Burbank Water and Power

Annual Report
2004 – 2005

City of Burbank
Water and Power
since 1913

In This Report

Financial Highlights 2004 – 2005

Burbank Water and Power (BWP) serves a population of 100,000 including 45,000 households and 6,000 businesses with water and electricity.

TOTAL ASSETS
$353 million

FINANCIAL SUPPORT TO CITY'S GENERAL FUND
$22 million

PUBLIC BENEFIT PROGRAMS
$4 million

Message from the General Manager

Our job is to provide safe, reliable and affordable water and electric service to Burbank's residents and businesses. We ensure that when you flip your light switch your lights will turn on and stay on and when you turn your tap, you and your family will have clean drinking water. We do this everyday and most people never give it a moment's thought as to how that all happens. To us, that means we are doing our job. The same job we've done since 1913 and we plan on doing for another 100 years.

As a municipally owned utility, every Burbank resident is an owner in Burbank Water and Power. The locally elected City Council appoints seven community-focused residents to serve on the Burbank Water and Power (BWP) Board. We are fortunate to have a Board that is so talented and generous with their time. With the Board and executive management's guidance, we run a financially healthy utility with its priorities and ethics firmly in place.

Despite recent uncertainty and change in the electric and natural gas industries, including a failed state-wide experiment in electric deregulation, BWP has remained true to our fundamental obligation to provide reliable and quality services to our customers. Our strategy is to focus on these basics:

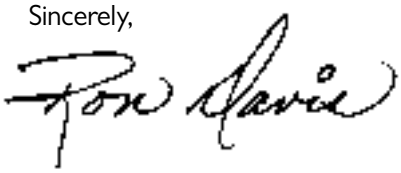
- energy and water conservation and efficiency come first, then procure renewable energy for unmet energy needs
- refurbish and replace older generation with clean, fuel-efficient generation
- modernize the distribution system to improve reliability, reduce visual blight, and increase efficiency
- promote recycled water for outdoor use to save drinking water
- increase groundwater storage for a reliable water supply
- maintain the utility's financial strength and keep rates competitive
- position our employees for continued success

This strategy produces results. One result that will be highlighted in this report is the completion of a five-year project to thoughtfully plan, finance, design, and construct a $250 million power plant.

BWP's strong performance is attributed to our employees' ability to excel at the essentials and deliver exceeding results. Without our dedicated employees, our accomplishments would not be possible. This is most evident in light of our biggest project to date, Magnolia. I am proud of our team and their accomplishments and I am not alone. *Power Magazine* awarded Magnolia with the industry's highest award: the worldwide Power Plant of the Year.

As we enter 2006 and beyond, I am optimistic. BWP is focused on providing safe, reliable, and competitive electric and water service. In that pursuit, we have managed to excel. Next year, I am confident, we will continue to exceed that expectation.

Sincerely,



Ronald E. Davis
General Manager

Magnolia – A local plant with regional impact

Magnolia is a symbol of all that is powerful in public power. Fundamentally, Magnolia is an example of how utilities can meet their obligation to fulfill their customer's energy needs and also help the region.

The Southern California Public Power Authority (SCPPA) financed and owns Magnolia on behalf of six of its member municipal utilities. Magnolia is an example of leveraging assets to capitalize on new opportunities and employing innovative techniques and technology to meet energy needs not only for Burbank, but for five other participating cities in southern California.

The 310 megawatt power plant, located in Burbank, is a prototype for a new generation of urban power plants that also helps stabilize the regional grid. Because Magnolia is located near our customers the electricity doesn't need to travel over high voltage lines to reach our customers, adding to reliability.

First in class

Magnolia is one of the newest, cleanest, most fuel-efficient natural gas fired plants in North America. We are so proud of it and our feeling was shared by Power Magazine that rated Magnolia the number one power plant in the world. "For helping to narrow southern California's looming capacity gap in an innovative, cost-effective, and environmentally sound way, the Magnolia Power Project is POWER magazine's 2005 Plant of the Year." What an honor!

Waste not, want not

Along with using the latest in air pollution controls, Magnolia uses recycled wastewater from the City of Burbank. All of Magnolia's water needs, for steam systems as well as cooling, are served by recycled water, an industry first. By using recycled water, BWP saves two million gallons a day of drinking water.

Safety first

The Magnolia construction project achieved a remarkable safety record throughout its construction, logging more than one million man-hours of work without a single lost-time accident. Cal-OSHA awarded the contractor with the prestigious Golden State Safety Award to mark this accomplishment.

Award-winning landscape

The California Landscape Contractors Association's Los Angeles and San Gabriel Valley Chapter awarded Magnolia and BWP's landscape the coveted Sweepstakes Award. The entire landscape is kept beautiful and green with recycled water!

"Magnolia, being recognized on so many fronts, is an indication of what public power brings to the community," Fred Fletcher, Assistant General Manager and Magnolia's Assistant Project Director.

Electric

BWP has succeeded in providing exceptionally reliable electric service to our customers, while also keeping electric rates stable and competitively priced. How have we done this? It's really just a matter of focusing on the nuts-and-bolts:

- do preventative maintenance
- replace old equipment
- as much as possible, protect power supply costs from sudden and unpredictable price spikes

We know that many of our customers use these same common sense strategies in their own businesses and households.

Do preventative maintenance

Funds that would otherwise have gone for unscheduled repairs of old equipment can instead be directed toward the scheduled purchase of new equipment. Also, preventative maintenance leads to fewer customer outages. *Case in point:* BWP trims trees away from all its power lines on a 19-month cycle, an industry best practice.

Replace old equipment

Modern distribution equipment is safer, more compact, more energy-efficient and less ugly than those based on earlier-generation technology. *Case in point:* BWP's new electrical stations use gas-insulated switchgear technology, making them a third the size of older stations and with almost all the equipment enclosed rather than exposed to view.

Protect power supply costs from volatility

Power supply costs account for nearly two-thirds of BWP's expenses, so stabilizing them is a must. Among other activities, we reduce volatility by: forward purchasing, purchasing of natural gas reserves, wholesale trading and reducing dependence on the spot market. *Cases in point:* Energy purchased in the spot market has declined from 24% in 2001 to only 4% today. For the current fiscal year, 2005-06, we are 90% hedged for fuel costs.

The bottom line: The average Burbank customer is out of service only once every 3.6 years. BWP is twice as reliable as surrounding municipal utilities, and four times as reliable as the investor owned utilities, while still maintaining competitive rates.

Case in point: Completed in 2003, the Alan E. Capon Switching Station takes advantage of modern technology that enables it to occupy a much smaller footprint than older stations, be more energy efficient and less visually intrusive.

"Next year we start a $20 million capital improvement project to replace Burbank's oldest electric station with one that is more reliable and energy efficient. We won't need to acquire land: the new station will be within the BWP Yard," says Greg Simay, Assistant General Manager.

Water

Forward-thinking is Burbank's hallmark when it comes to water. In the 1940s, facing a growing population and a shortage of park space, BWP took the intiative to design a joint use, below ground water reservoir allowing for two baseball fields above at Bruce Canyon Park and 25 million gallons of water below. This creative solution is an example of the many benefits the utility brings to the community. How do we attain this success? We continue to make innovative strides today by focusing on our core principles:

- safe and reliable water supply
- systematic maintenance
- investing in new infrastructure

Our goal is for every customer, not have to think about where they get their water, but to trust with a turn of the tap they will have clean, safe and reliable water.

Safe and reliable water supply

Water in Southern California is something that cannot be taken for granted. Much planning is required to ensure that water is safe and available for our customers. *Case in point:* BWP takes over 1300 water samples and tests for more than 130 constituents each year in our effort to consistently provide safe drinking water.

Systematic maintenance flushes out savings

Case in point: Automation of the annual inspection of the city's 1,850 fire hydrants has significantly reduced labor costs.

