NEW ISSUE – FULL BOOK-ENTRY ONLY

Ratings:
Standard & Poor's: "AAA"
Fitch: "AAA"
(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law, assuming compliance with the tax covenants described herein, interest on the Series 2010A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed under section 55(a) of the Code. It is also the opinion of Bond Counsel that under existing law interest on the 2010 Water Bonds is exempt from personal income taxes of the State of California. The City has taken no action to cause, and does not intend, interest on the Series 2010B Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. See "TAX MATTERS" herein.

$8,795,000
City of Burbank, California
Burbank Water and Power
Water Revenue/Refunding Bonds,
Series of 2010A

$27,945,000
City of Burbank, California
Burbank Water and Power
Water Revenue Bonds, Series of 2010B
(Taxable Build America Bonds)

Dated: Date of Delivery **Due: June 1, as shown on the inside cover**

This cover page contains certain information for general reference only and is not a summary of the security or terms of the 2010 Water Bonds (described below). Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The $8,795,000 Burbank Water and Power Water Revenue/Refunding Bonds, Series of 2010A (the "Series 2010A Bonds") and the $27,945,000 Burbank Water and Power Water Revenue Bonds, Series of 2010B (Taxable Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "2010 Water Bonds") are being issued by the City of Burbank, California (the "City") pursuant to the Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (as supplemented, the "Indenture"), by and between the City and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The City expects to designate the Series 2010B Bonds as "build America bonds" ("Build America Bonds") that are "qualified bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act"), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The City expects to receive a cash subsidy from the United States Department of the Treasury equal to 35% of the interest on such Series 2010B Bonds as and when such interest becomes payable. The City is obligated to make all payments of principal of and interest on the Series 2010B Bonds solely from the sources described herein, whether or not it receives cash subsidy payments pursuant to the Stimulus Act. See "DESCRIPTION OF THE 2010 WATER BONDS - Designation of Series 2010B Bonds as Qualified Build America Bonds" herein.

The 2010 Water Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2010 Water Bonds. Purchasers of the 2010 Water Bonds will not receive physical certificates representing their interest in the 2010 Water Bonds purchased. Individual purchases of the 2010 Water Bonds will be made in book-entry form only. Principal of, premium, if any, and interest on, the 2010 Water Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of such principal, premium, if any, and interest, DTC is obligated to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the 2010 Water Bonds. See "DESCRIPTION OF THE 2010 WATER BONDS" and "BOOK-ENTRY SYSTEM" herein.

The 2010 Water Bonds will be issued in denominations of $5,000 principal amount or any integral multiple thereof. The 2010 Water Bonds will be dated the date of delivery and will bear interest at the rates set forth on the inside cover hereof. Interest on the 2010 Water Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2011 and will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The 2010 Water Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2010 WATER BONDS – Redemption" herein.

The Series 2010A Bonds are being issued to (i) refund on a current basis all of the outstanding 1998 Water Bonds (as defined herein), (ii) finance the costs of certain improvements to the City's water system, including the build-out of the recycled water expansion, replacement of a water reservoir, conversion of the automatic meter infrastructures and other improvements to the water production, distribution, storage, and general plant facilities, as described herein or such other or additional facilities for the Water System as the City hereafter determines to substitute therefor (the "2010 Water Project"), (iii) reimburse the City for certain expenditures made in connection with the Water System, and (iv) pay costs of issuance of the Series 2010A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS," "THE 2010 WATER PROJECT" and "PLAN OF REFUNDING" herein.

The Series 2010B Bonds are being issued to (i) finance the costs of the 2010 Water Project, (ii) reimburse the City for certain expenditures made in connection with the Water System, and (iii) pay costs of issuance of the Series 2010B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE 2010 WATER PROJECT" herein.

The 2010 Water Bonds are special, limited obligations of the City payable from Water Net Revenues, which are Water Revenues (as defined herein) of the Water System remaining after the payment of Water Operating Expenses (as defined herein). The 2010 Water Bonds shall not be deemed to constitute a debt or liability of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State of California or of any political subdivision thereof, but shall be payable, except to the extent of certain available moneys pledged therefor, solely from Water Net Revenues. Neither the faith and credit nor the taxing power of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the 2010 Water Bonds. The issuance of the 2010 Water Bonds shall not directly or indirectly or contingently obligate the City, the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

Maturity Schedules

(see inside cover)

The 2010 Water Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed on for the City by the City Attorney, Dennis A. Barlow, Esq. and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel. Certain matters will be passed on for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Public Financial Management, Inc., Los Angeles, California, is serving as Financial Advisor to the City in connection with the issuance of the 2010 Water Bonds. It is expected that the 2010 Water Bonds will be available for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer on or about November 10, 2010.

Barclays Capital

October 26, 2010

MATURITY SCHEDULE

$8,795,000
City of Burbank, California
Burbank Water and Power
Water Revenue/Refunding Bonds, Series of 2010A

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2011	$410,000	2.00%	0.30%	12082UAA7
2012	480,000	3.00	0.44	12082UAB5
2013	490,000	3.00	0.63	12082UAC3
2014	470,000	4.00	0.85	12082UAD1
2015	735,000	4.00	1.09	12082UAE9
2016	765,000	4.00	1.36	12082UAF6
2017	795,000	4.00	1.64	12082UAG4
2018	830,000	4.00	1.90	12082UAH2
2019	860,000	4.00	2.15	12082UAJ8
2020	895,000	4.00	2.34	12082UAK5
2021	930,000	4.00	2.62*	12082UAL3
2022	970,000	5.00	2.81*	12082UAM1
2023	165,000	5.00	2.94*	12082UAN9

*Priced to a par call.

$27,945,000
City of Burbank, California
Burbank Water and Power
Water Revenue Bonds, Series of 2010B
(Taxable Build America Bonds)

$2,985,000 4.891% Term Bonds due June 1, 2025 Price: 100%; CUSIP†: 12082UAP4

$16,340,000 5.647% Term Bonds due June 1, 2036 Price: 100%; CUSIP†: 12082UAR0

$8,620,000 5.797% Term Bonds due June 1, 2040 Price: 100%; CUSIP†: 12082UAQ2

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City of Burbank, California, Burbank Water and Power or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

City of Burbank, California

CITY COUNCIL

Anja Reinke, Mayor
Jess Talamantes, Vice Mayor
Gary Bric, Councilmember
David Golonski, Councilmember
David Gordon, Councilmember

CITY STAFF

Michael Flad, City Manager
Joy Forbes, Deputy City Manager
Justin Hess, Deputy City Manager
Margarita Campos, City Clerk
Dennis A. Barlow, City Attorney
Donna Anderson, City Treasurer
Cindy Giraldo, Financial Services Director

BURBANK WATER AND POWER STAFF

Ronald E. Davis, General Manager, Burbank Water and Power
Bill Mace, P.E., Assistant General Manager/Water
Bob Liu, Chief Financial Officer, Burbank Water and Power

FINANCIAL ADVISOR

Public Financial Management, Inc.
Los Angeles, California

BOND AND DISCLOSURE COUNSEL

Fulbright & Jaworski L.L.P.
Los Angeles, California

TRUSTEE

Wells Fargo Bank, National Association
Los Angeles, California

VERIFICATION AGENT

Samuel Klein and Company, Certified Public Accountants
Newark New Jersey

No dealer, broker, salesperson or other person has been authorized by the City of Burbank, California (the "City") or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the 2010 Water Bonds by any person in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2010 Water Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the City and other sources that are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in the City's Water System (as defined herein) since the date hereof. The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2010 Water Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2010 WATER BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2010 WATER BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT
RELATING TO

$8,795,000 **City of Burbank, California** **Burbank Water and Power** **Water Revenue/Refunding Bonds,** **Series of 2010A**	**$27,945,000** **City of Burbank, California** **Burbank Water and Power** **Water Revenue Bonds, Series of 2010B** **(Taxable Build America Bonds)**

INTRODUCTION

This Introduction is not a summary of this Official Statement, and is qualified by more complete and detailed information contained in the entire Official Statement. A full review should be made of the entire Official Statement, including the cover page and attached appendices. The offering of 2010 Water Bonds to investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Introduction shall have the meanings given such terms elsewhere is this Official Statement, including in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Purpose

This Official Statement, including the Appendices hereto, is provided to furnish information in connection with the issuance and sale by the City of Burbank, California (the "City") of $8,795,000 Burbank Water and Power Water Revenue/Refunding Bonds, Series of 2010A (the "Series 2010A Bonds") and $27,945,000 Burbank Water and Power Water Revenue Bonds, Series of 2010B (Taxable Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "2010 Water Bonds").

The Series 2010A Bonds are being issued to (i) refund on a current basis all of the outstanding City of Burbank, California Burbank Water and Power Water Revenue Bonds, Series of 1998 (the "1998 Water Bonds"), (ii) finance the costs of certain improvements to the Water System, including the build-out of the recycled water expansion, replacement of a water reservoir, conversion of the automatic meter infrastructures and other improvements to the water production, distribution, storage, and general plant facilities, as described herein or such other or additional facilities for the Water System as the City hereafter determines to substitute therefor (the "2010 Water Project"), (iii) reimburse the City for certain expenditures made in connection with the Water System, and (iv) pay costs of issuance of the Series 2010A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS," "THE 2010 WATER PROJECT" and "PLAN OF REFUNDING."

The Series 2010B Bonds are being issued to (i) finance the costs of the 2010 Water Project, (ii) reimburse the City for certain expenditures made in connection with the Water System, and (iii) pay costs of issuance of the Series 2010B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE 2010 WATER PROJECT."

Authority for Issuance

The 2010 Water Bonds are authorized and issued pursuant to Article 12 of Chapter 4 of Title 2 (formerly Article 12 of Chapter 14) of the Burbank Municipal Code, as amended, and a resolution adopted by the City Council of the City on October 19, 2010. The 2010 Water Bonds are also issued pursuant to the Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "Master Water Revenue Bond Indenture"), as supplemented by the First Supplemental Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "First Supplemental

Indenture"), relating to the Series 2010A Bonds, and as supplemented by the Second Supplemental Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "Second Supplemental Indenture"), relating to the Series 2010B Bonds, each by and between the City and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Master Water Revenue Bond Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, is referred to herein as the "Indenture."

The City and the Water System

The City is located in the greater metropolitan Los Angeles area approximately 12 miles northeast of the Los Angeles Civic Center complex. See "APPENDIX A – THE CITY OF BURBANK ECONOMIC AND FINANCIAL INFORMATION." The City was incorporated as a general law city in 1911 and adopted its City Charter in 1927 (as amended, the "City Charter"). The City's population as of January 1, 2010 was 108,469. The City provides its residents with electric, water and sewer services and operates its own police and fire departments. The City owns and operates a water system which includes a water transmission and distribution system (the "Water System") that provides service to all water customers within the City. The Water System is managed by Burbank Water and Power ("BWP"), formerly the City's Public Service Department. See "BURBANK WATER AND POWER" and "THE WATER SYSTEM."

Security and Sources of Payment for the 2010 Bonds

The 2010 Water Bonds, the 1994 SRF Loan (as defined herein) and any additional Bonds and Parity Debt of the Water System are payable from and secured by Water Net Revenues (as defined herein) and by certain other funds pledged therefor under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 WATER BONDS." Under the Indenture, the City may issue additional obligations on a parity with the 2010 Water Bonds and the 1994 SRF Loan. The City currently expects to receive an additional loan from the SWRCB (as defined herein) payable on parity with the 2010 Water Bonds and the 1994 SRF Loan, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 WATER BONDS - SRF Obligations."

The 2010 Water Bonds are special, limited obligations of the City payable from Water Net Revenues. The 2010 Water Bonds shall not be deemed to constitute a debt or liability of the City, the State of California (the "State") or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State or of any political subdivision thereof, but shall be payable, except to the extent of certain available moneys pledged therefor, solely from Water Net Revenues. Neither the faith and credit nor the taxing power of the City, the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the 2010 Water Bonds. The issuance of the 2010 Water Bonds shall not directly or indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

No Reserve Fund

No reserve fund will be established under the Indenture for the 2010 Water Bonds.

Rate Covenant

The City covenants, pursuant to the Indenture, that it shall prescribe, revise and collect such charges for the services, facilities and water furnished by the Water System which, after making allowances for contingencies and error in the estimates, shall provide Water Net Revenues at least sufficient to pay the following amounts in the order set forth:

(1) The interest on, and principal and Redemption Price of, the outstanding Bonds and any Parity Debt as the same shall become due and payable;

(2) All payments required for compliance with the Indenture, including payments required to be made into any bond reserve fund; and

(3) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Water Net Revenues;

and the charges shall be fixed so that in each Fiscal Year the Water Net Revenues shall be at least equal to 1.20 times the amount of the Annual Debt Service. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 WATER BONDS – Rate Covenant."

Designation of Series 2010B Bonds as Build America Bonds

The City is issuing the Series 2010B Bonds as taxable bonds, and expects to designate the Series 2010B Bonds as "build America bonds" ("Build America Bonds") under section 54AA(d) of the Internal Revenue Code of 1986 (the "Code"), and as "qualified bonds" under section 54AA(g) of the Code, pursuant to the provisions of the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act"). The City expects to receive a direct cash subsidy (a "Subsidy Payment") from the United States Department of the Treasury (the "Department of the Treasury") equal to 35% of the interest on the Series 2010B Bonds on or about each Interest Payment Date for the Series 2010B Bonds. The City has not undertaken or made any covenant for the benefit of the Owners of the Series 2010B Bonds to comply with any conditions to receive the cash subsidy or to maintain the City's right to retain or receive future subsidy payments in respect of the Series 2010B Bonds. The City is obligated to make all payments of principal of and interest on the Series 2010B Bonds solely from the sources described herein, whether or not it receives the Subsidy Payments with respect to the Series 2010B Bonds. See "DESCRIPTION OF THE 2010 WATER BONDS – Designation of Series 2010B Bonds as Qualified Build America Bonds."

Continuing Disclosure

The City will covenant in the Continuing Disclosure Agreement for the benefit of the Owners and beneficial owners of the 2010 Water Bonds to provide certain financial information and operating data relating to the Water System and to provide notices of the occurrence of certain enumerated events, if material. See "CONTINUING DISCLOSURE" and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Forward-Looking Statements

The statements contained in this Official Statement, including the Appendices hereto, and in any other information provided by BWP or the City, that are not purely historical, are forward-looking statements, including statements regarding BWP or the City's expectations, hopes, intentions or strategies regarding the future. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to BWP and the City on the date hereof, and BWP and the City assume no obligation to update any such forward-looking statements. It is important to note that BWP's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of BWP and the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Summaries and References to Documents

Brief descriptions or summaries of the 2010 Water Bonds, the security and sources of payment therefor, the Water System, the Indenture and certain other documents are included in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the 2010 Water Bonds, the Indenture, the Continuing Disclosure Agreement and any other documents are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of the City Clerk located at 275 East Olive Avenue, Burbank, California 91502, telephone: (818) 238-5851. All references to contracts, indentures and other agreements are qualified in their entirety by reference to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and possible exercise of judicial discretion in exercising such rights. Financial and statistical information set forth herein, except for the audited financial statements included in APPENDIX B, is unaudited. The source of all such information is from the City unless otherwise stated. Terms not defined herein have the meanings as set forth in the respective documents.

DESCRIPTION OF THE 2010 WATER BONDS

General

The 2010 Water Bonds will be dated their date of delivery, and will bear interest from their date at the rates per annum set forth on the inside cover page of this Official Statement, payable on June 1, 2011 and semiannually thereafter on December 1 and June 1 of each year. The 2010 Water Bonds will mature on June 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. The 2010 Water Bonds will be issued as fully registered bonds in denominations of $5,000 principal amount or any integral multiples thereof. Principal of and interest and premium, if any, on each 2010 Water Bond is to be paid to purchasers by The Depository Trust Company, New York, New York ("DTC") through the DTC Direct Participants (as described herein). See "BOOK-ENTRY SYSTEM."

Designation of Series 2010B Bonds as Qualified Build America Bonds

The City is issuing the Series 2010B Bonds as taxable bonds, and expects to designate the Series 2010B Bonds as Build America Bonds under section 54AA(d) of the Code, and as "qualified bonds" under section 54AA(g) of the Code, pursuant to the provisions of the Stimulus Act. In connection with the issuance of the Series 2010B Bonds, and as permitted by the Stimulus Act, the City will elect (which election is irrevocable pursuant to the provisions of the Stimulus Act) to receive directly from the Department of the Treasury Subsidy Payments on or about each Interest Payment Date for the Series 2010B Bonds. Such Subsidy Payments do not constitute a full faith and credit guarantee of the United States Government, but are required to be paid by the United States Treasury under the Stimulus Act.

If the City fails to comply with the conditions to receiving the Subsidy Payments for the Series 2010B Bonds throughout the term of the Series 2010B Bonds, it may no longer receive such Subsidy Payments and could be subject to a claim for the return of previously received Subsidy Payments. The City has not undertaken or made any covenant for the benefit of the Owners of the Series 2010B Bonds to comply with any conditions to receive the Subsidy Payments or to maintain the City's right to retain or receive future Subsidy Payments in respect of the Series 2010B Bonds. The City is obligated to make all payments of principal of and interest on the Series 2010B Bonds solely from the sources described herein, whether or not it receives the Subsidy Payments in respect of the Series 2010B Bonds.

Redemption

Series 2010A Bonds

Optional Redemption. The Series 2010A Bonds maturing on or before June 1, 2020 are not subject to optional redemption prior to maturity. The Series 2010A Bonds maturing on or after June 1, 2021 are subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the City and by lot within a maturity), on or after June 1, 2020, at a redemption price equal to 100% of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Selection of Series 2010A Bonds for Redemption. If less than all of the Series 2010A Bonds are to be redeemed, the maturities of the Series 2010A Bonds to be redeemed shall be selected by the City. If less than all of the Series 2010A Bonds of any maturity are to be redeemed, the Trustee shall select the Series 2010A Bonds to be redeemed, from all Series 2010A Bonds of the respective maturity not previously called for redemption, in authorized denominations, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. The Trustee will promptly notify the City in writing of the Series 2010A Bonds so selected for redemption.

Series 2010B Bonds

Optional Redemption. The Series 2010B Bonds are subject to redemption prior to their stated maturities, at the option of the City, from any source of available funds, as a whole or in part, on any date, at the Make-Whole Redemption Price.

"Make-Whole Redemption Price" means, for each maturity of the Series 2010B Bonds, the greater of (i) the issue price of the Series 2010B Bonds of such maturity as determined in accordance with the Code (but not less than 100% of the principal amount of the Series 2010B Bonds of such maturity to be redeemed) or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010B Bonds of such maturity to be redeemed to the maturity date of such Series

2010B Bonds, discounted to the date on which the Series 2010B Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus thirty-five (35) basis points, plus accrued interest on the Series 2010B Bonds of each such maturity to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date of any maturity of the Series 2010B Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2010B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 2010B Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2010B Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2010B Bond:

(i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2010B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

"Designated Investment Banker" means the Reference Treasury Dealer appointed by the City.

"Reference Treasury Dealer" means the firm or firms, specified by the City from time to time, that are primary United States Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Valuation Date" means at least two Business Days, but not more than 45 calendar days, preceding the redemption date.

Extraordinary Optional Redemption. The Series 2010B Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the City, upon the occurrence of an Extraordinary Event, from any source of available funds, as a whole or in part (and, if in part, in such order of maturity as the City shall direct), at any time, at the Extraordinary Optional Redemption Price.

An "Extraordinary Event" will have occurred if the City determines that a material adverse change has occurred to section 54AA or section 6431 of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the City to satisfy the requirements to receive the 35% Subsidy Payments from the United States Treasury with respect to the Series 2010B Bonds, pursuant to which the 35% cash subsidy payments from the United States Treasury with respect to the Series 2010B Bonds are reduced or eliminated.

"Extraordinary Optional Redemption Price" means, for each maturity of the Series 2010B Bonds, the greater of (i) the issue price of the Series 2010B Bonds of such maturity as determined in accordance with the Code (but not less than 100% of the principal amount of the Series 2010B Bonds of such maturity to be redeemed) or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010B Bonds of such maturity to be redeemed to the maturity date of such Series 2010B Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds of such maturity are to be redeemed, discounted to the date on which the Series 2010B Bonds of such maturity are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (as defined above) plus one hundred (100) basis points, plus accrued interest on the Series 2010B Bonds of such maturity to be redeemed to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2010B Bonds maturing on June 1, 2025 shall also be subject to redemption prior to their stated maturity, in part, from mandatory sinking fund payments as specified below, commencing on June 1, 2023, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption without premium.

Term Series 2010B Bonds Due June 1, 2025

Mandatory Sinking Fund Payment Dates (June 1)	Mandatory Sinking Fund Payments
2023	$ 850,000
2024	1,050,000
2025†	1,085,000

† Final Maturity.

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The Series 2010B Bonds maturing on June 1, 2036 shall also be subject to redemption prior to their stated maturity, in part, from mandatory sinking fund payments as specified below, commencing on June 1, 2026, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption without premium.

Term Series 2010B Bonds Due June 1, 2036

Mandatory Sinking Fund Payment Dates (June 1)	Mandatory Sinking Fund Payments
2026	$1,120,000
2027	1,160,000
2028	1,205,000
2029	1,245,000
2030	1,290,000
2031	1,340,000
2032	1,525,000
2033	1,765,000
2034	1,830,000
2035	1,895,000
2036†	1,965,000

† Final Maturity.

The Series 2010B Bonds maturing on June 1, 2040 shall also be subject to redemption prior to their stated maturity, in part, from mandatory sinking fund payments as specified below, commencing on June 1, 2037, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption without premium.

Term Series 2010B Bonds Due June 1, 2040

Mandatory Sinking Fund Payment Dates (June 1)	Mandatory Sinking Fund Payments
2037	$2,035,000
2038	2,115,000
2039	2,195,000
2040†	2,275,000

† Final Maturity.

Selection of Series 2010B Bonds for Redemption. Whenever provision is made in the Second Supplemental Indenture for the redemption of less than all of the Series 2010B Bonds, the maturities of the Series 2010B Bonds to be redeemed shall be specified by the City. For so long as (i) the Series 2010B Bonds are registered in book-entry only form and (ii) the Securities Depository or a successor Securities Depository is the sole registered owner of the Series 2010B Bonds, if less than all of the Series 2010B Bonds of a maturity are called for redemption, the particular Series 2010B Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with the Securities Depository's procedures, provided that, so long as the Series 2010B Bonds are held in book-entry form, the selection for redemption of such Series 2010B Bonds shall be made in accordance with the operational arrangements of the Securities Depository then in effect, which operational arrangements currently provide for adjustment of the principal by a factor provided pursuant to such operational arrangements. **None of the City, the Underwriter, or the Trustee shall have any responsibility to ensure that the Securities Depository or the Securities Depository Participants properly select any Series 2010B Bond for redemption in such manner and in each case any failure to select any Series 2010B Bond for redemption shall not affect the sufficiency or the validity of the redemption of such Series 2010B Bond.** Redemption allocations made by the Securities Depository, direct or indirect participants in the Securities Depository, or such other intermediaries that may exist between the City and the Beneficial Owners are to be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. If the Trustee does not identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis and provide the necessary information to the Securities Depository or if the Securities Depository's operational arrangements do not allow for the redemption of the Series 2010B Bonds on a Pro Rata Pass-Through Distribution of Principal basis, then the Series 2010B Bonds shall be selected for redemption by lot in accordance with the Securities Depository's procedures. If the Series 2010B Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2010B Bonds shall be effected by the Trustee among Owner's on a pro-rata basis subject to minimum Authorized Denominations. The particular Series 2010B Bonds to be redeemed shall be determined by the Trustee, using such method as the Trustee shall deem fair and appropriate.

Notice of Redemption of 2010 Water Bonds

The City shall notify the Trustee at least forty-five (45) days prior to the redemption date for 2010 Water Bonds pursuant to the Indenture (or such shorter time as may be agreed to by the Trustee). Notice of redemption shall be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, (i) to the respective Owners of any 2010 Water Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the Securities Depository by facsimile or other electronic means of communications and by first-class mail, and (iii) to the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org, by electronic means of communication, or to such other securities depositories or information services as the City may designate in a Request of the City delivered to the Trustee. Notice of redemption shall be given in the form and otherwise in accordance with the terms of the Indenture.

The City has the right to rescind any notice of the optional redemption of any 2010 Water Bonds by written notice to the Trustee on or prior to the dated fixed for such redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2010 Water Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The City and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee shall provide notice of rescission of redemption in the same manner as the original notice of redemption was provided.

Effect of Redemption of 2010 Water Bonds

Notice of redemption having been given as provided in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the 2010 Water Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2010 Water Bonds (or portions thereof) so called for redemption will become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption, interest on the 2010 Water Bonds so called for redemption will cease to accrue, such 2010 Water Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2010 Water Bonds will have no rights in respect thereof except to receive payment of such redemption price and accrued interest.

BOOK-ENTRY SYSTEM

The following description concerning DTC and DTC's book-entry system is based solely on information furnished by DTC. No representation is made herein by the City, BWP or the Underwriter as to the accuracy or completeness of such information.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2010 Water Bonds. The 2010 Water Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the 2010 Water Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information set forth on these websites is not incorporated by reference herein.

Purchases of 2010 Water Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Water Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010 Water Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Water Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2010 Water Bonds, except in the event that use of the book-entry system for the 2010 Water Bonds is discontinued.

