



September 14, 2017

CALL AND NOTICE OF A REGULAR MEETING OF THE
FINANCE AND ADMINISTRATION COMMITTEE
OF THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

NOTICE is hereby given that a regular meeting of the Finance and Administration Committee will be held Monday, September 18, 2017, at 10:30 a.m., (or immediately following the regular Commission meeting), in the Airport Skyroom of Hollywood Burbank Airport, 2627 Hollywood Way, Burbank, California 91505.

Terri Williams, Board Secretary
Burbank-Glendale-Pasadena Airport Authority

REGULAR MEETING
OF THE
FINANCE AND ADMINISTRATION COMMITTEE

Airport Skyroom
Monday, September 18, 2017
10:30 A.M. or Immediately Following the
Conclusion of the
Regular Airport Authority Meeting

NOTE TO THE PUBLIC: Any disclosable public records related to an open session item on a special meeting agenda and distributed by the Authority to the Commission less than 72 hours prior to that meeting are available for public inspection at Hollywood Burbank Airport (2627 Hollywood Way, Burbank) in the administrative office during normal business hours.



As a result of the convening of this meeting of the Finance and Administration Committee, each Committee member is entitled to receive and shall be provided \$200.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the Board Secretary at (818) 840-8840 at least 48 hours prior to the meeting prior to the meeting.

AGENDA

1. Approval of Agenda
2. Public Comment
3. Approval of Minutes
 - a. August 7, 2017 **[See page 1]**
4. Auditor Required Communications for the FY 2017 Financial Audits **[See page 3]**
 - Staff Report Attached

In accordance with applicable professional standards, the Authority's auditor, Macias Gini & O'Connell LLP has provided the attached letter to the Commission outlining its audit responsibilities, and planned scope and timing of the FY 2017 financial audits. Also attached is a copy of the annual engagement letter, which substantially conforms to the professional services agreement between the Authority and MGO for audit services. Staff seeks a Committee recommendation to the Commission that it note and file these communications.

5. Contracts and Leases

- a. Award of Lease – Terminal Space Lease [See page 16]
NewZoom, LLC

- Staff Report Attached

Staff seeks the recommendation of the Finance and Administration Committee to the Commission for approval of a Terminal Space Lease with NewZoom, LLC, dba ZoomSystems (“ZoomSystems”) to provide a post-security concession kiosk. ZoomSystems will provide an unstaffed retail store kiosk (“UNIQLO ZoomShop”), to be located across from Gate A3. Prices for the products in the kiosk are the same as those in UNIQLO retail stores. Rent will be set at 9% of Gross Sales of the previous month for the first six (6) months of the term, the greater of \$250 per month or 9% of Gross Sales for second six (6) months of the term, and the greater of one-twelfth of 85% of actual rent paid for the preceding annual period or a minimum of \$250/month for each subsequent month.

- b. Award of Lease - Seventh Amendment to Lease [See page 18]
and Concession Agreement MCS Burbank LLC

- Staff Report Attached

Staff seeks a Finance and Administration Committee recommendation to the Commission for approval of a Seventh Amendment to the Lease and Concession Agreement (“Amendment”) with the Authority’s exclusive food and beverage concessionaire, MCS Burbank LLC (“MCS”). The proposed Amendment will provide MCS with an additional 105 square feet of space for a “Guy Fieri Sammich Joint Grab ‘N Go” located in Terminal A and 70 square feet of space for a “Wolfgang Puck Kitchen Grab ‘N Go” to be located in Terminal B. The proposed Amendment will generate an additional \$13,146 annually through an increase to the Minimum Annual Guarantee and an additional \$3,150 through an increase to the Space Rent. With this proposed Amendment, the total revenue from MCS increases from \$1,409,907 to \$1,426,203 annually.

6. Items for Information

- a. Committee Pending Items [See page 25]

7. Other Contracts and Leases

8. Adjournment

Subject to Approval

**MINUTES OF THE REGULAR MEETING OF THE
FINANCE AND ADMINISTRATION COMMITTEE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

MONDAY, AUGUST 7, 2017

A regular meeting of the Finance and Administration Committee was called to order on this date in the Airport Skyroom of the Burbank-Glendale-Pasadena Airport Authority, 2627 Hollywood Way, Burbank, California, at 10:19 a.m., by Chairman Tornek.