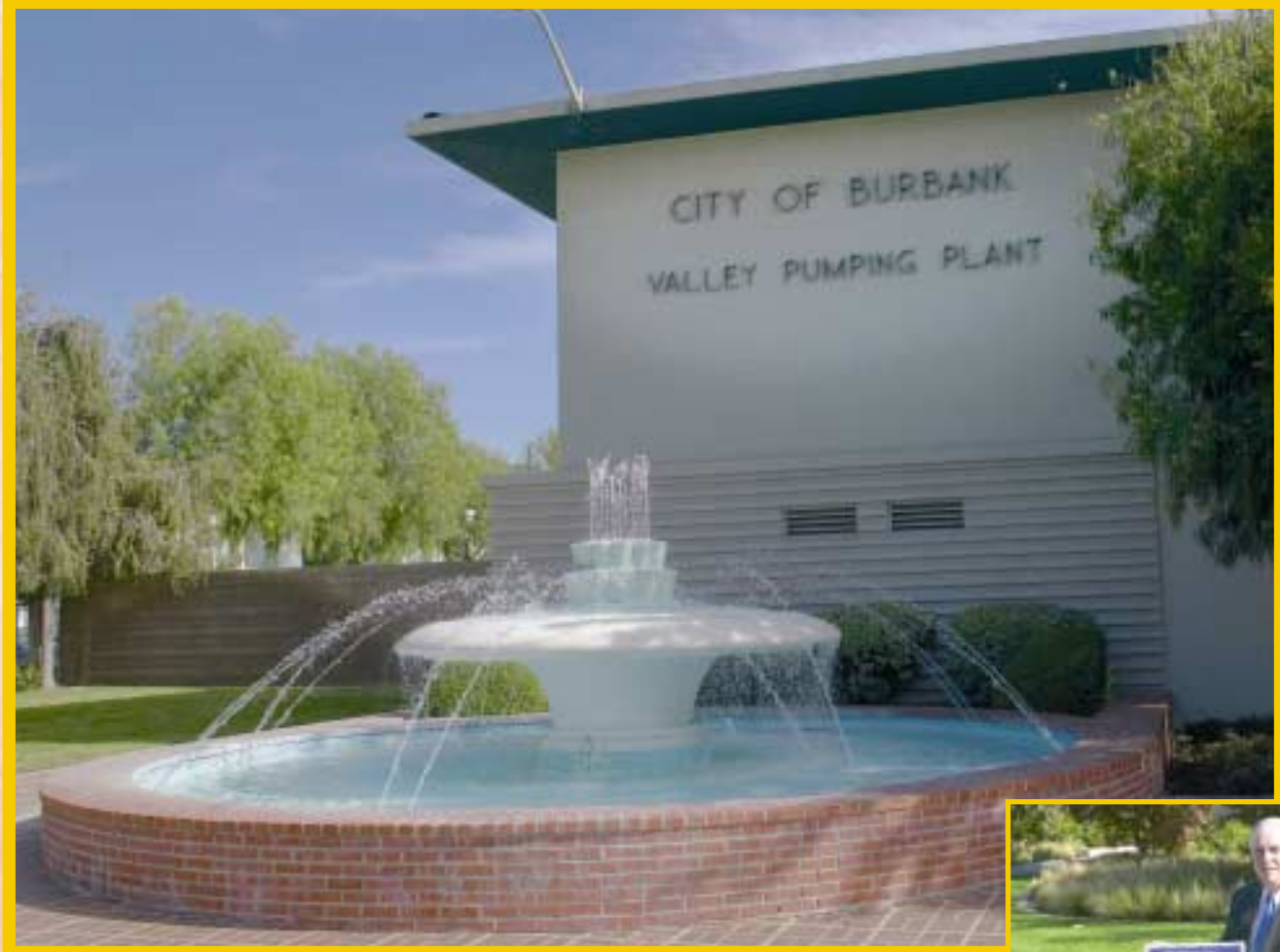
A capital idea leads to increased storage

The practice of modernizing and improving the water infrastructure ensures long-term stability and reliability. While the City of Burbank does not own the legal rights to the groundwater in the basin, we have obtained the right to store water in the ground. *Case in point:* To ensure enough water for the future, BWP is taking steps to plan and construct a facility that will enable Burbank to import and store groundwater for an on-going reliable water supply.

Expanding the use of recycled water

Given the reality that Burbank is located in a semi-arid region, conserving water must be a way of life. It will take a combination of alternatives, including conservation, the use of recycled water, and building up our groundwater resources, to meet the City's future water demands.

Case in point: BWP will triple the use of recycled water for landscape irrigation over the next fifteen years. This major infrastructure expansion is made possible by the Magnolia Power Plant. With purchases of up to two million gallons a day of recycled water, the revenue from Magnolia will fund the expansion of the recycled irrigation system.



"Currently, BWP supplies roughly 600 acre feet of recycled water annually for irrigation; that's enough water for 1,200 families a year. We project that demand for recycled irrigation water will more than double to as much as 2,500 acre feet a year in the next decade," remarks Bill Mace, Assistant General Manager.

Customer Service for the Community and the Environment

Customer Service is the face of the utility, the group that our customers interact with day in and day out. Our customer satisfaction results are measured every two years for both business and residential customers. We're proud to report that our customers consistently rate us with flying colors! How do we achieve such high results? By focusing on the ABC's of our utility ethic:

- help our community use resources wisely to save money
- care for the environment
- provide friendly and accurate service

The Golden Rule is invoked every minute of our work day – we treat our customers with respect and compassion. We also focus on environmentally responsible actions.

Wisely use energy and water

BWP provides a wide array of conservation programs, including cash rebates for Energy Star appliances, free shade trees to reduce air conditioning needs naturally, and financial support for solar photovoltaic installations. Helping our residents and businesses make sound energy choices not only reduces household and facility operating expenses, but provides benefits to the environment as well. *Case in point:* BWP's energy-saving programs saved over 12 million kilowatt-hours of energy last year alone. In helping to reduce our community's need for energy by this amount, 10,000 tons of carbon dioxide are displaced. A win-win for the environment and our customers' wallets!

Care for the environment

In 2001, BWP launched the Clean Green Support program, a residential participation program to encourage renewable energy generation. *Case in Point:* The $120,000 raised by the program since inception accounts for 9,450 megawatt-hours switched to green energy production, roughly 1% of our power portfolio.

Waste to watts

BWP has been trailblazing the use of naturally occurring landfill gas to energy, reducing greenhouse gas emissions. At the height of California's 2001 energy crisis, BWP proudly unveiled a mini-power plant at Burbank's landfill, as the world's first commercial Capstone microturbine installation running on landfill gas. In 2005, BWP continued our pace-setting trend by expanding and upgrading the microturbines. *Case in point:* Burbank's landfill microturbines can now power the needs of about 500 Burbank homes, day in and day out.

Service with a smile

Our customers give us exceptionally high marks for our honesty and accountability to them. *Case in point:* According to an independent market research company that conducts state-wide surveys every two years, 82% of Burbank residents feel "very positive" about the utility, far surpassing the average of 68% for southern California utilities.

"Our customers are our neighbors and we pride ourselves on taking good care of the Burbank community and the environment we share," says Joanne Fletcher, Assistant General Manager.

Strong Financial Management

Our financial house is in order. This year, our net assets increased 16%. With this increase, we have completely funded our capital projects, built up our cash reserves, and reduced debt all while maintaining competitive rates. How do we accomplish this? By focusing on a strong financial foundation:

- long-term fiscal and rate stability
- mitigate power supply risk
- cost effective capital planning

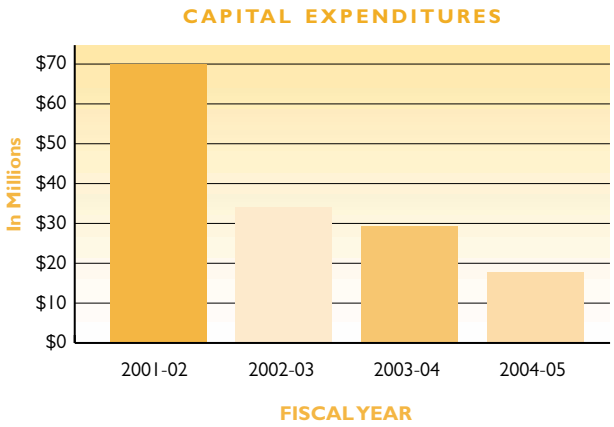
"Our industry expertise, sound financial planning and rigorous risk management enables BWP to maintain a healthy financial position, ample liquidity, and solid investment-grade credit ratings," states Richard Corbi, Assistant General Manager.

Financial stability

Our recently adopted Financial Reserve policy sets the overall reserve levels that will mitigate risk while promoting the utility's long-term fiscal and rate stability. Reserves help us weather unanticipated expenses and market volatility. *Case in point:* BWP has built a strong reserve balance of $72 million up from a balance of $39 million just two years ago.

Mitigate power supply risk

Hedging our power supply costs is critical to our financial health and necessary for stable and competitive rates. Burbank's Risk Management policy helps this by establishing guidelines for BWP to plan, execute, and control the risks associated with our energy portfolio and wholesale energy purchases. *Cases in point:* While risks can not be completely eliminated, we have established these guiding parameters for market trading and credit monitoring. As part of our fuel procurement strategy, we have prudently purchased a natural gas reserve, guaranteeing stable gas prices for 30 years.



Cost effective capital planning

While BWP maintains its 'A+' credit rating from Standard & Poor's and 'A1' credit rating from Moody's Investors Service securing access to capital markets at attractive rates, we have the means to "pay as we go" for our planned capital improvement projects. *Case in point:* During 2004-05, BWP completely funded capital expenditures of $18 million out of our operating budget.

Empowering People... Investing in the Future

Education and training

The heart of our utility is our 300 plus dedicated employees. Our strength comes from attracting, developing, and retaining quality employees. How do we do this? We focus on providing opportunities to enhance their skills through in-house training, workshops and conferences, tuition reimbursement, and apprenticeship programs. *Case in point:* We have invested more than 10,000 hours of training for our employees during this year.

Succession planning

Recognizing the reality that a significant percentage of our workforce will retire within the next five years, management is dedicated to succession planning to ensure our employees are ready for advancement and leadership opportunities. *Case in point:* We are committed to succession planning to guarantee there are highly qualified people in all our positions, not just today, but tomorrow, and in years to come.

The Team Building Committee, pictured above, is staffed by BWP volunteers and promotes safety and team building with quarterly events.

"BWP's commitment to employee development and team building begins at the top. We include this ethic in all aspects of utility operations including water, electric, and customer services," remarks JoAnn Davis, Administrative Officer.

Board Members and Executive Team

Board Members
Pictured front to back
Wendy James, Lee Dunayer,
Martin Adams, Thomas Jametz,
Robert Olson, Rod Kurihara,
Vahe Hovanessian

Executive Team *Pictured front to back: JoAnn Davis, Joanne Fletcher, Gregory Simay, William Mace, Ronald Davis, Richard Corbi, Fredric Fletcher.*

Financial Statement • Index

CONRAD AND ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2005 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.

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, 2005, 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 statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2005 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.

Conrad and Associates L.L.P.

