyoming Subproject (2005 purchase), and 27.273% of entitlement shares in the Barnett, Texas Subproject (2006 purchase).

Ameresco/Chiquita Landfill Gas Project

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

Don A Campbell Geothermal (aka Wild Rose)

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

Pebble Springs Wind Project

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

Copper Mountain 3 Solar Project

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

Vegas, Nevada.

The facility is the third phase of one of the largest photovoltaic solar facilities in the U.S. situated on about 1,400 acres of land. The City and the City of Los Angeles entered into a 20-year power sales agreement through SCPPA. The City's share of this project is 16.000% (40 MW) of the total capacity of 250 MW. In May 2014, ahead of schedule, the City began to receive 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, 2020 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%	\$ 15,509	\$ 14,758
SCPPA: ⁽¹⁾			
Southern Transmission System	4.498%	14,277	16,543
Magnolia Power Project (Project A)	32.350%	26,236	40,290
Prepaid Natural Gas Project #1	33.000%	91,445	133,791
Milford I Wind Project	5.000%	5,297	6,705
Tieton Hydropower Project	50.000%	17,148	26,492
Natural Gas Project - Barnett	100.000%	10,417	14,167
Natural Gas Project - Pinedale	100.000%	3,363	4,574
SCPPA Total		168,183	242,562
Total		\$ 183,692	\$ 257,320

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

⁽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.

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



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	2020/21		2021/22		2022/23	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	\$ 6,233	(250)	5,198	(372)	3,707	(131)
SCPPA:						
Southern Transmission System	3,537	691	2,672	527	2,826	398
Magnolia Power Project (Project A)	-	-	1,956	2,853	906	1,214
Prepaid Natural Gas Project #1	2,950	4,653	3,203	4,498	3,713	4,330
Milford I Wind Project	481	264	505	240	530	216
Tieton Hydropower Project	553	850	583	820	613	788
Natural Gas Project - Barnett	1,096	607	1,036	547	983	490
Natural Gas Project - Pinedale	354	196	334	177	317	158
Total	\$ 15,204	7,011	15,487	9,290	13,595	7,463

	2023/24		2024/25		2025/30	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	\$ 371	2	-	-	-	-
SCPPA:						
Southern Transmission System	1,217	256	1,277	196	2,748	198
Magnolia Power Project (Project A)	984	1,170	1,063	1,119	6,732	4,709
Prepaid Natural Gas Project #1	4,240	4,135	4,886	3,912	32,658	15,254
Milford I Wind Project	555	189	584	161	2,642	338
Tieton Hydropower Project	647	750	1,458	715	3,413	2,825
Natural Gas Project - Barnett	929	435	888	384	4,018	1,155
Natural Gas Project - Pinedale	301	140	287	124	1,297	373
Total	\$ 9,244	7,077	10,443	6,611	53,508	24,852

	2030/35		2035/40		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Intermountain Power Project	\$ -	-	-	-	15,509	(751)
SCPPA:						
Southern Transmission System	-	-	-	-	14,277	2,266
Magnolia Power Project (Project A)	9,725	2,745	4,870	244	26,236	14,054
Prepaid Natural Gas Project #1	39,795	5,564	-	-	91,445	42,346
Milford I Wind Project	-	-	-	-	5,297	1,408
Tieton Hydropower Project	4,358	1,883	5,523	713	17,148	9,344
Natural Gas Project - Barnett	1,467	132	-	-	10,417	3,750
Natural Gas Project - Pinedale	473	43	-	-	3,363	1,211
Total	\$ 55,818	10,367	10,393	957	183,692	73,628

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

For further information regarding SCPPA, please visit www.scpa.org.

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.



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Greenhouse Gas Cap-and-Trade Program

The State of California has implemented a greenhouse gas cap-and-trade program, under California Assembly Bill 32 (the California Global Warming Solutions Act of 2006), to reduce greenhouse gas emissions. At June 30, 2020, the City of Burbank has sufficient freely allocated greenhouse gas allowances for the current compliance period.

