

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Basic Financial Statements

June 30, 2019 and 2018

(With Independent Auditor's
Report Thereon)



Certified
Public
Accountants

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Basic Financial Statements

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Commissioners
Burbank-Glendale-Pasadena Airport Authority
Burbank, California

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California
November 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

The Burbank-Glendale-Pasadena Airport Authority (Authority) is a separate governmental entity created by a Joint Exercise of Power Agreement (Agreement) executed in June 1977 among the Cities of Burbank, Glendale, and Pasadena, California (Cities). The purpose of the Agreement was to enable the Cities to acquire, operate, repair, maintain, improve, and administer the Bob Hope Airport, commonly known as "Hollywood Burbank Airport" (Airport), as a public air terminal. The Authority is governed by a nine-member Board of Airport Commissioners, three of which are appointed by the City Council of each of the Cities. The members of the Airport Commission annually elect a President, Vice-President, and Secretary of the Commission. The Authority has contracted with TBI Airport Management, Inc. (TBI) to perform certain airport administrative, maintenance, operational services, and aircraft rescue and firefighting (ARFF) services.

The management of the Authority presents the following narrative overview of the Authority's financial activities for the fiscal years ended June 30, 2019 and 2018. The following discussion and analysis should be read in conjunction with the accompanying basic financial statements.

The Authority's report consists of this management's discussion and analysis (MD&A) and the financial statements. The MD&A is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include the *Statements of Net Position*, the *Statements of Revenues, Expenses and Changes in Net Position*, the *Statements of Cash Flows*, and the *Notes to Basic Financial Statements*.

The *Statements of Net Position* present information on all of the Authority's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *Statements of Cash Flows* present information on the Authority's inflows and outflows of cash and cash equivalents during the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The *Notes to Basic Financial Statements* present information that is not displayed on the face of the basic financial statements. Such information is essential to a full understanding of the Authority's financial activities.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Overview of the Authority's Operations

Highlights of Airport Activities

During fiscal year (FY) 2019, the national economy continued to show signs of improvement with a continued increase in passenger demand for air travel. The Airport's total passenger traffic concluded FY 2019 and 2018 with 5,493,990 and 5,028,271 passengers at an increase of 9.3% and 14.4%, respectively. This represents a positive passenger demand from previous years' passenger levels caused by the lingering effect of the national economic recession. Passenger levels at the Airport have steadily improved since FY 2014, with the airlines serving the airport having increased flight frequencies, adding new destinations, upgauging aircraft capacity, and revising airfares.

The Airport was served during FY 2019 by seven signatory carriers, with the addition of Spirit Airlines in June 2019. Alaska Airlines, Delta Air Lines, JetBlue Airways, Southwest Airlines, United Airlines, and American Airlines continued operations at the Airport during FY 2019. Mokulele Airlines was a new carrier in FY 2018 that operated for two-months from October to November 2017.

The following table presents a comparative summary of passenger and other traffic in FY 2019, FY 2018 and FY 2017:

Description	FY 2019	FY 2018	FY 2017	% increase (decrease)	
				FY 2018/19	FY 2017/18
Commercial carrier flight operations (takeoffs and landings)	59,574	55,625	50,895	7.1%	9.3%
Landing weight (in pounds)	3,860,175,506	3,621,073,429	3,206,360,194	6.6	12.9
Total passengers	5,493,990	5,028,271	4,396,230	9.3	14.4
Departing passengers (enplaned)	2,745,259	2,509,845	2,195,194	9.4	14.3
Arriving passengers (deplaned)	2,748,731	2,518,426	2,201,036	9.1	14.4
Cargo tonnage (in tons)	53,635	54,512	54,445	(1.6)	0.1

Passenger Traffic Activity

Passenger traffic at the Airport increased by 9.3% and 14.4% compared to the prior year in FY 2019 and 2018, respectively. Of the 5,493,990 and 5,028,271 passengers during FY 2019 and 2018, respectively, Southwest Airlines serviced the largest number of passengers at 3,963,632 (72.1% of total passengers) and 3,724,318 (74.1% of total passengers), in FY 2019 and 2018, respectively. Overall, there is a positive recovery of passenger traffic toward pre-recession levels over the last three fiscal years.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

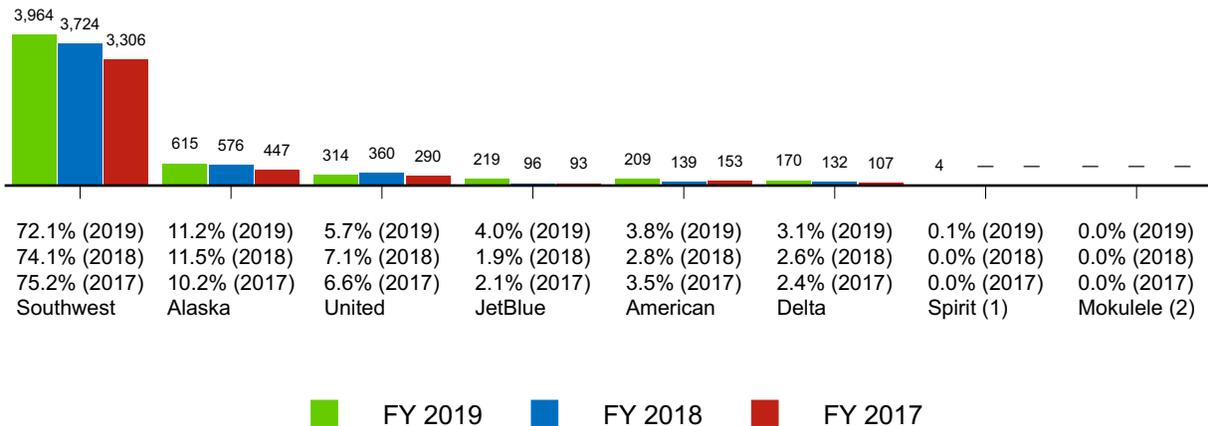
Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

The chart below presents the passenger traffic share by airline for FY 2019, FY 2018 and FY 2017:

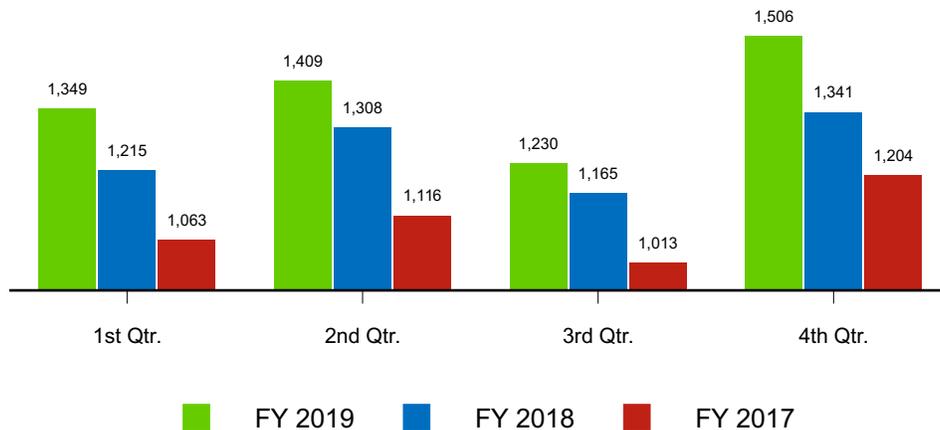
**Signatory Airlines and Percentage of Market Share
(passengers in thousands)**



- (1) Spirit Airlines began operations in June 2019.
- (2) Mokulele Airlines operated from October to November 2017.

The following chart presents the passenger traffic by quarter for FY 2019, FY 2018 and FY 2017:

**Total Passengers By Quarter
(in thousands)**



BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Flight Operations Activities

The total number of commercial carrier flights was 59,574 and 55,625, resulting in an increase of 7.1% and 9.3% from the prior fiscal year for FY 2019 and 2018, respectively. Revenue landing weight increased 6.6% and 12.9% from the prior fiscal year for FY 2019 and 2018, respectively. The top three carriers in terms of landing weight were Southwest Airlines, Alaska Airlines, and United Airlines. In total, these three airlines contributed 87.8% and 93.1% of the total revenue landing weight at the Airport for FY 2019 and 2018, respectively.

Air Cargo Activities

Freight and mail cargo at the Airport for FY 2019 and 2018 was 53,635 and 54,512 tons, respectively. FY 2019 resulted in a slight decrease 1.6% and FY 2018 saw a slight increase of 0.1% in air cargo tonnage from the prior fiscal year. Federal Express and United Parcel Service are the top air freight carriers accounting for 94.5% and 95.5% of the total freight cargo for FY 2019 and 2018, respectively.

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Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Overview of the Authority's Financial Activities

Financial Highlights, Fiscal Year 2019

- Assets exceeded liabilities and deferred inflows of resources (net position) at the close of the fiscal year by \$514,092,670.
- Operating revenues were \$58,469,920.
- Operating expenses before depreciation were \$44,850,463.
- Nonoperating revenues, net of nonoperating expenses (including revenues of \$12,575,929 from Passenger Facility Charges and \$5,754,081 from Customer Facility Charges) were \$21,186,447.
- Capital contributions from the Federal Aviation Administration's (FAA) Airport Improvement (AIP) grants were \$5,170,716.
- Net position increased by \$22,404,445 primarily due to increases in operating income resulting from growth in passenger traffic and nonoperating income resulting from increases in investment income and fair market value of the Authority's investment portfolios.

Financial Highlights, Fiscal Year 2018

- Assets exceeded liabilities and deferred inflows of resources (net position) at the close of the fiscal year by \$491,688,225.
- Operating revenues were \$54,890,750.
- Operating expenses before depreciation were \$42,058,420.
- Nonoperating revenues, net of nonoperating expenses (including revenues of \$8,907,339 from Passenger Facility Charges and \$5,803,490 from Customer Facility Charges) were \$7,263,655.
- Capital contributions from the Federal Aviation Administration's (FAA) Airport Improvement (AIP) grants were \$9,625,431.
- Net position increased by \$11,814,869 primarily due to an increase in operating income resulting from growth in passenger traffic while maintaining steady operations and maintenance expenses.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Net Position Summary

A summary of the Airport's net position as of June 30, 2019, 2018, and 2017 is presented below:

	Schedule of Net Position						
	2019	2018	2017	FY 2018/19		FY 2017/18	
				increase (decrease) Amount	%	increase (decrease) Amount	%
Assets:							
Current unrestricted assets	\$ 34,886,063	\$ 28,915,023	\$ 28,038,471	\$ 5,971,040	20.7%	\$ 876,552	3.1%
Restricted assets	80,908,734	70,721,436	66,532,659	10,187,298	14.4	4,188,777	6.3
Debt service reserve surety	23,638	28,366	33,094	(4,728)	(16.7)	(4,728)	(14.3)
Facility Development Reserve	180,132,453	173,132,453	167,632,453	7,000,000	4.0	5,500,000	3.3
Capital assets, net	334,237,514	340,426,317	343,910,005	(6,188,803)	(1.8)	(3,483,688)	(1.0)
Total assets	630,188,402	613,223,595	606,146,682	16,964,807		7,076,913	1.2
Liabilities:							
Current liabilities	11,309,597	11,202,321	10,600,147	107,276	1.0	602,174	5.7
Liabilities payable							
from restricted assets	7,737,705	7,630,373	7,531,257	107,332	1.4	99,116	1.3
Noncurrent liabilities	96,538,385	102,090,622	107,427,859	(5,552,237)	(5.4)	(5,337,237)	(5.0)
Total liabilities	115,585,687	120,923,316	125,559,263	(5,337,629)		(4,635,947)	
Deferred inflows of resources-							
Deferred amount on refunding	510,045	612,054	714,063	(102,009)	(16.7)	(102,009)	(14.3)
Net position:							
Net investment in capital							
assets	238,185,073	238,809,231	236,941,147	(624,158)	(0.3)	1,868,084	0.8
Restricted, debt service	20,391,201	19,556,765	18,731,009	834,436	4.3	825,756	4.4
Restricted, capital projects	48,611,757	39,369,493	36,099,915	9,242,264	23.5	3,269,578	9.1
Restricted, federal asset seizure	23,369	14,429	16,729	8,940	62.0	(2,300)	(13.7)
Restricted, other purposes	3,148,712	3,064,784	2,980,856	83,928	2.7	83,928	2.8
Unrestricted	203,732,558	190,873,523	185,103,700	12,859,035	6.7	5,769,823	3.1
Total net position	\$ 514,092,670	\$ 491,688,225	\$ 479,873,356	\$ 22,404,445	4.6%	\$ 11,814,869	2.5%

Net Position

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities and deferred inflows of resources (net position) by \$514,092,670, \$491,688,225, and \$479,873,356 at the close of FY 2019, FY 2018 and FY 2017, respectively.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, runways, etc.), net of accumulated depreciation, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to Airport users. Consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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Management's Discussion and Analysis

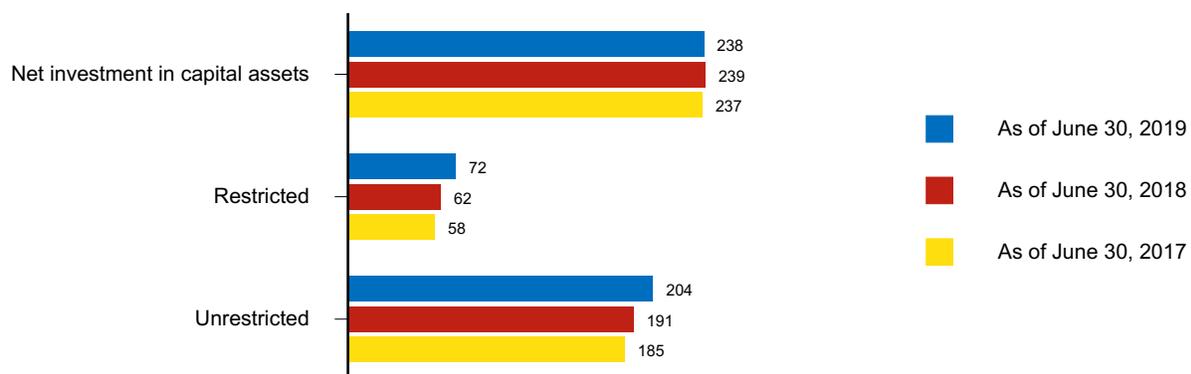
June 30, 2019 and 2018

(Unaudited)

The second portion of the Authority's net position represents resources that are subject to external restrictions on how they may be used. Of this restricted net position, 28.3%, 31.5%, and 32.4% are for repayment of long-term debt and 67.4%, 63.5%, and 62.4% are for construction of capital assets at June 30, 2019, 2018 and 2017, respectively. A very small percentage of restricted net position, comprising less than 0.4% at June 30, 2019, 2018 and 2017, are for uses pursuant to the Federal Asset Forfeiture Program. Lastly, 4.4%, 4.9%, and 5.2% are for other restricted purposes that are not related to debt service, capital projects, and Federal asset seizure.