September 30, 2005

The management of the Water and Electric Utility Enterprise Funds (Water and Electric Utility Funds) offers the following overview and analysis of the basic financial statements of the Water and Electric Utility Enterprise Funds for the fiscal year ended June 30, 2005 (the fiscal year). Management encourages readers to utilize information in the Management Discussion and Analysis (MD&A) in conjunction with the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Basic Financial Statements

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

Management has elected to provide not only highlights to the basic financial statements, but also vital statistics and other relevant data and information associated with the Water and Electric Utility Funds. Included as part of the financial statements are three separate statements.

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

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the Water and Electric Utility Funds' net assets changed during the two most recent fiscal years. Financial results are recorded using the accrual basis of accounting. In this basis, all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that may result in cash flows in a future fiscal period (e.g., billed but uncollected revenues or employee earned but unused vacation leave).

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

The notes to the basic financial statements provide additional information that is essential to fully understand the data provided in the financial statements.

Electric Utility Fund

During the year ended June 30, 2005, the significant financial highlights are as follows:

- Net assets increased by $23,460 or 16% as a result of positive operating results during the year primarily due to strong retail and wholesale sales. This increase was used to fund capital assets, build up cash reserves and reduce outstanding liabilities. The Electric Utility Fund has invested in an additional $14,655 in capital assets and build up $18,009 of unrestricted cash during this fiscal year. The cash will be used to pay for capital improvement projects as on-going modernization efforts for the Electric Utility's power delivery infrastructure. This is consistent with the Electric Utility's Enterprise Fund's goal to deliver a reliable service at stable rates to customers.

Financial Analysis

Schedule of Revenues, Expenses, and Changes in Fund Net Assets

	2005	2004
Operating revenues:		
Retail	$ 136,304	136,789
Wholesale	110,037	131,044
Miscellaneous/Other Revenues	5,494	3,342
Total operating revenues	251,835	271,175
Operating expenses:		
Power supply and fuel – retail	73,008	74,275
Purchased power and fuel – wholesale	105,856	125,462
Transmission and distribution expense	16,520	16,756
Other operating expenses	13,232	13,006
Depreciation	11,252	8,264
Total operating expenses	219,868	237,763
Operating income	31,967	33,412
Nonoperating income (expense):		
Interest income	1,934	815
Other income (expense), net	(86)	1,946
Interest expense	(4,223)	(4,445)
Total nonoperating expenses	(2,375)	(1,684)
Income before contributions and transfers	29,592	31,728
Contributions and transfers:		
Capital contributions	2,434	2,322
Transfers in from the City	60	5,760
Transfers out to the City	(8,626)	(8,502)
Change in net assets	23,460	31,308
Net assets, beginning of year	149,184	117,876
Net assets, end of year	$ 172,644	149,184

Retail (residential, commercial, and industrial) and wholesale revenues are the primary revenue sources for the electric utility, making up to 98% of total operating revenues. Retail power supply expenses were lower compared to prior year primarily attributable to the Palo Verde project, which debt acceleration repayment ended in June 2004.

Wholesale margins, as a percentage of wholesale revenues, remains comparable to the prior fiscal year. Wholesale revenues in dollars is lower as a result of more electricity generated in the market. Wholesale margins continue to contribute significantly to the Electric Utility's financial performance by reducing the utility's overall power supply costs.

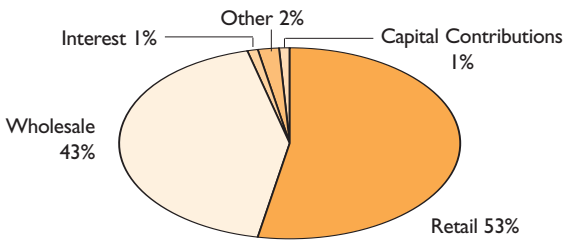
Other revenues were higher than prior fiscal year due to the $1.6 million El Paso settlement associated with energy sales during the California energy crisis.

The transfer to the City's General Fund of $8,551 included the in-lieu and street lighting transfers. The in-lieu and street lighting transfers were computed based on 5% and 1.25%, respectively of current fiscal year retail revenues. These transfers

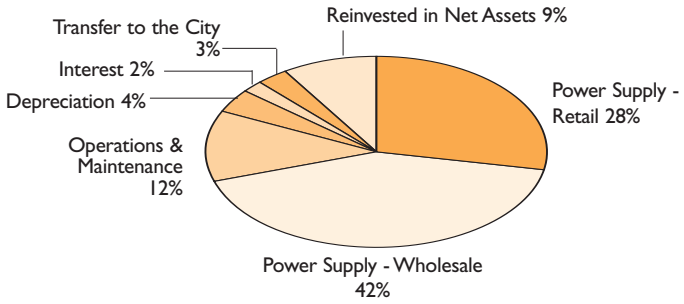
represent approximately 7% of the City's General Fund source of revenue. The Electric Utility also contributes an additional 7% of Utility User's Tax (UUT) from retail customers and $ 3.9 million or 2.85% of its retail revenues for Public Benefit programs this fiscal year. Some of the major Public Benefit programs are summarized below:

Program	Amount
Lifeline Assistance	$ 628
Energy Solutions Rebate Program	395
Home Rewards Residential Rebate Program	366
Landfill Generation Project (renewables)	250
Magnolia Power Project Third Floor Improvements	240
Total	1,879

SOURCES OF REVENUES



USES OF REVENUES



The Electric Utility Fund's net assets at June 30, 2005 and 2004 are as follow:

Schedule of Net Assets

	2005	2004	Change ($)
Assets			
Current assets	$ 91,160	84,534	6,626
Non-current assets	14,666	14,143	523
Capital assets, net	196,414	192,977	3,437
Total assets	302,240	291,654	10,586
Liabilities			
Current liabilities	30,680	36,025	(5,345)
Non-current liabilities	98,916	106,445	(7,529)
Total liabilities	129,596	142,470	(12,874)
Net assets			
Invested in capital assets, net of related debt	92,532	74,231	18,301
Restricted net assets	11,363	10,889	474
Unrestricted net assets	68,749	64,064	4,685
Total net assets	$ 172,644	149,184	23,460

Changes in net assets may serve over time as a useful indicator of the Electric Utility Fund's financial position. In the case of the Electric Utility Fund, assets exceeded liabilities by $172,644 at June 30, 2005, which was an increase of $23,460 from the prior year due to a positive operating result.

Of this increase, $10,586 or 45% was primarily used to pay for capital asset and build up cash reserves. The Electric Utility's unrestricted cash are up by $18,009, which will be used to pay for planned capital improvement projects. Capital assets are discussed in the following section. The remaining portion of the net assets increase, $12,874 or 55%, was used to reduce the Electric Utility's trade and bond payables.

Capital Assets

As of June 30, 2005, the largest portion or 65% of the Electric Utility Fund's total assets were invested in capital assets.

Additions to the Electric Utility Fund's capital assets included electric system improvements, Aid-In- Construction (AIC) projects, and capital projects. Capital asset net additions during the year is approximately $14,655. Some of the major capital projects completed and capitalized during the year were as follows:

Customer Information System (Shared by Electric and Water)	$ 5,370
Replace Existing SCADA Master Station and Upgrade Remote Terminal Unit (RTU's)	3,081
Expand 34.5 KV system from Capon switching station to six other substations	1,860
Complete Gas Insulated Switchgear (GIS) of the Olive switching station	1,489
Relocate Hollywood Way/Alameda Stations due to SR134	982
New administration building (third floor of the Magnolia Service and Control Building)	835
Total	**$ 13,617**

Debt Administration

As of June 30, 2005, the Electric Utility Fund had total revenue bonds outstanding of $95,724, of which $7,980 is due within a year. The Electric Utility paid off $7,760 of bond outstanding this fiscal year. These bonds were issued for improvement to the electric system, construction of new generator and retrofit of the existing generators.

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

Economic Factors

Despite significant natural gas price increases during the year, management has proactively hedged its power supply costs and has taken action by participating in a Natural Gas Reserve Acquisition project through the Southern California Public Power Authority (SCPPA). The goal of this project is to secure long-term and stable supply of natural gas to fuel the various power plants. This acquisition was completed on July 1, 2005. For detailed information, see footnotes section of this report. Management is continuously evaluating alternatives to mitigate price risk for the coming years.

The Magnolia Power Project, a SCPPA owned project, went into commercial operation on September 22, 2005. Starting in the next fiscal year, this unit will generate 310MW for six different cities. In addition to the economic impact of operation and maintenance cost sharing, this is also part of power supply strategic plan to reduce dependence on purchased power and minimize market risk in the long-term.

Water Utility Fund

During the year ended June 30, 2005, the Water Utility Fund's significant financial highlights are as follows:

- Net assets increased by $3,007 or 9% as a result of positive operating results. This increase was used to reduce outstanding liabilities and to pay for additions to the capital assets. The Water Utility Enterprise Fund has invested in additional net capital asset of $2,932 during the year including recycled water system improvements. This is consistent with the Water Utility's goal to deliver competitive rates and safe drinking water to customers by continuously modernizing water production facilities and expanding its recycled water business.