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, 2020 and 2019 are as follows:

	2020	2019
Wholesale Revenues	\$ 15,442	21,791
Wholesale Costs	14,126	20,273
Wholesale Margin	\$ 1,316	1,518

NOTE 14: Deferred Inflows of Resources / Unearned Revenue

On January 22, 2013 the Electric Utility was awarded a grant of \$1,000 from the California Energy Commission (CEC) in support of the Department of Energy's systems' modernization capital projects funded during fiscal years 2010-11 through 2014-15. In fiscal year 2015-16 the CEC also awarded a grant for an additional \$164 for installation of new electric vehicle charging stations. The Electric

Utility is deferring payments received for these capital assets to match corresponding depreciation expense over

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their useful lives, as allowed by Accounting Standards Codification 980 rules under GASB Statement No. 62. The Electric Utility recognized revenue and depreciation expense of \$94 for this fiscal year and the prior fiscal year. The deferred CEC payments were reported as regulatory credits in deferred inflows of resources and were \$421 for this fiscal year, compared to \$515 for the prior fiscal year.

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

The Electric Utility constructed 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 prior fiscal year, accumulated contributed funds of \$6,440 received in 2017 and 2018 were recognized as revenue, as construction was completed in January 2019.

The California Air Resources Board initiated a program, Low Carbon Fuel Credits Standard (LCFS), to reduce carbon intensity in transportation fuels as compared to conventional petroleum fuels, such as gasoline and diesel. In fiscal year 2017-18, the Electric Utility sold 7,000 credits for \$1,249, and the revenue was deferred. During the prior fiscal year, revenue was recognized for these credit sales since the LCFS credits were transferred to buyers. During this fiscal year, the Electric Utility sold 8,500 credits for \$1,734. These LCFS credit sales were recognized as revenue, net of broker fees of \$2.

Deferred inflows of resources and unearned revenue as of June 30, 2020 are as follows:

<u>Electric Utility Unearned / Deferred Revenue</u>	<u>2020</u>	<u>2019</u>	<u>2014 - 2018</u>	<u>Total</u>
Ontario Substation aid-in-construction		\$ (6,440)	6,440	\$ -
Deferred aid-in-construction payments		\$ (6,440)	6,440	\$ -
Systems Modernization expenditures		-	1,000	\$ 1,000
Deferred California Energy Commission (CEC) payments recognized	(94)	(94)	(391)	(579)
Deferred CEC payments	\$ (94)	\$ (94)	\$ 609	\$ 421
Deferred greenhouse gas allowance sales proceeds	-	-	69	69
Deferred LCFS Credits	\$ -	\$ (1,249)	\$ -	\$ -
Total Unearned / Deferred Electric Revenue	\$ (94)	\$ (7,783)	\$ 678	\$ 490

The Water Utility has recorded contributed regulatory assets from prior periods for the Burbank Empire Center and Bob Hope Airport of \$3,651 and \$1,078, respectively. During the fiscal year the Water Utility recognized revenue and depreciation expense of \$118, respectively. For the fiscal year, the Water Utility's regulatory credits balance for the contributed assets is \$2,654, compared to \$2,772 for the prior fiscal year. These regulatory credits are reported as deferred inflows of resources.

NOTE 15: Nonoperating Expense

During the fiscal year the City made an additional lump sum Miscellaneous Plan payment to CalPERS to reduce the City's unfunded actuarial liability. The portion allocated to the Electric and Water Funds was \$3,434 and \$553, respectively. These unfunded liability reduction allocations are reported in Nonoperating income (expenses).

NOTE 16: Retirement Plan

A) Pension Plans

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



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1. Plan Descriptions

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

2. Benefits Provided

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

The Plan’s provisions and benefits in effect at the June 30, 2019 measurement date, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	8.863%	5.75%
Payment of unfunded liability	\$14,324,928	-

3. Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City Contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

B) Net Pension Liability

As of June 30, 2020 and 2019, 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:



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Proportionate Share of Net Pension Liability				
	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
Electric Utility Fund	\$	74,938	\$	73,226
Water Utility Fund		12,114		11,499

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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 measurement dates were as follows:

	<u>Electric Utility</u>	<u>Water Utility</u>
Proportion - June 30, 2018	34.96%	5.49%
Proportion - June 30, 2019	34.27%	5.54%
Change - Increase (Decrease)	-0.69%	0.05%

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

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

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

Deferred 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 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 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.