The final portion of net position is unrestricted net position and may be used to meet the Authority's ongoing obligations to Airport users and creditors.

**Net Position as of June 30, 2019, 2018 and 2017
(in millions)**



The Authority's positive unrestricted net position balance has continued to increase over the three fiscal years ended June 30, 2019, 2018 and 2017.

Current Unrestricted Assets

The Authority's current unrestricted assets increased by \$5,971,040, or 20.7%, in FY 2019, primarily resulting from an increase in the fair value unrealized gain of the investments in the operating portfolio. Current unrestricted assets consist primarily of cash and investments in the operating portfolio. Cash inflows were greater than outflows during the fiscal year. Current unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions, and transfers to fiscal agents for debt service.

The Authority's current unrestricted assets increased by \$876,552, or 3.1%, in FY 2018, primarily resulting from an increase in other receivables. Current unrestricted assets consist primarily of cash and investments in the operating portfolio. Cash inflows were greater than outflows during the fiscal year. Current unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions, and transfers to fiscal agents for debt service.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Restricted Assets

The Authority's restricted assets increased by \$10,187,298, or 14.4%, and \$4,188,777, or 6.3%, in FY 2019 and 2018, respectively, resulting primarily from an increase in passenger facility charges (PFC) for eligible capital expenditures. Restricted assets consist primarily of cash and investments in the operating portfolio that are restricted based on constraints placed on assets through external parties such as creditors, grantors, leases, trust agreements, contributors, laws or regulations of other governments, or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, reserves for operations and maintenance, and construction of long-term assets.

Facility Development Reserve

Cash and investments – Facility Development Reserve was established by the Authority during FY 2000 to provide for the development of the terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects is determined based on the approval of the Authority. In FY 2019 and FY 2018, the fund increased by \$7,000,000 and \$5,500,000, respectively. The Authority transferred \$7,000,000 and \$5,500,000 in excess revenues from the current operating fund in FY 2019 and 2018, respectively.

Capital Assets

Below is a summary of the Authority's capital assets for FY 2019, 2018 and 2017:

Capital assets:	2019	2018	2017	FY 2018/19		FY 2017/18	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Land	\$ 157,794,496	\$ 157,794,496	\$ 157,794,496	\$ —	—%	\$ —	—%
Other non-depreciable capital assets	1,128,515	1,128,515	1,128,515	—	—	—	—
Construction in progress	2,287,444	2,953,592	4,651,743	(666,148)	(22.6)	(1,698,151)	(36.5)
Buildings and improvements	255,004,997	253,658,860	249,492,392	1,346,137	0.5	4,166,468	1.7
Runways and improvements	142,167,183	132,406,814	120,968,479	9,760,369	7.4	11,438,335	9.5
Machinery and equipment	35,471,751	35,306,407	35,123,182	165,344	0.5	183,225	0.5
Less accumulated depreciation	(259,616,872)	(242,822,367)	(225,248,802)	(16,794,505)	6.9	(17,573,565)	7.8
Total capital assets, net	<u>\$ 334,237,514</u>	<u>\$ 340,426,317</u>	<u>\$ 343,910,005</u>	<u>\$ (6,188,803)</u>	(1.8)%	<u>\$ (3,483,688)</u>	(1.0)%

The Authority's net capital assets decreased by \$6,188,803, or 1.8%, in FY 2019 and \$3,483,688, or 1.0%, in FY 2018. The decreases in FY 2019 and FY 2018 were primarily due to depreciation expense for the Authority's depreciable capital assets, which include buildings and improvements, runways and improvements, and machinery and equipment, and disposals of depreciable capital assets exceeding acquisitions, respectively. Total capital asset additions net of depreciation in FY 2019 and 2018 were \$5,891,023 and \$12,637,322, respectively, and total deletions, including canceled projects and transfers from construction in progress to depreciable assets, were \$12,079,826 and \$16,121,010, respectively.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

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(Unaudited)

Significant capital asset additions in FY 2019 include:

- Taxiway C & D and apron rehabilitation
- Terminal ramp rehabilitation
- Terminal B security checkpoint upgrade

Significant capital asset additions in FY 2018 include:

- Runway 15/33 rehabilitation
- Emergency backup generator

The Authority did not have any contract commitments outstanding at June 30, 2019 for various construction contracts such as the Taxiway C & D and apron rehabilitation, Terminal ramp rehabilitation, and Terminal B security checkpoint upgrade projects, which were all completed during the fiscal year. Subsequent to June 30, 2019, the Authority entered into an additional construction contract totaling \$2,099,920 for the Taxiway A rehabilitation project.

Additional information regarding the Authority's capital assets can be found in note 4 in the accompanying notes to the basic financial statements.

Current Liabilities

Current liabilities increased by \$107,276, or 1.0%, in FY 2019, primarily due to increases in customer deposits and payroll accruals for vacation and sick leave, partially offset by decreases in vendor accruals and unearned revenue. Current liabilities increased by \$602,174, or 5.7%, in FY 2018, primarily due to increases in unearned revenue and payroll accruals for vacation and sick leave, partially offset by a decrease in vendor accruals.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets increased by \$107,332, or 1.4%, in FY 2019 and \$99,116, or 1.3%, in FY 2018. The increase in FY 2019 and FY 2018 reflects an increase of \$215,000 and \$195,000, respectively, in the current portion of principal payable for the 2012 and 2015 Bonds offset by a decrease of \$107,668 and \$95,884, respectively, in interest payable for both bonds.

Additional information regarding the Authority's liabilities payable from restricted assets can be found in note 5 in the accompanying notes to the basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

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(Unaudited)

Noncurrent Liabilities

Below is a summary of the Authority's noncurrent liabilities for FY 2019, 2018 and 2017:

	2019	2018	2017	FY 2018/19		FY 2017/18	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Long-term debt, net of current portion:							
Revenue bonds payable, less							
current portion	\$ 94,040,000	\$ 99,115,000	\$ 103,975,000	\$ (5,075,000)	(5.1)%	\$ (4,860,000)	(4.7)%
Original issue premium, net	2,498,385	2,975,622	3,452,859	(477,237)	(16.0)	(477,237)	(13.8)
Total long-term liabilities	<u>\$ 96,538,385</u>	<u>\$ 102,090,622</u>	<u>\$ 107,427,859</u>	<u>\$ (5,552,237)</u>	(5.4)%	<u>\$ (5,337,237)</u>	(5.0)%

As of June 30, 2019 and 2018, the Authority's outstanding long-term debt consisted of its outstanding 2012 (Series A and B) and 2015 (Series A and B) bonds of \$94,040,000 and \$99,115,000, respectively, and unamortized premium of \$2,498,385 and \$2,975,622, respectively.

The Authority's long-term liabilities decreased by \$5,552,237, or 5.4%, in FY 2019 and decreased by \$5,337,237, or 5.0%, in FY 2018. The decrease in FY 2019 includes reclassification of the current portions of the 2012 Bonds of \$1,670,000 and 2015 Bonds of \$3,405,000, and amortization of the original issue premium on both bonds of \$477,237. The decrease in FY 2018 includes reclassification of the current portion of 2012 Bonds of \$1,615,000 and current portion of the 2015 Bonds of \$3,245,000, and amortization of the original issue premium on both bonds of \$477,237.

Additional information regarding the Authority's long-term debt can be found in note 5 in the accompanying notes to the basic financial statements.

Deferred Inflows of Resources

Deferred inflows of resources consists of the net deferred amount on refunding of the 2005 Bonds of \$510,045 and \$612,054 at June 30, 2019 and 2018, respectively. The refunding and defeasance of the 2005 Bonds resulted in a difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds of \$935,367. This difference, reported in the accompanying basic financial statements as a deferred inflow of resources, is being credited to interest expense through July 1, 2024, the final maturity of the 2015 Bonds, using the straight-line method. Amortization in FY 2019 and FY 2018 totaled \$102,009 and \$102,009, respectively.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Changes in Net Position Summary

A condensed summary of the Authority's changes in net position for fiscal years ended June 30, 2019, 2018 and 2017 is presented below:

Schedule of Revenues, Expenses, and Changes in Net Position

	FY 2019	FY 2018	FY 2017	FY 2018/19		FY 2017/18	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Operating revenues	\$ 58,469,920	\$ 54,890,750	\$ 50,443,155	\$ 3,579,170	6.5%	\$ 4,447,595	8.8%
Operating expenses	62,422,638	59,964,967	58,830,856	2,457,671	4.1	1,134,111	1.9
Operating loss	(3,952,718)	(5,074,217)	(8,387,701)	1,121,499	(22.1)	3,313,484	(39.5)
Nonoperating revenues, net	21,186,447	7,263,655	7,625,208	13,922,792	191.7	(361,553)	(4.7)
Income before capital contributions	17,233,729	2,189,438	(762,493)	15,044,291	(687.1)	2,951,931	(387.1)
Capital contributions	5,170,716	9,625,431	10,261,859	(4,454,715)	(46.3)	(636,428)	(6.2)
Changes in net position	22,404,445	11,814,869	9,499,366	10,589,576	89.6	2,315,503	24.4
Total net position - beginning	491,688,225	479,873,356	470,373,990	11,814,869	2.5	9,499,366	2.0
Total net position - ending	<u>\$ 514,092,670</u>	<u>\$ 491,688,225</u>	<u>\$ 479,873,356</u>	<u>\$ 22,404,445</u>	4.6%	<u>\$ 11,814,869</u>	2.5%

Operating Revenues

The Airport derives its operating revenues from parking operations, aircraft landing fees, concessions, tenant rent, and other assessments such as ground transportation access fees and fuel flowage fees.

The following table presents a comparative summary of operating revenues in FY 2019, FY 2018 and FY 2017:

Comparative Summary of Operating Revenues

	FY 2019	FY 2018	FY 2017	FY 2018/19		FY 2017/18	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Parking	\$ 21,688,728	\$ 20,978,087	\$ 20,425,013	\$ 710,641	3.4%	\$ 553,074	2.7%
Landing fees	3,928,651	3,774,427	3,338,301	154,224	4.1	436,126	13.1
Concessions	11,105,119	10,351,680	9,327,875	753,439	7.3	1,023,805	11.0
Tenant rent	16,146,956	15,337,180	14,766,090	809,776	5.3	571,090	3.9
Ground transportation	3,988,429	3,019,439	1,157,712	968,990	32.1	1,861,727	160.8
Fuel flowage fees	748,194	693,284	647,441	54,910	7.9	45,843	7.1
Other operating revenues	863,843	736,653	780,723	127,190	17.3	(44,070)	(5.6)
Total operating revenues	<u>\$ 58,469,920</u>	<u>\$ 54,890,750</u>	<u>\$ 50,443,155</u>	<u>\$ 3,579,170</u>	6.5%	<u>\$ 4,447,595</u>	8.8%

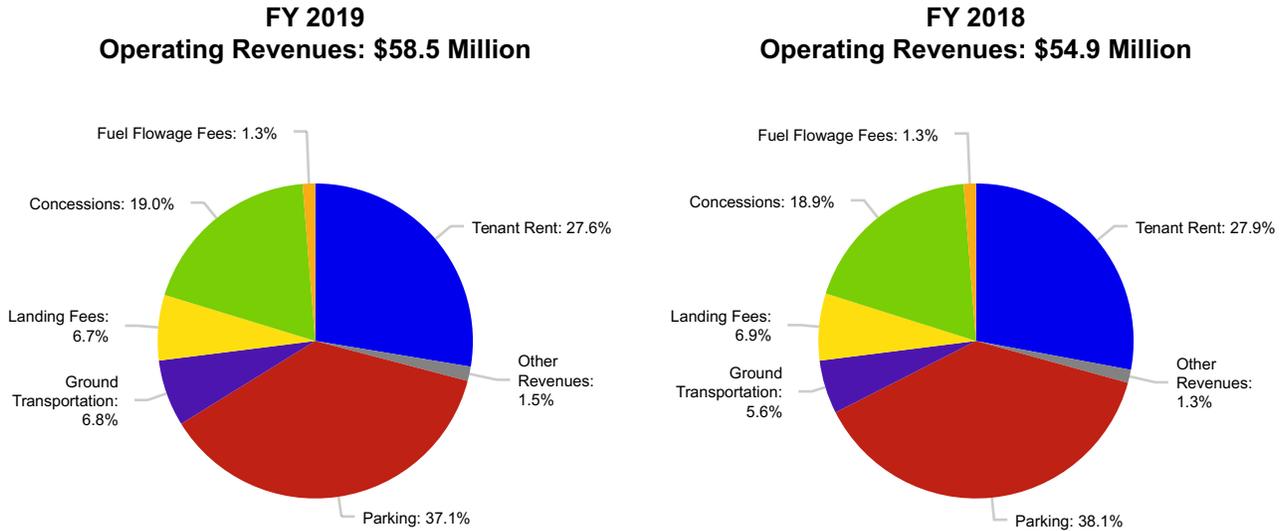
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

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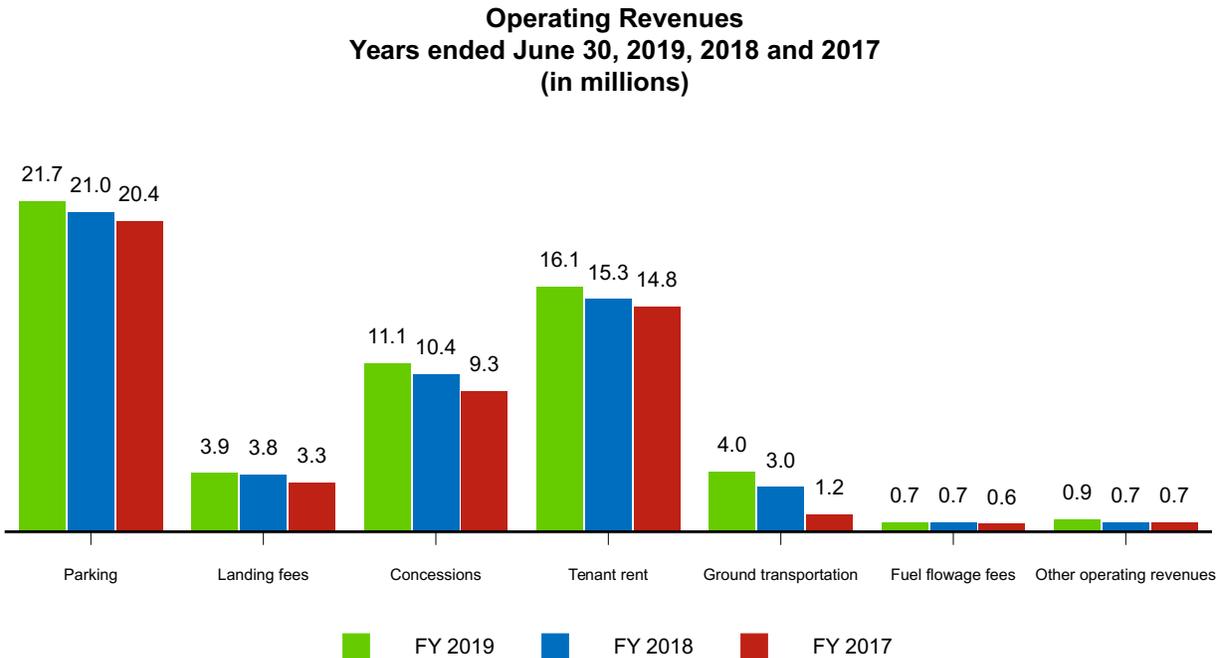
June 30, 2019 and 2018

