



February 1, 2018

CALL AND NOTICE OF A REGULAR MEETING OF THE
FINANCE AND ADMINISTRATION COMMITTEE
OF THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

NOTICE is hereby given that a regular meeting of the Finance and Administration Committee will be held Monday, February 5, 2018, at 10:30 a.m., or immediately following the Commission meeting, in the Airport Skyroom of Hollywood Burbank Airport, 2627 Hollywood Way, Burbank, California 91505.

Terri Williams, Board Secretary
Burbank-Glendale-Pasadena Airport Authority

REGULAR MEETING
OF THE
FINANCE AND ADMINISTRATION COMMITTEE

Airport Skyroom
Monday, February 5, 2018
10:30 A.M. or Immediately Following
the Conclusion of the
Regular Airport Authority Meeting

NOTE TO THE PUBLIC: Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the Authority to the Commission less than 72 hours prior to that meeting are available for public inspection at Hollywood Burbank Airport (2627 Hollywood Way, Burbank) in the administrative office during normal business hours.

As a result of the convening of this meeting of the Finance and Administration Committee, each Committee member is entitled to receive and shall be provided \$200.



In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the Board Secretary at (818) 840-8840 at least 48 hours prior to the meeting.

AGENDA

1. Approval of Agenda
2. Public Comment
3. Approval of Minutes
 - a. January 16, 2018 **[See page 1]**
4. Proposed Resolution Adopting the 2018 Authority Investment Policy **[See page 3]**
 - Staff Report Attached

Formerly mandated by State law and now currently recommended under Sections 53646(a)(2) and 53646(h) of the California Government Code ("Code"), the Commission annually reviews and approves an investment policy to identify policies and procedures for the prudent and systematic investment to be followed by the Authority Treasurer in the exercise of the investment authority delegated to him/her.

The Authority's Investment Manager, Columbia Management Investment Advisors LLC ("CMIA"), has opined that the 2017 Authority Investment Policy, with overall investment criteria of capital preservation (safety) and liquidity, is still appropriate and conservative and it does not need revisions at this time. Staff concurs with the CMIA recommendation and seeks a Finance and Administration Committee recommendation to the Commission that it adopt the attached proposed Resolution approving the 2018 Investment Policy (Attachment 1), which reaffirms the current 2017 Investment Policy with no changes.

5. Items for Information

a. Committee Pending Items

[See page 11]

6. Other Contracts and Leases

7. Adjournment

Subject to approval

**MINUTES OF THE SPECIAL MEETING OF THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE**

TUESDAY, JANUARY 16, 2018

A special meeting of the Burbank-Glendale-Pasadena Airport Authority Finance and Administration Committee was called to order this date in the Airport Skyroom, 2627 Hollywood Way, Burbank, California, 91505, at 10:41 a.m., by Chairman Gharpetian.

AB 23 Disclosure: The Senior Deputy Executive Director announced that, as a result of the convening of this meeting of the Finance and Administration Committee, each Committee member is entitled to receive and shall be provided \$200.

ROLL CALL

Present: Commissioners Gharpetian, Adams and Selvidge

Absent: None

Also Present Staff: John Hatanaka, Senior Deputy Executive Director; Kathy David, Deputy Executive Director, Finance and Administration

1. Approval of Agenda There were no adjustments to the agenda.

2. Public Comment There were no public speakers.

3. Approval of Minutes

a. December 4, 2017 Draft minutes of the December 4, 2017, Finance and Administration Committee were presented for review and approval.

Motion Commissioner Adams moved approval of the minutes, seconded by Commissioner Selvidge.

Motion Approved The motion was approved unanimously (3-0).

4. Treasurer's Report

a. November 2017 The November 2017 and October 2017 Treasurer's Reports were included in the agenda packet.

a. October 2017 The Committee accepted the Treasurer's Report and recommended it be forwarded to the Commission for its review.

Motion

Commissioner Adams moved to recommend to the Commission that it note and file the Treasurer's Reports for November 2017 and October 2017, seconded by Commissioner Selvidge.