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- 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, 2020, the City recognized a debit to pension expense for the Electric and Water Utility of \$13,935 and \$2,253, respectively. At June 30, 2020, 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	\$ 11,865	1,918		
Differences between actual and expected experience	\$ 875	141	(1,572)	(254)
Change in assumptions	1,055	171	(584)	(94)
Net differences between projected and actual earnings on plan investments			(1,258)	(203)
Total	\$ 13,795	2,230	(3,414)	(552)

\$11,865 and \$1,918 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending	Electric Utility	Water Utility
2021	832	135
2022	(2,297)	(371)
2023	(263)	(43)
2024	244	39
2025	-	-
Thereafter	-	-
Total Deferred Inflows of Resources	\$ (1,484)	\$ (239)

1. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Miscellaneous Plan	
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 12.2% ⁽¹⁾
Mortality ⁽²⁾	
Post Retirement Benefit Increase ⁽³⁾	

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



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All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

a. Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

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

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

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

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

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



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	<u>Utility</u>	
1% Decrease		6.15%
Net Pension Liability	\$	135,548
Current Discount Rate		7.15%
Net Pension Liability	\$	87,052
1% Increase		8.15%
Net Pension Liability	\$	47,000

2. Pension Plan Fiduciary Net Position

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

NOTE 17: Post-Retirement Health Care Benefits

PEMHCA

The CalPERS Public Employees' Medical and Hospital Care Act (PEMHCA) plan under the authority of section 22750 to 22948 of the State of California's government code, is an agent multiple employer plan. The City pays the required PEMHCA minimum contribution for all miscellaneous employees retiring directly from the City who enroll in a CalPERS medical plan. The 2020 PEMHCA minimum contribution amount is \$139.00 per month. In addition, the City pays retiree health contribution amounts of \$93.75 per month for 16 management retirees, and \$188.00 per month for 9 IBEW retirees. For these management/IBEW retirees, the PEMHCA minimum required contribution of \$139.00 is paid in addition to the retiree health contribution amounts. The allocated proportionate share to the retiree health contribution amounts to the Utility is 12.79% to the Electric Fund and 2.32% to the Water Fund. The PEMHCA benefit provisions are established and amended through negotiations between the City and its unions.



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BERMT

The Burbank Employees Retiree Medical Trust (BERMT) is a single employer, defined benefit plan. The BERMT was established in April 2003 by the city's employee associations to provide post retirement medical benefits to all non-safety employees, including elected and appointed officials. BERMT members represented by a bargaining group are required to contribute \$50.00 per pay period, and the City contributes \$50.00 per pay period for these members. BERMT members unrepresented by a bargaining group are not able to make employee contributions, and the City contributes \$100.00 per pay period for these members. BERMT plan provisions and contribution requirements are established by and may be amended by the BERMT board.

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

Eligibility for benefits require that members are retired from the City, and have reached age 58 with a minimum of 5 years of contributions into the plan. The benefit ranges from \$150.00 to \$630.00 in reimbursements per month based on number of contributions, for eligible medical expenses. For the fiscal year 2019-20, the City contributed \$1,412 to BERMT. BERMT is not subject to GASB 75 reporting.

URMT

The Utility Retiree Medical Trust is an agent multiple employer plan, established during the 2008-09 fiscal year for IBEW members and 15 management employees as a supplement to benefit payments from BERMT and PEMHCA. The total target benefit is \$1,200.00/month

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for individuals age 50 to age 64 and \$750.00/month for those age 65 and above, with the exception that for qualifying employees who retire after December 16, 2015 and who have not contributed to Medicare while employed at Burbank and who are also not otherwise eligible for premium-free Medicare Part A at age 65 and older, the maximum amount at age 65 and older shall be \$975.00/month for fiscal year 2019-20, including payments from BERMT, PEMHCA minimum and Utility Retiree Medical Trust. For the fiscal year 2019-20 (measurement period of June 30, 2019), the City contributed \$167.