Financial Analysis

Schedule of Revenues, Expenses, and Changes in Fund Net Assets

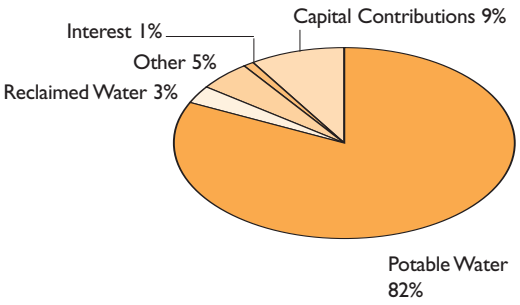
	2005	2004
Operating revenues:		
Potable water sales	$ 15,889	15,627
Recycled water sales	531	618
Miscellaneous/Other Revenues	819	1,016
Total operating revenues	17,239	17,261
Operating expenses:		
Water supply expenses	6,601	6,678
Operations, maintenance and administration	4,422	4,447
Other operating expenses	1,620	1,679
Depreciation	2,289	1,817
Total operating expenses	14,932	14,621
Operating income	2,307	2,640
Nonoperating income (expense):		
Interest income	201	95
Other income (expense), net	44	(10)
Interest expense	(400)	(439)
Total nonoperating expenses	(155)	(354)
Income before contributions and transfers	2,152	2,286
Contribution and transfers:		
Capital contribution	1,652	1,049
Transfer out to the City	(797)	(799)
Change in net assets	3,007	2,536
Net assets, beginning balance	32,867	30,331
Net assets, ending balance	$ 35,874	32,867

Potable water sales is the primary revenue source for the Water Utility Fund making up 92% of total operating revenues. Potable water sales revenue grew by 2% from prior year primarily due to an average rate increase of 4.8% offset by decrease in water consumption due to low precipitation and cooler summer.

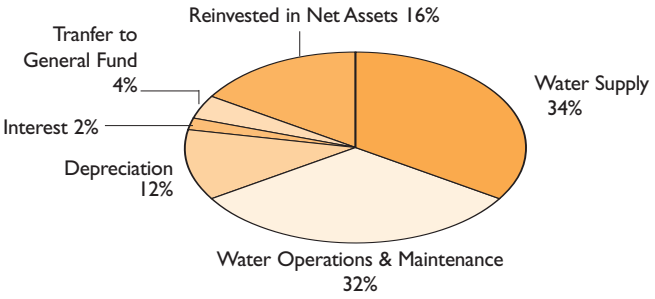
As a percentage of total water sales, water supply expenses were comparable compared to prior fiscal year. During the last two fiscal year, Burbank Operable Unit (BOU) has experienced reduced operating capacity due to on-going modifications and operational issues. The average BOU's operating capacity for the past two years was 58%, compare to 68% in fiscal year 2002-03.

The in-lieu transfer from the Water Utility Fund of $797 to the City's General Fund was based on 5% of water revenues.

SOURCES OF REVENUES



USES OF REVENUES



The Water Utility Fund's net assets at June 30, 2005 and 2004 are as follows:

Schedule of Net Assets

		2005	2004	Change ($)
Assets				
Current assets	$	12,677	12,533	144
Non-current assets		1,146	1,106	40
Capital assets, net		37,350	36,663	687
Total assets		51,173	50,302	871
Liabilities				
Current liabilities		7,266	8,312	(1,046)
Non-current liabilities		8,033	9,123	(1,090)
Total liabilities		15,299	17,435	(2,136)
Net assets				
Invested in capital assets, net of related debt		28,610	27,013	1,597
Restrictred net assets		828	794	34
Unrestricted net assets		6,436	5,060	1,376
Total net assets	$	35,874	32,867	3,007

Changes in net assets is a useful indicator of the Water Utility Fund's financial position. The Water Utility Fund's assets exceeded liabilities by $35,874 as of June 30, 2005. This was an increase of $3,007 from prior year from a positive operating result.

Of this increase, $871 or 29% was used to pay for capital asset and build up cash reserves. Capital assets are discussed in the following section. The remaining portion of the net asset increase, 2,136 or 71% was used to reduce the Water Utility's liability.

Capital Assets

As of June 30, 2005, the majority or 73% of the Water Utility Fund's total assets were invested in capital assets.

Additions to the Water Utility Fund's capital assets were due to water system improvements, Aid-In-Construction (AIC) projects, and capital projects. The Water Utility Enterprise Funds started expanding its recycled water system in order to support recycled water sales to MPP in the near future. MPP will contribute more than half of total recycled sales once it is operational. Capital asset net additions during the year were approximately $2,932. Some major capital project completed and capitalized during the year were as follows:

Domestic water mains	$ 922
Reclaimed water mains	745
Water tanks and reservoir repair	494
Equipment replacement at the Valley Pumping Plant	368
Meter replacements	277
Total	$ 2,806

Debt Administration

At the end of the current fiscal year, the Water Utility Fund had revenue bonds outstanding of $7,017, of which $770 are due within a year. These bonds were issued to finance additions and improvements to the water system.

In addition to revenue bond, the Water Utility Fund also had an outstanding State Water Resources Control Loan of $1,696, of which $165 are due within a year. This loan was issued for construction improvement to the recycled water distribution system. The Water Utility repaid $911 of outstanding bond and loan payable this fiscal year.

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

Economic Factors

The City Council approved the fourth year of a water rate increase for fiscal year 2005-06, averaging 4.8% annually for water replenishment. Starting next fiscal year, Magnolia Power Plant will contribute an additional $935 of recycled water revenue annually, which is the primary funding source for the recycled water master plan.

Requests for Information

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

City of Burbank • Water and Electric Utility Enterprise Funds

Statement of Net Assets • June 30, 2005

With comparative financial information for the year ended June 30, 2004 • In thousands

	Water		Electric	
Assets	**2005**	**2004**	**2005**	**2004**
Current assets:				
Cash and cash equivalents (note 2):				
General operating	$ 4,626	4,218	47,467	32,707
Capital and debt reduction	2,807	2,807	10,000	7,473
General plant	-	-	800	200
Fleet replacement	-	-	3,000	300
Bond construction	-	-	4,005	6,583
Water replenishment	1,000	650	-	-
WCAC	1,000	1,315	-	-
Distribution main	1,100	1,100	-	-
Total cash and cash equivalents	10,533	10,090	65,272	47,263
Accounts receivables, net (note 3)	1,758	1,874	19,436	30,862
Inventories (note 4)	328	322	4,754	3,881
Deposits and prepaid expenses	29	189	1,388	2,239
Interest receivable	29	41	310	218
Due from City of Burbank	-	17	-	71
Total current assets	12,677	12,533	91,160	84,534
Noncurrent assets:				
Restricted nonpooled investments (note 2)	1,097	1,055	12,914	12,153
Rights to purchase power	-	-	1,126	1,170
Deferred bond issuance and acquisition costs	49	51	626	820
Total noncurrent assets	1,146	1,106	14,666	14,143
Capital assets (note 5):				
Utility plant and equipment	62,705	59,911	275,478	256,798
Construction in progress	3,545	3,515	30,958	35,145
Total utility plant and equipment	66,250	63,426	306,436	291,943
Less accumulated depreciation	(28,900)	(26,763)	(110,022)	(98,966)
Total capital assets, net	37,350	36,663	196,414	192,977
Total assets	51,173	50,302	302,240	291,654

(Continued)

See accompanying notes to basic financial statements.

Statement of Net Assets (continued) • June 30, 2005

With comparative financial information for the year ended June 30, 2004 • In thousands

	Water		Electric	
Liabilities	**2005**	**2004**	**2005**	**2004**
Current liabilities:				
Accounts payable and accrued expenses	2,244	3,131	12,195	19,547
Current portion of loan payable (note 8)	165	161	-	-
Current portion of compensated absences (note 8)	33	15	208	191
Accrued payroll	148	153	867	821
Bond interest payable	27	29	178	178
Due to the City of Burbank	39	37	363	364
Customer deposits (note 9)	3,840	4,036	8,889	7,164
Current portion of revenue bonds payable, net (note 8)	770	750	7,980	7,760
Total current liabilities	7,266	8,312	30,680	36,025
Noncurrent liabilities:				
Revenue bonds payable, net (note 8)	6,247	7,014	95,724	103,670
Loan payable (note 8)	1,531	1,696	-	-
Compensated absences (note 8)	255	413	3,192	2,775
Total noncurrent liabilities	8,033	9,123	98,916	106,445
Total liabilities	15,299	17,435	129,596	142,470
Net Assets				
Net assets:				
Invested in capital assets, net of related debt	29,438	27,807	103,895	85,120
Unrestricted	6,436	5,060	68,749	64,064
Total net assets	$ 35,874	32,867	172,644	149,184

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 • For the year ended June 30, 2005

With comparative financial information for the year ended June 30, 2004 • In thousands

	Water		Electric	
	2005	2004	2005	2004
Operating revenues:				
Sale of power-retail	$ -	-	136,304	136,789
Sale of power and fuel – wholesale (note 12)	-	-	110,037	131,044
Sale of water	16,420	16,245	-	-
Other revenues	819	1,016	5,494	3,342
Total operating revenues	17,239	17,261	251,835	271,175
Operating expenses:				
Power supply expenses – retail (note 11)	-	-	73,008	74,275
Purchased power and fuel expenses – wholesale (note 12)	-	-	105,856	125,462
Water supply expenses (note 1)	6,601	6,678	-	-
Water maintenance and operation expenses	4,422	4,447	-	-
Transmission expenses	-	-	7,526	9,210
Distribution expenses	-	-	8,994	7,546
Other operating expenses (note 1)	1,620	1,679	13,232	13,006
Depreciation	2,289	1,817	11,252	8,264
Total operating expenses	14,932	14,621	219,868	237,763
Operating income	2,307	2,640	31,967	33,412
Nonoperating income (expenses):				
Interest income	201	95	1,934	815
Interest expense	(400)	(439)	(4,223)	(4,445)
Other income (expenses), net	44	(10)	(86)	1,946
Total nonoperating income (expenses)	(155)	(354)	(2,375)	(1,684)
Income before contributions and transfers	2,152	2,286	29,592	31,728
Capital contributions	1,652	1,049	2,434	2,322
Transfers in from the City (note 13)	-	-	60	5,760
Payments in lieu of taxes (note 10)	(797)	(799)	(8,551)	(8,502)
Other	-	-	(75)	-
Change in net assets	3,007	2,536	23,460	31,308
Net assets, July 1	32,867	30,331	149,184	117,876
Net assets, June 30	$ 35,874	32,867	172,644	149,184

See accompanying notes to basic financial statements.