AB 23 Disclosure: The Senior Deputy Executive Director announced that, as a result of the convening of this meeting of the Finance and Administration Committee, each Committee member is entitled to receive and shall be provided \$200.

ROLL CALL

- | | |
|-------------------------------|---|
| Present: | Commissioners Tornek and Gharpetian. |
| Absent: | Commissioner Adams |
| Also Present: | Staff: Frank Miller, Executive Director; John Hatanaka, Senior Deputy Executive Director; Kathy David, Deputy Executive Director, Finance and Administration; David Freedman, Director, Strategic Planning and Business Development |
| | Columbia Management Investment Advisors: James A. Wilkinson, Institutional Relationship Manager and Ron Stahl, Institutional Relationship Manager (both via teleconference) |
| 1. Approval of Agenda | The agenda was approved as presented. |
| 2. Public Comment | There were no public speakers. |
| 3. Approval of Minutes | |
| a. July 17, 2017 | Draft minutes for the July 17, 2017, Finance and Administration Committee meeting were presented for approval. |
| Motion | Commissioner Gharpetian moved approval of the minutes, seconded by Commissioner Tornek. |
| Motion Approved | There being no objection, the minutes were approved (2-0). |

4. Items for Discussion

a. CMIA Quarterly Investment Portfolio Review

Via teleconference representatives from CMIA (Columbia Management Investment Advisors, LLC) updated the Committee on the status of the Authority's PFC investment portfolio for the quarter ended June 30, 2017.

5. Items for Information

a. Committee Pending Items

6. Adjournment

There being no further business, the meeting was adjourned at 11:08 a.m.

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 18, 2017**

**AUDITOR REQUIRED COMMUNICATIONS FOR
THE FY 2017 FINANCIAL AUDITS**

SUMMARY

In accordance with applicable professional standards, the Authority's auditor, Macias Gini & O'Connell LLP ("MGO") has provided the attached letter to the Commission outlining its audit responsibilities, and planned scope and timing of the FY 2017 financial audits. Also attached is a copy of the annual engagement letter, which substantially conforms to the professional services agreement between the Authority and MGO for audit services. Staff seeks a Finance and Administration Committee ("Committee") recommendation to the Commission that it note and file these communications.

BACKGROUND

In accordance with professional standards issued by the American Institute of Certified Public Accountants ("AICPA"), MGO has issued the attached letter which (1) outlines its responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance") related to the Single Audit of federal grant programs; and (2) outlines its planned scope and timing of the FY 2017 audits. The Auditor's responsibilities and management's responsibilities are detailed in the accompanying letters.

As the Committee functions as the Authority's Audit Committee, this letter provides a basic outline of the auditor's responsibilities related to the audits, together with its basic audit approach in accordance with professional standards.

Staff met with the MGO partner, director, manager and senior auditor on July 13, 2017, for an audit planning meeting to discuss in detail any significant accounting, auditing and reporting matters that may affect the FY 2017 financial audits, as well as to discuss the timing of audit fieldwork and reporting. Audit fieldwork will begin on September 25, 2017, with the final reports expected to be issued no later than December 4, 2017.

STAFF RECOMMENDATION

Staff seeks a Finance and Administration Committee recommendation to the Commission that it note and file these Auditor communications.



September 1, 2017

To the Board of Commissioners
Burbank-Glendale-Pasadena Airport Authority

We are engaged to audit the financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) for the year ended June 30, 2017. We are also engaged to perform a compliance audit of the Passenger Facility Charge Program in accordance with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and of the Customer Facility Charge Program in accordance with compliance requirements set forth under the *California Civil Code Section 1936, as amended by Senate Bill (SB) 1192 and Assembly Bill (AB) 359*, and an examination on the Authority's compliance with covenants and other requirements as outlined in any the related indentures issued related to outstanding debt issues. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, Uniform Guidance, Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, and the California Civil Code

As stated in our engagement letter dated July 13, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audits, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program as described by the Uniform Guidance, compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, and the compliance requirements described in the *California Civil Code*; in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with those requirements.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our financial statement audit. Also in accordance with Uniform Guidance, we will examine, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Authority's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to Management's Discussion and Analysis, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on Schedule of Expenditures of Federal Awards, Schedule of Passenger Facility Charge Revenues and Expenditures, Schedule of Customer Facility Charge Revenues and Expenditures, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately September 25, 2017 and issue our report no later than December 4, 2017. Jim Godsey is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Members of the Board of Airport Commissioners and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink, appearing to read "J. V. Godsey".

