

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Basic Financial Statements

June 30, 2009 and 2008

(With Independent Auditor's
Report Thereon)

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Statements of Net Assets	20
Statements of Revenues, Expenses, and Changes in Net Assets	22
Statements of Cash Flows	23
Notes to Basic Financial Statements	25



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

LOS ANGELES
515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN DIEGO

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 to 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Macias Fini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
November 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

Management of the Burbank-Glendale-Pasadena Airport Authority (Authority), which operates Bob Hope Airport (Airport), offers readers of the Authority's basic financial statements the following *Management's Discussion and Analysis* (MD&A), a narrative overview and analysis of the Authority's financial activities as of and for the fiscal years ended June 30, 2009 and 2008. We encourage readers to consider this information in conjunction with the accompanying basic financial statements.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include the statements of net assets, the statements of revenues, expenses, and changes in net assets, the statements of cash flows, and the notes to the basic financial statements.

The statements of net assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods.

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 four categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

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.

Highlights of Airport Activities

- The assets of the Authority exceeded its liabilities (*net assets*) at June 30, 2009 and 2008 by \$432,280,415 and \$413,851,050, respectively. Of this amount, \$111,145,744 and \$102,008,535, respectively, may be used to meet the Authority's ongoing obligations to Airport users and creditors (*unrestricted net assets*).
- The Authority's total net assets increased by \$18,429,365 and \$38,891,673 in the fiscal years ended June 30, 2009 and 2008, respectively.
- The Authority's net capital assets increased by \$5,261,485 in Fiscal Year (FY) 2009 and \$16,646,701 in FY 2008. Significant additions in FY 2009 include acquisition of two UHF frequencies for public safety radio communications, completion of the Terminal B EDS baggage inspection facility and conveyors, Terminal A baggage claim facility upgrades and conveyors, Taxiway A rehabilitation, engineered material arresting system (EMAS) widening; phase I of the digital video surveillance system (DVSS) project, Parking Lot C rehabilitation, airport entrance overhead sign, fiber optic backbone, radio communications equipment and facility upgrades, access control system equipment, a replacement ARFF Light Rescue Vehicle and construction in progress on the runway guard lights and Taxiway C, D & G rehabilitation projects.

Significant additions in FY 2008 include completion of the A-1 North parking lot project, completion of the relocation of parking Lot A, extension of Taxiway D, parking revenue control equipment, electrical

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

systems improvements, entrance road realignment, Aircraft Rescue and Fire Fighting (ARFF) truck and construction projects in progress for the Terminal B baggage inspection building and conveyors, engineered material arresting system (EMAS) extension, Terminal A baggage claim equipment, digital video surveillance systems and radio communication systems.

- Total operating revenues generated during FY 2009 decreased by \$5,538,484, or 10.1%, from FY 2008. This decrease is primarily the result of lower parking, landing fee and concession revenues resulting from a 17.4% decrease in passengers. The falling demand is a direct impact of the national economic recession. Total operating expenses in FY 2009 increased by \$2,853,820 or 6.6%, over FY 2008. This increase is primarily the result of increases in depreciation expense related to capital asset additions. Excluding depreciation, operating expenses were held to a 3.6% increase, primarily the result of additional payments for contracted services related to the airport management and parking operations, offset by a decrease in City of Burbank parking taxes resulting from the decline in parking revenues. The FY 2009 operating and capital budget was developed anticipating the impact of the national economic condition. This resulted in a balanced budget without use of Authority reserves.
- Total operating revenues generated during FY 2008 increased by \$1,355,783, or 2.5%, over FY 2007. This increase is primarily the result of higher concession revenues and additional tenant rents. Total operating expenses in FY 2008 increased by \$3,546,333 or 8.9%, over FY 2007. This increase is primarily the result of increases in depreciation expense related to capital asset additions, additional payments for contracted services related to the parking operations, higher fuel costs and its impact on other costs.
- In FY 2009, total passengers declined from FY 2008 by 17.4% as a consequence of the national economic recession. The Airport remained focused on maintaining efficient passenger processing, matching the timing of capital programs to alternate funding sources, upgrading infrastructure, and implementing security requirements.
- Operational Results:
 - Passenger traffic levels in FY 2009 totaled 4,823,781, representing a 17.4% decrease from FY 2008 levels. The decrease in passenger traffic levels resulted from the impact of the national economic recession and reduction of airline capacity to meet the reduced demand. Passenger traffic levels in FY 2008 totaled 5,841,021, representing a 1.0% increase over FY 2007 levels.
 - The Airport was served during FY 2009 by eight signatory carriers: Alaska Airlines, American Airlines, U.S. Airways, Delta Air Lines, JetBlue Airways, SkyWest Airlines, Southwest Airlines, and United Airlines.
 - The Airport was served during FY 2008 by nine signatory carriers: Alaska Airlines, American Airlines, U.S. Airways, Delta Air Lines, JetBlue Airways, Skybus Airlines, SkyWest Airlines, Southwest Airlines, and United Airlines. In April 2008, Skybus Airlines terminated service at the Airport and declared bankruptcy. Prebankruptcy amounts owed to the Airport by Skybus Airlines amount to approximately \$21,000, which were recovered in FY 2009. In April 2006, in connection with its bankruptcy proceedings, Aloha Airlines terminated service at the Airport. Aloha Airlines exited from bankruptcy in May 2006. In FY 2008, Aloha Airlines repaid \$23 of approximately \$28,000 of prebankruptcy amounts owed to the Airport by Aloha Airlines.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

- The Airport's ability to maintain its passenger traffic levels and/or attain any future passenger growth is contingent on the recovery of the airline industry and decisions by airline management to provide air service at Bob Hope Airport to meet aviation demand. Airport management cannot predict the decisions of airline management or the future course of the aviation industry. The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic may vary substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically even in the absence of catastrophic events such as the terrorist attacks on September 11, 2001. Due to impacts on airlines of falling demand as a result of the national economic recession and continued high fuel costs, passenger levels in the quarters ended September 30, 2008, December 31, 2008, March 31, 2009 and June 30, 2009 declined 14.8%, 18.7%, 21.3% and 15.3%, respectively, from the same periods in FY 2008. The impact of the national economic recession on the airline industry and passenger activity is expected to continue in FY 2010.
- During FY 2009, the Airport continued its residential sound insulation program and acoustically treated approximately 186 residences and an additional 23 are in progress at June 30, 2009. During FY 2008, the Airport acoustically treated approximately 116 residences and an additional 87 were in progress at June 30, 2008. The funding for this program, in which noise mitigation features are installed in residences impacted by airport noise, is provided by federal grants, passenger facility charge fees, and Authority funds. As part of its ongoing noise mitigation program, the Authority received Federal Aviation Administration (FAA) grant awards of \$8 million in May 2005, \$12.8 million in August 2006, \$7 million in August 2007, \$3 million in June 2008, and an additional \$7 million was awarded in February 2009.
- On November 2, 2009, the Federal Aviation Administration disapproved the Authority's FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

Schedule of Net Assets

A summary of the Airport's net assets as of June 30, 2009, 2008, and 2007 is shown below:

Schedule of Net Assets							
	2009	2008	2007	FY 2009/08 increase (decrease)		FY 2008/07 increase (decrease)	
				Amount	%	Amount	%
Assets:							
Current unrestricted assets	\$ 30,527,347	28,009,804	27,828,128	2,517,543	9.0%	\$ 181,676	0.7%
Restricted assets	112,954,531	111,147,104	105,506,897	1,807,427	1.6	5,640,207	5.3
Facility Development Reserve	88,000,000	80,000,000	65,000,000	8,000,000	10.0	15,000,000	23.1
Bond issuance costs	889,515	982,331	1,075,148	(92,816)	(9.4)	(92,817)	(8.6)
Capital assets, net	<u>274,996,236</u>	<u>269,734,751</u>	<u>253,088,050</u>	<u>5,261,485</u>	2.0	<u>16,646,701</u>	6.6
Total assets	<u>507,367,629</u>	<u>489,873,990</u>	<u>452,498,223</u>	<u>17,493,639</u>	3.6	<u>37,375,767</u>	8.3
Liabilities:							
Current liabilities	10,133,502	8,595,110	7,731,179	1,538,392	17.9	863,931	11.2
Liabilities payable from restricted assets	3,918,412	3,868,408	3,824,123	50,004	1.3	44,285	1.2
Noncurrent liabilities	<u>61,035,300</u>	<u>63,559,422</u>	<u>65,983,544</u>	<u>(2,524,122)</u>	(4.0)	<u>(2,424,122)</u>	(3.7)
Total liabilities	<u>75,087,214</u>	<u>76,022,940</u>	<u>77,538,846</u>	<u>(935,726)</u>	(1.2)	<u>(1,515,906)</u>	(2.0)
Net assets:							
Invested in capital assets, net of related debt	212,430,451	205,243,922	189,313,593	7,186,529	3.5	15,930,329	8.4
Restricted, debt service	16,256,518	15,767,035	15,252,080	489,483	3.1	514,955	3.4
Restricted, capital projects	92,447,702	90,831,558	82,846,530	1,616,144	1.8	7,985,028	9.6
Unrestricted	<u>111,145,744</u>	<u>102,008,535</u>	<u>87,547,174</u>	<u>9,137,209</u>	9.0	<u>14,461,361</u>	16.5
Total net assets	<u>\$ 432,280,415</u>	<u>413,851,050</u>	<u>374,959,377</u>	<u>18,429,365</u>	4.5	<u>\$ 38,891,673</u>	10.4

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities by \$432,280,415, \$413,851,050 and \$374,959,377 at the close of FY 2009, FY 2008, and FY 2007, respectively.

The largest portion of the Authority's net assets (49.1%, 49.6%, and 50.5% at June 30, 2009, 2008, and 2007, respectively) reflects its investment in capital assets (e.g., land, buildings, runways, and the like); 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, it should be noted that 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.

The second largest portion of the Authority's net assets (25.1%, 25.8%, and 26.2% at June 30, 2009, 2008, and 2007, respectively) represents resources that are subject to external restrictions on how they may be used.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

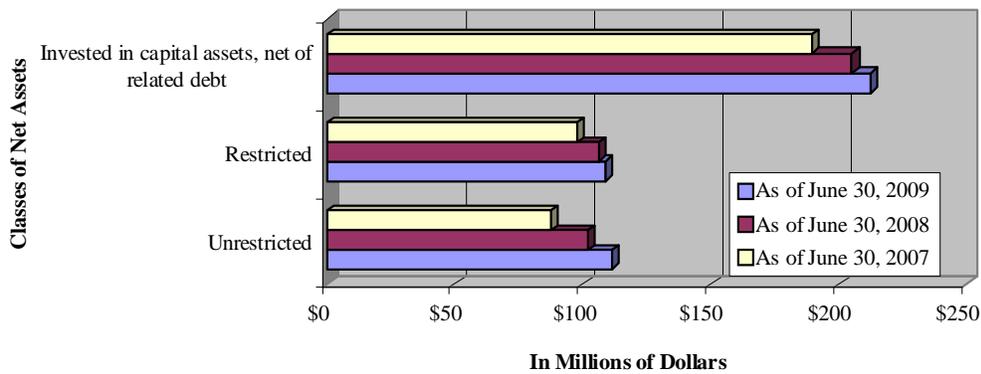
June 30, 2009 and 2008

(Unaudited)

Of these restricted net assets, 15.0%, 14.8%, and 15.5% are for repayment of long-term debt and 85.0%, 85.2%, and 84.5% are for construction of capital assets at June 30, 2009, 2008 and 2007, respectively.

The final portion of net assets is unrestricted net assets and may be used to meet the Authority's ongoing obligations to Airport users and creditors. Included in unrestricted net assets at June 30, 2009, 2008 and 2007 is net assets committed by Authority Resolution for engine repowerment of shuttle buses of \$700,000.

Net Assets as of June 30, 2009, 2008, and 2007



As of June 30, 2009, the Authority is able to report positive balances in all three categories of net assets. The same situation held true as of June 30, 2008 and 2007.

Current Unrestricted Assets

The Authority's current unrestricted assets increased by \$2,517,543, or 9.0%, in FY 2009 primarily resulting from net operating revenues, a settlement received related to the hangar floors and increased grant receivables from accrued qualifying grant expenditures, offset by decreased interest receivables. The Authority's current unrestricted assets increased by \$181,676, or 0.7%, in FY 2008 primarily resulting from increased operating revenues from passenger growth and increased accrued interest, offset by decreased grants receivable. \$8 million and \$15 million were transferred during FY 2009 and FY 2008, respectively, from the Current Operating Fund to the Facility Development Reserve.

Restricted Assets

The Authority's restricted assets increased by \$1.8 million, or 1.6%, in FY 2009. The increase in restricted assets includes a decrease of \$0.4 million in the Construction Fund – 2005 Bonds, a \$0.5 million increase in the Operating Reserve Fund, an increase of \$1.2 million in the Passenger Facility Charge (PFC) Fund and an increase of \$0.4 million in PFC receivables. The Construction Fund – 2005 Bonds account (established during FY 2005) consisted of bond proceeds dedicated to provide for the future improvements to the A-1 North Property

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

and other parking improvements. The PFC is an FAA-approved charge levied on each enplaned passenger (currently \$4.50). PFC funds collected are restricted and may only be used on specifically approved facility improvement projects. The balance in the PFC Fund is dependent on the timing of receipts and expenditures on approved projects. PFC revenue for fiscal years ended June 30, 2009, 2008, and 2007 totaled \$11,035,756, \$13,717,413 and \$13,395,448, respectively, including interest and changes in fair value in the PFC Fund of \$1,370,788, \$1,583,573 and \$1,059,328, respectively. During the fiscal year ended June 30, 2009, funds totaling \$9,571,099 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, \$1,355,379 was for sound insulation program expenses and \$8,215,720 for facility improvement project expenses.