City of Burbank • Water and Electric Utility Enterprise Funds

Statements of Cash Flow • For the years ended June 30, 2005 and 2004

With comparative financial information for the year ended June 30, 2004 • In thousands

	Water		Electric	
	2005	2004	2005	2004
Cash flows from operating activities:				
Cash received from customers	$ 17,355	16,111	263,261	273,132
Cash paid to suppliers	(9,234)	(7,145)	(188,758)	(206,497)
Cash paid to employees	(4,462)	(4,567)	(24,719)	(23,295)
Cash paid for other expenses	-	(10)	-	-
Cash received from other income, net of sales proceed of capital assets	36	-	(170)	1,877
Net cash provided by (used in) operating activities	3,695	4,389	49,614	45,217
Cash flow from noncapital financing activities:				
Transfers in	-	-	60	5,760
Transfers out	(797)	(799)	(8,626)	(8,502)
Net cash provided by (used in) noncapital financing activities	(797)	(799)	(8,566)	(2,742)
Cash flows from capital and related activities:				
Proceeds from sale of capital assets	8	-	84	69
Principal payments – bond	(750)	(725)	(7,760)	(6,605)
Interest expense	(402)	(442)	(4,223)	(4,445)
Capital contributions	1,652	1,049	2,434	2,322
Acquisition and construction of capital assets	(2,932)	(3,875)	(14,655)	(25,366)
Payments on loans	(161)	(157)	-	-
Net cash used in capital and related activities	(2,585)	(4,150)	(24,120)	(34,025)
Cash flows from investing activities:				
Interest received	172	118	1,842	781
Sales of restricted investments	(42)	-	(761)	(11)
Net cash provided by investing activities	130	118	1,081	770
Net increase (decrease) in cash and cash equivalents	443	(442)	18,009	9,220
Cash and cash equivalents, beginning of year	10,090	10,532	47,263	38,043
Cash and cash equivalents, end of year	$ 10,533	10,090	65,272	47,263

See accompanying notes to basic financial statements.

City of Burbank • Water and Electric Utility Enterprise Funds

Statements of Cash Flow • For the years ended June 30, 2005 and 2004

With comparative financial information for the year ended June 30, 2004 • In thousands

	Water		Electric	
	2005	2004	2005	2004
Cash flows from operating activities:				
Operating income (loss)	$ 2,307	2,640	31,967	33,412
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,289	1,817	11,252	8,264
Other nonoperating revenue and expenses net of sales proceed of capital assets	36	(10)	(170)	1,877
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	116	(1,150)	11,426	1,957
(Increase) decrease in due from City of Burbank	17	(17)	71	(9)
(Increase) decrease in inventories	(6)	(27)	(873)	(1,242)
(Increase) decrease in deposits and prepaid expenses	160	(189)	851	(850)
(Increase) decrease in deferred bond issuance cost	2	4	194	194
(Increase) decrease in deferred bond discount	-	-	-	35
Increase (decrease) in right to purchase power	-	-	44	8
Increase (decrease) in accounts payable and accrued expenses	(887)	944	(7,352)	1,462
Increase (decrease) in accrued payroll	(5)	5	46	76
Increase (decrease) in compensated absences	(140)	(6)	434	(33)
Increase (decrease) in due to City of Burbank	2	(114)	(1)	(1,063)
Increase (decrease) in deferred revenue	-	(9)	-	(3,541)
Increase (decrease) in customer deposits	(196)	501	1,725	4,670
Total adjustments	1,388	1,749	17,647	11,805
Net cash provided by (used by) operating activities	$ 3,695	4,389	49,614	45,217
Noncash investing, capital and financing activities:				
Increase (decrease) in fair market value of investments	$ (1)	(172)	(163)	(674)

See accompanying notes to basic financial statements.

NOTE 1: Summary of Significant Accounting Policies

(a) Significant Accounting Policies

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

(b) Accounting Methods

The reporting model includes financial statements prepared using full accrual accounting for the Water and Electric Utility Fund's activities. This approach includes not just currents 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 broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

(c) Basis of Presentation

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

(d) Reporting Entity

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

The Water and Electric Utility Enterprise Funds are used to account for the construction, operation and maintenance of the City-owned water and electric utility. The City considers the Water and Electric Utility Funds to be Enterprise Funds (a proprietary fund type) as defined under accounting principles generally accepted in the United States of America; accordingly, the accrual basis of accounting is followed by the Water and Electric Utility Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Estimated earned but unbilled revenues which result from cycle utility billing practices are assumed. As an integral part of the City's overall operations, the Water and Electric Utility Funds' operations are also included in the City's Comprehensive Annual Financial Report.

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

(e) Self-Insurance Program

The Water and Electric Utility Funds are part of the City's self-insurance programs, which provide coverage for general liability and workers' compensation claims. These activities are accounted for in the City's Self-Insurance Internal Service Fund, a Proprietary Fund type. Fund revenues are primarily premium charges to other funds and are planned to match estimated payments, including both reported and incurred but not reported claims, operating expenses and reinsurance premiums. The fund expenses the estimated liability for claims in cases where such amounts are reasonably determinable and where the liability is likely. See note 7, Self-Insurance Program, for additional information on the City's self-insurance programs.

(f) Statements of Cash Flows

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

(g) Capital Assets

Capital Assets are recorded at cost or, in the case of gifts or contributed assets at fair market value at the date of donation. When items are sold or retired, related gains or losses are included in non-operating income (expense). 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 years
Machinery and equipment (except vehicles)	20 years
Production plant	30 years
Boiler plant	20 years
Transmission structures	40 years
Transmission equipment	20 years
Poles, towers and fixtures	20 years
Distribution stations	30 years
Transformers	20 years
Electric meters	20 years
Water meters	15 to 20 years
Water services	40 years
Vehicles	5 to 10 years
Office Equipment	3 to 5 years

(h) Inventories

Inventories consist of materials and supplies held for future consumption and are priced at average cost using the first-in, first-out method.

(i) Compensated Absences

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

(j) 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Revenue Recognition

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

Earned but unbilled electric and water service charges are included in accounts receivable at year-end. Electric unbilled accounts receivable totaled $5,861 and $5,700 at June 30, 2005 and 2004, respectively. Water unbilled accounts receivable totaled $808 and $783 at June 30, 2005 and 2004, respectively.

(l) Operating Expenses

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

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

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

(m) 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.

(n) 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.

NOTE 2: Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

	Electric	Water	Total
Pooled cash and investments	$ 65,256	10,533	75,789
Restricted non-pooled cash and cash equivalents	16	-	16
Restricted investments	12,914	1,097	14,011
Total	$ 78,186	11,630	89,816
Cash on hand	$ 16	-	16
Investments	78,170	11,630	89,800
Total	$ 78,186	11,630	89,816

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

Restricted non-pooled cash and cash equivalents consist of minimum required balance primarily for checking account and petty cash.

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

Investments Authorized by the California Government Code and the City's Investment Policy

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

Authorized Investment Type	Authorized by City Policy	Maximum Maturity	Max. Percentage of Portfolio	Max. Investment One Issuer
Agency-U.S. Federal Agency	Yes	5 years	70%	None
Burbank Investment Pool	Yes	N/A	None	None
Corporates-medium term notes	No	N/A	N/A	N/A
LAIF-Local Agency Investment Fund	Yes	N/A	None	None
U.S. Treasury obligations	Yes	5 years	100%	None
Banker's acceptances	No	N/A	N/A	N/A
Commercial paper	No	N/A	N/A	N/A
Timed certificates of deposit	No	N/A	N/A	N/A
Negotiable certificates of deposit	No	N/A	N/A	N/A
Money market mutual funds	No	N/A	N/A	N/A
Local Agency bonds	No	N/A	N/A	N/A
Repurchase agreements	No	N/A	N/A	N/A
Reverse repurchase agreements	No	N/A	N/A	N/A
Mutual funds	No	N/A	N/A	N/A
Mortgage pass-through securities	No	N/A	N/A	N/A
County pooled investment funds	No	N/A	N/A	N/A

Investments Authorized by Debt Agreements

Investment 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
U.S. Treasury Obligations	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

		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		71,784	-	-	-	71,784
LAIF Local Agency Investment Fund		4,005	-	-	-	4,005
Held by Bond Trustee:						
Investment Agreements		-	1,112	-	9,351	10,463
Money Market		3,218	-	-	-	3,218
U.S. Treasury Obligations		330	-	-	-	330
Total	$	79,337	1,112	-	9,351	89,800

Note: This table above excludes cash on hand of $16 (See Pg.30).

