

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Customer Facility Charge Audit Reports

Year ended June 30, 2011

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Year ended June 30, 2011**

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

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

We have audited the basic financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying Schedule of Customer Facility Charge Revenues and Expenditures for the year ended June 30, 2011 is presented for purposes of additional analysis as specified in the California Civil Code Section 1936, and is not a required part of the Authority's basic financial statements. The Schedule of Customer Facility Charge Revenues and Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Commissioners of the Authority, others within the entity, and the California State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Fini & O'Connell LLP

Los Angeles, California
November 23, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Customer Facility Charge Program and on Internal Control over Compliance in Accordance with California Civil Code Section 1936

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

Compliance

We have audited the Burbank-Glendale-Pasadena Airport Authority's (the Authority) compliance with the requirements described in the California Civil Code Section 1936 that could have a direct and material effect on its customer facility charge program for the year ended June 30, 2011. Compliance with the requirements of laws and regulations applicable to its customer facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America 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 noncompliance with the requirements referred to above that could have a direct and material effect on the customer facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its customer facility charge program for the year ended June 30, 2011.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the customer facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on the customer facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the customer facility charge program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination

of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the customer facility charge program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, of the Board of Commissioners of the Authority, others within the entity, and the California State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Jini & O'Connell LLP

Los Angeles, California
November 23, 2011

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**
Schedule of Customer Facility Charge Revenues and Expenditures
Year ended June 30, 2011 and each quarter during the
period from July 1, 2010 through June 30, 2011
(With cumulative total amounts at June 30, 2011 and 2010)

	Cumulative total – June 30, 2010	Quarter ended				Year ended June 30, 2011	Cumulative total – December 1 2009 to June 30, 2011
		September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011		
Revenues							
Customer facility charge revenues	\$ 1,398,080	810,630	864,320	738,050	837,750	3,250,750	4,648,830
Customer facility charge revenue refund	—	(2,720)	—	—	—	(2,720)	(2,720)
Interest earned	—	—	—	—	—	—	—
Total customer facility charge revenues	\$ <u>1,398,080</u>	<u>807,910</u>	<u>864,320</u>	<u>738,050</u>	<u>837,750</u>	<u>3,248,030</u>	<u>4,646,110</u>
Expenditures							
Development Review and Other Planning Costs	\$ 1,105,186	—	—	—	—	—	1,105,186
Total expenditures on approved customer facility charge projects	\$ <u>1,105,186</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,105,186</u>

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

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**
Notes to Schedule of Customer Facility Charge Revenues and Expenditures
Year ended June 30, 2011

(1) General

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

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

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

Based on an amendment of the enabling legislation for the CFC (S.B. 1192; Chapter 642, Statutes of 2010), on December 10, 2010 the Authority approved Resolution 439 which repealed Resolution 429 and authorized collection of an alternative CFC, effective July 1, 2011, of \$6 per rental car transaction day up to a maximum of five days. Resolution 439 authorized collection of the alternative CFC through the period that any debt related to the CRCF is outstanding.

The Authority approved planning and other related activities to prepare and submit a Development Review (DR) package to the City of Burbank (City) to obtain entitlements to construct a CRCF as part of a larger RITC project. The portion of the DR package costs for the RITC project attributable to the CRCF expended through June 25, 2010 are included in the accompanying Schedule of Customer Facility Charge Revenues and Expenditures (Schedule) on page 4.

On August 24, 2010, the City of Burbank approved entitlements and minor amendments to the Development Agreement to permit the Authority to proceed with the RITC project to be located in the southeast corner of the A-1 North Property. This project will include a transportation center and the CRCF described above. An elevated covered moving sidewalk will accommodate pedestrian travel between the RITC/CRCF and the terminal.

On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from \$159 million to \$187 million, significantly exceeded the \$112 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected

all of the bids and the Board of Commissioners directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services with the expectation of going back out to bid for the redesigned project in November 2011.

**BURBANK-GLENDALE-PASADENA
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Notes to Schedule of Customer Facility Charge Revenues and Expenditures (Continued)
Year ended June 30, 2011

As of August 2011, the costs of the CRCF are estimated to be approximately \$97.2 million, excluding financing costs. The estimated CRCF costs are included in the approximately \$125.5 million total estimated costs of the RITC project.

(2) Customer Facility Charge Rate Modification Report

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

(3) Basis of Accounting

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

(4) Schedule of Facility Charge Revenues and Expenditures

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

(5) Cumulative Total

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