Jim Godsey, *Partner*
Macias Gini & O'Connell LLP



Certified
Public
Accountants

September 1, 2017

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

Ladies and Gentlemen:

We are pleased to confirm our understanding of the services we are to provide Burbank-Glendale-Pasadena Airport Authority (the Authority) for the year ended June 30, 2017. We will audit the basic financial statements of the Authority as of and for the year ended June 30, 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies the Authority's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Expenditures of Federal Awards
2. Schedule of Passenger Facility Charge Revenues and Expenditures
3. Schedule of Customer Facility Charge Revenues and Expenditures

We will also perform a compliance audit on the Authority's federal award programs in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Passenger Facility Charge Program in accordance with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and the Customer Facility

Charge Program in accordance with compliance requirements set forth under the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051*. In addition, we will also conduct an examination on the Authority's compliance with covenants and other requirements as outlined in any Indentures issued related to outstanding debt issues.

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

1. Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
2. Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
3. Internal control over Passenger Facility Charge Program and an opinion (or disclaimer of opinion) on compliance with requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.
4. Internal control over Customer Facility Charge Program and opinion (or disclaimer of opinion) on compliance with requirements described in the *California Civil Code Section 1939, as amended by AB 2051*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control and compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, the *California Civil Code Section 1939, as amended by AB 2051*; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Airport Commissioners of the Authority.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with accounting principles generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

As required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance requirements applicable to the program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.

As required by the *California Civil Code Section 1939, as amended by AB 2051*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to the program. However, our tests will be less in scope that would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the *California Civil Code Section 1939, as amended by AB 2051*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *Office of Management and Budget (OMB) Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Authority's major programs. The purpose of these procedures will be to express an opinion on the Authority's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

The *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to the program. Our procedures will consist of tests of transactions and other applicable procedures described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by Federal Aviation Administration for the types of compliance requirements that could have a direct and material effect on the Authority's program. The purpose of these procedures will be to express an opinion on the Authority's compliance with requirements applicable to the program in our report on compliance issued pursuant to the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.

The *California Civil Code Section 1939, as amended by AB 2051*, requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to the program. Our procedures will consist of tests of transactions and other applicable procedures described in the *California Civil Code Section 1939, as amended by AB 2051*, for the types of compliance requirements that could have a direct and material effect on the Authority's program. The purpose of these procedures will be to express an opinion on the Authority's compliance with requirements applicable to the program in our report on compliance issued pursuant to the *California Civil Code Section 1939, as amended by AB 2051*.

Section 6.05 to Article VI of the Indenture dated May 1, 2005, as amended by the Fourth Mellon Trust Company (Section 6.05 to Article VI), requires us to plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to the program. Our procedures will consist of tests of transactions and other applicable procedures described in *Section 6.05 to Article VI*, for the types of compliance requirements that could have a direct and material effect on the Authority's program. The purpose of these procedures will be to express an opinion on the Authority's compliance with requirements applicable to the program in our report on compliance issued pursuant to *Section 6.05 to Article VI*.

Other Services

We will also assist in preparing the financial statements and related notes of the Authority in conformity with accounting principles generally accepted in the United States of America, based on information provided by you. This nonaudit service does not constitute an audit under *Government Auditing Standards* and such service will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of the Uniform Guidance.

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements, and grants.

Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon, or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon, or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

Third-party Service Providers

We may from time to time and depending on the circumstances, use third-party service providers in serving the Authority. We may share confidential information about the Authority with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of the Authority's personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of the Authority's information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of the Authority's confidential information to others. If a third-party service provider is deemed necessary, we will obtain written consent from the Executive Director of the Authority, prior to assigning, transferring, or subcontracting any interest in this agreement. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Assistance from the Authority

We understand that your employees will prepare all cash, accounts receivable, or other confirmations and schedules we request and will locate any documents selected by us for testing. Further, the Authority will provide us with access to the internet for the purpose of access to our workpapers.