Funding Policy

The City has pre-funded the PEMHCA and URMT Plans through CalPERS OPEB Trust (CERBT) and has a policy of contributing 100% of the City's Actuarially Determined Contribution (ADC) each year. For the fiscal year 2019-20 (measurement period of June 30, 2019), the City contributed \$3,941, consisting of \$4,014 in CERBT contributions netted against \$73 in benefit payments and administrative expense.

The CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 45. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information for the City, not individualized, but in aggregate with the other CERBT participating agencies.

This report may be obtained at the following address:

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

Employees Covered

As of June 30, 2019 measurement date, the following current and former Miscellaneous employees were covered by the URMT plan:

Net OPEB Liability - PEMHCA Plan	URMT
Inactive employees or beneficiaries currently receiving benefits	56
Active employees	144
Total	200

Contributions

The URMT and PEMHCA contribution requirements are established by City policy and may be amended. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the City's total contributions of \$4,282 consist of payments to the trust of \$4,282.

Net OPEB Liability

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

Miscellaneous Plan	PEMHCA	URMT
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.75%	6.75%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.00%	3.00%
Expected long term investment rate of return	6.75%	6.75%
Healthcare cost trends (PEMHCA)	6.3% Medicare, 7.25% Non, decreasing to 4% in 2076 and later	
Benefit Increase trend rates (URMT)	0% to 2022, then 4% after	
Pre-retirement turnover	Derived from CalPERS pension plan	
Mortality ⁽¹⁾		

⁽¹⁾ The probabilities of mortality are derived using CalPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 1997-2015 experience study report.



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

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

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

Discount Rate

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



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Changes in Assumptions

Changes in assumptions since the measurement period June 30, 2018, consisted of updating Demographic assumptions to CALPERS 1997-2015 Experience Study, Mortality improvement scale was updated to Scale MP-2019 for both PEHMCA and URMT, PEHMCA participation was lowered, and Age factors for age-based claims were revised for URMT.

Changes in the NET OPEB Liability

Changes in the net OPEB liability - URMT	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (Measurement date)	\$ 10,443	10,090	353
Changes in the year:			
Service cost	299	-	299
Interest on the total OPEB liability	715	-	715
Differences between actual and expected experience	320	-	320
Changes in assumptions	178	-	178
Changes in benefit terms	-	-	-
Contributions - employer	-	167	(167)
Contributions - employee	-	167	(167)
Net investment income	-	657	(657)
Benefit payments	(285)	(285)	-
Administrative expenses	-	(2)	2
Net Changes	<u>1,227</u>	<u>704</u>	<u>523</u>
Balance at June 30, 2019 (Measurement date)	\$ 11,670	10,794	876

As of June 30, 2020 the Electric and Water Utility Funds reported net OPEB liability for its proportionate share of the net OPEB liability of the PEMHCA plan as follows:

Net OPEB Liability - PEMHCA Plan	June 30, 2020
Electric Utility	\$ 2,506
Water Utility	\$ 455

CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2019)

Changes in Assumptions

There were changes in assumptions, but there were no changes in benefit terms. There were no subsequent events that would materially affect the results presented in this disclosure.

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

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

	<u>PEMHCA</u>	<u>URMT</u>
1% Decrease Net OPEB Liability	\$ 5.75% 4,051	\$ 5.75% 2,990
Current Discount Rate Net OPEB Liability	\$ 6.75% 2,961	\$ 6.75% 876
1% Increase Net OPEB Liability	\$ 7.75% 2,062	\$ 7.75% (792)

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

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

	<u>PEMHCA</u>	<u>URMT</u>
1% Decrease (Asset) Net OPEB Liability	\$ 1,980	\$ (1,796)
Current Trend Net OPEB Liability	\$ 2,961	\$ 876
1% Increase Net OPEB Liability	\$ 4,168	\$ 4,290

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

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

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

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

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

For the fiscal year ended June 30, 2020 the City recognized OPEB expense of \$1,201 and \$151 for PEMHCA and URMT, respectively.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020 * (in thousands, with certain comparative summary information for the fiscal year ended June 30, 2019)