Motion Approved

The motion was approved unanimously (3-0).

5. Items for Discussion

Staff updated the Committee and answered questions regarding one lease and several purchase orders for professional services.

a. Minor Lease and Purchase Order Update

6. Items for Information

a. Pending Items

There was no discussion of future pending items.

9. Other Contracts and Leases

There were no other contracts and leases discussed.

10. Adjournment

There being no further business, the meeting was adjourned at 10:55 a.m.

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
FEBRUARY 5, 2018**

**PROPOSED RESOLUTION ADOPTING
THE 2018 AUTHORITY INVESTMENT POLICY**

SUMMARY

Formerly mandated by State law and now currently recommended under Sections 53646(a)(2) and 53646(h) of the California Government Code ("Code"), the Commission annually reviews and approves an investment policy to identify policies and procedures for the prudent and systematic investment to be followed by the Authority Treasurer in the exercise of the investment authority delegated to him/her.

The Authority's Investment Manager, Columbia Management Investment Advisors LLC ("CMIA"), has opined that the 2017 Authority Investment Policy, with overall investment criteria of capital preservation (safety) and liquidity, is still appropriate and conservative, and does not need revisions at this time. Staff concurs with the CMIA recommendation and seeks a Finance and Administration Committee recommendation to the Commission that it adopt the attached proposed Resolution approving the 2018 Investment Policy (Attachment 1), which reaffirms the current 2017 investment Policy with no changes.

DISCUSSION

The Authority was previously required by Section 53646 of the Code to annually review and adopt an investment policy for its restricted and non-restricted cash portfolios. The Legislature amended this statute to make annual investment policy review optional for local agencies and to declare that no liability is incurred for failure to annually adopt an investment policy. However, the Legislature strongly recommends and the Authority believes it is prudent to continue to annually review and adopt an investment policy. The Authority further requires that CMIA abide by that policy as it makes decisions regarding changes to the Authority's investments. The Authority's investment policy dictates the type of investment vehicles that are permitted, and maximum allowable percentage of individual sectors that the Authority can invest in.

For local governments, including the Authority, State law (Code Section 53600 et seq.) sets forth the types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments, and how the investments may be held.

The Authority's investment policy further limits all investments to be more restrictive than the Code. The restrictions in the Code and the additional limitations in the Authority's investment policy mitigate the Authority's interest rate risk, credit risk, concentration of credit risk, and custodial credit risk related to its various investments.

CMIA continues to diligently review and report on the Authority's investments in this challenging economic environment. The Authority has historically favored holding its

investments until they mature. CMIA will continue to bring recommendations to the Commission on individual investments and/or the policy as conditions warrant throughout the year.

Staff and CMIA will discuss the proposed 2018 Investment Policy with the Committee.

RECOMMENDATION

Staff seeks a Finance and Administration Committee recommendation to the Commission that it adopt the attached proposed Resolution approving the 2018 Investment Policy.

Attachment 1

RESOLUTION NO. ____

**A RESOLUTION OF THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY COMMISSION
APPROVING THE 2018 AUTHORITY INVESTMENT POLICY**

The Burbank-Glendale-Pasadena Airport Authority Commission finds, resolves and determines as follows:

Section 1. Recitals.

A. Government Code Section 53646 authorizes, but no longer requires, local agencies to review and approve an investment policy on an annual basis.

B. The Burbank-Glendale-Pasadena Airport Authority (“Authority”) has a fiduciary responsibility to maximize the use of public funds entrusted to its care, manage those funds wisely and prudently, and protect those funds from financial catastrophes.

C. The objective and purpose of the Authority’s investment program is to maintain a level of investment as near 100% as possible, with due consideration given to such factors as safety, liquidity, yield, and cash flow requirements.

D. The Commission desires to continue its existing policy to review and approve an investment policy on an annual basis.

E. The Commission desires to continue its existing investment policy with no changes.

Section 2. 2018 Investment Policy. The Commission hereby adopts the 2018 Investment Policy attached hereto as Exhibit A. Such policy supersedes all prior investment policies adopted by the Commission.