To facilitate subsequent transfers, all 2010 Water Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2010 Water Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Water Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Water Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2010 Water Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2010 Water Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2010 Water Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2010 Water Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Water Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2010 Water Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

Discontinuation of the Book-Entry System

If DTC determines not to continue to act as securities depository by giving notice to the City and the Trustee, and discharges its responsibilities with respect thereto under applicable law and there is not a successor securities depository, or the City determines that it is in the best interest of the Beneficial

Owners of the 2010 Water Bonds that they be able to obtain certificates, the Trustee will execute, transfer and exchange 2010 Water Bonds as requested by DTC and will deliver new 2010 Water Bonds in fully registered form in denominations of $5,000 principal amount or any integral multiple thereof in the names of Beneficial Owners or DTC Participants.

In the event the book-entry system is discontinued, the principal amount of and premium, if any, payable with respect to the 2010 Water Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee. The interest on 2010 Water Bonds will be payable by check mailed to the respective Owners thereof at their addresses as they appear on the books maintained by the Trustee.

Any 2010 Water Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2010 Water Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The 2010 Water Bonds may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of 2010 Water Bonds of other authorized denominations of the same series, tenor, maturity and interest rate by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2010 Water Bond for cancellation; provided that no transfer or exchange may occur during the period established by the Trustee for selection of 2010 Water Bonds for redemption, or of any 2010 Water Bond or portion of a 2010 Water Bond so selected for redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

SECURITY AND SOURCES OF PAYMENT FOR THE 2010 WATER BONDS

The following discussion describes the security and sources of payment of the 2010 Water Bonds. For a summary of the terms of the Indenture, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Pledge of Water Net Revenues

Pursuant to the Indenture, the City has irrevocably pledged to the payment of the principal or redemption price of and interest on the Bonds, including the 2010 Water Bonds and all Parity Debt, all Water Net Revenues and all amounts held by the Trustee under the Indenture (except for amounts held in the Rebate Fund) subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. In addition, the City has entered into obligations, and expects to enter into additional obligations, on a parity with the 2010 Water Bonds and all Parity Debt, such as the 1994 SRF Loan (as defined herein), that are not issued under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 WATER BONDS - SRF Obligations."

"Parity Debt" of the Water System means any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or interest rate swap agreement having an equal lien and charge upon the Water Net Revenues, therefore payable on a parity with the Bonds (whether or not any Bonds are outstanding).

"Water Net Revenues" means the amount of Water Revenues of the Water System remaining after the payment therefrom of the Water Operating Expenses.

"Water Revenues" means all the revenues from rates, fees and charges for providing water service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Water System, including contributions in aid of construction; provided, that the City may by election in a Supplemental Indenture relating to a Series of Bonds or Parity Debt exclude from Water Revenues any Subsidy Payment. The City has elected under the Second Supplemental Indenture not to include the Subsidy Payments in respect of the Series 2010B Bonds in Water Revenues. The City has elected under the Second Supplemental Indenture not to include the Subsidy Payments in respect of the Series 2010B Bonds in Water Revenues. See the definition of "Debt Service" in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions" and see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Debt Service Fund."

"Water Operating Expenses" means the amount required to pay the expenses of management, repair and other costs necessary to operate, maintain and preserve the Water System in good repair and working order, including but not limited to, the expenses of conducting the Water System, but excluding depreciation.

Limited Obligations

The Bonds (including the 2010 Water Bonds) are special, limited obligations of the City payable from Water Net Revenues. The 2010 Water Bonds shall not be deemed to constitute a debt or liability of the City, the State or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the City, the State or of any political subdivision thereof, but shall be payable, except to the extent of certain available moneys pledged therefor, solely from Water Net Revenues. Neither the faith and credit nor the taxing power of the City, the State or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the 2010 Water Bonds. The issuance of the 2010 Water Bonds shall not directly or indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

Rate Covenant

The City covenants, pursuant to the Indenture, that it shall prescribe, revise and collect such charges for the services, facilities and water furnished by the Water System which, after making allowances for contingencies and error in the estimates, shall provide Water Net Revenues at least sufficient to pay the following amounts in the order set forth:

(1) The interest on, and principal and Redemption Price of, the outstanding Bonds and any Parity Debt as the same shall become due and payable;

(2) All payments required for compliance with the Indenture, including payments required to be made into any bond reserve fund; and

(3) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Water Net Revenues;

and the charges shall be fixed so that in each Fiscal Year the Water Net Revenues shall be at least equal to 1.20 times the amount of the Annual Debt Service, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE –Covenants – *Rates and Charges*."

No Reserve Fund

No reserve fund will be established under the Indenture for the 2010 Water Bonds.

Allocation of Water Net Revenues Under the Indenture

Pursuant to the Indenture, as long as any Bonds are outstanding or any Parity Debt remains unpaid, the City will deposit in a trust fund, designated as the "Water Revenue Fund," which fund the City shall establish and maintain, all Water Net Revenues, when and as received by the City. For further information regarding the allocation of revenues with respect to the Bonds, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Pledge of Water Net Revenues; Water Revenue Fund."

Transfers to the City's General Fund

Under the City Charter, the City Council may transfer up to 5.0% of the Water System's gross Water Revenues to the City's General Fund. Transfers to the City's General Fund for the Fiscal Years ended June 30, 2009 and June 30, 2010 were approximately $965,000 and $1,040,000, respectively (constituting 5.0% of the gross Water Revenues for each such Fiscal Year). The budgeted transfer for the Fiscal Year ending June 30, 2011, is expected to be approximately $1,174,000, or 5.0% of the expected gross Water Revenues.

Additional Bonds or Parity Debt

The Indenture permits the issuance of additional Bonds or Parity Debt upon the satisfaction of certain conditions precedent to the issuance of such additional Bonds or Parity Debt, including the delivery to the Trustee of a Certificate of the City certifying that the sum of: (1) the Water Net Revenues; plus (2) 90% of the amount by which the City projects Water Net Revenues for any period of 12 consecutive months during the 18 months immediately preceding the date on which any additional Bonds or Parity Debt will become outstanding would have been increased had increases in rates, fees and charges during such period of 12 months been in effect throughout such period of 12 months; plus (3) 75% of the amount by which the City projects Water Net Revenues will increase during the period of 12 months commencing on the date of issuance of such additional Bonds or Parity Debt due to improvements to the Water System under construction (financed from any source) or to be financed with the proceeds of such additional Bonds or Parity Debt, shall (4) have been at least equal to 1.20 times the amount of Debt Service due within the next consecutive twelve (12) month period on all Bonds and Parity Debt then outstanding and the additional Bonds or Parity Debt then proposed to be issued. "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Bonds – *General* and *Proceedings for Issuance of Additional Series of Bonds*."

SRF Obligations

The City participates in the California State Water Resources Control Board (the "SWRCB") low interest rate loan program, which was established to provide below-market rate financing for qualified water resource projects in the State. In April 1994 under the loan program the City received a loan from the SWRCB in the amount of $3,133,741 to finance the construction of certain improvements to the Water System (the "1994 SRF Loan"). The 1994 SRF Loan has a final term of March 31, 2014 and a remaining principal balance of $823,290.88. The 1994 SRF Loan is payable from Water Net Revenues on a parity with any Bonds and Parity Debt hereafter issued and outstanding under the Indenture, including the 2010 Water Bonds.

The City expects to enter into an additional loan with the SWRCB within the next six months in the approximate amount of $5,500,000. Such SWRCB loan will be payable from Water Net Revenues on a parity with the 1994 SRF Loan, the 2010 Water Bonds, any other Bonds and any Parity Debt issued and outstanding under the Indenture.

Limitations on Remedies

In addition to the limitations on remedies contained in the Indenture, the rights of the Owners are subject to the limitations on legal remedies against cities and other public agencies in the State. Additionally, enforceability of the rights and remedies of the Owners, and the obligations incurred by the City, may become subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. The opinion to be delivered by Fulbright & Jaworski L.L.P., Bond Counsel, concurrently with the issuance of the 2010 Water Bonds, that the 2010 Water Bonds constitute valid and binding limited obligations of the City payable from and secured by a pledge of Water Net Revenues as and to the extent provided in the Indenture, will be subject to the limitations described above and the various other legal opinions to be delivered concurrently with the issuance of the 2010 Water Bonds will be similarly qualified. If the City fails to comply with its covenants under the Indenture or to pay principal of or interest on the 2010 Water Bonds, there can be no assurance that remedies will be available to fully protect the interests of the Owners. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the 2010 Water Bonds are shown below:

Sources:	**Series 2010A Bonds**	**Series 2010B Bonds**
Principal Amount	$ 8,795,000.00	$27,945,000.00
Original Issue Premium	1,108,425.20	--
Debt Service Fund Release	593,475.79	--
Parity Reserve Fund Release	494,590.10	--
Total Sources	$10,991,491.09	$27,945,000.00
Uses:		
Deposit to Water System Funds	$ 7,904,134.76	$27,556,317.29
Deposit to 1998 Water Bonds Redemption Fund	2,964,891.94	--
Deposit to Series 2010A Costs of Issuance Fund[(1)]	122,464.39	--
Deposit to Series 2010B Costs of Issuance Fund[(1)]	--	388,682.71
Total Uses	$10,991,491.09	$27,945,000.00

(1) Includes underwriter's discount, legal fees, financial advisory fees, Trustee's fees, verification agent fees, printing costs, rating agencies' fees and other costs incurred or to be incurred in connection with the issuance of the Series 2010A Bonds and Series 2010B Bonds, as applicable.

PLAN OF REFUNDING

On November 12, 2010, a portion of the proceeds of the Series 2010A Bonds, together with certain other monies, will be applied to refund on a current basis all of the outstanding principal amount of the 1998 Water Bonds at a redemption price of 100% of the principal amount thereof plus accrued interest thereon. The refunding will be effected by depositing a portion of the proceeds of the Series 2010A Bonds, together with certain other monies, into 1998 Water Bonds Redemption Fund established under the indenture (the "Prior Indenture") under which the 1998 Water Bonds were issued. The refunding of the 1998 Water Bonds will discharge the pledge securing the 1998 Water Bonds, other than the pledge of amounts in the 1998 Water Bonds Redemption Fund, and the 1998 Water Bonds will no longer be considered outstanding. The refunding of the 1998 Water Bonds will also discharge the Prior Indenture.

The accuracy of the mathematical computations of the adequacy of the amount held as cash in the 1998 Water Bonds Redemption Fund, to provide for the payment of the redemption price of the 1998 Bonds plus accrued interest thereon will be verified at the time of delivery of the Series 2010A Bonds by a firm of independent arbitrage consultants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

THE 2010 WATER PROJECT

A portion of the proceeds of the 2010 Water Bonds is expected to be used to finance the costs of certain improvements to the Water System, including the build-out of the recycled water expansion, replacement of a water reservoir, conversion of the automatic meter infrastructures and other improvements to the water production, distribution, storage, and general plant facilities. The City may use a portion of the 2010 Water Bond proceeds to finance other or additional facilities for the Water System. In addition, a portion of the proceeds of the 2010 Water Bonds will be used to repay an approximately $9,000,000 advance from the City's General Fund to the Water System made pursuant to Resolution No. 28,005, adopted by the City Council on October 6, 2009.

WATER SYSTEM DEBT SERVICE REQUIREMENTS

The debt service requirements with respect to the 2010 Water Bonds (and the 1994 SRF Loan) are set forth in APPENDIX F hereto. See "APPENDIX F – WATER SYSTEM DEBT SERVICE REQUIREMENTS."

BURBANK WATER AND POWER

Senior Management of Burbank Water and Power

BWP is under the direct management of BWP's General Manager, subject to the policy and direction of the City Council and the Burbank Water and Power Board of Directors (the "BWP Board") and the broad administrative direction of the City Manager. BWP's General Manager is responsible for policy and planning relating to the operation of the Water and Electric Systems. Legal services are provided by the City Attorney's office, and various other administrative services are also provided by the City. Senior management of the Water System are as follows:

Ronald E. Davis, BWP's General Manager, holds a Bachelor of Arts degree in business and professional accounting from Eastern Washington University. He also is a graduate of the U.S. Navy Nuclear Program. He began his professional career with Washington Water Power Company in Spokane, Washington, moving through various positions from Construction Auditor to General Manager of Accounting to Controller to Director of Marketing and Sales. Prior to working at Puget Sound Energy, where he was Vice-President in charge of regulation, strategic and marketing planning, Mr. Davis was Vice-President of Planning and Regulation at Washington Energy Company. He has served as BWP General Manager since 1999 and is the current President of the California Municipal Utilities Association, a statewide association of community owned public utilities. He is also the Past President of the Southern California Public Power Authority ("SCPPA") for the calendar years 2003 and 2004.

Bill Mace, P.E., Assistant General Manager/Water, holds a Bachelor of Science degree in Civil Engineering from Loyola University of Los Angeles, a Master of Science degree in Civil Engineering and Environmental Engineering from Utah State University, and a Master of Science degree in Arctic Engineering from the University of Alaska, Anchorage. He has 35 years of design, construction and maintenance experience in Utility Operations. Mr. Mace is also a retired Commander, Civil Engineer Corps, in the United States Naval Reserve. Mr. Mace was appointed Assistant General Manager for Water Systems in December of 2004 after seven years of service at BWP.

Bob Liu, Chief Financial Officer, holds a Bachelor of Science degree in Finance and a Master of Business Administration from Utah State University. Prior to joining BWP, he worked for the California Power Exchange initially in the Settlements Department and then in the Finance Department. At BWP, he held the positions of Financial Analyst and Financial Planning and Risk Manager before his current position as Chief Financial Officer. His primary focus at BWP has been in the areas of financial reporting, budgeting, financial planning, energy risk management and capital financing.

James Compton, Assistant General Manager/Chief Technology Officer, holds a Bachelor of Science degree in Electrical Engineering from the California State Polytechnic University, Pomona. He has been in the Electrical Engineering, Electronics and Computer field for over 26 years and held significant positions within the Media and Entertainment industries. Mr. Compton's previous experience included Vice President of Engineering and Chief Technology Officer of a major media and distribution company in Burbank for over 18 years. Mr. Compton joined BWP on June 1, 2010. His primary focus is to develop and deploy new communications and information system technologies to meet operational needs, including Smart Grid.

Burbank Water and Power Board

The BWP Board consists of seven members appointed by the City Council. The BWP Board is responsible for proposing water rate increases to the City Council. Water rate increases, if any, are typically presented by BWP as part of the annual budget process for City Council approval.

As set forth in the Burbank Municipal Code, the BWP Board has the following powers and duties:

(1) To review and make recommendations on all capital improvements which require City Council's approval;

(2) To review and make recommendations on purchase power agreements with terms of more than two years;

(3) To review and make recommendations on BWP's annual budget;

(4) To review and make recommendations on electric and water rate changes;

(5) To approve all contract awards for goods, services and public works construction projects which are provided for in BWP's annual budget; and

(6) To perform advisory functions as delegated to it by the provisions of the Burbank Municipal Code or other actions of the City Council or BWP General Manager.

The present members of BWP Board and their terms of appointment are as follows:

Name	Position	Term Expires June 1,	Profession
Lee Dunayer	Chairperson	2011	Financial Advisor, UBS Financial Services Inc.
Robert Olson	Vice-Chairperson	2013	Media Consultant, Bob Olson Media Group
Martin Adams	Member	2013	Director of Water Quality, LADWP
Thomas Jamentz	Member	2013	Retired, LADWP
Wendy James	Member	2011	President/Owner, Better World Group
Lynn Kronzek	Member	2011	Principal/Consultant, Lynn Kronzek & Associates
Rod Kurihara	Member	2011	Director of Ride Control Engineering, Disney Imagineering

Employee Relations

As of June 30, 2010, the City had 1,642 employees with 1,221 full-time, 218 part-time, and 203 temporary employees. As of June 30, 2010, 51 full-time equivalent City employees were directly assigned to the Water System. Certain functions supporting the Water System's operations, including meter reading, customer billing and collection, finance, administrative and other general office supports are performed by general BWP staff. Three associations represent most of BWP's employees: the Burbank City Employees' Association ("BCEA"), the International Brotherhood of Electric Workers Local 18 ("IBEW") and the Burbank Management Association ("BMA"). All of the associations are subject to the Meyers-Milias-Brown Act, which requires each association to meet and confer with the City in an effort to develop a "memorandum of understanding." Negotiations with each association are conducted before each June 30th expiration of the applicable memorandum. There have been no strikes or other work stoppages by the City's employees within the last five years and the City does not anticipate any in the near future. See "APPENDIX A – THE CITY OF BURBANK ECONOMIC AND FINANCIAL INFORMATION – Municipal Government."

Pension Plan and Other Post-Employment Employee Benefits for Employees of the Water System

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The pension plan is part of the public agency portion of the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. A menu of benefit provisions, as well as other requirements, is established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members in CalPERS were required to contribute 8% of their annual covered salary effective July 1, 2008. The City makes the contributions required of City employees on their behalf and for their account. The City is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarially determined contribution rate is 10.493%

for Fiscal Year 2010-11. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. The Water System is allocated its portion of the required contribution. The City contributed 100% of the annual pension cost for the City's pension plan for the Fiscal Years ending June 30, 2008, June 30, 2009 and June 30, 2010. A schedule of funding progress is set forth annually in the City's Comprehensive Annual Financial Report ("CAFR"). The benefit pension plan had a funded ratio of above 95% as of each actuarial valuation date of June 30, 2006, June 30, 2007 and June 30, 2008. A copy of the City's most current CAFR may be found at http://www.ci.burbank.ca.us. The information set forth on such website is not incorporated herein by reference.

The City also provides certain post-employment health care benefits under the Burbank Employees Retiree Medical Trust ("BERMT"). This defined benefit plan 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. 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. Plan members are required to contribute fifty dollars per bi-weekly pay period, which the City matches. Plan provisions and contribution requirements are established by and may be amended by BERMT's board. Investments are determined by the BERMT plan trustees, and are governed by ERISA provisions. Members must be retired and have reached age 58, with a minimum of 5 years of contributions into the plan, to be eligible for benefits. The benefit provided is up to $300 in reimbursements per month, for eligible medical expenses.

The Water System does not separately account for its allocable portion of the cost of pension benefits and other post employment benefits ("OPEB"), the actuarially computed present value of vested and nonvested accumulated plan benefits, the related assumed rates of return used, and the actuarially computed value of vested benefits over the related pension and OPEB fund assets. Additional information on the City's pension and OPEB plans is provided in the notes in the audited financial statements presented in APPENDIX B to this Official Statement.

Insurance

The City maintains an all-risk insurance policy on all City real property holdings. The City is self-insured and self-administered for certain exposures through the Office of the Risk Manager, a division of the Management Services Department. The City's current liability program is self-insured for the first $1,000,000. All other liability exposures are covered under the City's excess liability program with limits up to $45,000,000. The City's Workers' Compensation program is also self-insured and self-administered up to the first $2,000,000. An additional Excess Workers' Compensation policy is also in place with limits up to $50,000,000. The City does not carry earthquake insurance.

THE WATER SYSTEM

General

The City is a charter city, originally incorporated in 1911, and is administered by a Council-Manager form of government. The City is located in the greater metropolitan Los Angeles area, approximately 12 miles northeast of the Los Angeles Civic Center complex. See "APPENDIX A – THE CITY OF BURBANK ECONOMIC AND FINANCIAL INFORMATION" for additional information relating to the City. Burbank's Public Service Department was established in 1913 under the laws of the State of California to supervise the purchase, distribution and sale of water and the generation, purchase, distribution and sale of electricity. In 2000, the name of the Public Service Department was changed to

Burbank Water and Power. BWP currently provides service to all water and electric customers within the City and is a department provided for under the City Charter. The City owns and operates the Water System. For the Fiscal Year ended June 30, 2010, the number of customers of the Water System was approximately 26,402 and the total water consumption (potable and recycled) was approximately 20,403 acre-feet ("AF") or approximately 6.6 billion gallons. An AF is the amount of water that will cover one acre to a depth of one foot and equals 325,851 gallons.

Overall Description of the Water System

Potable Water. The City's potable water requirements are met with treated local groundwater and water purchased from The Metropolitan Water District of Southern California ("MWD"). The potable water system is an integrated water system consisting of groundwater extraction and production (pumping and blending), transmission and distribution facilities. The potable water system has eleven pressure zones and is divided into three primary pressure zones and eight hillside pressure zones. There are approximately 280 miles of pipe, ranging in size from 2 inches to 30 inches in diameter, approximately 1,840 fire hydrants, connected for general fire protection service, and thirteen booster stations with twenty-seven booster pumps for the distribution of water to the various zones. Potable water storage consists of seven concrete reservoirs and fourteen steel water tanks with a capacity of approximately 52.6 million gallons. The average potable daily use for the last five years was approximately 19.5 million gallons and the maximum demand was about 29.7 million gallons per day. The annual average potable water sales for the last ten years was approximately 22,000 AF/year. Recent potable water sales are lower than the ten year average due to conservation and displacement of potable water sales with recycled water.

Recycled Water. The City's recycled water system consists of transmission and distribution facilities divided into six pressure zones. Each zone requires at a minimum a pumping station with at least one booster pump. Recycled water storage consists of six storage reservoirs or tanks with a capacity of approximately 2.2 million gallons. The recycled water distribution system has approximately ten miles of pipeline in service including four miles of recently constructed pipeline ranging from 4 to 16 inches in diameter and with another eleven miles of pipeline under construction to be completed in Fiscal Year 2010-11. In 2007, the City Council approved a recycling plan (the "Recycled Water Master Plan"). Another five miles of pipeline will be added by 2013 in accordance with build-out under the Recycled Water Master Plan. In addition, the recycled water distribution system has six pumping stations with nineteen booster pumps. Average daily recycled water use in Fiscal Year 2009-10 was 1.85 million gallons. Average recycled water sales in the last four years were 2,000 AF/year. Sales should increase by approximately 700 AF/year in December 2012 with the completion of two major extensions of the recycled water system currently under construction. Total sales per year is estimated to average 3,000 to 3,300 AF/year by the end of 2013.

Water Supply

The City's potable water supply consists of two principal sources: imported water from MWD and treated groundwater. In addition, the City also operates a recycled water system for all uses except for drinking water, including outdoor landscaping irrigation and is the primary water source for the Magnolia Power Project. The Magnolia Power Project consists of a natural gas-fired electric generating plant and auxiliary facilities located in the City.

BURBANK WATER AND POWER
HISTORICAL POTABLE WATER PRODUCTION

Fiscal Year	Burbank Operable Unit Local Production	Imported Water from MWD
2006	40%	60%
2007	43	57
2008	35	65
2009	42	58
2010	53	47

Source: BWP.

Imported Water. BWP is one of the thirteen founding agencies of MWD. For the Fiscal Year ended June 30, 2010, approximately 47% of BWP's water requirement (full-service treated water) was purchased from MWD and distributed by BWP to its customers. See "THE WATER SYSTEM – The Metropolitan Water District of Southern California." MWD is obligated to supply all of the City's water needs if so requested by the City unless MWD does not have sufficient water available to satisfy all of the water demands of its members, in which case restrictions are imposed upon the amount of water its members, including the City, may receive. Five MWD service connections can supply over 100% of the City's maximum daily water demand with a rated capacity of 74 million gallons per day.

MWD instituted a Water Supply Allocation Plan on July 1, 2009 (the "Allocation Plan") for Fiscal Year 2009-10. The Allocation Plan is continuing in Fiscal Year 2010-11. The City's allocation from MWD for the current Fiscal Year is 11,611 AF. The allocation for Fiscal Year 2009-10 was 11,155 AF of which 8,834 AF were purchased by the City. The difference of 2,321 AF is available to purchase as untreated water for groundwater replenishment and/or production. The Allocation Plan also estimates Burbank's local ground water production capacity at 11,765 AF/year. If groundwater production capacity were lost or impaired for any reason, the Allocation Plan has a provision to increase the allocation of an individual agency to replace the lost local production. In the years between the discovery of certain contamination in the groundwater and construction of the Burbank Operable Unit ("BOU"), BWP ceased local production and solely utilized MWD treated water for its potable water uses. Under the Allocation Plan, if demand exceeds the City's allocation from MWD and the available groundwater supply, water will still be available from MWD, but at substantial penalty rates.

Groundwater Supply Rights. The San Fernando Basin ("SFB") and the Upper Los Angeles River Area ("ULARA") are adjudicated according to the 1979 final judgment in a state court case entitled *City of Los Angeles vs. City of San Fernando, et al., Los Angeles County Superior Court Case No. 650079* (the "Judgment"), which established the ULARA Watermaster to oversee the SFB and report on an ongoing basis to the Superior Court. The Judgment established that the City of Los Angeles owns all naturally occurring water in the SFB but recognized that a portion of the water imported into the SFB percolates into the ground water table. In the Judgment, the City has a right to 20% of all water it delivers in the SFB as an import return credit ("Import Return Credit") at no cost. The right is calculated based on the total of MWD treated water, BOU produced and treated groundwater, and recycled water. Unused Import Return Credits can be accumulated and banked for future use. In addition to importing and spreading water, pursuant to a formula under the Judgment the City has the right to purchase up to 4,200 AF/year of water ("Physical Solution") from the City of Los Angeles at their prior year average cost of water.

