

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Schedule of Customer Facility Charge
Revenues and Expenditures

Year ended June 30, 2020

(With Independent Auditor's Reports Thereon)

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Schedule of Customer Facility Charge Revenues and Expenditures
Year ended June 30, 2020

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Independent Auditor's Report on Compliance for the Customer Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Customer Facility Charge Revenues and Expenditures

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

Report on the Compliance for the Customer Facility Charge Program

We have audited the Burbank-Glendale-Pasadena Airport Authority's (Authority) compliance with the types of compliance requirements described in the *California Civil Code Section 1936, as amended* (the Code), issued by the State of California (State), that could have a direct and material effect on the Authority's Customer Facility Charge program for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations and contracts applicable to the Customer Facility Charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's Customer Facility Charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements described in the Code, issued by the State. Those standards and the Code, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Customer Facility Charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Authority's Customer Facility Charge program. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Customer Facility Charge program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its Customer Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Customer Facility Charge program and to test and report on internal control over compliance in accordance with the Code, as amended, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Code. Accordingly, this report is not suitable for any other purpose.

Schedule of Customer Facility Charge Revenues and Expenditures

We have audited the financial statements of the Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 8, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Customer Facility Charge Revenues and Expenditures, prepared on a cash basis, is presented for additional analysis as specified by the Code, issued by the State, and is not a required part of the Authority's basic financial statements. It provides relevant information that is not provided by the basic financial statement, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the accounting basis used for cash basis purposes. Under the cash basis, Customer Facility Charge revenues are recognized when received rather than when earned, and eligible expenditures are recognized when the related goods or services are paid. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Customer Facility Charge Revenues and Expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Los Angeles, California
December 8, 2020

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Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2020 and each quarter during the
period from July 1, 2019 through June 30, 2020

(With cumulative total amounts at June 30, 2020 and 2019)

Revenues	Cumulative total – June 30, 2019	Quarter ended				Year ended June 30, 2020	Cumulative total – December 1 2009 to June 30, 2020
		September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020		
Customer facility charge revenues	\$ 47,868,887	\$ 1,553,307	\$ 1,671,097	\$ 1,520,160	\$ 429,885	\$ 5,174,449	\$ 53,043,336
Customer facility charge revenue refund	(15,662)	—	—	—	—	—	(15,662)
Reimbursement of OCIP reserves for RITC project	336,275	—	—	—	—	—	336,275
Total customer facility charge revenues	<u>\$ 48,189,500</u>	<u>\$ 1,553,307</u>	<u>\$ 1,671,097</u>	<u>\$ 1,520,160</u>	<u>\$ 429,885</u>	<u>\$ 5,174,449</u>	<u>\$ 53,363,949</u>
Expenditures							
Development review and other planning costs	\$ 1,105,186	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,105,186
Refund of development review and other planning costs based on cost reclassification	(6,030)	—	—	—	—	—	(6,030)
Deposit of 25% of Maximum Annual Debt Service to Surplus Fund	1,459,500	—	—	—	—	—	1,459,500
Construction costs	15,419,445	—	—	—	—	—	15,419,445
Construction costs reimbursed by 2012 Bonds	(512,961)	—	—	—	—	—	(512,961)
Transfers to Bond Trustee for debt service on 2012 Bonds	28,705,100	1,638,352	1,665,049	1,526,208	370,695	5,200,304	33,905,404
Rehabilitation of Escalators #5 and #6	—	—	137,015	—	—	137,015	137,015
Total expenditures on approved customer facility charge projects	<u>\$ 46,170,240</u>	<u>\$ 1,638,352</u>	<u>\$ 1,802,064</u>	<u>\$ 1,526,208</u>	<u>\$ 370,695</u>	<u>\$ 5,337,319</u>	<u>\$ 51,507,559</u>

See accompanying notes to schedule of customer facility charge revenues and expenditures.

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Notes to Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2020

(1) General

Assembly Bill 491 of the 2001-2002 California Legislature (codified in California Civil Code Section 1936 et seq. (Code)) authorized the local imposition of a Customer Facility Charge (CFC) and use of CFC revenue to plan, finance, design and construct on-airport consolidated rental car facilities (CRCF). The Burbank-Glendale-Pasadena Airport Authority (Authority), owner and operator Bob Hope Airport, commonly known as Hollywood Burbank Airport (Airport), began discussions with the rent-a-car operators at the Airport in the winter of 2008 to identify a project that would consolidate the rent-a-car operations at the Airport.