Data Collection Form

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

Report Copies

We will provide copies of our reports to the Board of Airport Commissioners; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Audit Documentation

The audit documentation considered to be proprietary in nature for this engagement is the property of Macias Gini & O'Connell LLP (MGO) and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to cognizant oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of MGO personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven (7) years after the report release date or for any additional period requested by the cognizant agency or the oversight agency for audit, or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. However, MGO does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. By your signature below, you acknowledge and agree that upon expiration of the seven-year period, MGO shall be free to destroy our records related to this engagement.

Engagement Partner

We expect to begin our audit on approximately September 25, 2017 and to issue our reports no later than December 4, 2017. Jim Godsey is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Fees

Our fees are outlined in the Contract No. A6261 dated July 10, 2017.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Authority in the performance of our services. Any discussions that the Authority representatives have with professional personnel of MGO regarding employment could pose a threat to our independence. Therefore, you agree to inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

General

Government Auditing Standards require that we provide you with a copy of the most recent external peer review report and any letter of comment, and any subsequent peer review reports and letter of comments received during the period of the contract. Our 2015 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

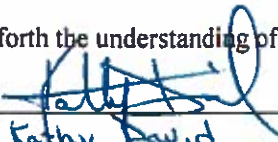


Jim Godsey, *Partner*
Macias Gini & O'Connell LLP

RESPONSE:


This letter correctly sets forth the understanding of the Burbank-Glendale-Pasadena Airport Authority.

Management signature: _____



Kathy Pawid
Deputy Executive Director
Finance and Administration

Title: _____



John T. Hatanaka
Senior Deputy Executive Director
Sept. 1, 2017

Date: _____

9/1/17

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 18, 2017**

**TERMINAL SPACE LEASE
NEWZOOM, LLC**

SUMMARY

Staff seeks the recommendation of the Finance and Administration Committee ("Committee") to the Commission for approval of a Terminal Space Lease ("Lease") with NewZoom, LLC, dba ZoomSystems ("ZoomSystems") to provide a post-security concession kiosk. ZoomSystems will provide an unstaffed retail store kiosk ("UNIQLO ZoomShop"), to be located across from Gate A3. Prices for the products in the kiosk are the same as those in UNIQLO retail stores. Rent will be set at 9% of Gross Sales of the previous month for the first six (6) months of the term, the greater of \$250 per month or 9% of Gross Sales for second six (6) months of the term, and the greater of one-twelfth of 85% of actual rent paid for the preceding annual period or a minimum of \$250/month for each subsequent month.

BACKGROUND

The Authority entered into a lease with NewZoom, Inc. (a predecessor of ZoomSystems) in January 2015 for a post-security concession kiosk adjacent to Gate A2 to dispense Benefit Cosmetics ("Benefit ZoomShop"), a leading women's cosmetic brand. In September 2015, New Zoom Inc. filed for a Chapter 11 bankruptcy proceedings. In December 2015, the entity assumed the terms and conditions of the lease and has continued to operate, meeting its obligations to the Authority without interruption. The Benefit ZoomShop has generated an average of \$7,076 of gross revenue a month and currently exceeds ZoomSystems' expectations.

UNIQLO, a retailer of men, women and children's clothing, opened with one brick and mortar store in Hiroshima, Japan in 1984 and since then, has grown to more than 1,300 stores in 15 countries throughout Asia, Europe, and North America. The UNIQLO ZoomShop launched on August 1, 2017 and Hollywood Burbank Airport will be one of the initial locations to introduce the UNIQLO ZoomShop. Currently, Oakland International Airport, George Bush Intercontinental Airport, and the Hollywood Highland Center shopping mall feature the UNIQLO ZoomShop.

DETAILS

The key components of the proposed Lease are as follows:

Premises:	One kiosk to be located just east of Gate A3 in the East Concourse
Use:	Unstaffed Retail Kiosk
Term:	Three (3) years with Tenant having five (5), one-year extension options subject to written consent of the Executive Director of the Authority

Improvements: Tenant is responsible for the installation, maintenance and other necessary infrastructure required for the proposed lease

Rent: A percentage of gross sales as outlined in the schedule below:

Months 1-6	Months 7-12	Subsequent Years
9% of Gross Sales	The greater of 9% of Gross Sales or \$250/month	The greater of one-twelfth of 85% of actual rent paid for the preceding annual period or a minimum of \$250/month

Termination: 30 days prior written notice by either party

Other: Tenant to pay all expenses related to occupancy including all required permits, improvements, maintenance and taxes

IMPACT ON REVENUE

The proposed lease is revenue positive to the Authority. After the first six months, the revenue will be a minimum of \$250/month.

