

**BURBANK-GLENDALE-PASADENA  
AIRPORT AUTHORITY**

Schedule of Customer Facility Charge  
Revenues and Expenditures

(With Independent Auditor's Reports Thereon)

Year ended June 30, 2013

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**BURBANK-GLENDALE-PASADENA  
AIRPORT AUTHORITY**

Customer Facility Charge Audit Reports

Year ended June 30, 2013

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**Independent Auditor's Report on Compliance with Applicable Requirements of the  
Customer Facility Charge Program, Internal Control over Compliance and  
Schedule of Customer Facility Charge Revenues and Expenditures**

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 compliance requirements described in the *California Civil Code Section 1936, as amended by SB 1192*, for its customer facility charge program for the year ended June 30, 2013.

**Management's Responsibility**

Compliance with the requirements referred to above is the responsibility of the Authority's management.

**Auditor's Responsibility**

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 compliance 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.

**Opinion**

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, 2013.

**Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. 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 and correct, 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.

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

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013, which contained an unmodified opinion on those financial statements. 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 (Schedule) is presented for purposes of additional analysis as required by the *California Civil Code Section 1936, as amended by SB 1192*, and is not a required part of the Authority's basic financial statements. 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 *California Civil Code Section 1936, as amended by SB 1192*. Accordingly, this report is not suitable for any other purpose.

*Macias Fini & O'Connell LLP*

Los Angeles, California  
December 20, 2013

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Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2013 and each quarter during the  
period from July 1, 2012 through June 30, 2013

(With cumulative total amounts at June 30, 2013 and 2012)

	Cumulative total – June 30, 2012	Quarter ended				Year ended June 30, 2013	Cumulative total – December 1 2009 to June 30, 2013
		September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013		
<b>Revenues</b>							
Customer facility charge revenues	\$ 9,648,816	\$ 1,307,709	\$ 1,165,806	\$ 1,137,406	\$ 1,270,434	\$ 4,881,355	\$ 14,530,171
Customer facility charge revenue refund	(2,720)	—	—	—	—	—	(2,720)
Interest earned	—	—	—	—	—	—	—
Total customer facility charge revenues	<u>\$ 9,646,096</u>	<u>\$ 1,307,709</u>	<u>\$ 1,165,806</u>	<u>\$ 1,137,406</u>	<u>\$ 1,270,434</u>	<u>\$ 4,881,355</u>	<u>\$ 14,527,451</u>
<b>Expenditures</b>							
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)
Construction costs	—	—	8,108,539	3,684,261	1,635,221	13,428,021	13,428,021
Total expenditures on approved customer facility charge projects	<u>\$ 1,099,156</u>	<u>\$ —</u>	<u>\$ 8,108,539</u>	<u>\$ 3,684,261</u>	<u>\$ 1,635,221</u>	<u>\$ 13,428,021</u>	<u>\$ 14,527,177</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, 2013

**(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 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 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 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.

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Year ended June 30, 2013

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 construction budget for the RITC included in the Plan of Finance (the RITC budget and funding plan adopted by the Authority). 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 RPS 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 issued 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 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. 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, 2013, the Authority had reimbursed \$33,269,116 of eligible costs of the 2012 Bond Project from the 2012 Bonds Construction Funds. The Authority had also reimbursed \$1,099,156 of eligible development review and other planning costs and \$13,428,021 of eligible construction costs from the CFC Fund.

Costs of Phase 1 of the RITC project, estimated at \$112.6 million, are to be funded from 2012 Bonds and CFCs through the construction period (\$81.6 million), 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 RPS was completed and a Temporary Certificate of Occupancy was received on July 31, 2013; the balance of the RITC project is expected to be completed in July 2014.

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Year ended June 30, 2013

Total cumulative costs expended to June 30, 2013 on the RITC project and funding sources are as follows:

	<b>Total</b>	<b>Funding Source</b>				
		<b>2012 Bonds</b>	<b>CFCs</b>	<b>FTA Grants</b>	<b>PFCs</b>	<b>Authority</b>
CRCF	\$ 43,215,787	30,419,506	12,691,019	—	—	105,262
RPS	9,894,244	4,496,036	1,827,357	—	—	3,570,851
Transit area	320,248	—	—	111,729	—	208,519
Elevated walkway	12,281,176	—	—	—	9,331,704	2,949,472
Off-site improvements	327,364	23,578	8,801	138,533	—	156,452
<b>Total RITC costs</b>	<b>\$ 66,038,819</b>	<b>34,939,120</b>	<b>14,527,177</b>	<b>250,262</b>	<b>9,331,704</b>	<b>6,990,556</b>

**(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 CFC 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.