Disclosures Relating to Credit Risk

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

		Minimum Legal Rating	Exempt from Disclosure
Burbank Investment Pool	$ 71,784	N/A	N/A
LAIF Local Agency Investment Fund	4,005	N/A	N/A
Held by Bond Trustee:			
Investment Agreements	10,463	A	N/A
Money Market	3,218	Aaa	N/A
U.S. Treasury Obligations	330	Aaa	N/A
Total	$ 89,800		

		Rating as of Year-End			
	Aaa	Aa	A	Not Rated	Total
Burbank Investment Pool	$ -	-	-	71,784	71,784
LAIF Local Agency Investment Fund	-	-	-	4,005	4,005
Held by Bond Trustee:					
Investment Agreements	5,616	4,847	-	-	10,463
Money Market	3,218	-	-	-	3,218
U.S. Treasury Obligations	330	-	-	-	330
Total	$ 9,164	4,847	-	75,789	89,800

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

Equity in the Cash and Investment Pool of the City of Burbank

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

NOTE 3: Accounts Receivable

	Water		Electric	
	2005	2004	2005	2004
Accounts receivable	$ 1,838	1,935	21,021	32,438
Allowance	(80)	(61)	(1,585)	(1,576)
Total	$ 1,758	1,874	19,436	30,862

Allowances for uncollectible accounts (excluding California Independent System Operator (CAL ISO) receivables) increased by $76 to $85 from 2004 to 2005 in the Electric Utility Enterprise Fund; and increased by $61 to $80 from 2004 to 2005 in the Water Utility Enterprise Fund.

California Independent System Operator (CAL ISO) Receivable

During the period from October 2000 to February 2001 the Electric Utility Fund sold energy to the CAL ISO in order to assist the CAL ISO in maintaining reliability in the region and in response to a Federal Order from the United States Department of Energy requiring utilities to sell to the CAL ISO. The amount owed to the Electric Utility Fund by the CAL ISO and the CAL PX is approximately $4,900 without interest, which BWP expects ultimately to collect. However, because

of pending litigation before the Federal Energy Regulatory Commission and the Court of Appeals, there is a possibility that the Electric Fund could be required to pay refunds. However, if the Electric Utility Fund is required to pay any refunds, the amount owed by the CAL ISO and CAL PX will be offset by the refund amount. The Electric Utility Fund has established an allowance of $1,500 (see also note 15, Contingencies).

NOTE 4: Inventory

The Electric Utility Fund's inventories as of June 30, 2005, increased primarily as a result of the purchasing and storing natural gas to hedge its fuel expenses. On June 30, 2005, the natural gas inventory was 317,327 MMBtu for a total balance of $1,876.

	2005	2004
Materials and supplies inventory	$ 2,878	2,757
Natural gas inventory	1,876	1,124
Total Inventories	$ 4,754	3,881

NOTE 5: Capital Assets

Capital assets include the following at June 30, 2005 and 2004:

WATER	Balance as of June 30, 2003	Additions	Deletions	Balance as of June 30, 2004	Additions	Deletions	Balance as of June 30, 2005
Capital assets not being depreciated:							
Land	$ 309	-	-	309	-	-	309
Construction in progress	2,086	3,478	(2,049)	3,515	2,971	(2,941)	3,545
Total capital assets not being depreciated	2,395	3,478	(2,049)	3,824	2,971	(2,941)	3,854
Capital assets being depreciated:							
Buildings and improvements	54,290	1,724	(1,128)	54,886	2,539	(26)	57,399
Accumulated depreciation	(23,019)	(1,616)	1,127	(23,508)	(1,924)	-	(25,432)
Machinery and equipment	4,472	707	(463)	4,716	352	(71)	4,997
Accumulated depreciation	(3,510)	(201)	456	(3,255)	(284)	71	(3,468)
Total capital assets being depreciated, net	32,233	614	(8)	32,839	683	(26)	33,496
Total net capital assets	$ 34,628	4,092	(2,057)	36,663	3,654	(2,967)	37,350

ELECTRIC	Balance as of June 30, 2003	Additions	Deletions	Balance as of June 30, 2004	Additions	Deletions	Balance as of June 30, 2005
Capital assets not being depreciated:							
Land	$ 2,738	898	(4)	3,632	-	-	3,632
Construction in progress	37,377	23,987	(26,219)	35,145	18,284	(22,471)	30,958
Total capital assets not being depreciated	40,115	24,885	(26,223)	38,777	18,284	(22,471)	34,590
Capital assets being depreciated:							
Buildings and improvements	245,206	26,487	(40,008)	231,685	17,507	-	249,192
Accumulated depreciation	(116,754)	(7,402)	36,899	(87,257)	(9,915)	19	(97,153)
Machinery and equipment	24,648	3,461	(6,628)	21,481	6,150	(4,977)	22,654
Accumulated depreciation	(17,323)	(862)	6,476	(11,709)	(1,399)	239	(12,869)
Total capital assets being depreciated, net	135,777	21,684	(3,261)	154,200	12,343	(4,719)	161,824
Total net capital assets	$ 175,892	46,569	(29,484)	192,977	30,627	(27,190)	196,414

North-South DC Intertie

The City is a participant in an agreement with the City of Los Angeles, Southern California Edison, the City of Glendale and the City of Pasadena for an unrestricted 3.846% interest in the North-South DC Intertie. As of June 30, 2005, 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 $7,983 for a net asset value of $6,651. Such asset is being depreciated using the straight-line method over a useful life of 40 years. The City's voting right in the project is directly in proportion to its percentage interest.

NOTE 6: Defined Benefit Pension Plan and Post-Retirement Health Care Benefits

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

The Water and Electric Utility Fund makes 7% contributions on behalf of its employees. The City is required to contribute at an actuarially determined rate. In FY 2004-05, the Water and Electric Utility Fund, as employer, is required to contribute an additional 3.543%, compared to a zero contribution rate in prior fiscal years. 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.

	Annual Pension Cost (APC)		Percentage of
Fiscal year ending	Electric	Water	APC contributed
6/30/03	1,149	242	100%
6/30/04	1,248	241	100%
6/30/05	1,899	364	100%

Additional information regarding the defined benefit pension plan can be found in the comprehensive Annual Financial Report. In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Burbank Employees Retiree Medical Trust (BPRMT) was established in April 2003 by the City to provide post-retirement medical benefits to all non-safety employees, including elected and appointed officials. Plan members are required to contribute forty dollars per month, while the City contributed a one-time payment of $2,400, equivalent to contribution amounts of fifty, sixty, and sixty-five dollars respectively, for the first three years. Plan provisions and contribution requirement are established by and may be amended by the City Council. The trust is controlled by seven voting members from the various employee associations appointed to three year terms. The City appoints an eight member to the board, but the member is non-voting. Investments are determined by the BPRMT plant trustees, and are governed by ERISA provisions. Eligibility for benefits require that members have reached age 58 with a minimum of 5 years of contributions into the plan. However, no benefits will be paid prior to April 2009.

NOTE 7: Self-Insurance Program

The Electric and Water Funds are in the City's self-insurance program as part of the City's policy to self-insure certain levels of risk within separate lines of coverage to maximize cost savings. The City has chosen to self insure its liability exposure for the first $1,000 of any loss. Additional coverage of $9,000 is purchased through ACCEL, the Authority for California Cities

Excess Liability. The City then purchased an additional coverage from commercial market for a total coverage of $20,000. 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. Additional information regarding the City's insurance program can be found in the City's Comprehensive Annual Financial Report.

	Insurance Premiums		
Fiscal year ending	Electric	Water	Total
6/30/2004	$ 946	221	1,167
6/30/2005	954	225	1,179

NOTE 8: Loan and Revenue Bonds Payable

Loan Payable

	Water	
	2005	2004
This State Water Resources Control Loan was issued for the purpose of construction improvement to the Reclaimed Water Distribution System. Funds are disbursed on either a reimbursement basis, or at such time, as they are due and payable by the City. The interest rate is 2.7%, with the principal to be repaid no later than April 2014, 20 years from the loan date	$ 1,696	1,857
Less current portion	(165)	(161)
Long-term intergovernmental loan payment	$ 1,531	1,696

A schedule of aggregate maturities, including interest, on the intergovernmental loan payable subsequent to June 30, 2005 is as follows:

	Water		
	Principal	Interest	Total
2006	$ 165	46	211
2007	170	41	211
2008	174	37	211
2009	179	32	211
2010	184	27	211
2011 – 2014	824	58	882
	$ 1,696	241	1,937

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.