Import Return Credits become stored groundwater credits ("SGWCs") if they are not used. In the past, BWP banked its SGWCs for many years when pumping was curtailed due to contamination. Since completion of the BOU in 1996, the City has pumped more than its yearly SGWCs resulting in a steady reduction of its banked SGWCs. In 2002, the City Council approved a five-year rate increase of 4.8% annually so that rates would be compensatory for groundwater replenishment purchases from either MWD, or obtain SGWCs from the City of Los Angeles and/or Glendale Water and Power. The City has traditionally purchased seasonally discounted replenishment water to count toward SGWCs from MWD. This class of water, however, has not been available since May 2007, due to issues associated with litigation involving the San Francisco Bay/Sacramento-San Joaquin River Delta ("Bay-Delta") and the subsequent Allocation Plan. The City has been purchasing Physical Solution water from the City of Los Angeles and intends to continue to do so in the foreseeable future. The City may also purchase full service untreated water from MWD up to the allocation limit.

The City had 16,707 AF of SGWCs on reserve as of June 2010. Current operations to produce 10,000 AF from the BOU are covered by approximately 4,000 AF of Import Return Credits, 4,200 AF of Physical Solution purchase and 1,800 AF of Untreated Water from MWD for ground water replenishment or for exchange of groundwater credits from the City of Los Angeles. The following table sets forth the historical SGWCs for the water years indicated.

BURBANK WATER AND POWER
HISTORICAL STORED GROUNDWATER CREDITS
(In AF)

Water Year[1]	Total Delivered Water	Import Return Credit	Other Credits: Physical Solution	Other Credits: MWD Untreated[2]	Pumped Groundwater/ BOU	1% Water Loss[3]	Stored Groundwater Credits Balance[4]
2005-06	24,084	4,817	--	--	(10,543)	--	13,999
2006-07	25,288	5,058	4,200	4,000	(10,220)	--	16,796
2007-08	24,277	4,855	4,200	--	(7,161)	(189)	18,703
2008-09	22,160	4,432	4,200	2,000	(10,319)	(194)	19,245
2009-10	20,438	4,088	4,200	2,034	(10,323)	(196)	19,393

Source: BWP.
(1) October 1 through September 30.
(2) Purchased MWD untreated water in exchange for groundwater credits.
(3) Beginning in 2007-08, 1% water loss is deducted from the stored water at the end of each year.
(4) Each SGWC balance is determined by adding each prior year's SGWCs to the prior year's Import Return Credit and then adding the current year's Other Credits (Physical Solution and MWD Untreated) and subtracting the amount of Pumped Groundwater/BOU and Water Loss. May not add due to rounding.

Groundwater Storage. BWP worked with MWD to develop a new connection to deliver replenishment water to the existing spreading basins in the north San Fernando Valley. In Fiscal Year 2008, BWP completed the Pacoima Production Project and established a connection with MWD's East San Fernando Tunnel for groundwater recharge to the SFB at the Pacoima Spreading Grounds to support BOU groundwater pumping. This connection allows the City to purchase and increase ground-water credits for use during drought conditions and emergencies. BWP also plans to purchase water strategically and seasonally when water availability is high, and when water prices are low or when economic opportunities arise. The goal is to provide water rate stability for its rate payers.

Groundwater Treatment Plants. Most of the groundwater accessible within the City has become contaminated by trichloroethylene, perchloroethylene and other volatile organic compounds ("VOCs"). The VOCs will exceed maximum contaminant levels established by the United States Environmental Protection Agency (the "USEPA") and the California Department of Public Health ("CDPH") if left untreated. VOCs in the City's groundwater may be treated at two City-owned plants: the Granulated Activated Carbon ("GAC") Treatment Plant and the BOU.

GAC Treatment Plant. The City began operating the GAC Treatment Plant in November 1992. The GAC Treatment Plant can remove VOCs from two groundwater wells on-site with a combined rate of 2,000 gallons per minute ("gpm") for direct use in the City's water distribution system. In the past, this plant would normally operate during the summer season. However, the GAC Treatment Plant cannot meet the hexavalent chromium ("Chromium VI") limit of 5 parts per billion (ppb) set by City Council policy in 2002 for water delivered within BWP's distribution system because there is no source of MWD blending water at the GAC Treatment Plant. The current Federal and State maximum contaminant limits ("MCL") are 100ppb and 50ppb, respectively, for Chromium VI. Therefore, the City has voluntarily shut down the GAC Treatment Plant, except for emergencies and to provide a back-up water supply to the power plants, until the issue with Chromium VI can be resolved. See "THE WATER SYSTEM – Developments Affecting Water Supply – Hexavalent Chromium."

Burbank Operable Unit. The BOU commenced operation in January 1996 to treat, blend, disinfect and pump up to 6,000 gpm of groundwater from eight groundwater wells into the City's distribution system. The BOU was constructed by Lockheed-Martin Corporation ("Lockheed-Martin") pursuant to a Consent Decree with the USEPA, entered into on March 25, 1992 (the "Consent Decree"). In January 1998, the BOU was closed to expand the treatment capacity from 6,000 gpm to 9,000 gpm. A second consent decree with the USEPA was entered into on June 22, 1998 (the "Second Consent Decree") to cover the additional 3,000 gpm of groundwater extraction and treatment. The Consent Decree and the Second Consent Decree (together, the "Consent Decrees") govern the operation of the BOU and require operation and production to specific requirements. The Consent Decrees require that treated groundwater be blended to reduce and control the level of nitrate concentrations in the water. MWD water from a dedicated pipeline is used for blending purposes. Nitrate levels in the groundwater have since dropped below the level required for blending but the water is available for blending to reduce the Chromium VI concentration.

The City owns and operates the BOU although Lockheed-Martin paid for its construction and is responsible as well for the ongoing costs of operation, maintenance and capital improvements. Lockheed-Martin annually funds a trust account to cover the agreed upon budget for operations, maintenance and capital improvements against which invoices for BOU operation are paid by the trustee. The BOU was initially operated by Lockheed-Martin, but in March 2001, the operation was taken over by the City. The City will continue to be the designated operator of the BOU, with Lockheed-Martin providing full financial support, through the end of the interim remedy period described in the Second Consent Decree, which is expected to conclude in 2019. Groundwater contamination is not expected to be resolved by 2019, but the City believes the USEPA will mandate further remedies that will continue to hold Lockheed-Martin financially responsible for the clean-up and removal of the groundwater contaminants. In the Fiscal Year ended June 30, 2010, a total of 9,958 AF of groundwater was treated at the BOU at a plant capacity of 68.8% and a flow rate of 6,889 gpm.

Over the last few years, BWP has been working on improving the BOU's reliability. The internal fittings of the carbon filters at the BOU were rebuilt to reduce downtime due to mechanical system failures. Both the vapor phase granulated activated carbon ("VPGAC") and the liquid phase granulated activated carbon ("LPGAC") units were modified. Modifications consist of reconfiguration of the internal piping configuration of the LPGAC and a complete redesign of the internal screens and piping of the VPGAC and the airflow patterns. The system is expected to be reliable going forward and will only be limited by stored groundwater credit availability, the City Council Chromium VI policy and applicable governmental regulations. No further upgrades are planned, but a feasibility study is underway for removal of Chromium VI if MCL is established for Chromium VI. See "THE WATER SYSTEM – Developments Affecting Water Supply – Hexavalent Chromium."

Recycled Water. The Burbank Water Reclamation Plant (the "BWRP") supplies recycled water for the City and is operated and maintained by the City's Department of Public Works at no cost to the Water System. The BWRP produces about 10,000 AF of recycled water per year. The water not utilized by the recycled water system, currently about 76%, is discharged into the Los Angeles River. Recycled water was first used by a BWP electric power plant for cooling towers in 1967. BWRP produces tertiary-treated water (the highest level of treatment) that is approved for all uses but drinking. BWP operates and maintains numerous pipelines, pumping stations, and reservoirs that are dedicated to the distribution of recycled water throughout the City. In 2010, the recycled water system delivered approximately 2,047 AF to customers within the City, such as the Magnolia Power Project, other power plants, landscape irrigation, industrial, fire suppression, heating, ventilation, and air conditioning ("HVAC") systems. In Fiscal Year 2009-10, the City charged $823.28 per AF of delivered recycled water.

Sales should increase by approximately 700 AF/year in December 2012 with the completion of two major extensions of the recycled water system currently under construction. Total sales per year is estimated to average 3,000 to 3,300 AF/year by the end of 2013.

Future Water Demand. Burbank has already accomplished the 20% per capita reduction of water use by 2020 that was recently required by State law. This was achieved by conservation efforts and displacement of potable water use by recycled water. The build-out of the recycled water system will further reduce potable water use by the use of an equal amount of recycled water. Ongoing conservation efforts are also expected to achieve additional reductions. The City is fully developed and future demand for water will come from natural population growth that will be satisfied by redevelopment or "densification." Building codes requiring high efficiency plumbing fixtures and requirements for the use of recycled water in areas where larger redevelopment projects may be constructed are also expected to limit the additional demand for water and be satisfied within the pool of available water created by recycled water use and conservation policies of the City.

Water Quality. The City is committed to providing its customers with water that is safe, clean and reliable. BWP believes that its potable water meets or exceeds all state and Federal drinking water standards. The water is monitored and tested on a daily basis with over 1,600 water samples analyzed per year. The results are recorded by the CDPH's database and distributed to the customers annually.

Water Losses. With a concerted effort to replace and maintain the water infrastructure, meters and other capital improvements, BWP's unaccounted for potable water has dropped below 4% for six straight years, resulting in a significant savings to the City. Water lost in a water system is primarily due to system leaks. The City's water loss is well below the national average of 7.1%. The following table sets forth the water losses for the City for the Fiscal Years indicated.

BURBANK WATER AND POWER
WATER LOSSES
Fiscal Year Ended June 30,

Year	Percent
2006	3.1%
2007	2.6
2008	3.6
2009	1.3
2010	1.4

Source: BWP.

Cost of Water

Factors affecting the cost of water and the ability to provide water-related services to Southern California include, among others, diminishing water resources, judicial intervention, escalating production and treatment costs due to increasing stringent statutory and regulatory requirements, and capital expansion costs for plant additions and replacements.

The City purchases full-service treated water from MWD for potable uses. This water represents the most expensive water used by the Water System. BWP local groundwater production is essential to manage water supply costs. The groundwater cost shown below is a blended average cost recognizing that Import Return Credit water supply has no cost but takes into account the actual cost of replenishment water and/or Physical Solution water. The average actual cost of MWD full service treated water and groundwater per acre-foot for the Fiscal Years indicated is as follows:

BURBANK WATER AND POWER
WATER PRODUCTION COSTS

Fiscal Year	MWD Full-Service Treated (cost per AF)	Groundwater (cost per AF)
2007	$466.00	--
2008	493.00	--
2009	543.50	$111.00
2010	640.00[1]	204.00
2011	729.00[1] [2]	270.00

Source: BWP.
[1] Cost per AF is on a weighted average basis and thus the rates set forth differ from those set forth on MWD Water Rates table under the caption "THE WATER SYSTEM – The Metropolitan Water District of Southern California."
[2] Based on forecasted water volumes purchased.

The City began implementing groundwater inventory accounting in July 2008. Prior to this time, the City included the purchase cost of replenishment water into the water supply cost. The inventory balance when inventory accounting started was approximately 20,000 AF with zero cost. To further reduce reliance on outside water sources and have an alternative source of water, the City has expanded its recycled water system capacity to offset expensive purchased water (where applicable) and have a local source of water that is not susceptible to drought.

Capital Improvement Plan

The critical objectives for the Water System are reliability, public safety, water quality and business management. Reliability addresses supply, storage and distribution. Public safety addresses fire flow and fire hydrants. Water quality focuses on maintaining water supply, treatment facilities and distribution systems to meet all of the legal requirements as well as maintaining the public's trust in the water delivered by BWP. Business management is the replacement and repair of the meters, and water supply cost management. Since the last bond issuance in 1998, the water fund has not required debt issuance as capital projects have been funded on a "pay-as-you-go-basis" utilizing revenues and reserves. This approach has been supported by rate increases and existing fees that take into account the capital needs for the continuing replacement and maintenance of the Water System. There are no known or identified deferred maintenance or capital items as a result of this policy. All capital improvements are considered and adopted as part of the City's annual budget process.

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

The following table is a summary of the City's Five-Year Capital Improvement Program. The 2010 Water Bonds issuance will be used to reimburse the City, approximately $9,000,000 for prior spending, and approximately $26,500,000 will be used to fund a portion of the five-year capital projects. An expected $5,500,000 loan from the SWRCB will also provide for additional funding. Available cash of the Water System will be used to finance the remaining capital improvement costs.

BURBANK WATER AND POWER
FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM FORECAST
Fiscal Years Ending June 30,
($000's)

	2011	2012	20013	2014	2015	Total
System Replacement	$ 4,355	$ 1,266	$ 1,676	$ 1,456	$1,806	$10,557
Plant Replacement	50	50	50	50	50	250
Automation and Control	70	20	120	70	70	350
Reservoirs	2,545	7,930	1,075	770	205	12,525
Boosters	305	50	225	125	180	885
Transmission Mains	-	100	680	765	700	2,245
Production Facilities	-	30	175	180	-	385
Miscellaneous Facilities	35	35	35	35	35	175
Customer Service and Other	722	490	13	-	-	1,225
Recycled Water	9,067	1,750	2,440	830	845	14,932
Capital Outlay and Other	636	579	390	305	291	2,201
Total CIP	$17,785	$12,300	$6,878	$4,585	$4,182	$45,730

Source: BWP.

Customers, Water Sales, Water Revenues and Maximum Day Demand

The City's water sales are dominated by sales to residential customers. The average number of customers, water sales in AF and water revenues derived from sales, by classification of service, and maximum day demand during the past five Fiscal Years are listed below:

BURBANK WATER AND POWER
CUSTOMERS, WATER SALES AND WATER REVENUES
Fiscal Years Ended June 30,

	2006	2007	2008	2009	2010
Number of Potable Water Customers:					
Residential	22,050	22,046	22,043	22,033	22,059
Commercial	3,072	3,073	3,100	3,100	3,095
Large Commercial	114	114	116	114	110
Other[(1)]	1,102	1,104	1,112	1,118	1,138
Total	26,338	26,337	26,371	26,365	26,402
AF Sales Per Year:					
Potable					
Residential	15,508	16,945	15,936	15,051	13,196
Commercial	4,015	4,430	3,976	3,891	3,790
Large Commercial	850	856	835	817	707
Other[(1)]	776	701	940	865	663
Recycled	1,179	2,188	2,094	1,823	2,047
Total	22,329	25,120	23,780	22,446	20,403
Water Revenues (In Thousands):					
Retail[(2)]	$16,805	$18,777	$22,503	$20,853	$21,472
Miscellaneous[(3)]	$ 2,131	$ 841	$ 721	$ 519	$ 646
Total	$18,936	$19,618	$23,224	$21,372	$22,118
Maximum Demand Per Day (In Million Gallons)	31.9	33.0	30.8	29.0	23.9

Source: BWP.
(1) Includes City department water, school, fire protection, and miscellaneous users.
(2) Retail revenues include amounts for potable and recycled water.
(3) Miscellaneous revenues include connection fees, recycled water credits and other miscellaneous revenues.

Largest Water Customers

BWP's largest water customer (excluding City accounts) provided approximately 5.1% of BWP's water sales for the Fiscal Year ended June 30, 2010. BWP's 10 largest water customers (excluding City accounts) provided approximately 12.9% of the Water System's water sales for the Fiscal Year ended June 30, 2010 and BWP's 25 largest water customers (excluding City accounts) provided approximately 16.7% of the Water System's sales for the Fiscal Year ended June 30, 2010.

Water Rates and Average Billing Price

The City is obligated by the City Charter and by the Indenture to establish rates and collect charges in an amount sufficient to meet its operation and maintenance expenses and debt service requirements with respect to the Bonds and any Parity Debt of the Water System. Water rates are established by the City Council and are not subject to regulation by the California Public Utilities Commission (the "CPUC") or by any other state agency.

On July 1, 2009, the Water System introduced a tiered rate schedule for residential customers and seasonal rates as "summer" and "non-summer" for multi-family, commercial, and large commercial customers. The current water rates were established by the BWP Board, and approved by the City Council. The most recent rate increase of 13.50% was approved by the City Council. The City provides no free water service.

The City's water rates consist of a base rate, usage and a water cost adjustment charge (the "WCAC"). Costs of water supply, chemicals and power pumping costs are collected through the WCAC and treated as a pass through cost to the customers. BWP's General Manager may on a monthly basis adjust the WCAC to absorb increases in the water supply costs. The monthly WCAC change is limited to no more than a ten percent increase or decrease from the prior month's WCAC.

The following table sets forth BWP's year-over-year percentage increase in water base rates over the nine year period since July 1, 2002.

BURBANK WATER AND POWER
PERCENTAGE OVERALL CHANGE IN
WATER BASE RATES

Effective Date (July 1)	Rate Increase[1]
2002	4.80%
2003	4.80
2004	4.80
2005	4.80
2006	4.80
2007	4.80
2008	8.50
2009	15.0
2010	13.5

Source: BWP.
(1) Percentage change is based upon immediately preceding rate.

The following table sets forth BWP's average billing price per hundred cubic feet of the various customer classes indicated during the Fiscal Years indicated.

BURBANK WATER AND POWER
WEIGHTED AVERAGE BILLING PRICE-WATER
($ per CCF)
Fiscal Year Ended June 30,

	2006	2007	2008	2009	2010
Residential	$1.81	$1.84	$1.99	$2.17	$2.50
Commercial	1.67	1.74	1.84	1.99	2.18
Large Commercial	1.58	1.67	1.74	1.85	2.04
Weighted Average Potable Water Rate	1.78	1.82	1.95	2.12	2.41
Recycled water rate	1.42	1.48	1.55	1.69	1.89

Source: BWP.

Historical Net Revenues of the Water System and Debt Service Coverage

The following table sets forth a summary of Water Net Revenues for the five Fiscal Years indicated, together with debt service coverage ratios for the outstanding 1998 Water Bonds. This information was prepared by the City on the basis of its audited financial statements for such years other than for the Fiscal Year ended June 30, 2010, which is based upon unaudited information.

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BURBANK WATER AND POWER
HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE
WATER SYSTEM
Fiscal Years ending June 30
($000's)

	2006	2007	2008	2009	2010 (Unaudited)
Operating revenue:					
Retail	$16,805	$18,777	$22,503	$20,853	$21,472
Other	2,131	841	721	519	646
Total Operating Revenue	$18,936	$19,618	$23,224	$21,372	$22,118
Total Operating Expenses[1]	$13,358	$14,508	$18,012	$17,047	$16,706
Operating income/(loss)	5,578	5,110	5,211	4,325	5,412
Other non-operating income[2]	361	864	1,305	352	16
Net Income Available for Debt Service Prior to In-Lieu Transfer(a)	5,939	5,974	6,517	4,677	5,428
In-Lieu (b)	840	935	946	965	1,040
Debt Service (c) [3]	1,302	1,304	1,311	1,311	1,332
Rate Covenant Coverage (Prior to In-Lieu Transfer) (a)/(c)	4.56x	4.58x	4.97x	3.57x	4.08x
Debt Service Coverage (After In-Lieu) (a-b)/(c)	3.92x	3.86x	4.25x	2.83x	3.29x
Revenues Available Net of In-Lieu Transferred and Debt Service (a) – (b) – (c)	$3,797	$3,735	$4,260	$2,401	$3,056

Source: BWP.
(1) Operating expenses exclude depreciation, in lieu of taxes and interest expense.
(2) Other revenues available for debt service include interest income plus other non-operating revenues less other non-operating expenses. Other revenues do not include capital contributions.
(3) Includes debt service for the 1998 Water Bonds and 1994 SRF Loan. Does not include debt service for the 2010 Water Bonds.

Financial Reserves

Financial reserves have been established for general operating expenses, debt repayment and capital funding, and replenishment of water supply for storage when water prices are low. The Water System had approximately $9.2 million of cash and cash equivalents in reserve as of June 30, 2010.

Developments Affecting Water Supply

State Water Crisis. California is currently in a water shortage as a result of judicial intervention impacting imported water from the Bay-Delta, the hub of the State's water distribution system, and natural drought conditions.

The Bay-Delta is a vital estuary for scores of species and the pumping facilities of the State Water Project ("SWP") and the Central Valley Project. The Bay-Delta moves about 30% of Southern California's water supply to the aqueduct system to the SWP for more than 25 million Californians. With years of low rainfall and pumping restrictions, the reliability of the Bay-Delta's imported supplies have been diminished and reduced at times by hundreds of millions of gallons of water a day to the SWP. To compensate for this loss in the short-term, the State and SWP have asked for conservation and drawn on water supply reserves, which are currently down by 50%.

The City's water supply is highly dependent on the annual precipitation in Northern California. The drought, as a result of four years of below normal precipitation in Northern California, has deepened the water crisis. Statewide water conservation is in effect under the State's Drought Declaration issued on June 4, 2008, and the State of Emergency Proclamation on Water Supply issued on February 27, 2009. These actions are intended to prevent the need for water rationing and to promote efficient use of water.

Water System Initiatives. The City has passed a mandatory conservation program that is consistent with statewide programs to educate customers on the critical challenges confronting the State's water supply and delivery systems. Effective September 1, 2009, the City enacted a limit on landscape irrigation to no more than three days per week for no more than 15 minutes per day per irrigation station. State law also requires a 20% reduction in daily per capita use by 2020. For the City, the 20% reduction translates to 155 gallons per capita per day ("gpcd"). The City was able to meet this goal for the Fiscal Year ended June 2010, where water use showed 154.55 gpcd.

The City has recognized the long-term benefits of utilizing recycled water as an alternative source of water, and increase the overall water supply reliability within the City. The Recycled Water Master Plan was approved by the City Council in October 2007, outlining the expansion of the existing recycled water system to add many potential major users or entities throughout the City such as parks, cemetery, schools and business districts. This expansion is expected to be funded by a SWRCB loan and a portion of the 2010 Water Bond proceeds. The additional revenues generated with the recycled water sales will be used for loan repayment, bond debt services, operations, maintenance and capital improvements. A successful implementation of the Recycled Water Master Plan is essential to reduce water supply costs and decrease the City's dependence on imported potable water.

Since 2009, the City has been exploring an option with Los Angeles Department of Water and Power ("LADWP") to exchange the City's excess recycled water for groundwater credits. These credits will not count against the City's right to purchase Physical Solution water and will reduce the number of groundwater credits the City will need to purchase for the BOU. If approved by LADWP, LADWP will pay for the construction of facilities required to provide the requested flow to the City of Los Angeles. BWP will own, operate, maintain, and utilize these facilities as an integral part of the Recycled Water System.

Hexavalent Chromium. In May 2007, the National Toxicology Program ("NTP") within the USEPA released the result of a study concluding that Chromium VI is a carcinogen when ingested. The current enforceable regulatory MCL for chromium is 100 ppb and 50 ppb for the Federal and State, respectively. Studies are underway to develop a new limit for Chromium VI. On August 20, 2009, the California Office of Environmental Health Hazard Assessment ("OEHHA") released its Public Health

Goal ("PHG") draft for Chromium VI to be 0.06 microgram per liter (µg/L) or 0.06 ppb, a very low limit that is well below the laboratory detection limit of 1 ppb. OEHHA invited public comments through October 19, 2009. A final PHG for Chromium VI will not be announced and available until the OEHHA completes its work, which is expected within the next two years. After the final PHG is announced, the CDPH will then subsequently have to set a new MCL. The development of the MCL will take into consideration these factors: reliable detection limits, removal levels possible with existing validated technology and a reasonable cost and/or economic impact on communities. The MCL is not expected for at least two years after the adoption of the final PHG.

Under the policy set by the City Council, the potable water in the Water System cannot exceed 5 ppb of Chromium VI. This is achieved by blending the BOU produced water with MWD treated water to achieve the 5 ppb concentration requirement. Currently, the City has voluntarily shut down the GAC Treatment plant, with some exceptions, because of the presence of Chromium VI in the well water and no source of MWD water at that site for blending.

PHG is not a regulatory standard but rather the first step in establishing an MCL. It is not a boundary line between a "safe" and "dangerous" level of contaminant. The purpose of the PHG is to provide scientific guidance to CDPH in developing the MCL. Adoption of an MCL will determine the steps going forward to treat or remove Chromium VI and identify the responsible parties to support clean up and removal effort. BWP has met separately with USEPA and Lockheed-Martin to discuss Chromium VI and the possible impact on the future operation of the BOU. BWP and Lockheed-Martin will be working on a feasibility study covering the range of possible responses to potential MCL limits with funding from Lockheed-Martin.

The City cannot at this time determine the impact on the Water System in regard to Chromium VI. However, the City is aware that aggressive research programs are underway in surrounding cities to identify large-scale treatment technologies for the removal of Chromium VI. Weak base anion exchange and reduction-coagulation-filtration are studies presented by Malcolm Pirnie to an expert panel in October 2006 that identified two promising technologies for Chromium VI removal. The City of Glendale began operating a facility in April 2010 to demonstrate and further study these two treatment technologies.

The Metropolitan Water District of Southern California

The following information has been obtained from MWD and sources that the City and BWP believe to be reliable, but the City and BWP take no responsibility for the accuracy or completeness of such information.

MWD is a public agency organized in 1928 by vote of the electorates of several Southern California cities, including the City, following adoption of the original Metropolitan Water District Act by the California Legislature. MWD is not subject to regulation by the CPUC, although its enabling statute is subject to amendment by the California Legislature. MWD currently has full authority to set rates and policies as necessary to provide a dependable water supply to Southern California. MWD provides between 40 and 60 percent in any given year of the water used in its service area, which consists of approximately 5,200 square miles in portions of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura Counties. MWD serves a population of almost 19 million people.