Section 3. Effective Date. This Resolution shall be effective upon adoption.

Adopted this ____ day of _____, 2018.

Terry Tornek, President

Attest:

Ray Adams, Secretary

EXHIBIT A

PROPOSED 2018 INVESTMENT POLICY

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

This document identifies policies and procedures for the prudent and systematic investment policy to be followed by the Burbank-Glendale-Pasadena Airport Authority Treasurer in the exercise of the investment authority delegated to him/her. All of these policies and procedures are within the statutory guidelines provided for in State law.

The Investment Policy must be renewed annually. The Treasurer must present it in draft form to the Finance and Administration Committee for its review and approval prior to presentation to the Authority for its approval.

INVESTMENT MANAGER

The Treasurer may utilize an Investment Manager in the investment management of the Authority's portfolio(s). The Investment Manager shall comply with the investment restrictions contained in Sections 53601, 53601.1, 53601.5 and 53601.6 of the California Government Code ("Government Code Provisions") and this Investment Policy. In the event the Investment Policy is more restrictive than the Government Code Provisions, the Investment Policy shall control. Further, the Investment Manager shall periodically, but no less than annually, advise the Treasurer and the Authority on recommended changes to the Investment Policy, including any required to bring the policy into compliance with the Government Code Provisions.

BASIC POLICY AND OBJECTIVES

Three fundamental criteria shall be followed in the investment program (all investments and deposits). In order of importance they are:

1. **SAFETY.** Investments shall be made in a manner that seeks to ensure the preservation of principal and interest. The Treasurer will evaluate, or have evaluated each investment, seeking quality in issuer and in the underlying security or collateral. He/she will also diversify the portfolio to reduce loss exposure. In the investment of idle cash, the prudent man rule shall be followed. This rule states in essence, that when investing property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The Treasurer will remain within the policy maximums regarding asset allocation and maturity guidelines identified on Exhibit A.
2. **LIQUIDITY.** To the extent possible, investments will be made whose maturities are compatible with cash flow and will allow for easy and rapid conversion into cash without any loss of value. The Treasurer's monthly report to the Authority is to include a comparison of the actual portfolio to the policy maximums shown on Exhibit A.
3. **YIELD.** An acceptable rate of return on investments is desirable but only after first considering safety of principal and liquidity.

TYPES OF INVESTMENTS

1. U. S. Treasuries. These are investments in direct obligations of the U. S. Treasury.
2. U. S. Agencies. These are obligations of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, etc.
3. Time Deposits. Time deposits are to be placed in accordance with the California Government Code, in those banks and savings and loan associations which meet the requirements. Deposits must be either insured or secured by Government securities with a market value of at least 10% in excess of the total amount deposited or real estate mortgages with a value of at least 150% of the total amount deposited. The latest available quarterly financial statements will be evaluated to determine whether an institution meets all the capital levels required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which are also required by the Investment Manager prior to placing deposits.
4. Local Agency Investment Funds. This is a pool of funds managed by the State Treasurer's Office and includes only investments that meet the legal requirements.
5. Bankers Acceptances. Only those bankers acceptances eligible for purchase by the Federal Reserve System meet eligibility requirements.
6. Commercial Paper. Only commercial paper of prime quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investors Service or Standard and Poor's may be purchased (A-1/P-1). To be eligible for purchase, commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 15% of each agency's surplus money which may be invested.
7. Repurchase Agreements. These are a purchase of securities (any of the investments authorized under the Government Code) pursuant to an agreement by which the seller will repurchase such securities on or before a specified date, or on demand of either party, and for a specified amount.
8. Money Market Funds. Funds will consist of U.S. Treasury securities only.
9. Corporate Medium Term Notes. The Corporate Notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States that are rated A or better by a nationally recognized rating service (Government Code Section 53601(j)). Purchase requires approval of the Authority Director of Financial Services and the Treasurer.
10. Negotiable Certificates of Deposit. These are negotiable investments evidencing a time deposit made with a bank at a fixed rate of interest for a fixed period of time. These investments are liquid and are traded in the market place. The long term rating of the issuing institution must be A or higher.