The Authority's restricted assets increased by \$5.6 million, or 5.3%, in FY 2008. The increase in restricted assets includes a decrease of \$3.0 million in the Construction Fund – 2005 Bonds, a \$0.4 million increase in the Operating Reserve Fund, an increase of \$8.8 million in the PFC Fund and a decrease of \$0.9 million in PFC receivables. During the fiscal year ended June 30, 2008, funds totaling \$5,744,547 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, \$1,336,110 was for sound insulation program expenses and \$4,408,437 for facility improvement project expenses.

Facility Development Reserve

Cash and investments – Facility Development Reserve increased \$8 million, or 10.0%, in FY 2009 and \$15 million, or 23.1%, in FY 2008. This fund was established by the Authority during fiscal year 2000 to provide for the development of the 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. \$8 million and \$15 million were transferred during FY 2009 and FY 2008, respectively, to the Facility Development Reserve from current operating funds.

Capital Assets

The Authority's net capital assets increased \$5,261,485, or 2.0%, in FY 2009 and \$16,646,701, or 6.6%, in FY 2008. FY 2009 additions to capital assets of \$19.9 million include acquisition of two UHF frequencies for public safety radio communications, completion of the Terminal B EDS baggage inspection facility and conveyors, Terminal A baggage claim facility upgrades and conveyors, Taxiway A rehabilitation, engineered material arresting system (EMAS) widening; phase I of the digital video surveillance system (DVSS) project, Parking Lot C rehabilitation, airport entrance overhead sign, fiber optic backbone, radio communications equipment and facility upgrades, access control system equipment, a replacement ARFF Light Rescue Vehicle and construction in progress on the runway guard lights and Taxiway C, D & G rehabilitation projects. Significant deletions include prior Terminal A baggage claim and Taxiway A, B, C, D and service road improvements and the prior ARFF light rescue vehicle.

FY 2008 additions to capital assets of \$29.5 million include completion of the A-1 North Property parking lot development project, phase II of the relocation of parking Lot A, extension of Taxiway D, parking revenue control equipment, electrical systems improvements, entrance road realignment, ARFF truck acquisition and construction projects in progress for the Terminal B baggage inspection building and conveyors, EMAS extension, Terminal A baggage claim equipment, digital video surveillance systems and radio communication

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

systems. Significant deletions include prior remote Lot A parking lot and valet lot improvements and prior parking revenue control equipment.

Current Liabilities

Current liabilities increased \$1.5 million, or 17.9%, in FY 2009. The increase results from an increase in vendor accruals primarily related to various capital projects of \$159,206, an increase in the settlement amount for the hangar floors of \$823,219, an increase in salaries and benefits payable of \$57,983, an increase in unearned revenue related to tenant rents paid in advance of \$493,755 and an increase in customer deposits of \$4,229.

Current liabilities increased \$0.9 million, or 11.2%, in FY 2008. The increase results from a decrease in vendor accruals primarily related to various capital projects of \$351,870, an increase in the settlement amount for the hangar floors of \$1,400,000, an increase in salaries and benefits payable of \$42,986, offset by a decrease in unearned revenue related to tenant rents paid in advance of \$219,145 and a decrease in customer deposits of \$8,041.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets increased by \$50,004, or 1.3%, in FY 2009 and \$44,285, or 1.2%, in FY 2008. The increase in FY 2009 reflects a net increase of \$100,000 in the current portion of long-term debt (reflects payment of \$2,320,000 of 2005 Airport Revenue Bonds Taxable Series C on July 1, 2008 and reclassification of \$2,420,000 of 2005 Airport Revenue Bonds Taxable Series C due July 1, 2009), offset by a decrease of \$49,996 in interest payable on the 2005 Airport Revenue Bonds.

The increase in FY 2008 reflects a net increase of \$90,000 in the current portion of long-term debt (reflects payment of \$2,230,000 of 2005 Airport Revenue Bonds Taxable Series C on July 1, 2007 and reclassification of \$2,320,000 of 2005 Airport Revenue Bonds Taxable Series C due July 1, 2008), offset by a decrease of \$45,715 in interest payable on the 2005 Airport Revenue Bonds.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$2,524,122, or 4.0%, in FY 2009 and \$2,424,122, or 3.7%, in FY 2008. These decreases represent the reclassification of \$2,420,000 in FY 2009 and \$2,320,000 in FY 2008 of the 2005 Airport Revenue Bonds Taxable Series C to current portion of long-term debt and annual amortization of original issue premium and deferred amounts on refunding on the 2005 Airport Revenue Bonds totaling \$104,122 in both FY 2009 and FY 2008.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

Schedule of Revenues, Expenses, and Changes in Net Assets

The following table illustrates a condensed summary of the changes in net assets for the fiscal years ended June 30, 2009, 2008, and 2007:

	Schedule of Revenues, Expenses, and Changes in Net Assets						
	FY 2009	FY 2008	FY 2007	FY 2008/09		FY 2007/08	
				Amount	%	Amount	%
Operating revenues	\$ 49,409,915	54,948,399	53,592,616	(5,538,484)	(10.1)%	\$ 1,355,783	2.5%
Operating expenses	<u>46,342,131</u>	<u>43,488,311</u>	<u>39,941,978</u>	<u>2,853,820</u>	6.6	<u>3,546,333</u>	8.9
Operating income	3,067,784	11,460,088	13,650,638	(8,392,304)	(73.2)	(2,190,550)	(16.0)
Nonoperating revenues, net	<u>10,752,045</u>	<u>15,032,256</u>	<u>13,342,688</u>	<u>(4,280,211)</u>	(28.5)	<u>1,689,568</u>	12.7
Income before contributions	13,819,829	26,492,344	26,993,326	(12,672,515)	(47.8)	(500,982)	(1.9)
Capital contributions	<u>4,609,536</u>	<u>12,399,329</u>	<u>3,744,523</u>	<u>(7,789,793)</u>	(62.8)	<u>8,654,806</u>	231.1
Changes in net assets	18,429,365	38,891,673	30,737,849	(20,462,308)	(52.6)	8,153,824	26.5
Total net assets – beginning of year	<u>413,851,050</u>	<u>374,959,377</u>	<u>344,221,528</u>	<u>38,891,673</u>	10.4	<u>30,737,849</u>	8.9
Total net assets – end of year	<u>\$ 432,280,415</u>	<u>413,851,050</u>	<u>374,959,377</u>	<u>18,429,365</u>	4.5	<u>\$ 38,891,673</u>	10.4

Traffic Activities

Commercial aircraft operations (takeoffs and landings) and landed weight reflect decreases during FY 2009 of 7.1% and 10.7%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, decreased 2.9% in FY 2009. Aircraft operations (takeoffs and landings) and landing weight increased 4.2% and 2.9%, respectively, during FY 2008. Cargo tonnage decreased 21.5% in FY 2008.

Total passenger levels decreased by 17.4% in FY 2009 and increased by 1.0% in FY 2008. The state of the national economy, the impact of rapidly increasing fuel costs and potential restructuring of the airline industry could materially affect passenger traffic levels at the Airport.

Illustrated below are comparative traffic activities for FY 2009, FY 2008, and FY 2007:

Description	Comparative Traffic Activities					
	FY 2009	FY 2008	FY 2007	% increase (decrease)		
				FY 2008/09	FY 2007/08	
Commercial carrier flight operations (takeoffs and landings)	67,836	72,982	70,039	(7.1)%	4.2%	
Landing weight (in pounds)	3,785,565,016	4,240,335,729	4,120,839,684	(10.7)	2.9	
Total enplaned and deplaned passengers	4,823,781	5,841,021	5,785,843	(17.4)	1.0	
Cargo tonnage (in tons)	43,835	45,151	57,522	(2.9)	(21.5)	

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

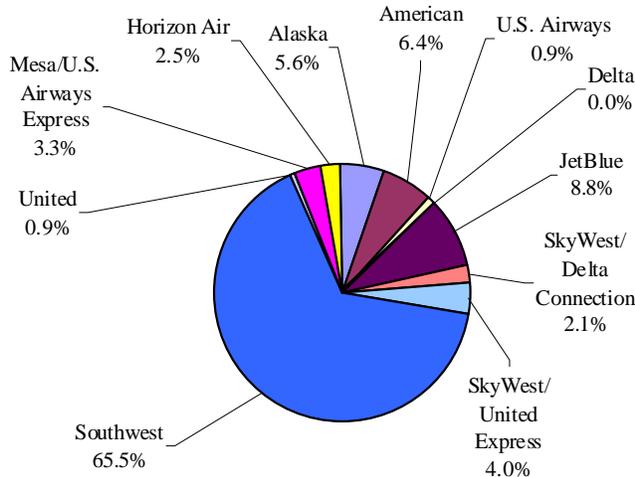
Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

Illustrated below is the passenger traffic share by airline for fiscal years ended June 30, 2009 and 2008:

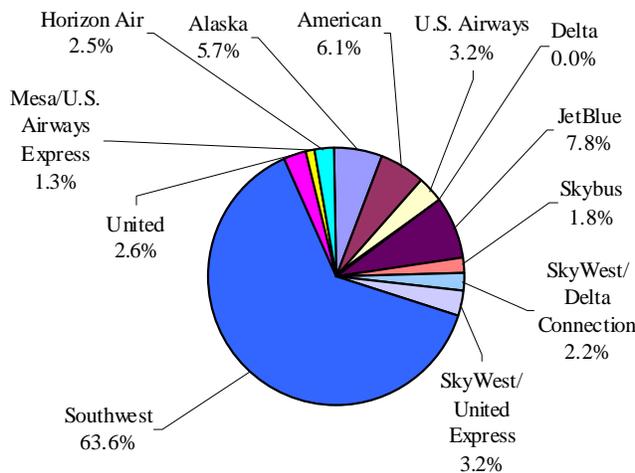
Total Passengers by Air Carrier – FY 2009



<u>Air Carrier</u>	<u>Number of Passengers</u>
Alaska Airlines	270,216
American Airlines	309,445
Delta Air Lines	—
JetBlue Airways	424,686
SkyWest Airlines:	
Delta Connection	101,443
United Express	192,751
Southwest Airlines	3,161,398
U.S. Airways	41,850
United Airlines	42,595
Mesa – U.S. Airways Express	159,111
Horizon Air	120,286
Total Passengers	4,823,781

**** Note:**
Delta Air Lines service is provided by Delta Connection operated by SkyWest Airlines.

Total Passengers by Air Carrier – FY 2008



<u>Air Carrier</u>	<u>Number of Passengers</u>
Alaska Airlines	334,103
American Airlines	354,696
Delta Air Lines	—
JetBlue Airways	458,281
Skybus Airlines	105,754
SkyWest Airlines:	
Delta Connection	129,422
United Express	187,280
Southwest Airlines	3,715,264
U.S. Airways	185,994
United Airlines	152,733
Mesa – U.S. Airways Express	74,047
Horizon Air	143,447
Total Passengers	5,841,021

**** Note:**
Skybus Airlines terminated service in April 2008. Delta Air Lines service is provided by Delta Connection operated by SkyWest Airlines.