STAFF RECOMMENDATION

Staff recommends that the Committee recommend to the Commission that it approve the lease with NewZoom, LLC for a UNIQLO ZoomShop, authorize the President to execute same, and authorize the Executive Director to consent to any future extensions of the Lease if ZoomSystems is in good standing.

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 18, 2017**

**SEVENTH AMENDMENT TO
LEASE AND CONCESSION AGREEMENT
MCS BURBANK LLC**

SUMMARY

Staff seeks a Finance and Administration Committee ("Committee") recommendation to the Commission for approval of a Seventh Amendment to the Lease and Concession Agreement ("Amendment") with the Authority's exclusive food and beverage concessionaire, MCS Burbank LLC ("MCS"). The proposed Amendment will provide MCS with an additional 105 square feet of space for a "Guy Fieri Sammich Joint Grab 'N Go" located in Terminal A and 70 square feet of space for a "Wolfgang Puck Kitchen Grab 'N Go" to be located in Terminal B. The proposed Amendment will generate an additional \$13,146 annually through an increase to the Minimum Annual Guarantee ("MAG") and an additional \$3,150 through an increase to the Space Rent. With this proposed Amendment, the total revenue from MCS increases from \$1,409,907 to \$1,426,203 annually.

BACKGROUND

MCS has had a presence at the airport since May 1992, and on December 31, 2000, the Authority entered into a Lease and Concession Agreement with MCS for the operation of a food and beverage concession at the airport. The original ten-year term of the Agreement was extended under the Second Amendment to June 30, 2013, and subsequent Amendments have extended the term to June 30, 2023. MCS currently leases over 14,000 square feet of terminal space which is comprised of food and beverage concession, offices and storage space.

MCS is a tenant in good standing that consistently performs over the MAG. Currently MCS pays the Authority the greater of MAG or percentage of gross revenues (12% food and beverage/17% alcohol). The current MAG amount is \$1,137,259 and the space rental income is \$272,648 annually.

AMENDMENT DETAILS

Effective Date:	October 3, 2017
Lease Term:	Expires June 30, 2023
Annual Adjustment:	CPI Adjusted Annually
MAG:	Increase of \$13,146 annually to \$1,150,405
Space Rent:	Increase of \$3,150 annually to \$275,798

Other: Concessionaire responsible for expenses related to occupancy including maintenance, utilities, insurance, permits and applicable taxes

IMPACT ON REVENUE

The proposed Seventh Amendment will generate approximately \$16,296 annually.

RECOMMENDATION

Staff seeks a Finance and Administration Committee recommendation to the Commission to approve the proposed Seventh Amendment to the Lease and Concession Agreement between MCS Burbank LLC and the Burbank-Glendale-Pasadena Airport Authority, and to authorize the President to execute same.

**SEVENTH AMENDMENT TO
LEASE AND CONCESSION AGREEMENT**

This SEVENTH AMENDMENT TO LEASE AND CONCESSION AGREEMENT (this "Seventh Amendment") is dated as of _____, 2017 by and between the BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY, a public entity formed under a joint exercise of powers agreement among the Cities of Burbank, Glendale and Pasadena, California, pursuant to the California Joint Exercise of Powers Act ("Lessor"), and MCS BURBANK, LLC, a Nevada limited liability company ("Concessionaire").

RECITALS

A. Lessor and Concessionaire entered into a Lease and Concession Agreement dated December 31, 2000, a First Amendment dated October 15, 2001, a Second Amendment dated September 2, 2003, a Third Amendment dated November 5, 2012, a Fourth Amendment dated May 5, 2014, a Fifth Amendment to Lease and Concession Agreement dated February 2, 2015, and a Sixth Amendment to Lease and Concession Agreement dated September 6, 2016 (the "Agreement"), pursuant to which Concessionaire was granted a food and beverage sales concession at locations within the air passenger terminal of the Burbank-Glendale-Pasadena Airport ("Airport").