MWD is governed by a 37-member MWD Board of Directors ("MWD's Board") consisting of at least one representative from each of the 26 member public agencies, including the City, that comprise MWD. Each member public agency is entitled to have at least one representative on MWD's Board, plus an additional representative for each full 5% percent of its assessed valuation of property in MWD's service area. Accordingly, from time to time, MWD's Board may have more than 37 members. Representation and voting rights are based upon each agency's assessed valuation.

MWD Water Supply. MWD's two primary sources of water are the SWP and the Colorado River. The SWP is owned by the State and operated by State Department of Water Resources ("DWR"). The SWP transports water available from the Bay-Delta to Southern California via the California Aqueduct. MWD contracted with DWR in the 1960s (as amended, the "State Water Contract") for a share of the SWP water (approximately 46%). The State Water Contract, under a 100% allocation, provides MWD 1,911,500 acre-feet of water. Deliveries from the SWP to MWD over the past eight years (2002 through 2009), including water from water transfer, groundwater banking and exchange programs described below, varied from a low of 908,000 acre-feet in calendar year 2009 to a high of 1,800,000 acre-feet in 2004. For calendar year 2010, DWR's initial allocation estimate to SWP contractors was set at 5% of contracted amounts. The estimate was adjusted upward during the winter and spring and on June 22, 2010, DWR adjusted its allocation to 50% of contracted amounts, reflecting late spring storms, a return to normal precipitation and reservoir levels and an above normal Sierra snowpack. For MWD, the revised allocation provides 955,750 acre-feet.

Management of the availability of SWP supplies through water marketing and groundwater banking plays an important role in meeting California water needs. MWD is participating in groundwater banking programs, including the Arvin-Edison/MWD Water Management Program, the Semitropic/MWD Groundwater Storage and Exchange Program and the California Aqueduct Dry-Year Transfer Program. MWD also has been negotiating, and will continue to pursue, water purchase, storage and exchange programs with other agencies in the Sacramento and San Joaquin Valleys. These programs involve the storage of both SWP supplies and water purchased from other sources to enhance MWD's dry-year supplies and the exchange of normal year supplies to enhance MWD's water reliability and water quality, in view of dry conditions and potential impacts from recent Endangered Species Act litigation.

The SWRCB is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the SWRCB can affect the availability of water to MWD and other users of SWP water. The SWRCB exercises its regulatory authority over the Bay-Delta by means of public proceedings leading to regulations and decisions. These include the Bay-Delta Water Quality Control Plan ("WQCP"), which establishes the water quality standards and proposed flow regime of the estuary, and water rights decisions, which assign responsibility for implementing the objectives of the WQCP to users throughout the system by adjusting their respective water rights. The SWRCB is required by law to periodically review its WQCP to ensure that it meets the changing needs of this complex system.

To obtain its Colorado River supply, MWD has a permanent service contract with the United States Secretary of the Interior for delivery of water via the Colorado River Aqueduct. California is apportioned the use of 4.4 million acre-feet of water from the Colorado River each year plus one-half of any surplus that may be available for use collectively in Arizona, California and Nevada. In addition, California has historically been allowed to use Colorado River water apportioned to but not used by Arizona and Nevada. Under the priority system that governs the distribution of Colorado River water made available to California, MWD holds the fourth priority right to 550,000 acre-feet per year. This is the last priority within California's basic apportionment of 4.4 million acre-feet. In addition, MWD holds the fifth priority right to 662,000 acre-feet of water, which is in excess of California's basic apportionment. Until 2003, MWD had been able to take full advantage of its fifth priority right entitlement as a result of the availability of surplus water and unused water. However, Arizona and Nevada increased their use of water from the Colorado River, significantly reducing unused apportionment available for California since 2002. In addition, a severe drought in the Colorado River

Basin reduced storage in system reservoirs, such that MWD stopped taking surplus deliveries in 2003 in an effort to mitigate the effects of the drought. If surplus and/or unused water is not available in future years, Colorado River water under MWD's fifth priority could be limited or unavailable. MWD has taken steps to augment its share of Colorado River water through agreements with other agencies that have rights to use such water.

MWD has entered into agreements with the Imperial Irrigation District, Central Arizona Water Conservation District and Palo Verde Irrigation District and is seeking additional agreements with other agencies to reduce their diversions from the Colorado River, thereby augmenting MWD's available supply.

In January 2001, the Secretary of the Interior adopted guidelines (the "Interim Surplus Guidelines") for use through 2016 in determining if there is surplus Colorado River water available for use in California, Arizona and Nevada. The purpose of the Interim Surplus Guidelines is to provide a greater degree of predictability with respect to the availability and quantity of surplus water through 2016. The Interim Surplus Guidelines were later extended through 2026.

Under the Interim Surplus Guidelines, MWD initially expected to divert up to 1.25 million acre-feet of Colorado River water annually under foreseeable runoff and reservoir storage scenarios from 2004 through 2016. However, an extended drought in the Colorado River Basin reduced these initial expectations. From 2000 to 2004, snowpack and runoff in the Colorado River Basin were well below average. Although runoff was slightly above average in 2005, the runoff in 2006 and 2007 was again below average, making 2000 through 2007 the driest eight-year period on record. Although 2008 and 2009 runoff was near normal, combined storage in Lake Mead and Lake Powell remains at 50% of capacity. MWD's initial 2010 diversion approval from the Bureau of Reclamation totaled 935,700 acre-feet plus any unused Priority 1 through 3 water. MWD anticipates its ultimate 2010 diversion approval from the Bureau of Reclamation will exceed 1 million acre-feet.

The Southern Nevada Water Authority ("SNWA") and MWD entered into an Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines on May 16, 2002, in which SNWA and MWD agreed on the allocation of unused Arizona apportionment and on the priority of SNWA for interstate banking in Arizona. SNWA and MWD entered into a storage and interstate release agreement on October 21, 2004. Under this program, Nevada can request MWD to store unused Nevada apportionment of Colorado River water in California. The amount of water stored through 2009 under this agreement was 70,000 acre-feet. In subsequent years, Nevada may request recovery of this stored water. As part of a recently executed amendment, it is expected that Nevada will not request return of this water until 2022. The stored water provides flexibility to MWD for blending Colorado River water with SWP water and improves near-term water supply reliability.

MWD's storage capacity, which includes reservoirs, conjunctive use and other groundwater storage programs within MWD's service area and groundwater and surface storage accounts delivered through the SWP or Colorado River Aqueduct, has increased to 5.62 million acre-feet. In 2010, approximately 626,000 acre-feet of stored water is emergency storage that is reserved for use in the event of supply interruptions from earthquakes or similar emergencies, as well as extended drought. MWD's ability to replenish water storage, both in the local groundwater basins and in surface storage and banking programs, has been limited by Bay-Delta pumping restrictions and Endangered Species Act considerations. MWD replenishes its storage accounts when imported supplies exceed demands. Effective storage management is dependent on having sufficient years of excess supplies to store water so that it can be used during times of shortage. Historically, excess supplies have been available in about seven of every ten years. MWD forecasts that, with anticipated supply reductions from the SWP due to pumping restrictions, it will need to draw down on storage in about seven of ten years and will be able to replenish storage in about three years out of ten. This reduction in available supplies extends the time required for storage to recover from drawdowns and could require MWD to implement its Water Supply Allocation Plan during extended dry periods.

Reliability of MWD Water Supply to Meet with City Requirements. MWD faces a number of challenges in providing a reliable and high quality water supply for southern California. These include, among others: (1) population growth within the service area; (2) increased competition for low-cost water supplies; (3) variable weather conditions; and (4) increased environmental regulations. In April 2008, MWD staff began working with MWD's member agencies on a Five-Year Supply Plan to identify specific resource and conservation actions over a five year period, in order to manage water deliveries under continued drought conditions and court-ordered restrictions.

MWD's current approach to managing water shortages has evolved from its experiences during the droughts of 1976-77 and 1987-92 into the Water Surplus and Drought Management Plan ("WSDM Plan"). The WSDM Plan splits resource actions into two major categories: Surplus Actions and Shortage Actions. The Surplus Actions store surplus water, first inside then outside the region. The Shortage Actions of the WSDM Plan are split into three subcategories: Shortage, Severe Shortage and Extreme Shortage. Each category has associated actions that could be taken as a part of the response to prevailing shortage conditions. Conservation and water efficiency programs are part of MWD's resource management strategy through all categories.

In August 2007, MWD launched a significant water conservation outreach and public education effort for voluntary water conservation, promotion of water-saving rebates and incentives and education of the public about the uncertainties of future water supplies. The campaign was intensified following MWD's declaration of a regional Water Supply Alert on June 10, 2008 and with the February 2009 declaration of statewide water emergency by the Governor of California. MWD urged cities, counties and water districts in its service area to achieve extraordinary conservation by adopting and enforcing drought ordinances, accelerating public outreach and conservation messaging, and developing additional local supplies. MWD's Board also authorized agreements with public agencies to provide financial incentives for water saving measures, ranging from $195 to $500 per acre-foot of potable water saved, up to a maximum of $15 million for the Public Sector Water Efficiency Partnership Demonstration Program. This program aims to continue public support for conservation through public agency accomplishments and efforts.

MWD's plan for allocation of water supplies in the event of shortage (the "MWD Water Supply Allocation Plan") allocates MWD's water supplies among its member agencies, based on the principles contained in the WSDM Plan, to reduce water use and drawdowns from water storage reserves. The Water Supply Allocation Plan was approved by the Board in February 2008. The Water Supply Allocation Plan provides a formula for equitable distribution of available supplies in case of extreme water shortages within MWD's service area. On April 14, 2009, MWD's Board adopted a resolution declaring a regional water shortage and implementing the Water Supply Allocation Plan, effective July 1, 2009. MWD's Board set the "Regional Shortage Level" at Water Supply Allocation Plan Level 2, which required reduction of regional water use by approximately 10% and resulted in the sale of about 1.89 million acre-feet of MWD water in Fiscal Year 2009-10. The final 2009-10 allocation for each member agency is dependent upon its local production during the allocation year and is currently being determined through a formal local supply certification process with the member agencies. On April 13, 2010, MWD's Board adopted a resolution recognizing the continuing regional water shortage and again setting the Regional Shortage Level at Water Supply Allocation Plan Level 2, which sustains the prior year's regional water use reduction of approximately 10% and allows for the sale of about 1.96 million acre-feet of MWD water in Fiscal Year 2010-11.

Delivery within a member agency of more than its allocated amount of MWD supplies will subject the member agency to a penalty of one to four times MWD's full service rate for untreated Tier 2 water, depending on how much the member agency's water use for the twelve-month period beginning on July 1 exceeds its allocated amount. Any penalties collected may be rebated to the member agency that paid them to fund water management projects.

The MWD Act provides a preferential entitlement for the purchase of water by each of MWD member agencies. This preferential right is based on the ratio of all payments made to MWD by each agency compared to total payments made by all member agencies on tax assessments and otherwise, except purchases of water, toward the capital cost and operating expenses of MWD. Historically MWD has not used this criterion in allocating water. The MWD Act provides that water surplus to MWD's needs for domestic and municipal uses may be sold for other beneficial uses.

MWD Scheduling and Operations. MWD member agencies request water from MWD at various delivery points within MWD's system and pay for such water at uniform rates established by MWD's Board for each class of service. No member is required to purchase water from MWD, but all member agencies are required to pay readiness-to-serve charges (as described below) whether or not they purchase water from MWD. The current rate structure provides for a member agency's agreement to purchase water from MWD by means of a voluntary purchase order. In consideration of executing its purchase order, the member agency is entitled to purchase a greater amount of water at the lower "Tier 1 Water Supply Rate," as described under " – MWD Rates" below. Under each purchase order, a member agency agrees to purchase, over the ten-year term of the contract, an amount of water equal to at least 60% of its highest firm demand for MWD water in any Fiscal Year from 1989-90 through 2001-02 multiplied by ten. MWD Member agencies are allowed to vary their purchases from year to year, but a member agency will be obligated to pay for the full amount committed under the purchase order, even if it does not take its full purchase order commitment by the end of the ten-year period.

Water is delivered to the member agencies on demand and is metered at the point of delivery. Member agencies are billed monthly and a late charge of 1% of the delinquent payment is assessed for delinquent payments not exceeding five business days. A late charge of 2% of the amount of the delinquent payment is charged for a payment that is delinquent for more than five business days for each month or portion of a month that the payment remains delinquent. MWD has the authority to suspend service to any agency delinquent for more than 30 days. Delinquencies have been rare; in such instances late charges have been collected. No service has been suspended because of delinquencies.

MWD Rates. MWD water rates are established by majority vote of MWD's Board in March of each year, after a public hearing held in February. Rates are not subject to regulation by any local, state or federal agency. Under the MWD Act, MWD must, so far as practicable, fix such rates for water as will result in revenue which, together with revenue from any water standby or availability of service charge or assessment, will pay the operating expenses of MWD, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by MWD and provide for the payment of the interest and principal of the bonded debt of MWD.

The following table summarizes water rates under MWD's current rate structure. This table includes rates effective January 1, 2010. In early 2010, MWD's Board approved two rate increases of 7.5% each to the rates set forth in the table below. These increases will become effective January 1, 2011 and January 1, 2012.

MWD WATER RATES
(Dollars per AF)

	2010 Rates[(1)]	
Rate Category	**Tier 1**	**Tier 2**
Supply Rate	$101	$280
Bay-Delta Supply Surcharge	69	
System Access Rate	154	154
Water Stewardship Rate	41	41
System Power Rate	119	119
Untreated Full Service	$484	$594
Treatment Surcharge	$217	$217
Treated Full Service	$701	$811

(1) Rates are effective January 1, 2010 through December 31, 2010. In early 2010, MWD's Board approved two rate increases of 7.5% each to the rates above. These increases will become effective January 1, 2011 and January 1, 2012.
Source: MWD.

The Tier 1 and Tier 2 Water Supply Rates are designed to recover MWD's water supply costs. The Tier 2 Supply Rate is designed to reflect MWD's costs of acquiring new supplies. MWD member agencies are charged the Tier 1 or Tier 2 Water Supply Rate for water purchases, as described above.

The System Access Rate is intended to recover a portion of the costs associated with the conveyance and distribution system, including capital, operating and maintenance costs. All users (including member agencies and third-party wheeling entities of MWD's system) pay the System Access Rate.

The Water Stewardship Rate is charged on a dollar per acre-foot basis to collect revenues to support MWD's financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by MWD's Board. The Water Stewardship Rate is charged for every acre-foot of water conveyed by MWD.

The System Power Rate is charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the SWP and Colorado River through the conveyance and distribution system for MWD's member agencies. The System Power Rate is charged for all MWD supplies. Entities wheeling water will continue to pay the actual cost of power to convey water on the SWP, the Colorado River Aqueduct or MWD's distribution system, whichever is applicable.

MWD charges a treatment surcharge on a dollar per acre-foot basis for treated deliveries. The treatment surcharge is set to recover the cost of providing treated water service, including capital and operating cost.

The Delta Supply Surcharge is applicable to (among other rates) all Tier 1 untreated and treated water rates and reflects the additional supply costs that MWD faces along with other costs due to the pumping restrictions on the SWP.

Additional charges for the availability of MWD's water are: the Readiness-to-Serve Charge and the Capacity Charge.

The Readiness-to-Serve Charge is a variable annual charge of approximately $80 million that is divided proportionally among all agencies that receive water from MWD. This money is used by MWD to recover costs associated with standby and peak conveyance capacity and system emergency storage capacity.

The Capacity Charge is a fixed annual charge, which is based on the capacity that is requested by the member agency. This charge is used by MWD to recover the cost of providing peak capacity within the distribution system. Effective January 1, 2010, the capacity charge was $7,200 per cfs of maximum daily flow. The capacity charge is scheduled to increase to $7,400 per cfs effective January 1, 2012.

Seismic Activity

The City is located in a region of seismic activity. According to the 2007 Uniform California Earthquake Rupture Forecast ("UCERF"), California has a 99.7% chance of having a magnitude 6.7 or larger earthquake during the next 27 years. The UCERF was organized by the Southern California Earthquake Center and was prepared by the 2007 Working Group on California Earthquake Probabilities, a multi-disciplinary collaboration of scientists and engineers. The UCERF indicates that the likelihood of an earthquake of magnitude 7.5 or greater in the next 27 years is 46%. According to the UCERF, such an earthquake is more likely to occur in the southern half of the State (37% chance) than in the northern half (15% chance). It is impossible to accurately predict the cost or effect of an earthquake on the Water System or on BWP's ability to provide uninterrupted service to all parts of its service area.

The principal earthquake fault in the Los Angeles and City area is the San Andreas Fault, which extends an estimated 700 miles from north of the San Francisco area to the Salton Sea in Southern California. At its nearest point, it is approximately 30 miles north of the City. Significant earthquakes that have occurred in recent years in the Los Angeles and Burbank area, including the Northridge earthquake in 1994, that resulted in only temporary electrical outages in the Water System and, after inspection to determine the scope of any damage, only minor damage to the Water System. In the event of a severe earthquake, however, the amount of moneys available to pay debt service on the 2010 Water Bonds could be reduced significantly.

Environmental Issues

Utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Water System or any City facility or project will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental regulations have, and may in the future, create certain barriers to new facility development and require modification of existing facilities and may result in additional costs for affected resources. The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect the City's operations, including the Water System managed by BWP, and if such laws or rules are enacted, what the costs to the City might be in the future because of such action.

Litigation

At any given time, there are certain claims and disputes that arise in the normal course of Water System enterprise activities. However, BWP and the City are not aware of any pending or threatened claims or disputes that could have a material negative impact the operations of the Water System or on the amount or receipt of Water Revenues.

CONSTITUTIONAL LIMITATIONS ON GOVERNMENTAL SPENDING

Article XIIIB. Under Article XIIIB of the California Constitution, state and local government entities have an annual "appropriations limit" which limits their ability to spend certain moneys called "appropriations subject to limitation," which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City believes that the water service and use charges imposed by the City do not exceed the costs it reasonably bears in providing water service. In general terms, the "appropriations limit" is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIIIB, if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Article XIIIC and Article XIIID. Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996. The initiative added Articles XIIIC and XIIID to the California Constitution, creating additional requirements for the imposition by most local governments of "general taxes," "special taxes," "assessments," "fees," and "charges." Proposition 218 became effective, pursuant to its terms, as of November 6, 1996, although compliance with some of its provisions was deferred until July 1, 1997, and certain of its provisions purport to apply to any tax imposed for general governmental purposes (*i.e.*, "general taxes") imposed, extended or increased on or after January 1, 1995 and prior to November 6, 1996.

Article XIIID imposes substantive and procedural requirements on the imposition, extension or increase of any "fee" or "charge" subject to its provisions. A "fee" or "charge" subject to Article XIIID includes any levy, other than an ad valorem tax, special tax or assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership. Article XIIID prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Except for fees and charges for water, sewer and refuse collection services, the approval of a majority of the property owners subject to the fee or charge, or at the option of the agency, by a two-thirds vote of the electorate residing in the affected area, is required within 45 days following the public hearing on any such proposed new or increased fee or charge. The California Supreme Court's decisions in *Richmond v. Shasta Community Services District*, 32 Cal.4th 409 (2004) (*"Richmond"*), and *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (*"Bighorn"*) have clarified some of the uncertainty surrounding the applicability of Section 6 of Article XIIID to service fees and charges. In *Richmond*, the Shasta Community Services District charged a water connection fee, which included a capacity charge for capital improvements to the water system and a fire suppression charge. The Court held that both the capacity charge and the fire suppression charge were not subject to Article XIIID because a water connection fee is not a property-related fee or charge because it results from the property owner's voluntary decision to apply for the connection. In both *Richmond* and *Bighorn*, however, the Court stated that a fee for ongoing water service through an existing connection is imposed "as an incident of property ownership" within the meaning of Article XIIID, rejecting, in *Bighorn*, the water agency's argument that consumption-based water charges are not imposed "as an incident of property ownership" but as a result of the voluntary decisions of customers as to how much water to use.

Article XIIID also provides that "standby charges" are considered "assessments" and must follow the procedures required for "assessments" under Article XIIID and imposes several procedural requirements for the imposition of any assessment, which may include (1) various notice requirements, including the requirement to mail a ballot to owners of the affected property; (2) the substitution of a property owner ballot procedure for the traditional written protest procedure, and providing that "majority protest" exists when ballots (weighted according to proportional financial obligation) submitted in opposition exceed ballots in favor of the assessments; and (3) the requirement that the levying entity "separate the general benefits from the special benefits conferred on a parcel" of land. Article XIIID also precludes standby charges for services that are not immediately available to the parcel being charged.

Article XIIID provides that all existing, new or increased assessments are to comply with its provisions beginning July 1, 1997. Existing assessments imposed on or before November 5, 1996, and "imposed exclusively to finance the capital costs or maintenance and operations expenses for [among other things] water" are exempted from some of the provisions of Article XIIID applicable to assessments.

Article XIIIC extends the people's initiative power to reduce or repeal existing local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIIC to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. In *Bighorn*, the Court concluded that under Article XIIIC local voters by initiative may reduce a public agency's water rates and delivery charges. The Court noted, however, that it was not holding that the authorized initiative power is free of all limitations, stating that it was not determining whether the electorate's initiative power is subject to the public agency's statutory obligation to set water service charges at a level that will "pay the operating expenses of the agency, . . . provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due."

Future Initiatives

Articles XIIIB, XIIIC and XIIID were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues. The nature and impact of these measures on the operation of the Water System cannot be anticipated by the City.

TAX MATTERS

Series 2010A Bonds

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2010A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue of the Series 2010A Bonds. The City has covenanted in the Indenture to comply with each applicable requirement of the Code necessary to maintain the exclusion of the interest on the Series 2010A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law interest on the Series 2010A Bonds is exempt from personal income taxes of the State and, assuming compliance with the aforementioned covenant, interest on the Series 2010A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that the Series 2010A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that the interest on the Series 2010A Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, the receipt or accrual of interest on the Series 2010A Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75% of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

To the extent that a purchaser of a Series 2010A Bond acquires that Series 2010A Bond at a price that exceeds the aggregate amount of payments (other than payments of qualified stated interest within the meaning of section 1.1273-1 of the Treasury Regulations) to be made on the Series 2010A Bond (determined, in the case of a callable Series 2010A Bond, under the assumption described below), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized on a constant yield, economic accrual, basis; the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a Series 2010A Bond owned by such owner is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Series 2010A Bond to the owner. Any person considering purchasing a Series 2010A Bond at a price that includes bond premium should consult his or her tax advisors with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the Series 2010A Bond.

In rendering its opinion, Bond Counsel will rely upon representations and covenants of the City contained in the Indenture and in the *Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Code* (the "Tax Certificate"), to be delivered by the City in connection with the issuance of the Series 2010A Bonds. In addition, Bond Counsel will assume that all such representations are true and correct and that the City will comply with its covenants. Bond Counsel will express no opinion with respect to the exclusion pursuant to section 103(a) of the Code of interest on any Series 2010A Bond from the gross income of the owner thereof for federal income tax purposes, in the event that any of such representations is untrue or the City should fail to comply with its covenants, unless such failure to comply is based on the advice or opinion of Bond Counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2010A Bonds may affect the tax status of interest on the Series 2010A Bonds or the tax consequences of the ownership of the Series 2010A Bonds. No assurance can be given that pending or future legislation, or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series 2010A Bonds from personal income taxation by the State or of the exclusion of the interest on the Series 2010A Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Series 2010A Bonds, or the interest thereon, if any action is taken with respect to the Series 2010A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel if such advice or approval is given by counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Series 2010A Bonds is exempt from California personal income tax and that interest on the Series 2010A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2010A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2010A Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2010A Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Series 2010A Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2010A Bonds, (iii) interest on the Series 2010A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2010A Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2010A Bonds, and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2010A Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents their legal judgment based upon their review of existing statutes, regulations, published rulings and court decisions and the covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2010A Bonds is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2010A Bonds, the City may have different or conflicting interests from the owners of the Series 2010A Bonds. Public awareness of any future audit of the Series 2010A Bonds could adversely affect the value and liquidity of the Series 2010A Bonds during the pendency of the audit, regardless of the ultimate outcome.

Series 2010B Bonds

State Tax Exemption. In the opinion of Bond Counsel under existing law interest on the Series 2010B Bonds is exempt from personal income taxes of the State.

Federal Income Tax Considerations. The following is a general summary of certain federal income tax consequences of the purchase and ownership of the Series 2010B Bonds. The discussion is based upon the Code, U.S. Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The City has made no representation or covenant for the benefit of the owners of the Series 2010B Bonds as to the present or future qualification of any Series 2010B Bonds as a "build America bond" within the meaning of section 54AA of the Code.

The discussion below does not purport to deal with federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a Series 2010B Bond by the owner thereof for federal income tax purposes. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Series 2010B Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the Series 2010B Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire Series 2010B Bonds in connection with the performance of services, or persons deemed to sell Series 2010B Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or U.S. federal tax laws other than U.S. federal income tax law. The summary is limited to certain issues relating to initial investors who will hold the Series 2010B Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series 2010B Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to owners of the Series 2010B Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN, AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2010B BONDS.

Internal Revenue Service Circular 230 Notice. Prospective investors should be aware that:

(a) the discussion in this Official Statement with respect to certain U.S. federal income tax consequences of purchasing and owning the Series 2010B Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed under the Code;

(b) such discussion was written to support the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and

(c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

This notice is given to ensure compliance with IRS Circular 230.