		PEMHCA	
		Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date:			
	Electric Fund	\$ 511	\$ -
	Water Fund	\$ 93	\$ -
Differences between actual and expected experience:			
	Electric Fund	-	(340)
	Water Fund	\$ -	\$ (62)
Change in assumptions:			
	Electric Fund		(1,873)
	Water Fund		(340)
Differences between projected and actual earnings:			
	Electric Fund	-	(76)
	Water Fund	-	(14)
Total		\$ 603	\$ (2,705)

Electric Fund	URMT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 170	\$ -
Differences between actual and expected experience	281	-
Change in assumptions	156	-
Differences between projected and actual earnings	-	(160)
Total	\$ 607	\$ (160)

\$603 and \$607 reported as deferred outflows of resources related to contributions subsequent to the measurement date for PEMHCA and URMT respectively, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows :

Year Ending June 30,	PEMHCA	URMT
2021	(468)	(15)
2022	(469)	(15)
2023	(439)	47
2024	(428)	67
2025	(429)	61
Thereafter	(472)	132
Total Deferred Inflows of Resources	\$ (2,705)	\$ 277

Payable to the OPEB Plan

At June 30, 2020, the Utility reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

NOTE 18: Self-Insurance

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

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

The workers' compensation coverage is purchased through a pooling agreement. The City self-insures the first \$2,000 of each loss and then the pool covers all losses to statutory limits.

The City charges the Electric and Water Utility Funds a premium based upon the proportional payroll cost, job classification, and claim history. There were no significant settlements or reductions in insurance coverage from settlements for the past three years.

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



NOTE 19: 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 20: Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 10, 2020 the date the financial statements were available to be issued.

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**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** REQUIRED SUPPLEMENTARY INFORMATION ***

SCHEDULE OF NET PENSION LIABILITY INFORMATION AND RATIOS

Last 10 Fiscal Years *

ELECTRIC FUND

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

WATER FUND

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

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

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



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** REQUIRED SUPPLEMENTARY INFORMATION ***

Schedule of Plan Contributions - 2020

ELECTRIC FUND

Fiscal Year Ended June 30,	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 11,865	\$ 7,463	\$ 6,657	\$ 5,355	\$ 4,788	\$ 4,258
Contributions in Relation to the Actuarially Determined Contribution	(11,865)	(7,463)	(6,657)	(5,355)	(4,788)	(4,258)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0
Covered-Employee Payroll	\$ 27,500	\$ 28,470	\$ 27,615	\$ 27,587	\$ 27,521	\$ 27,719
Contributions as a Percentage of Covered-Employee Payroll	26.62%	26.21%	24.11%	19.41%	17.40%	15.36%

WATER FUND

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,918	\$ 1,172	\$ 1,045	\$ 841	\$ 752	\$ 669
Contributions in Relation to the Actuarially Determined Contribution	(1,918)	(1,172)	(1,045)	(841)	(752)	(669)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0
Covered-Employee Payroll	\$ 4,446	\$ 4,471	\$ 4,337	\$ 4,332	\$ 4,322	\$ 4,353
Contributions as a Percentage of Covered-Employee Payroll	26.62%	26.21%	24.11%	19.41%	17.40%	15.36%
Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** REQUIRED SUPPLEMENTARY INFORMATION ***

**SCHEDULE OF NET PEMCHA LIABILITY INFORMATION AND RATIOS
Last 10 Fiscal Years * In Thousands**

ELECTRIC FUND

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

WATER FUND

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

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



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** REQUIRED SUPPLEMENTARY INFORMATION ***