This project consolidated the rent-a-car operations at the Airport into a single facility. This project also relocated the rental car ready return facility that was partially located in the Runway 33 runway safety area. As part of a larger Regional Intermodal Transportation Center (RITC), the CRCF contains the customer service, ready return, and quick turnaround facilities, and rental car fueling and delivery systems. The consolidation of these facilities eliminated over 700,000 annual trips by rental car companies on Empire Avenue between the former ready return lot and the prior service center facilities used for the washing and fueling of the rental cars on the southwest quadrant of the Airport. A replacement parking structure (RPS) was also constructed to replace the then existing parking spaces on the RITC site.

On September 21, 2009, the Authority approved Resolution 429 authorizing collection of a CFC, effective December 1, 2009, of \$10 per rental car contract for an initial period of two years to fund the planning and other initial costs of a CRCF. It was anticipated that the Authority would proceed with construction and financing of the CRCF, and that the collection authority period would be extended accordingly. The CRCF was also expected to be financed through a then yet to be determined bond issuance and loan from the Authority both supported by CFC revenues and residual rent from the rental car companies, as required.

Based on an amendment of the enabling legislation for the CFC (S.B. 1192; Chapter 642, Statutes of 2010), on December 10, 2010, the Authority approved Resolution 439 which repealed Resolution 429 and authorized collection of an alternative CFC, effective July 1, 2011, of \$6 per rental car transaction day up to a maximum of five days. Resolution 439 authorized collection of the alternative CFC through the period that any debt related to the CRCF is outstanding. The enabling legislation was further amended on September 27, 2017 by Assembly Bill No. 218, Chapter 311.

(2) Regional Intermodal Transportation Center Project

The Authority approved planning and other related activities to prepare and submit a Development Review (DR) package to the City of Burbank (City) to obtain entitlements to construct a CRCF as part of a larger RITC project. The portion of the DR package costs for the RITC project attributable to the CRCF expended through June 25, 2010 are included in the accompanying Schedule of Customer Facility Charge Revenues and Expenditures (Schedule) on page 3.

On August 24, 2010, the City approved entitlements and minor amendments to the Development Agreement (an agreement between the Authority and the City that sets guidelines on Airport development and provides greater certainty to the City and Authority on issues of Airport zoning and development) to permit the Authority to proceed with the RITC project to be located in the southeast corner of the A-1 North Property. This project includes a transportation center and the CRCF described above. An elevated

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Year ended June 30, 2020

covered moving sidewalk accommodates pedestrian travel between the RITC/CRFC and the terminal was funded through Passenger Facility Charges.

On April 23, 2012, the Authority approved a revised Plan of Finance with an estimated cost of \$112.6 million, as well as the form of non-exclusive on-airport rental car lease and concession agreement.

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, issued as parity bonds with the 2005 Airport Revenue Bonds, were issued in two series (i) to finance those costs of the RITC project consisting of the CRCF and the portion of the costs of the RPS 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 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.

Construction on the RITC project continued in fiscal year (FY) 2013 and FY 2014, with completion in FY 2015. The replacement parking structure was completed and opened for business on August 1, 2013 and the CRCF and elevated walkway were substantially completed and opened to the public for business on July 15, 2014. The RITC project has been funded by a combination of 2012 Revenue Bonds, CFCs, Passenger Facility Charges, federal and local grants, loans from the Authority to the rent-a-car companies (RACs) for contract contingencies, and Authority investment from the Facility Development Fund. Cumulative expenditures on the RITC project through completion in FY 2015 totaled \$121,762,566, which consisted of \$77,662,736 for the CRCF, \$7,270,208 for the Customer Service Building, \$3,000,150 for the Transit Center, \$22,275,457 for the Elevated Walkway and \$11,554,015 for the replacement parking structure.