Interest on the Series 2010B Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Series 2010B Bonds from gross income. The City has taken no action to cause, and does not intend, interest on the Series 2010B Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Further, to the extent that the City designates a Series 2010B Bond as a Build America Bond, section 54AA(f)(1) of the Code provides that interest on such Series 2010B Bond shall be included in gross income. The City intends to treat the Series 2010B Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE CITY EXPECTS THAT THE INTEREST PAID ON A SERIES 2010B BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of Series 2010B Bonds and Market Discount. An owner of Series 2010B Bonds will generally recognize gain or loss on the redemption, sale or exchange of the Series 2010B Bonds equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the owner's adjusted tax basis in the Series 2010B Bonds. Generally, the owner's adjusted tax basis in the Series 2010B Bonds will be the owner's initial cost, increased by any original issue discount previously included in the owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner's holding period for the Series 2010B Bonds.

Under current law, a purchaser of Series 2010B Bonds who did not purchase the Series 2010B Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Series 2010B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for the Series 2010B Bonds by a subsequent purchaser is less than the principal amount payable at maturity (or, in the case of Series 2010B Bonds issued with original issue discount, the sum of the Issue Price and the amount of original issue discount previously accrued on the Series 2010B Bonds), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2010B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of Series 2010B Bonds could have a material effect on the market value of the Series 2010B Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the Series 2010B Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the Series 2010B Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and taxpayer identification number ("TIN") of the owner. A copy of Form 1099 will be sent to each owner of a Series 2010B Bond for federal income tax purposes.

Defeasance. Persons considering the purchase of a Series 2010B Bond should be aware that the Indenture permits the City under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a "defeasance"). A defeasance could result in the realization of gain or loss by the owner of a Series 2010B Bond for federal income tax purposes, without any corresponding receipts of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. owners of Series 2010B Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of Series 2010B Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" (currently at a rate of 28 percent) on current or accrued interest on the Series 2010B Bonds or with respect to proceeds received from a disposition of the Series 2010B Bonds. This withholding applies if such owner of Series 2010B Bonds: (i) fails to furnish to the payor such owner's social security number or other TIN; (ii) furnishes the payor an incorrect TIN; (iii) fails to report interest properly; or (iv) under certain circumstances, fails to provide the payor or such owner's broker with a certified statement, signed under penalty of perjury, that the TIN provided to the payor or broker is correct and that such owner is not subject to backup withholding. To establish status as an exempt person, an owner will generally be required to provide certification on IRS Form W-9 (or substitute form).

Backup withholding will not apply, however, if the owner is a corporation or falls within certain tax exempt categories and, when required, demonstrates such fact. OWNERS OF THE SERIES 2010B BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION, IF APPLICABLE. The backup withholding tax is not an additional tax and taxpayers may use amounts withheld as a credit against their federal income tax liability or may claim a refund as long as they timely provide certain information to the Service.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding of U.S. federal income tax by the payor at the rate of 30 percent on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such an owner of the Series 2010B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30 percent withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest." Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2010B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Series 2010B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2010B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under sections 1441 and 1442 of the Code, and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor has no actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain U.S. federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Series 2010B Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

CERTAIN LEGAL MATTERS

The issuance of the 2010 Water Bonds is subject to the approving opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the 2010 Water Bonds. Certain legal matters will be passed on for the City by the City Attorney, Dennis A. Barlow, Esq., and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California.

LITIGATION

At the time of delivery and payment for the 2010 Water Bonds, an officer of the City will certify that there is no litigation pending, or, to the knowledge of the City, threatened, questioning (i) the corporate existence of the City, the title of the officers of the City to their respective offices, the validity of the 2010 Water Bonds or the power and authority of the City to issue the 2010 Water Bonds, or (ii) the authority of the City to fix, charge and collect rates for the sale of water by the City as provided in the Indenture.

FINANCIAL STATEMENTS

The audited financial statements of the City's Water and Electric Utility Enterprise Funds, as of June 30, 2009 are included in APPENDIX B to this Official Statement. There has been no material adverse change in the finances of the City with respect to the Water and Electric Utility Enterprise Funds since June 30, 2009. A complete copy of the City's Comprehensive Annual Financial Report may be obtained from the City. The financial statements of the City's Water and Electric Utility Enterprise Funds have been audited by Mayer Hoffman McCann P.C., independent accountants (the "Auditor") as stated in their report appearing in APPENDIX B to this Official Statement. The Auditor has not updated its report or taken any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Mayer Hoffman

McCann P.C. with respect to any event or transaction subsequent to their report dated November 13, 2009.

RATINGS

Standard & Poor's Corporation and Fitch, Inc. have assigned the 2010 Water Bonds the credit ratings of "AAA" and "AAA," respectively. Each such rating should be evaluated independently of any other rating. No application has been made to any other rating agency to obtain additional ratings on the 2010 Water Bonds. Such credit ratings reflect only the views of such organizations and any desired explanation of the significance of such credit ratings should be obtained from the rating agency furnishing the same.

The above described ratings are not recommendations to buy, sell or hold the 2010 Water Bonds, and such ratings may be subject to revision or withdrawal at any time by one or both of the rating agencies. The City and the Underwriter undertake no responsibility either to bring to the attention of the Owners of the 2010 Water Bonds the downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the 2010 Water Bonds.

UNDERWRITING

The Series 2010A Bonds will be purchased for reoffering by Barclays Capital Inc. (the "Underwriter"), at an aggregate purchase price of $9,866,468.95, representing the principal amount of the Series 2010A Bonds of $8,795,000.00, less an Underwriter's discount of $36,956.25 and plus an original issue premium of $1,108,425.20 and the Series 2010B Bonds will be purchased for reoffering by the Underwriter, at an aggregate purchase price of $27,786,139.72, representing the principal amount of the Series 2010B Bonds of $27,945,000.00 less an Underwriter's discount of $158,860.28. The Underwriter will be obligated to purchase all of the 2010 Water Bonds if any of the 2010 Water Bonds are purchased.

The Underwriter may offer and sell the 2010 Water Bonds to certain dealers (including dealers depositing 2010 Water Bonds into investment trusts) and others at prices lower than the public offering price stated on the inside cover page of this Official Statement. The initial public offering price may be changed from time to time by the Underwriter.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, will verify the accuracy of mathematical computations concerning the adequacy of cash deposited in the 1998 Water Bonds Redemption Fund, to provide for payment of the redemption prices (including accrued interest) of the 1998 Bonds on the date of redemption thereof.

The report of such independent arbitrage consultants will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., Los Angeles, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the 2010 Water Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the 2010 Water Bonds.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Agreement, dated as of November 1, 2010 (the "Continuing Disclosure Agreement"), for the benefit of the holders and beneficial owners of the 2010 Water Bonds to provide certain financial information and operating data relating to the Water System (the "Annual Report") by no later than 180 days following the end of the City's Fiscal Year (which Fiscal Year currently ends on June 30), commencing with the Annual Report for the 2009-10 Fiscal Year and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http:*//emma.msrb.org*. The specific nature of the information to be contained in the Annual Report and the notice of material events is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12, promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "Rule"). The City has not failed in the last five years to comply in all material respects with any previous undertaking with regard to such Rule to provide annual reports or notices of material events.

MISCELLANEOUS

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF BURBANK, CALIFORNIA

By /s/ Michael Flad
City Manager

By /s/ Ronald E. Davis
BWP General Manager

APPENDIX A

THE CITY OF BURBANK ECONOMIC AND FINANCIAL INFORMATION

APPENDIX A

THE CITY OF BURBANK
ECONOMIC AND FINANCIAL INFORMATION

The following information relating to the City is provided for informational purposes only. The 2010 Water Bonds (as defined in the front part of this Official Statement) are payable solely as described in this Official Statement and are not payable or secured by a pledge of the faith and credit or the taxing power of the City. Certain information in this Appendix A does not reflect the impact of the recent recession and the accompanying impact on employment, new building permits, sales tax revenue and other matters.

General

The City of Burbank, California (the "City" or "Burbank") is located in the greater metropolitan Los Angeles area, approximately 12 miles northeast of the Los Angeles Civic Center complex. The economy represents a diverse blend of industrial, commercial and residential development. Burbank is a mature community that experienced very little population growth in the later 1970's, modest population growth in the early 1980's, and slightly faster population growth in the late 1980's and early 1990's.

Municipal Government

The City was incorporated as a general law city in 1911, and adopted its city charter in 1927. Burbank is administered by a Council-Manager form of government. The five City Council members, one of whom serves as Mayor, are elected at-large for four-year terms. Elections are staggered at two-year intervals. The City operates 26 parks, a 27-hole golf course and 3 libraries.

As of June 30, 2010, the City had 1,642 employees with 1,221 full-time, 218 part-time, and 203 temporary employees. As of June 30, 2010, 51 full-time equivalent City employees were directly assigned to the Water System. Certain functions supporting the Water System's operations, including meter reading, customer billing and collection, finance, administrative and other general office supports are performed by BWP shared staff. Six associations represent the City's employees: the Burbank City Employees' Association; the Burbank Fire Fighters Association ("BFF"); the Burbank Police Officers' Association ("BPOA"); the International Brotherhood of Electric Workers Local 18 ("IBEW"); the Burbank Fire Fighters-Chief Officer's Unit ("BFF-COU"); and, the Burbank Management Association ("BMA"). In addition, there are approximately 92 non-represented management employees. All of the associations are subject to the Meyers-Milias-Brown Act, which requires each association to meet and confer with the City in an effort to develop a "memorandum of understanding." Negotiations for each memorandum are conducted before the June 30th expiration of the applicable memorandum. The memoranda of understanding with BFF and BFF-COU expired in June of 2010 and the memorandum of understanding with BPOA expired in June of 2009. Until new memoranda are completed, the terms of the prior memoranda continue to apply. The City is currently in contract negotiations with BFF, BFF-COU and BPOA. There have been no strikes or other work stoppages by the City's employees within the last five years and the City does not anticipate any in the near future.

Population

The following table summarizes estimates of population for the years indicated. The population has grown at a fairly steady rate and accounts for a 8% population increase over this ten year time period. To address future population increases, the City is attempting to develop more affordable housing.

CITY OF BURBANK
POPULATION

January 1	Population
2000	100,316
2001	101,457
2002	102,741
2003	104,287
2004	105,112
2005	105,985
2006	106,475
2007	106,886
2008	107,240
2009	107,682
2010	108,469

Source: California Department of Finance, except for 2000 (U.S. Census).

Industry and Employment

The following table sets forth Burbank's major employers as of June 30, 2010. Most of these entities are also among the City's largest taxpayers.

CITY OF BURBANK
MAJOR EMPLOYERS

Company Name	No. of Employees	Products/Services
The Walt Disney Company	7,900	Entertainment
Warner Bros. Entertainment Inc.	7,400	Entertainment
Providence/St. Joseph Hospital	2,850	Medical
Bob Hope Airport	2,400	Aviation
Burbank Unified School District	1,800	Education
City of Burbank	1,700	Government
NBC/Universal	1,300	Entertainment
Yahoo!	1,200	Media
Foto-Kem Industries	600	Media Related
Crane Company	600	Aviation

Source: City of Burbank.

As reported by the Community Development Department/Planning Division, the distribution of employment in the greater Burbank labor market is as shown on the following table:

CITY OF BURBANK
DISTRIBUTION OF EMPLOYMENT
(as of January 1, 2010)

Classification	Employment	Distribution
Durable and non-durable goods manufacturing	6,277	10.2%
Wholesale and retail trade	17,899	29.2
Services	12,642	20.6
Other (entertainment, utilities, airport and miscellaneous)	24,469	39.9
Total	61,287	100.0%[1]

Source: City of Burbank Community Development Department/Planning Division.
[1] Rounded.

Income

The following table compares the median household effective buying income for the City, the County of Los Angeles, the State and the nation.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

Year	City of Burbank	County of Los Angeles	State of California	United States
2004	$43,848	$39,414	$43,915	$39,324
2005	44,602	40,020	44,681	40,529
2006	--[1]	41,683	46,275	44,255
2007	--[1]	43,710	48,203	41,792
2008	48,527	43,710	48,203	41,792

[1] Data for this period unavailable.
Figures for 2009 unavailable.
Source: "Survey of Buying Power," Sales and Marketing Management for 2004, 2005 and 2008; Claritas Demographics for 2006 and 2007.

Taxable Sales

The following table sets forth the history of taxable sales for the City for the years indicated:

CITY OF BURBANK
TAXABLE SALES
($ In Thousands)

Type of Business	2004	2005	2006	2007	2008	2009[1]
Retail Stores						
Apparel	$ 63,519	$ 72,852	$ 79,873	$ 94,437	$ 93,283	$ 43,415
General Merchandise	373,664	388,219	406,175	406,252	380,043	139,553
Food	69,200	77,271	83,106	86,914	87,524	47,720
Eating & Drinking Places	243,396	261,257	288,061	320,014	308,334	146,355
Home Furnishing & Appliances	187,418	209,292	216,601	239,493	320,624	173,700
Bldg Materials & Farm Implements	192,413	213,566	198,237	198,611	160,445	75,067
Auto Dealers & Suppliers	128,443	115,121	110,034	144,869	123,686	63,176
Service Stations	142,258	146,831	163,383	195,816	228,104	57,983
Other Retail Stores	304,370	320,889	398,909	392,737	369,034	150,264
Retail Stores Total	1,704,681	1,805,298	1,944,379	2,079,143	2,071,076	897,233
All Other Outlets	750,732	764,957	792,995	852,116	784,949	286,686
Total All Outlets	$2,455,413	$2,570,255	$2,737,374	$2,931,259	$2,856,024	$1,183,919

Source: California State Board of Equalization.
[1] Through June 2009.

Construction Activity

The following table sets forth the number of building permits issued by the City for the years indicated is set forth below.

CITY OF BURBANK
BUILDING PERMITS

Year	Number of Permits
2004	2,475
2005	2,670
2006	2,508
2007	1,977
2008	1,674
2009	1,383
2010	1,028

Source: City of Burbank Building Division.

The following table sets forth a summary of building permit valuations authorized in the City during the years indicated (data through September 2010).

CITY OF BURBANK
BUILDING PERMIT VALUATION
Calendar Years 2005 through September 2010

Valuation	2005	2006	2007	2008	2009	2010
Residential	$60,093,438	$76,582,709	$103,687,222	$ 68,930,333	$29,958,063	$29,229,028
Commercial/Industrial	128,458,047	171,524,330	247,294,817	95,757,731	81,626,143	21,633,890
TOTAL	$188,551,455	$248,107,038	$350,982,039	$164,688,064	$111,584,206	$50,862,918

Source: City of Burbank Building Division.
(1) Through September 2010.

Economic Condition and Outlook

The City of Burbank has had some notable developments over the past year. On January 5, 2009, the newly renovated DeBell Golf Clubhouse was opened to the public. The Clubhouse offers 13,760 square feet of recreational area which includes an upper level bar and grill, patio dining, a community room with theater seating capacity, restroom facilities, lounge areas, a kitchen and administrative offices. The facility also maintains a welcoming pro shop, starter area and golf cart storage on the lower level.

The Clubhouse which has a craftsman style design also features an art piece sculpture of a golfer in bronze commissioned by local Burbank resident Shiela Cavalluzi. The DeBell Clubhouse is adjacent to the DeBell Golf Course and sits on a hillside location surrounded by Stough Nature Center and Wildwood Canyon. The DeBell Golf Course marked its 50th year anniversary in June 2009.

The Robert "Bud" Ovrom Park, located on South San Fernando Boulevard and Providencia Avenue, was completed in April 2009. The one acre recreation facility provides a 7,000 square foot building with a community room, kitchen, two separate children's play areas, a lighted basketball court, picnic/barbeque areas, a reception area and public restrooms. The park is part of an ongoing revitalization project of South San Fernando Boulevard which is the main corridor to Downtown Burbank and is named after Robert R. "Bud" Ovrom who served as Burbank's City Manager from 1985 to 2003.

Located just south of the Bob Hope/Burbank Airport and just east of the I-5, the 2300 Empire Center Office Project is a 364,000 sq. ft. 7-story Class "A", LEED Certified office building. The development is located as part of a 105 acre master-planned retail, hotel, and office project known as Empire Center.

The Burbank Housing Corporation and the City of Burbank are developing a community garden to improve the quality of life in the Elmwood neighborhood, the City's first focus neighborhood. The community garden will include hardscape, art, solar panels and a small water feature. This sustainable garden would provide recreational green space, help keep the air clean, use storm water Best Management Practices, and showcase water-wise gardening

The Olive Avenue Street Improvement Project is located along an approximate 3.2 mile corridor between Lake Street to the east and Lakeside Avenue to the west. The Olive Avenue Streetscape Project will be geared towards improving opportunities for residents, businesses, and visitors to use transit and non-motorized means of transportation tying in with the City Council's commitment to sustainability. The project will be completed in 2012.

In the downtown area, construction of "The Collection" was completed in fiscal year 2008-09. This $80 million multi-use development added 188 residential units, 40,000 square feet of retail and restaurant space, and 700 parking spaces to Downtown Burbank.

Affordable housing remains a key component of the City's development plan, and is an especially important area of focus during these tough economic times. The Burbank Housing Corporation recently announced the completion of the Peyton-Grismer revitalization development, a 70-unit multi-family affordable housing community located on Grismer Avenue and Elliot Drive. The Housing Corporation also recently commenced construction on two properties within the Verdugo Lake and Golden State neighborhoods that will add another 38 affordable housing units to the City's inventory.

Utilities

The City provides its own municipal electric, water and sewer utilities. Southern California Gas Company and Pacific Bell Telephone Company also serve Burbank.

Fiscal Operation

The City uses the modified accrual basis of accounting for all funds except proprietary funds which use the accrual basis of accounting. The City's financial statements are prepared in conformity with generally accepted accounting principles. Copies of the City's financial statements are on file in the City's Financial Services Department.

The City adopts an annual budget and utilizes an "encumbrance system." Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as restrictions of fund balance through a reserve account. Generally, City staff begins preparation of the budget in January of the prior fiscal year, and the City Council adopts the budget in June of the prior fiscal year after holding public hearings. The 2010-11 fiscal year budget was adopted on June 22, 2010.

General Obligations and Revenue Bond Indebtedness

As of June 30, 2010, the City had outstanding $17,545,000 of General Obligation Bonds, $16,240,000 of Wastewater Treatment Revenue Bonds, $109,680,000 of Burbank Water and Power Electric Revenue Bonds and $8,825,000 Waste Disposal Revenue Bonds. The Redevelopment Agency had $206,579,000 of outstanding Tax Allocation Bonds. In addition, the City currently has outstanding $2,900,000 of City of Burbank, California Burbank Water and Power Water Revenue Bonds, Series of 1998, which are expected to be currently refunded with a portion of the proceeds of the Series 2010A Bonds.

The City's statement of direct and overlapping debt as of June 30, 2010 is presented in the following table.

CITY OF BURBANK
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
($ In Thousands)
(Unaudited)

	Percentage Applicable (1)	Outstanding Debt	Estimated Share of Overlapping Debt
Burbank Unified School District	100.000%	$ 72,202	$ 72,202
Los Angeles County	1.533%	121,475	1,862
Los Angeles Community College District	3.114%	2,365,515	73,662
Total Overlapping Debt		2,486,990	75,524
City Direct Debt :			
Community Facilities District		5,860	
Burbank Redevelopment Tax Allocation		206,579	
Pension obligation bonds		17,545	
Total City Direct Debt			$229,984
Total Direct and Overlapping Debt			$377,710

Source: City of Burbank.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within City boundaries and dividing it by each unit's total taxable assessed value.

Employment

The City is part of the Los Angeles County. The civilian labor force for Los Angeles County decreased from an average of 4,972,000 in 2008 to 4,923,800 in 2009. The unemployment rate for the City is 10.6% in the August 2010 Preliminary Labor Force Data released on September 17, 2010.

Annual Average Unemployment Rate For Calendar Years 2005-2010

Year	Burbank	Glendale	Los Angeles County	United States
2005	4.0%	4.6%	5.3%	5.1%
2006	3.7%	4.1%	4.8%	4.6%
2007	4.0%	4.3%	5.1%	4.6%
2008	5.9%	6.3%	7.5%	5.8%
2009	9.4%	10.1%	11.7%	9.3%
Through June 2010	10.1%	10.9%	12.3%	9.7%

Source: Employment Development Department, http://www.labormarketinfo.edd.ca.gov.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY OF BURBANK WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Financial Statement • Index

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

Independent Auditors' Report

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

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

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

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

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

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

Mayer Hoffman McCann P.C.

Irvine, California
November 13, 2009

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the Water and Electric Utility Funds' net assets changed during the two most recent fiscal years. Financial results are recorded using the accrual basis of accounting. Under this method, all changes in net assets are reported as soon as the underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement for some items may affect cash flows in future fiscal periods (examples include billed but uncollected revenues and employee earned but unused vacation leave).

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

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

ELECTRIC UTILITY FUND

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

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

FINANCIAL ANALYSIS

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

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

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

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

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

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

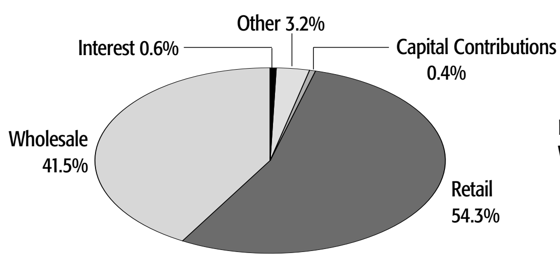
Retail power supply expenses were $10,438 or 9.9% lower than the prior year as a result of lower energy prices and effective power supply management. Market energy prices were approximately 35.0% lower compared to the prior year.

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

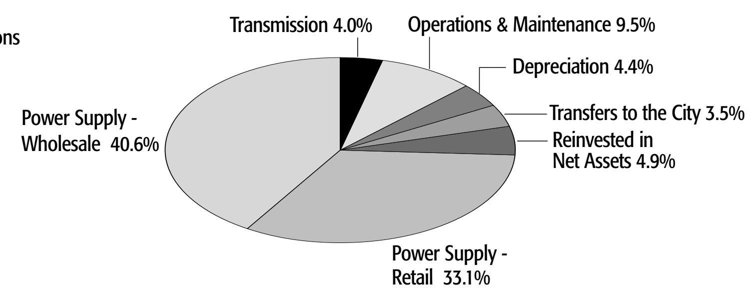
Other operating expenses were higher by $1,341 or 8.6% compared to the prior year. The increase was primarily due to a higher cost allocation for City of Burbank ("City") provided services and an annual contribution to the International Brotherhood of Electrical Workers Retirees' Medical Trusts that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

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

Sources of Revenues



Uses of Revenues



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

Schedule of Net Assets *($ in thousands)*

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

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

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

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

CAPITAL ASSETS

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

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

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

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

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

DEBT ADMINISTRATION

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

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

ENVIRONMENTAL AND ECONOMIC FACTORS

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

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

WATER UTILITY FUND

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

- Water sales were lower by 463,097 CCF (hundred cubic feet) or 4.9% compared to the last fiscal year primarily due to water conservation and cooler temperatures. Net assets increased by $2,444 or 5.2% due to favorable operating results. This increase was used to reduce outstanding liabilities and to support additional capital funding.

- The Water Utility Fund invested an additional $5,842 in capital assets during the fiscal year. This spending was funded by cash reserves. The Water Utility's goal is to deliver competitive rates and safe drinking water to customers by continuously modernizing the water production facilities, reducing system losses, and expanding the use of recycled water.

FINANCIAL ANALYSIS

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

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

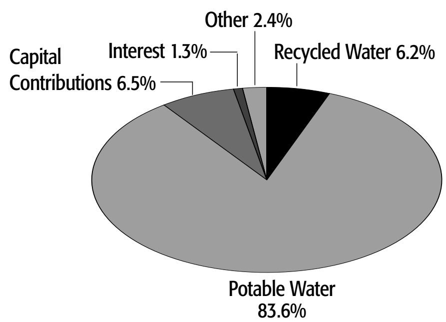
Potable water sales were the primary source of revenue for the Water Utility Fund. This revenue made up 90.8% of the total Water Utility's operating revenues. Potable water revenue was lower by $1,672 or 7.9% compared to the prior fiscal year. This decrease was a result of water conservation coupled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

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

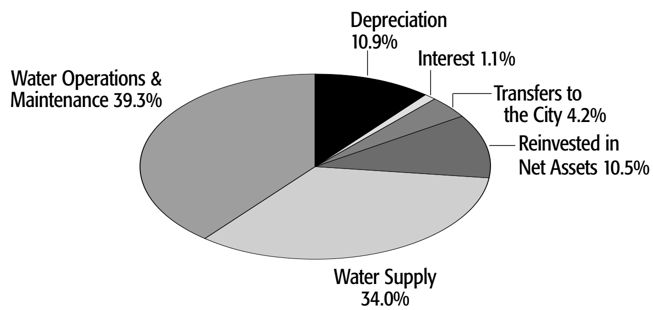
The Burbank Operable Unit ("BOU") ran at 60.7% of operating capacity for the fiscal year compared to the prior year's capacity of 54.2%. The BOU supplied approximately 42.2% of the City's total water supply compared to 35.1% in the prior fiscal year. Production efficiency was the result of capital improvements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

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

Sources of Revenues



Uses of Revenues



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

Schedule of Net Assets *($ in thousands)*

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

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

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

CAPITAL ASSETS

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

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

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

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

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

DEBT ADMINISTRATION

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

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

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

ENVIRONMENTAL AND ECONOMIC FACTORS

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

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

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

REQUESTS FOR INFORMATION

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

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statement of Net Assets • June 30, 2009

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

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

(Continued)

See accompanying notes to basic financial statements.