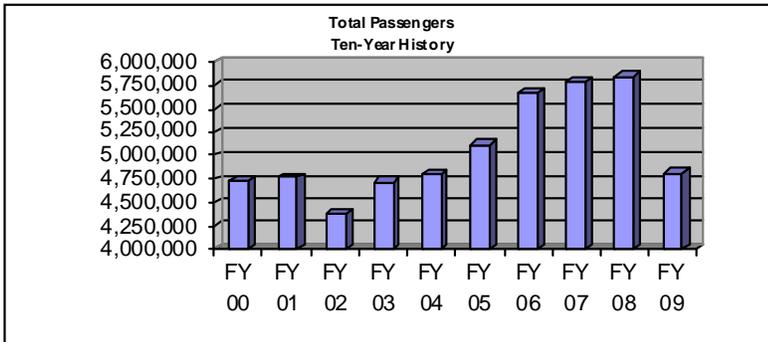
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

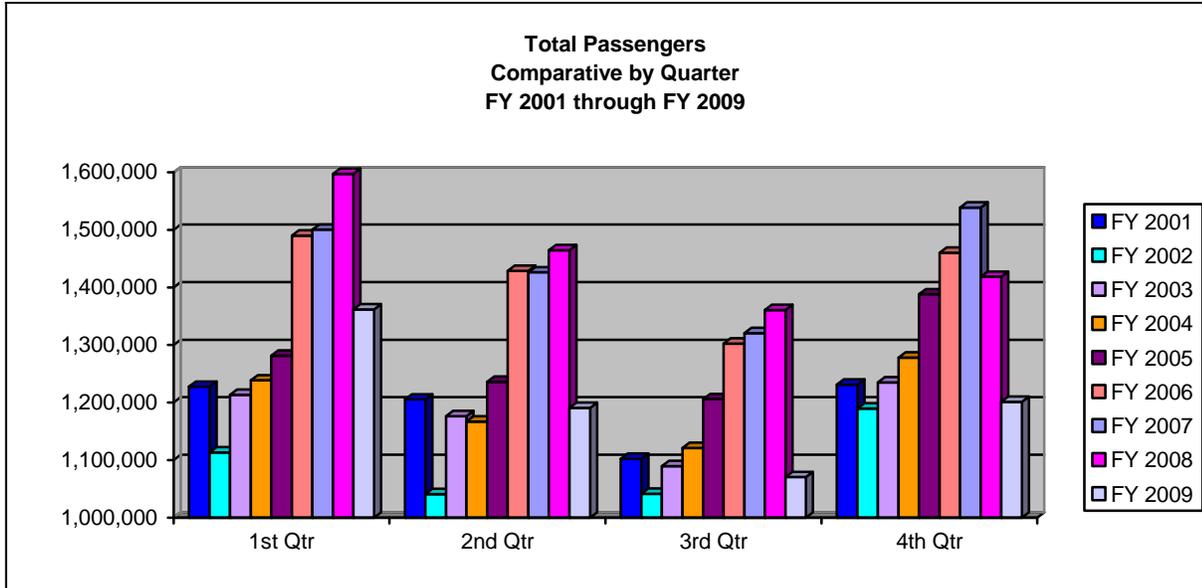
(Unaudited)

Illustrated below is a ten-year history of total passengers:



FY 2009	4,823,781
FY 2008	5,841,021
FY 2007	5,785,843
FY 2006	5,681,528
FY 2005	5,111,412
FY 2004	4,804,639
FY 2003	4,714,539
FY 2002	4,385,110
FY 2001	4,766,286
FY 2000	4,719,715

Illustrated below is a comparison, by quarter, of passenger activity for FY 2001 through FY 2009.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Passengers
FY 2001	1,227,496	1,205,401	1,102,083	1,231,306	4,766,286
FY 2002	1,113,270	1,040,676	1,041,397	1,189,767	4,385,110
FY 2003	1,213,440	1,176,469	1,089,632	1,234,998	4,714,539
FY 2004	1,238,575	1,166,731	1,121,090	1,278,243	4,804,639
FY 2005	1,281,556	1,235,911	1,205,963	1,387,982	5,111,412
FY 2006	1,489,935	1,428,739	1,302,471	1,460,383	5,681,528
FY 2007	1,500,235	1,426,202	1,320,763	1,538,643	5,785,843
FY 2008	1,597,498	1,464,432	1,360,627	1,418,464	5,841,021
FY 2009	1,361,546	1,190,767	1,070,324	1,201,144	4,823,781

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

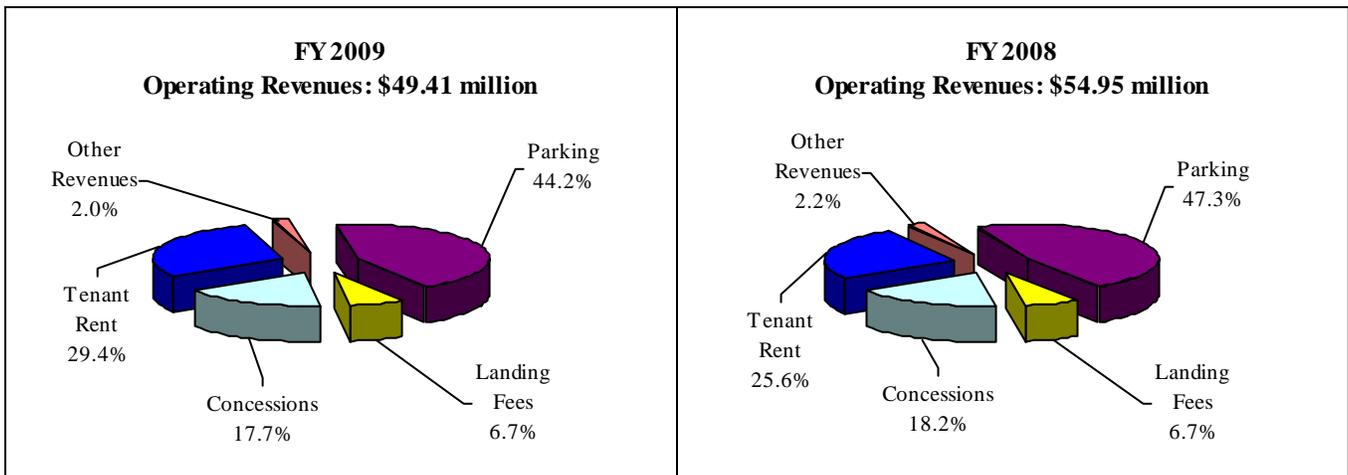
Operating Revenues

The Airport derives its operating revenues from the operation of parking facilities, tenant rent, concessionaire-assessed rents and fees, aircraft landing fees, and other assessments including ground transportation access fees and fuel flowage fees.

The following table illustrates a comparative summary of operating revenues in FY 2009, FY 2008, and FY 2007:

	Comparative Summary of Operating Revenues						
	FY 2009	FY 2008	FY 2007	FY 2008/09		FY 2007/08	
				increase (decrease)		increase (decrease)	
	Amount	Amount	Amount	Amount	%	Amount	%
Parking	\$ 21,820,676	25,979,666	26,116,002	(4,158,990)	(16.0)%	\$ (136,336)	(0.5)%
Landing fees	3,299,103	3,660,367	3,598,358	(361,264)	(9.9)	62,009	1.7
Concessions	8,744,001	10,004,525	9,454,270	(1,260,524)	(12.6)	550,255	5.8
Tenant rent	14,553,636	14,079,164	13,144,078	474,472	3.4	935,086	7.1
Other operating revenues	992,499	1,224,677	1,279,908	(232,178)	(19.0)	(55,231)	(4.3)
Total operating revenues	\$ 49,409,915	54,948,399	53,592,616	(5,538,484)	(10.1)	\$ 1,355,783	2.5

The charts below illustrate the distribution of major sources of operating revenues in FY 2009 and FY 2008:



Total operating revenue decreased by \$5,538,484, or 10.1%, during FY 2009. Parking revenues decreased by \$4,158,990, or 16.0%. This resulted from decreased passengers and reduced air carrier activity from the impacts of the national economic recession, and a small decrease in valet parking activity offset by an increase in self-park activity. Concession revenues decreased by \$1,260,524, or 12.6%, also impacted by decreased passengers and reduced air carrier activity, including rental cars (a 12.0% decrease), food/beverage (a 13.6% decrease), gift/news (a 14.6% decrease) and advertising (a 14.8% decrease). Landing fees decreased by \$361,264, or 9.9%.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

primarily due to decreased number of landing aircraft and changes for some operations to smaller aircraft. Tenant rent increased by \$474,472, or 3.4%, from contractual increases in existing leases (CPI adjustments), and increase in a ground lease upon completion of a Leadership in Energy and Environmental Design award hangar (Avjet). Other operating revenues decreased by \$232,178, or 19.0%, primarily because of a decrease in fuel flowage fees of \$139,074.

Total operating revenue increased by \$1,355,783, or 2.5%, during FY 2008. Parking revenues decreased by \$136,336, or 0.5%. This resulted from increased passengers in the first three quarters of the fiscal year, offset by reduced passengers in the fourth quarter of the fiscal year, and a small decrease in valet parking activity offset by an increase in self-park activity. Concession revenues increased by \$550,255, or 5.8%, primarily from higher sales from rental car activity (a 6.4% increase), food/beverage (a 2.6% increase), gift/news (a 7.9% increase) and advertising (a 7.7% increase). Landing fees increased by \$62,009, or 1.7%, primarily due to an increased number of landing aircraft and changes for some operations to larger aircraft. Tenant rent increased by \$935,086, or 7.1%, from contractual increases in existing leases (CPI adjustments), and the exercise of a lease provision to increase leased space (Affordable Storage). Other operating revenues decreased by \$55,231, or 4.3%, primarily because of a decrease in fuel flowage fees of \$103,223 offset by receipt of equitable sharing (asset seizure) payments from the U.S. Department of Justice of \$74,211 and the State of California Department of Justice of \$18,651.

Operating Expenses

The following illustrates a comparative summary of operating expenses in FY 2009, FY 2008, and FY 2007:

	Operating Expenses Summary							
	FY 2009	FY 2008	FY 2007	FY 2008/09		FY 2007/08		
				Amount	%	Amount	%	
Contracted airport services	\$ 13,589,267	12,450,097	12,135,678	1,139,170	9.1%	\$ 314,419	2.6%	
Salaries and benefits	2,715,539	2,404,859	2,366,011	310,680	12.9	38,848	1.6	
Financial services	735,512	766,120	703,004	(30,608)	(4.0)	63,116	9.0	
Rescue services	1,646,610	1,569,447	1,509,084	77,163	4.9	60,363	4.0	
Repairs and maintenance, materials and supplies	4,443,354	4,373,986	4,031,721	69,368	1.6	342,265	8.5	
Utilities	1,630,023	1,554,835	1,664,576	75,188	4.8	(109,741)	(6.6)	
Professional services	2,322,905	2,399,846	2,074,034	(76,941)	(3.2)	325,812	15.7	
Insurance	1,449,439	1,478,264	1,463,341	(28,825)	(1.9)	14,923	1.0	
Other operating expenses	3,197,059	3,622,367	3,514,799	(425,308)	(11.7)	107,568	3.1	
Operating expenses before depreciation	31,729,708	30,619,821	29,462,248	1,109,887	3.6	1,157,573	3.9	
Depreciation	14,612,423	12,868,490	10,479,730	1,743,933	13.6	2,388,760	22.8	
Total operating expenses	\$ 46,342,131	43,488,311	39,941,978	2,853,820	6.6	\$ 3,546,333	8.9	

Total operating expenses increased by \$2,853,820, or 6.6%, in FY 2009 from a combination of factors, as follows: (1) increased depreciation expense (increase of \$1,743,933) resulting from placing \$19.9 million of capital assets in service, as previously described, and a full year depreciation of capital assets placed in service in FY 2008; (2) additional contracted airport services costs (increase of \$1,139,170) related to increased cost to

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

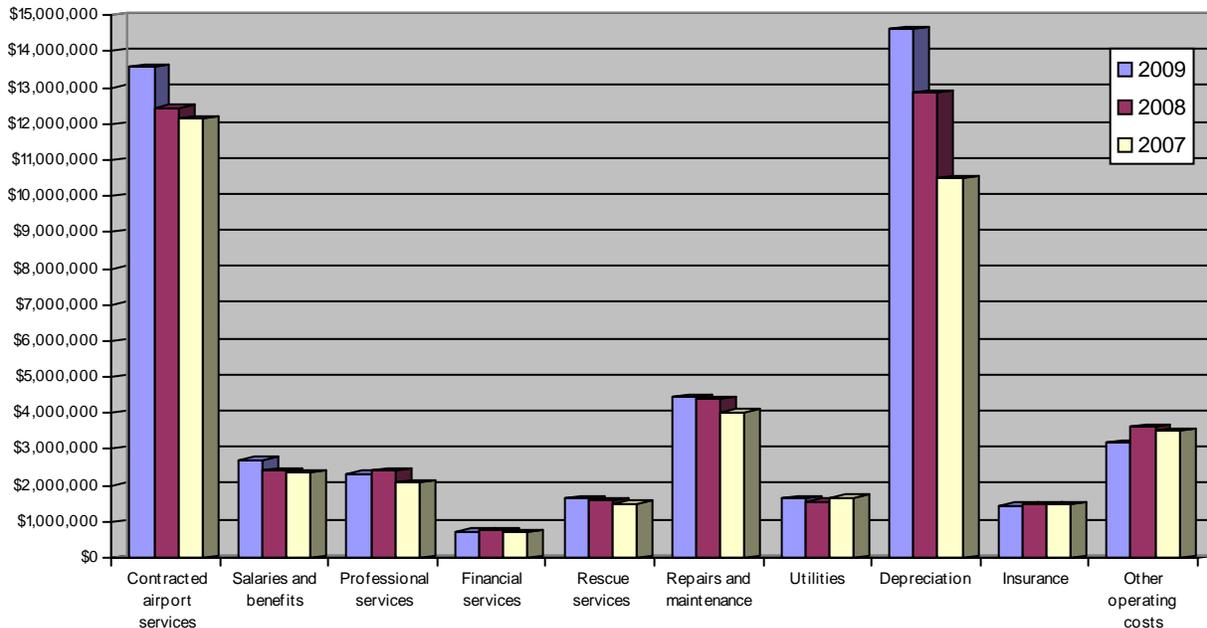
June 30, 2009 and 2008

(Unaudited)

operate public parking lots and cost of living adjustment and filling open positions for Airport Manager staff; (3) increased salaries and benefits costs for airport police officers (increase of \$310,680) as open positions were filled; offset by (4) decreased other operating costs (decrease of \$425,308) consisting primarily of decreased parking taxes to the City of Burbank reflecting the decline in parking revenues.

Total operating expenses increased by \$3,546,333, or 8.9%, in FY 2008 from a combination of factors, as follows: (1) increased depreciation expense (increase of \$2,388,760) resulting from placing \$29.6 million of capital assets in service, as previously described, and a full year depreciation of capital assets placed in service in FY 2007; (2) additional contracted airport services costs (increase of \$314,419) related to increased cost to operate public parking lots and cost of living adjustment for Airport Manager staff; (3) increased professional services costs (increase of \$325,812) comprised primarily of increased cost of security services and traffic control officers; and (4) increased repairs and maintenance/supplies costs (increase of \$342,265) driven by fuel cost increases and the impact of fuel cost increases on the costs of other commodities and services.