(Unaudited)

The charts below present the distribution of major sources of operating revenues in FY 2019 and FY 2018:



The chart below presents the comparative summary of operating revenues for FY 2019, FY 2018, and FY 2017:



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(Unaudited)

In FY 2019, total operating revenues increased by \$3,579,170, or 6.5% due to a combination of factors, as follows:

(1) increased parking revenues of \$710,641, or 3.4%;

(i) the modest increase in parking revenues was less than the increase in passenger activity in FY 2019. This was primarily due to a change in the ground transportation mode split to/from what the Airport experienced between private cars using on-airport parking and the usage of transportation network companies' (TNC) services;

(2) increased landing fees of \$154,224, or 4.1%, primarily due to the upgauging of aircraft and increased flight service levels on various routes;

(3) increased concession fees of \$753,439, or 7.3% due to an increase in revenues generated by various passenger activity related concessions, but primarily from rental cars and food and beverage offset by a decrease in on-airport advertising;

(i) concession fees are highly dependent on passenger behavior and not necessarily tied to passenger traffic levels. Rental car demand continued to increase slightly while the rental average days has shown an upward trend. Additionally, continued changes in the food and beverage products line-up has had a positive effect on concession revenues generated;

(4) increased tenant rent of \$809,776, or 5.3%, primarily due to increased hangar rental income resulting from CPI increases and new tenant lease agreements executed during FY 2019;

(5) increased ground transportation revenues of \$968,990, or 32.1%, primarily due to an increase in TNC activities and an increase in TNC drop-off and pick-up fees to \$3.50 from \$3.00 effective May 2019;

(6) increased fuel flowage fees of \$54,910, or 7.9%, primarily due to increased general aviation activity; and

(7) increased other operating revenues of \$127,190, or 17.3%, primarily due to increases in movie location and TNC notice of violations revenues.

In FY 2018, total operating revenues increased by \$4,447,595, or 8.8%, due to a combination of factors, as follows:

(1) increased parking revenues of \$553,074, or 2.7%;

(i) the modest increase in parking revenues was less than the increase in passenger activity in FY 2018. This was primarily due to a change in the ground transportation mode split to/from what the Airport experienced between private cars using on-airport parking and the usage of TNC services;

(2) increased landing fees of \$436,126, or 13.1%, primarily due to the upgauging of aircraft and increased flight service levels on various routes;

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June 30, 2019 and 2018

(Unaudited)

(3) increased concession fees of \$1,023,805, or 11.0%, due to an increase in revenues generated by various passenger activity related concessions, but primarily from rental cars, food and beverage, and on-airport advertising;

(i) concession fees are highly dependent on passenger behavior and not necessarily tied to passenger traffic levels. While rental car demand has only increased slightly, the rental average days has shown an upward trend. Additionally, continued changes in food and beverage products line-up had a positive effect on concession revenues generated. Demand for advertising opportunities at the Airport continued to grow from previous fiscal years;

(4) increased tenant rent of \$571,090, or 3.9%, primarily due to increased hangar rental income resulting from CPI increases and new tenant lease agreements executed end of FY 2017 and during FY 2018;

(5) increased ground transportation revenues of \$1,861,727, or 160.8%, primarily due to an increase in TNC drop-off fees and the implementation of a \$3 fee for each TNC pick-up in FY 2018;

(6) increased fuel flowages fees of \$45,843, or 7.1%, primarily due to increased general aviation activity; and

(7) decreased other operating revenues of \$44,070, or 5.6%, primarily due to a decrease in movie location revenues.

Operating Expenses

The following table presents a comparative summary of operating expenses in FY 2019, FY 2018 and FY 2017:

Operating Expenses Summary

				FY 2018/19		FY 2017/18	
	FY 2019	FY 2018	FY 2017	increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Contracted airport services	\$ 20,435,584	\$ 19,215,948	\$ 18,264,010	\$ 1,219,636	6.3%	\$ 951,938	5.2%
Salaries and benefits	5,465,519	5,032,761	4,882,831	432,758	8.6	149,930	3.1
Financial services	1,015,883	974,182	967,080	41,701	4.3	7,102	0.7
Rescue services	3,260,929	2,894,419	2,715,010	366,510	12.7	179,409	6.6
Repairs and maintenance, materials and supplies	5,310,842	4,796,356	5,110,868	514,486	10.7	(314,512)	(6.2)
Utilities	1,918,002	1,897,477	1,834,890	20,525	1.1	62,587	3.4
Professional services	2,236,102	2,253,350	2,250,548	(17,248)	(0.8)	2,802	0.1
Insurance	1,132,971	1,143,126	1,361,694	(10,155)	(0.9)	(218,568)	(16.1)
Other operating expenses	4,074,631	3,850,801	3,839,509	223,830	5.8	11,292	0.3
Operating expenses before depreciation	44,850,463	42,058,420	41,226,440	2,792,043	6.6	831,980	2.0
Depreciation	17,572,175	17,906,547	17,604,416	(334,372)	(1.9)	302,131	1.7
Total operating expenses	<u>\$ 62,422,638</u>	<u>\$ 59,964,967</u>	<u>\$ 58,830,856</u>	<u>\$ 2,457,671</u>	4.1%	<u>\$ 1,134,111</u>	1.9%

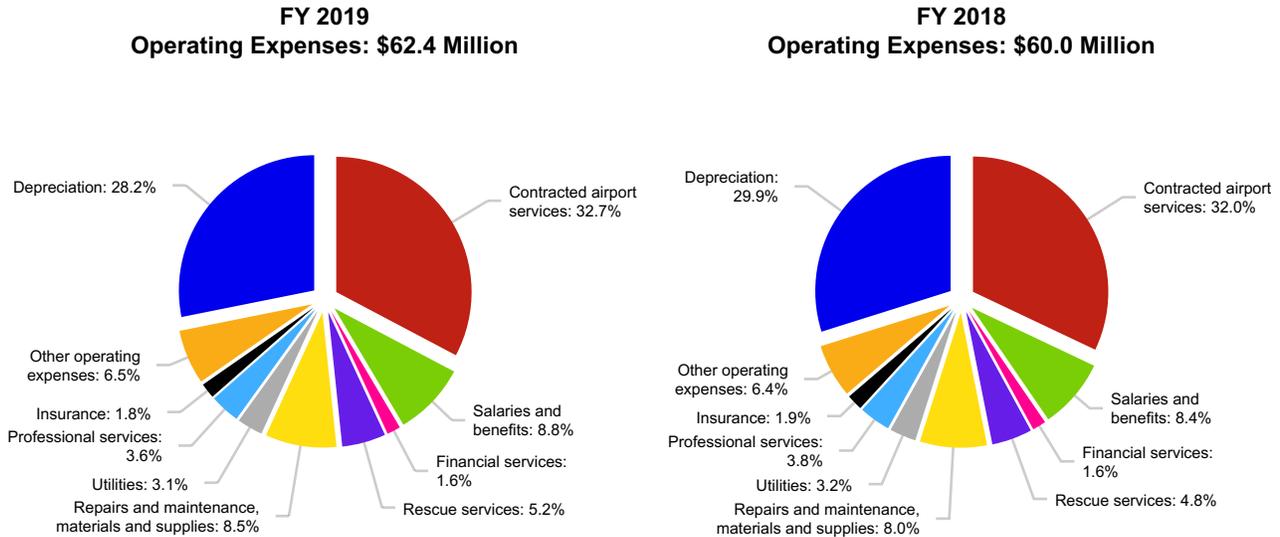
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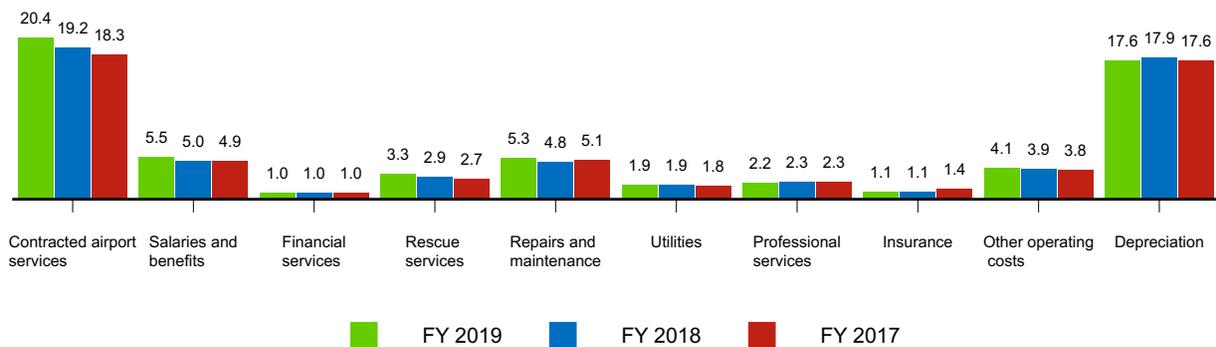
(Unaudited)

The charts below present the distribution of operating expenses in FY 2019 and FY 2018:



The chart below presents the comparative summary of operating expenses for FY 2019, FY 2018 and FY 2017:

**Operating Expenses
Years ended June 30, 2019, 2018 and 2017
(in millions)**



Total operating expenses increased by \$2,457,671, or 4.1%, in FY 2019 primarily due to a combination of factors, as follows:

- (1) increased contracted airport services of \$1,219,636, primarily due to increased contracted Airport personnel costs of \$1,128,169 and increased parking operator costs of \$46,013;

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Management's Discussion and Analysis

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(Unaudited)

(i) the increased contracted Airport personnel costs of \$1,128,169 is primarily due to the authorization of new positions and the filling of new and other existing open positions;

(2) increased salaries and benefits for Airport police officers of \$432,758 in accordance with the agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union;

(3) increased cost for aircraft rescue and firefighting services of \$366,510 in accordance with an agreement in place with the Burbank Airport Professional Firefighters IAFF Local I-61 Union;

(4) increased repairs and maintenance costs, not including materials and supplies, of \$547,264, primarily due to the completion of significant repair projects in FY 2019 and additional information technology services and upgrading of software;

(5) increased utilities costs of \$20,525, primarily due to increased use related to passenger activity levels through the Airport;

(6) decreased insurance costs of \$10,155, primarily due to decreased insurance premiums; and

(7) decreased depreciation expense of \$334,372, primarily due to capital assets fully depreciated in FY 2018 exceeding the impact of new capital asset additions in FY 2019.

Total operating expenses increased by \$1,134,111, or 1.9%, in FY 2018 primarily due to a combination of factors, as follows:

(1) increased contracted airport services of \$951,938, primarily due to increased contracted Airport personnel costs of \$859,853 and increased parking operator costs of \$74,780;

(i) the increased contracted Airport personnel costs of \$859,853 is primarily due to the authorization of new positions and the filling of new and other existing open positions;

(2) increased salaries and benefits for Airport police officers of \$149,930 in accordance with the revised agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union;

(3) increased cost for aircraft rescue and firefighting services of \$179,409 in accordance with an agreement in place with the Burbank Airport Professional Firefighters IAFF Local I-61 Union;

(4) decreased repairs and maintenance costs, not including materials and supplies, of \$359,140, primarily due to the completion of significant repair and maintenance projects in FY 2017;

(5) increased utilities costs of \$62,587, primarily due to increased use related to passenger activity levels through the Airport;

(6) decreased insurance costs of \$218,568, primarily due to decreased insurance premiums; and

(7) increased depreciation expense of \$302,131, primarily due to capital asset additions completed near the end of FY 2017 and new capital asset additions in FY 2018 exceeding the impact of assets fully depreciated in FY 2018.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Nonoperating Revenues and Expenses

The following summary presents a comparison of nonoperating revenues and expenses in FY 2019, FY 2018 and FY 2017:

Comparative Summary of Nonoperating Revenues and Expenses

	FY 2019	FY 2018	FY 2017	FY 2018/19		FY 2017/18	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Nonoperating revenues:							
PFC revenues	\$ 12,575,929	\$ 8,907,339	\$ 8,942,706	\$ 3,668,590	41.2%	\$ (35,367)	(0.4)%
CFC revenues	5,754,081	5,803,490	5,641,652	(49,409)	(0.9)	161,838	2.9
Investment income	9,408,767	1,462,445	1,130,960	7,946,322	543.4	331,485	29.3
Gain (loss) on disposal of capital assets	24,765	6,630	(193,350)	18,135	273.5	199,980	103.4
Other noncapital grants	60,246	55,098	46,057	5,148	9.3	9,041	19.6
	<u>27,823,788</u>	<u>16,235,002</u>	<u>15,568,025</u>	<u>11,588,786</u>	<u>71.4</u>	<u>666,977</u>	<u>4.3</u>
Nonoperating expenses:							
Interest expense	4,750,893	4,966,228	5,128,767	(215,335)	(4.3)	(162,539)	(3.2)
Sound insulation program	4,302	1,956	4,470	2,346	119.9	(2,514)	(56.2)
Replacement terminal development	1,830,354	3,945,580	2,764,011	(2,115,226)	(53.6)	1,181,569	42.7
Other expenses, net	51,792	57,583	45,569	(5,791)	(10.1)	12,014	26.4
	<u>6,637,341</u>	<u>8,971,347</u>	<u>7,942,817</u>	<u>(2,334,006)</u>	<u>(26.0)</u>	<u>1,028,530</u>	<u>12.9</u>
Total nonoperating revenues (expenses), net	<u>\$ 21,186,447</u>	<u>\$ 7,263,655</u>	<u>\$ 7,625,208</u>	<u>\$ 13,922,792</u>	<u>191.7%</u>	<u>\$ (361,553)</u>	<u>(4.7)%</u>

Nonoperating revenues of \$27,823,788 and \$16,235,002 in FY 2019 and FY 2018, respectively, consist of PFC revenues, CFC revenues, net investment income, gain (loss) on disposal of capital assets, and other non-capital grants (capital grant revenues are included in capital contributions).

In FY 2019, nonoperating revenues net of nonoperating expenses increased by \$13,922,792, or 191.7%, primarily due to a combination of the following:

- (1) increased PFC revenues of \$3,668,590 primarily due to an increase in passenger levels and increases in both interest revenue and fair value of the investments in the PFC investment portfolio;
- (2) decrease CFC revenues of \$49,409 due to a slight decrease in the number of rental car transactions;
- (3) increased investment income of \$7,946,322 due to increases in both interest revenue and fair value of the operating investment portfolio;
- (4) increased gain on disposal of capital asset of \$18,135, primarily due to a gain on sale of machinery and equipment; and

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

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(Unaudited)

(5) decreased replacement terminal development expenses of \$2,115,226 due to the prorated contribution for costs related to utility transmission infrastructure made in the prior year.

In FY 2018, nonoperating revenues net of nonoperating expenses decreased by \$361,553, or 4.7%, primarily due to a combination of the following:

(1) decreased PFC revenues of \$35,367 primarily due to a reduction in the authorized PFC rate for the period from August through November of 2017 for eligible capital projects approved by the Federal Aviation Administration offset by increases in passenger levels and investment income on the PFC Fund, resulting from increases in interest rates offset by a decrease in fair value of PFC investments at year-end;

(2) increased CFC revenues of \$161,838 due to an increase in the number of rental car transactions;

(3) increased investment income \$331,485 due to an increase in investment interest revenue offset by a decrease in fair value of investments;

(4) increased gain on disposal of capital asset of \$199,980, primarily due to a gain on sale of machinery and equipment; and

(5) increased replacement terminal development expenses of \$1,181,569 due to the completion of the Authority's conceptual validation and cost estimate of the replacement passenger terminal project, commencement of the environmental impact study, and prorated contribution for costs related to utility transmission infrastructure.

Capital Contributions

Capital contributions amounting to \$5,170,716 and \$9,625,431 were recorded during FY 2019 and FY 2018, respectively. In FY 2019, these amounts represent FAA Airport Improvement (AIP) grants for completion of Taxiway C & D and apron rehabilitation, Taxiway A rehabilitation design, and the ongoing Replacement Passenger Terminal project environmental impact study. In FY 2018, these amounts represent AIP grants for completion of Runway 15/33 phase II construction, runway rehabilitation design, the ongoing environmental impact study, and commencement of Taxiway C & D and apron rehabilitation.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Burbank-Glendale-Pasadena Airport Authority, 2627 N. Hollywood Way, Burbank, California, 91505.

BASIC FINANCIAL STATEMENTS

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Position

June 30, 2019 and 2018

Assets	2019	2018
Current unrestricted assets:		
Cash and investments – current operating fund (note 3)	\$ 30,363,357	\$ 24,415,799
Grants receivable	550,564	383,856
Accounts receivable, net of allowance	2,112,087	2,033,530
Accrued interest receivable	1,096,540	986,398
Other receivables	379,665	723,588
Prepaid expenses	383,850	371,852
	<hr/>	<hr/>
Total current unrestricted assets	34,886,063	28,915,023
Current restricted assets:		
Cash and investments (note 3):		
Cash and investments with trustee	14,955,875	14,732,388
Other restricted cash and investments:		
Operating Reserve Fund	11,542,721	10,920,680
Bond Surplus Fund	2,601,563	2,601,563
Authority Areas Reserve	3,148,712	3,064,784
Asset Forfeiture Fund	23,369	14,429
Proceeds from sale of Airport property	2,104,502	2,104,502
Passenger Facility Charge Fund	42,380,956	33,528,743
Customer Facility Charge Fund	2,019,260	1,934,215
	<hr/>	<hr/>
Total other restricted cash and investments	63,821,083	54,168,916
Total restricted cash and investments	78,776,958	68,901,304
	<hr/>	<hr/>
Passenger Facility Charge receivables	1,376,429	1,146,731
Customer Facility Charge receivables	523,018	514,439
Accrued interest receivable	232,329	158,962
	<hr/>	<hr/>
Total current restricted assets	80,908,734	70,721,436
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Total restricted assets	80,908,734	70,721,436
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2015 Bonds debt service reserve surety, net (note 5)	23,638	28,366
Cash and investments – Facility Development Reserve (note 3)	180,132,453	173,132,453
Capital assets (note 4):		
Land	157,794,496	157,794,496
Other nondepreciable capital assets	1,128,515	1,128,515
Construction in progress	2,287,444	2,953,592
Buildings and improvements	255,004,997	253,658,860
Runways and improvements	142,167,183	132,406,814
Machinery and equipment	35,471,751	35,306,407
Less accumulated depreciation	(259,616,872)	(242,822,367)
	<hr/>	<hr/>
Total capital assets, net	334,237,514	340,426,317
	<hr/>	<hr/>
Total assets	\$ 630,188,402	\$ 613,223,595
	<hr/>	<hr/>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Position

June 30, 2019 and 2018

(Continued)

Liabilities	2019	2018
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,958,067	\$ 8,214,962
Salaries and benefits payable	1,077,164	918,699
Unearned revenue	1,389,542	1,521,975
Customer deposits	884,824	546,685
Total current liabilities	11,309,597	11,202,321
Liabilities payable from restricted assets:		
Current portion of long-term debt (note 5)	5,075,000	4,860,000
Accrued interest payable	2,662,705	2,770,373
Total liabilities payable from restricted assets	7,737,705	7,630,373
Long-term debt, net of current portion (note 5):		
Revenue bonds payable, less current portion	94,040,000	99,115,000
Original issue premium, net	2,498,385	2,975,622
Total long-term liabilities	96,538,385	102,090,622
Total liabilities	115,585,687	120,923,316
Deferred Inflows of Resources		
Deferred amount on refunding of 2005 Bonds, net (note 5)	510,045	612,054
Net Position		
Net investment in capital assets	238,185,073	238,809,231
Restricted:		
Debt service	20,391,201	19,556,765
Capital projects	48,611,757	39,369,493
Federal asset seizure	23,369	14,429
Other purposes	3,148,712	3,064,784
Unrestricted	203,732,558	190,873,523
Total net position	\$ 514,092,670	\$ 491,688,225

See accompanying notes to basic financial statements.

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services:		
Parking	\$ 21,688,728	\$ 20,978,087
Landing fees	3,928,651	3,774,427
Concessions	11,105,119	10,351,680
Tenant rent	16,146,956	15,337,180
Ground transportation	3,988,429	3,019,439
Fuel flowage fees	748,194	693,284
Other operating revenues	863,843	736,653
Total operating revenues	<u>58,469,920</u>	<u>54,890,750</u>
Operating expenses:		
Contracted airport services	20,435,584	19,215,948
Salaries and benefits	5,465,519	5,032,761
Financial services	1,015,883	974,182
Rescue services	3,260,929	2,894,419
Materials and supplies	337,742	370,520
Repairs and maintenance	4,973,100	4,425,836
Utilities	1,918,002	1,897,477
Professional services	2,236,102	2,253,350
Insurance	1,132,971	1,143,126
Other operating expenses	4,074,631	3,850,801
Total operating expenses before depreciation	<u>44,850,463</u>	<u>42,058,420</u>
Operating income before depreciation	13,619,457	12,832,330
Depreciation (note 4)	17,572,175	17,906,547
Operating loss	<u>(3,952,718)</u>	<u>(5,074,217)</u>
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest (note 8)	12,575,929	8,907,339
Customer Facility Charge revenue (note 9)	5,754,081	5,803,490
Investment income, net	9,408,767	1,462,445
Interest expense	(4,750,893)	(4,966,228)
Gain on retirement of capital assets (note 4)	24,765	6,630
Sound insulation program	(4,302)	(1,956)
Other noncapital grants	60,246	55,098
Replacement terminal development	(1,830,354)	(3,945,580)
Other expenses, net	(51,792)	(57,583)
Total nonoperating revenues, net	<u>21,186,447</u>	<u>7,263,655</u>
Income (loss) before capital contributions	17,233,729	2,189,438
Capital contributions	5,170,716	9,625,431
Changes in net position	22,404,445	11,814,869
Total net position – beginning of year	491,688,225	479,873,356
Total net position – end of year	<u>\$ 514,092,670</u>	<u>\$ 491,688,225</u>

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	\$ 58,481,405	\$ 55,095,591
Cash paid to suppliers of goods and services	(36,820,976)	(33,972,506)
Cash paid for employees' services	(5,307,055)	(4,946,237)
Cash paid for parking taxes to the City of Burbank	(2,288,315)	(2,207,779)
Cash paid for replacement terminal development	(2,013,691)	(3,642,992)
Cash received for tenant leasehold improvements	(23,638)	—
Cash paid for settlement – hangar floors and apron	<u>(5,490)</u>	<u>(12,417)</u>
Net cash provided by operating activities	<u>12,022,240</u>	<u>10,313,660</u>
Cash flows from noncapital financing activities:		
Sound insulation program	(4,295)	(2,175)
I-5 construction mitigation program	(88,888)	(38,755)
Reimbursements for TSA Other Transaction Agreement	343,922	(680,533)
Other noncapital grants received	<u>101,825</u>	<u>38,646</u>
Net cash used in noncapital financing activities	<u>352,564</u>	<u>(682,817)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(11,562,698)	(15,876,231)
Proceeds from sale of capital assets	24,765	6,630
Principal paid on revenue bonds	(4,860,000)	(4,665,000)
Interest paid on revenue bonds	(5,433,078)	(5,636,630)
Passenger Facility Charge program receipts	10,787,924	8,624,139
Customer Facility Charge program receipts	5,745,502	5,846,645
Capital contributions received	<u>4,962,428</u>	<u>11,519,798</u>
Net cash used in capital and related financing activities	<u>(335,157)</u>	<u>(180,649)</u>
Cash flows from investing activities:		
Interest received on investments	4,505,817	3,281,363
Purchases of investments not considered cash equivalents	(30,716,815)	(34,578,454)
Proceeds from the sale or maturity of investments not considered cash equivalents	<u>18,627,973</u>	<u>26,919,953</u>
Net cash used in investing activities	<u>(7,583,025)</u>	<u>(4,377,138)</u>
Net increase (decrease) in cash and cash equivalents	4,456,622	5,073,056
Cash and cash equivalents, beginning of year	<u>22,215,870</u>	<u>17,142,814</u>
Cash and cash equivalents, end of year	<u>\$ 26,672,492</u>	<u>\$ 22,215,870</u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows
Years ended June 30, 2019 and 2018

(Continued)

	<u>2019</u>	<u>2018</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (3,952,718)	\$ (5,074,217)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	17,572,175	17,906,547
Other nonoperating expenses	(1,830,354)	(3,945,580)
Changes in assets and liabilities:		
Accounts receivable	(78,557)	(500,817)
Prepaid expenses	(11,998)	(109,378)
Accounts payable and accrued expenses	(40,479)	1,374,382
Salaries and benefits payable	158,465	86,523
Unearned revenue	(132,433)	573,488
Customer deposits	338,139	2,712
Net cash provided by operating activities	<u>\$ 12,022,240</u>	<u>\$ 10,313,660</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Operating fund	\$ 30,363,357	\$ 24,415,799
Restricted cash and investments	78,776,958	68,901,304
Facility Development Reserve	180,132,453	173,132,453
Cash, cash equivalents, and investments	<u>289,272,768</u>	<u>266,449,556</u>
Investments not considered cash equivalents	<u>(262,600,276)</u>	<u>(244,233,686)</u>
Cash and cash equivalents, end of year (note 3)	<u>\$ 26,672,492</u>	<u>\$ 22,215,870</u>
Summary of significant noncash investing and financing activities:		
Amortization of 2015 Bonds debt service reserve surety	\$ 4,728	\$ 4,728
Amortization of original issue premiums	(477,237)	(477,237)
Amortization of 2005 Bonds deferred amount on refunding	(102,009)	(102,009)
Change in fair value of investments	(6,277,747)	1,852,703
Capital assets acquired by accounts payable	(618,917)	(798,242)

See accompanying notes to basic financial statements.

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

(1) Nature of Authority

The Burbank-Glendale-Pasadena Airport Authority (Authority) is a separate governmental entity created by a Joint Exercise of Power Agreement (Agreement) executed in June 1977 among the Cities of Burbank, Glendale, and Pasadena, California (Cities). The purpose of the Agreement was to enable the Cities to acquire, operate, repair, maintain, improve, and administer the Bob Hope Airport, commonly known as the "Hollywood Burbank Airport" (Airport), as a public air terminal. The Authority is governed by a nine-member Board of Airport Commissioners, three of which are appointed by the City Council of each of the Cities. The members of the Airport Commission annually elect a President, Vice-President, and Secretary of the Commission. The Authority has contracted with TBI Airport Management, Inc. (TBI) to perform certain airport administrative, maintenance, operational services and aircraft rescue and firefighting (ARFF) services. These contracted services are included in the Authority's statements of revenues, expenses, and changes in net position as "contracted airport services" except for ARFF services which is included as "rescue services." As required under the State of California Constitution, the Authority directly employs its law enforcement officers.

The debts, liabilities, and obligations of the Authority do not constitute debts, liabilities, or obligations of the Cities. The accompanying basic financial statements are not included in the reporting entity of any of the Cities.

(2) Summary of Significant Accounting Policies

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

(a) Basis of Accounting

The Authority reports its financial operations as an enterprise activity, and as such, its financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on determination of changes in net position, financial position, and cash flows. Operating revenues include charges for services and tenant rent. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(b) Description of Basic Financial Statements

Statements of Net Position – The statements of net position are designed to display the financial position of the Authority including its assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

The Authority's equity is reported as net position, which is classified into three categories defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, and is 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* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments through constitutional provisions or enabling legislation. At June 30, 2019 and 2018, net positions of \$47,745,650 and \$38,723,517, respectively, are restricted by enabling legislation.
- *Unrestricted* – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Statements of Revenues, Expenses and Changes in Net Position – The statements of revenues, expenses and changes in net position are the operating statements for the Authority. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses before depreciation, and operating income (loss).

Statements of Cash Flows – The statements of cash flows present information on the Authority's cash receipts and payments during the fiscal year. These cash flows are grouped into five categories: operating activities, noncapital financing activities, capital and related financing activities, investing activities and noncash investing and financing activities.

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

(c) Operating and Nonoperating Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing goods and services to Airport users. The principal operating revenues of the Airport are parking fees, landing fees, concession charges, tenant rent, ground transportation, and fuel flowage fees. Operating expenses include contracted airport services, salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses including compliance with federal, state and local regulatory requirements, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Restricted Assets

Certain assets are restricted based on constraints placed on the assets use through external constraints imposed by creditors (such as through debt covenants), grantors, leases, trust agreements, contributors, laws or regulations of other governments, or enabling legislation.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets and operations, and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

(e) Grants and Capital Contributions

The Authority receives grants under the Airport Improvement Program (AIP) from the U.S. Department of Transportation – Federal Aviation Administration (FAA) to finance certain capital improvements. The Authority received a Measure R grant for I-5 construction mitigation from the Los Angeles County Metropolitan Transportation Authority. Such grants related to capital acquisitions are recorded on the statements of revenues, expenses, and changes in net position as capital contributions, and for non-capital purposes as nonoperating revenue other noncapital grants. Grant revenues are recognized when qualifying expenses under the grant are incurred.

(f) Passenger Facility Charge Revenues

The Authority imposes a Passenger Facility Charge (PFC) of \$3.00 to \$4.50 per enplaned passenger, as approved by the FAA, to finance certain capital improvements. Cash and receivables from such revenues are maintained in separate accounts and are restricted for approved airport improvement projects. Revenues are recognized during the period earned.

(g) Customer Facility Charge Revenues

The Authority imposes a Customer Facility Charge (CFC) on all rental car contracts transacted at the Airport in accordance with *California Civil Code 1936 et. seq.*, as amended. The current applicable charge is \$6.00 per day up to a maximum of five days per transaction. Under the Master Indenture of Trust as supplemented, revenues generated on/after July 1, 2014 are used solely for the purposes of repayment of the debt obligations incurred to develop the Consolidated Rental Car Facility (CRCF) located in the Regional Intermodal Transportation Center (RITC) of the Airport. Cash and receivables from such revenues are maintained in separate accounts and are recognized during the period in which they are earned.

(h) Revenues and Cash Accounts

All revenues, except PFCs and CFCs (CFCs collected are transferred to the 2012 Bonds Debt Service Fund), are deposited in the Revenue Fund and are transferred to the following cash accounts in priority order as mandated by resolution of the Authority and its bond indenture:

- **Operating Fund** – The balance in this fund is to be used for payment of operations and maintenance costs as they become due and payable.
- **Rebate Fund** – Amounts on deposit in the Rebate Fund shall be applied to satisfy federal tax law requirements. As of June 30, 2019 and 2018, there was no balance in the Rebate Fund.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

- **Debt Service Funds** – Bond interest currently payable on the 2012 and 2015 Bonds is deposited to each bond issue's debt service fund monthly prior to each semiannual payment. Currently payable bond principal on the 2012 and 2015 Bonds is transferred to each bond issue's debt service fund monthly prior to each annual payment. These cash funds are held by a trustee who pays the bond interest and principal when due. The balance in the Debt Service Funds at June 30, 2019 and 2018 is \$4,698,280 and \$4,715,256, respectively, for the 2012 Bonds, and \$4,034,332 and \$3,921,762, respectively, for the 2015 Bonds.

CFCs, as received, and RITC Facility Rents, as needed, are deposited to the 2012 Bonds Debt Service Fund each month prior to each semiannual interest and each annual bond principal payment currently payable.

- **Debt Service Reserve Funds** – An amount equal to the lesser of (i) ten percent of the initial offering price of the Revenue Bonds, (ii) greatest annual debt service from the current period to the maturity of the Revenue Bonds, or (iii) 125% of average annual debt service from the current period to the maturity of the Revenue Bonds (a separate account each for the 2005 Bonds and the 2012 Bonds), is to be held by the trustee in these funds to be used in the event that monies in the respective Debt Service Funds are insufficient to meet payments when due. A debt service reserve surety in an amount of \$3,664,397 equal to 10% of the original offering price was obtained for the 2015 Bonds in lieu of a debt service reserve fund. During the years ended June 30, 2019 and 2018, the required balance in the Debt Service Reserve Fund, calculated using the greatest annual debt service from the current period to the maturity of the Revenue Bonds, is \$5,838,000 for the 2012 Bonds. The balance in the Debt Service Reserve Fund for the 2005 Bonds at June 30, 2019 and 2018 is \$152,273 and \$149,779, respectively. The balance in the Debt Service Reserve Fund for the 2012 Bonds at June 30, 2019 and 2018 is \$6,070,926 and \$5,945,528, respectively.
- **Operating Reserve Fund** – The balance in this fund is to be used to pay operation and maintenance costs in the event that monies in the Operating Fund are insufficient. The Authority maintains a reserve equivalent to one-fourth of the annual operations and maintenance budget. The balance in the Operating Reserve Fund at June 30, 2019 and 2018 is \$11,542,721 and \$10,920,680, respectively.
- **Subordinated Indebtedness Fund** – In the event that additional debt is incurred, which is expressly made subordinate or junior in right of payment to the 2015 Bonds or 2012 Bonds, this fund will be established and used to pay principal, interest, and other allowable costs associated with the subordinated indebtedness. As of June 30, 2019 and 2018, there was no balance in the Subordinated Indebtedness Fund.
- **Reserve and Contingency Fund** – The balance in this fund is to be used to pay the costs of extraordinary repairs and replacements of Airport facilities to the extent that such costs are not provided from the proceeds of insurance or from other funds. Any remaining balances in the Reserve and Contingency Fund, not required to meet any deficiencies in the Debt Service Fund or Debt Service Reserve Funds or not needed for any of the purposes for which such Fund was established, shall be transferred to the Operating Fund, and any remaining excess may be deposited in the Surplus Fund. As of June 30, 2019 and 2018, there was no balance in the Reserve and Contingency Fund.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

- **Surplus Fund** – All monies remaining in the Revenue Fund at year-end are to be deposited in this fund and may be transferred to offset other fund deficiencies in the following priority order: first in the Debt Service Fund, second in the applicable Debt Service Reserve Fund, third to the Subordinated Indebtedness Fund, and fourth to the Reserve and Contingency Fund. Amounts in the Surplus Fund not required to meet a deficiency as set forth above shall be applied or set aside as allowed for in the bond indenture. As of June 30, 2019 and 2018, there was \$2,601,563 and \$2,601,563, respectively, in the Surplus Fund to be transferred to any of the funds mentioned above. Amounts transferred to the Surplus Fund may be used for purposes of computation of the debt service coverage ratio.
- **Cost of Issuance Funds** – The balance in this fund provides for the payment of costs to issue the 2005 Bonds, 2012 Bonds or 2015 Bonds not paid directly from escrow at the closing of the sale of the respective bonds. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. There was no balance for the cost of issuance fund for any bond issued at June 30, 2019 and 2018.
- **Construction Funds** – The balance in this fund provides for the payment of applicable Capital Improvements identified to be financed from the 2015 Series A Bonds and the 2015 Series B Bonds, and the 2012 Series A Bonds and 2012 Taxable Series B Bonds. These funds are held by a trustee and are subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2019 and 2018, there is \$61 and \$60 for the 2012 Series A Bonds and \$3 and \$3 for the 2012 Taxable Series B Bonds, respectively.

(i) Other Cash Accounts

The Authority maintains the following additional restricted cash:

- **Authority Areas Reserve** – Operating revenues received from certain areas specified in the airline signatory leases are set aside to be utilized at the discretion of the Authority for any lawful purpose.
- **Asset Forfeiture Fund** – The Authority receives funds from the U.S. Department of Justice, U.S. Department of Treasury and the State of California Department of Justice under the equitable sharing programs of each agency related to certain law enforcement activities. These assets are used to purchase certain equipment to supplement law enforcement activities at the Airport.
- **Proceeds from Sale of Airport Property Fund** – proceeds from the sale of Airport property is set aside to be used for similar income producing means in accordance with the Master Indenture of Trust, as supplemented.
- **Passenger Facility Charge Fund** – Cash from the PFC program are maintained in a separate account and are restricted for approved airport improvement projects.
- **Customer Facility Charge Fund** – Cash from CFC collections received prior to July 1, 2014 are maintained in a separate account with the use of such funds limited to eligible capital projects associated with additional development and/or replacement of major components of the Consolidated Rental Car Facility.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

The Authority maintains the following board-designated cash:

- **Facility Development Reserve** – Reserve established during fiscal year (FY) 2000 to provide for the future development of terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects will be determined based on the approval of the Authority. In FY 2019 and FY 2018, no transfers were made to the Operating Fund. In FY 2019, \$7,000,000 of excess revenues was transferred to the Facility Development Reserve.

(j) Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the years ended June 30, 2019 and 2018. Depreciation is recognized in amounts calculated to amortize the cost of the depreciable assets over their estimated useful lives.

Depreciation is computed on a straight-line basis over the following periods:

Buildings and improvements	3 to 40 years
Runways and improvements	3 to 25 years
Machinery and equipment	3 to 20 years

(k) Vacation and Sick Leave

Employees may receive 80 to 160 hours of vacation each year (40 to 80 hours for job share employees), depending on length of service with the Authority. Vacation is not earned until the year is completed. An employee may accrue up to 320 hours of vacation; any hours earned in excess of 320 hours are forfeited, unless approved by management.

Employees are entitled to 100 hours of personal leave during each year (50 hours for job share employees). Employees may accrue personal leave or may receive payment for any unused portion of personal leave days at the end of each year.

Employees are also entitled to bank up to 120 hours of overtime for personal leave.

Vacation and personal leave are accrued as earned by employees. Accrued vacation and personal leave is reported in the accompanying statements of net position and is included in salaries and benefits payable. Accrued vacation and sick leave for the years ended June 30, 2019 and 2018, was \$718,491 and \$622,180, respectively.

(l) Fair Value Measurements

For assets or liabilities that are required to be reported at fair value, the Authority uses valuation techniques which are appropriate under the circumstances and are either a market approach,

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

a cost approach or an income approach. The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy of inputs used to measure fair value consists of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

(m) Investments and Invested Cash

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, PFC and CFC portfolios that, among other things, authorizes 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. These criteria on investments and invested cash related to the Authority's bonded debt are governed by the related Master Indenture of Trust. The Authority further limits all investments to be more restrictive than the Code. Authorized investments and invested cash include U.S. Treasury securities, corporate notes, federal agency securities, money market mutual funds, bankers' acceptances, commercial paper, negotiable and non-negotiable certificates of deposit, repurchase agreements, guaranteed investment contracts and funds deposited in the State Treasurer's Local Agency Investment Fund (LAIF). Additional restrictions in the Authority's investment policy over the requirements of the Code include: (1) smaller maximum portions of the portfolios for certain investment types (e.g., U.S. Agency securities, negotiable and time certificates of deposit, bankers' acceptances, commercial paper, money market mutual funds, LAIF), (2) smaller maximum portions of the portfolios invested in a single institution/issuer (e.g., negotiable and time certificates of deposit, corporate notes, bankers' acceptances, commercial paper) (3) limiting the underlying investments of money market mutual funds to U.S. Treasury securities, and (4) excluding investments in reverse repurchase agreements and securities lending agreements, collateralized mortgage obligations and similar investments, debt securities issued by other local agencies and shares of beneficial interest issued by joint powers authorities formed in accordance with Section 6509.7 of 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.

The Authority's investments are carried at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities, where that information is available, or other observable inputs, where price is not available. The fair value of money market mutual funds and other similar investments is stated at its share value. The fair value of the Authority's investment in the LAIF is based on the Authority's pro rata share provided by LAIF of the fair value of the entire LAIF portfolio. Certain money market mutual fund investments with initial maturities at the time of the purchase of less than one year are recorded at cost. The calculation of realized gains and losses on investments that had been held more than one fiscal year and sold during the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

(n) Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers its investment in money market mutual funds in the Operating and Passenger Facility Charge cash and investment portfolios, and in the LAIF, to be cash equivalents that function as a demand deposit account, whereby funds may be withdrawn or deposited at any time without prior notice or penalty. Unrestricted investments in other securities with remaining maturities of 90 days or less at the time of purchase are also considered cash equivalents. Investments in money market mutual funds held by the bond trustee are not considered cash equivalents for purposes of the statement of cash flows.

(o) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid expenses is recognized as an expense when consumed, rather than when purchased.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Income Taxes

The Authority is a political subdivision of the State of California. Accordingly, the Authority is not subject to federal or state income taxes.

(r) Recent Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Issued in November 2016, this statement addresses accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. The statement will enhance comparability and usefulness in governmental financial statements by establishing uniform criteria for governments to recognize and measure certain AROs and requiring disclosure related to those AROs. The statement has no material impact on the Authority's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Issued in April 2018, this statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Authority has made all required disclosures in Note 5. The statement has no material impact on the Authority's financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

(s) Accounting Pronouncements Issued, Not Yet Effective

The GASB pronouncements issued prior to June 30, 2019 that have an effective date that may impact future financial presentations include:

- GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019;
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019;
- GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statement No. 14 and No. 61*, effective for fiscal years beginning after December 15, 2018; and
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for fiscal years beginning after December 15, 2020.

(t) Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

(3) Cash and Investments

(a) Cash and Investments

(i) Cash and investments at June 30, 2019 and 2018 are classified in the accompanying statements of net position as follows:

	<u>2019</u>	<u>2018</u>
Cash and investments – current assets:		
Operating fund	\$ 30,363,357	\$ 24,415,799
Cash and investments – restricted assets:		
Cash and investments held by bond trustee:		
Debt service reserve fund – 2005 Bonds	152,273	149,779
Debt service fund – 2012 Bonds	4,698,280	4,715,256
Debt service reserve fund – 2012 Bonds	6,070,926	5,945,528
Construction funds – 2012 Bonds	64	63
Debt service fund – 2015 Bonds	4,034,332	3,921,762
Total cash and investments held by bond trustee	<u>14,955,875</u>	<u>14,732,388</u>
Other restricted cash and investments:		
Operating Reserve fund	11,542,721	10,920,680
Bond Surplus fund	2,601,563	2,601,563
Authority Areas Reserve fund	3,148,712	3,064,784
Asset Forfeiture fund	23,369	14,429
Proceeds from sale of Airport property	2,104,502	2,104,502
Passenger Facility Charge fund	42,380,956	33,528,743
Customer Facility Charge fund	2,019,260	1,934,215
Total other restricted cash and investments	<u>63,821,083</u>	<u>54,168,916</u>
Total cash and investments – restricted assets	<u>78,776,958</u>	<u>68,901,304</u>
Cash and investments – Facility Development Reserve	<u>180,132,453</u>	<u>173,132,453</u>
Total cash and investments	<u><u>\$ 289,272,768</u></u>	<u><u>\$ 266,449,556</u></u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

(ii) Cash and investments as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Operating portfolio cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	7,982,282	1,967,165
Money market mutual funds	237,359	1,427,576
LAIF	<u>14,954,620</u>	<u>15,761,472</u>
Total cash and cash equivalents	<u>23,174,761</u>	<u>19,156,713</u>
Investments:		
U.S. Treasury securities	73,370,617	69,597,063
U.S. Agency securities	73,475,423	69,969,169
Medium-term corporate notes	<u>59,895,876</u>	<u>57,531,265</u>
Total investments	<u>206,741,916</u>	<u>197,097,497</u>
Total cash and cash equivalents and investments in operating portfolio	<u>229,916,677</u>	<u>216,254,210</u>
Passenger Facility Charge Fund:		
Cash and cash equivalents:		
Deposits with financial institutions	1,294,472	610
Money market mutual funds	<u>183,999</u>	<u>1,124,332</u>
Total cash and cash equivalents	<u>1,478,471</u>	<u>1,124,942</u>
Investments:		
U.S. Treasury securities	14,583,738	11,566,478
U.S. Agency securities	14,593,023	11,599,017
Medium-term corporate notes	<u>11,725,724</u>	<u>9,238,306</u>
Total investments	<u>40,902,485</u>	<u>32,403,801</u>
Total cash and cash equivalents and investments in passenger facility charge fund	<u>42,380,956</u>	<u>33,528,743</u>
Customer Facility Charge Fund:		
Deposits with financial institutions	<u>2,019,260</u>	<u>1,934,215</u>
Investments held by bond trustee:		
Money market mutual funds	<u>14,955,875</u>	<u>14,732,388</u>
Total cash and cash equivalents and investments	<u>\$ 289,272,768</u>	<u>\$ 266,449,556</u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Summary of cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	11,296,014	3,901,990
Money market mutual funds	421,358	2,551,908
LAIF	<u>14,954,620</u>	<u>15,761,472</u>
Total cash and cash equivalents	<u>26,672,492</u>	<u>22,215,870</u>
Investments:		
U.S. Treasury securities	87,954,355	81,163,541
U.S. Agency securities	88,068,446	81,568,186
Medium-term corporate notes	71,621,600	66,769,571
Money market mutual funds held by bond trustee	<u>14,955,875</u>	<u>14,732,388</u>
Total investments	<u>262,600,276</u>	<u>244,233,686</u>
Total cash and cash equivalents and investments	<u>\$ 289,272,768</u>	<u>\$ 266,449,556</u>

Cash balances, except for those held by the Trustee, held in the Authority's payroll account or held as petty cash are pooled for deposit and investment purposes. Cash and investments funds are classified under the general headings of "restricted" or "unrestricted." The Authority has designated separate restricted funds to carry on specific activities in accordance with special regulations, bond covenants, or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets, and operations and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds.

(b) Investments Authorized by the Code and the Authority's Investment Policy

The table on the following page identifies the investment types that are authorized for the Authority by the Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the Code (or the Authority's investment policy, where more restrictive) that address interest rate 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 the Master Indenture of Trust, as amended, rather than the Code or the Authority's investment policy.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2019 and 2018

Authorized investment type	Maximum maturity	Maximum percentage of portfolio ^a	Maximum investment in one issuer
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	70%	None
Time deposits	5 years	15%	5%
LAIF	N/A	\$20 million	None
Bankers' acceptances	180 days	15%	5%
Commercial paper	270 days	15%	5%
Repurchase agreements	1 year	10%	None
Money market mutual funds, invested in			
U.S. Treasury securities	N/A	15%	None
Medium-term corporate notes	5 years	30%	5%
Negotiable certificates of deposit	5 years	15%	5%

a. Percentages apply separately to the Operating portfolio, the Passenger Facility Charge Fund portfolio and the Customer Facility Charge Fund portfolio. Excludes amounts held by bond trustee.

(c) *Investments Authorized Under the Master Indenture of Trust*

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

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment one issuer
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Money market mutual funds	N/A	None	None
Negotiable certificates of deposit	5 years	None	None
Time and savings deposits	5 years	None	None
Guaranteed investment contracts	30 years	None	None
Commercial paper	270 days	None	None
State or local government securities	5 years	None	None
Bankers' acceptances	360 days	None	None
Repurchase agreements	30 days	None	None
Any State of California-administered investment pool	N/A	None	None
Advance refunded municipal securities	5 years	None	None
Investments approved in writing by the bond insurer	30 years	None	None

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(d) *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority 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 maturing evenly over time, as necessary to provide the cash flow and liquidity needed for operations. The Authority monitors the interest rate risk in its portfolios by measuring the weighted average maturity of the portfolios and limiting them to an average level recommended by its professional investment manager, currently approximately 1.8 years. The Authority also employs a “buy and hold” investment strategy whereby investments are held to maturity and redeemed at par. This strategy limits the Authority’s exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

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The weighted average maturity of each authorized investment type by pool at June 30, 2019 and 2018 are as follows:

Authorized investment type	June 30, 2019		June 30, 2018	
	Amount	Weighted average maturity (in years)	Amount	Weighted average maturity (in years)
Operating portfolio cash equivalents and investments:				
Operating portfolio investments:				
U.S. Treasury securities	\$ 73,370,617	1.98	\$ 69,597,063	1.93
U.S. Agency securities	73,475,423	1.83	69,969,169	2.22
Medium-term corporate notes	59,895,876	2.34	57,531,265	1.92
Total operating portfolio investments	<u>206,741,916</u>	2.03	<u>197,097,497</u>	2.03
Operating portfolio cash equivalents:				
Money market mutual funds	237,359	0.08	1,427,576	0.11
LAIF	14,954,620	0.48	15,761,472	0.54
Total operating portfolio cash equivalents	<u>15,191,979</u>	0.47	<u>17,189,048</u>	0.50
Total operating portfolio cash equivalents and investments	<u>221,933,895</u>	1.92	<u>214,286,545</u>	1.91
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	14,583,738	1.80	11,566,478	1.90
U.S. Agency securities	14,593,023	1.46	11,599,017	2.12
Medium-term corporate notes	11,725,724	2.31	9,238,306	1.90
Total PFC Fund investments	<u>40,902,485</u>	1.82	<u>32,403,801</u>	1.98
PFC Fund cash equivalents – money market mutual funds	<u>183,999</u>	0.08	<u>1,124,332</u>	0.11
Total PFC Fund cash equivalents and investments	<u>41,086,484</u>	1.81	<u>33,528,133</u>	1.92
Investments held by bond trustee:				
Money market mutual funds	<u>14,955,875</u>	0.08	<u>14,732,388</u>	0.10
Total investments held by bond trustee	<u>14,955,875</u>	0.08	<u>14,732,388</u>	0.10
Total cash equivalents and investments	<u>\$ 277,976,254</u>	1.80	<u>\$ 262,547,066</u>	1.82

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Notes to Basic Financial Statements

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(e) *Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations*

None of the Authority's investments (including investments held by the bond trustee) are highly sensitive to interest rate fluctuations.

(f) *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 on the next page is the minimum rating required by (where applicable) the Code, the Authority's investment policy or the Master Indenture of Trust, as amended, and the actual rating as of June 30, 2019 and 2018 for each investment type.

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Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end		
				AAA	AA	A
As of June 30, 2019:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	\$ 73,370,617	N/A	\$ 73,370,617	\$ —	\$ —	\$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	4,995,955	N/A	—	—	4,995,955	—
Fed. Home Loan Bank	25,296,264	N/A	—	—	25,296,264	—
Fed. Home Loan Mort. Corp.	18,577,565	N/A	—	—	18,577,565	—
Fed. National Mort. Assn.	24,605,639	N/A	—	—	24,605,639	—
Total U.S. Agency securities	73,475,423		—	—	73,475,423	—
Medium-term corporate notes	59,895,876	A	—	1,237,801	15,200,670	43,457,405
Total Operating portfolio investments	206,741,916		73,370,617	1,237,801	88,676,093	43,457,405
Operating portfolio cash equivalents:						
Money market mutual funds	237,359	AAA	—	237,359	—	—
LAIF	14,954,620	N/A	14,954,620	—	—	—
Total Operating portfolio cash equivalents	15,191,979		14,954,620	237,359	—	—
Total Operating portfolio cash equivalents and investments	221,933,895		88,325,237	1,475,160	88,676,093	43,457,405
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	14,583,738	N/A	14,583,738	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	349,717	N/A	—	—	349,717	—
Fed. Home Loan Bank	5,166,380	N/A	—	—	5,166,380	—
Fed. Home Loan Mort. Corp.	4,491,999	N/A	—	—	4,491,999	—
Fed. National Mort. Assn.	4,584,927	N/A	—	—	4,584,927	—
Total U.S. Agency securities	14,593,023		—	—	14,593,023	—
Medium-term corporate notes	11,725,724	A	—	252,613	2,553,400	8,919,711
Total PFC Fund investments	40,902,485		14,583,738	252,613	17,146,423	8,919,711
PFC Fund cash equivalents:						
Money market mutual funds	183,999	AAA	—	183,999	—	—
Total PFC Fund cash equivalents and investments	41,086,484		14,583,738	436,612	17,146,423	8,919,711
Investments held by bond trustee:						
Money market mutual funds	14,955,875	AAA	—	14,955,875	—	—
Total investments bond trustee	14,955,875		—	14,955,875	—	—
Total cash equivalents and investments	\$ 277,976,254		\$ 102,908,975	\$ 16,867,647	\$ 105,822,516	\$ 52,377,116

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Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end		
				AAA	AA	A
As of June 30, 2018:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	\$ 69,597,063	N/A	\$ 69,597,063	\$ —	\$ —	\$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	4,993,775	N/A	—	—	4,993,775	—
Fed. Home Loan Bank	23,501,187	N/A	—	—	23,501,187	—
Fed. Home Loan Mort. Corp.	14,431,890	N/A	—	—	14,431,890	—
Fed. National Mort. Assn.	27,042,317	N/A	—	—	27,042,317	—
Total U.S. Agency securities	69,969,169		—	—	69,969,169	—
Medium-term corporate notes	57,531,265	A	—	2,150,679	14,194,342	41,186,244
Total Operating portfolio investments	197,097,497		69,597,063	2,150,679	84,163,511	41,186,244
Operating portfolio cash equivalents:						
Money market mutual funds	1,427,576	AAA	—	1,427,576	—	—
LAIF	15,761,472	N/A	15,761,472	—	—	—
Total Operating portfolio cash equivalents	17,189,048		15,761,472	1,427,576	—	—
Total Operating portfolio cash equivalents and investments	214,286,545		85,358,535	3,578,255	84,163,511	41,186,244
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	11,566,478	N/A	11,566,478	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	349,564	N/A	—	—	349,564	—
Fed. Home Loan Bank	5,069,670	N/A	—	—	5,069,670	—
Fed. Home Loan Mort. Corp.	3,051,013	N/A	—	—	3,051,013	—
Fed. National Mort. Assn.	3,128,770	N/A	—	—	3,128,770	—
Total U.S. Agency securities	11,599,017		—	—	11,599,017	—
Medium-term corporate notes	9,238,306	A	—	259,961	2,141,240	6,837,105
Total PFC Fund investments	32,403,801		11,566,478	259,961	13,740,257	6,837,105
PFC Fund cash equivalents:						
Money market mutual funds	1,124,332	AAA	—	1,124,332	—	—
Total PFC Fund cash equivalents and investments	33,528,133		11,566,478	1,384,293	13,740,257	6,837,105
Investments held by bond trustee:						
Money market mutual funds	14,732,388	AAA	—	14,732,388	—	—
Total investments bond trustee	14,732,388		—	14,732,388	—	—
Total cash equivalents and investments	\$ 262,547,066		\$ 96,925,013	\$ 19,694,936	\$ 97,903,768	\$ 48,023,349

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(g) Fair Value Measurements

The Authority categorizes its fair value measurements of its investments within the fair value hierarchy established by U.S. GAAP. The hierarchy of inputs used to measure fair value consists of three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs (the Authority has no investments measured using Level 3 inputs).
- Investments in an external government investment pool, such as LAIF, are not subject to reporting within the level hierarchy.

The Authority has the following recurring fair value measurements as of June 30, 2019 and 2018:

Authorized investment type	June 30, 2019				June 30, 2018			
	Total	Level 1	Level 2	Not Levelled	Total	Level 1	Level 2	Not Levelled
Operating portfolio cash equivalents and investments:								
Operating portfolio investments:								
U.S. Treasury securities	\$ 73,370,617	\$ 73,370,617	\$ —	\$ —	\$ 69,597,063	\$ 69,597,063	\$ —	\$ —
U.S. Agency securities:								
Fed. Farm Credit Bank	4,995,955	—	4,995,955	—	4,993,775	—	4,993,775	—
Fed. Home Loan Bank	25,296,264	—	25,296,264	—	23,501,187	—	23,501,187	—
Fed. Home Loan Mort. Corp.	18,577,565	—	18,577,565	—	14,431,890	—	14,431,890	—
Fed. National Mort. Assn.	24,605,639	—	24,605,639	—	27,042,317	—	27,042,317	—
Total U.S. Agency securities	73,475,423	—	73,475,423	—	69,969,169	—	69,969,169	—
Medium-term corporate notes	59,895,876	—	59,895,876	—	57,531,265	—	57,531,265	—
Total Operating portfolio investments	206,741,916	73,370,617	133,371,299	—	197,097,497	69,597,063	127,500,434	—
Operating portfolio cash equivalents:								
Money market mutual funds	237,359	—	237,359	—	1,427,576	—	1,427,576	—
LAIF	14,954,620	—	—	14,954,620	15,761,472	—	—	15,761,472
Total Operating portfolio cash equivalents	15,191,979	—	237,359	14,954,620	17,189,048	—	1,427,576	15,761,472
Total Operating portfolio cash equivalents and investments	221,933,895	73,370,617	133,608,658	14,954,620	214,286,545	69,597,063	128,928,010	15,761,472

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Authorized investment type	June 30, 2019				June 30, 2018			
	Total	Level 1	Level 2	Not Levelled	Total	Level 1	Level 2	Not Levelled
Passenger Facility Charge (PFC) Fund cash equivalents and investments:								
PFC Fund investments:								
U.S. Treasury securities	14,583,738	14,583,738	—	—	11,566,478	11,566,478	—	—
U.S. Agency securities:								
Fed. Farm Credit Bank	349,717	—	349,717	—	349,564	—	349,564	—
Fed. Home Loan Bank	5,166,380	—	5,166,380	—	5,069,670	—	5,069,670	—
Fed. Home Loan Mort. Corp.	4,491,999	—	4,491,999	—	3,051,013	—	3,051,013	—
Fed. National Mort. Assn.	4,584,927	—	4,584,927	—	3,128,770	—	3,128,770	—
Total U.S. Agency securities	14,593,023	—	14,593,023	—	11,599,017	—	11,599,017	—
Medium-term corporate notes	11,725,724	—	11,725,724	—	9,238,306	—	9,238,306	—
Total PFC Fund investments	40,902,485	14,583,738	26,318,747	—	32,403,801	11,566,478	20,837,323	—
PFC Fund cash equivalents – money market mutual funds	183,999	—	183,999	—	1,124,332	—	1,124,332	—
Total PFC Fund cash equivalents and investments	41,086,484	14,583,738	26,502,746	—	33,528,133	11,566,478	21,961,655	—
Investments held by bond trustee:								
Money market mutual funds	14,955,875	—	14,955,875	—	14,732,388	—	14,732,388	—
Total investments bond trustee	14,955,875	—	14,955,875	—	14,732,388	—	14,732,388	—
Total cash equivalents and investments	<u>\$ 277,976,254</u>	<u>\$ 87,954,355</u>	<u>\$ 175,067,279</u>	<u>\$ 14,954,620</u>	<u>\$ 262,547,066</u>	<u>\$ 81,163,541</u>	<u>\$ 165,622,053</u>	<u>\$ 15,761,472</u>

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(h) Concentration of Credit Risk

The Authority's investment policy limits the amount that can be invested in any one issuer in corporate notes, bankers' acceptances, commercial paper, negotiable certificates of deposit and time certificates of deposit to 5% of the applicable portfolio. The investment policy contains no other limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code. Investments in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represent 5% or more of total Authority investments, by pool, are as follows:

Issuer	Authorized investment type	Reported amount at June 30,			
		2019		2018	
		Amount	Fund %	Amount	Fund %
Operating portfolio investments:					
Federal Home Loan Bank	U.S. Agency securities	\$ 25,296,264	12.22%	\$ 23,501,187	11.84%
Federal National Mortgage Association	U.S. Agency securities	24,605,639	11.89	27,042,317	13.62
Federal Home Loan Mortgage Corp.	U.S. Agency securities	18,577,565	8.98	14,431,890	7.27
Passenger Facility Charge Fund investments:					
Federal Home Loan Bank	U.S. Agency securities	5,166,380	12.57	5,069,670	15.12
Federal Home Loan Mortgage Corp.	U.S. Agency securities	4,584,927	11.16	3,051,013	9.10
Federal National Mortgage Association	U.S. Agency securities	4,491,999	10.93	3,128,770	9.33

(i) 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 deposit 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 Authority'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 provisions for deposits: the Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government 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 Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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At June 30, 2019 and 2018, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the Code by the pledging financial institution in the Authority's name, as follows:

	2019	2018
Cash deposits:		
Insured	\$ 250,000	\$ 250,000
Uninsured, collateral held in the Authority's name	12,350,228	7,717,019
Total cash deposits	12,600,228	7,967,019
Plus deposits in transit	275,871	181,906
Less outstanding checks	(1,580,085)	(4,246,935)
Carrying amount of cash deposits	\$ 11,296,014	\$ 3,901,990

Investments and money market mutual funds in the Operating portfolio and Passenger Facility Charge Fund portfolio were held in the Authority's name by the trust department of the bank broker-dealer (counter-party) that was used by the Authority to buy the securities and mutual funds.

(j) *Investment in the State Treasurer's Local Agency Investment Fund*

The Authority is a voluntary participant in the LAIF that is regulated by the Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2019 and 2018, the total amount invested by all California local governments and special districts in LAIF was \$24.5 billion and \$22.5 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2019 and 2018 had a balance of \$105.7 billion and \$88.8 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the Code. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling \$900 million and \$825 million at June 30, 2019 and 2018, respectively, and asset-backed securities totaling \$977 million and \$1.5 billion, respectively.

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(4) Capital Assets

Changes in capital assets for the year ended June 30, 2019 were as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 157,794,496	\$ —	\$ —	\$ 157,794,496
Other non-depreciable assets	1,128,515	—	—	1,128,515
Construction in progress	2,953,592	11,413,677	(12,079,826)	2,287,443
Total capital assets not being depreciated	<u>161,876,603</u>	<u>11,413,677</u>	<u>(12,079,826)</u>	<u>161,210,454</u>
Capital assets being depreciated/ amortized:				
Building and improvements	253,658,860	1,346,137	—	255,004,997
Runways and improvements	132,406,814	9,760,370	—	142,167,184
Machinery and equipment	35,306,407	943,014	(777,670)	35,471,751
Total capital assets being depreciated/ amortized	<u>421,372,081</u>	<u>12,049,521</u>	<u>(777,670)</u>	<u>432,643,932</u>
Less accumulated depreciation/ amortization for:				
Building and improvements	(126,360,676)	(9,397,490)	—	(135,758,166)
Runways and improvements	(83,604,874)	(7,073,195)	—	(90,678,069)
Machinery and equipment	(32,856,817)	(1,101,490)	777,670	(33,180,637)
Total accumulated depreciation/ amortization	<u>(242,822,367)</u>	<u>(17,572,175)</u>	<u>777,670</u>	<u>(259,616,872)</u>
Total capital assets being depreciated/ amortized, net	<u>178,549,714</u>	<u>(5,522,654)</u>	<u>—</u>	<u>173,027,060</u>
Total capital assets, net	<u>\$ 340,426,317</u>	<u>\$ 5,891,023</u>	<u>\$ (12,079,826)</u>	<u>\$ 334,237,514</u>

Deletions of construction in progress in FY 2019 included \$30,305 of construction in progress projects that the Authority determined would not move forward.

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Changes in capital assets for the year ended June 30, 2018 were as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 157,794,496	\$ —	\$ —	\$ 157,794,496
Other non-depreciable assets	1,128,515	—	—	1,128,515
Construction in progress	4,651,743	14,422,859	(16,121,010)	2,953,592
Total capital assets not being depreciated	<u>163,574,754</u>	<u>14,422,859</u>	<u>(16,121,010)</u>	<u>161,876,603</u>
Capital assets being depreciated/ amortized:				
Building and improvements	249,492,392	4,166,468	—	253,658,860
Runways and improvements	120,968,479	11,438,335	—	132,406,814
Machinery and equipment	35,123,182	516,207	(332,982)	35,306,407
Total capital assets being depreciated/ amortized	<u>405,584,053</u>	<u>16,121,010</u>	<u>(332,982)</u>	<u>421,372,081</u>
Less accumulated depreciation/ amortization for:				
Building and improvements	(116,248,449)	(10,112,227)	—	(126,360,676)
Runways and improvements	(76,933,599)	(6,671,275)	—	(83,604,874)
Machinery and equipment	(32,066,754)	(1,123,045)	332,982	(32,856,817)
Total accumulated depreciation/ amortization	<u>(225,248,802)</u>	<u>(17,906,547)</u>	<u>332,982</u>	<u>(242,822,367)</u>
Total capital assets being depreciated/ amortized, net	<u>180,335,251</u>	<u>(1,785,537)</u>	<u>—</u>	<u>178,549,714</u>
Total capital assets, net	<u>\$ 343,910,005</u>	<u>\$ 12,637,322</u>	<u>\$ (16,121,010)</u>	<u>\$ 340,426,317</u>

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Notes to Basic Financial Statements

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(5) Long-Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2019 and 2018:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Year ended June 30, 2019:					
Revenue bonds payable:					
2012 Revenue Bonds:					
2012 Series A	\$ 6,715,000	\$ —	\$ —	\$ 6,715,000	\$ —
2012 Taxable Series B	70,845,000	—	(1,615,000)	69,230,000	1,670,000
Plus deferred amounts for original issue premium	149,602	—	(6,234)	143,368	—
2015 Revenue Bonds:					
2015 Series A	—	—	—	—	—
2015 Series B	26,415,000	—	(3,245,000)	23,170,000	3,405,000
Plus deferred amounts for original issue premium	2,826,020	—	(471,003)	2,355,017	—
Total long-term debt payable	<u>\$ 106,950,622</u>	<u>\$ —</u>	<u>\$ (5,337,237)</u>	<u>\$ 101,613,385</u>	<u>\$ 5,075,000</u>
Year ended June 30, 2018:					
Revenue bonds payable:					
2012 Revenue Bonds:					
2012 Series A	\$ 6,715,000	\$ —	\$ —	\$ 6,715,000	\$ —
2012 Taxable Series B	72,415,000	—	(1,570,000)	70,845,000	1,615,000
Plus deferred amounts for original issue premium	155,836	—	(6,234)	149,602	—
2015 Revenue Bonds:					
2015 Series A	655,000	—	(655,000)	—	—
2015 Series B	28,855,000	—	(2,440,000)	26,415,000	3,245,000
Plus deferred amounts for original issue premium	3,297,023	—	(471,003)	2,826,020	—
Total long-term debt payable	<u>\$ 112,092,859</u>	<u>\$ —</u>	<u>\$ (5,142,237)</u>	<u>\$ 106,950,622</u>	<u>\$ 4,860,000</u>

(a) 2012 Revenue Bonds

On May 10, 2012, the Authority issued \$82,165,000 of 2012 Airport Revenue Bonds (2012 Bonds) with an effective interest rate of 5.624% and at an original issue premium totaling \$187,886. The 2012 Bonds were issued in two series. The 2012 Bonds are special obligations of the Authority payable solely from, and secured solely by a pledge of, the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund.

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The \$6,715,000 Airport Revenue Bonds 2012 Series A (AMT) (2012 Series A Bonds), at an effective interest rate of 4.949%, and the \$75,450,000 Airport Revenue Bonds 2012 Taxable Series B (2012 Taxable Series B Bonds), at an effective interest rate of 5.722%, were issued (i) to finance those costs of the RITC project consisting of the CRCF and the portion of the costs of the Replacement Parking Structure attributable to the parking spaces displaced by the CRCF (2012 Bond Project); (ii) to fund the 2012 Debt Service Reserve Fund; (iii) to provide capitalized interest with respect to the 2012 Bonds through July 1, 2014; and to pay the costs of issuance of the 2012 Bonds.

The 2012 Series A Bonds are due in annual installments ranging from \$1,155,000 to \$5,560,000 from July 1, 2041 to July 1, 2042 at an interest rate of 5.000% payable semiannually on July 1 and January 1 - beginning July 1, 2012, the 2012 Series A Bonds are subject to optional redemption by the Authority, without premium, in whole or in part on any date on and after July 1, 2022 at a redemption price equal to the principal and accrued interest to the redemption date on the portion to be redeemed.

The 2012 Taxable Series B Bonds are due in annual installments ranging from \$1,500,000 to \$4,970,000 from July 1, 2015 to July 1, 2041 with interest rates ranging from 2.036% to 5.812% payable semiannually on July 1 and January 1 - beginning July 1, 2012, the 2012 Taxable Series B Bonds are subject to optional redemption by the Authority, in whole or in part, on any date, at a Redemption Price equal to the Make-Whole Redemption Price, as defined in the bond official statement, plus unpaid accrued interest.

In accordance with the bond resolution, certain cash accounts (funds) are required to be segregated and minimum balances maintained as summarized in Note 2. There are also a number of other limitations and restrictions contained in the Master Indenture of Trust, as amended. Authority management believes that the Authority has complied with such requirements.

(b) 2015 Revenue Bonds

On April 30, 2015, the Authority issued \$32,260,000 of 2015 Airport Revenue Bonds (2015 Bonds) with an effective interest rate of 2.553% and at an original issue premium of \$4,383,971. The 2015 Bonds, issued as parity bonds with the 2012 Bonds, were issued in two series to defease the 2005 Airport Revenue Bonds (2005 Bonds). The 2015 Bonds are special obligations of the Authority payable solely from, and secured solely by a pledge of, the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2015 Bonds are not subject to redemption prior to maturity.

The \$1,335,000 Airport Revenue Bonds 2015 Series A (non-AMT) (2015 Series A Bonds) are due in annual installments of \$680,000 due on July 1, 2016 at an interest rate of 3.000% and \$655,000 due on July 1, 2017 at an interest rate of 4.000%. The interest is payable semiannually on July 1 and January 1 beginning January 1, 2016. The \$30,925,000 Airport Revenue Bonds 2015 (AMT) Series B (2015 Taxable Series B Bonds) are due in annual installments ranging from \$2,070,000 to \$4,350,000 from July 1, 2016 to July 1, 2024 with interest rates ranging from 3.000% to 5.000% payable semiannually on July 1 and January 1 beginning January 1, 2016.

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The net proceeds of the 2015 Bonds of \$36,156,809 plus \$3,912,125 of 2005 Bonds Debt Service Funds, \$5,942,618 of 2005 Bonds Debt Service Reserve Funds and an Authority contribution of \$16,636, totaling \$46,028,188, was deposited in an irrevocable trust with an escrow agent to provide for the interest and all outstanding principal of the 2005 Bonds due at July 1, 2015. The 2005 Bonds were called, without premium, on July 1, 2015 and paid in full.

The refunding and defeasance resulted in a difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds of \$935,367. This difference, reported in the accompanying basic financial statements as a deferred inflow of resources, is being credited to interest expense through July 1, 2024, the final maturity of the 2015 Bonds, using the straight-line method. The Authority completed the refunding and defeasance to reduce its total debt service payments over the next nine years by \$5,215,007 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,799,078. The unamortized deferred amount on refunding at June 30, 2019 and 2018 is \$510,045 and \$612,054, respectively.

A debt service reserve surety was obtained for the \$3,664,397 debt service reserve requirement on the 2015 Bonds. The premium on the debt service reserve surety has been capitalized and is being amortized over the life of the 2015 Bonds. The unamortized surety premium at June 30, 2019 and 2018 is \$23,638 and \$28,366, respectively.

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(c) Annual Debt Service Requirements to Maturity

Revenue bond debt service requirements to maturity are as follows:

	2012 Bonds		2015 Bonds		Total		Total debt service
	Principal	Interest	Principal	Interest	Principal	Interest	
Payable in year ending							
June 30:							
2020	\$ 1,670,000	\$ 4,136,959	\$ 3,405,000	\$ 1,073,375	\$ 5,075,000	\$ 5,210,334	\$ 10,285,334
2021	1,730,000	4,073,031	3,580,000	898,750	5,310,000	4,971,781	10,281,781
2022	1,795,000	4,002,005	3,755,000	715,375	5,550,000	4,717,380	10,267,380
2023	1,870,000	3,925,424	3,940,000	523,000	5,810,000	4,448,424	10,258,424
2024	1,950,000	3,831,663	4,140,000	321,000	6,090,000	4,152,663	10,242,663
2025 – 2029	11,490,000	17,359,007	4,350,000	108,750	15,840,000	17,467,757	33,307,757
2030 – 2034	15,060,000	13,683,906	—	—	15,060,000	13,683,906	28,743,906
2035 – 2039	19,890,000	8,702,261	—	—	19,890,000	8,702,261	28,592,261
2040 – 2043	20,490,000	2,283,699	—	—	20,490,000	2,283,699	22,773,699
Total principal and interest to maturity	75,945,000	<u>\$ 61,997,955</u>	23,170,000	<u>\$ 3,640,250</u>	99,115,000	<u>\$ 65,638,205</u>	164,753,205
Unamortized portion of:							
Original issue premium	143,368		2,355,017		2,498,385		2,498,385
Less current portion of principal	<u>(1,670,000)</u>		<u>(3,405,000)</u>		<u>(5,075,000)</u>		<u>(5,075,000)</u>
Total long-term portion of revenue bonds payable	<u>\$ 74,418,368</u>		<u>\$ 22,120,017</u>		<u>\$ 96,538,385</u>		<u>\$ 162,176,590</u>

(d) Pledged Revenues

The 2012 Bonds and 2015 Bonds are special obligations of the Authority payable solely from, and secured solely by a pledge of, the Net Revenues (operating revenue plus investment income on operating funds less operating expenses before depreciation) and amounts in certain funds established under the Master Indenture of Trust and the Debt Service Reserve Fund. The Authority covenants that the ratio of Net Pledged Revenues plus transfers to the Surplus Fund to net accrued debt service on parity obligations will be 1.25 or greater (coverage rate covenant) and that Net Revenues plus transfers to the Surplus Fund will equal or exceed the sum of net accrued debt service on parity obligations and required deposit to Debt Service Reserve, Operating Reserve and other accounts (general rate covenant).

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The computation of the coverage rate covenant and general rate covenant as of June 30, 2019 and 2018 are as follows:

	2019	2018
Net Revenues	\$ 23,028,224	\$ 14,294,775
Transfers to Surplus Fund	2,600,103	2,600,186
Net Pledged Revenues	\$ 25,628,327	\$ 16,894,961
Accrued debt service on 2012 Bonds	\$ 5,836,911	\$ 5,834,996
Less: Customer Facility Charges collected and deposited to the debt service fund	(5,660,457)	(5,920,394)
Accrued debt service on 2015 Bonds	4,563,500	4,565,750
Net accrued debt service on parity obligations	\$ 4,739,954	\$ 4,480,352
Ratio of Net Pledged Revenues to net accrued debt service on parity obligations	5.41	3.77
Net Revenues plus transfers to Surplus Fund	\$ 25,628,327	\$ 16,894,961
Less: transfers to Operating Reserve	(622,041)	(582,420)
Less: net accrued debt service on parity obligations	(4,739,954)	(4,480,352)
Excess of net revenues over net accrued debt service on parity obligations and transfers to Operating Reserve	\$ 20,266,332	\$ 11,832,189

The estimated aggregate total amount of pledged net revenues and amounts in the funds established under the Master Indenture of Trust related to the 2012 Bonds and 2015 Bonds is equal to the remaining debt service on the 2012 Bonds and 2015 Bonds at June 30, 2019 of \$164,753,205. The pledged revenues are in force during the term of the 2012 Bonds and 2015 Bonds with final maturity on July 1, 2042.

(e) Events of Default

Events of default under the Master Indenture of Trust related to the 2012 Bonds and 2015 Bonds include: (a) non-payment of the principal and/or interest due; (b) non-payment of the parity purchase price of any outstanding Bond(s) or other parity obligation(s) which are tender obligations; (c) a breach of a covenant if the default continues for a period of 120 days after written notice specifying such default and requiring the default to be remedied was given to the Authority by the Trustee or to the Authority and to the Trustee by the bond owners who held not less than 25% in aggregate principal amount of the outstanding Bond(s); (d) non-payment of any parity obligation that is declared due and payable as a result of an event of default; and (e) an event of bankruptcy. There is an acceleration remedy in the event of default that allows the Trustee, with the consent of each credit provider and at the direction of the Bond owners that hold a majority in principal amount of the outstanding Bond(s), to declare the principal of the outstanding Bond(s) and interest accrued to the date of payment to be immediately due and payable.

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(6) Retirement Plan

Effective February 1, 2017, the Authority entered into an employment contract with the Burbank Airport Police Officers Association (BAPOA) which, among other things, called for the continued implementation of a 401(a) profit sharing plan (401(a) Plan) and a 457(b) government deferred compensation plan (457(b) Plan) sponsored by the BAPOA. The Authority contributes 6.5% of eligible base salaries and overtime as a retirement contribution to the 401(a) Plan, payable as part of bi-weekly payroll. Officers may make voluntary contributions to the 457(b) Plan, but there is no additional Authority match. Officers may take loans against contributions. All employees are eligible to participate upon hire and contributions and earnings vest immediately. The 401(a) Plan and the 457(b) Plan are administered by Transamerica Retirement Solutions.

Total salaries and benefits for the Airport Police Officers were \$5,465,519 and \$5,032,761 for the years ended June 30, 2019 and 2018, respectively. The Authority's contributions have been calculated using the base salary plus overtime amount of \$4,126,508 and \$3,888,869 for the years ended June 30, 2019 and 2018, respectively. The Authority made the required accruals and contributions, amounting to \$270,212 and \$254,512 in the years ended June 30, 2019 and 2018, respectively.

(7) Leases

The Authority leases land, terminal, hangar, and administrative facilities to various entities under operating leases. The cost of the Authority's leased property and the related accumulated depreciation by asset type is presented as of June 30, 2019 and 2018 as follows:

	2019		2018	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 34,042,063	\$ —	\$ 34,042,063	\$ —
Buildings and improvements	141,885,033	48,949,482	141,097,067	43,707,545
Runways and improvements	757,494	507,749	757,494	474,991
	<u>\$ 176,684,590</u>	<u>\$ 49,457,231</u>	<u>\$ 175,896,624</u>	<u>\$ 44,182,536</u>

The leases on such properties expire at various times, and generally terms are provided whereby lease terms may be extended.

Concession lease revenues are based on a percentage of gross receipts subject to minimum annual guarantees (MAG). Such concession rentals totaled \$11,105,119 and \$10,351,680 for the years ended June 30, 2019 and 2018, respectively, consisting of MAG revenues of \$7,810,869 and \$7,545,796, respectively, and over-MAG revenues of \$3,294,250 and \$2,805,885, respectively.

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Minimum future rental revenue on noncancelable leases in effect at June 30, 2019 is as follows:

	<u>Lease revenue</u>
Fiscal year ending June 30:	
2020	\$ 31,144,210
2021	20,112,227
2022	17,996,179
2023	15,264,875
2024	12,781,256
2025 – 2029	8,174,249
2030 – 2033	1,340,418
	<u>\$ 106,813,414</u>

(8) Passenger Facility Charges

In June 1994, the FAA approved the Authority's application to collect a \$3.00 PFC per enplaned passenger to provide funds for specifically approved airport improvement projects to begin September 1, 1994. Effective April 1, 2003, the FAA approved an increase of the charge from \$3.00 to \$4.50. PFC funds collected are restricted and may only be used on specific FAA approved projects. All PFC funds collected are maintained in a separate interest-bearing account administered by the Authority prior to disbursement.

Total PFC revenue for the years ended June 30, 2019 and 2018 totaled \$12,575,929 and \$8,907,339, respectively, including investment income on the PFC investment portfolio of \$1,558,306 and \$147,575, respectively.

During the year ended June 30, 2019, funds totaling \$3,409,561 for eligible costs expended on PFC projects during FY 2019 were reimbursed to the Operating Fund from the PFC Fund. During the year ended June 30, 2018, funds totaling \$5,594,266 for eligible costs expended on PFC projects during FY 2018 and FY 2017 were reimbursed to the Operating Fund from the PFC Fund.

(9) Customer Facility Charges

Effective December 1, 2009, the Authority adopted a \$10 CFC per rental car transaction to provide for the planning, design, construction and financing of a CRCF in accordance with *California Civil Code Section 1936 et. seq.*, as amended. Effective July 1, 2011, the Authority implemented an alternative CFC rate of \$6 per rental car transaction day up to a maximum of five days. All CFC funds collected are maintained in a separate account administered by the Authority prior to disbursement. CFC revenue for the years ended June 30, 2019 and 2018 totaled \$5,754,081 and \$5,803,490, respectively. In accordance with the Bond Indenture, all CFC revenues collected subsequent to July 1, 2014 are transferred to the 2012 Bonds Debt Service Fund, which amounted to \$5,660,457 and \$5,920,394 for the years ended June 30, 2019 and 2018, respectively. CFC revenues plus residual Facility Rents, as necessary, are used to pay debt service on the 2012 Bonds and the rent-a-car company (RAC) loans for certain contingent costs associated with the RITC project. The balance in the CFC Fund of \$2,019,260 is available for uses in accordance with the agreements between the Authority and the RACs for operation in the CRCF.

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(10) Related-Party Transactions

The Authority is charged for services and items from City of Burbank departments that are categorized in the various expense line items in the statements of revenues, expenses, and changes in net position and are included in various capital assets for permits and related fees. The most significant related-party transactions with the City are payments for utilities and City parking tax. Amounts due to related parties at June 30, 2019 and 2018 are included in accounts payable and accrued expenses on the accompanying basic financial statements.

The Airport is subject to a 12% tax on parking revenue payable to the City of Burbank on a quarterly basis. The Authority incurred parking tax expense totaling \$2,305,482 and \$2,230,382 during the years ended June 30, 2019 and 2018, respectively. Amounts due to the City of Burbank for parking taxes were \$609,910 and \$595,743 at June 30, 2019 and 2018, respectively.

The Authority incurred electricity, water, and wastewater utilities expenses related to various operating activities, non-operating activities, and capital projects from Burbank Water and Power during the years ended June 30, 2019 and 2018 totaling \$2,506,459 and \$2,538,827 (including amounts charged back to tenants of \$504,657 and \$546,555), respectively. Amounts due to Burbank Water and Power were \$228,118 and \$219,077 at June 30, 2019 and 2018, respectively.

(11) Commitments and Contingencies

(a) *Litigation and Claims*

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; war risk and natural disasters for which the Authority carries commercial insurance, subject to deductibles ranging from \$1,000 to \$100,000. No settlements exceeded insurance coverage in the past three fiscal years. There were no significant lawsuits or claims pending against the Authority at June 30, 2019.

(b) *Contracted Services*

The Authority has contracted with TBI to perform certain airport administrative, maintenance, ARFF services, and operational services. Compensation under the agreement is based on a base management fee and reimbursement of operating costs, primarily salaries and benefits. A budget for TBI costs is prepared each year and is subject to review and approval as part of the Authority's annual budget process. The management fee is adjusted annually based on increases or decreases to certain operating costs. Costs incurred under the contract for the years ended June 30, 2019 and 2018, respectively, are as follows:

	<u>2019</u>	<u>2018</u>
Contracted airport services	\$ 13,364,815	\$ 12,236,646
Aircraft rescue and firefighting services	3,260,929	2,894,419
Capitalized to constructed capital assets	488,426	533,087
Other expenses	141,259	284,725
Total airport management contract costs	<u>\$ 17,255,429</u>	<u>\$ 15,948,877</u>

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Effective May 7, 2018, the Authority contracted with SP+ for self-park management and valet parking services in addition to implementing an e-Commerce platform for online pre-booking services for parking. The base term is from July 1, 2018 through June 30, 2021 with two one-year option periods.

Compensation under the contract is based on a fixed management fee and reimbursement of operating costs. These costs are subject to review and approval as part of the Authority's annual budget process. Costs under the contract for the years ended June 30, 2019 and 2018 are \$4,661,740 and \$4,615,727, respectively.

Effective November 1, 2015, the Authority contracted with MV Transportation for a five-year period to provide turn-key employee and customer busing services, which replaced the service provided by SP+ as well as the costs for repair and other services related to the Authority shuttle bus fleet, which was subsequently retired. The costs of the shuttle services for the years ended June 30, 2019 and 2018 are \$2,409,029 and \$2,363,574, respectively.

(c) Construction Contracts

The Authority did not have any contract commitments outstanding at June 30, 2019 for various construction contracts such as the Taxiway C & D and apron rehabilitation, Terminal ramp rehabilitation, and Terminal B security checkpoint upgrade projects, which were all completed during the fiscal year. Subsequent to June 30, 2019, the Authority entered into an additional construction contract totaling \$2,099,920 for the Taxiway A rehabilitation project.

(d) Federal and Other Grants

As of June 30, 2019, the Authority had nonexpended, noncancelable grant commitments of \$4,470,774 of which \$1,958,023 is related to the rehabilitation of Taxiway A, \$1,595,651 is related to the Phase I environmental study for the preferred site of the Replacement Terminal and \$917,099 is related to the rehabilitation of Taxiway C and D (West End) and apron. The Authority also had nonexpended, noncancelable grant commitments of \$105,378 in County of Los Angeles Measure R grant funds for I-5 construction mitigation project costs.

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The Authority has been awarded various federal and other grants for noise mitigation, facility improvement and security equipment. Grants awarded, which are included in grant commitments above, and expenditures against those grants for the years ended June 30, 2019 and 2018, respectively, are as follows:

Award Date	Award Amount	Project description	Expenditures charged to grant	
			2019	2018
Sep. 2016	\$ 9,670,800	Rehab. Rwy 15/33 Phase II	\$ —	\$ 8,689,520
Aug. 2017	725,310	Rehab. Taxiway C & D (west end) and apron	—	725,310
Aug. 2017	2,417,000	Conduct environmental study Phase I	640,754	181,294
Jul. 2018	5,238,350	Rehab. Taxiway C & D	4,291,944	29,307
Jun. 2019	2,196,041	Rehab. Taxiway A design and construction	238,018	—
Total expenditures charged to federal grants			5,170,716	9,625,431
Jun. 2015	180,000	CoLA – Measure R, I-5 support services	16,364	14,779
Jun. 2015	100,000	CoLA – Measure R, I-5 shutting services	35,392	42,480
Total expenditures charged to local grants			51,756	57,259
Total expenditures charged to grants			\$ 5,222,472	\$ 9,682,690

During FY 2019, the FAA awarded the Authority two grants in the amount of \$5,238,350 for rehabilitation of Taxiway C and D and \$2,196,041 for rehabilitation of Taxiway A. Eligible expenses incurred prior to the issuance of these grants are considered allowable expenses.

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or single audit of the federal grant programs which resulted in disallowed costs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, the Authority has complied with provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

(12) Airport Development Agreement/Replacement Passenger Terminal Project

The Authority and the City of Burbank had previously entered into a Development Agreement clarifying permitted development and uses at the airport during the term of the agreement. That Development Agreement, as amended, expired on March 15, 2015.

On August 1, 2016, the City of Burbank approved a new Development Agreement associated with entitlement of the Replacement Passenger Terminal (RPT) project and on November 8, 2016, voters in the City of Burbank passed Measure B (70% approval) allowing for the development of a RPT at the Airport.

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Since the passage of Measure B, the Authority has started to address multiple tasks for the RPT process including the completion and receipt of conditional approval by the FAA for its Airport Layout Plan (ALP), obtaining grant funding, beginning the application process for potential U.S. Department of Transportation credit programs, coordinating with the FAA, as the lead agency, for the Environmental Impact Study under the National Environmental Policy Act (NEPA), completing a concept validation and initial cost estimate, selecting a project delivery method, as well as, continuing financial analysis of various potential financing options for the RPT. The Authority has also selected a program manager, and completed its last of six public charrettes on October 26, 2019.

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