	Water		Electric	
	2005	2004	2005	2004
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.	$ 7,100	7,850	45,160	45,160
Less:				
Current portion	(770)	(750)	(1,600)	-
Original issue discount/premium	(83)	(86)	(437)	(456)
Long-term 1998 Series A Bonds	6,247	7,014	43,123	44,704
2001 Series Bonds:				
$54,745 Burbank Water and Power Electric Revenue Bonds, Series of 2001, were issued to fund the acquisition and installation of a 47 MW gas-fired turbine, other electric improvements and refund outstanding senior lien revenue bonds. Payments are in installments ranging from $5,360 to $6,770. Interest rates range from 2.25% to 4.00%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2011.	$ -	-	34,910	41,680
Less:				
Current portion	-	-	(5,360)	(6,770)
Original issue discount/premium	-	-	(176)	(205)
Long-term Bonds Series of 2001	-	-	29,374	34,705
2002 Series Bonds:				
$25,000 Burbank Water and Power Electric Revenue Bonds, Series of 2002, were issued for retrofitting Olive 1 and Olive 2 steam generators to meet new air quality emission limits, other electric improvements and refund certain electric revenue bonds. Payments are in installments ranging from $990 to $2,000. Interest rates range from 3.00% to 5.375%. Payments are made semiannually on June 1 and December 1, with the final payment to be made on June 1, 2022.	$ -	-	24,010	25,000
Less:				
Current portion	-	-	(1,020)	(990)
Original issue discount/premium	-	-	237	251
Long-term Bonds Series of 2002	-	-	23,227	24,261
Total long-term revenue bonds payable	$ 6,247	7,014	95,724	103,670

A schedule of aggregate maturities on bonds payable subsequent to June 30, 2005 is as follows:

	Water		Electric		
	Principal	Interest	Principal	Interest	Total
2006	$ 770	323	7,980	4,437	13,510
2007	805	293	8,230	4,184	13,512
2008	840	262	8,505	3,908	13,515
2009	875	228	8,805	3,607	13,515
2010	910	192	9,125	3,287	13,514
2011 – 2015	2170	366	24,065	12,093	38,694
2016 – 2020	425	138	22,865	7,008	30,436
2021 – 2024	305	28	14,505	1,319	16,157
Total	$ 7,100	1,830	104,080	39,843	152,853

The following is a summary of changes in the Water Utility Fund's long-term liabilities as of June 30, 2005:

June 30, 2005	July 1, 2004	Additions	Retirements	June 30, 2005	Due within One Year
Intergovernmental Loan Payable	$ 1,857	-	(161)	1,696	165
Revenue Bond Payable:					
1998 Series A Bonds	7,850	-	(750)	7,100	770
Compensated Absences	428		(140)	288	33
	$ 10,135	-	(1,051)	9,084	968
Less current portion	(926)			(968)	
Less unamortized bond premium (discounts)	(86)			(83)	
Total	$ 9,123			8,033	

June 30, 2004	July 1, 2003	Additions	Retirements	June 30, 2004	Due within One Year
Intergovernmental Loan Payable	$ 2,014	-	(157)	1,857	161
Revenue Bond Payable:					
1998 Series A Bonds	8,575	-	(725)	7,850	750
Compensated Absences	434	1	(7)	428	15
	$ 11,023	1	(889)	10,135	926
Less current portion	(887)			(926)	
Less unamortized bond premium (discounts)	(88)			(86)	
Total	$ 10,048			9,123	

The following is a summary of changes in the Electric Utility Fund's long-term liabilities as of June 30, 2005:

June 30, 2005	July 1, 2004	Additions	Retirements	June 30, 2005	Due within One Year
Revenue Bond Payable:	$				
1998 Series A Bonds	45,160	-	-	45,160	1,600
2001 Series A Bonds	41,680	-	(6,770)	34,910	5,360
2002 Series A Bonds	25,000	-	(990)	24,010	1,020
Compensated Absences	2,966	625	(191)	3,400	208
	$ 114,806	625	(7,951)	107,480	8,188
Less current portion	(7,951)			(8,188)	
Less unamortized bond premium (discounts)	(410)			(376)	
Total	$ 106,445			98,916	

June 30, 2004	July 1, 2003	Additions	Retirements	June 30, 2004	Due within One Year
Revenue Bond Payable:	$				
1998 Series A Bonds	45,160	-	-	45,160	-
2001 Series A Bonds	48,285	-	(6,605)	41,680	6,770
2002 Series A Bonds	25,000	-	-	25,000	990
Compensated Absences	2,999	126	(159)	2,966	191
	$ 121,444	126	(6,764)	114,806	7,951
Less current portion	(6,764)			(7,951)	
Less unamortized bond premium (discounts)	(445)			(410)	
Total	$ 114,235			106,445	

NOTE 9: Customer Deposits

AB 1890 requires the Electric Utility to spend 2.85% of its electric revenues for Public Benefits (PB) purposes. The entire unspent portion of the PB obligation for the City and the Electric Utility has been recorded as the Electric Utility Fund's liability. The amount of the PB obligation is part of customer deposits, but reported as the Public Benefits liability. The unspent portion of the PB obligation for June 30, 2005 and June 30, 2004 is $5,948 and $4,999, respectively.

NOTE 10: Related Party Transactions

The City allocates certain administrative and overhead costs and in-lieu of property taxes to the Water and Electric Utility Funds. Administrative and overhead costs are covered in the other operating expenses category. These charges are reflected in the accompanying statements of revenues, expenses and changes in fund net assets for the years ended June 30, 2005 and 2004 as follows:

	Water		Electric	
	2005	2004	2005	2004
Administrative and overhead costs	$ 675	734	2,413	2,739
In-lieu of property taxes	797	799	8,551	8,502
Total	$ 1,472	1,533	10,964	11,241

NOTE 11: Power Supply and Fuel Expenses - Retail

(A) Retail Energy Supply

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

(B) Take or Pay Contracts

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

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

(a) Southern California Public Power Authority (SCPPA)

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

Hoover 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% (15MW) ownership interest in this project.

Southern Transmission System Project (STS)

Pursuant to an agreement dated as of May 1, 1983 with the IPA, the Authority made payments-in-aid of construction to IPA to defray all costs of acquisition and construction of the Southern Transmission System project (STS), which provides for the transmission of energy from the Intermountain Generating Station in Utah to Southern California. STS commenced commercial operations in July 1986. The Department of Water and Power of the City of Los Angeles (LADWP), a member of the Authority, serves as project manager and operating agent of the Intermountain Power Project (IPP). The STS delivers over 13.2 million MWh to the SCPPA members annually and is currently rated at 1,920 megawatts. The City's ownership share of this project is 4.5%.

Mead-Phoenix (MP)

The Authority entered into an agreement dated as of December 17, 1991 to acquire an interest in the Mead-Phoenix Project, a transmission line extending between the Westwing substation in Arizona and the Marketplace substation in Nevada. The agreement provides the Authority with an 18.31% interest in the Westwing-Mead project, a 17.76% interest in the Mead substation project component and a 22.41% interest in the Mead-Marketplace component. The project is a 256 mile, 500 kV AC transmission line with a rating of 1,300 megawatts. The City's ownership share of Mead-Phoenix is 15.4%.

Mead-Adelanto (MA)

The Authority also entered into an agreement dated as of December 17, 1991 to acquire a 67.92% interest in the Mead-Adelanto Project, a transmission line extending between the Adelanto substation in Southern California and the marketplace substation in Nevada. Funding for these projects was provided by a transfer of funds from the multiple projects fund and commercial operations commenced in April 1996. LADWP serves as the operations manager of Mead-Adelanto. The project is a 202 mile, 500 kV AC transmission line with a rating of 1,200 megawatts. The City's ownership share of Mead-Adelanto is11.5%.

Palo Verde (PV)

Pursuant to an assignment agreement dated as of August 14, 1981 with the Salt River project, the Authority purchased a 5.91% interest in the Palo Verde Nuclear Generating Station, a 3,810 megawatt nuclear-fueled generating station near Phoenix, Arizona and a 6.55% share of the right to use certain portions of the Arizona nuclear power project valley transmission system (collectively, the Palo Verde Project). Units 1, 2 and 3 of the Palo Verde Project began commercial operations in January 1986, September 1986 and January 1988, respectively. The City's ownership share of this project is 4.4% (9.7 MW).

Magnolia Power Project (MPP)

In 1999, the City of Burbank began exploring ways to replace its aging local on-site generation. The City decided that it would be more economical to build a plant larger than its electric demands, and included other SCPPA participants to buy the power that would be produced by the larger plant. MPP is a SCPPA generation project and is comprised of six members, which are the cities of Anaheim, Burbank, Colton, Glendale and Pasadena (the "Project A Participants"), and the City of Cerritos (the "Project B Participant"), which became a member of the Authority in July 2001.

In March 2003, the California Energy Commission gave the approval for construction of the MPP. MPP is a natural gas-fired generation plant and is designed to generate 242 megawatts to meet base load capacity, with a peaking capacity of 315 megawatts. MPP is the first plant to be owned by the Authority. The City of Burbank manages the construction and operation of the Project. To finance the Project, the Authority, in April 2003, issued $299,975 of Magnolia Power Project A Revenue Bonds and $14,105 of Magnolia Power Project B Lease Revenue Bonds (City of Cerritos, California). The City's ownership share of Magnolia Power Project is 30.992% (97.6 MW). Construction began in April 2003 and the unit began commercial operations on September 22, 2005.

Multiple Project Fund (MPF)

During the fiscal year 1990, the Authority issued Multiple Project Revenue Bonds for net proceeds of approximately $600,000 to provide funds to finance costs of construction and acquisition of ownership interests or capacity rights in one or more then unspecified projects for the generation or transmission of electric energy. Certain of these funds were used to finance the Authority's interest in Mead-Phoenix and Mead-Adelanto. Currently, SCPPA's investment earnings are sufficient for debt service without any payment obligations from the City.

(b) Intermountain Power Agency (IPA)

In 1980, the City of Burbank, along with the cities of Los Angeles, Anaheim, Glendale, Pasadena and Riverside, entered into a power sales contract with IPA, which obligates each California purchaser to purchase, on a "take-or-pay" basis, a percentage share of capacity and energy generated by the IPP. The City, along with Los Angeles, Glendale and Pasadena, also entered into an Excess Power Sales Agreement, also on a "take or pay" contract, with Utah municipal and cooperative IPP purchasers, which is surplus to such Utah purchasers' needs, and will be made available to the City, Los Angeles, Glendale, and Pasadena. The project was completed on May 1, 1987 and is currently generating power. The City's participation interest in the power generated by IPP is 3.371% (69MW).