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

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

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

See accompanying notes to basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

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

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

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

See accompanying notes to basic financial statements.

CITY OF BURBANK • WATER AND ELECTRIC UTILITY ENTERPRISE FUNDS

Statements of Cash Flows • Year ended June 30, 2009

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

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

See accompanying notes to basic financial statements.

Statements of Cash Flows • Year ended June 30, 2009

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

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

See accompanying notes to basic financial statements.

NOTE 1: Summary of Significant Accounting Policies

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

(A) ACCOUNTING METHODS

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

The basic financial statements include the following:

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

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

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

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

(B) BASIS OF PRESENTATION

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

(C) REPORTING ENTITY

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

The Water and Electric Utility Funds are used to account for the construction, operation and maintenance of the City owned water and electric utility. The City considers the Water and Electric Utility Funds to be Enterprise Funds (a proprietary fund type) as defined under accounting principles generally accepted in the United States of America; accordingly, the accrual basis of accounting is followed by the Water and Electric Utility Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Estimated earned but unbilled revenues which result from cycle utility billing practices are accrued. As an integral part of the City's overall operations, the Water and Electric Utility Funds' operations are also included in the City's Comprehensive Annual Financial Report.

$ in thousands

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

(D) SELF-INSURANCE PROGRAM

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

(E) CAPITAL ASSETS

Capital assets are recorded at cost or, in the case of gifts or contributed assets, at fair market value at the date of donation. The threshold for capitalizing assets is $5,000 or greater, except for betterments which could be less. When items are sold or retired, related gains or losses are included in non-operating income (expenses). Maintenance and repairs are charged to expense as incurred. Improvements to plant and equipment are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

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

(F) INVENTORIES

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

(G) COMPENSATED ABSENCES

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

(H) ESTIMATES

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

(I) REVENUE RECOGNITION

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

(J) OPERATING EXPENSES

Purchased power and fuel expenses include all open market purchases of energy and fuel, firm contracts for the purchase of energy and fuel, energy production costs, and the costs of entitlements for energy and transmission as discussed in note 11.

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

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

(K) DEBT ISSUANCE COSTS

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

(L) BOND REFUNDING COSTS

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

(M) PRIOR YEAR DATA

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

$ in thousands

NOTE 2: Cash and Investments

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

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

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

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

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

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

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

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

$ in thousands

INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

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

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

DISCLOSURES RELATING TO INTEREST RATE RISK

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

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

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

Note: The table above excludes cash on hand of $16 (see pg. 31).

DISCLOSURES RELATING TO CREDIT RISK

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

$ in thousands

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

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

CUSTODIAL CREDIT RISK

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

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

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

INVESTMENT IN STATE INVESTMENT POOL

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

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

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

$ in thousands

NOTE 3: Accounts Receivable

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

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

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

NOTE 4: Inventories

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

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

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

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

NOTE 5: Deposits and Prepaid Expenses

The Electric Utility Fund shows a total of $21,427 in deposits and prepaid expenses. The composition of these deposits and prepaid expenses include a $2,865 deposit with SCPPA as a fuel reserve for the Magnolia Power Project ("MPP"), a $6,770 deposit with SCPPA for future use in multiple projects, a $7,895 deposit with Tieton Hydropower, L.L.C. for future energy deliveries, a $1,725 prepayment to Powerex for future energy deliveries, and a $1,188 prepayment to SCPPA Natural Gas Reserve for future gas deliveries. In addition, in June 2000, the City prepaid a lease payment of $1,500 for the use of land to locate a new switching station. The twenty-year lease began in January 2002. For the fiscal year ended June 30, 2009, the Electric Fund amortized $75 on this prepaid lease, leaving a balance of $938.

$ in thousands

NOTE 6: Capital Assets

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

North-South DC Intertie

WATER	Balance as of June 30, 2007	Additions	Deletions	Balance as of June 30, 2008	Additions	Deletions	Balance as of June 30, 2009
Capital assets not being depreciated:							
Land	$ 309	-	-	309	-	-	309
Construction in progress	3,427	6,346	(4,920)	4,853	5,752	(2,715)	7,890
Total capital assets not being depreciated	3,736	6,346	(4,920)	5,162	5,752	(2,715)	8,199
Capital assets being depreciated:							
Buildings and improvements	63,537	4,855	-	68,392	2,654	-	71,046
Accumulated depreciation	(29,267)	(2,091)	-	(31,358)	(2,228)	-	(33,586)
Machinery and equipment	5,163	541	-	5,704	137	-	5,841
Accumulated depreciation	(3,683)	(315)	-	(3,998)	(297)	(1)	(4,296)
Total capital assets being depreciated, net	35,750	2,990	-	38,740	266	(1)	39,005
Total net capital assets	**$ 39,486**	**9,336**	**(4,920)**	**43,902**	**6,018**	**(2,716)**	**47,204**

ELECTRIC	Balance as of June 30, 2007	Additions	Deletions	Balance as of June 30, 2008	Additions	Deletions	Balance as of June 30, 2009
Capital assets not being depreciated:							
Land	$ 2,734	-	-	2,734	-	-	2,734
Construction in progress	35,082	30,913	(16,522)	49,473	15,741	(13,040)	52,174
Total capital assets not being depreciated	37,816	30,913	(16,522)	52,207	15,741	(13,040)	54,908
Capital assets being depreciated:							
Land improvements	2,282	-	-	2,282	-	-	2,282
Accumulated depreciation	(227)	(91)	-	(318)	(91)	-	(409)
Rights to purchase power	1,335	-	-	1,335	-	-	1,335
Accumulated depreciation	(326)	(43)	-	(369)	(43)	-	(412)
Buildings and improvements	268,644	17,802	-	286,446	14,118	-	300,564
Accumulated depreciation	(112,454)	(10,646)	-	(123,100)	(11,055)	-	(134,155)
Machinery and equipment	24,362	634	-	24,996	980	(9)	25,967
Accumulated depreciation	(15,446)	(1,549)	-	(16,995)	(1,506)	1	(18,500)
Total capital assets being depreciated, net	168,170	6,107	-	174,277	2,403	(8)	176,672
Total net capital assets	**$ 205,986**	**37,020**	**(16,522)**	**226,484**	**18,144**	**(13,048)**	**231,580**

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

$ in thousands

NOTE 7: Accounts Payable and Accrued Expenses

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

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

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

NOTE 8: Loan and Revenue Bonds Payable

(A) LOAN PAYABLE

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

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

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

(B) REVENUE BONDS PAYABLE

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

$ in thousands

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

$ in thousands

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

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

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

June 30, 2009	**July 1, 2008**	**Additions**	**Retirements**	**June 30, 2009**	**Due within One Year**
Intergovernmental Loan Payable	$ 1,186	-	(179)	1,007	184
Revenue Bond Payable:					
1998 Series A Bonds	4,685	-	(875)	3,810	910
Compensated Absences	430	253	-	683	73
	$ 6,301	253	(1,054)	5,500	1,167
Less current portion	(1,090)			(1,167)	
Less unamortized bond premium (discounts)	(72)			(68)	
Total	**$ 5,139**			**4,265**	

June 30, 2008	**July 1, 2007**	**Additions**	**Retirements**	**June 30, 2008**	**Due within One Year**
Intergovernmental Loan Payable	$ 1,361	-	(175)	1,186	179
Revenue Bond Payable:					
1998 Series A Bonds	5,525	-	(840)	4,685	875
Compensated Absences	401	66	(37)	430	36
	$ 7,287	66	(1,052)	6,301	1,090
Less current portion	(1,051)			(1,090)	
Less unamortized bond premium (discounts)	(75)			(72)	
Total	**$ 6,161**			**5,139**	

$ in thousands

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

June 30, 2009	**July 1, 2008**	**Additions**	**Retirements**	**June 30, 2009**	**Due within One Year**
Revenue Bond Payable:					
1998 Series A Bonds	$ 40,175	-	(1,790)	38,385	1,865
2001 Series A Bonds	18,330	-	(5,895)	12,435	6,105
2002 Series A Bonds	20,860	-	(1,120)	19,740	1,155
Compensated Absences	4,014	1,078	(214)	4,878	324
	$ 83,379	1,078	(9,019)	75,438	9,449
Less current portion	(9,019)			(9,449)	
Less unamortized bond premium (discounts)	(273)			(238)	
Total	**$ 74,087**			**65,751**	

June 30, 2008	**July 1, 2007**	**Additions**	**Retirements**	**June 30, 2008**	**Due within One Year**
Revenue Bond Payable:					
1998 Series A Bonds	$ 41,900	-	(1,725)	40,175	1,790
2001 Series A Bonds	24,030	-	(5,700)	18,330	5,895
2002 Series A Bonds	21,940	-	(1,080)	20,860	1,120
Compensated Absences	3,856	389	(231)	4,014	214
	$ 91,726	389	(8,736)	83,379	9,019
Less current portion	(8,736)			(9,019)	
Less unamortized bond premium (discounts)	(307)			(273)	
Total	**$ 82,683**			**74,087**	

NOTE 9: Customer Deposits

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

$ in thousands

NOTE 10: Related Party Transactions

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

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

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

		Water		Electric	
		2009	**2008**	**2009**	**2008**
Administrative and overhead costs	$	688	726	3,028	2,911
Total	**$**	**688**	**726**	**3,028**	**2,911**

In addition, the City receives a 7% Utility Users Tax on electric revenues that is not reflected in the Electric Utility Fund's financial statements. This tax for the year ended June 30, 2009 and 2008 was as follows:

		Electric	
		2009	**2008**
Utility Users Taxes	$	10,376	10,330
Total	**$**	**10,376**	**10,330**

NOTE 11: Power Supply and Fuel Expenses - Retail

A) RETAIL ENERGY SUPPLY

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

B) "TAKE OR PAY" CONTRACTS

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

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

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

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

Hoover Uprating Project (HU)

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

Southern Transmission System Project (STS)

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

Mead-Phoenix Project (MP)

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

Mead-Adelanto Project (MA)

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

Palo Verde Project (PV)

Pursuant to an assignment agreement dated as of August 14, 1981 with the Salt River Project, the Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station, a 3,810 MW nuclear-fueled generating station near Phoenix, Arizona and a 6.55% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the Palo Verde Project). Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.40% (9.70 MW).

$ in thousands

Magnolia Power Project (MPP)

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

Natural Gas Project

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

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

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

(b) INTERMOUNTAIN POWER AGENCY (IPA)

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

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

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

$ in thousands

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

	2009/10		2010/11		2011/12	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
SCPPA:						
Hoover Uprating	$ 236	122	246	113	255	103
IPP STS	1,376	1,019	1,484	1,981	1,604	1,896
Mead-Adelanto	1,093	536	1,556	1,092	1,650	990
Mead-Phoenix	442	232	754	474	799	424
Palo Verde	456	9	441	98	455	87
Magnolia Power Project	2,737	1,074	2,835	4,303	2,958	4,183
Natural Gas Project-Pinedale	531	254	787	489	896	462
Natural Gas Project-Barnett	1,644	787	2,438	1,516	2,774	1,430
Natural Gas Prepaid Project #1	-	8,467	1,862	8,420	1,892	8,327
Intermountain Power Project	4,788	4,050	7,523	3,896	6,992	3,353
Total	**$ 13,303**	**16,550**	**19,926**	**22,382**	**20,275**	**21,255**

	2012/13		2013/14		2015/19	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
SCPPA:						
Hoover Uprating	$ 267	93	280	79	1,266	170
IPP STS	2,435	1,804	2,151	1,679	11,753	7,203
Mead-Adelanto	1,757	881	1,876	765	10,432	2,240
Mead-Phoenix	852	372	909	315	4,154	894
Palo Verde	469	76	483	64	2,089	133
Magnolia Power Project	3,080	4,061	3,220	3,925	15,321	17,333
Natural Gas Project-Pinedale	660	427	570	400	2,552	1,594
Natural Gas Project-Barnett	2,045	1,323	1,765	1,238	7,903	4,937
Natural Gas Prepaid Project #1	1,753	8,235	1,590	8,152	6,916	39,720
Intermountain Power Project	5,978	3,281	7,415	2,750	35,432	9,770
Total	**$ 19,296**	**20,553**	**20,259**	**19,367**	**97,818**	**83,994**

	2020/24		2025/29		2030/34	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
SCPPA:						
Hoover Uprating	$ -	-	-	-	-	-
IPP STS	15,464	3,874	5,623	866	-	-
Mead-Adelanto	4,694	278	-	-	-	-
Mead-Phoenix	1,871	111	-	-	-	-
Palo Verde	-	-	-	-	-	-
Magnolia Power Project	14,624	13,889	20,049	10,763	24,474	7,363
Natural Gas Project-Pinedale	1,780	985	1,387	536	970	145
Natural Gas Project-Barnett	5,514	3,053	4,298	1,659	3,005	448
Natural Gas Prepaid Project #1	12,644	37,386	23,934	32,668	39,616	24,642
Intermountain Power Project	26,498	1,604	-	-	-	-
Total	**$ 83,089**	**61,180**	**55,291**	**46,492**	**68,065**	**32,598**

	2035/39		2040/43	
	Principal	**Interest**	**Principal**	**Interest**
SCPPA:				
Hoover Uprating	$ -	-	-	-
IPP STS	-	-	-	-
Mead-Adelanto	-	-	-	-
Mead-Phoenix	-	-	-	-
Palo Verde	-	-	-	-
Magnolia Power Project	32,019	2,480	-	-
Natural Gas Project-Pinedale	-	-	-	-
Natural Gas Project-Barnett	-	-	-	-
Natural Gas Prepaid Project #1	58,990	12,370	17,769	448
Intermountain Power Project	-	-	-	-
Total	**$ 91,009**	**14,850**	**17,769**	**448**

$ in thousands

Hedge Policies and Outstanding Hedge Contracts

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

NOTE 12: Purchased Power and Fuel Expenses - Wholesale

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

		2009	2008
Wholesale revenues	$	120,716	220,177
Wholesale costs		116,544	212,823
Wholesale margin	**$**	**4,172**	**7,354**

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

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

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

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

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

$ in thousands

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

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

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

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

Other Post Employment Benefits

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

NOTE 14: Self-Insurance Program

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

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

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

NOTE 15: Contingencies

LITIGATION RELATED TO ALLEGED OVERCHARGES FOR THE SALE OF POWER

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

OTHER LITIGATION

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

SCHEDULE 1: Annual Electric Supply

Fiscal Year ended June 30, 2009

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

SCHEDULE 2: Customers, Sales, Electric Revenues and Demand

Fiscal Years ended June 30; $ in thousands

		2009	2008	2007	2006	2005
Number of Retail Customers:						
Residential		44,499	44,279	44,009	43,973	43,930
Commercial[1]		6,553	6,537	6,299	6,288	6,274
Large Commercial[1]		81	71	164	167	167
Other[1,2]		234	264	289	274	262
Total		**51,367**	**51,151**	**50,762**	**50,702**	**50,633**
Retail Kilowatt-hour Sales (millions):						
Residential		286	286	285	268	259
Commercial		309	282	257	244	241
Large Commercial		553	578	613	588	535
Other[2]		37	34	33	38	58
Total		**1,184**	**1,180**	**1,188**	**1,138**	**1,093**
Electric Revenues:						
Retail	$	158,039	155,514	153,916	143,487	136,304
Wholesale		120,716	220,177	207,259	195,512	110,037
Miscellaneous[3]		8,834	6,476	7,585	6,159	5,494
Total	**$**	**287,589**	**382,167**	**368,760**	**345,158**	**251,835**
Peak Demand (MW)		**289**	**308**	**307**	**284**	**281**

1 *Restructured commercial and large commercial customer classes starting January 1, 2008*

2 *Other includes school, street lighting and miscellaneous users*

3 *Other operating revenues include transmission, telecommunications and other miscellaneous revenues*

SCHEDULE 3: Weighted Average Billing Price – Electric[1]

Fiscal Years ended June 30; cents per kilowatt-hour

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

1 *All weighted average rates have been adjusted to exclude Public Benefits and Street Lighting.*

SCHEDULE 4: Annual Water Supply

Fiscal Year ended June 30, 2009

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

SCHEDULE 5: Customers, Water Sales, Water Revenues

Fiscal Years ended June 30; $ in thousands

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

1 *Other includes City department water, school, fire protection, and miscellaneous users*
2 *Potable and Recycled*
3 *Other operating revenues include connection fees, recycled water credits and other miscellaneous revenues*

SCHEDULE 6: Weighted Average Billing Price – Water

Fiscal Years ended June 30; $ per CCF

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Certain provisions of the Indenture are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Definitions

"Accreted Value" means, with respect to any Capital Appreciation Indebtedness, the principal amount thereof plus the interest accrued thereon, compounded at the interest rate thereon on each date as specified therein.

"Accrued Aggregate Debt Service" means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of Bonds, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Outstanding Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) principal due and unpaid and that portion of the principal for such Series next due which would have accrued if deemed to accrue to the end of such calendar month if such principal were deemed to accrue daily in equal amounts from the next preceding principal payment date for such Series (or, if there will be no such preceding principal payment date, from a date one (1) year preceding the due date of such principal installment or from the date of issuance of the Bonds of such Series, whichever period is shorter).

"Annual Debt Service" means, for any Fiscal Year, the aggregate amount of principal and interest on all Bonds and Parity Debt becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"Assumed Debt Service" means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Bonds and Parity Debt if each Excluded Principal Payment, amortized for a period specified by the City (but no longer than thirty (30) years from the date of the issuance of the Bonds or Parity Debt to which such Excluded Principal Payment relates) on a substantially level debt service basis or other amortization basis provided by the City, calculated based on a fixed interest rate equal to the rate at which the City could borrow for such period, as set forth in a certificate of a consultant delivered to the Trustee, who may rely conclusively on such certificate, within thirty (30) days of the date of calculation.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Bond which is Current Interest Indebtedness, the principal amount thereof, and (2) with respect to any Outstanding Bond which is Capital Appreciation Indebtedness, the Accreted Value thereof.

"Bonds" means the Burbank Water and Power Water Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Business Day" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a letter of credit, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the letter of credit are to be presented are authorized or obligated by law or executive order to be closed.

"Capital Appreciation Indebtedness" means Bonds and Parity Debt on which interest is compounded and paid less frequently than annually.

"Certificate," "Statement," "Request," "Written Request," "Requisition" or "Order" of the City mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by its City Manager or any other person authorized by the City Manager to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

"Charter" means the City Charter of the City, as amended from time to time.

"City" means the City of Burbank, California.

"City Code" means the Municipal Code of the City, as amended from time to time.

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder.

"Continuing Disclosure Agreement" means any Continuing Disclosure Agreement executed and delivered by the City relating to any Series of Bonds.

"Corporate Trust Office" or "corporate trust office" means the corporate trust office of the Trustee at 707 Wilshire Blvd. 17th Floor, Los Angeles, California 90017 Attention: Corporate Trust Department, or such other office designated by the Trustee.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance and credit enhancement costs, and any other cost, charge or fee in connection with the delivery of Bonds.

"Council" means the City Council of the City.

"Counterparty" means an entity which has entered into an Interest Rate Swap Agreement with the City.

"Current Interest Indebtedness" means the Bonds and Parity Debt on which interest is paid at least annually.

"Debt Service" means the amount of principal and interest becoming due and payable on all Bonds and Parity Debt; provided, however, that for the purposes of computing Debt Service:

(a) Excluded Principal Payments (and the interest related thereto, provided such interest is being paid from the same source as the Excluded Principal Payments) will be excluded from such calculation and Assumed Debt Service will be included in such calculation;

(b) if the Bonds or Parity Debt are Variable Rate Indebtedness, the interest rate thereon for which an Interest Rate Swap Agreement is not in-place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes for periods when the actual interest rate cannot yet be determined will be assumed to be equal to the average of the SIFMA Swap Index for the five years preceding such date of calculation;

(c) if the Bonds or Parity Debt are Variable Rate Indebtedness, the interest rate thereon for which an Interest Rate Swap Agreement is not in-place and the interest on which is included or expected to be included in gross income for federal income tax purposes for periods when the actual interest rate cannot yet be determined will be calculated at an interest rate equal to 100% of the average One Month USD LIBOR Rate during the five years preceding such date of calculation or such higher rate as will be specified in a Certificate of the City;

(d) principal and interest payments on Bonds and Parity Debt will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or another fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Debt held by the Trustee or another fiduciary as capitalized interest;

(e) in determining the principal amount, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking fund payments or any scheduled redemption or payment of Bonds or Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Indebtedness;

(f) with respect to any Bonds or Parity Debt that are Variable Rate Indebtedness for which an Interest Rate Swap Agreement is in-place providing for a fixed rate of interest to maturity or for a specific term with respect to such Bonds or Parity Debt, the interest rate on such Bonds or Parity Debt will be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided, that if, pursuant to a Certificate of the City filed with the Trustee in connection with the issuance of an additional Series of Bonds or Parity Debt or any calculation of the Reserve Requirement, the sum of (i) interest payable on such Bonds or Parity Debt, plus (ii) amounts payable by the City under such Interest Rate Swap Agreement, less (iii) amounts receivable by the City under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Bonds or Parity Debt to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an "off-market" Interest Rate Swap Agreement), then, in such instance, such excess amounts expected to be payable by the City under such Interest Rate Swap Agreement or in connection with such Bonds or Parity Debt will be included in the calculation of Debt Service;

(g) with respect to any Bonds or Parity Debt bearing interest, or expected to bear interest, at a fixed interest rate for which an Interest Rate Swap Agreement is in-place providing for a net variable interest rate with respect to such Bonds or Parity Debt for a specific term, the interest rate on such Bonds or Parity Debt will be assumed to be equal for such term to the sum of (i) the fixed interest rate or rates to be paid on the Bonds or Parity Debt, minus (ii) the fixed interest rate receivable by the City under such Interest Rate Swap Agreement, plus (iii) the average interest rate of the index on which the Interest Rate Swap Agreement is based, as identified in a Certificate of the City, or, if not based on an identifiable index, then the SIFMA

Swap Index, in each case, over the five years preceding the date of calculation or such higher rate as will be specified in a Certificate of the City in connection with the issuance of an additional Series of Bonds or Parity Debt or any calculation of the Reserve Requirement;

(h) if any Bonds or Parity Debt include an option or an obligation to tender all or a portion of such Bonds or Parity Debt to the City, the Trustee or another fiduciary or agent and require that such Bonds or Parity Debt or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due, the options or obligations to tender will be treated as a principal maturity occurring on the first date on which holders or owners thereof may or are required to tender, except that any such option or obligation to tender will be ignored and not treated as a principal maturity, if (1) such Bonds or Parity Debt are rated in one of the two highest long-term Rating Categories by Moody's, Fitch or Standard & Poor's or such Bonds or Parity Debt are rated in the highest short-term note or commercial paper Rating Categories by Moody's, Fitch or Standard & Poor's and (2) funds for the purchase price are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the City with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds or Parity Debt, will be subordinated to the obligation of the City on the Bonds and Parity Debt; and

(i) if interest on any Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by a Subsidy Payment, then at the election of the City to exclude such Subsidy Payment from Water Revenues, interest payments with respect to such Bonds or Parity Debt may be reduced by the amount of interest reasonably anticipated to be paid or reimbursed by the United States of America; provided, however, that if the City elects to include such Subsidy Payment in the definition of Water Revenues then interest payments with respect to such Bonds or Parity Debt will not be reduced by the amount of interest reasonably anticipated to be paid or reimbursed by the United States of America.

"Debt Service Fund" means the fund by that name established in the Indenture.

"Defeasance Securities" means any of the following:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation to the extent unconditionally guaranteed by the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i) including, but not limited to, REFCORP interest strips; or

(iii) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i) or (ii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (iii) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate, and (d) which have been rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds).

"EMMA" means the Electronic Municipal Market Access System, a facility of the Municipal Securities Rulemaking Board, or its successor.

"Event of Default" means any of the events of default specified in the Indenture.

"Excluded Principal Payments" means each payment of principal (or the principal component of lease or installment purchase payments) of Bonds or Parity Debt which the City determines on a date not later than the date of issuance thereof that the City intends to pay with moneys that are not Water Revenues or Water Net Revenues, but from the proceeds of future debt obligations of the City and the Trustee may rely conclusively on such determination of the City.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the City which designation will be provided to the Trustee in a Certificate of the City.

"Fitch" means Fitch, Inc., and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "Fitch" will be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Generally Accepted Accounting Principles Applicable to Governments" means generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board or its successor.

"Indenture" means this Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010, by and between the City and the Trustee, as originally executed and as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions of the Indenture.

"Interest Rate Swap Agreement" means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the City and a Counterparty, in connection with or incidental to, the issuance or carrying of Bonds, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds and designated by the City in a certificate or Supplemental Indenture as a Parity Debt.