SCHEDULE OF CHANGES IN THE NET URMT LIABILITY AND RELATED RATIOS			
Last 10 Fiscal Years*			
In Thousands			
Fiscal year end	6/30/2020	6/30/2019	6/30/2018
Measurement date	6/30/2019	6/30/2018	6/30/2017
Service cost	\$ 299	\$ 291	\$ 283
Interest on the total pension liability	715	668	623
Actual vs. expected experience	320	-	-
Assumption changes	178	-	-
Benefit payments	(285)	(256)	(222)
Net Change in Total OPEB liability	1,227	703	684
Total OPEB Liability - Beginning of Year	10,443	9,740	9,056
Total OPEB Liability - End of Year (a)	11,670	10,443	9,740
Plan Fiduciary Net Position:			
Contributions - employer	167	154	148
Contributions - employee	167	154	148
Net investment income	657	717	889
Administrative expenses	(2)	(17)	(5)
Benefit payments	(285)	(256)	(222)
Net Change in Plan Fiduciary Net Position	704	752	958
Plan Fiduciary Net Position - Beginning of Year	10,090	9,338	8,380
Plan Fiduciary Net Position - End of Year (b)	10,794	10,090	9,338
Net OPEB liability - Ending (a) - (b)	\$ 876	\$ 353	\$ 402
Plan fiduciary net position as a percentage of the total OPEB liability	92.49%	96.62%	95.87%
Covered payroll	\$ 17,698	\$ 17,084	\$ 18,086
Net OPEB liability as a percentage of covered payroll	4.95%	2.07%	2.22%
Notes to Schedule			
1. There were no changes in benefits.			
2. There were no changes in assumptions.			
* Fiscal year ended June 30, 2018, was the first year of implementation; therefore, only three years are shown.			



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** REQUIRED SUPPLEMENTARY INFORMATION ***

Schedule of Plan Contributions - OPEB

Last Ten Fiscal Years*

In Thousands

UTILITY FUNDS

	PEMHCA 6/30/2020	PEMHCA 6/30/2019	PEMHCA 6/30/2018	URMT 6/30/2020	URMT 6/30/2019	URMT 6/30/2018
Actuarially determined contribution	\$ 621	\$ 608	\$ 598	\$ 170	\$ 167	\$ 154
Contributions in relation to the actuarially determined contribution	(603)	(608)	(598)	(170)	(167)	(154)
Contribution deficiency (excess)	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,828	\$ 16,928	\$ 16,671	\$ 19,521	\$ 17,698	\$ 17,084
Contributions as a percentage of covered-employee payroll	3.20%	3.59%	3.59%	0.87%	0.94%	0.90%

Notes to Schedule

Valuation date	6/30/2019	6/30/2017	6/30/2017	6/30/2019	6/30/2017	6/30/2017
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Methods and assumptions used to determine contribution rates:

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

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



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** SUPPLEMENTAL INFORMATION ***

Schedule 1

ANNUAL ELECTRIC SUPPLY Fiscal Year ended June 30, 2020		
Resource	MWh	Percentage
Renewables ⁽¹⁾	342,690	32.3%
Intermountain Power Project	288,830	27.2%
Magnolia Power Project	276,630	26.0%
Spot Purchases	61,460	5.8%
Palo Verde Nuclear	56,050	5.3%
On-Site Generation	19,230	1.8%
Hoover Uprating	17,670	1.7%
Total⁽²⁾	1,062,560	100.0%

¹Renewable resources include the Southwest Wyoming Pleasant Valley Facility Wind Contract, Milford Phase I Wind Project, Teton Hydropower Project, Pebble Springs Wind Project, Ameresco Chiquita Canyon Landfill Gas Project, Copper Mountain Solar Project, Don A. Campbell Geothermal Project, Renewable Certificate, local generation from BWP Valley Pumping Plant, bio-methane gas, customer and utility solar installations, and an exchange agreement. For the Fiscal Year ended June 30, 2020, renewable energy resources made up approximately 32.3% of Burbank's total retail sales. This number differs from the official Renewable Portfolio Standard (RPS) calculation and compliance period, which are based on retail sales and calendar year.

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

Schedule 2

CUSTOMERS, SALES, ELECTRIC REVENUES AND DEMAND					
Fiscal Years ended June 30					
	2016	2017	2018	2019	2020
Number of Retail Service:					
Residential	46,148	46,215	46,140	46,294	46,098
Commercial ¹	6,915	6,971	6,889	6,920	6,844
Large Commercial ¹	90	86	81	84	88
Total	53,153	53,272	53,110	53,298	53,030
Retail Kilowatt-hour Sales (millions)					
Residential	279	272	274	274	275
Commercial	538	533	534	524	485
Large Commercial	279	274	270	263	260
Total	1,096	1,080	1,078	1,061	1,019
Electric Revenues (\$ in thousands):					
Retail ²	\$ 175,019	\$ 175,964	\$ 176,450	\$ 162,386	\$ 158,024
Wholesale	\$ 27,150	\$ 23,512	\$ 21,252	\$ 21,791	\$ 15,442
Other ³	\$ 5,595	\$ 5,912	\$ 6,448	\$ 8,504	\$ 7,274
Total	\$ 207,763	\$ 205,388	\$ 204,150	\$ 192,681	\$ 180,740
Peak Demand (MW)					
	309	278	320	302	283

¹Meter counts include all billed meters.