Operating Expenses
Years ended June 30, 2009, 2008 and 2007



BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

Nonoperating Revenues and Expenses

The following summary illustrates a comparison of nonoperating revenues and expenses in FY 2009, FY 2008, and FY 2007:

Comparative Summary of Nonoperating Revenues and Expenses							
	FY 2009	FY 2008	FY 2007	FY 2008/09		FY 2007/08	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Nonoperating revenues:							
Passenger Facility							
Charge (PFC) revenues	\$ 11,035,756	13,717,413	13,395,448	(2,681,657)	(19.5)%	\$ 321,965	2.4%
Investment income	4,649,823	6,943,958	5,555,029	(2,294,135)	(33.0)	1,388,929	25.0
FAA and other grants	5,716,446	5,186,318	6,270,820	530,128	10.2	(1,084,502)	(17.3)
	<u>21,402,025</u>	<u>25,847,689</u>	<u>25,221,297</u>	<u>(4,445,664)</u>	<u>(17.2)</u>	<u>626,392</u>	<u>2.5</u>
Nonoperating expenses:							
Interest expense	2,955,440	2,803,796	2,388,787	151,644	5.4	415,009	17.4
Sound insulation program	7,102,086	6,637,451	8,012,159	464,635	7.0	(1,374,708)	(17.2)
Other	592,454	1,374,186	1,477,663	(781,732)	(56.9)	(103,477)	(7.0)
	<u>10,649,980</u>	<u>10,815,433</u>	<u>11,878,609</u>	<u>(165,453)</u>	<u>(1.5)</u>	<u>(1,063,176)</u>	<u>(9.0)</u>
Total nonoperating revenues (expenses), net	\$ <u>10,752,045</u>	<u>15,032,256</u>	<u>13,342,688</u>	<u>(4,280,211)</u>	<u>(28.5)</u>	\$ <u>1,689,568</u>	<u>12.7</u>

Nonoperating revenues of \$21,402,025 in FY 2009 and \$25,847,689 in FY 2008 consist of PFC receipts; investment income, net of amounts capitalized of \$2,565 and \$28,846 in 2009 and 2008, respectively; and FAA sound insulation and other non-capital grants. PFC receipts decreased in FY 2009 due to the decline in passenger traffic offset by investment income on the PFC fund and increased in FY 2008 due to increased passenger traffic and investment income on the PFC Fund. Investment income decreased in FY 2009 as interest rates fell offsetting increased invested cash from the prior year, and increased in FY 2008 as interest rates improved and invested cash increased from the prior year. FAA sound insulation grant revenues increased in FY 2009 and decreased in FY 2008 because of related changes in sound insulation program costs.

Nonoperating expenses of \$10,649,980 and \$10,815,433 in FY 2009 and FY 2008, respectively, include \$7,102,086 and \$6,637,451, respectively, associated with the Airport's residential and school sound insulation program. These costs increased in FY 2009 by \$464,635, or 7.0%, because of an increase in the number of residences insulated and in progress during the year. 186 residences were acoustically treated in FY 2009 and 23 are in progress at June 30, 2009. The Authority received grant commitments from the FAA for noise insulation of \$8 million in May 2005, \$12.8 million in August 2006, \$7 million in August 2007, \$3 million in June 2008 and \$7 million in February 2009. Costs for this program decreased in FY 2008 by \$1,374,708, or 17.2%, because of a decrease in the number of residences insulated and in progress during the year. 116 residences were acoustically treated in FY 2008 and 87 were in progress at June 30, 2008. Interest expense of \$2,955,440 and \$2,803,796, net of capitalized interest of \$30,079 and \$281,715, in FY 2009 and FY 2008, respectively, consists of interest expense and related amortization of bond issue costs, deferred amount on refunding and original issue premium

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

on the 2005 Airport Revenue Bonds totaling \$2,985,519 and \$3,085,511 in FY 2009 and FY 2008, respectively. Other expenses include \$582,938 and \$1,376,836 in FY 2009 and FY 2008, respectively, for the Part 161 Study, a process established under the Airport Noise and Capacity Act of 1990 (ANCA) to seek approval from the FAA to implement mandatory limitations of certain flight operations, and net (gains) losses on retirement of capital assets of \$9,516 and (\$2,650) in FY 2009 and FY 2008, respectively.

Capital Contributions

Capital contributions amounting to \$4,609,536 and \$12,399,329 were recorded during FY 2009 and FY 2008, respectively. In FY 2009 these amounts represent an American Recovery and Reinvestment Act (ARRA) grant awarded through the FAA for the Taxiway C, D and G Rehabilitation project of \$629,055, and FAA airport improvement program grants for the Taxiway A Rehabilitation project of \$3,781,835 and the Runway Guard Lights project of \$198,646. In FY 2008 these amounts represent FAA airport improvement program grants for the Taxiway D Extension project of \$11,878,539, ARFF truck acquisition of \$497,874 and Taxiway A Rehabilitation project of \$22,916.

Capital Assets

Additions to capital assets in FY 2009 and FY 2008 consisted of \$19.9 million and \$29.5 million, respectively.

Significant capital asset additions in FY 2009 include:

- Acquisition of two UHF frequencies for public safety radio communications
- Terminal B EDS baggage inspection facility and conveyors
- Terminal A baggage claim facility upgrades and conveyors
- Taxiway A rehabilitation
- Engineered Material Arresting System (EMAS) widening
- Phase I of the digital video surveillance system (DVSS)
- Parking Lot C rehabilitation
- Airport entrance overhead sign
- Fiber optic backbone
- Radio communications equipment and facility upgrades
- Access control system equipment
- A replacement ARFF Light Rescue Vehicle
- Construction projects in progress on the runway guard lights and Taxiway C, D & G rehabilitation projects.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

Significant capital asset additions in FY 2008 include:

- The completion of the A-1 North Property development project
- The completion of the relocation of economy parking Lot A
- Extension of Taxiway D
- Parking revenue control equipment
- Entrance road realignment
- Airfield and terminal electrical system improvements
- Replacement ARFF truck
- Construction projects in progress for the Terminal B baggage inspection building and conveyors, EMAS extension, Terminal A baggage claim equipment, digital video surveillance systems and radio communication systems.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Capital assets:			
Land	\$ 156,923,796	156,923,796	156,923,796
Other non-depreciable capital assets	589,966	—	—
Buildings and improvements	129,322,739	121,716,572	92,128,562
Runways and improvements	79,467,528	70,635,665	55,822,982
Machinery and equipment	30,470,943	22,542,095	20,387,435
Construction in progress	3,461,223	9,370,885	27,959,037
Less accumulated depreciation	<u>(125,239,959)</u>	<u>(111,454,262)</u>	<u>(100,133,762)</u>
Total capital assets, net	<u>\$ 274,996,236</u>	<u>269,734,751</u>	<u>253,088,050</u>

The Authority has contract commitments outstanding at June 30, 2009 for various construction contracts totaling \$5,739,835. Subsequent to June 30, 2009, the Authority entered into additional construction contracts totaling \$3,537,557 primarily related to the runway guard lights project and the residential acoustical treatment program.

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

Long-Term Debt Administration

On May 26, 2005, the Authority issued \$67,535,000 of 2005 Airport Revenue Bonds (2005 Bonds) in three series at a net effective interest rate of 4.680%. The \$7,750,000 Airport Revenue Bonds 2005 Series A (non-AMT) (2005 Series A Bonds) were issued to refinance the \$9,395,000 outstanding Airport Revenue Bonds Refunding Series 1992 (1992 Bonds). The \$50,765,000 Airport Revenue Bonds 2005 Series B (AMT) and the \$9,020,000 Airport Revenue Bonds 2005 Taxable Series C Bonds were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking (A-1 North Property Development project). The 2005 Bonds mature in varying amounts through July 1, 2025 and represent

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

(Unaudited)

the only outstanding bonded debt issue at June 30, 2009 and 2008. The 2005 Bonds are insured by Ambac, whose ratings have steadily deteriorated; Moody's Investors Service and Standard and Poor's recently downgraded Ambac to Caa2 and CC, respectively. However, the underlying ratings of the 2005 Bonds remain stable and are as follows: Standard and Poor's at A+, Moody's Investors Service at Aa3, and Fitch Ratings at AA-. Moody's Investors Service upgraded its underlying rating on the 2005 Bonds from A1 to Aa3 in March 2008 and affirmed its rating in April 2009. Standard and Poor's affirmed its rating in November 2008. The outstanding balance of 2005 Bonds at June 30, 2009 is \$61,140,000, plus unamortized original issue premium of \$2,356,651 and less unamortized deferred amount on refunding of \$41,351, for a net total amount outstanding for this issue of \$63,455,300. Principal payments on the 2005 Bonds of \$2,320,000 and \$2,230,000 were made July 1, 2008 and 2007, respectively. The current portion of 2005 Bonds at June 30, 2009 is \$2,420,000.

Additional information regarding the Authority's long-term debt can be found in note 6 in the accompanying notes to the basic financial statements.

Other Items

Airport Development Agreement

The Authority and the City of Burbank approved a March 15, 2005 "Development Agreement" that sets guidelines on Airport development and provides greater certainty to the City and Authority on issues of Airport zoning and development. Under the terms of the agreement, for a period of seven years, the existing footprint of the terminal, the number of air carrier gates, and the area available for general aviation may not be increased. The Agreement retains approximately 59 acres of property (the B-6 Property) in a trust. The provisions of the trust allow the Authority to use approximately 33 acres of the B-6 Property for purposes that do not involve expansion or enlargement of the Airport. The ultimate disposition of the B-6 Property is to be determined upon the expiration of a ten-year period. The current zoning of Airport property remains unchanged for seven years and allows aviation facilities to be developed consistent with that zoning. Further, the agreement defers public planning and the construction of a new or relocated passenger terminal for a period of ten years.

Under the Development Agreement and related project approvals, the City of Burbank approved the acquisition and planned use of the A-1 North Property (including the former Star Park parking lot) permitting the Authority to acquire and improve this property to relocate valet and self-parking facilities.

BASIC FINANCIAL STATEMENTS

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Assets

June 30, 2009 and 2008

Assets	2009	2008
Current unrestricted assets:		
Cash and investments – current operating fund (note 3)	\$ 27,047,767	24,812,890
Grants receivable	1,067,702	557,429
Accounts receivable, net of allowance of \$40,019 and \$34,975 in 2009 and 2008, respectively	894,222	1,056,392
Accrued interest receivable	1,441,348	1,519,840
Prepaid expenses	76,308	63,253
Total current unrestricted assets	30,527,347	28,009,804
Current restricted assets:		
Cash and investments (note 3):		
Cash and investments with trustee:		
Debt Service Fund – 2005 Bonds	3,918,412	3,879,824
Debt Service Reserve Fund – 2005 Bonds	5,420,438	5,539,630
Construction Fund – 2005 Bonds	—	406,262
Total cash and investments with trustee	9,338,850	9,825,716
Other restricted cash and investments:		
Operating Reserve Fund	8,416,081	7,895,990
Authority Areas Reserve	2,309,430	2,225,501
Asset Forfeiture Fund	186,989	128,708
Passenger Facility Charge Fund	31,856,923	30,682,805
Total other restricted cash and investments	42,769,423	40,933,004
Total restricted cash and investments	52,108,273	50,758,720
Passenger Facility Charge receivables (note 10)	1,530,280	1,146,536
Accrued interest receivable, restricted funds	442,469	368,339
Total current restricted assets	54,081,022	52,273,595
Noncurrent restricted assets – Trust Assets (note 4)	58,873,509	58,873,509
Total restricted assets	112,954,531	111,147,104
Bond issuance costs, net (note 6)	889,515	982,331
Cash and investments – Facility Development Reserve (note 3)	88,000,000	80,000,000
Capital assets (notes 5 and 9):		
Land	156,923,796	156,923,796
Other nondepreciable capital assets	589,966	—
Buildings and improvements	129,322,739	121,716,572
Runways and improvements	79,467,528	70,635,665
Machinery and equipment	30,470,943	22,542,095
Construction in progress	3,461,223	9,370,885
Less accumulated depreciation	(125,239,959)	(111,454,262)
Total capital assets, net	274,996,236	269,734,751
Total assets	507,367,629	489,873,990

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Assets

June 30, 2009 and 2008

Liabilities	2009	2008
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,436,781	7,454,356
Salaries and benefits payable	328,567	270,584
Unearned revenue	1,202,556	708,801
Customer deposits	165,598	161,369
Total current liabilities	<u>10,133,502</u>	<u>8,595,110</u>
Liabilities payable from restricted assets:		
Current portion of long-term debt (note 6)	2,420,000	2,320,000
Accrued interest payable	1,498,412	1,548,408
Total liabilities payable from restricted assets	<u>3,918,412</u>	<u>3,868,408</u>
Long-term debt, net of current portion (note 6):		
Revenue bonds payable, less current portion	58,720,000	61,140,000
Original issue premium, net	2,356,651	2,505,883
Deferred amount on refunding, net	(41,351)	(86,461)
Total long-term liabilities	<u>61,035,300</u>	<u>63,559,422</u>
Total liabilities	<u>75,087,214</u>	<u>76,022,940</u>
Net Assets		
Invested in capital assets, net of related debt	212,430,451	205,243,922
Restricted:		
Debt service	16,256,518	15,767,035
Capital projects	92,447,702	90,831,558
Unrestricted	111,145,744	102,008,535
Total net assets	\$ <u>432,280,415</u>	<u>413,851,050</u>