A summary of the City of Burbank "take or pay" contracts and related projects and its contingent liability at June 30, 2005 is as follows:

	Bonds and Notes outstanding	City of Burbank portion*	City of Burbank share of bonds	City of Burbank obligation relating to total debt service
Southern California Public Power Authority:				
Hoover uprating	$ 21,360	15.957%	$ 3,409	$ 4,668
Southern Transmission system	929,085	4.498%	41,790	64,632
Mead-Adelanto	229,170	11.534%	26,432	38,263
Mead-Phoenix	71,905	15.400%	11,073	16,063
Palo Verde	136,560	4.400%	6,009	7,189
Magnolia Power Project (Project A)	299,975	32.350%	97,043	203,277
Intermountain Power Project	3,156,555	3.371%	106,407	153,874
Total	$ 4,844,610	6.031%	$ 292,163	$ 487,966

The City has the following required debt service payments of principal and interest per the agreements discussed above:

	2005/06		2006/07		2007/08	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	$ 203	156	210	149	219	141
IPP STS	1,227	1,905	1,246	1,881	1,392	1,855
Mead-Adelanto		1,186	1,251	1,186	1,286	1,154
Mead-Phoenix		509	501	509	516	497
Palo Verde	497	180	508	165	523	150
Magnolia Power Project		4,701	1,137	4,701	1,389	4,679
Intermountain Power	4,563	5,119	4,564	4,835	4,950	4,604
Total	$ 6,490	13,756	9,417	13,426	10,275	13,080

	2008/09		2009/10		2011/15	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	$ 227	132	236	123	1,340	455
IPP STS	1,419	1,783	1,389	1,704	9,928	7,264
Mead-Adelanto	1,315	1,122	1,352	1,089	8,214	4,237
Mead-Phoenix	527	484	539	470	3,801	1,780
Palo Verde	539	134	443	118	2,423	384
Magnolia Power Project	1,417	4,651	1,451	4,617	8,185	22,152
Intermountain Power	4,657	4,392	5,555	4,083	30,494	15,801
Total	$ 10,102	12,698	10,965	12,204	64,385	52,072

	2016/20		2021/25		2026/30	
	Principal	Interest	Principal	Interest	Principal	Interest
SCPPA:						
Hoover Uprating	$ 973	104				
IPP STS	12,685	5,080	12,505	1,371		
Mead-Adelanto	10,617	1,764	2,396	93		
Mead-Phoenix	4,235	704	955	37		
Palo Verde	1,074	49				
Magnolia Power Project	10,386	19,951	13,336	17,001	17,020	13,316
Intermountain Power	34,263	7,953	17,359	681		
Total	$ 74,233	35,605	46,551	19,183	17,020	13,316

	2031/35		2036/40	
	Principal	Interest	Principal	Interest
SCPPA:				
Hoover Uprating	$			
IPP STS				
Mead-Adelanto				
Mead-Phoenix				
Palo Verde				
Magnolia Power Project	21,720	8,614	21,002	1,849
Intermountain Power				
Total	$ 21,720	8,614	21,002	1,849

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 to develop wholesale net margins to reduce its power supply expenses.

	2005	2004
Wholesale Revenues	$ 110,037	131,044
Wholesale Costs	105,856	125,462
Wholesale Margin	$ 4,181	5,582

NOTE 13: Transfer in from the City

Transfers in from the City represent the construction costs associated with the relocation of the Hollywood Way and Alameda substation due to the expansion of SR-134. The cost of this project was recorded as part of the Utility Plant and Equipment. As of June 30, 2005, the total cost for this project, which was paid through bond proceeds and impact fees by the Burbank Redevelopment Agency – West Olive Project Area, was $11,214.

NOTE 14: Contingencies

Recovery of Alleged Overcharges for the Sale of Power - The City sold energy and ancillary services to the CAL ISO during the period from October 2000 to February 2001 in order to assist the 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. As a result of the Federal Energy Regulatory Commission's (FERC) orders, the City may ultimately be ordered to pay refunds under its prior agreement with Sempra Energy Trading. The City will appeal any such order on the grounds that it is not liable for such refunds because on September 6, 2005, the Ninth Circuit Court of Appeals (Ninth Circuit) ruled that, under the Federal Power Act, the City is exempt from FERC jurisdiction and the FERC refund liability associated with the City' wholesale sales. However, the City is awaiting the U.S.Supreme court to deny certiorari and the FERC to implement the Ninth Circuit's decision before it can confirm its exemption from refund liability.

The Electric Utility Fund's management participated in the FERC proceedings to ensure that it would be able to collect the entire $6,000 outstanding to the City. The Electric Utility Fund's management believes that the ultimate outcome of the refund matter will not have a material impact on the financial condition of the utility. However, if the Electric Utility Fund is required to pay any refunds, the amount owed by the CAL ISO and CAL PX will be offset by the refund amount. Because of the ultimate uncertainty of payment, the Electric Utility Fund has established an allowance of $1,500 against these receivables (see also note 3, Accounts Receivable).

Litigation - The City is presently involved in certain 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.

NOTE 15: Subsequent Event

The acquisition of natural gas leases through Southern California Public Power Authority (SCPPA) in Pinedale, Wyoming and other real property from Anschutz Corporation of Denver, Colorado, was successfully completed on July 1, 2005. The transaction totaled in excess of $300 million for LADWP (74.4681%), Turlock Irrigation District (10.6383%), Anaheim (5.3191%), Glendale (4.2553%), Burbank (2.1277%), Pasadena (2.1277%), and Colton (1.0638%). Gas began to flow to the participants at 12:01 a.m. on July 1, 2005.

The financing consisted of taxable draw down bonds with a principal amount not to exceed $100,000,000 at an interest rate of the one-month LIBOR rate plus fifty basis points. As of July 1, 2005, the Authority had drawn down approximately $26 million on the bonds. The bonds were issued on behalf of Anaheim (52.6%), Burbank (10.5%) and Colton (36.8%) to finance their share of the project.

The Project will be structured on the same method as the other Projects. Participants will be billed for operating costs, debt service and capital expenditures.

SCHEDULE 1: Annual Electric Supply

Fiscal Year Ended June 30, 2005

Resource	MWh	Percentage
IPP	589,000	47.2%
Hoover	18,000	1.4%
Palo Verde Nuclear	71,000	5.7%
Firm Contracts	161,000	12.9%
Non-Firm Contracts	285,000	22.8%
On-Site Generation	124,000	10.0%
TOTAL	1,248,000	100.0%

SCHEDULE 2: Customer, Sales, Electric Revenues and Demand

Fiscal Years Ended June 30; $ in Thousands

	2005	2004	2003	2002	2001
Number of Customers:					
Residential	43,930	44,683	44,460	44,726	44,502
Commercial	6,274	6,278	6,396	6,333	6,252
Industrial	167	165	253	246	233
Other	262	234	330	350	347
Total	50,633	51,360	51,439	51,655	51,334
Kilowatt-hour Sales (millions)					
Residential	259	271	242	238	255
Commercial	241	246	235	238	241
Industrial	535	528	522	532	527
Other	58	59	37	40	42
Total	1,093	1,104	1,036	1,048	1,065
Electric Revenues ($000's):					
Retail	$ 136,304	136,789	126,418	128,108	110,874
Wholesale	110,037	131,044	85,680	46,501	203,526
Other	5,494	3,342	3,484	4,106	3,648
Total	$ 251,835	271,175	215,582	178,715	318,048
Peak Demand (MW)	281	269	264	246	271

SCHEDULE 3: Average Billing Price — Electric

Fiscal Years Ended June 30; Cents per Kilowatt-Hour

	2005	2004	2003	2002	2001
Residential	12.9	12.9	12.8	12.5	10.6
Commercial	13.7	13.4	13.3	12.3	10.9
Industrial	12.2	12.4	12.3	11.7	10.2
Average Electric Rate	12.7	12.9	12.7	12.2	10.5

See accompanying notes to basic financial statements.

SCHEDULE 4: Annual Water Supply

Fiscal Year Ended June 30, 2005

Resource	MWh	Percentage
Metropolitan Water District	13,765	63.8%
Local Production – BOU	7,824	36.2%
TOTAL	21,589	100.0%

SCHEDULE 5: Customers, Water Sales, Water Revenues

Fiscal Years Ended June 30; $ in Thousands

	2005	2004	2003	2002	2001
Number of Customers:					
Residential	22,104	22,111	21,947	22,419	22,373
Commercial	3,069	3,036	3,120	3,049	3,028
Industrial	121	122	155	145	144
Other	1096	1046	1018	996	902
Total	26,390	26,315	26,240	26,609	26,447
CCF Sales Per Year (x1,000):					
Residential	6620	7254	6943	7064	6835
Commercial	1852	1829	1718	1770	1828
Industrial	344	354	337	355	366
Other	674	742	699	544	528
Total	9,490	10,179	9,697	9,733	9,557
Revenues from Sale of Water					
Retail	$ 16,420	16,245	15,240	14,010	15,022
Other	819	1,016	1,706	1,120	1,015
Total	$ 17,239	17,261	16,946	15,130	16,037
Maximum Day (Million gallons)	35.1	34.2	33.3	31.3	32.8

SCHEDULE 6: Average Billing Price — Water

Fiscal Years Ended June 30; Cents per CCF

	2005	2004	2003	2002	2001
Residential	1.7	1.6	1.6	1.5	1.5
Commercial	1.6	1.5	1.5	1.3	1.3
Industrial	1.5	1.5	1.4	1.3	1.3
Average Water Rate	1.7	1.5	1.5	1.4	1.4

See accompanying notes to basic financial statements.

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