"Investment Securities" means the following:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation;

(iv) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(v) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i), (ii) or (iii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i), (ii) or (iii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (v) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (v), as appropriate, and (d) which have been rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(vi) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(vii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit will be purchased directly from such a bank, trust company or national banking association and will be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (iv), inclusive, which will have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and will be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured will furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee will be entitled to rely on each such undertaking;

(viii) taxable commercial paper or tax-exempt commercial paper, rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(ix) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation provided that the variable rate obligations themselves are rated in their respective highest Rating Categories for its short-term rating, if any, and not lower than their respective ratings on the Bonds for its long-term rating, if any, by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds), and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated not lower than their respective ratings on the Bonds by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(x) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) and with short-term debt rated by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) in their respective four highest short-term rating categories or with government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii) or (iii) above, which will have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and will be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured will furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to the principal amount of each such repurchase agreement and the Trustee will be entitled to rely on each such undertaking;

(xi) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (x) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (x) of this definition of Investment Securities and which money market fund is rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds); provided that as used in this clause (xi) and clause (xii) investments will be deemed to satisfy the requirements of clause (x) if they meet the requirements set forth in clause (x) ending with the words "clauses (i), (ii) or (iii) above" and without regard to the remainder of such clause (x);

(xii) investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by Standard & Poor's and "AA" by Fitch; provided, that the terms of the investment agreement will be approved in writing by each insurer of the Bonds, if any;

(xiii) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (xii) of this definition of Investment Securities and which companies are rated in their respective highest Rating Categories by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) or have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in such securities and obligations and with assets under management in excess of $500,000,000;

(xiv) the Local Agency Investment Fund; and

(xv) any investment approved by the Council.

"Maximum Annual Debt Service" means the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year using the principles and assumptions set forth under the definition of Debt Service.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "Moody's" will be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"One Month USD LIBOR Rate" means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date of determination of such rate, except that, if such rate does not appear on such page on such date, the One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on such date, to prime banks in the London interbank market by three major banks in the London interbank market (in the Indenture referred to as the

"Reference Banks") selected by the Trustee (provided, however, that the Trustee may appoint an agent to identify such Reference Banks). The Trustee or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Trustee or its agent, at approximately 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Trustee or its agent is then quoting rates for such loans, then the One Month LIBOR Rate for the ensuing interest period will mean the One Month LIBOR Rate most recently in effect.

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the City.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the City will have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) referred to in the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

"Parity Debt" means SRF Obligations and any other indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or Interest Rate Swap Agreement having an equal lien and charge upon the Water Net Revenues, therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"Parity Reserve Fund" means the reserve fund created for Participating Bonds pursuant to the Indenture.

"Participating Bonds" means all Bonds Outstanding other than Bonds which are designated by the City as Bonds that will not constitute Participating Bonds in accordance with the provisions of the Indenture.

"Person" means an association, corporation, firm, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Rating Category" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Fund" means that fund established under the Indenture.

"Rebate Requirement" means the Rebate Requirement defined in a Tax Certificate.

“Redemption Price” means, with respect to any Bond (or portion thereof) the Bond Obligation of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Reserve Fund Requirement” means, as of any date of calculation, (i) with respect to the Parity Reserve Fund, an amount equal to one-half of the greatest amount of principal and interest becoming due and payable on all Outstanding Participating Bonds in the then current or any future Fiscal Year, net of any expected Subsidy Payment, and (ii) with respect to any Series Reserve Fund for a Series of Bonds that do not constitute Participating Bonds, the reserve fund requirement (which reserve fund requirement may be zero ($0)), specified for such Series of Bonds in a Supplemental Indenture setting forth the terms of such Bonds, all as computed and determined by the City and specified in writing to the Trustee.

“Securities Depository” will have the meaning assigned to such term in the Indenture or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depository or depositories, or no such depositories, as the City may designate in a Request of the City delivered to the Trustee.

“Serial Bonds” means Bonds, maturing in specified years, for which no mandatory sinking fund payments are provided.

“Series,” whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“Series Reserve Fund” means a reserve fund created for a Series of Bonds that do not constitute Participating Bonds as specified in a Supplemental Indenture setting forth the terms of such Series of Bonds.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

“SRF Obligations” means the loan contract, dated April 1, 1994, between the California State Water Resources Control Board and the City and any similar loan made to the City from the California State Water Resources Control Board payable from Water Net Revenues on a parity with any Bonds and Parity Debt.

“Standard & Poor’s” means Standard & Poor’s, Rating Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“State” means the State of California.

“Subsidy Payment” means the payment from the United States Treasury to the City (or its designee) that is authorized by the Code and is calculated by reference to the interest due on a Series of

Bonds (or portion thereof) on or about each interest payment date therefor based upon the qualification of such Series of Bonds (or portion thereof) as a "qualified bond" under applicable Code requirements, and the City's irrevocable election to treat such Series of Bonds (or portion thereof) as such at the time of their issuance.

"Supplemental Indenture" means any indenture hereafter duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means a Tax Certificate delivered by the City at the time of the issuance and delivery of any Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Term Bonds" means Bonds payable at or before their specified maturity date or dates from mandatory sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Treasurer" means the Treasurer of the City.

"Trustee" means Wells Fargo Bank, National Association, acting as trustee under the Indenture, or any successor thereto.

"Variable Rate Indebtedness" means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed at a single numerical rate for the entire term of the indebtedness.

"Water Net Revenues" means the amount of Water Revenues of the Water System remaining after payment therefrom of the Water Operating Expenses.

"Water Operating Expenses" means the amount required to pay the expenses of management, repair and other costs necessary to operate, maintain and preserve the Water System in good repair and working order, including but not limited to, the expenses of conducting the Water System, but excluding depreciation.

"Water Revenue Fund" means the Water Revenue Fund established pursuant to the Indenture.

"Water Revenues" means all the revenues from rates, fees and charges for providing water service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Water System, including contributions in aid of construction; provided, that the City may by election in a Supplemental Indenture relating to a Series of Bonds or Parity Debt exclude from Water Revenues any Subsidy Payment.

"Water System" means the entire system and facilities of the City for the distribution of water as said system now exists and including all additions, extensions and improvements thereto later constructed or acquired.

Issuance of Bonds

General. The City may by Supplemental Indenture establish one or more Series of Bonds payable from Water Net Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the City may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as will be determined by the City, but only, with respect to each Series of Bonds, upon compliance by the City with the provisions of the Indenture (except the first Series of Bonds may be issued upon compliance by the City with the requirements of the Indenture and without further condition) and any additional requirements set forth in said Supplemental Indenture and subject to the following specific conditions, which are made conditions precedent to the issuance of any such additional Series of Bonds:

(a) no Event of Default will have occurred and then be continuing;

(b) the aggregate principal amount of Bonds issued under the Indenture will not exceed any limitation imposed by law or otherwise;

(c) with respect to any additional Series of Bonds that are Participating Bonds, there will be deposited in the Parity Reserve Fund, an amount of money so as to increase the amount on deposit therein to the Reserve Fund Requirement, and, with respect to any additional Series of Bonds which do not constitute Participating Bonds, there will be deposited in the Series Reserve Fund, if any, for such Series of Bonds, an amount of money equal to the Reserve Fund Requirement for such Series of Bonds; and

(d) the City will have placed on file with the Trustee a Certificate of the City certifying that the sum of: (1) the Water Net Revenues, plus (2) 90 percent (90%) of the amount by which the City projects Water Net Revenues for any period of twelve (12) consecutive months during the eighteen (18) months immediately preceding the date on which any additional Bonds or Parity Debt will become Outstanding would have been increased had increases in rates, fees and charges during such period of twelve (12) months been in effect throughout such period of twelve (12) months; plus (3) 75 percent (75%) of the amount by which the City projects Water Net Revenues will increase during the period of twelve (12) months commencing on the date of issuance of such additional Bonds or Parity Debt due to improvements to the Water System under construction (financed from any source) or to be financed with the proceeds of such additional Series of Bonds or Parity Debt, will (4) have been at least equal to 1.20 times the amount of Debt Service due within the next consecutive twelve (12) month period on all Bonds and Parity Debt then outstanding and the additional Bonds or Parity Debt then proposed to be issued.

If additional assets or revenues are included within the definition of "Water Net Revenues" by a Supplemental Indenture, such additional assets or revenues will be included in the calculations in subsection (d) above, as appropriate, as if such additional assets or revenues had always been included in Water Net Revenues.

Proceedings for Issuance of Additional Series of Bonds. Whenever the City will determine to issue a Series of Bonds pursuant to the Indenture, the City will authorize the execution of a Supplemental Indenture specifying the principal amount, and prescribing the form or forms of Bonds of such additional Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of the Indenture.

Each additional Series of Bonds will constitute Participating Bonds unless the Supplemental Indenture authorizing such Series of Bonds provides that such Series of Bonds will not be Participating Bonds and, if such Series of Bonds will not be Participating Bonds, provides for the establishment of a Series Reserve Fund for such Series of Bonds, provides for the pledge of amounts on deposit in such

Series Reserve Fund to the payment of such Series of Bonds secured thereby, and establishes the Reserve Fund Requirement for such Series Reserve Fund.

Before such additional Series of Bonds will be issued and delivered, the City will file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied):

(a) an executed copy of the Supplemental Indenture authorizing such Series;

(b) a Certificate of the City stating that no Event of Default has occurred and is then continuing;

(c) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the City in accordance with the Indenture and that such Series, when duly executed by the City and authenticated and delivered by the Trustee, will be valid and binding limited obligations of the City; and

(d) the Certificate of the City required under "*General*" above.

Issuance of Refunding Bonds. Notwithstanding any provisions in the Indenture, there will be no limitation on the ability of the City to issue any Bonds at any time to refund any outstanding Bonds or Parity Debt issued pursuant to the Indenture.

Limitations on the Issuance of Obligations. The City will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Water Net Revenues, except the following:

(a) Bonds of any Series authorized pursuant to the Indenture;

(b) refunding Bonds authorized pursuant to the provisions described under "*Issuance of Refunding Bonds*" above;

(c) Parity Debt payable on a parity with the Bonds and which will have, when issued, an equal lien and charge upon the Water Net Revenues, provided that the following conditions to the issuance of such Parity Debt are satisfied:

(1) such Parity Debt has been duly and legally authorized for any lawful purpose;

(2) no Event of Default will have occurred and then be continuing, as evidenced in a Certificate of the City filed with the Trustee;

(3) unless such Parity Debt is for the refunding purposes specified in the Indenture, the City will have obtained and placed on file with the Trustee a Certificate of the City that (on the basis of calculations as of the date of delivery of such Parity Debt) the requirements of the Indenture with respect to additional Bonds have been met with respect to such Parity Debt;

(4) the City will have filed with the Trustee an opinion of counsel to the effect that such Parity Debt has been duly authorized in accordance with law and constitutes a valid and binding obligation of the City payable from Water Net Revenues on a parity with the Bonds; and

(5) the Trustee will be designated as paying agent or trustee for such Parity Debt and the City will deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Debt (but the Trustee will not be responsible for the validity or sufficiency of such proceedings or such Parity Debt); or

(d) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Water Net Revenues, after the prior payment of all amounts then required to be paid under the Indenture from Water Net Revenues, for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Indenture.

Pledge of Water Net Revenues; Water Revenue Fund

The Bonds are revenue obligations of the City and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from Water Net Revenues and from the other funds pledged under the Indenture. All Water Net Revenues are pledged under the Indenture to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds and any Parity Debt in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. There are pledged under the Indenture to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the Trustee under the Indenture (except for amounts held in the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Such pledge will constitute a first lien on the Water Net Revenues and amounts in such funds and will be valid and binding from and after delivery by the Trustee of the Bonds or Parity Debt, without any physical delivery thereof or further act.

The Water Net Revenues are pledged under the Indenture to the payment of Bonds and Parity Debt without priority or distinction of one over the other and the Water Net Revenues constitute a trust fund for the security and payment of the Bonds and Parity Debt; but nevertheless out of Water Net Revenues, certain amounts may be applied for other purposes as provided in the Indenture.

Out of Water Net Revenues, there will be applied as set forth in the Indenture all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds and all Parity Debt, together with any mandatory sinking fund payments of Bonds and Parity Debt and reserve fund requirements with respect thereto. All remaining Water Net Revenues, after making the foregoing allocation, will be available to the City for all lawful City purposes. The pledge of Water Net Revenues in the Indenture made will be irrevocable until all of the Bonds and all Parity Debt are no longer outstanding.

As long as any Bonds are Outstanding or any Parity Debt remains unpaid, the City will forthwith deposit in a fund, designated as the "Water Revenue Fund," which fund the City will establish and maintain, all Water Net Revenues when and as received by the City. Unless otherwise provided in the Indenture or in any Supplemental Indenture, investment income on amounts held by the City under the

Indenture (other than amounts held in the Rebate Fund or for which particular instructions are provided in a Supplemental Indenture) will also be deposited in the Water Revenue Fund. All moneys at any time held in the Water Revenue Fund will be held in trust for the benefit of the Owners of the Bonds and Parity Debt and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

Payments Into Other Funds.

As soon as practicable in each month after the deposit of Water Net Revenues into the Water Revenue Fund, but in any case no later than the last Business Day of such month, the City will withdraw from the Water Revenue Fund and pay to the Trustee for deposit in the following funds and accounts, in the following order, the amounts set forth below:

> (a) in the Debt Service Fund established pursuant to the Indenture, the amount, if any, required so that the balance in said fund, including any subaccounts therein, to the extent moneys in such subaccounts are available to pay Accrued Aggregate Debt Service as of the last day of the then current month, will equal the Accrued Aggregate Debt Service as of the last day of the then current month; provided, that for purposes of this paragraph, the calculation of Debt Service with respect to the definition of Accrued Aggregate Debt Service will be made without regard to an election by the City to include any Subsidy Payment in Water Revenues or to exclude any Subsidy Payment from Water Revenues and without regard to paragraph (i) of the definition of Debt Service; and
>
> (b) in the Parity Reserve Fund established pursuant to the Indenture and in each Series Reserve Fund established pursuant to a Supplemental Indenture the amount, if any, required so that the amount credited to such Parity Reserve Fund and each such Series Reserve Fund will, except as otherwise provided in the Indenture, be at least equal to the respective Reserve Fund Requirement as of the last day of the then current month; provided, that the deposits to the Parity Reserve Fund and each Series Reserve Fund will be made without preference or priority between such deposits and in the event of any deficiency in Water Net Revenues to make the deposits required by this paragraph, such Water Net Revenues will be deposited into the Parity Reserve Fund and each Series Reserve Fund ratably based on the amount required to be deposited in each such fund, without discrimination or preference;

provided, that on a parity with such deposits, the City will set aside or transfer amounts to the appropriate accounts with respect to outstanding Parity Debt as provided in the proceedings for such Parity Debt (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Debt).

Debt Service Fund

The Trustee will establish and maintain and hold in trust so long as any Bonds remain Outstanding, a special fund designated as the "Debt Service Fund." The Trustee will pay out of the Debt Service Fund: (i) on or before each interest payment date for any Outstanding Bonds, the amount required for the interest payable on such date; (ii) on or before each principal payment date or redemption date, the amount required for the Bond Obligation payable on such due date (including any mandatory sinking fund payment to be paid on such date); and (iii) on or before any redemption date for Outstanding Bonds, the amount required for the payment of interest on such Bonds then to be redeemed. Such amounts will be applied for such purposes by the Trustee on the due date thereof. The Trustee will also pay out of the Debt Service Fund the accrued interest included in the purchase price of any Bonds, the Debt Service of which may be paid from the moneys in such fund, purchased for retirement, without regard to an election by the City to include any Subsidy Payment in Water Revenues or to exclude any Subsidy Payment from Water Revenues.

On or prior to the forty-fifth (45^{th}) day preceding the due date of each mandatory sinking fund payment, any amounts then on deposit in the Debt Service Fund with respect to any mandatory sinking fund payment (exclusive of amounts, if any, set aside in said fund which were deposited therein from the proceeds of Bonds, but inclusive of amounts accumulated therein with respect to interest on the Bonds for which such mandatory sinking fund payment is to be paid) may, and if so directed by the City will, be applied by the Trustee to the purchase of Bonds of the Series and maturity for which such mandatory sinking fund payment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such mandatory sinking fund payment. All purchases of any Bonds pursuant to this subsection will be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases will be made by the Trustee as directed by the City. If directed by the City, on or prior to the forty-fifth (45^{th}) day next preceding a mandatory sinking fund payment due date, there will be applied as a credit against such mandatory sinking fund payment, and there will be deemed to constitute part of the Debt Service Fund until such mandatory sinking fund payment due date, for the purpose of calculating the amount on deposit in such fund, the applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds of the Series and maturity for which such mandatory sinking fund payment was established, that were cancelled or delivered to the Trustee for cancellation on or prior to the forty-fifth (45^{th}) day next preceding such mandatory sinking fund payment due date and that was not previously applied as a credit against a mandatory sinking fund payment, including any Bonds purchased pursuant to this subsection and as to which the City has properly claimed a credit against the next mandatory sinking fund payment. As soon as practicable after the forty-fifth (45^{th}) day preceding the due date of any such mandatory sinking fund payment, the Trustee will proceed to call for redemption on such date, Bonds of the Series and maturity for which such mandatory sinking fund payment was established (except in the case of Bonds maturing on a mandatory sinking fund payment due date). The Trustee will pay out of the Debt Service Fund, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amounts will be applied to such redemption (or payment).

The amount, if any, deposited in the Debt Service Fund, including any subaccount, from the proceeds of each Series of Bonds will be set aside in such fund and applied to the payment of interest on Bonds as provided in the Supplemental Indenture relating to the issuance of such Series of Bonds and will be deemed available to pay Accrued Aggregate Debt Service only to the extent so provided without regard to an election by the City to include any Subsidy Payment in Water Revenues or to exclude any Subsidy Payment from Water Revenues.

If one or more Bonds are refunded, the Trustee may, upon the direction of the City with the advice of Bond Counsel, withdraw from the Debt Service Fund amounts accumulated therein with respect to Debt Service (without regard to an election by the City to include any Subsidy Payment in Water Revenues or to exclude any Subsidy Payment from Water Revenues) on the Bonds being refunded and deposit such amounts as directed by the City, to be held for the payment of the principal or Redemption Price, if applicable, or interest on the Bonds being refunded; provided that such withdrawal will not be made unless (a) immediately thereafter the Bonds being refunded will be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Debt Service Fund after such withdrawal will not be less than the requirement of such fund pursuant to the Indenture.

Any provisions of the Indenture to the contrary notwithstanding, so long as there will be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or Redemption Price, if applicable, and interest thereon), no deposits will be required to be made into the Debt Service Fund.

Parity Reserve Fund; Series Reserve Funds

The Trustee will establish and maintain and hold in trust so long as Participating Bonds remain Outstanding, a special fund designated as the "Parity Reserve Fund." Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the Participating Bonds and will be applied only for such purposes as permitted in the Indenture. In accordance with the Indenture and as provided in any Supplemental Indenture for a Series of Bonds which are not Participating Bonds, the Trustee will establish and maintain and hold in trust so long as such Series of Bonds which are not Participating Bonds remains outstanding, a Series Reserve Fund for such Series of Bonds that are not Participating Bonds. In accordance with the Indenture and pursuant to the Supplemental Indenture for any Series of Bonds which are not Participating Bonds, amounts on deposit (if any) in each such Series Reserve Fund will be pledged to the payment of the applicable Series of Bonds which are not Participating Bonds to be secured thereby and will be applied only for such purposes as permitted in the Indenture. The Trustee will deposit in the Parity Reserve Fund and in each Series Reserve Fund, the amounts required to be deposited therein pursuant to the Indenture and such other amounts transferred to the Trustee by the City for deposit therein pursuant to the Indenture. No deposit need be made in the Parity Reserve Fund or any Series Reserve Fund so long as there will be on deposit therein a sum equal to the respective Reserve Fund Requirement. Whenever the amount on deposit in the Parity Reserve Fund or any Series Reserve Fund is less than the applicable Reserve Fund Requirement, such amount will be increased to the applicable Reserve Fund Requirement as provided for in this paragraph not later than twelve months thereafter.

If on the last Business Day of any month, the amount on deposit in the Debt Service Fund will be less than the amount required to be in such Debt Service Fund pursuant to the Indenture with respect to Participating Bonds, the Trustee will apply amounts from the Parity Reserve Fund to the extent necessary to make good the deficiency with respect to the Participating Bonds; and if on the last Business Day of any month, the amount on deposit in the Debt Service Fund will be less than the amount required to be in such Debt Service Fund pursuant to the Indenture with respect to any Series of Bonds for which a Series Reserve Fund has been established, the Trustee will apply amounts (if any) from the applicable Series Reserve Fund to the extent necessary to make good the deficiency with respect to the Series of Bonds secured by such Series Reserve Fund.

Whenever the amount in the Parity Reserve Fund, together with the amount in the Debt Service Fund available for such purpose, is sufficient to pay in full all Outstanding Participating Bonds in accordance with their terms (including principal or applicable mandatory sinking fund payments and interest thereon), the funds on deposit in the Parity Reserve Fund will be transferred to the Debt Service Fund and applied ratably to the payment or redemption of the Participating Bonds. Whenever the amount in the Series Reserve Fund, together with the amount in the Debt Service Fund available for such purpose, is sufficient to pay in full all of the Outstanding future Series of Bonds secured by such Series Reserve Fund in accordance with their terms (including principal or applicable mandatory sinking fund payments and interest thereon), the funds on deposit in the applicable Series Reserve Fund will be transferred to the Debt Service Fund and applied to the payment or redemption of the Series of Bonds secured by such Series Reserve Fund.

If any Participating Bonds are refunded, the Trustee may, upon the direction of the City with the advice of Bond Counsel, withdraw from the Parity Reserve Fund any amounts on deposit therein and deposit such amounts as directed by the City, to be held for the payment of the principal or Redemption Price, if applicable, or interest on the Participating Bonds being refunded; provided, that such withdrawal will not be made unless (a) immediately thereafter any Participating Bonds being refunded will be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Parity Reserve Fund after such withdrawal, taking into account any deposits to be made in the Parity Reserve Fund in connection with such refunding, will not be less than the Reserve Fund Requirement with respect to the Parity Reserve Fund. If all or any portion of any Series of Bonds secured by a Series Reserve Fund are refunded, the Trustee may, upon the direction of the City with the advice of Bond Counsel, withdraw from such Series Reserve Fund any amounts on deposit therein and deposit such amounts as directed by the City, to be held for the payment of the principal or Redemption Price, if applicable, or interest on such Series of Bonds secured by such Series Reserve Fund or portion thereof being refunded; provided, that such withdrawal will not be made unless (a) immediately thereafter such Series of Bonds or portion thereof being refunded will be deemed to have been paid pursuant to the Indenture, and (b) the amount remaining in the Series Reserve Fund after such withdrawal will not be less than the Reserve Fund Requirement with respect to such Series Reserve Fund.

Except as otherwise provided in a Supplemental Indenture, amounts on deposit in the Parity Reserve Fund or any Series Reserve Fund in excess of the respective Reserve Fund Requirement will, at the Written Request of the City, be withdrawn from the Parity Reserve Fund or Series Reserve Fund, as applicable, and transferred to the City and applied as permitted by Bond Counsel.

The City may provide for all or any part of the Reserve Fund Requirement for the Parity Reserve Fund or any Series Reserve Fund by delivering to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of Moody's, Fitch or Standard & Poor's at the time such letter of credit is issued, securing an amount, together with moneys, Investment Securities or surety bonds or insurance policies on deposit in the Parity Reserve Fund or such Series Reserve Fund, equal to the applicable Reserve Fund Requirement. Such letter of credit will have an original term of no less than three (3) years or, if less, the final maturity of the Participating Bonds or the Series of Bonds secured thereby, as applicable, and such letter of credit will provide by its terms that it may be drawn upon as provided in the Indenture. At least one year prior to the stated expiration of such letter of credit, the City will either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Participating Bonds or the Series of Bonds secured thereby, as applicable, or (iii) deliver to the Trustee a surety bond or an insurance policy satisfying the requirements of the Indenture. Upon delivery of such replacement letter of credit, extended letter of credit, or surety bond or insurance policy, the Trustee will deliver the then-effective letter of credit to or upon the order of the City. If the City will fail to deposit a replacement letter of credit, extended letter of credit, surety bond or insurance policy with the Trustee, the City will immediately commence to make monthly deposits with the Trustee so that an amount equal to the Reserve Fund Requirement will be on deposit in the Parity Reserve Fund or Series Reserve Fund, as applicable, no later than the stated expiration date of the letter of credit. If an amount equal to the Reserve Fund Requirement, as of the date following the expiration of the letter of credit, is not on deposit in the Parity Reserve Fund or Series Reserve Fund, as applicable, at the earlier of one week prior to the stated expiration date of the letter of credit or the debt service payment date (excluding from such determination the letter of credit), the Trustee will draw on the letter of credit to fund the amount of any such deficiency in the Parity Reserve Fund or Series Reserve Fund, as applicable.

The City may also provide for all or any part of the Parity Reserve Fund or any Series Reserve Fund by delivering to the Trustee a surety bond or an insurance policy securing an amount, together with moneys, Investment Securities or letters of credit on deposit in the Parity Reserve Fund or such Series Reserve Fund, as applicable, equal to the applicable Reserve Fund Requirement. Such surety bond or insurance policy will be issued by an insurance company whose unsecured debt obligations (or obligations secured by such insurance company's insurance policies) are rated in one of the two highest Rating Categories of Moody's, Fitch or Standard & Poor's at the time such surety bond or insurance policy is issued. Such surety bond or insurance policy will have a term of no less than the final maturity of the Participating Bonds or the Series of Bonds secured thereby, as applicable. If such surety bond or insurance policy for any reason lapses or expires, the City will immediately implement (i) or (iii) of paragraph (F) above or make the required deposits to the Parity Reserve Fund or Series Reserve Fund, as applicable.