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Charges for services:		
Parking	\$ 21,820,676	25,979,666
Landing fees	3,299,103	3,660,367
Concessions	8,744,001	10,004,525
Tenant rent	14,553,636	14,079,164
Fuel flowage fees	504,420	643,494
Other operating revenues	488,079	581,183
Total operating revenues	<u>49,409,915</u>	<u>54,948,399</u>
Operating expenses (note 11):		
Contracted airport services	13,589,267	12,450,097
Salaries and benefits	2,715,539	2,404,859
Financial services	735,512	766,120
Rescue services	1,646,610	1,569,447
Materials and supplies	343,828	348,523
Repairs and maintenance	4,099,526	4,025,463
Utilities	1,630,023	1,554,835
Professional services	2,322,905	2,399,846
Insurance	1,449,439	1,478,264
Other operating expenses	3,197,059	3,622,367
Total operating expenses before depreciation	<u>31,729,708</u>	<u>30,619,821</u>
Operating income before depreciation	17,680,207	24,328,578
Depreciation (note 5)	<u>14,612,423</u>	<u>12,868,490</u>
Operating income	<u>3,067,784</u>	<u>11,460,088</u>
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest on the Passenger Facility Charge Fund of \$1,370,788 and \$1,583,573 in 2009 and 2008, respectively (note 10)	11,035,756	13,717,413
Investment income, net of \$2,565 and \$28,846 capitalized in 2009 and 2008, respectively	4,649,823	6,943,958
Interest expense, net of \$30,079 and \$281,715 capitalized in 2009 and 2008, respectively	(2,955,440)	(2,803,796)
Gain (loss) on retirement of capital assets	(9,516)	2,650
Sound insulation program (note 8)	(7,102,086)	(6,637,451)
Federal Aviation Administration grants, sound insulation program (note 8)	5,592,635	5,184,904
Other noncapital federal grants	123,811	1,414
Other expenses, net	(582,938)	(1,376,836)
Total nonoperating revenues, net	<u>10,752,045</u>	<u>15,032,256</u>
Income before capital contributions	13,819,829	26,492,344
Capital contributions	<u>4,609,536</u>	<u>12,399,329</u>
Changes in net assets	18,429,365	38,891,673
Total net assets – beginning of year	<u>413,851,050</u>	<u>374,959,377</u>
Total net assets – end of year	<u>\$ 432,280,415</u>	<u>413,851,050</u>

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	\$ 50,048,465	54,631,020
Cash paid to suppliers of goods and services	(26,279,981)	(25,344,158)
Cash paid for employees' services	(2,661,299)	(2,364,628)
Cash paid for parking taxes to the City of Burbank	(2,409,816)	(2,806,813)
Cash paid for other nonoperating expenses – Part 161 study	(653,281)	(1,526,086)
Cash received from settlement – hangar floors	823,219	1,400,000
Net cash provided by operating activities	<u>18,867,307</u>	<u>23,989,335</u>
Cash flows from noncapital financing activities:		
Sound insulation program	(7,086,191)	(6,865,471)
FAA grants, sound insulation program	5,627,501	5,350,109
Other noncapital federal grants received	123,811	1,414
Net cash used in noncapital financing activities	<u>(1,334,879)</u>	<u>(1,513,948)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(19,993,880)	(29,298,308)
Proceeds from sale of capital assets	7,393	23,055
Principal paid on revenue bonds	(2,320,000)	(2,230,000)
Interest paid on revenue bonds	(3,046,821)	(3,142,532)
Passenger Facility Charge program receipts	9,333,631	13,026,032
Capital contributions received	4,064,397	12,425,396
Net cash used in capital and related financing activities	<u>(11,955,280)</u>	<u>(9,196,357)</u>
Cash flows from investing activities:		
Interest received on investments, including interest received in the Passenger Facility Charge Fund of \$1,404,784 and \$1,163,656 in 2009 and 2008, respectively	6,683,167	6,512,872
Purchases of investments not considered cash equivalents	(54,460,568)	(92,335,724)
Proceeds from the sale or maturity of investments not considered cash equivalents	42,501,838	80,627,861
Net cash used in investing activities	<u>(5,275,563)</u>	<u>(5,194,991)</u>
Net increase in cash and cash equivalents	301,585	8,084,039
Cash and cash equivalents, beginning of year	<u>20,705,757</u>	<u>12,621,718</u>
Cash and cash equivalents, end of year	\$ <u>21,007,342</u>	<u>20,705,757</u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,067,784	11,460,088
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	14,612,423	12,868,490
Other noncash operating expenses, net	11,543	—
Other nonoperating expenses	(582,938)	(1,376,836)
Changes in assets and liabilities:		
Accounts receivable	162,170	(89,546)
Prepaid expenses	(13,055)	15,534
Accounts payable and accrued expenses	1,053,413	1,295,805
Salaries and benefits payable	57,983	42,986
Unearned revenue	493,755	(219,145)
Customer deposits	4,229	(8,041)
Net cash provided by operating activities	<u>\$ 18,867,307</u>	<u>23,989,335</u>
Reconciliation of cash and cash equivalents to the statements of net assets:		
Operating fund	\$ 27,047,767	24,812,890
Restricted cash and investments	52,108,273	50,758,720
Facility Development Reserve	88,000,000	80,000,000
Cash, cash equivalents, and investments	<u>167,156,040</u>	<u>155,571,610</u>
Investments not considered cash equivalents	<u>(146,148,698)</u>	<u>(134,865,853)</u>
Cash and cash equivalents, end of year (note 3)	<u>\$ 21,007,342</u>	<u>20,705,757</u>
Summary of significant noncash investing and financing activities:		
Amortization of bond issuance costs, premiums, and deferred amounts on refunding	\$ (11,306)	(11,306)
Change in fair value of investments	(655,629)	1,686,281
Change in capital assets acquired by accounts payable	(117,683)	(19,654)
Capitalized interest expense, net	27,514	252,869

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(1) Nature of Authority

The Burbank-Glendale-Pasadena Airport Authority (the 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 (the 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. to perform certain airport administrative, maintenance, and operational services. These contracted services are included in the Authority's statements of revenues, expenses, and changes in net assets as "contracted airport services." The Authority directly employs airport peace 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 (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 a governmental enterprise activity, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method 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 assets, 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.

The Authority follows private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) and predecessor standard setters prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Authority also has the option of following subsequent private-sector guidance subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(b) *Description of Basic Financial Statements*

Statements of Net Assets – The statements of net assets are designed to display the financial position of the Authority. The Authority’s equity is reported as net assets which is classified into three categories defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets, totaling \$212,430,451 and \$205,243,922 at June 30, 2009 and 2008, respectively, consists of capital assets, net of accumulated depreciation and 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 assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments through constitutional provisions or enabling legislation. Net assets restricted for debt service totaled \$16,256,518 and \$15,767,035 at June 30, 2009 and 2008, respectively. Net assets restricted for capital projects totaled \$92,447,702 and \$90,831,558 at June 30, 2009 and 2008, respectively, including \$33,387,203 and \$31,829,341, respectively, restricted by enabling legislation for the passenger facility charge program.
- *Unrestricted* – This component of net assets, totaling \$111,145,744 and \$102,008,535 at June 30, 2009 and 2008, respectively, consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” Included in unrestricted net assets at June 30, 2009 and 2008 is net assets committed by Authority Resolution for engine repowerment of shuttle buses of \$700,000.

Statements of Revenues, Expenses, and Changes in Net Assets – The statements of revenues, expenses, and changes in net assets 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.

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, and fuel flowage fees. Operating expenses include contracted airport services,

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses, 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, law 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, 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 and a majority of the sound insulation program. The Authority also receives grants from the U.S. Department of Homeland Security for certain security-related equipment purchases. Finally, the Authority received a grant under the American Recovery and Reinvestment Act of 2009 (ARRA) through the FAA for certain taxiway reconstruction. Such grants related to capital acquisitions are recorded on the statements of revenues, expenses, and changes in net assets as capital contributions and for the sound insulation program as nonoperating revenue FAA grants – sound insulation program. 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 \$4.50 per enplaned passenger, as approved by the U.S. Department of Transportation – Federal Aviation Administration, to finance certain capital improvements. Cash and receivables from such revenues are maintained in a separate account and are restricted for approved airport improvement projects. Revenues are recognized during the period earned.

(g) *Revenues and Cash Accounts*

All revenues, except Passenger Facility Charges, are deposited in a revenue account 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, 2009 and 2008, there was no balance in the Rebate Fund.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

- **Debt Service Fund** – Bond interest currently payable is deposited to this account monthly prior to each semiannual payment. Currently payable bond principal is transferred to this account monthly prior to each annual payment. This cash fund is held by a trustee who pays the bond interest and principal when due.
- **Debt Service Reserve Fund** – 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, is to be held by the trustee in this fund to be used in the event that monies in the Debt Service Fund are insufficient to meet payments when due. During the years ended June 30, 2009 and 2008, the required balance in the Debt Service Reserve Fund, calculated using (ii) greatest annual debt service from the current period to the maturity of the Revenue Bonds, is \$5,420,438 and \$5,420,438, respectively. The balance in the Debt Service Reserve Fund at June 30, 2009 and 2008 is \$5,420,438 and \$5,539,630, 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, 2009 and 2008 is \$8,416,081 and \$7,895,550, 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 2005 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, 2009 and 2008, 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 Fund 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, 2009 and 2008, there was no balance in the Reserve and Contingency Fund.
- **Surplus Fund** – All monies remaining in the Revenue Account 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, 2009 and 2008, there was no balance in the Surplus Fund to be transferred to any of the funds mentioned above.
- **Cost of Issuance Fund** – The balance in this fund provides for the payment of costs to issue the 2005 Bonds not paid directly from escrow at the closing of the sale of the 2005 Bonds.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2009 and 2008, there was no balance in the Cost of Issuance Fund.

- **Construction Fund** – The balance in this fund provides for the payment of applicable Capital Improvements identified to be financed from the 2005 Series B Bonds and the 2005 Taxable Series C Bonds. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2009 and 2008, the balance in the Construction Fund is \$0 and \$406,262, respectively.

(h) *Other Reserves*

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 Bob Hope Airport.
- **Passenger Facility Charge Fund** – Cash and receivables from the Passenger Facility Charge program are maintained in a separate account and are restricted for approved airport improvement projects.

The Authority maintains the following board-designated cash:

- **Facility Development Reserve** – Reserve established during fiscal year 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.

(i) *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.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

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. During the year ended June 30, 2009, interest cost of \$30,079 less interest income of \$2,565 was capitalized. During the year ended June 30, 2008, interest cost of \$281,715 less interest income of \$28,846 was capitalized. 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 25 years
Runways and improvements	3 to 20 years
Machinery and equipment	3 to 20 years

(j) *Vacation and Sick Leave*

Employees may receive 10 to 20 days of vacation each year, depending on length of service with the Authority. Vacation is not earned until the year is completed. An employee may accrue up to 25 days of vacation; any days earned in excess of 25 days are forfeited, unless approved by management.

Employees are also entitled to eight days of personal leave during each year. 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 80 hours of overtime for personal leave.

Vacation and personal leave are accrued as earned by employees.

(k) *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 and PFC 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. 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 certificates of deposit, commercial paper, money market funds, State Treasurer's Local Agency Investment Fund), (2) smaller maximum portions of the portfolios invested in a single institution/issuer (e.g., 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

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

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. The fair value of money market mutual funds, government-sponsored investment pools, and other similar investments is stated at share value. Certain money market 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.

(l) *Statements of Cash Flows*

For purposes of the statements of cash flows, the Authority considers its investment in money market mutual funds and in the State Treasurer's Local Agency Investment Fund 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 initial 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.

(m) *Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

(n) *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.

(o) *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.

(p) *Recent Accounting Pronouncements*

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a government entity would be required to report a liability related to pollution remediation and how to measure that liability. The statement also requires governments to disclose information about their pollution obligations associated with clean up efforts in the notes to

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

the financial statements. GASB Statement No. 49 is effective for financial statements for periods beginning after December 15, 2007, but liabilities will be measured at the beginning of that period so that beginning net assets can be restated. The Authority implemented the statement for the FY 2009 basic financial statements and currently does not believe it has any pollution remediation liabilities at June 30, 2009, 2008 or 2007.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards for accounting and financial reporting for intangible assets, for all state and local governments. Types of assets that may be considered intangible assets include easements, water rights, timber rights, patents, trademarks, and computer software. GASB 51 will be effective beginning in fiscal year 2010. Retroactive reporting is required for certain intangible assets.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of GAAP into GASB's authoritative literature, currently included in the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements for state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB does not expect that this statement, which was effective upon issuance, will result in a change in current practice. Implementation of this statement had no impact on the Authority's basic financial statements.

In March 2009, GASB also issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance—related party transactions, going concern considerations and subsequent events—presented in the AICPA's Statements on Auditing Standards. GASB does not expect that this statement, which was effective upon issuance, will result in a change in current practice. Implementation of this statement had no impact on the Authority's basic financial statements.