B. Lessor and Concessionaire desire to amend the Agreement to add additional space to the Premises.

THEREFORE, the parties hereto agree as follows:

1. Defined Terms. Unless this Seventh Amendment provide otherwise, capitalized terms used herein shall have the meanings set forth in the Agreement.

2. Premises. As of October 3, 2017, the Premises shall be increased by an additional 175 square feet, and all references to the "Premises" in the Lease shall include such additional space. Exhibit "A" to the Lease is hereby replaced with Exhibit "A" attached hereto which includes such additional space.

3. Minimum Annual Privilege Fee; Minimum Annual Guarantee. Section 7.1.1 of the Agreement is hereby amended as of October 3, 2017 to read in full as follows:

"7.1.1 Minimum Annual Guarantee; Annual Adjustment. The Minimum Annual Guarantee shall be One Million One Hundred Fifty Thousand Four Hundred Five and 40/100 Dollars (\$1,150,405.40). Beginning on January 1, 2018, and on each January 1 thereafter during the remainder of the Term ("Adjustment Date"), the Minimum Annual Guarantee shall be increased (an "Adjustment") in proportion to the percentage increase, if any, in the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor for all Urban Consumers – all items (base years 1982-1984 = 100) for Los Angeles – Riverside – Orange County, CA (SMSA) ("Index") for the month of December immediately preceding the Adjustment Date as compared to the Index for the month of December in the immediately preceding calendar year, provided that, in no event

shall any Adjustment be greater than three percent (3%) of the amount of the Minimum Annual Guarantee immediately preceding such Adjustment. Lessor shall calculate the amount of increase in the Minimum Annual Guarantee after United States Department of Labor publishes the applicable December Index and shall give Concessionaire notice of the amount of the increase. Concessionaire shall continue to pay installments of the unadjusted Minimum Annual Guarantee until Lessor notified Concessionaire of the amount of increase. Concessionaire shall pay the amount of the increase in the Minimum Annual Guarantee, multiplied by the number of installments coming due since the Adjustment Date, with the installment of Minimum Annual Guarantee next coming due under this Agreement, and shall thereafter pay the installments of Minimum Annual Guarantee due under this Agreement at such increased rate. If the Index referred to in this section is changed, discontinued, or revised during the Term, Lessor shall use the available Consumer Price Index published by the United States Department of Labor that obtains substantially the same result provided by the Index referred to herein.

4. Section 7.2. As of October 3, 2017, Section 7.2.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Rental Payments. In addition to the amounts payable under Subsection 7.1, during the remaining Term of this Agreement, monthly in advance, without deduction or offset, the Concessionaire shall pay to the Lessor as Premises rent ("Rental Payment") the amount of Twenty-Two Thousand Nine Hundred Eighty-Three and 18/100 Dollars (\$22,983.18)."

IN WITNESS WHEREOF, this Seventh Amendment has been executed by the undersigned as of the date first written above.

LESSOR:

BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY, a public entity

By: _____
Print Name: _____
Title: _____

CONCESSIONAIRE:

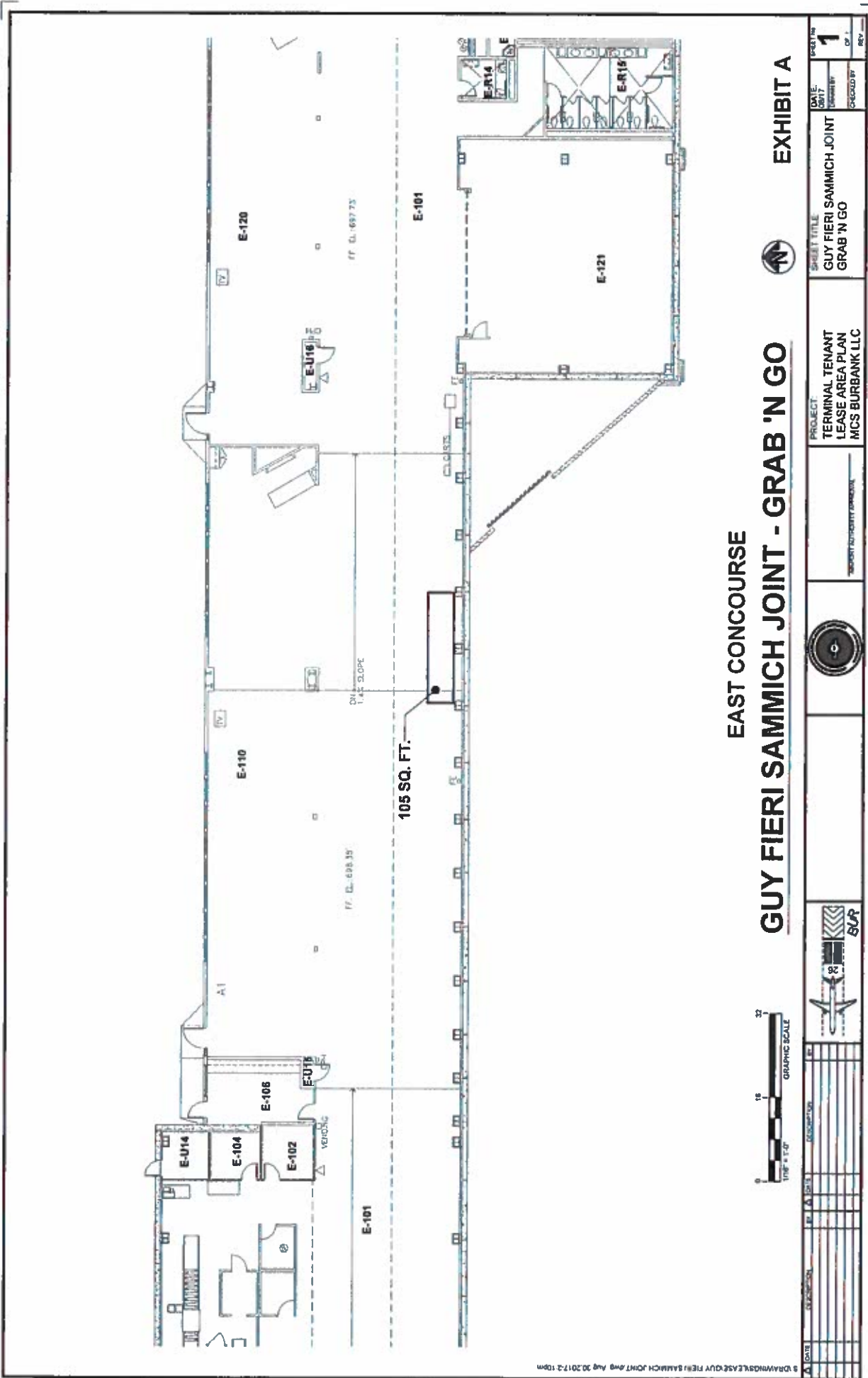
MCS BURBANK, LLC,
a Nevada limited liability company

By: Tamara Mora
Print Name: TAMARA MORA
Title: President

EXHIBIT "A"

REVISED DESCRIPTION OF PREMISES
(INCLUDING THE ADDED SPACE)

(Attached.)



EAST CONCOURSE

GUY FIERI SAMMICH JOINT - GRAB 'N GO



EXHIBIT A

3 DRAWINGS/LEASE GUY FIERI SAMMICH JOINT Aug 30 2017 2:10PM

DATE	DESCRIPTION	BY	CHK'D BY	DATE	REVISION
PROJECT			SHEET TITLE		
TERMINAL TENANT LEASE AREA PLAN MCS BURBANK LLC			GUY FIERI SAMMICH JOINT GRAB 'N GO		
SECURITY SECURITY CONCERN			DATE 2017		
SECURITY CONCERN			DRAWN BY		
SECURITY CONCERN			CHECKED BY		
SECURITY CONCERN			DATE		
SECURITY CONCERN			REV		
SECURITY CONCERN			1		

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 18, 2017
COMMITTEE PENDING ITEMS**

Future

1. Treasurer's Report – June 2017
2. Treasurer's Report – July 2017
3. Treasurer's Report – August 2017
4. Award of Aviation Ramp Ground Lease;
United Parcel Service, Inc.
5. Market Conditions Analysis – Hangar Facilities