The Trustee will ascertain the necessity for a draw or claim upon any letter of credit, surety bond or insurance policy provided under the Indenture and will take such action as is necessary in accordance with the terms thereof to received payments with respect thereto (including the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Parity Reserve Fund or a Series Reserve Fund, as applicable, and applied to the payment of the principal of or interest on any Participating Bonds or Series of Bonds secured by such Parity Reserve Fund or Series Reserve Fund and such withdrawal cannot be met by amounts on deposit in the Parity Reserve Fund or Series Reserve Fund, as applicable. If a disbursement is made pursuant to letter of credit, surety bond or insurance policy credited to the Parity Reserve Fund or any Series Reserve Fund, the City will be obligated either (i) to reinstate the full amount of such letter of credit, surety bond or insurance policy or (ii) to deposit into the Parity Reserve Fund or Series Reserve Fund, as applicable, funds in the amount of such disbursement or a combination of such alternatives, as will provide that the amount in the Parity Reserve Fund or such Series Reserve Fund, as applicable, is at least equal to the applicable Reserve Fund Requirement. So long as a letter of credit, surety bond or insurance policy will be in full force and effect for purposes of funding all or any part of the Parity Reserve Fund or any Series Reserve Fund, as applicable, any deposits required to be made in the Parity Reserve Fund or a Series Reserve Fund pursuant to the Indenture will include any amounts due to the provider of the letter of credit, surety bond or insurance policy resulting from a draw or claim upon such letter of credit, surety bond or insurance policy (which amounts will constitute a deficiency in the Reserve Fund Requirement for purposes of the Indenture). Any such amounts will be paid to the provider of such letter of credit, surety bond or insurance policy as provided therein or in any related agreement.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds, accounts and subaccounts held by the Trustee and established pursuant to the Indenture will be invested, as directed by the City, solely in Investment Securities. All Investment Securities will, as directed by the City in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations as to maturities set forth in the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by Request of the City. The Trustee may conclusively rely upon any investment direction from the City as a certification to the Trustee that such investment constitutes an Investment Security. If and to the extent the Trustee does not receive investment instructions from the City with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys will be invested in Investment Securities described in clause (xi) of the definition thereof and the Trustee will thereupon request investment instructions from the City for such moneys.

Unless otherwise provided in the Indenture or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account, other than the Rebate Fund, will be transferred to the Water Revenue Fund when received. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund, except as provided in the Indenture and any applicable Supplemental Indenture. Notwithstanding anything to the contrary contained in the Indenture, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture will be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the City, may impose its customary charge therefor. The Trustee may sell or present for redemption, any Investment Securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

The City may and the Trustee will, upon the Request of the City, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of California, enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the City or the Trustee, if any, pursuant to such a swap agreement may be applied to the deposits required under the Indenture; in which case, the entity with which the City or the Trustee may contract for an interest rate swap is limited to entities the debt securities of which are rated in their respective highest short-term debt Rating Categories by Moody's, Fitch or Standard & Poor's. If the City so designates, amounts payable under the interest rate swap agreement (other than termination payments due thereunder which will be made expressly subordinate to the payment of the Bonds) will be secured by Water Net Revenues on a parity basis with the Bonds and any Parity Debt and, in such event, the City will pay to the Trustee for deposit in the Debt Service Fund, at the times and in the manner provided by the Indenture, the amounts to be paid under such interest rate swap agreement, as if such amounts were additional interest due on the Bonds to which such interest rate swap agreement relates, and the Trustee will pay to the other party to the interest rate swap agreement, to the extent required thereunder, amounts deposited in the Debt Service Fund for the payment of interest on the Bonds with respect to which such agreement was entered.

Covenants

Pursuant to the Indenture, the City will covenant as follows:

Punctual Payment. The City will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and will punctually pay or cause to be paid all mandatory sinking fund payments, but in each case only out of Water Net Revenues, as provided in the Indenture.

Extension of Payment of Bonds. The City will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest of such Bonds or claims for interest and in case the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which will not have been so extended. Nothing will be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of Bonds.

Waiver of Laws. The City will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the City to the extent permitted by law.

Further Assurances. The City will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Against Encumbrances. The City will not create any pledge, lien or charge upon any of the Water Net Revenues, having priority over the lien of the Bonds.

The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. If any such lien attaches to or is filed against any portion of the Water System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Water System. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment.

Accounting Records and Financial Statements. The City will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with Generally Accepted Accounting Principles Applicable to Governments, in which complete and accurate entries will be made of all calculations relating to Water Net Revenues. Such books of record and account will be available for inspection by the Trustee (who will have no duty to inspect) or the Owners at reasonable hours and under reasonable circumstances.

The City will furnish the Trustee, within one hundred and eighty (180) days after the end of each Fiscal Year, the financial statements of the City's Water and Electric Utility Enterprise Funds for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with Generally Accepted Accounting Principles Applicable to Governments and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the Treasurer of the City stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the City to cure such default. Thereafter, a copy of such financial statements will be furnished to any Owner of Bonds upon written request to the City. The Trustee will have no duty to review such financial statements.

The City will furnish to the Trustee within thirty (30) days after approval thereof, the annual budget of the City for the Water System.

Rebate Fund. The Trustee will establish and maintain, so long as any Bonds remain Outstanding, a fund separate from any other fund established and maintained under the Indenture designated as the "Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund will be held by the Trustee to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts will be free and clear of any lien under the Indenture and will be governed by this section and the Indenture, any applicable Supplemental

Indenture and by the Tax Certificate for the applicable Series of Bonds, if any. The provisions relating to the Rebate Fund for a Series of Bonds will be set forth in the related Supplemental Indenture.

Tax Covenants. The City covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the City may exclude the application of the covenants contained in the Indenture to such Series of Bonds. The City will exclude the application of such covenants with respect to the Series 2010A Bonds.

Rates and Charges. The City covenants in the Indenture that it will prescribe, revise and collect such charges for the services, facilities and water furnished by the Water System which, after making allowances for contingencies and error in the estimates, will provide Water Net Revenues at least sufficient to pay the following amounts in the order set forth:

(i) The interest on, and principal and Redemption Price of, the outstanding Bonds and any Parity Debt as the same will become due and payable;

(ii) All payments required for compliance with the Indenture, including payments required to be made into any bond reserve fund; and

(iii) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Water Net Revenues;

and the charges will be fixed so that in each Fiscal Year the Water Net Revenues will be at least equal to 1.20 times the amount of the Annual Debt Service.

Maintenance and Operation of System; Insurance. The City will maintain and preserve the Water System in good repair and working order at all times, and will operate the Water System in an efficient and economical manner. Subject in each case to the condition that insurance is obtainable at rates deemed reasonable by the City and upon terms and conditions deemed reasonable by the City, the City will procure and maintain at all times: (a) insurance on the Water System against such risks as and in such amounts as the City deems prudent taking into account insurance coverage for similar utilities, and (b) public liability insurance, including self-insurance, as appropriate, in such amounts as the City deems prudent taking into account insurance coverage for similar utilities.

Sale of Water System. The Water System will not be sold or leased or otherwise disposed of as a whole, or substantially as a whole, unless such sale, lease or other disposition be so arranged as to provide for a continuance of timely payments sufficient in amount to permit payment therefrom of the principal of and interest on, and premiums, if any, due upon the redemption of, all Bonds and Parity Debt payable out of Water Net Revenues, or to provide for such payments into some other fund charged with such payments. None of the works, plant, properties, facilities or other part of the Water System or any real or personal property comprising a part of the Water System will be sold, leased or otherwise disposed of if such sale, lease or disposition would cause the City to be unable to satisfy the requirements of the Indenture.

Continuing Disclosure Agreement. The City will comply with and carry out all of its obligations under any Continuing Disclosure Agreement executed in connection with a Series of Bonds. Upon the failure of the City to comply with the Continuing Disclosure Agreement relating to any Series of Bonds, the Trustee (at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Owners of at least 25% in aggregate Bond Obligation of the related Series of Bonds, will, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation, fees and expenses of its attorneys) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, to comply with its obligations under the Indenture. "Beneficial Owner" will have the meaning prescribed thereto in the respective Continuing Disclosure Agreement relating to such Series of Bonds.

Events of Default; Remedies

Events of Default. The following events will be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable;

(c) failure by the City to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (a) or (b) of *Events of Default; Remedies*, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee; except that, if such failure can be remedied but not within such thirty (30) day period and if the City has taken all action reasonably possible to remedy such failure within such thirty (30) day period, such failure will not become an Event of Default for so long as the City will diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) default by the City under any agreement governing any Parity Debt and the continuance of such default beyond the therein stated grace period, if any, with respect to such default;

(e) the filing by the City of a petition in voluntary bankruptcy for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or an assignment by the City for the benefit of creditors, or the admission by the City in writing to its insolvency or inability to pay debts as they mature, or the consent by the City in writing to the appointment of a trustee or receiver for itself;

(f) the entering by a court of competent jurisdiction of an order, judgment or decree declaring the City insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the City, or approving a petition filed against the City seeking reorganization of the City under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree will not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(g) the assumption, under the provisions of any other law for the relief or aid of debtors, by any court of competent jurisdiction of custody or control of the City or of the Water Net Revenues and such custody or control will not be terminated within sixty (60) days from the date of assumption of such custody or control.

Application of Water Net Revenues and Other Funds After Default; Acceleration. If an Event of Default will occur and be continuing, the City will immediately transfer to the Trustee all Water Net Revenues held by it and received thereafter and the Trustee will apply all Water Net Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Debt, including the costs and expenses of the Trustee and the Owners in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture; and

(2) To the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Debt (upon presentation of the Bonds and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation at the rate or rates of interest borne by the respective Bonds and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Debt which will have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Debt at the rate borne by the respective Bonds and Parity Debt, and, if the amount available will not be sufficient to pay in full all the Bonds and Parity Debt due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

In each and every such case during the continuance of such Event of Default, the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding will be entitled, upon notice in writing to the City, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable, the City will pay to or will deposit with the Trustee a sum sufficient to pay all principal on such Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Trustee to Represent Owners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) under the Indenture as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Water Net Revenues, and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners or holders of Parity Debt not parties to such direction.

Limitation on Owners' Right to Sue. No Owner of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any other applicable law with respect to such Bond, unless (1) such Owner will have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (5) the Trustee will not have received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the City. Nothing in any other provision of the Indenture or in the Bonds contained will affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Owners of the Bonds at their respective due dates therefor or upon call for redemption, as provided in the Indenture, but only out of the Water Net Revenues and other assets pledged in the Indenture therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default will have been discontinued or abandoned for any reason or will have been determined adversely to the Trustee or the Owners, then in every such case the City, the Trustee and the Owners, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the City, the Trustee and the Owners will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

The Trustee

Appointment; Duties, Immunities and Liabilities of Trustee. The Trustee is appointed under the Indenture as Trustee under the Indenture and accepts the trust imposed upon it as Trustee under the Indenture and to perform all the functions and duties of the Trustee under the Indenture, subject to the terms and conditions set forth in the Indenture. The Trustee will, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The City may remove the Trustee at any time unless an Event of Default will have occurred and then be continuing, and will remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee will cease to be eligible, or will become incapable of acting, or will be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property will be appointed, or any public officer will take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon will appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Owners notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the City will promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee will have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, will signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Request of the City or the request of the successor Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City will give notice of the succession of such Trustee to the trusts under the Indenture by mail to the Owners at the addresses shown on the registration books maintained by the Trustee. If the City fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the City.

Any Trustee appointed under the Indenture in succession to the Trustee will be a trust company or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee will cease to be eligible in accordance with the provisions of this paragraph, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

If, by reason of the judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties under the Indenture, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee under the Indenture will be assumed by and vest in the City in trust for the benefit of the Owners.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company will be eligible under the

Indenture, will be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. The recitals of facts in the Indenture and in the Bonds contained will be taken as statements of the City, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Indenture or of the Bonds or of any Investment Security, as to the sufficiency of the Water Net Revenues, or the priority of the lien of the Indenture thereon, or as to the financial or technical feasibility of the Water System and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence, willful misconduct or breach of the express terms and conditions of the Indenture. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Indenture. The Trustee may in good faith hold any other form of indebtedness of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City and make disbursements for the City and enter into any commercial or business arrangement therewith, without limitation.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture, but the Trustee will be answerable for the negligence or misconduct of any such attorney, agent, or receiver selected by it; provided, however, that the Trustee will not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the provisions of the Indenture, including, without limitation, the provisions of the Indenture, unless such Owners will have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee will not be deemed to have knowledge of and will not be required to take any action with respect to, any Event of Default (other than certain payment defaults) or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee will have actual knowledge of such event or will have been notified of such event by the City or the Owners of twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds at the time Outstanding.

Amendments

Amendments Permitted. The Indenture and the rights and obligations of the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding or, in case less than all of the Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given, will have been filed with the Trustee; provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding.

The rights and obligations of the City and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the City and the Trustee which will become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds will have been filed with the Trustee; provided, that at such time the payment of all the principal of and interest on all Outstanding Bonds will be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which will be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody's, Fitch or Standard & Poor's. A copy of each such Supplemental Indenture when executed and delivered will be sent by the City to Moody's, Fitch and Standard & Poor's to extent such rating agency is then rating the Bonds.

No such modification or amendment will (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any mandatory sinking fund payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof exclusively, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Water Net Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Water Net Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

The Indenture and the rights and obligations of the City, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City may adopt without the consent of any Owners but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the City may deem necessary or desirable, and which will not materially and adversely affect the interests of the Owners of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said Act or similar federal statute, and which will not materially and adversely affect the interests of the Owners of the Bonds;

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Indebtedness or Parity Debt with such interest rate, payment, maturity and other terms as the City may deem desirable; subject to the provisions of the Indenture;

(5) to provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provision will materially and adversely affect the interests of the Owners of the Bonds;

(6) if the City agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(7) to provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture; and

(8) for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Defeasance

Discharge of Indenture. Bonds of any Series or a portion thereof may be paid by the City in any of the following ways:

(i) by paying or causing to be paid the Bond Obligation of and interest on such Outstanding Bonds, as and when the same become due and payable;

(ii) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or

(iii) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the City will pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the City, then and in that case, at the election of the City (evidenced by a Certificate of the City filed with the Trustee signifying the intention of the City to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds will not have been surrendered for payment, the Indenture and the pledge of Water Net Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the City under the Indenture will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the City, the Trustee will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption will have been given as in Article IV provided or provision satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the City in respect of such Bond will cease, terminate and be completely discharged, provided that the Owner thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the City will remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture and the continuing duties of the Trustee under the Indenture.

The City may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as in Article IV provided or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Securities, the principal of and interest on which when due will, in the opinion of an independent certified public accountant or, as determined by the City using due diligence, another firm of verification agents, delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as in Article IV provided or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Indenture or by Request of the City) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of November 1, 2010 (the "Disclosure Agreement"), is executed and delivered by the City of Burbank, California (the "City") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), in connection with the issuance of $8,795,000 aggregate principal amount of Burbank Water and Power Water Revenue/Refunding Bonds, Series of 2010A (the "Series 2010A Bonds") and the issuance of $27,945,000 aggregate principal amount of Burbank Water and Power Water Revenue Bonds, Series of 2010B (Taxable Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "2010 Water Bonds"). The 2010 Water Bonds are being issued pursuant to a Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "Master Water Revenue Bond Indenture"), by and between the City and the Trustee, as supplemented by a First Supplemental Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "First Supplemental Indenture"), relating to the Series 2010A Bonds, and by a Second Supplemental Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "Second Supplemental Indenture"), relating to the Series 2010B Bonds. The Master Water Revenue Bond Indenture, as supplemented by the First Supplemental Indenture and by the Second Supplemental Indenture, is referred to herein collectively as the "Indenture." The City and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Trustee for the benefit of the Owners and Beneficial Owners of the 2010 Water Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any 2010 Water Bonds (including persons holding 2010 Water Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2010 Water Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"Fiscal Year" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the City, with notice of such selection or change in fiscal year to be provided as set forth herein.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designed by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"Owner" shall mean either the registered owners of the 2010 Water Bonds, or, if the 2010 Water Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Participating Underwriter" shall mean the original underwriter of the 2010 Water Bonds required to comply with the Rule in connection with offering of the 2010 Water Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the City's Fiscal Year (presently June 30), commencing with the report for the 2009-10 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the City's Water and Electric Utility Enterprise Funds may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes for the City, the City shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide its Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report from the City, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report of the City has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine prior to the date for providing the Annual Report for such year the electronic filing address of, and the then-current procedure for, submitting Annual Reports to the MSRB; and

(ii) file a report with the City (and if the Dissemination Agent is not the Trustee, the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided. The Dissemination Agent shall have no responsibility for the content of any Annual Report.

SECTION 4. Content of Annual Reports.

(a) The City's Annual Report shall contain or include by reference the following with respect to the 2010 Water Bonds:

(i) The audited financial statements of the Water and Electric Utility Enterprise Funds for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the City and by the Governmental Accounting Standards Board;

(ii) Updated information comparable to the information set forth in the table entitled "BURBANK WATER AND POWER – CUSTOMERS, WATER SALES AND WATER REVENUES" as it appears on page 27 in the Official Statement;

(iii) Updated information, to the extend deemed by the City not to be proprietary information, comparable to the information set forth under the caption "THE WATER SYSTEM - Largest Water Customers" on page 27 of the Official Statement;

(iv) Updated information comparable to the information set forth in the table entitled "BURBANK WATER AND POWER – WEIGHTED AVERAGE BILLING PRICE-WATER" as it appears on page 29 in the Official Statement; and

(v) Updated information comparable to the information set forth in the table entitled "BURBANK WATER AND POWER – HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE – WATER SYSTEM" as it appears on page 30 in the Official Statement.

(b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or public entities related thereto, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

(c) The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City or to reflect changes in the legal form of the City; provided, that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2010 Water Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) modifications to rights of the Owners;

(iv) optional, contingent or unscheduled 2010 Water Bond calls;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or events affecting the tax-exempt status of the Series 2010A Bonds;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) substitution of the credit or liquidity providers or their failure to perform; or

(xi) release, substitution or sale of property securing repayment of the 2010 Water Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If the City has determined that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected 2010 Water Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The obligations of the City and the Trustee under this Disclosure Agreement with respect to the 2010 Water Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2010 Water Bonds, as the case may be.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report.

SECTION 10. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the City or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of outstanding 2010 Water Bonds, shall), or any Owner or Beneficial Owner of the 2010 Water Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the City or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Section 8.01 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2010 Water Bonds. If the Trustee performs the duties assigned to it hereunder, the Trustee shall not be responsible to any person for any failure by the City or the Dissemination Agent (if other than the Trustee) to perform duties or obligations imposed hereby.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the 2010 Water Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee nor the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

SECTION 14. Notices. All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the City:	City of Burbank 275 East Olive Avenue Burbank, California 91502 Attention: City Clerk Facsimile: (818) 238-5853
with a copy to :	City of Burbank Burbank Water and Power 164 West Magnolia Boulevard Burbank, California 90502 Attention: Chief Financial Officer Facsimile: (818) 238-3727
To the Trustee:	Wells Fargo Bank, National Association 707 Wilshire Boulevard, 17th Floor MAC# E2818-176 Los Angeles, California 90017 Attention: Corporate Trust Department Facsimile: (213) 614-3355

The Trustee and the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Trustee or the City may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF BURBANK

By: ____
City Manager

APPROVED AS TO FORM:

____
Senior Assistant City Attorney

ATTEST:

____
City Clerk

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: ______________________________
Authorized Officer

EXHIBIT A TO APPENDIX D

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	CITY OF BURBANK, CALIFORNIA
Name of Issue:	$8,795,000 BURBANK WATER AND POWER WATER REVENUE/REFUNDING BONDS, SERIES OF 2010A $27,945,000 BURBANK WATER AND POWER WATER REVENUE BONDS, SERIES OF 2010B (TAXABLE BUILD AMERICA BONDS)
Date of Issuance:	November 10, 2010

NOTICE IS HEREBY GIVEN that the City of Burbank, California (the "City") has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement, dated as of November 1, 2010, between the City and Wells Fargo Bank, National Association, as trustee. The City anticipates that the Annual Report will be filed by ___________________.

Dated: _______________

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as trustee, on behalf of the City of Burbank, California

By: ____

Title: ____

cc: City of Burbank

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

$8,795,000 City of Burbank, California Burbank Water and Power Water Revenue/Refunding Bonds, Series of 2010A	$27,945,000 City of Burbank, California Burbank Water and Power Water Revenue Bonds, Series of 2010B (Taxable Build America Bonds)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Burbank, California (the "City") of $8,795,000 Burbank Water and Power Water Revenue/Refunding Bonds, Series of 2010A (the "Series 2010A Bonds") and $27,945,000 Burbank Water and Power Water Revenue Bonds, Series of 2010B (Taxable Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "2010 Water Bonds"). The 2010 Water Bonds are authorized and issued pursuant to Article 12 of Chapter 4 of Title 2 (formerly Article 12 of Chapter 14) of the Burbank Municipal Code, as amended (the "Bond Law"), and a resolution adopted by the City Council of the City on October 19, 2010. The 2010 Water Bonds are also issued pursuant to the Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "Master Water Revenue Bond Indenture"), as supplemented by the First Supplemental Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "First Supplemental Indenture"), relating to the Series 2010A Bonds, and as supplemented by the Second Supplemental Burbank Water and Power Water Revenue Bond Indenture, dated as of November 1, 2010 (the "Second Supplemental Indenture"), relating to the Series 2010B Bonds, each by and between the City and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Master Water Revenue Bond Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, is referred to herein as the "Indenture."

As bond counsel, we have reviewed the Bond Law, the Indenture, certifications of the City, the Trustee and others, opinions of counsel to the City and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The 2010 Water Bonds constitute valid and binding special, limited obligations of the City and are payable exclusively from and are secured by a pledge of the Water Net Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the City and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the City, enforceable against the City in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the 2010 Water Bonds, of the Water Net Revenues and certain other amounts held by the Trustee in certain funds and accounts established

pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof and on the terms and conditions set forth therein.

3. Under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Series 2010A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Series 2010A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Series 2010A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Series 2010A Bonds owned by a corporation may affect the computation of the alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75% of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)). We are further of the opinion that interest on the 2010 Water Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2010A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2010A Bonds. Pursuant to the Indenture and the Tax Certificate of the City of even date herewith, the City has made representations relevant to the determination of, and has made certain covenants regarding or affecting the exclusion of interest on the Series 2010A Bonds from, the gross income of the owners thereof for federal income tax purposes. In reaching our opinions set forth in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the City with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series 2010A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2010A Bonds, or the interest thereon, if any action is taken with respect to the Series 2010A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinion expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the 2010 Water Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. Further, the enforceability of the 2010 Water Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2010 Water Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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APPENDIX F

WATER SYSTEM DEBT SERVICE REQUIREMENTS

		2010A Bonds		2010B Bonds		
Year Ended (June 30)	1994 SRF Loan (Principal and Interest)	Principal	Interest	Principal	Interest	Total
2011	$211,196.82	$410,000.00	$192,764.59	--	$ 875,699.80	$1,689,661.21
2012	211,196.82	480,000.00	337,050.00	--	1,568,417.56	2,596,664.38
2013	211,196.82	490,000.00	322,650.00	--	1,568,417.56	2,592,264.38
2014	247,630.77	470,000.00	307,950.00	--	1,568,417.56	2,593,998.33
2015	--	735,000.00	289,150.00	--	1,568,417.56	2,592,567.56
2016	--	765,000.00	259,750.00	--	1,568,417.56	2,593,167.56
2017	--	795,000.00	229,150.00	--	1,568,417.56	2,592,567.56
2018	--	830,000.00	197,350.00	--	1,568,417.56	2,595,767.56
2019	--	860,000.00	164,150.00	--	1,568,417.56	2,592,567.56
2020	--	895,000.00	129,750.00	--	1,568,417.56	2,593,167.56
2021	--	930,000.00	93,950.00	--	1,568,417.56	2,592,367.56
2022	--	970,000.00	56,750.00	--	1,568,417.56	2,595,167.56
2023	--	165,000.00	8,250.00	$ 850,000.00	1,568,417.56	2,591,667.56
2024	--	--	--	1,050,000.00	1,526,844.06	2,576,844.06
2025	--	--	--	1,085,000.00	1,475,488.56	2,560,488.56
2026	--	--	--	1,120,000.00	1,422,421.20	2,542,421.20
2027	--	--	--	1,160,000.00	1,359,174.80	2,519,174.80
2028	--	--	--	1,205,000.00	1,293,669.60	2,498,669.60
2029	--	--	--	1,245,000.00	1,225,623.26	2,470,623.26
2030	--	--	--	1,290,000.00	1,155,318.10	2,445,318.10
2031	--	--	--	1,340,000.00	1,082,471.80	2,422,471.80
2032	--	--	--	1,525,000.00	1,006,802.00	2,531,802.00
2033	--	--	--	1,765,000.00	920,685.26	2,685,685.26
2034	--	--	--	1,830,000.00	821,015.70	2,651,015.70
2035	--	--	--	1,895,000.00	717,675.60	2,612,675.60
2036	--	--	--	1,965,000.00	610,664.96	2,575,664.96
2037	--	--	--	2,035,000.00	499,701.40	2,534,701.40
2038	--	--	--	2,115,000.00	381,732.46	2,496,732.46
2039	--	--	--	2,195,000.00	259,125.90	2,454,125.90
2040	--	--	--	2,275,000.00	131,881.76	2,406,881.76
Total	$881,221.23	$8,795,000.00	$2,588,664.59	$27,945,000.00	$35,587,006.94	$75,796,892.76

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