(q) *Reclassifications*

Certain reclassifications have been made to the amounts reported in 2008 in order to conform to the 2009 presentation. Such reclassifications had no effect on the previously reported change in net assets.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(3) Cash and Investments

(a) Cash and Investments

(i) Cash and investments at June 30, 2009 and 2008 are classified in the accompanying statements of net assets as follows:

	<u>2009</u>	<u>2008</u>
Cash and investments – current assets:		
Operating fund	\$ 27,047,767	24,812,890
Cash and investments – restricted assets:		
Cash and investments held by bond trustee:		
Debt service fund – 2005 Bonds	3,918,412	3,879,824
Debt service reserve fund – 2005 Bonds	5,420,438	5,539,630
Construction fund – 2005 Bonds	—	406,262
Total cash and investments held by bond trustee	<u>9,338,850</u>	<u>9,825,716</u>
Other restricted cash and investments:		
Operating Reserve fund	8,416,081	7,895,990
Authority Areas Reserve fund	2,309,430	2,225,501
Asset Forfeiture fund	186,989	128,708
Passenger Facility Charge fund	<u>31,856,923</u>	<u>30,682,805</u>
Total other restricted cash and investments	<u>42,769,423</u>	<u>40,933,004</u>
Total cash and investments – restricted assets	52,108,273	50,758,720
Cash and investments – Facility Development Reserve	<u>88,000,000</u>	<u>80,000,000</u>
Total cash and investments	\$ <u><u>167,156,040</u></u>	<u><u>155,571,610</u></u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(ii) Cash and investments as of June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Operating portfolio cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 800	800
Deposits with financial institutions	1,526,541	1,076,151
Money market mutual funds	1,706,380	1,234,423
State Treasurer's Local Agency Investment Fund	<u>14,926,239</u>	<u>16,120,868</u>
Total cash and cash equivalents	<u>18,159,960</u>	<u>18,432,242</u>
Investments:		
U.S. Treasury securities	37,573,936	27,709,022
U.S. Agency securities	49,578,923	40,914,880
Medium-term corporate notes	<u>20,647,448</u>	<u>28,006,945</u>
Total investments	<u>107,800,307</u>	<u>96,630,847</u>
Total cash and cash equivalents and investments	125,960,267	115,063,089
Less restricted portion	(10,912,500)	(10,250,199)
Less Facility Development Reserve	<u>(88,000,000)</u>	<u>(80,000,000)</u>
Current and unrestricted cash and investments	<u>\$ 27,047,767</u>	<u>24,812,890</u>
Passenger Facility Charge Fund:		
Cash and cash equivalents:		
Deposits with financial institutions	\$ 44,250	84,906
Money market mutual funds	<u>2,803,132</u>	<u>2,188,609</u>
Total cash and cash equivalents	<u>2,847,382</u>	<u>2,273,515</u>
Investments:		
U.S. Treasury securities	9,262,131	8,192,890
U.S. Agency securities	13,441,840	12,259,974
Medium-term corporate notes	<u>6,305,570</u>	<u>7,956,426</u>
Total investments	<u>29,009,541</u>	<u>28,409,290</u>
Total cash and cash equivalents and investments	<u>\$ 31,856,923</u>	<u>30,682,805</u>
Investments held by bond trustee:		
Money market mutual funds	\$ 3,918,419	4,405,375
U.S. Agency securities	<u>5,420,431</u>	<u>5,420,341</u>
Total investments	<u>\$ 9,338,850</u>	<u>9,825,716</u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Summary of cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 800	800
Deposits with financial institutions	1,570,791	1,161,057
Money market mutual funds	4,509,512	3,423,032
State Treasurer's Local Agency Investment Fund	<u>14,926,239</u>	<u>16,120,868</u>
Total cash and cash equivalents	<u>21,007,342</u>	<u>20,705,757</u>
Investments:		
U.S. Treasury securities	46,836,067	35,901,912
U.S. Agency securities	68,441,194	58,595,195
Medium-term corporate notes	26,953,018	35,963,371
Money market mutual funds held by bond trustee	<u>3,918,419</u>	<u>4,405,375</u>
Total investments	<u>146,148,698</u>	<u>134,865,853</u>
Total cash and cash equivalents and investments	<u>\$ 167,156,040</u>	<u>155,571,610</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.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

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

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit 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 California Government Code or the Authority's investment policy.

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio^a</u>	<u>Maximum investment in one issuer</u>
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	70%	None
Time deposits	5 years	40%	None
State Treasurer's Local Agency Investment Fund (LAIF)	N/A	\$20 million	None
Bankers' acceptances	180 days	40%	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%	None

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

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(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 California Government 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, credit risk, and concentration of credit risk.

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage allowed</u>	<u>Maximum investment in one issuer</u>
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

(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.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

The weighted average maturity of each authorized investment type by pool at June 30, 2009 and 2008 are as follows:

Authorized investment type	June 30, 2009		June 30, 2008	
	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	\$ 37,573,936	1.80	\$ 27,709,022	1.29
U.S. Agency securities	49,578,923	1.64	40,914,880	1.81
Medium-term corporate notes	20,647,448	1.61	28,006,945	1.82
Total operating portfolio investments	107,800,307	1.69	96,630,847	1.66
Operating portfolio cash equivalents:				
Money market mutual funds	1,706,380	—	1,234,423	—
State Treasurer's Local Agency Investment Fund	14,926,239	0.65	16,120,868	0.59
Total operating portfolio cash equivalents	16,632,619	0.59	17,355,291	0.56
Total operating portfolio cash equivalents and investments	124,432,926	1.54	113,986,138	1.49
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	9,262,131	2.36	8,192,890	1.49
U.S. Agency securities	13,441,840	1.18	12,259,974	1.86
Medium-term corporate notes	6,305,570	1.34	7,956,426	1.83
Total PFC Fund investments	29,009,541	1.59	28,409,290	1.74
PFC Fund cash equivalents – money market mutual funds	2,803,132	—	2,188,609	—
Total PFC Fund cash equivalents and investments	31,812,673	1.45	30,597,899	1.62
Investments held by bond trustee:				
Money market mutual funds	3,918,419	—	4,405,375	—
U.S. Agency securities	5,420,431	<0.01	5,420,341	<0.01
Total investments held by bond trustee	9,338,850	<0.01	9,825,716	<0.01
Total cash equivalents and investments	\$ 165,584,449	1.44	\$ 154,409,753	1.42

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(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 below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy or the Master Indenture of Trust, as amended, and the actual rating as of June 30, 2009 and 2008 for each investment type.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end			
				AAA	AA	A	NR*
As of June 30, 2009:							
Operating portfolio cash equivalents and investments:							
Operating portfolio investments:							
U.S. Treasury securities	\$ 37,573,936	N/A	\$ 37,573,936	—	—	—	—
U.S. Agency securities:							
Fed. National Mort. Assn.	15,171,416	N/A	—	15,171,416	—	—	—
Fed. Farm Credit Bank	5,301,352	N/A	—	5,301,352	—	—	—
Fed. Home Loan Bank	14,820,481	N/A	—	14,820,481	—	—	—
Fed. Home Loan Mort. Corp.	14,285,674	N/A	—	14,285,674	—	—	—
Total U.S. Agency securities	49,578,923		—	49,578,923	—	—	—
Medium-term corporate notes	20,647,448	A	—	—	3,815,768	16,731,680	100,000
Total Operating portfolio Investments	107,800,307		37,573,936	49,578,923	3,815,768	16,731,680	100,000
Operating portfolio cash equivalents:							
Money market mutual funds	1,706,380	Not rated	1,706,380	—	—	—	—
State Treasurer's Local Agency Investment Fund	14,926,239	Not rated	14,926,239	—	—	—	—
Total Operating portfolio cash equivalents	16,632,619		16,632,619	—	—	—	—
Total Operating portfolio cash equivalents and investments	124,432,926		54,206,555	49,578,923	3,815,768	16,731,680	100,000
Passenger Facility Charge (PFC) Fund cash equivalents and investments:							
PFC Fund investments:							
U.S. Treasury securities	9,262,131	N/A	9,262,131	—	—	—	—
U.S. Agency securities:							
Fed. National Mort. Assn.	3,678,387	N/A	—	3,678,387	—	—	—
Fed. Farm Credit Bank	2,619,008	N/A	—	2,619,008	—	—	—
Fed. Home Loan Bank	3,136,379	N/A	—	3,136,379	—	—	—
Fed. Home Loan Mort. Corp.	4,008,066	N/A	—	4,008,066	—	—	—
Total U.S. Agency securities	13,441,840		—	13,441,840	—	—	—
Medium-term corporate notes	6,305,570	A	—	—	1,116,827	5,164,743	24,000
Total PFC Fund investments	29,009,541		9,262,131	13,441,840	1,116,827	5,164,743	24,000
PFC Fund cash equivalents – money market mutual funds	2,803,132	Not rated	2,803,132	—	—	—	—
Total PFC Fund cash equivalents and investments	31,812,673		12,065,263	13,441,840	1,116,827	5,164,743	24,000
Investments held by bond trustee:							
U.S. Agency securities – Fed. National Mort. Assn.							
	5,420,431	AAA	—	5,420,431	—	—	—
Money market mutual funds	3,918,419	Not rated	3,918,419	—	—	—	—
Total investments bond trustee	9,338,850		3,918,419	5,420,431	—	—	—
Total cash equivalents and investments	\$ 165,584,449		\$ 70,190,237	68,441,194	4,932,595	21,896,423	124,000

* Lehman Brothers Holdings is not rated and, based on the recommendation of the Authority's Investment Manager, is being held for bankruptcy liquidation value.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end			
				AAA	AA	A	BBB/BB*
As of June 30, 2008:							
Operating portfolio cash equivalents and investments:							
Operating portfolio investments:							
U.S. Treasury securities	\$ 27,709,022	N/A	\$ 27,709,022	—	—	—	—
U.S. Agency securities:							
Fed. National Mort. Assn.	15,497,311	N/A	—	15,497,311	—	—	—
Fed. Farm Credit Bank	4,277,266	N/A	—	4,277,266	—	—	—
Fed. Home Loan Bank	13,674,320	N/A	—	13,674,320	—	—	—
Fed. Home Loan Mort. Corp.	7,465,983	N/A	—	7,465,983	—	—	—
Total U.S. Agency securities	40,914,880	—	—	40,914,880	—	—	—
Medium-term corporate notes	28,006,945	A	—	1,899,360	13,178,695	12,546,857	382,033
Total Operating portfolio Investments	96,630,847		27,709,022	42,814,240	13,178,695	12,546,857	382,033
Operating portfolio cash equivalents:							
Money market mutual funds	1,234,423	Not rated	1,234,423	—	—	—	—
State Treasurer's Local Agency Investment Fund	16,120,868	Not rated	16,120,868	—	—	—	—
Total Operating portfolio cash equivalents	17,355,291		17,355,291	—	—	—	—
Total Operating portfolio cash equivalents and investments	113,986,138		45,064,313	42,814,240	13,178,695	12,546,857	382,033
Passenger Facility Charge (PFC) Fund cash equivalents and investments:							
PFC Fund investments:							
U.S. Treasury securities	8,192,890	N/A	8,192,890	—	—	—	—
U.S. Agency securities:							
Fed. National Mort. Assn.	2,974,017	N/A	—	2,974,017	—	—	—
Fed. Farm Credit Bank	2,210,420	N/A	—	2,210,420	—	—	—
Fed. Home Loan Bank	3,707,097	N/A	—	3,707,097	—	—	—
Fed. Home Loan Mort. Corp.	3,368,440	N/A	—	3,368,440	—	—	—
Total U.S. Agency securities	12,259,974	—	—	12,259,974	—	—	—
Medium-term corporate notes	7,956,426	A	—	607,386	3,782,477	3,471,055	95,508
Total PFC Fund investments	28,409,290		8,192,890	12,867,360	3,782,477	3,471,055	95,508
PFC Fund cash equivalents – money market mutual funds	2,188,609	Not rated	2,188,609	—	—	—	—
Total PFC Fund cash equivalents and investments	30,597,899		10,381,499	12,867,360	3,782,477	3,471,055	95,508
Investments held by bond trustee:							
U.S. Agency securities – Fed.							
Home Loan Bank	5,420,341	AAA	—	5,420,341	—	—	—
Money market mutual funds	4,405,375	Not rated	4,405,375	—	—	—	—
Total investments bond trustee	9,825,716		4,405,375	5,420,341	—	—	—
Total cash equivalents and investments	\$ 154,409,753		\$ 59,851,187	61,101,941	16,961,172	16,017,912	477,541

* An investment in Countrywide Home Loan was rated AA when originally purchased. After purchase by Bank of America on July 1, 2008, the rating was restored to AA.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(g) 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 and commercial paper 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 California Government 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			
		2009		2008	
		Amount	Fund%	Amount	Fund%
Operating portfolio investments:					
Federal National Mortgage Association	U.S. Agency securities	\$ 15,171,416	12.19%	\$ 15,497,311	13.60%
Federal Home Loan Bank	U.S. Agency securities	14,820,481	11.91	13,674,320	12.00
Federal Home Loan Mortgage Corp.	U.S. Agency securities	14,285,674	11.48	7,465,983	6.55
Passenger Facility Charge Fund investments:					
Federal Home Loan Mortgage Corp.	U.S. Agency securities	4,008,066	12.60	3,368,440	11.01
Federal National Mortgage Association	U.S. Agency securities	3,678,387	11.56	2,974,017	9.72
Federal Home Loan Bank	U.S. Agency securities	3,136,379	9.86	3,707,097	12.12
Federal Farm Credit Bank	U.S. Agency securities	2,619,008	8.23	2,210,420	7.22
Held by bond trustee:					
Federal National Mortgage Association	U.S. Agency securities	5,420,431	58.04	—	—
Federal Home Loan Bank	U.S. Agency securities	—	—	5,420,341	55.16

(h) 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 California Government 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 California Government 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.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

At June 30, 2009 and 2008, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the California Government Code by the pledging financial institution in the Authority's name, as follows:

	<u>2009</u>	<u>2008</u>
Cash deposits:		
Insured	\$ 250,000	100,000
Uninsured, collateral held in the Authority's name	<u>1,415,491</u>	<u>1,204,389</u>
Total cash deposits	1,665,491	1,304,389
Plus deposits in transit	629,650	172,647
Less outstanding checks	<u>(724,350)</u>	<u>(315,979)</u>
Carrying amount of cash deposits	\$ <u>1,570,791</u>	\$ <u>1,161,057</u>

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.