²Effective July 1, 2018, instead of passing through the Electric Fund, the in-lieu transfer is accounted for directly in the General Fund.

³Other miscellaneous revenues include transmission, telecommunications, intergovernmental, and other miscellaneous revenues. Other miscellaneous revenues do not include aid-in-construction.



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** SUPPLEMENTAL INFORMATION ***

Schedule 3

SYSTEM WEIGHTED AVERAGE BILLING PRICE – ELECTRIC ¹					
(Cents per Kilowatt-hour)					
	2016	2017	2018	2019	2020
Residential	16.16	16.51	16.57	15.81	15.83
Commercial	16.08	16.49	16.76	15.89	16.07
Large Commercial	14.31	14.55	14.48	13.66	13.93
System Weighted Average Electric Rate	15.65	16.01	16.14	15.32	15.46

¹All weighted average rates exclude Street Lighting charges. Effective FY 2019, all weighted average rates no longer include in-lieu transfer. Prior to 2019, this transfer was embedded in the rates. Burbank voters passed Measure T in June 2018 to continue a direct transfer of not more than 7% of Burbank Water and Power's gross annual sales of electricity to pay for City's essential services.

Schedule 4

ANNUAL WATER SUPPLY		
Fiscal Year ended June 30, 2020		
Resource	Acre Feet (AF)	Percentage
Metropolitan Water District	6,781	42.1%
Local Production – BOU	9,329	57.9%
Total	16,110	100.0%



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** SUPPLEMENTAL INFORMATION ***

Schedule 5

CUSTOMERS, WATER SALES, WATER REVENUES					
Fiscal Years ended June 30					
	2016	2017	2018	2019	2020
Number of Water Service:					
Potable					
Residential ¹	22,223	22,262	22,216	22,173	22,161
Commercial ²	3,246	3,248	3,213	3,235	3,205
Other ³	1,134	1,138	1,145	1,160	1,171
Recycled	217	228	234	236	240
Total	26,820	26,876	26,808	26,804	26,777
AF Sales Per Year:					
Potable					
Residential ¹	10,002	10,862	11,887	11,331	11,671
Commercial ²	3,368	3,328	3,455	3,340	3,155
Other ³	174	192	225	199	183
Recycled	2,709	3,004	3,281	2,824	3,032
Total in AF	16,253	17,386	18,848	17,694	18,041
Water Revenues (\$ in thousands):					
Retail ⁴	\$ 25,099	\$ 27,836	\$ 30,565	\$ 30,578	\$ 32,826
Other ⁵	\$ 4,013	\$ 2,702	\$ 3,518	\$ 702	\$ 955
Total	\$ 29,111	\$ 30,538	\$ 34,083	\$ 31,280	\$ 33,781
Maximum Demand Day (AF)	53.1	57.4	63.5	63.1	62.8

¹Residential includes multi-family dwellings.

²Commercial includes Large Commercial.

³Other includes city department water, school, fire protection, and miscellaneous users

⁴Potable and Recycled.

⁵Other operating revenues include connection fees, recycled water credits and other miscellaneous revenues.



**CITY OF BURBANK * ELECTRIC AND WATER UTILITY FUNDS * SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

*** SUPPLEMENTAL INFORMATION ***

Sched 6

WEIGHTED AVERAGE BILLING PRICE – WATER					
(\$ per CCF¹)					
	2016	2017	2018	2019	2020
Residential ²	3.71	3.75	3.82	4.04	4.21
Commercial ³	3.29	3.56	3.66	3.87	4.17
Weighted Average Water Rate	3.61	3.71	3.78	4.00	4.20

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

²Residential includes multi-family dwellings.

³Commercial includes Large Commercial.