In the event a security is downgraded below the minimum authorized rating, the Investment Manager will notify the Airport Authority of the downgrade with a recommendation on the disposition of the security. The Airport Authority will provide written instructions to the Investment Manager regarding the disposition of a security that is below the minimum acceptable rating.

MATURITY LIMITATIONS

The Authority's weighted average maturity goal during any calendar year will be established based on the recommendations of the Investment Manager and may be reviewed and adjusted at any time based on the recommendations of the Investment Manager.

For purposes of this policy, the "A" category will include Standard & Poor's ratings of "A+", "A" and "A-"; Moody's Investor Services ratings of "A1", "A2" and "A3"; and Fitch Ratings of "A+", "A" and "A-".

PURCHASE OF SECURITIES/DEPOSITS

Transactions shall be made with reputable banks and brokers who are experienced, knowledgeable and offer service. Before placing deposits, comparisons of at least three eligible financial institutions shall be obtained. The brokers approved by the Investment Manager (Columbia Management Investment Advisors LLC) will be utilized.

PAYMENT FOR SECURITIES AND SAFEKEEPING

All securities purchased shall be delivered against payment (DVP), and held in safekeeping as evidenced by safekeeping receipts.

PORTFOLIO DIVERSIFICATION

To maintain a diversified portfolio, a maximum percentage limitation has been set for each type of investment. If an investment percentage-of-portfolio limitation were to be exceeded due to an incident, such as fluctuation in portfolio size, the affected investments may be held to maturity to avoid losses or if no loss is indicated, the Treasurer may reconstruct the portfolio if in his/her judgment it appears prudent, taking into consideration the expected length of time to bring the portfolio back into balance.

INVESTMENT RESOURCES

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community and the media.

CASH MANAGEMENT

Cash will be invested as close to 100% of collected funds as possible taking into consideration cash flow information given to the Treasurer.

REPORTING REQUIREMENTS

The Treasurer shall annually submit to the Airport Authority a statement of investment policy.

The Treasurer shall submit a monthly report, that meets all Government Code requirements, to the Airport Authority showing the type of all investments, including any made and maturing between monthly reports, showing institution, date of maturity, amount of deposit or cost of security, current market value of all securities with a maturity of more than 12 months, rate of interest, statement relating the report to the Statement of Investment Policy, statement that there are sufficient funds to meet the next six months obligations, and such data as may be required by the Airport Authority.

INTERNAL CONTROLS

A system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Government Agency.

**EXHIBIT A
PORTFOLIO GUIDELINES**

INVESTMENTS	MAXIMUM AMOUNT	MAXIMUM MATURITY
U.S. Agency Securities	70%	5 YEARS
Corporate Term Notes	30% (note 1)	5 YEARS
Local Agency Investment Fund	\$20 MILLION	N/A
Bankers Acceptances	15% (note 1)	6 MONTHS
Non-Negotiable Certificates Of Deposit	15% (note 1)	5 YEARS
Negotiable Certificates Of Deposit	15% (note 1)	5 YEARS
Commercial Paper	15% (note 1)	9 MONTHS
Repurchase Agreements	10%	1 YEAR
Money Market Funds (note 2)	15%	N/A
U.S. Treasury Securities	NO LIMIT	5 YEARS

Footnotes:

- (1) Maximum amount of any one issuer is 5%.
(2) U.S. Treasury obligations only.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
FEBRUARY 5, 2018
COMMITTEE PENDING ITEMS**

Future

1. Award of Professional Services Agreements - Replacement Passenger Terminal Consultants
2. MCS: Lease Amendment
3. Lamar On-Airport Advertising: Contract Amendment
4. Market Conditions Analysis – Hangar Facilities
5. Presentation of Audited FY 2017 Financial Statements
6. FY 2017 Year-End Budget Performance Review
7. FY 2018 Mid-Year Budget Performance Review