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

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government 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, 2009 and 2008, the total amount invested by all California local governments and special districts in LAIF was \$25.2 billion and \$25.2 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2009 and 2008 had a balance of \$50.9 billion and \$70.0 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the California Government Code. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling \$5.2 billion and \$6.1 billion, respectively, and asset-backed securities totaling \$2.3 billion and \$4.2 billion, respectively.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(4) Trust Assets

Since shortly after the Authority was formed in June 1977, the Authority and the FAA have had on-going concerns and discussions about ways to relocate the terminal complex to improve runway safety at Bob Hope Airport. A number of different terminal facility configurations were studied and pursued over the years. After substantial litigation between the Authority and the City of Los Angeles, in 1996 the FAA issued a Record of Decision certifying an Environmental Impact Statement that identified the former approximately 130-acre Lockheed Plant B-6 (the B-6 Property) as a preferred site alternative for a replacement terminal.

The Authority subsequently began condemnation proceedings to take possession of the B-6 Property. During that condemnation process, the City of Burbank and a number of citizen groups took various actions seeking to prevent the acquisition of property and construction of a replacement terminal facility. Those actions included litigation and voter initiatives.

The condemnation process coupled with the City of Burbank litigation was completed in fiscal year 2000, and resulted in the Authority acquisition of fee-simple restricted title to a 49.2-acre portion of the B-6 Property, subject to agreements which limit the use of that property. Acquisition costs of that portion of the B-6 Property were transferred to the land capital asset account. Costs associated with the balance of the remaining 80.92 acres of the B-6 Property amounting to \$80,372,618 were placed in a trust, with title granted to a third-party trustee, and with restrictions placed on the Authority's ability to use the trust property, principally limiting use of the property to non-aviation purposes (B-6 Trust Property). The B-6 Trust Property was classified as restricted trust assets on the Authority's fiscal year 2000 financial statements (see note 14).

In October 2001, the Authority entered into a concurrent agreement to obtain title and then sell 21.65 acres of the Los Angeles portion of the B-6 Trust Property to a third party for \$16,954,121. The 21.65 acres of property were considered excess to the requirements for a potential replacement terminal facility. The sale did not materialize, and in fiscal year 2002, the Authority entered into a new agreement to sell the aforementioned 21.65 acres of property for \$16,250,000, which closed in July 2003, with net proceeds of \$15,428,133 (after brokers and closing fees). The Authority recorded cumulative losses in FY 2001, FY 2002, and FY 2003 totaling \$8.3 million reducing the property to its estimated net realizable value each year. Based on the adjustments recorded to reduce the property's carrying value in the previous years and the final sale amount known in fiscal 2003, there was no gain or loss recorded in FY 2004 in conjunction with the completion of the property sale.

Under the terms of the March 15, 2005 Development Agreement (see note 14), the remaining approximate 59 acres of B-6 Trust Property will be retained in a trust for a ten-year period. During this period, the Authority may use approximately 33 acres of the B-6 Trust Property for purposes that do not involve the expansion or enlargement of the Airport. The ultimate disposition of the B-6 Trust Property is to be determined upon the expiration of the ten-year term.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(5) Capital Assets

Changes in capital assets for the year ended June 30, 2009 were as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 156,923,796	—	—	156,923,796
Other non-depreciable assets	—	589,966	—	589,966
Construction in progress	9,370,885	19,890,816	(25,800,478)	3,461,223
	<u>166,294,681</u>	<u>20,480,782</u>	<u>(25,800,478)</u>	<u>160,974,985</u>
Total capital assets not being depreciated				
Capital assets being depreciated/amortized:				
Building and improvements	121,716,572	7,970,365	(364,198)	129,322,739
Runways and improvements	70,635,665	8,853,288	(21,425)	79,467,528
Machinery and equipment	22,542,095	8,386,859	(458,011)	30,470,943
	<u>214,894,332</u>	<u>25,210,512</u>	<u>(843,634)</u>	<u>239,261,210</u>
Total capital assets being depreciated/amortized				
Less accumulated depreciation/amortization for:				
Building structures	(54,715,517)	(7,031,712)	349,685	(61,397,544)
Runway/airfield improvements	(42,218,143)	(3,579,877)	21,425	(45,776,595)
Equipment	(14,520,602)	(4,000,834)	455,616	(18,065,820)
	<u>(111,454,262)</u>	<u>(14,612,423)</u>	<u>826,726</u>	<u>(125,239,959)</u>
Total accumulated depreciation/amortization				
Total capital assets being depreciated/amortized, net	<u>103,440,070</u>	<u>10,598,089</u>	<u>(16,908)</u>	<u>114,021,251</u>
Total capital assets, net	\$ <u><u>269,734,751</u></u>	<u><u>31,078,871</u></u>	<u><u>(25,817,386)</u></u>	<u><u>274,996,236</u></u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

Changes in capital assets for the year ended June 30, 2008 were as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 156,923,796	—	—	156,923,796
Construction in progress	<u>27,959,037</u>	<u>29,535,595</u>	<u>(48,123,747)</u>	<u>9,370,885</u>
Total capital assets not being depreciated	<u>184,882,833</u>	<u>29,535,595</u>	<u>(48,123,747)</u>	<u>166,294,681</u>
Capital assets being depreciated/amortized:				
Building and improvements	92,128,562	30,360,809	(772,799)	121,716,572
Runways and improvements	55,822,982	14,941,270	(128,587)	70,635,665
Machinery and equipment	<u>20,387,435</u>	<u>2,821,668</u>	<u>(667,008)</u>	<u>22,542,095</u>
Total capital assets being depreciated/ amortized	<u>168,338,979</u>	<u>48,123,747</u>	<u>(1,568,394)</u>	<u>214,894,332</u>
Less accumulated depreciation/amortization for:				
Building structures	(48,548,441)	(6,937,945)	770,869	(54,715,517)
Runway/airfield improvements	(39,750,719)	(2,596,011)	128,587	(42,218,143)
Equipment	<u>(11,834,602)</u>	<u>(3,334,534)</u>	<u>648,534</u>	<u>(14,520,602)</u>
Total accumulated depreciation/ amortization	<u>(100,133,762)</u>	<u>(12,868,490)</u>	<u>1,547,990</u>	<u>(111,454,262)</u>
Total capital assets being depreciated/ amortized, net	<u>68,205,217</u>	<u>35,255,257</u>	<u>(20,404)</u>	<u>103,440,070</u>
Total capital assets, net	\$ <u><u>253,088,050</u></u>	\$ <u><u>64,790,852</u></u>	\$ <u><u>(48,144,151)</u></u>	\$ <u><u>269,734,751</u></u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(6) Long-Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2009 and 2008:

	Beginning balance	Additions	Deductions	Ending balance	Due within one year
Year ended June 30, 2009:					
Revenue bonds payable:					
2005 Series A	\$ 7,750,000	—	—	7,750,000	—
2005 Series B	50,765,000	—	—	50,765,000	—
2005 Taxable Series C	4,945,000	—	(2,320,000)	2,625,000	2,420,000
Plus (less) deferred amounts for:					
Original issue premium	2,505,883	—	(149,232)	2,356,651	—
Deferred amount on refunding	(86,461)	—	45,110	(41,351)	—
Total revenue bonds payable	<u>65,879,422</u>	<u>—</u>	<u>(2,424,122)</u>	<u>63,455,300</u>	<u>2,420,000</u>
Total long-term debt payable	<u>\$ 65,879,422</u>	<u>—</u>	<u>(2,424,122)</u>	<u>63,455,300</u>	<u>2,420,000</u>
Year ended June 30, 2008:					
Revenue bonds payable:					
2005 Series A	\$ 7,750,000	—	—	7,750,000	—
2005 Series B	50,765,000	—	—	50,765,000	—
2005 Taxable Series C	7,175,000	—	(2,230,000)	4,945,000	2,320,000
Plus (less) deferred amounts for:					
Original issue premium	2,655,115	—	(149,232)	2,505,883	—
Deferred amount on refunding	(131,571)	—	45,110	(86,461)	—
Total revenue bonds payable	<u>68,213,544</u>	<u>—</u>	<u>(2,334,122)</u>	<u>65,879,422</u>	<u>2,320,000</u>
Total long-term debt payable	<u>\$ 68,213,544</u>	<u>—</u>	<u>(2,334,122)</u>	<u>65,879,422</u>	<u>2,320,000</u>

(a) 2005 Revenue Bonds

On May 26, 2005, the Authority issued \$67,535,000 of 2005 Airport Revenue Bonds (2005 Bonds) with an effective interest rate of 4.680% and at an original issue premium totaling \$2,968,089. The 2005 Bonds were issued in three series. The 2005 Bonds are insured and 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 and the Debt Service Reserve Fund.

The \$7,750,000 Airport Revenue Bonds 2005 Series A (Non-AMT) (2005 Series A Bonds), at an effective interest rate of 3.964%, were issued to refinance the \$9,395,000 outstanding balance of Airport Revenue Bonds, Refunding Series of 1992 (1992 Bonds) with a remaining coupon interest rate of 6.400%. The 2005 Series A Bonds are due in annual installments ranging from \$855,000 to \$1,100,000 from July 1, 2010 to July 1, 2017 with interest rates ranging from 3.125% to 4.000% payable semiannually on July 1 and January 1. 2005 Series A Bonds maturing on or after July 1,

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

2016 are subject to optional redemption, without premium, in whole or in part on any date on or after July 1, 2015. The balance of 2005 Series A Bonds outstanding at June 30, 2009 and 2008 is \$7,750,000 and \$7,750,000, respectively, plus unamortized original issue premium of \$31,067 and \$34,950, respectively, less unamortized deferred amount on refunding of \$41,351 and \$86,461, respectively. Bond issuance costs of \$145,647 were capitalized and are being amortized using the straight-line method over the life of the 2005 Series A Bonds. Unamortized bond issue costs of \$96,317 and \$108,357 at June 30, 2009 and 2008, respectively, are reported in the accompanying statement of net assets.

The \$50,765,000 Airport Revenue Bonds 2005 Series B (AMT) (2005 Series B Bonds), at an effective interest rate of 4.738%, and the \$9,020,000 Airport Revenue Bonds 2005 Taxable Series C (2005 Taxable Series C Bonds), at an effective interest rate of 5.067%, were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking, fund the Debt Service Reserve Fund, and pay the cost of issuance of the 2005 Bonds. The 2005 Series B Bonds are due in annual installments ranging from \$1,470,000 to \$5,160,000 from July 1, 2010 to July 1, 2025 with interest rates ranging from 5.000% to 5.250% payable semiannually on July 1 and January 1. The 2005 Taxable Series C Bonds are due in annual installments ranging from \$205,000 to \$2,420,000 from July 1, 2006 to July 1, 2010 with interest rates ranging from 3.810% to 4.490% payable semiannually on July 1 and January 1. 2005 Series B Bonds maturing on or after July 1, 2016 are subject to optional redemption, without premium, in whole or in part on any date on or after July 1, 2015. The 2005 Taxable Series C Bonds are not subject to redemption prior to maturity. The balance of 2005 Series B Bonds outstanding at June 30, 2009 and 2008 is \$50,765,000 and \$50,765,000, respectively, plus unamortized original issue premium of \$2,325,584 and \$2,470,933, respectively. The balance of 2005 Taxable Series C Bonds outstanding at June 30, 2009 and 2008 is \$2,625,000 and \$4,945,000, respectively. Bond issuance costs of \$954,512 for the 2005 Series B Bonds and \$169,646 for the 2005 Taxable Series C Bonds were capitalized and are being amortized using the straight-line method over the life of the respective bonds. Unamortized bond issue costs at June 30, 2009 and 2008 for 2005 Series B Bonds of \$759,916 and \$807,410, respectively, and for 2005 Taxable Series C Bonds of \$33,282 and \$66,564, respectively, are reported in the accompanying statement of net assets.