(3) Cumulative Revenues and Expenditures of Customer Facility Charges

Debt service on the 2012 Bonds and the RAC loans are funded from CFCs and residual Facility Rents paid by the RACs. The RAC loans originally totaled \$7,416,079. During FY 2019 and FY 2020, \$323,120 and \$336,285 were repaid, respectively, for a net outstanding amount of \$5,070,345 at June 30, 2020. These loans are authorized under the agreements between the Authority and the RACs operating in the CRCF. In accordance with the Bond Indenture, beginning July 1, 2014, all CFCs collected are transferred to the 2012 Bonds Debt Service Fund held by the bond trustee. In FY 2020, \$5,174,449 was collected and \$5,200,304 was transferred. The difference of \$25,855 was collected in late June 2019 (FY 2019) and, as a result, was transferred in July 2019 (FY 2020).

As of June 30, 2020, the Authority had cumulative expenditures of \$51,507,559, which include cumulative transfers to the Bond Trustee for debt service of the 2012 Bonds of \$33,905,404, the transfer of \$1,459,500 (representing 25% of maximum annual debt service on the 2012 Bonds) from the CFC Fund to the Bond Surplus Fund, other eligible costs incurred in prior years of \$16,005,640, and \$137,015 used in FY 2020 for the rehabilitation of the escalators on the elevated walkway. The remaining balance in the CFC Fund of \$1,856,390 at June 30, 2020 is available for uses in accordance with the agreements between the Authority and the RACs for operation in the CRCF.

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(4) Customer Facility Charge Rate Modification Report

In accordance with requirements of the Code, the Authority prepared a *Customer Facility Charge Rate Modification Report* which included a forecast of costs to finance, design, construct, and/or operate allowable CFC facilities, and a determination that (i) the forecasted aggregate amount of the alternative CFC collected does not exceed the reasonable costs of allowable facilities; (ii) the Authority has taken steps to limit the forecasted costs; (iii) the Authority has identified and considered potential alternatives for meeting its revenue needs other than the collection of the alternative CFC; and (iv) the Authority has assessed the extent to which rental car companies or other businesses or individuals using these facilities may pay for the costs of these facilities. This CFC Rate Modification Report was examined by an independent accountant whose report, dated March 22, 2011, was unqualified. In accordance with requirements of the Code, the report was also reviewed by the State Controller's Office which provided its review report dated May 11, 2011 to the Authority and the California State Legislature (including Assembly Judiciary Committee, Senate Judiciary Committee, Assembly Transportation Committee, and Senate Transportation and Housing Committee), which substantiated the need for the imposition of the alternate CFC effective July 1, 2011.

(5) Basis of Accounting

The accompanying Schedule is presented using the cash basis of accounting, whereby revenues and expenditures are recognized during the period in which they are received or disbursed.

(6) Schedule of Facility Charge Revenues and Expenditures

The accompanying Schedule presents the revenues received from CFC and expenditures disbursed on the CRCF and towards debt service on the 2012 Bonds.

(7) Cumulative Total

Cumulative total columns on the Schedule are presented for additional analytical data. Such information is not necessary for a fair presentation of the Schedule.

(8) Impacts of the COVID-19 Pandemic

The impacts of the COVID-19 pandemic were swift, widespread, and deep. The first eight months of FY 2020 continued the positive momentum of global and national demand for air travel reflecting the then state of the economy. However, the last four months, starting in mid-March 2020, experienced a drop to near-zero levels of passenger and air operation activity followed by a slow and gradual rebound starting in May 2020. The rent-a-car business was equally impacted by the drop in travelers, reducing the number of rental car transactions and resulting in a reduction of CFC collections as depicted in the quarter ending June 30, 2020. Additionally, on May 22, 2020, the Hertz Corporation along with its subsidiaries, DTG Group, Thrifty Rent-A-Car System LLC, and Dollar Rent-A-Car Inc. filed for Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court for the District of Delaware (Case No. 20-11218; 20-11220, 20-11226, and 20-11222 respectively).

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After the initial decline, rent-a-car activity at the Airport has gradually increased, not solely relying on inbound airline passengers, but on a growing local area car rental market. While the total monthly rent-a-car transactions remain below pre-pandemic levels, the current activity is reaching nearly a third of those levels. This local area market is expected to continue during the pandemic as travelers appear to be comfortable using rental cars to meet certain travel requirements.

The recovery in demand for services associated with travel is not anticipated to recover rapidly, taking at least two years to occur with the leisure sector leading the recovery. This sector of the traveling public is a significant portion of this Airport's demographic and is showing signs of quicker recovery than business travel demand.