

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

**Schedule of Customer Facility Charge
Revenues and Expenditures**

**(With Independent Auditor's Reports
Thereon)**

Year ended June 30, 2012

This page left blank intentionally

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Customer Facility Charge Audit Reports
Year ended June 30, 2012

Table of Contents

	Page
Independent Auditor's Report on Schedule of Customer Facility Charge Revenues and Expenditures	1
Independent Auditor's Report on Compliance with Requirements of the Customer Facility Charge Program and on Internal Control over Compliance	3
Schedule of Customer Facility Charge Revenues and Expenditures	5
Notes to Schedule of Customer Facility Charge Revenues and Expenditures	7

This page left blank intentionally

Sacramento

Walnut Creek

Oakland

Newport Beach

San Diego

Seattle

**Independent Auditor's Report on Schedule of
Customer Facility Charge Revenues and Expenditures**

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

We have audited the basic financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority as a whole. The accompanying Schedule of Customer Facility Charge Revenues and Expenditures is presented for purposes of additional analysis as specified in the *California Civil Code Section 1936, as amended by SB 1192*, and is not a required part of the Authority's basic financial statements. The Schedule of Customer Facility Charge Revenues and Expenditures 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, the Board of Commissioners of the Authority, others within the entity, and the California State Senate and Assembly Committees on Judiciary, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Jini & O'Connell LLP

Los Angeles, California
November 27, 2012

This page left blank intentionally.

Sacramento

Walnut Creek

Oakland

Newport Beach

San Diego

Seattle

Independent Auditor's Report on Compliance with Requirements of the Customer Facility Charge Program and on Internal Control over Compliance

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

Compliance

We have audited the Burbank-Glendale-Pasadena Airport Authority's (the Authority) compliance with the requirements described in the *California Civil Code Section 1936, as amended by SB 1192*, applicable to its customer facility charge program for the year ended June 30, 2012. Compliance with the requirements of laws and regulations applicable to its customer facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 *California Civil Code Section 1936, as amended by SB 1192*. Those standards and the *California Civil Code Section 1936, as amended by SB 1192* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a 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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to its customer facility charge program for the year ended June 30, 2012.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the customer facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, of the Board of Commissioners of the Authority, others within the entity, and the California State Senate and Assembly Committees on Judiciary, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Fini & O'Connell LLP

Los Angeles, California
November 27, 2012

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2012 and each quarter during the
period from July 1, 2011 through June 30, 2012

(With cumulative total amounts at June 30, 2012 and 2011)

	Cumulative total – June 30, 2011	Quarter ended				Year ended June 30, 2012	Cumulative total – December 1 2009 to June 30, 2012
		September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012		
Revenues							
Customer facility charge revenues	\$ 4,648,830	1,176,214	1,276,666	1,262,756	1,284,350	4,999,986	9,648,816
Customer facility charge revenue refund	(2,720)	—	—	—	—	—	(2,720)
Interest earned	—	—	—	—	—	—	—
Total customer facility charge revenues	<u>\$ 4,646,110</u>	<u>1,176,214</u>	<u>1,276,666</u>	<u>1,262,756</u>	<u>1,284,350</u>	<u>4,999,986</u>	<u>9,646,096</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)	(6,030)
Construction costs	—	—	—	—	—	—	—
Total expenditures on approved customer facility charge projects	<u>\$ 1,105,186</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,030)</u>	<u>(6,030)</u>	<u>1,099,156</u>

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

This page left blank intentionally.

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Notes to Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2012

(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 Customer Facility Charges (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 of Bob Hope Airport (Airport), began discussions with the rental car operators at the Airport in winter of 2008 to identify a project that will consolidate the rental car operations at the Airport.

This project would consolidate the rental car operations at the Airport into a single facility. This project would also relocate the rental car ready return facility that is currently partially located in the Runway 33 runway safety area. As part of a larger Regional Intermodal Transportation Center (RITC), the CRCF will contain the customer service, ready return, and quick turnaround (QTA) facilities, and rental car fueling and delivery system. The consolidation of these facilities will eliminate over 700,000 annual trips by rental car companies on Empire Avenue between the current ready return lot and the 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) will also be constructed to replace existing parking spaces on the RITC site.

On September 21, 2009, the Authority approved Resolution 429 authorizing collection of a Customer Facility Charge, 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 is anticipated that the Authority will proceed with construction and financing of the CRCF, and that the collection authority period will be extended accordingly. The CRCF will be financed through a 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 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 5.

On August 24, 2010, the City of Burbank approved entitlements and minor amendments to the Development Agreement 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 will include a transportation center and the CRCF described above. An elevated covered moving sidewalk will accommodate pedestrian travel between the RITC/CRFC and the terminal.

On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from \$159 million to \$187 million, significantly exceeded the \$120 million

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Notes to Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2012

construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected all of the bids and the Board of Commissioners directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services and went back out to bid for the redesigned project on November 10, 2011 for the RPS and January 13, 2012 for the balance of the project.

The Authority opened bids from seven prequalified contractors for the construction of the design-build Replacement Parking Structure on January 10, 2012 with the low bid of \$8,496,000, and opened bids from five prequalified contractors for the construction of the balance of the RITC project on March 22, 2012 with a low bid of \$72,683,000. The Authority approved these construction contracts for the RITC on May 14, 2012 and issues notices to proceed on May 21, 2012.

On April 23, 2012, the Authority approved the 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 Regional Intermodal Transportation Facility 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. The debt service payments of the 2012 Bonds will be paid from CFCs and facility lease payments from the on-airport rental car companies using the CRCF. As of June 30, 2012, the Authority had reimbursed \$9,928,138 of eligible costs of the 2012 Bond Project from the 2012 Bonds Construction Funds.

Costs of Phase 1 of the RITC project, estimated at \$112.6 million, are to be funded from 2012 Bonds and Customer Facility Charges (CFCs) through the construction period (\$81.6 million), Passenger Facility Charges (PFCs) (\$16.2 million), federal grants (\$1.5 million) and Authority investment from the Facility Development Fund (\$10.1 million) and a loan from the Authority to the rental car companies for contingency, if used (\$3.2 million). The replacement parking structure is expected to be completed in August 2013 and the balance of the RITC project is expected to be completed in September 2014.

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Notes to Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2012

Total costs incurred to June 30, 2012 on the RITC project and funding sources are as follows:

	Total	Funding Source				Authority
		2012 Bonds	CFCs	FTA Grants	PFCs	
CRCF	\$ 13,049,035	12,035,711	1,013,324	—	—	—
RPS	1,794,190	1,013,667	85,833	—	—	694,690
Transit area	121,223	—	—	41,881	—	79,342
Elevated walkway	3,384,856	—	—	—	721,684	2,663,172
Off-site improvements	176,020	18,523	—	44,360	—	113,137
Total RITC costs	\$ 18,525,324	13,067,901	1,099,157	86,241	721,684	3,550,341

(2) 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.

(3) 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.

(4) Schedule of Facility Charge Revenues and Expenditures

The accompanying Schedule presents the revenues received from Customer Facility Charges and expenditures incurred on the CRCF.

(5) 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.