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 various bond indentures. Authority management believes that the Authority has complied with such requirements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(b) Annual Debt Service Requirements to Maturity

Revenue bond debt service requirements to maturity are as follows:

	2005 Series A		2005 Series B		2005 Series C		Total		Total debt service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
Payable in year ending									
June 30:									
2010	\$ —	286,806	—	2,593,850	2,420,000	62,687	2,420,000	2,943,343	5,363,343
2011	855,000	273,447	1,470,000	2,557,100	205,000	4,602	2,530,000	2,835,149	5,365,149
2012	880,000	244,687	1,760,000	2,476,350	—	—	2,640,000	2,721,037	5,361,037
2013	915,000	213,275	1,840,000	2,386,350	—	—	2,755,000	2,599,625	5,354,625
2014	945,000	179,544	1,935,000	2,289,556	—	—	2,880,000	2,469,100	5,349,100
2015 – 2019	4,155,000	335,563	12,440,000	9,741,662	—	—	16,595,000	10,077,225	26,672,225
2020 – 2024	—	—	21,245,000	5,300,294	—	—	21,245,000	5,300,294	26,545,294
2025 – 2026	—	—	10,075,000	509,875	—	—	10,075,000	509,875	10,584,875
Total principal and interest to maturity	7,750,000	\$ 1,533,322	50,765,000	27,855,037	2,625,000	67,289	61,140,000	29,455,648	90,595,648
Unamortized portion of:									
Original issue premium	31,067		2,325,584		—		2,356,651		2,356,651
Deferred amount on refunding	(41,351)		—		—		(41,351)		(41,351)
Less current portion of principal	—		—		(2,420,000)		(2,420,000)		(2,420,000)
Total long-term portion of revenue bonds payable	\$ 7,739,716		53,090,584		205,000		61,035,300		90,490,948

(c) Pledged Revenues

The 2005 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. Net revenues totaled \$22,330,030 and \$31,272,536 for the years ended June 30, 2009 and 2008, respectively. The estimated aggregate total amount of pledged net revenues and amounts in the funds established under the Master Indenture of Trust related to the 2005 Bonds is equal to the remaining debt service on the 2005 Bonds at June 30, 2009 of \$90,595,648. The pledged revenues are in force during the term of the 2005 Bonds with final maturity on July 1, 2025.

(7) Retirement Plan

The Authority previously provided pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. In April 2002, as part of an employment contract negotiated with the Authority, the employees elected to terminate their participation in the existing pension plan to participate in a SEP

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

IRA program. The Authority terminated the existing plan effective June 30, 2002. The Authority continued to contribute 5% of the employee's eligible base salary each year to individual SEP IRA accounts to be managed at the employee's discretion.

Effective February 1, 2006, the Authority entered into a new employment contract which, among other things, called for the implementation of a 401(k) program sponsored by the Burbank-Glendale-Pasadena Airport Police Officers Association ("BGPAPOA") into which the Authority would contribute 6% of eligible base salaries as a retirement contribution. Employees may also contribute to their 401(k) account, but there is no additional Authority match. The BGPAPOA established its 401k Plan effective January 1, 2007. For periods prior to January 1, 2007, the Authority continued to contribute to individual SEP IRA accounts managed at the employee's discretion on an annual basis. Beginning January 1, 2007, the Authority contributed 6% of eligible base salary to the BGPAPOA 401k Plan as part of weekly payroll.

The Authority's total salaries and benefits were \$2,715,539 in fiscal year 2009 and \$2,404,859 in fiscal year 2008. The Authority's contributions have been calculated using the base salary amount of \$2,123,100 in fiscal year 2009 and \$1,857,130 in fiscal year 2008. The Authority made the required accruals and contributions, amounting to \$127,386 and \$111,428 in fiscal years 2009 and 2008, respectively.

(8) Sound Insulation Programs

(a) School Sound Insulation Program

In FY 1989, the Authority adopted a FAA-approved multiyear school sound insulation program. Four schools were initially identified for the insulation program: Luther Burbank Middle School, Glenwood Elementary School, St. Patrick's School, and Mingay School. As of June 30, 2005, the sound insulation of these schools has been completed. In November 2000, the FAA approved the Authority's revised acoustical treatment program that added four additional schools. As of June 30, 2009, two of these additional schools have been completed. The Authority has applied for grant assistance to be supplemented with Passenger Facility Charge (PFC) funds.

(b) Residential Home Sound Insulation Program

As part of the Authority's efforts to achieve noise compatibility within Airport-adjacent communities, the Authority also initiated a residential home sound insulation program. The sound insulation program is funded through a combination of federal grant monies, Passenger Facility Charge funds, and Authority funds.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

The Authority has entered into agreements with the FAA to provide funding assistance. The following sound insulation grant award agreements were outstanding during the years ended June 30, 2009 and 2008:

<u>Date accepted</u>	<u>AIP grant number</u>	<u>Award Amount</u>	<u>Project description</u>
May 2005	3-06-0031-40	\$ 8,000,000	Sound insulation of residences
August 2006	3-06-0031-41	12,000,000	Sound insulation of residences
August 2006	3-06-0031-42	836,063	Sound insulation of residences
August 2007	3-06-0031-44	7,000,000	Sound insulation of residences
June 2008	3-06-0031-45	3,000,000	Sound insulation of residences

During the year ended June 30, 2009, the Authority expended \$7,102,086 on these projects, of which \$5,592,635 was funded through FAA grants, \$1,346,979 through PFC funds and \$162,472 through Authority funds. The Authority acoustically treated approximately 186 residences during FY 2009 and an additional 23 are in progress at June 30, 2009. During the year ended June 30, 2008, the Authority expended \$6,637,451 on these projects, of which \$5,184,904 was funded through FAA grants, \$1,248,774 through PFC funds and \$203,773 through Authority funds. The Authority acoustically treated approximately 116 residences during FY 2008 and an additional 87 were in progress at June 30, 2008.

(9) 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, 2009 as follows:

	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 29,049,395	—
Buildings and improvements	30,441,554	20,734,177
Runways and improvements	647,000	598,793
	<u>\$ 60,137,949</u>	<u>21,332,970</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 \$8,744,001 and \$10,004,525 for the years ended June 30, 2009 and 2008, respectively, consisting of MAG revenues of \$7,601,770 and \$7,016,300, respectively, and over-MAG revenues of \$1,142,231 and \$2,988,225, respectively.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

Minimum future rental revenue on noncancelable leases in effect at June 30, 2009 is as follows:

	<u>Lease revenue</u>
Fiscal year ending June 30:	
2010	\$ 24,808,995
2011	12,727,282
2012	11,412,578
2013	11,312,272
2014	7,243,598
2015 – 2019	16,327,541
2020 – 2024	13,059,897
2025 – 2029	3,806,364
2030 – 2031	710,133
	<u>\$ 101,408,660</u>

(10) Passenger Facility Charges

In June 1994, the FAA approved the Authority’s application to collect a \$3.00 Passenger Facility Charge (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 specifically approved facility improvement 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, 2009 and 2008 totaled \$11,035,756 and \$13,717,413, respectively, including investment income on the PFC investment portfolio of \$1,370,788 and \$1,583,573, respectively. During the year ended June 30, 2009, funds totaling \$9,571,099 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, \$1,355,379 was for sound insulation program expenditures, \$6,229,908 was for the Terminal B EDS Baggage Inspection Facility and \$1,985,812 was for other Airport facility development projects. During the year ended June 30, 2008, funds totaling \$5,744,547 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, \$1,336,110 was for sound insulation program expenditures and \$4,408,437 was for Airport facility improvement projects.

(11) 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 assets and are included in various capital assets for permits and related fees. The most significant are payments for utilities and a City parking tax.

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 \$2,307,657 and \$2,754,127 during the year ended June 30, 2009 and 2008, respectively. The Authority incurred utility expense for electricity, water and wastewater utilities from Burbank Water and Power during the year ended June 30, 2009 and 2008 totaling

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

\$1,821,638 and \$1,776,017 (including amounts charged back to tenants of \$260,647 and \$291,115), respectively.

(12) 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.

Several lawsuits and claims, arising in the normal course of Authority operations, and the item described below, were pending against the Authority at June 30, 2009. In the opinion of the Authority's management and legal counsel, there are adequate defenses to these actions, and the Authority's management and legal counsel do not anticipate material adverse effects on the financial position of the Authority from the disposition of these lawsuits and claims.

Clybourn Complex Hangar Floors

The hangar floors of eight hangars constructed between 1997 and 1999 located in the Clybourn Complex in the northwest corner of the Airport have experienced surface deterioration through blisters or "pop outs" caused by reactive aggregate. While this damage is superficial, not structural, it results in an unsightly appearance. The Authority, its insurer, the construction contractor of the hangars and other parties reached a settlement to claims filed by the Authority on this matter totaling \$2,223,219; such accumulated receipts are included in accounts payable and accrued expenses. The method, priority and schedule for repairs to the hangar floors are being negotiated between the Authority and the hangar tenants.

(b) *Contracted Services*

The Authority has contracted with TBI Airport Management, Inc. to perform certain airport administrative, maintenance, and operational services. The agreement expires June 30, 2018 with one ten-year option. Compensation under the agreement is based on a base management fee and reimbursement of operating costs, primarily salaries and benefits which are 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 year ended June 30, 2009 and 2008 total \$7,131,774 and \$6,389,342, as follows:

	<u>2009</u>	<u>2008</u>
Contracted airport services	\$ 6,780,182	5,969,045
Capitalized to constructed capital assets	89,765	138,463
Sound insulation program	183,658	200,880
Other expenses	78,169	80,954
Total airport management contract costs	<u>\$ 7,131,774</u>	<u>6,389,342</u>

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

The Authority contracts with an unrelated party for aircraft rescue and firefighting services which expires October 31, 2010. Minimum future commitments under this agreement are as follows:

Fiscal year ending June 30:		
2010	\$	1,758,333
2011		<u>600,000</u>
	\$	<u><u>2,358,333</u></u>

The Authority contracts with an unrelated party for self-park management services, valet parking services and employee and customer busing service, which runs through June 30, 2010 with an additional one-year option period expiring June 30, 2011. 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 year ended June 30, 2009 and 2008 total \$6,809,085 and \$6,481,052, respectively.

(c) Construction Contracts

The Authority has contract commitments outstanding at June 30, 2009 for various construction contracts totaling \$5,739,835. Subsequent to June 30, 2009, the Authority entered additional construction contracts totaling \$3,537,557, primarily related to the runway guard lights project and the residential acoustical treatment program.

(d) Federal Grants

As of June 30, 2009, the Authority had nonexpended, noncancelable grant commitments of \$19,809,246 in federal funds related to the sound insulation program, \$1,476,196 related to the runway guard lights project, \$3,355,945 related to the Taxiways C, D and G rehabilitation project, and \$148,122 in asset forfeiture funds.

The Authority has been awarded various federal 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, 2009 and 2008, are as follows:

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

Award Date	Award Amount	Project description	Expenditures charged to grant	
			2009	2008
May 2005	\$ 59,675	Disaster assistance	\$ —	\$ 1,414
May 2005	8,000,000	Noise mitigation measures	—	1,123,008
August 2006	12,000,000	Noise mitigation measures	5,412,812	3,225,833
August 2006	836,063	Noise mitigation measures	—	836,063
August 2006	497,874	ARFF vehicle	—	497,874
August 2007	11,894,624	Taxiway D extension	—	11,878,539
August 2007	7,000,000	Noise mitigation measures	179,823	—
June 2008	3,000,000	Noise mitigation measures	—	—
June 2008	3,858,237	Taxiway rehabilitation	3,781,835	22,916
February 2009	7,000,000	Noise mitigation measures	—	—
February 2009	1,674,842	Runway guard lights	198,646	—
May 2009	3,985,000	Taxiway C, D & G rehabilitation	629,055	—
Various	229,063	Asset forfeiture funds	50,819	30,122

In July 2009, the FAA awarded the Authority an additional grant for the runway guard light system in the amount of \$588,586 and for the acquisition of an aircraft rescue and fire fighting (ARFF) vehicle in the amount of \$685,015, and the City of Los Angeles as pass-through grantee awarded the Authority a Department of Homeland Security Urban Areas Security Initiative grant for fiber optic ring and perimeter security in the amount of \$450,000.

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.

(13) Airport Development Agreement

The Authority and the City of Burbank have entered into a multiyear agreement (the Development Agreement) clarifying permitted development and uses within the Airport Zone, as defined by the City of Burbank Municipal Code, on the Airport property for the term of the agreement and determining the uses and/or disposition of certain land, including the B-6 Property, during the term of the Development Agreement.

The Development Agreement expires seven years after June 17, 2005, the date the Authority acquired fee title to the A-1 North Property. Pursuant to the Development Agreement, the Authority agreed to not (i) build or announce plans for a new Passenger Terminal, (ii) expand square footage of the existing Passenger Terminal (with certain exceptions for security-related improvements), (iii) expand the general aviation area beyond an area specified in the Development Agreement, or (iv) increase the number of gates at the Airport beyond 14. The Authority's agreement to not build or announce plans for a new Passenger Terminal is effective for ten years. Also pursuant to the Development Agreement, the Authority has a

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

vested right to develop the Airport in accordance with the City of Burbank zoning, development and land use regulations in effect at the time the Development Agreement was executed, except as clarified in the Development Agreement. Such permitted uses include (i) aircraft fabrication, testing, and servicing, (ii) aircraft landing fields for aircraft and helicopters, and runways and control towers, (iii) air passenger facilities and accessory uses, including airport-related vehicle parking, and (iv) personal wireless telecommunication service facilities. The Development Agreement also contains provisions for the continuation of an already existing “Noise Working Group” and an “Airport Land Use Working Group.” The Development Agreement may (with the mutual approval of the signatories to the Agreement) be amended under certain circumstances, and the Development Agreement may be amended or terminated if the FAA or a court renders a decision that would make it impossible or impractical for the Authority to comply with the Development Agreement.

(14) Part 161 Application

On November 2, 2009, the Federal Aviation Administration disapproved the Authority’s FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport.