BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Basic Financial Statements

June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

MGO Certified Public Accountants

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Basic Financial Statements

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Certified Public Accountants

Independent Auditor's Report

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

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
700 South Flower St., Suite 800
Los Angeles, CA 90017

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California
December 8, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

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The Burbank-Glendale-Pasadena Airport Authority (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, commonly known as "Hollywood Burbank Airport" (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. (TBI) to perform certain airport administrative, maintenance, operational services, and aircraft rescue and firefighting (ARFF) services.

The management of the Authority presents the following narrative overview of the Authority's financial activities for the fiscal years ended June 30, 2020 and 2019. The following discussion and analysis should be read in conjunction with the accompanying basic financial statements.

The Authority's report consists of this management's discussion and analysis (MD&A) and the financial statements. The MD&A is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include the *Statements of Net Position*, the *Statements of Revenues, Expenses and Changes in Net Position*, the *Statements of Cash Flows*, and the *Notes to Basic Financial Statements*.

The *Statements of Net Position* present information on all of the Authority's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 Position* present information showing how the Authority's net position changed during the fiscal year. All changes in net position 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 result in cash flows in future fiscal periods.

The *Statements of Cash Flows* present information on the Authority's inflows and outflows of cash and cash equivalents during the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The *Notes to Basic Financial Statements* present information that is not displayed on the face of the basic financial statements. Such information is essential to a full understanding of the Authority's financial activities.

Overview of the Authority's Operations

Highlights of Airport Activities

For the first eight months (July - February) of fiscal year (FY) 2020, the Airport operated with the continued momentum of multi-year passenger growth with the addition of new air service frequencies and destinations by the airlines. Fiscal year-to-date (FYTD) February 2020 passenger activity reflected an 18.6% increase as compared to the same period in the prior fiscal year. However, by mid-March 2020, the global aviation industry, including this Airport, experienced an immediate and unprecedented drop in travel demand due to the impacts of the COVID-19 pandemic. The pandemic has not only impacted the global aviation industry, it is also having far reaching effects on the national economy as well. In response to the dramatic impact to aviation, the U.S. Department of Transportation released funding authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to U.S. airports. The Authority was the recipient of $21,081,611 in CARES Act grant aid of which $3,264,200 was used in FY 2020 with the remaining balance available to support future fiscal years.

During the last four months (March - June) of FY 2020, total passengers significantly decreased by 1,610,389, or 81.9%, compared to the same period in FY 2019. The Airport's total passenger traffic concluded FY 2020 and 2019 with 4,540,201 and 5,493,990 passengers at a decrease of 17.4% and increase of 9.3%, respectively. While the Airport was served during FY 2020 by seven signatory air carriers, which included Alaska Airlines, American Airlines, Delta Air Lines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and United Airlines, the airlines reaction to the drop in air travel demand was to immediately reduce air service along their respective route networks in the last quarter of FY 2020. The long-term recovery is anticipated to be slow and gradual depending on a number of factors, some of which are beyond the control of the aviation industry. The impacts of the COVID-19 pandemic are expected to continue to dampen the demand for air travel through the next two to four years with recovery in the leisure sector rebounding before business travel.

As the aviation and related travel industries recover from the impacts of the COVID-19 pandemic, the Authority's financial approach will continue to be conservative, maintain and strengthen its liquidity position, be prudent with expenses as well as determining the timing to restart discretionary capital programs, including the Replacement Passenger Terminal project, and maintenance of a competitive cost structure in the Los Angeles-Long Beach-Anaheim, California area that is also served by four other airports.

The following table presents a comparative summary of passenger and other traffic in FY 2020, FY 2019 and FY 2018:

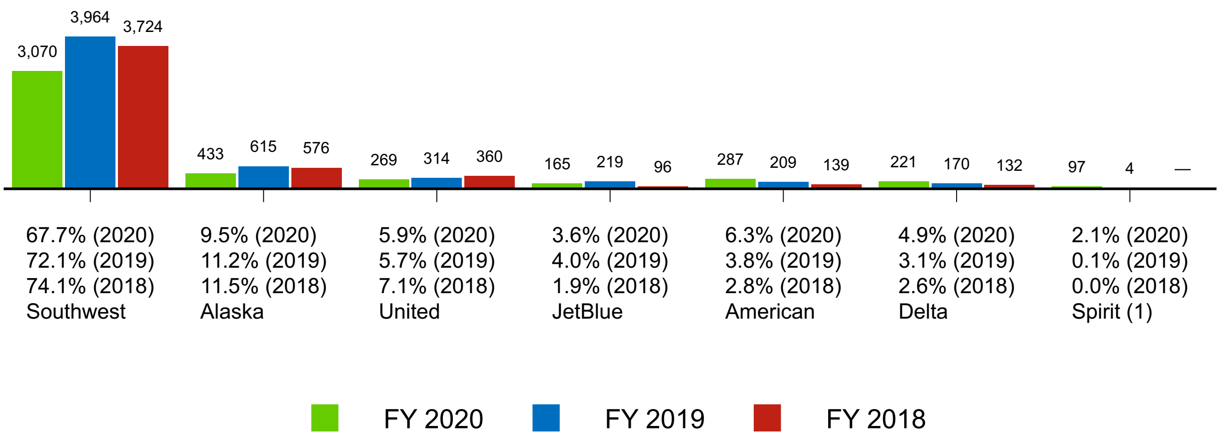
Description	FY 2020	FY 2019	FY 2018	% increase (decrease) FY 2019/20	% increase (decrease) FY 2018/19
Commercial carrier flight operations (takeoffs and landings)	55,000	59,574	55,625	(7.7)%	7.1%
Landing weight (in pounds)	3,734,685,322	3,860,175,506	3,621,073,429	(3.3)	6.6
Total passengers	4,540,201	5,493,990	5,028,271	(17.4)	9.3
Departing passengers (enplaned)	2,261,359	2,745,259	2,509,845	(17.6)	9.4
Arriving passengers (deplaned)	2,278,842	2,748,731	2,518,426	(17.1)	9.1
Cargo tonnage (in tons)	53,762	53,635	54,512	0.2	(1.6)

Passenger Traffic Activity

Passenger traffic at the Airport decreased by 17.4% and increased by 9.3% compared to the prior year in FY 2020 and 2019, respectively. Of the 4,540,201 and 5,493,990 passengers during FY 2020 and 2019, respectively, Southwest Airlines serviced the largest number of passengers at 3,069,704 (67.7% of total passengers) and 3,963,632 (72.1% of total passengers), in FY 2020 and 2019, respectively. The impacts of the COVID-19 pandemic on passenger activity beginning mid-March 2020 is reflected in the Total Passengers by Quarter chart on the following page.

The chart below presents the passenger traffic share by airline for FY 2020, FY 2019 and FY 2018:

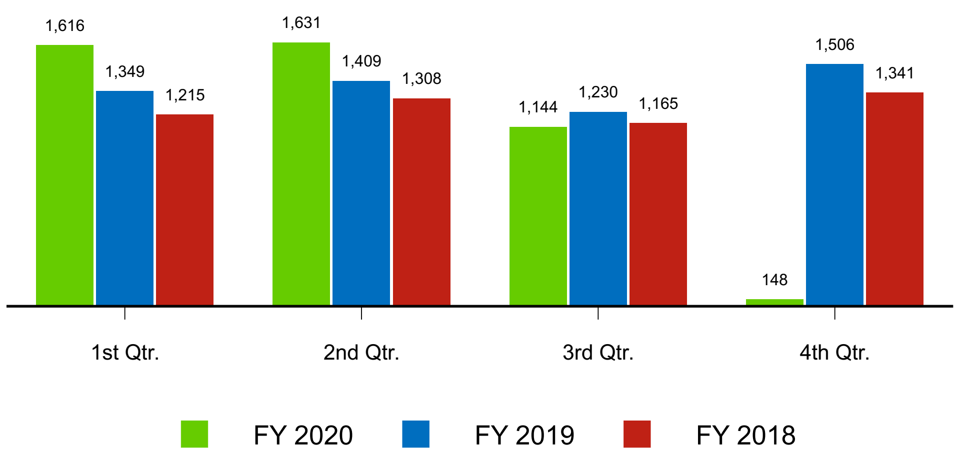
Signatory Airlines and Percentage of Market Share (passengers in thousands)



(1) Spirit Airlines began operations in June 2019.

The following chart presents the passenger traffic by quarter for FY 2020, FY 2019 and FY 2018:

Total Passengers By Quarter (in thousands)



Flight Operations Activities

The total number of commercial carrier flights was 55,000 and 59,574, resulting in a decrease of 7.7% and an increase of 7.1% from the prior fiscal year for FY 2020 and 2019, respectively. Revenue landing weight decreased 3.3% and increased 6.6% from the prior fiscal year for FY 2020 and 2019, respectively. The top three carriers in terms of landing weight were Southwest Airlines, Alaska Airlines, and United Airlines. In total, these three airlines contributed 83.3% and 87.8% of the total revenue landing weight at the Airport for FY 2020 and 2019, respectively.

The decline in commercial carrier flights in FY 2020 was due to the airlines significantly reducing air service in response to the drop in air travel demand resulting from the COVID-19 pandemic beginning mid-March 2020. During the first eight months (July - February) of FY 2020, commercial carrier flights increased by 6,723, or 17.5%, compared to the same period in FY 2019. During the last four months (March - June) of FY 2020, commercial carrier flights decreased by 11,297, or 53.7%, compared to the same period in FY 2019.

A similar trend in revenue landing weight showed an increase of 563,736,854, or 22.5%, pounds landed during the first eight months (July - February) of FY 2020 and a significant decrease of 689,227,048, or 50.7%, pounds landed during the last four months (March - June) of FY 2020 when compared to the same periods in FY 2019.

Air Cargo Activities

Freight and mail cargo at the Airport for FY 2020 and 2019 was 53,762 and 53,635 tons, respectively. FY 2020 resulted in a slight increase 0.2% and FY 2019 saw a slight decrease of 1.6% in air cargo tonnage from the prior fiscal year. Federal Express (FedEx) and United Parcel Service (UPS) are the top air freight carriers accounting for 95.3% and 94.5% of the total freight cargo for FY 2020 and 2019, respectively. The COVID-19 pandemic has not had a significant impact to freight and mail cargo activity at the Airport in FY 2020 as demand for e-commerce shipments by FedEx and UPS remained and continues to remain consistent.

Overview of the Authority's Financial Activities

Financial Highlights, Fiscal Year 2020

- Assets exceeded liabilities and deferred inflows of resources (net position) at the close of the fiscal year by $527,050,284.
- Operating revenues were $53,070,298.
- Operating expenses before depreciation were $47,209,860.
- Nonoperating revenues, net of nonoperating expenses (including revenues of $10,397,681 from Passenger Facility Charges and $4,821,896 from Customer Facility Charges) were $20,621,821.
- Capital contributions from the Federal Aviation Administration's (FAA) Airport Improvement (AIP) grants and the Coronavirus Aid, Relief, and Economic Security (CARES) Act grants were $3,568,014. In FY 2020 the Authority was awarded $21,081,611 in CARES Act grants of which $3,264,200 was used in FY 2020 to supplement the loss in revenues and to cover the 2015 Bond debt service and certain personnel costs for the last quarter of FY 2020. The portion of the CARES Act grants used for certain eligible FY 2020 personnel costs was $2,122,137 and is included in nonoperating revenues under the other noncapital grants line item.
- Net position increased by $12,957,614 primarily due to the positive financial performance during the first eight months (July - February) of the fiscal year offset by the negative financial impacts of the COVID-19 pandemic during the last four months (March - June) of the fiscal year. Additionally, cost reduction measures taken such as suspension of non-essential discretionary projects and expenditures in response to the negative impacts of the COVID-19 pandemic, the increase in investment income and fair market value of the Authority's investment portfolios, and the receipt of CARES Act grant funds contributed to the overall increase in net position for FY 2020.

Financial Highlights, Fiscal Year 2019

- Assets exceeded liabilities and deferred inflows of resources (net position) at the close of the fiscal year by $514,092,670.
- Operating revenues were $58,469,920.
- Operating expenses before depreciation were $44,850,463.
- Nonoperating revenues, net of nonoperating expenses (including revenues of $12,575,929 from Passenger Facility Charges and $5,754,081 from Customer Facility Charges) were $21,186,447.
- Capital contributions from the Federal Aviation Administration's (FAA) Airport Improvement (AIP) grants were $5,170,716.
- Net position increased by $22,404,445 primarily due to increases in operating income resulting from growth in passenger traffic and nonoperating income resulting from increases in investment income and fair market value of the Authority's investment portfolios.

Net Position Summary

A summary of the Airport's net position as of June 30, 2020, 2019, and 2018 is presented below:

Schedule of Net Position

	2020	2019	2018	FY 2019/20 increase (decrease) Amount	FY 2019/20 increase (decrease) %	FY 2018/19 increase (decrease) Amount	FY 2018/19 increase (decrease) %
Assets:							
Current unrestricted assets	$ 42,358,426	$ 34,886,063	$ 28,915,023	$ 7,472,363	21.4%	$ 5,971,040	20.7%
Restricted assets	87,016,726	80,908,734	70,721,436	6,107,992	7.5	10,187,298	14.4
Debt service reserve surety	18,911	23,638	28,366	(4,727)	(20.0)	(4,728)	(16.7)
Facility Development Reserve	180,132,453	180,132,453	173,132,453	—	—	7,000,000	4.0
Capital assets, net	326,217,599	334,237,514	340,426,317	(8,019,915)	(2.4)	(6,188,803)	(1.8)
Total assets	635,744,115	630,188,402	613,223,595	5,555,713		16,964,807	2.8
Liabilities:							
Current liabilities	9,677,017	11,309,597	11,202,321	(1,632,580)	(14.4)	107,276	1.0
Liabilities payable from restricted assets	7,857,629	7,737,705	7,630,373	119,924	1.5	107,332	1.4
Noncurrent liabilities	90,751,149	96,538,385	102,090,622	(5,787,236)	(6.0)	(5,552,237)	(5.4)
Total liabilities	108,285,795	115,585,687	120,923,316	(7,299,892)		(5,337,629)	
Deferred inflows of resources-							
Deferred amount on refunding	408,036	510,045	612,054	(102,009)	(20.0)	(102,009)	(16.7)
Net position:							
Net investment in capital assets	235,909,562	238,185,073	238,809,231	(2,275,511)	(1.0)	(624,158)	(0.3)
Restricted, debt service	20,912,922	20,391,201	19,556,765	521,721	2.6	834,436	4.3
Restricted, capital projects	54,138,513	48,611,757	39,369,493	5,526,756	11.4	9,242,264	23.5
Restricted, federal asset seizure	23,875	23,369	14,429	506	2.2	8,940	62.0
Restricted, other purposes	3,232,640	3,148,712	3,064,784	83,928	2.7	83,928	2.7
Unrestricted	212,832,772	203,732,558	190,873,523	9,100,214	4.5	12,859,035	6.7
Total net position	$ 527,050,284	$ 514,092,670	$ 491,688,225	$ 12,957,614	2.5%	$ 22,404,445	4.6%

Net Position

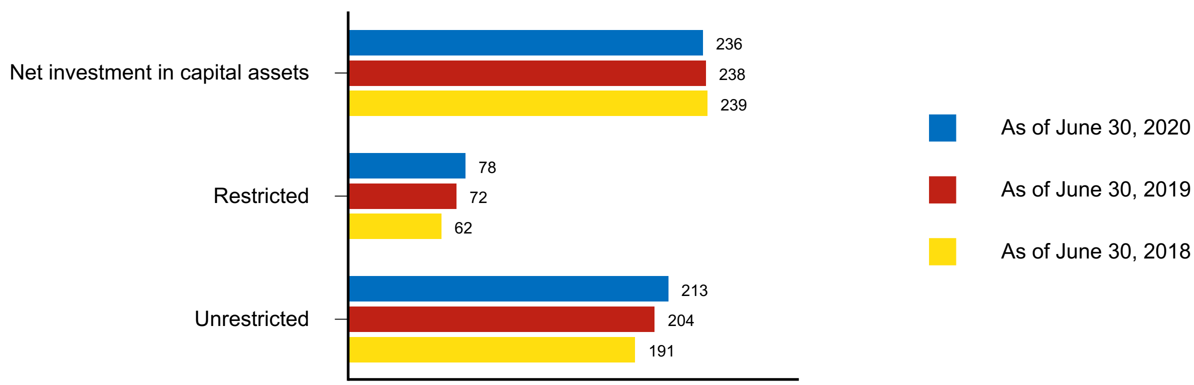
As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities and deferred inflows of resources (net position) by \$527,050,284, \$514,092,670, and \$491,688,225 at the close of FY 2020, FY 2019 and FY 2018, respectively.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, runways, etc.), net of accumulated deprecation, 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, 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 portion of the Authority's net position represents resources that are subject to external restrictions on how they may be used. Of this restricted net position, 26.7%, 28.3%, and 32.4% are for repayment of long-term debt and 69.1%, 67.4%, and 62.4% are for construction of capital assets at June 30, 2020, 2019 and 2018, respectively. A very small percentage of restricted net position, comprising less than 0.1% at June 30, 2020, 2019 and 2018, are for uses pursuant to the Federal Asset Forfeiture Program. Lastly, 4.1%, 4.4%, and 5.2% are for other restricted purposes that are not related to debt service, capital projects, and Federal asset seizure.

The final portion of net position is unrestricted net position and may be used to meet the Authority's ongoing obligations to Airport users and creditors.

Net Position as of June 30, 2020, 2019 and 2018
(in millions)



The Authority's positive unrestricted net position balance has continued to increase over the three fiscal years ended June 30, 2020, 2019 and 2018.

Current Unrestricted Assets

The Authority's current unrestricted assets increased by $7,472,363, or 21.4%, and $5,971,040, or 20.7%, in FY 2020 and 2019, respectively, resulting primarily from an increase of $2.9 million in grants receivable and an increase in the fair value unrealized gain of the investments in the operating portfolio. Current unrestricted assets consist primarily of cash and investments in the operating portfolio. Cash inflows were greater than outflows during the fiscal year. Current unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions, and transfers to fiscal agents for debt service.

Restricted Assets

The Authority's restricted assets increased by $6,107,992, or 7.5%, and $10,187,298, or 14.4%, in FY 2020 and 2019, respectively, resulting primarily from an increase in passenger facility charges (PFC) for eligible capital expenditures. Restricted assets consist primarily of cash and investments in the operating portfolio that are restricted based on constraints placed on assets through external parties such as creditors, grantors, leases, trust agreements, contributors, laws 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, reserves for operations and maintenance, and construction of long-term assets.

Facility Development Reserve

Cash and investments – Facility Development Reserve was established by the Authority during FY 2000 to provide for the development of a replacement terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects is determined based on the approval of the Authority. In FY 2020 and FY 2019, the fund increased by $0 and $7,000,000, respectively. The Authority transferred $0 and $7,000,000 in excess revenues from the current operating fund in FY 2020 and 2019, respectively.

Capital Assets

Below is a summary of the Authority's capital assets for FY 2020, 2019 and 2018:

				FY 2019/20 increase (decrease)		FY 2018/19 increase (decrease)	
Capital assets:	2020	2019	2018	Amount	%	Amount	%
Land	$ 160,065,894	$ 157,794,496	$ 157,794,496	$ 2,271,398	1.4%	$ —	—%
Other non-depreciable capital assets	1,128,515	1,128,515	1,128,515	—	—	—	—
Construction in progress	3,100,763	2,287,444	2,953,592	813,319	35.6	(666,148)	(22.6)
Buildings and improvements	255,815,393	255,004,997	253,658,860	810,396	0.3	1,346,137	0.5
Runways and improvements	145,430,779	142,167,183	132,406,814	3,263,596	2.3	9,760,369	7.4
Machinery and equipment	37,192,736	35,471,751	35,306,407	1,720,985	4.9	165,344	0.5
Less accumulated depreciation	(276,516,481)	(259,616,872)	(242,822,367)	(16,899,609)	6.5	(16,794,505)	6.9
Total capital assets, net	$ 326,217,599	$ 334,237,514	$ 340,426,317	$ (8,019,915)	(2.4)%	$ (6,188,803)	(1.8)%

The Authority's net capital assets decreased by $8,019,915, or 2.4%, in FY 2020 and $6,188,803, or 1.8%, in FY 2019. The decreases in FY 2020 and FY 2019 were primarily due to depreciation expense for the Authority's depreciable capital assets, which include buildings and improvements, runways and improvements, and machinery and equipment, and disposals of depreciable capital assets exceeding acquisitions, respectively. Total capital asset additions net of depreciation, including transfers to construction in progress related to completed projects, in FY 2020 and 2019 were $278,231 and $5,891,023, respectively, and total deletions, including canceled projects and transfers from construction in progress to depreciable and non-depreciable capital assets, were $8,298,146 and $12,079,826, respectively.

Significant capital asset additions in FY 2020 include:

- Taxiway A rehabilitation
- Hollyona property acquisition
- Digital video surveillance system upgrades

Significant capital asset additions in FY 2019 include:

- Taxiway C & D and apron rehabilitation
- Terminal ramp rehabilitation
- Terminal B security checkpoint upgrade

The Authority has various contract commitments outstanding at June 30, 2020 for the airfield lighting system rehabilitation and airfield lighting vault replacement projects, which were not completed during the fiscal year. The Authority has not entered into any additional construction contracts subsequent to June 30, 2020.

Additional information regarding the Authority's capital assets can be found in note 4 in the accompanying notes to the basic financial statements.

Current Liabilities

Current liabilities decreased by $1,632,580, or 14.4%, in FY 2020, primarily due to a decrease in vendor accruals partially offset by increases in payroll accruals for vacation and sick leave and customer deposits. Current liabilities increased by $107,276, or 1.0%, in FY 2019, primarily due to increases in customer deposits and payroll accruals for vacation and sick leave, partially offset by decreases in vendor accruals and unearned revenue.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets increased by $119,924, or 1.5%, in FY 2020 and $107,332, or 1.4%, in FY 2019. The increase in FY 2020 and FY 2019 reflects an increase of $235,000 and $215,000, respectively, in the current portion of principal payable for the 2012 and 2015 Bonds offset by a decrease of $115,076 and $107,668, respectively, in interest payable for both bonds.

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

Noncurrent Liabilities

Below is a summary of the Authority's noncurrent liabilities for FY 2020, 2019 and 2018:

				FY 2019/20 increase (decrease)		FY 2018/19 increase (decrease)	
Long-term debt, net of current portion:	2020	2019	2018	Amount	%	Amount	%
Revenue bonds payable, less current portion	$ 88,730,000	$ 94,040,000	$ 99,115,000	$ (5,310,000)	(5.6)%	$ (5,075,000)	(5.1)%
Original issue premium, net	2,021,149	2,498,385	2,975,622	(477,236)	(19.1)	(477,237)	(16.0)
Total long-term liabilities	$ 90,751,149	$ 96,538,385	$ 102,090,622	$ (5,787,236)	(6.0)%	$ (5,552,237)	(5.4)%

As of June 30, 2020 and 2019, the Authority's outstanding long-term debt consisted of its outstanding 2012 (Series A and B) and 2015 (Series B) bonds of $88,730,000 and $94,040,000, respectively, and unamortized premium of $2,021,149 and $2,498,385, respectively.

The Authority's long-term liabilities decreased by $5,787,236, or 6.0%, in FY 2020 and decreased by $5,552,237, or 5.4%, in FY 2019. The decrease in FY 2020 includes reclassification of the current portions of the 2012 Bonds of $1,730,000 and 2015 Bonds of $3,580,000, and amortization of the original issue premium on both bonds of $477,236. The decrease in FY 2019 includes reclassification of the current portion of 2012 Bonds of $1,670,000 and current portion of the 2015 Bonds of $3,405,000, and amortization of the original issue premium on both bonds of $477,237.

Additional information regarding the Authority's long-term debt can be found in note 5 in the accompanying notes to the basic financial statements.

Deferred Inflows of Resources

Deferred inflows of resources consists of the net deferred amount on refunding of the 2005 Bonds of $408,036 and $510,045 at June 30, 2020 and 2019, respectively. The refunding and defeasance of the 2005 Bonds resulted in a difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds of $935,367. This difference, reported in the accompanying basic financial statements as a deferred inflow of resources, is being credited to interest expense through July 1, 2024, the final maturity of the 2015 Bonds, using the straight-line method. Amortization in FY 2020 and FY 2019 totaled $102,009 and $102,009, respectively.

Changes in Net Position Summary

A condensed summary of the Authority's changes in net position for fiscal years ended June 30, 2020, 2019 and 2018 is presented below:

Schedule of Revenues, Expenses, and Changes in Net Position

				FY 2019/20 increase (decrease)		FY 2018/19 increase (decrease)	
	FY 2020	**FY 2019**	**FY 2018**	**Amount**	**%**	**Amount**	**%**
Operating revenues	$ 53,070,298	$ 58,469,920	$ 54,890,750	$ (5,399,622)	(9.2)%	$ 3,579,170	6.5%
Operating expenses	64,302,519	62,422,638	59,964,967	1,879,881	3.0	2,457,671	4.1
Operating loss	(11,232,221)	(3,952,718)	(5,074,217)	(7,279,503)	184.2	1,121,499	(22.1)
Nonoperating revenues, net	20,621,821	21,186,447	7,263,655	(564,626)	(2.7)	13,922,792	191.7
Income before capital contributions	9,389,600	17,233,729	2,189,438	(7,844,129)	45.5	15,044,291	687.1
Capital contributions	3,568,014	5,170,716	9,625,431	(1,602,702)	(31.0)	(4,454,715)	(46.3)
Changes in net position	12,957,614	22,404,445	11,814,869	(9,446,831)	(42.2)	10,589,576	89.6
Total net position - beginning	514,092,670	491,688,225	479,873,356	22,404,445	4.6	11,814,869	2.5
Total net position - ending	$ 527,050,284	$ 514,092,670	$ 491,688,225	$ 12,957,614	2.5%	$ 22,404,445	4.6%

Operating Revenues

The Airport derives its operating revenues from parking operations, aircraft landing fees, concessions, tenant rent, and other assessments such as ground transportation access fees and fuel flowage fees.

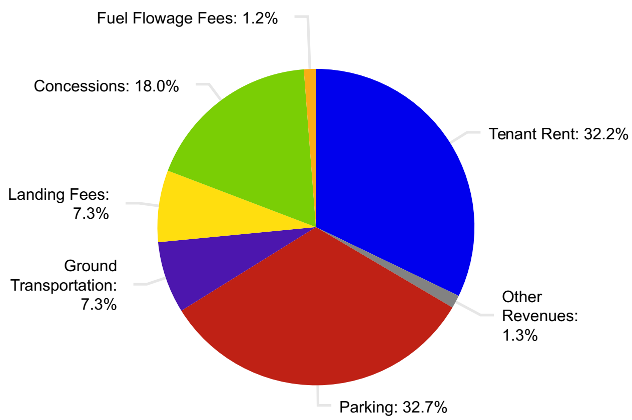
The following table presents a comparative summary of operating revenues in FY 2020, FY 2019 and FY 2018:

Comparative Summary of Operating Revenues

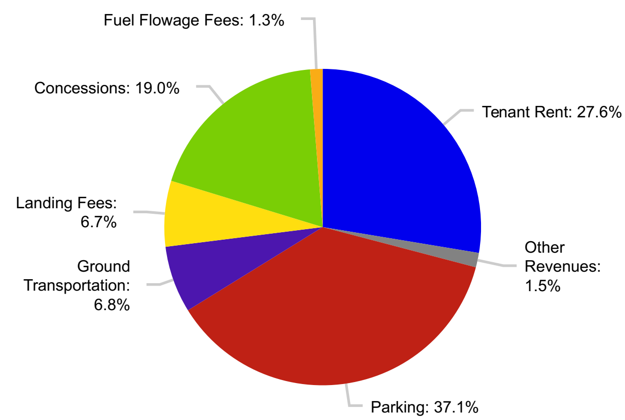
				FY 2019/20 increase (decrease)		FY 2018/19 increase (decrease)	
	FY 2020	**FY 2019**	**FY 2018**	**Amount**	**%**	**Amount**	**%**
Parking	$ 17,361,157	$ 21,688,728	$ 20,978,087	$ (4,327,571)	(20.0)%	$ 710,641	3.4%
Landing fees	3,796,967	3,928,651	3,774,427	(131,684)	(3.4)	154,224	4.1
Concessions	9,556,806	11,105,119	10,351,680	(1,548,313)	(13.9)	753,439	7.3
Tenant rent	17,098,150	16,146,956	15,337,180	951,194	5.9	809,776	5.3
Ground transportation	3,899,653	3,988,429	3,019,439	(88,776)	(2.2)	968,990	32.1
Fuel flowage fees	648,527	748,194	693,284	(99,667)	(13.3)	54,910	7.9
Other operating revenues	709,038	863,843	736,653	(154,805)	(17.9)	127,190	17.3
Total operating revenues	$ 53,070,298	$ 58,469,920	$ 54,890,750	$ (5,399,622)	(9.2)%	$ 3,579,170	6.5%

The charts below present the distribution of major sources of operating revenues in FY 2020 and FY 2019:

FY 2020
Operating Revenues: $53.1 Million

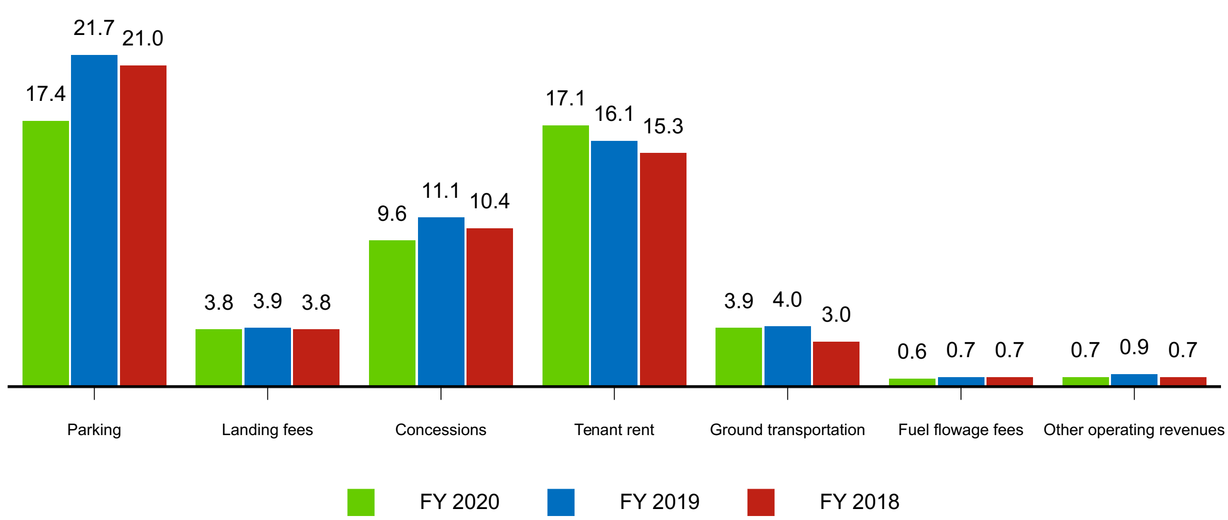


FY 2019
Operating Revenues: $58.5 Million



The chart below presents the comparative summary of operating revenues for FY 2020, FY 2019 and FY 2018:

Operating Revenues
Years ended June 30, 2020, 2019 and 2018
(in millions)



In FY 2020, total operating revenues decreased by $5,399,622, or 9.2% due to a combination of factors, as follows:

(1) decreased parking revenues of $4,327,571, or 20.0%;

(i) the decrease in parking revenues was commensurate with the 17.4% decrease in passenger activity in FY 2020. Since parking revenues are relatively correlated with passenger activity, the decrease in passenger activity resulting from the COVID-19 pandemic negatively impacted parking activity at the Airport during the last four months (March - June) of the fiscal year.

The first eight months (July - February) of FY 2020 showed an increase in parking revenue of $1,526,238, or 10.8%, compared to the same period in the prior year. However, during the last four months, parking revenues decreased by $5,853,809, or 77.7%, compared to the same period in the prior year, resulting in a net decrease of $4,3271,571, or 20.0%, for the full fiscal year.

(2) decreased landing fees of $131,684, or 3.4%, primarily due to the decrease in air carrier flight operations to the Airport during the last four months of the fiscal year because of the air service cancellations by airlines due to the decreased air travel demand resulting from the COVID-19 pandemic;

(3) decreased concession fees of $1,548,313, or 13.9% primarily due to relief measures granted by the Authority to the on-airport concessionaires and rental car companies for the last quarter of FY 2020 allowing them to remit 10% of gross sales in lieu of their minimum annual guarantee amounts resulting in approximately $1,626,466 in total relief;

(4) increased tenant rent of $951,194, or 5.9%, primarily due to increased hangar rental income resulting from CPI increases and new tenant lease agreements executed during FY 2020;

(5) decreased ground transportation revenues of $88,776, or 2.2%;

(i) the first eight months of FY 2020 of transportation network companies' (TNC) activity increased $1,187,140, or 54.12%, from the same period in the prior year. However, due to the COVID-19 pandemic, the last four months of FY 2020 showed a drastic decrease in TNC revenues of $1,149,142, or 81.7%, from the same period in the prior year. While the net change in TNC revenues for FY 2020 was an increase of $37,998, or 1.1%, from the prior year, other ground transportation revenues such as access fees for taxis, limos, and off-airport parking shuttles decreased by $126,774, or 32.6%, from the prior year resulting in the overall decrease in ground transportation revenues of $88,776, or 2.2%, for FY 2020;

(6) decreased fuel flowage fees of $99,667, or 13.3%, primarily due to a reduction in general aviation activity during the last quarter of FY 2020 because of the COVID-19 pandemic; and

(7) decreased other operating revenues of $154,805, or 17.9%, primarily due to a reduction in movie location filming demand and a drop in TNC notice of violation revenues, corresponding to the decline in TNC activity.

In FY 2019, total operating revenues increased by $3,579,170, or 6.5%, due to a combination of factors, as follows:

(1) increased parking revenues of $710,641, or 3.4%;

(i) the modest increase in parking revenues was less than the increase in passenger activity in FY 2019. This was primarily due to a change in the ground transportation mode split to/from what the Airport experienced between private cars using on-airport parking and the usage of TNC services;

(2) increased landing fees of $154,224, or 4.1%, primarily due to the upgauging of aircraft and increased flight service levels on various routes;

(3) increased concession fees of $753,439, or 7.3%, due to an increase in revenues generated by various passenger activity related concessions, but primarily from rental cars and food and beverage offset by a decrease in on-airport advertising;

(i) concession fees are highly dependent on passenger behavior and not necessarily tied to passenger traffic levels. Rental car demand continued to increase slightly while the rental average days has shown an upward trend. Additionally, continued changes in the food and beverage products line-up has had a positive effect on concession revenues generated;

(4) increased tenant rent of $809,776, or 5.3%, primarily due to increased hangar rental income resulting from CPI increases and new tenant lease agreements executed during FY 2019;

(5) increased ground transportation revenues of $968,990, or 32.1%, primarily due to an increase in TNC activities and an increase in TNC drop-off and pick-up fees to $3.50 from $3.00 effective May 2019;

(6) increased fuel flowages fees of $54,910, or 7.9%, primarily due to increased general aviation activity; and

(7) increased other operating revenues of $127,190, or 17.3%, primarily due to increases in movie location and TNC notice of violations revenues.

Operating Expenses

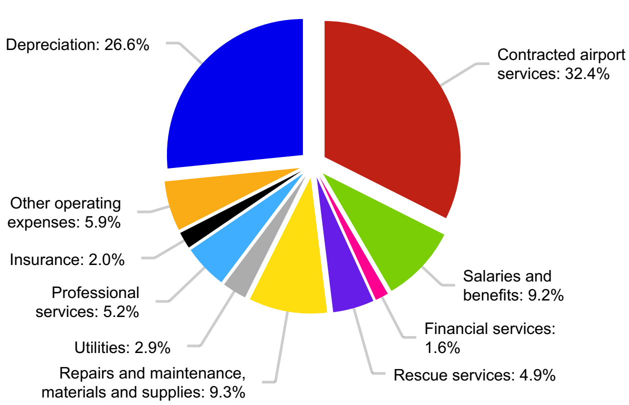
The following table presents a comparative summary of operating expenses in FY 2020, FY 2019 and FY 2018:

Operating Expenses Summary

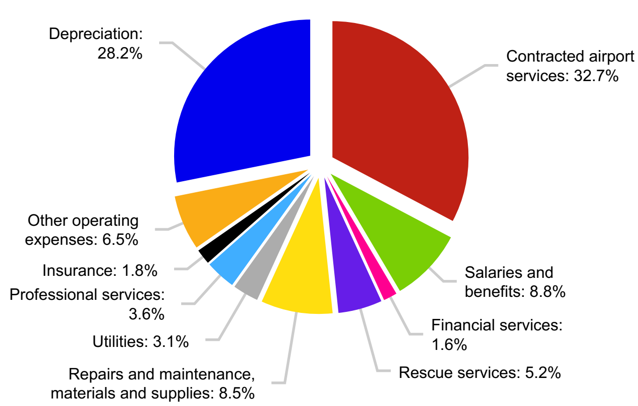
				FY 2019/20 increase (decrease)		FY 2018/19 increase (decrease)	
	FY 2020	**FY 2019**	**FY 2018**	**Amount**	**%**	**Amount**	**%**
Contracted airport services	$ 20,850,757	$ 20,435,584	$ 19,215,948	$ 415,173	2.0%	$ 1,219,636	6.3%
Salaries and benefits	5,893,032	5,465,519	5,032,761	427,513	7.8	432,758	8.6
Financial services	1,008,697	1,015,883	974,182	(7,186)	(0.7)	41,701	4.3
Rescue services	3,151,738	3,260,929	2,894,419	(109,191)	(3.3)	366,510	12.7
Repairs and maintenance, materials and supplies	5,992,054	5,310,842	4,796,356	681,212	12.8	514,486	10.7
Utilities	1,854,677	1,918,002	1,897,477	(63,325)	(3.3)	20,525	1.1
Professional services	3,363,956	2,236,102	2,253,350	1,127,854	50.4	(17,248)	(0.8)
Insurance	1,276,271	1,132,971	1,143,126	143,300	12.6	(10,155)	(0.9)
Other operating expenses	3,818,678	4,074,631	3,850,801	(255,953)	(6.3)	223,830	5.8
Operating expenses before depreciation	47,209,860	44,850,463	42,058,420	2,359,397	5.3	2,792,043	6.6
Depreciation	17,092,659	17,572,175	17,906,547	(479,516)	(2.7)	(334,372)	(1.9)
Total operating expenses	$ 64,302,519	$ 62,422,638	$ 59,964,967	$ 1,879,881	3.0%	$ 2,457,671	4.1%

The charts below present the distribution of operating expenses in FY 2020 and FY 2019:

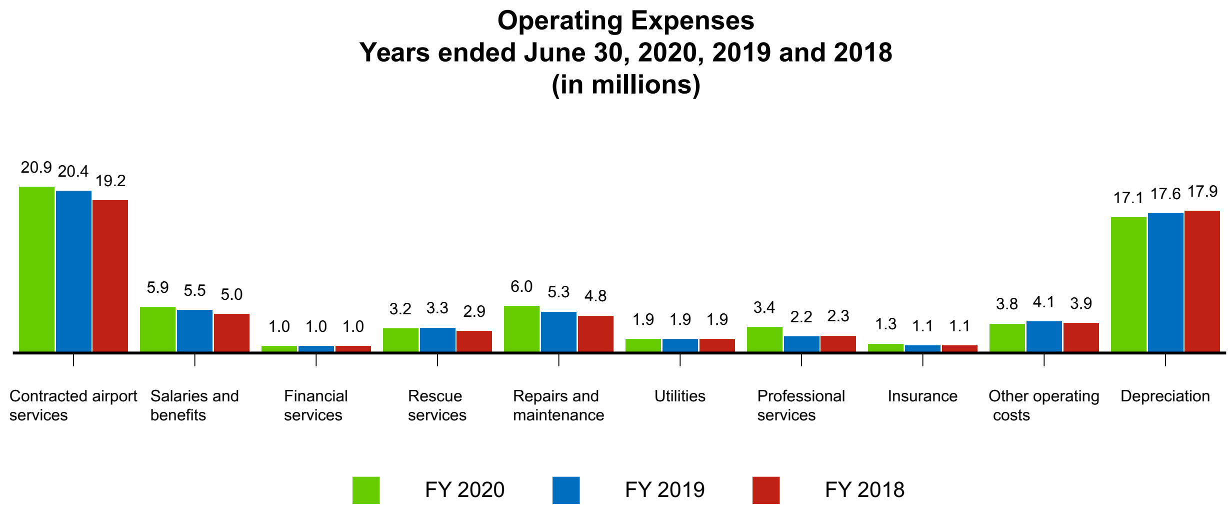
FY 2020
Operating Expenses: $64.3 Million



FY 2019
Operating Expenses: $62.4 Million



The chart below presents the comparative summary of operating expenses for FY 2020, FY 2019 and FY 2018:



Total operating expenses increased by $1,879,881, or 3.0%, in FY 2020 primarily due to a combination of factors, as follows:

(1) increased contracted airport services of $415,173, primarily due to increased contracted Airport personnel costs of $692,157 offset by decreased shuttle and parking operator costs of $250,960 and $26,024, respectively;

(i) the increased contracted Airport personnel costs of $692,157 is primarily due to the authorization of new positions and the filling of new and other existing open positions;

(ii) the decreased shuttle and parking operator costs were a result of cost saving measures the Authority implemented, such as the closure of remote and valet parking lots, in response to the drastic decrease in passenger activity due to the COVID-19 pandemic.

(2) increased salaries and benefits for Airport police officers of $427,513, primarily due to the terms of a replacement agreement with the Burbank-Glendale-Pasadena Airport Police Officers Association effective February 1, 2020;

(3) decreased cost for aircraft rescue and firefighting services of $109,191 primarily due to decreased overtime and benefits costs;

(4) increased repairs and maintenance costs, not including materials and supplies, of $650,441, primarily due to completion of repair projects including the overhaul of public conveyance systems;

(5) decreased utilities costs of $63,325, primarily due to the temporary closures of facilities such as Terminal B, in response to the decreased passenger activity levels through the Airport during the last four months of the fiscal year due to the COVID-19 pandemic;

(6) increased insurance costs of $143,300, primarily due to increased insurance premiums; and

(7) decreased depreciation expense of $479,516, primarily due to capital assets fully depreciated in FY 2019 exceeding the impact of new capital asset additions in FY 2020.

Total operating expenses increased by $2,457,671, or 4.1%, in FY 2019 primarily due to a combination of factors, as follows:

(1) increased contracted airport services of $1,219,636, primarily due to increased contracted Airport personnel costs of $1,128,169 and increased parking operator costs of $46,013;

(i) the increased contracted Airport personnel costs of $1,128,169 is primarily due to the authorization of new positions and the filling of new and other existing open positions;

(2) increased salaries and benefits for Airport police officers of $432,758 in accordance with the agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union;

(3) increased cost for aircraft rescue and firefighting services of $366,510 in accordance with an agreement in place with the Burbank Airport Professional Firefighters IAFF Local I-61 Union;

(4) increased repairs and maintenance costs, not including materials and supplies, of $547,264, primarily due to the completion of significant repair projects in FY 2019 and additional information technology services and upgrading of software;

(5) increased utilities costs of $20,525, primarily due to increased use related to passenger activity levels through the Airport;

(6) decreased insurance costs of $10,155, primarily due to decreased insurance premiums; and

(7) decreased depreciation expense of $334,372, primarily due to capital assets fully depreciated in FY 2018 exceeding the impact of new capital asset additions in FY 2019.

Nonoperating Revenues and Expenses

The following summary presents a comparison of nonoperating revenues and expenses in FY 2020, FY 2019 and FY 2018:

Comparative Summary of Nonoperating Revenues and Expenses

	FY 2020	FY 2019	FY 2018	FY 2019/20 increase (decrease) Amount	FY 2019/20 increase (decrease) %	FY 2018/19 increase (decrease) Amount	FY 2018/19 increase (decrease) %
Nonoperating revenues:							
PFC revenues	$ 10,397,681	$ 12,575,929	$ 8,907,339	$ (2,178,248)	(17.3)%	$ 3,668,590	41.2%
CFC revenues	4,821,896	5,754,081	5,803,490	(932,185)	(16.2)	(49,409)	(0.9)
Investment income	9,499,897	9,408,767	1,462,445	91,130	1.0	7,946,322	543.4
Gain on retirement of capital assets	3,805	24,765	6,630	(20,960)	(84.6)	18,135	(273.5)
Other noncapital grants	2,187,637	60,246	55,098	2,127,391	3,531.2	5,148	9.3
	26,910,916	27,823,788	16,235,002	(912,872)	(3.3)	11,588,786	71.4
Nonoperating expenses:							
Interest expense	4,520,740	4,750,893	4,966,228	(230,153)	(4.8)	(215,335)	(4.3)
Sound insulation program	1,740	4,302	1,956	(2,562)	(59.6)	2,346	119.9
Replacement terminal development	1,701,115	1,830,354	3,945,580	(129,239)	(7.1)	(2,115,226)	(53.6)
Other expenses, net	65,500	51,792	57,583	13,708	26.5	(5,791)	(10.1)
	6,289,095	6,637,341	8,971,347	(348,246)	(5.2)	(2,334,006)	(26.0)
Total nonoperating revenues (expenses), net	$ 20,621,821	$ 21,186,447	$ 7,263,655	$ (564,626)	(2.7)%	$ 13,922,792	191.7%

Nonoperating revenues of $26,910,916 and $27,823,788 in FY 2020 and FY 2019, respectively, consist of PFC revenues, CFC revenues, net investment income, gain on retirement of capital assets, and other noncapital grants (capital grant revenues are included in capital contributions).

In FY 2020, nonoperating revenues net of nonoperating expenses decreased by $564,626, or 2.7%, primarily due to a combination of the following:

(1) decreased PFC revenues of $2,178,248 primarily due to a decrease in passenger levels caused by the COVID-19 pandemic offset by increases in both interest revenue and fair value of the investments in the PFC investment portfolio;

(2) decreased CFC revenues of $932,185 due to a decrease in rental car activity caused by the COVID-19 pandemic;

(3) increased investment income of $91,130 due to an increase in fair value of the operating investment portfolio offset by a decrease in interest income from the trustee-held investment portfolio;

(4) decreased gain on retirement of capital asset of $20,960 primarily due to fewer sales of machinery and equipment;

(5) increased other noncapital grants of $2,127,391 primarily due to CARES Act grants received for the reimbursement of certain personnel costs;

(6) decreased interest expense of $230,153 due to decreased bond principal outstanding as a result of annual debt service payments made on the 2012 and 2015 Bonds; and

(7) decreased replacement terminal development expenses of $129,239 primarily due to a suspension of all discretionary capital projects and expense reduction measures implemented in March 2020, in response to the COVID-19 pandemic.

In FY 2019, nonoperating revenues net of nonoperating expenses decreased by $13,922,792, or 191.7%, primarily due to a combination of the following:

(1) increased PFC revenues of $3,668,590 primarily due to an increase in passenger levels and increases in both interest revenue and fair value of the investments in the PFC investment portfolio;

(2) decrease CFC revenues of $49,409 due to a slight decrease in the number of rental car transactions;

(3) increased investment income $7,946,322 of due to increases in both interest revenue and fair value of the operating investment portfolio;

(4) increased gain on retirement of capital asset of $18,135, primarily due to a gain on sale of machinery and equipment;

(5) decreased interest expense of $215,335 due to decreased bond principal outstanding as a result of annual debt service payments made on the 2012 and 2015 Bonds; and

(6) decreased replacement terminal development expenses of $2,115,226 due to the prorated contribution for costs related to utility transmission infrastructure made in the prior year.

Capital Contributions

Capital contributions amounting to $3,568,014 and $5,170,716 were recorded during FY 2020 and FY 2019, respectively. In FY 2020, these amounts represent FAA Airport Improvement (AIP) grants for Taxiway A rehabilitation construction and the ongoing Replacement Passenger Terminal project Environmental Impact Statement, and CARES Act grants provided to fund the continued operations of airports during the COVID-19 crisis. In FY 2019, these amounts represent AIP grants for the completion of Taxiway C & D and apron rehabilitation, Taxiway A rehabilitation design, and the ongoing Replacement Passenger Terminal project environmental impact study.

On March 27, 2020, the CARES Act was signed into law by the President, which included $10 billion in funds to be awarded as economic relief to eligible U.S. airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic. The CARES Act provided funding to (i) increase the federal share to 100 percent for AIP grants instead of requiring the grant recipient to contribute a matching percentage; and (ii) the funding amount was based on a defined set of formulas to eligible airports to support airport operations, meeting airport debt obligations, and maintain airport jobs. The Authority was awarded $21,081,611 in CARES Act grants of which $3,264,200 was used in FY 2020 to supplement the loss in revenues and to cover the 2015 Bond debt service and certain personnel costs for the last quarter of FY 2020. The portion of the CARES Act grants used for certain eligible FY 2020 personnel costs was $2,122,137 and is included in other noncapital grants.

COVID-19 Pandemic

For the first eight months of FY 2020, the Airport was on track to experience another year of strong growth. However, beginning in March 2020, the unprecedented and widespread impact of the COVID-19 pandemic took hold of all sectors of the global aviation industry, and its negative impact is anticipated to continue until an effective vaccine is widely available to all sectors of the economy and confidence returns to the traveling public. The impacts of the pandemic are outside the control of management, but from the onset of early indications of a downward trend in passenger activity in March 2020, management took immediate steps to conserve cash, reduce expenses, and suspend discretionary capital projects including activities related to the Replacement Passenger Terminal project. Many of these measures continue as management does not foresee a rapid recovery in the near term as well as continued uncertainty over any additional federal assistance or stimulus being provided to the airport sector of the aviation industry soon. Until such time as the Airport experiences a resurgence in passenger volumes, management will continue to take a conservative fiscal approach while ensuring the safety, security, and convenience of the Airport as well as the well-being of its passengers, staff, tenants, and vendors.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Burbank-Glendale-Pasadena Airport Authority, 2627 N. Hollywood Way, Burbank, California, 91505.

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BASIC FINANCIAL STATEMENTS

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Position

June 30, 2020 and 2019

Assets	2020	2019
Current unrestricted assets:		
Cash and investments – current operating fund (note 3)	$ 35,060,087	$ 30,363,357
Grants receivable	3,405,711	550,564
Accounts receivable, net of allowance	2,364,781	2,112,087
Accrued interest receivable	1,175,553	1,096,540
Other receivables	—	379,665
Prepaid expenses	352,294	383,850
Total current unrestricted assets	42,358,426	34,886,063
Current restricted assets:		
Cash and investments (note 3):		
Cash and investments with trustee	14,788,095	14,955,875
Other restricted cash and investments:		
Operating Reserve Fund	12,231,156	11,542,721
Bond Surplus Fund	2,601,563	2,601,563
Authority Areas Reserve	3,232,640	3,148,712
Asset Forfeiture Fund	23,875	23,369
Proceeds from sale of Airport property	2,104,502	2,104,502
Passenger Facility Charge Fund	49,679,355	42,380,956
Customer Facility Charge Fund	1,856,390	2,019,260
Total other restricted cash and investments	71,729,481	63,821,083
Total restricted cash and investments	86,517,576	78,776,958
Passenger Facility Charge receivables	53,663	1,376,429
Customer Facility Charge receivables	170,465	523,018
Accrued interest receivable	275,022	232,329
Total current restricted assets	87,016,726	80,908,734
2015 Bonds debt service reserve surety (note 5)	18,911	23,638
Cash and investments – Facility Development Reserve (note 3)	180,132,453	180,132,453
Capital assets (note 4):		
Land	160,065,894	157,794,496
Other nondepreciable capital assets	1,128,515	1,128,515
Construction in progress	3,100,763	2,287,444
Buildings and improvements	255,815,393	255,004,997
Runways and improvements	145,430,779	142,167,183
Machinery and equipment	37,192,736	35,471,751
Less accumulated depreciation	(276,516,481)	(259,616,872)
Total capital assets, net	326,217,599	334,237,514
Total assets	$ 635,744,115	$ 630,188,402

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Position

June 30, 2020 and 2019

(Continued)

Liabilities	**2020**	**2019**
Current liabilities:		
Accounts payable and accrued expenses	$ 6,025,138	$ 7,958,067
Salaries and benefits payable	1,202,981	1,077,164
Unearned revenue	1,390,016	1,389,542
Customer deposits	1,058,882	884,824
Total current liabilities	9,677,017	11,309,597
Liabilities payable from restricted assets:		
Current portion of long-term debt (note 5)	5,310,000	5,075,000
Accrued interest payable	2,547,629	2,662,705
Total liabilities payable from restricted assets	7,857,629	7,737,705
Long-term debt, net of current portion (note 5):		
Revenue bonds payable, less current portion	88,730,000	94,040,000
Original issue premium, net	2,021,149	2,498,385
Total long-term liabilities	90,751,149	96,538,385
Total liabilities	108,285,795	115,585,687
Deferred Inflows of Resources		
Deferred amount on refunding of 2005 Bonds (note 5)	408,036	510,045
Net Position		
Net investment in capital assets	235,909,562	238,185,073
Restricted:		
Debt service	20,912,922	20,391,201
Capital projects	54,138,513	48,611,757
Federal asset seizure	23,875	23,369
Other purposes	3,232,640	3,148,712
Unrestricted	212,832,772	203,732,558
Total net position	$ 527,050,284	$ 514,092,670

See accompanying notes to basic financial statements.

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Charges for services:		
Parking	$ 17,361,157	$ 21,688,728
Landing fees	3,796,967	3,928,651
Concessions	9,556,806	11,105,119
Tenant rent	17,098,150	16,146,956
Ground transportation	3,899,653	3,988,429
Fuel flowage fees	648,527	748,194
Other operating revenues	709,038	863,843
Total operating revenues	53,070,298	58,469,920
Operating expenses:		
Contracted airport services	20,850,757	20,435,584
Salaries and benefits	5,893,032	5,465,519
Financial services	1,008,697	1,015,883
Rescue services	3,151,738	3,260,929
Materials and supplies	368,513	337,742
Repairs and maintenance	5,623,541	4,973,100
Utilities	1,854,677	1,918,002
Professional services	3,363,956	2,236,102
Insurance	1,276,271	1,132,971
Other operating expenses	3,818,678	4,074,631
Total operating expenses before depreciation	47,209,860	44,850,463
Operating income before depreciation	5,860,438	13,619,457
Depreciation (note 4)	17,092,659	17,572,175
Operating loss	(11,232,221)	(3,952,718)
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest (note 8)	10,397,681	12,575,929
Customer Facility Charge revenue (note 9)	4,821,896	5,754,081
Investment income, net	9,499,897	9,408,767
Interest expense	(4,520,740)	(4,750,893)
Gain on retirement of capital assets (note 4)	3,805	24,765
Sound insulation program	(1,740)	(4,302)
Other noncapital grants	2,187,637	60,246
Replacement terminal development	(1,701,115)	(1,830,354)
Other expenses, net	(65,500)	(51,792)
Total nonoperating revenues, net	20,621,821	21,186,447
Income before capital contributions	9,389,600	17,233,729
Capital contributions	3,568,014	5,170,716
Changes in net position	12,957,614	22,404,445
Total net position – beginning of year	514,092,670	491,688,225
Total net position – end of year	$ 527,050,284	$ 514,092,670

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	$ 52,899,310	$ 58,481,405
Cash paid to suppliers of goods and services	(40,138,481)	(36,820,976)
Cash paid for employees' services	(5,767,215)	(5,307,055)
Cash paid for parking taxes to the City of Burbank	(2,369,828)	(2,288,315)
Cash paid for replacement terminal development	(1,756,383)	(2,013,691)
Cash received for tenant leasehold improvements	(185)	(23,638)
Cash paid for settlement – hangar floors and apron	(227,447)	(5,490)
Net cash provided by operating activities	2,639,771	12,022,240
Cash flows from noncapital financing activities:		
Sound insulation program	(1,898)	(4,295)
I-5 construction mitigation program	(65,500)	(88,888)
Reimbursements for TSA Other Transaction Agreement	379,665	343,922
Other noncapital grants	60,705	101,825
Net cash provided by noncapital financing activities	372,972	352,564
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(9,406,752)	(11,562,698)
Proceeds from sale of capital assets	3,805	24,765
Principal paid on revenue bonds	(5,075,000)	(4,860,000)
Interest paid on revenue bonds	(5,210,334)	(5,433,078)
Passenger Facility Charge program receipts	9,598,136	10,787,924
Customer Facility Charge program receipts	5,174,449	5,745,502
Capital contributions received	2,839,799	4,962,428
Net cash used in capital and related financing activities	(2,075,897)	(335,157)
Cash flows from investing activities:		
Interest received on investments	5,730,904	4,505,817
Purchases of investments not considered cash equivalents	(15,478,352)	(12,105,817)
Proceeds from the sale or maturity of investments not considered cash equivalents	365,446	16,975
Net cash used in investing activities	(9,382,002)	(7,583,025)
Net increase (decrease) in cash and cash equivalents	(8,445,156)	4,456,622
Cash and cash equivalents, beginning of year	26,672,492	22,215,870
Cash and cash equivalents, end of year	$ 18,227,336	$ 26,672,492

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Continued)

	2020	2019
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (11,232,221)	$ (3,952,718)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	17,092,659	17,572,175
Other nonoperating expenses	(1,701,115)	(1,830,354)
Changes in assets and liabilities:		
Accounts receivable	(252,694)	(78,557)
Prepaid expenses	31,556	(11,998)
Accounts payable and accrued expenses	(1,598,763)	(40,479)
Salaries and benefits payable	125,817	158,465
Unearned revenue	474	(132,433)
Customer deposits	174,058	338,139
Net cash provided by operating activities	$ 2,639,771	$ 12,022,240
Reconciliation of cash and cash equivalents to the statements of net position:		
Operating fund	$ 35,060,087	$ 30,363,357
Restricted cash and investments	86,517,576	78,776,958
Facility Development Reserve	180,132,453	180,132,453
Cash, cash equivalents, and investments	301,710,116	289,272,768
Investments not considered cash equivalents	(283,482,780)	(262,600,276)
Cash and cash equivalents, end of year (note 3)	$ 18,227,336	$ 26,672,492
Summary of significant noncash investing and financing activities:		
Amortization of 2015 Bonds debt service reserve surety	$ 4,728	$ 4,728
Amortization of original issue premiums	(477,237)	(477,237)
Amortization of 2005 Bonds deferred amount on refunding	(102,009)	(102,009)
Change in fair value of investments	(5,769,572)	(6,277,747)
Capital assets acquired by accounts payable	(284,911)	(618,917)
Net change in grants receivable related to CARES Act	(3,264,000)	—

See accompanying notes to basic financial statements.

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(1) Nature of Authority

The Burbank-Glendale-Pasadena Airport Authority (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, commonly known as the "Hollywood Burbank Airport" (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. (TBI) to perform certain airport administrative, maintenance, operational services and aircraft rescue and firefighting (ARFF) services. These contracted services are included in the Authority's statements of revenues, expenses, and changes in net position as "contracted airport services" except for ARFF services which is included as "rescue services." As required under the State of California Constitution, the Authority directly employs its law enforcement 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 (U.S. 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 an enterprise activity, and as such, its financial statements are presented using the economic resources measurement focus and the accrual basis 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 position, 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.

(b) Description of Basic Financial Statements

Statements of Net Position – The statements of net position are designed to display the financial position of the Authority including its assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position.

The Authority's equity is reported as net position, which is classified into three categories defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, and is 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 position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments through constitutional provisions or enabling legislation. At June 30, 2020 and 2019, net positions of $54,259,678 and $47,745,650, respectively, are restricted by enabling legislation.
- *Unrestricted* – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

Statements of Revenues, Expenses and Changes in Net Position – The statements of revenues, expenses and changes in net position 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 (loss).

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, ground transportation, and fuel flowage fees. Operating expenses include contracted airport services, salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses including compliance with federal, state and local regulatory requirements, 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, laws 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. The Authority received a Measure R grant for I-5 construction mitigation from the Los Angeles County Metropolitan Transportation Authority.

In FY 2020, the Authority received additional federal grant funds awarded through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law by the President on March 27, 2020. The CARES Act included $10 billion in funds to be awarded as economic relief to eligible U.S. airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic. The CARES Act provided funds to increase the federal share to 100 percent for AIP grants instead of requiring the grant recipient to contribute a matching percentage. Additionally, the CARES Act provided new funds distributed based on various formulas to eligible airports. The Authority was awarded $21,081,611 in CARES Act grants to support airport operations and supplement the loss in revenues resulting from the COVID-19 pandemic of which $3,264,200 was used in FY 2020.

Such grants related to capital acquisitions are recorded on the statements of revenues, expenses, and changes in net position as capital contributions, and for non-capital purposes as nonoperating revenue other noncapital grants. 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 FAA, to finance certain capital improvements. Cash and receivables from such revenues are maintained in separate accounts and are restricted for approved airport improvement projects. Revenues are recognized during the period earned.

(g) Customer Facility Charge Revenues

The Authority imposes a Customer Facility Charge (CFC) on all rental car contracts transacted at the Airport in accordance with *California Civil Code 1936 et. seq.*, as amended. The current applicable charge is $6.00 per day up to a maximum of five days per transaction. Under the Master Indenture of Trust as supplemented, revenues generated on/after July 1, 2014 are used solely for the purposes of repayment of the debt obligations incurred to develop the Consolidated Rental Car Facility (CRCF) located in the Regional Intermodal Transportation Center (RITC) of the Airport. Cash and receivables from such revenues are maintained in separate accounts and are recognized during the period in which they are earned.

(h) Revenues and Cash Accounts

All revenues, except PFCs and CFCs (CFCs collected are transferred to the 2012 Bonds Debt Service Fund), are deposited in the Revenue Fund 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, 2020 and 2019, there was no balance in the Rebate Fund.
- **Debt Service Funds** – Bond interest currently payable on the 2012 and 2015 Bonds is deposited to each bond issue's debt service fund monthly prior to each semiannual payment. Currently payable bond principal on the 2012 and 2015 Bonds is transferred to each bond issue's debt service fund monthly prior to each annual payment. These cash funds are held by a trustee who pays the bond interest and principal when due. The balance in the Debt Service Funds at June 30, 2020 and 2019 is $4,332,834 and $4,698,280, respectively, for the 2012 Bonds, and $4,140,226 and $4,034,332, respectively, for the 2015 Bonds.

  CFCs, as received, and RITC Facility Rents, as needed, are deposited to the 2012 Bonds Debt Service Fund each month prior to each semiannual interest and each annual bond principal payment currently payable.
- **Debt Service Reserve Funds** – 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 (a separate account each for the 2005 Bonds and the 2012 Bonds), is to be held by the trustee in these funds to be used in the event that monies in the respective Debt Service Funds are insufficient to meet payments when due. A debt service reserve surety in an amount of $3,664,397 equal to 10% of the original offering price was obtained for the 2015 Bonds in lieu of a debt service reserve fund. During the years ended June 30, 2020 and 2019, the required balance in the Debt Service Reserve Fund, calculated using the greatest annual debt service from the current period to the maturity of the Revenue Bonds, is $5,838,000 for the 2012 Bonds. The balance in the Debt Service Reserve Fund for the 2005 Bonds at June 30, 2020 and 2019 is $153,888 and $152,273, respectively. The balance in the Debt Service Reserve Fund for the 2012 Bonds at June 30, 2020 and 2019 is $6,161,082 and $6,070,926, 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, 2020 and 2019 is $12,231,156 and $11,542,721, 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 2015 Bonds or 2012 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, 2020 and 2019, 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 Funds 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, 2020 and 2019, there was no balance in the Reserve and Contingency Fund.
- **Surplus Fund** – All monies remaining in the Revenue Fund 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, 2020 and 2019, there was $2,601,563 and $2,601,563, respectively, in the Surplus Fund to be transferred to any of the funds mentioned above. Amounts transferred to the Surplus Fund may be used for purposes of computation of the debt service coverage ratio.
- **Cost of Issuance Funds** – The balance in this fund provides for the payment of costs to issue the 2005 Bonds, 2012 Bonds or 2015 Bonds not paid directly from escrow at the closing of the sale of the respective bonds. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. There was no balance for the cost of issuance fund for any bond issued at June 30, 2020 and 2019.
- **Construction Funds** – The balance in this fund provides for the payment of applicable Capital Improvements identified to be financed from the 2015 Series A Bonds and the 2015 Series B Bonds, and the 2012 Series A Bonds and 2012 Taxable Series B Bonds. These funds are held by a trustee and are subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2020 and 2019, there is $62 and $61 for the 2012 Series A Bonds and $3 and $3 for the 2012 Taxable Series B Bonds, respectively.

(i) Other Cash Accounts

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 the Airport.

- **Proceeds from Sale of Airport Property Fund** – proceeds from the sale of Airport property is set aside to be used for similar income producing means in accordance with the Master Indenture of Trust, as supplemented.
- **Passenger Facility Charge Fund –** Cash from the PFC program are maintained in a separate account and are restricted for approved airport improvement projects.
- **Customer Facility Charge Fund –** Cash from CFC collections received prior to July 1, 2014 are maintained in a separate account with the use of such funds limited to eligible capital projects associated with additional development and/or replacement of major components of the Consolidated Rental Car Facility.

The Authority maintains the following board-designated cash:

- **Facility Development Reserve** – Reserve established during fiscal year (FY) 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. In FY 2020 and FY 2019, no transfers were made to the Operating Fund. In FY 2020, $0 of excess revenues was transferred to the Facility Development Reserve.

(j) 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.

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. No interest was capitalized during the years ended June 30, 2020 and 2019. 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 40 years
Runways and improvements	3 to 25 years
Machinery and equipment	3 to 20 years

(k) Vacation and Sick Leave

Employees may receive 80 to 160 hours of vacation each year (40 to 80 hours for job share employees), depending on length of service with the Authority. Vacation is not earned until the year is completed. An employee may accrue up to 320 hours of vacation; any hours earned in excess of 320 hours are forfeited, unless approved by management.

Employees are entitled to 100 hours of personal leave during each year (50 hours for job share employees). 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 120 hours of overtime for personal leave.

Vacation and personal leave are accrued as earned by employees. Accrued vacation and personal leave is reported in the accompanying statements of net position and is included in salaries and benefits payable. Accrued vacation and sick leave for the years ended June 30, 2020 and 2019, was $832,755 and $718,491, respectively.

(l) Fair Value Measurements

For assets or liabilities that are required to be reported at fair value, the Authority uses valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy of inputs used to measure fair value consists of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

(m) 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, PFC and CFC 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 (LAIF). 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 and time certificates of deposit, bankers' acceptances, commercial paper, money market mutual funds, LAIF), (2) smaller maximum portions of the portfolios invested in a single institution/issuer (e.g., negotiable and time certificates of deposit, 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 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, where that information is available, or other observable inputs, where price is not available. The fair value of money market mutual funds and other similar investments is stated at its share value. The fair value of the Authority's investment in the LAIF is based on the Authority's pro rata share provided by LAIF of the fair value of the entire LAIF portfolio. Certain money market mutual fund 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.

(n) Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers its investment in money market mutual funds in the Operating and Passenger Facility Charge cash and investment portfolios, and in the LAIF, 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 remaining 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.

(o) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid expenses is recognized as an expense when consumed, rather than when purchased.

(p) 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.

(q) 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.

(r) Recent Accounting Pronouncements

The following pronouncements were issued by the Governmental Accounting Standards Board (GASB), but were postponed through the adoption of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effectives dates of various GASB pronouncements by at least one year, and determined to not have an impact on the Authority's financial statements:

- GASB Statement No. 84, *Fiduciary Activities*.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

- GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*.

(s) Accounting Pronouncements Issued, Not Yet Effective

The following GASB Statements have been issued but are not yet effective for the year ended June 30, 2020. The Authority is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 87, *Leases,* effective for the fiscal year ending June 30, 2022.

- GASB Statement No. 92, *Omnibus 2020,* effective upon issuance for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. The other requirements will be effective for the fiscal year ending June 30, 2022.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* effective for the fiscal year ending June 30, 2023.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending June 30, 2023.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the fiscal year ending June 30, 2022.

(t) Reclassification of Prior Year Presentation

Certain reclassifications have been made to the FY 2019 Basic Financial Statements to conform with the current year's presentation. Such reclassifications had no effect on total assets, total liabilities, net position or change in net position.

(3) Cash and Investments

(a) Cash and Investments

(i) Cash and investments at June 30, 2020 and 2019 are classified in the accompanying statements of net position as follows:

	2020	2019
Cash and investments – current assets:		
Operating fund	$ 35,060,087	$ 30,363,357
Cash and investments – restricted assets:		
Cash and investments held by bond trustee:		
Debt service reserve fund – 2005 Bonds	153,888	152,273
Debt service fund – 2012 Bonds	4,332,834	4,698,280
Debt service reserve fund – 2012 Bonds	6,161,082	6,070,926
Construction funds – 2012 Bonds	65	64
Debt service fund – 2015 Bonds	4,140,226	4,034,332
Total cash and investments held by bond trustee	14,788,095	14,955,875
Other restricted cash and investments:		
Operating Reserve fund	12,231,156	11,542,721
Bond Surplus fund	2,601,563	2,601,563
Authority Areas Reserve fund	3,232,640	3,148,712
Asset Forfeiture fund	23,875	23,369
Proceeds from sale of Airport property	2,104,502	2,104,502
Passenger Facility Charge fund	49,679,355	42,380,956
Customer Facility Charge fund	1,856,390	2,019,260
Total other restricted cash and investments	71,729,481	63,821,083
Total cash and investments – restricted assets	86,517,576	78,776,958
Cash and investments – Facility Development Reserve	180,132,453	180,132,453
Total cash and investments	$ 301,710,116	$ 289,272,768

(ii) Cash and investments as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Operating portfolio cash and investments:		
Cash and cash equivalents:		
Cash on hand	$ 500	$ 500
Deposits with financial institutions	4,654,032	7,982,282
Money market mutual funds	201,183	237,359
LAIF	10,833,332	14,954,620
Total cash and cash equivalents	15,689,047	23,174,761
Investments:		
U.S. Treasury securities	77,757,112	73,370,617
U.S. Agency securities	77,885,844	73,475,423
Medium-term corporate notes	64,054,273	59,895,876
Total investments	219,697,229	206,741,916
Total cash and cash equivalents and investments in operating portfolio	235,386,276	229,916,677
Passenger Facility Charge Fund:		
Cash and cash equivalents:		
Deposits with financial institutions	23,754	1,294,472
Money market mutual funds	658,145	183,999
Total cash and cash equivalents	681,899	1,478,471
Investments:		
U.S. Treasury securities	18,437,982	14,583,738
U.S. Agency securities	17,067,195	14,593,023
Medium-term corporate notes	13,492,279	11,725,724
Total investments	48,997,456	40,902,485
Total cash and cash equivalents and investments in passenger facility charge fund	49,679,355	42,380,956
Customer Facility Charge Fund:		
Deposits with financial institutions	1,856,390	2,019,260
Investments held by bond trustee:		
Money market mutual funds	14,788,095	14,955,875
Total cash and cash equivalents and investments	$ 301,710,116	$ 289,272,768

	2020	2019
Summary of cash and investments:		
Cash and cash equivalents:		
Cash on hand	$ 500	$ 500
Deposits with financial institutions	6,534,176	11,296,014
Money market mutual funds	859,328	421,358
LAIF	10,833,332	14,954,620
Total cash and cash equivalents	18,227,336	26,672,492
Investments:		
U.S. Treasury securities	96,195,094	87,954,355
U.S. Agency securities	94,953,039	88,068,446
Medium-term corporate notes	77,546,552	71,621,600
Money market mutual funds held by bond trustee	14,788,095	14,955,875
Total investments	283,482,780	262,600,276
Total cash and cash equivalents and investments	$ 301,710,116	$ 289,272,768

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.

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

The table on the following page identifies the investment types that are authorized for the Authority by the Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the Code (or the Authority's investment policy, where more restrictive) that address interest rate 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 Code or the Authority's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio[a]	Maximum investment in one issuer
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	70%	None
Time deposits	5 years	15%	5%
LAIF	N/A	$20 million	None
Bankers' acceptances	180 days	15%	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%	5%

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

(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 the 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, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
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 1.7 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.

The weighted average maturity of each authorized investment type by pool at June 30, 2020 and 2019 are as follows:

	June 30, 2020		June 30, 2019	
Authorized investment type	**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	$ 77,757,112	1.97	$ 73,370,617	1.98
U.S. Agency securities	77,885,844	1.69	73,475,423	1.83
Medium-term corporate notes	64,054,273	1.90	59,895,876	2.34
Total operating portfolio investments	219,697,229	1.85	206,741,916	2.03
Operating portfolio cash equivalents:				
Money market mutual funds	201,183	0.12	237,359	0.08
LAIF	10,833,332	0.53	14,954,620	0.48
Total operating portfolio cash equivalents	11,034,515	0.52	15,191,979	0.47
Total operating portfolio cash equivalents and investments	230,731,744	1.79	221,933,895	1.92
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	18,437,982	2.00	14,583,738	1.80
U.S. Agency securities	17,067,195	1.81	14,593,023	1.46
Medium-term corporate notes	13,492,279	1.78	11,725,724	2.31
Total PFC Fund investments	48,997,456	1.87	40,902,485	1.82
PFC Fund cash equivalents – money market mutual funds	658,145	0.12	183,999	0.08
Total PFC Fund cash equivalents and investments	49,655,601	1.85	41,086,484	1.81
Investments held by bond trustee:				
Money market mutual funds	14,788,095	0.12	14,955,875	0.08
Total investments held by bond trustee	14,788,095	0.12	14,955,875	0.08
Total cash equivalents and investments	$ 295,175,440	1.72	$ 277,976,254	1.80

(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 on the next page is the minimum rating required by (where applicable) the Code, the Authority's investment policy or the Master Indenture of Trust, as amended, and the actual rating as of June 30, 2020 and 2019 for each investment type.

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end AAA	AA	A
As of June 30, 2020:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	$ 77,757,112	N/A	$ 77,757,112	$ —	$ —	$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	5,000,103	N/A	—	—	5,000,103	—
Fed. Home Loan Bank	22,754,924	N/A	—	—	22,754,924	—
Fed. Home Loan Mort. Corp.	19,134,864	N/A	—	—	19,134,864	—
Fed. National Mort. Assn.	30,995,953	N/A	—	—	30,995,953	—
Total U.S. Agency securities	77,885,844		—	—	77,885,844	—
Medium-term corporate notes	64,054,273	A	—	1,264,912	13,181,328	49,608,033
Total operating portfolio investments	219,697,229		77,757,112	1,264,912	91,067,172	49,608,033
Operating portfolio cash equivalents:						
Money market mutual funds	201,183	AAA	—	201,183	—	—
LAIF	10,833,332	N/A	10,833,332	—	—	—
Total operating portfolio cash equivalents	11,034,515		10,833,332	201,183	—	—
Total operating portfolio cash equivalents and investments	230,731,744		88,590,444	1,466,095	91,067,172	49,608,033
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	18,437,982	N/A	18,437,982	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	350,007	N/A	—	—	350,007	—
Fed. Home Loan Bank	3,779,375	N/A	—	—	3,779,375	—
Fed. Home Loan Mort. Corp.	5,206,675	N/A	—	—	5,206,675	—
Fed. National Mort. Assn.	7,731,138	N/A	—	—	7,731,138	—
Total U.S. Agency securities	17,067,195		—	—	17,067,195	—
Medium-term corporate notes	13,492,279	A	—	309,774	2,860,277	10,322,228
Total PFC Fund investments	48,997,456		18,437,982	309,774	19,927,472	10,322,228
PFC Fund cash equivalents:						
Money market mutual funds	658,145	AAA	—	658,145	—	—
Total PFC Fund cash equivalents and investments	49,655,601		18,437,982	967,919	19,927,472	10,322,228
Investments held by bond trustee:						
Money market mutual funds	14,788,095	AAA	—	14,788,095	—	—
Total investments bond trustee	14,788,095		—	14,788,095	—	—
Total cash equivalents and investments	$ 295,175,440		$ 107,028,426	$ 17,222,109	$ 110,994,644	$ 59,930,261

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end AAA	AA	A
As of June 30, 2019:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	$ 73,370,617	N/A	$ 73,370,617	$ —	$ —	$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	4,995,955	N/A	—	—	4,995,955	—
Fed. Home Loan Bank	25,296,264	N/A	—	—	25,296,264	—
Fed. Home Loan Mort. Corp.	18,577,565	N/A	—	—	18,577,565	—
Fed. National Mort. Assn.	24,605,639	N/A	—	—	24,605,639	—
Total U.S. Agency securities	73,475,423		—	—	73,475,423	—
Medium-term corporate notes	59,895,876	A	—	1,237,801	15,200,670	43,457,405
Total operating portfolio investments	206,741,916		73,370,617	1,237,801	88,676,093	43,457,405
Operating portfolio cash equivalents:						
Money market mutual funds	237,359	AAA	—	237,359	—	—
LAIF	14,954,620	N/A	14,954,620	—	—	—
Total operating portfolio cash equivalents	15,191,979		14,954,620	237,359	—	—
Total operating portfolio cash equivalents and investments	221,933,895		88,325,237	1,475,160	88,676,093	43,457,405
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	14,583,738	N/A	14,583,738	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	349,717	N/A	—	—	349,717	—
Fed. Home Loan Bank	5,166,380	N/A	—	—	5,166,380	—
Fed. Home Loan Mort. Corp.	4,491,999	N/A	—	—	4,491,999	—
Fed. National Mort. Assn.	4,584,927	N/A	—	—	4,584,927	—
Total U.S. Agency securities	14,593,023		—	—	14,593,023	—
Medium-term corporate notes	11,725,724	A	—	252,613	2,553,400	8,919,711
Total PFC Fund investments	40,902,485		14,583,738	252,613	17,146,423	8,919,711
PFC Fund cash equivalents:						
Money market mutual funds	183,999	AAA	—	183,999	—	—
Total PFC Fund cash equivalents and investments	41,086,484		14,583,738	436,612	17,146,423	8,919,711
Investments held by bond trustee:						
Money market mutual funds	14,955,875	AAA	—	14,955,875	—	—
Total investments bond trustee	14,955,875		—	14,955,875	—	—
Total cash equivalents and investments	$ 277,976,254		$ 102,908,975	$ 16,867,647	$ 105,822,516	$ 52,377,116

(g) Fair Value Measurements

The Authority categorizes its fair value measurements of its investments within the fair value hierarchy established by U.S. GAAP. The hierarchy of inputs used to measure fair value consists of three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs (the Authority has no investments measured using Level 3 inputs).
- Investments in an external government investment pool, such as LAIF, are not subject to reporting within the level hierarchy.

The Authority has the following recurring fair value measurements as of June 30, 2020 and 2019:

	June 30, 2020				June 30, 2019			
Authorized investment type	Total	Level 1	Level 2	Not Leveled	Total	Level 1	Level 2	Not Leveled
Operating portfolio cash equivalents and investments:								
Operating portfolio investments:								
U.S. Treasury securities	$ 77,757,112	$ 77,757,112	$ —	$ —	$ 73,370,617	$ 73,370,617	$ —	$ —
U.S. Agency securities:								
Fed. Farm Credit Bank	5,000,103	—	5,000,103	—	4,995,955	—	4,995,955	—
Fed. Home Loan Bank	22,754,924	—	22,754,924	—	25,296,264	—	25,296,264	—
Fed. Home Loan Mort. Corp.	19,134,864	—	19,134,864	—	18,577,565	—	18,577,565	—
Fed. National Mort. Assn.	30,995,953	—	30,995,953	—	24,605,639	—	24,605,639	—
Total U.S. Agency securities	77,885,844	—	77,885,844	—	73,475,423	—	73,475,423	—
Medium-term corporate notes	64,054,273	—	64,054,273	—	59,895,876	—	59,895,876	—
Total Operating portfolio investments	219,697,229	77,757,112	141,940,117	—	206,741,916	73,370,617	133,371,299	—
Operating portfolio cash equivalents:								
Money market mutual funds	201,183	—	201,183	—	237,359	—	237,359	—
LAIF	10,833,332	—	—	10,833,332	14,954,620	—	—	14,954,620
Total Operating portfolio cash equivalents	11,034,515	—	201,183	10,833,332	15,191,979	—	237,359	14,954,620
Total Operating portfolio cash equivalents and investments	230,731,744	77,757,112	142,141,300	10,833,332	221,933,895	73,370,617	133,608,658	14,954,620

	June 30, 2020				June 30, 2019			
Authorized investment type	**Total**	**Level 1**	**Level 2**	**Not Leveled**	**Total**	**Level 1**	**Level 2**	**Not Leveled**
Passenger Facility Charge (PFC) Fund cash equivalents and investments:								
PFC Fund investments:								
U.S. Treasury securities	18,437,982	18,437,982	—	—	14,583,738	14,583,738	—	—
U.S. Agency securities:								
Fed. Farm Credit Bank	350,007	—	350,007	—	349,717	—	349,717	
Fed. Home Loan Bank	3,779,375	—	3,779,375	—	5,166,380	—	5,166,380	—
Fed. Home Loan Mort. Corp.	5,206,675	—	5,206,675	—	4,491,999	—	4,491,999	—
Fed. National Mort. Assn.	7,731,138	—	7,731,138	—	4,584,927	—	4,584,927	—
Total U.S. Agency securities	17,067,195	—	17,067,195	—	14,593,023	—	14,593,023	—
Medium-term corporate notes	13,492,279	—	13,492,279	—	11,725,724	—	11,725,724	—
Total PFC Fund investments	48,997,456	18,437,982	30,559,474	—	40,902,485	14,583,738	26,318,747	—
PFC Fund cash equivalents – money market mutual funds	658,145	—	658,145	—	183,999	—	183,999	—
Total PFC Fund cash equivalents and investments	49,655,601	18,437,982	31,217,619	—	41,086,484	14,583,738	26,502,746	—
Investments held by bond trustee:								
Money market mutual funds	14,788,095	—	14,788,095	—	14,955,875	—	14,955,875	—
Total investments bond trustee	14,788,095	—	14,788,095	—	14,955,875	—	14,955,875	—
Total cash equivalents and investments	$ 295,175,440	$ 96,195,094	$ 188,147,014	$ 10,833,332	$ 277,976,254	$ 87,954,355	$ 175,067,279	$ 14,954,620

(h) 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, commercial paper, negotiable certificates of deposit and time certificates of deposit 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 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, 2020 Amount	2020 Fund %	2019 Amount	2019 Fund %
Operating portfolio investments:					
Federal National Mortgage Association	U.S. Agency securities	$ 30,995,953	14.10%	$ 24,605,639	11.89%
Federal Home Loan Bank	U.S. Agency securities	22,754,924	10.35	25,296,264	12.22
Federal Home Loan Mortgage Corp.	U.S. Agency securities	19,134,864	8.70	18,577,565	8.98
Passenger Facility Charge Fund investments:					
Federal National Mortgage Association	U.S. Agency securities	7,731,138	15.57	4,491,999	10.93
Federal Home Loan Mortgage Corp.	U.S. Agency securities	5,206,675	10.49	4,584,927	11.16
Federal Home Loan Bank	U.S. Agency securities	3,779,375	7.61	5,166,380	12.57

(i) 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 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 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.

At June 30, 2020 and 2019, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the Code by the pledging financial institution in the Authority's name, as follows:

	2020	2019
Cash deposits:		
Insured	$ 250,000	$ 250,000
Uninsured, collateral held in the Authority's name	7,026,828	12,350,228
Total cash deposits	7,276,828	12,600,228
Plus deposits in transit	30,332	275,871
Less outstanding checks	(772,984)	(1,580,085)
Carrying amount of cash deposits	$ 6,534,176	$ 11,296,014

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.

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

The Authority is a voluntary participant in the LAIF that is regulated by the 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, 2020 and 2019, the total amount invested by all California local governments and special districts in LAIF was $32.1 billion and $24.5 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2020 and 2019 had a balance of $101.0 billion and $105.7 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the Code.

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2020 were as follows:

	July 1, 2019	Additions	Deletions	June 30, 2020
Capital assets not being depreciated:				
Land	$ 157,794,496	$ 2,271,398	$ —	$ 160,065,894
Other non-depreciable assets	1,128,515	—	—	1,128,515
Construction in progress	2,287,444	9,111,465	(8,298,146)	3,100,763
Total capital assets not being depreciated	161,210,455	11,382,863	(8,298,146)	164,295,172
Capital assets being depreciated/ amortized:				
Building and improvements	255,004,997	810,396	—	255,815,393
Runways and improvements	142,167,183	3,263,596	—	145,430,779
Machinery and equipment	35,471,751	1,914,035	(193,050)	37,192,736
Total capital assets being depreciated/ amortized	432,643,931	5,988,027	(193,050)	438,438,908
Less accumulated depreciation/ amortization for:				
Building and improvements	(135,758,166)	(8,451,065)	—	(144,209,231)
Runways and improvements	(90,678,069)	(7,829,479)	—	(98,507,548)
Machinery and equipment	(33,180,637)	(812,115)	193,050	(33,799,702)
Total accumulated depreciation/ amortization	(259,616,872)	(17,092,659)	193,050	(276,516,481)
Total capital assets being depreciated/ amortized, net	173,027,059	(11,104,632)	—	161,922,427
Total capital assets, net	$ 334,237,514	$ 278,231	$ (8,298,146)	$ 326,217,599

Deletions of construction in progress in FY 2020 included $38,721 of construction in progress projects that the Authority determined would not move forward.

Changes in capital assets for the year ended June 30, 2019 were as follows:

	July 1, 2018	Additions	Deletions	June 30, 2019
Capital assets not being depreciated:				
Land	$ 157,794,496	$ —	$ —	$ 157,794,496
Other non-depreciable assets	1,128,515	—	—	1,128,515
Construction in progress	2,953,592	11,413,678	(12,079,826)	2,287,444
Total capital assets not being depreciated	161,876,603	11,413,678	(12,079,826)	161,210,455
Capital assets being depreciated/ amortized:				
Building and improvements	253,658,860	1,346,137	—	255,004,997
Runways and improvements	132,406,814	9,760,369	—	142,167,183
Machinery and equipment	35,306,407	943,014	(777,670)	35,471,751
Total capital assets being depreciated/ amortized	421,372,081	12,049,520	(777,670)	432,643,931
Less accumulated depreciation/ amortization for:				
Building and improvements	(126,360,676)	(9,397,490)	—	(135,758,166)
Runways and improvements	(83,604,874)	(7,073,195)	—	(90,678,069)
Machinery and equipment	(32,856,817)	(1,101,490)	777,670	(33,180,637)
Total accumulated depreciation/ amortization	(242,822,367)	(17,572,175)	777,670	(259,616,872)
Total capital assets being depreciated/ amortized, net	178,549,714	(5,522,655)	—	173,027,059
Total capital assets, net	$ 340,426,317	$ 5,891,023	$ (12,079,826)	$ 334,237,514

Deletions of construction in progress in FY 2019 included $30,306 of construction in progress projects that the Authority determined would not move forward.

(5) Long–Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2020 and 2019:

	Beginning balance	Additions	Deductions	Ending balance	Due within one year
Year ended June 30, 2020:					
Revenue bonds payable:					
2012 Revenue Bonds:					
2012 Series A	$ 6,715,000	$ —	$ —	$ 6,715,000	$ —
2012 Taxable Series B	69,230,000	—	(1,670,000)	67,560,000	1,730,000
Plus deferred amounts for original issue premium	143,368	—	(6,233)	137,135	—
2015 Revenue Bonds:					
2015 Series B	23,170,000	—	(3,405,000)	19,765,000	3,580,000
Plus deferred amounts for original issue premium	2,355,017	—	(471,003)	1,884,014	—
Total long–term debt payable	$ 101,613,385	$ —	$ (5,552,236)	$ 96,061,149	$ 5,310,000
Year ended June 30, 2019:					
Revenue bonds payable:					
2012 Revenue Bonds:					
2012 Series A	$ 6,715,000	$ —	$ —	$ 6,715,000	$ —
2012 Taxable Series B	70,845,000	—	(1,615,000)	69,230,000	1,670,000
Plus deferred amounts for original issue premium	149,602	—	(6,234)	143,368	—
2015 Revenue Bonds:					
2015 Series B	26,415,000	—	(3,245,000)	23,170,000	3,405,000
Plus deferred amounts for original issue premium	2,826,020	—	(471,003)	2,355,017	—
Total long–term debt payable	$ 106,950,622	$ —	$ (5,337,237)	$ 101,613,385	$ 5,075,000

(a) 2012 Revenue Bonds

On May 10, 2012, the Authority issued $82,165,000 of 2012 Airport Revenue Bonds (2012 Bonds) with an effective interest rate of 5.624% and at an original issue premium totaling $187,886. The 2012 Bonds were issued in two series. The 2012 Bonds are special obligations of the Authority payable solely from, and secured solely by a pledge of, the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund.

The $6,715,000 Airport Revenue Bonds 2012 Series A (AMT) (2012 Series A Bonds), at an effective interest rate of 4.949%, and the $75,450,000 Airport Revenue Bonds 2012 Taxable Series B (2012 Taxable Series B Bonds), at an effective interest rate of 5.722%, were issued (i) to finance those costs of the RITC project consisting of the CRCF and the portion of the costs of the Replacement Parking Structure attributable to the parking spaces displaced by the CRCF (2012 Bond Project); (ii) to fund the 2012 Debt Service Reserve Fund; (iii) to provide capitalized interest with respect to the 2012 Bonds through July 1, 2014; and to pay the costs of issuance of the 2012 Bonds.

The 2012 Series A Bonds are due in annual installments ranging from $1,155,000 to $5,560,000 from July 1, 2041 to July 1, 2042 at an interest rate of 5.000% payable semiannually on July 1 and January 1 - beginning July 1, 2012, the 2012 Series A Bonds are subject to optional redemption by the Authority, without premium, in whole or in part on any date on and after July 1, 2022 at a redemption price equal to the principal and accrued interest to the redemption date on the portion to be redeemed.

The 2012 Taxable Series B Bonds are due in annual installments ranging from $1,500,000 to $4,970,000 from July 1, 2015 to July 1, 2041 with interest rates ranging from 2.036% to 5.812% payable semiannually on July 1 and January 1 - beginning July 1, 2012, the 2012 Taxable Series B Bonds are subject to optional redemption by the Authority, in whole or in part, on any date, at a Redemption Price equal to the Make-Whole Redemption Price, as defined in the bond official statement, plus unpaid accrued interest.

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 Master Indenture of Trust, as amended. Authority management believes that the Authority has complied with such requirements.

(b) 2015 Revenue Bonds

On April 30, 2015, the Authority issued $32,260,000 of 2015 Airport Revenue Bonds (2015 Bonds) with an effective interest rate of 2.553% and at an original issue premium of $4,383,971. The 2015 Bonds, issued as parity bonds with the 2012 Bonds, were issued in two series to defease the 2005 Airport Revenue Bonds (2005 Bonds). The 2015 Bonds are special obligations of the Authority payable solely from, and secured solely by a pledge of, the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2015 Bonds are not subject to redemption prior to maturity.

The $1,335,000 Airport Revenue Bonds 2015 Series A (non-AMT) (2015 Series A Bonds) are due in annual installments of $680,000 due on July 1, 2016 at an interest rate of 3.000% and $655,000 due on July 1, 2017 at an interest rate of 4.000%. The interest is payable semi-annually on July 1 and January 1 beginning January 1, 2016. The $30,925,000 Airport Revenue Bonds 2015 (AMT) Series B (2015 Taxable Series B Bonds) are due in annual installments ranging from $2,070,000 to $4,350,000 from July 1, 2016 to July 1, 2024 with interest rates ranging from 3.000% to 5.000% payable semiannually on July 1 and January 1 beginning January 1, 2016.

The net proceeds of the 2015 Bonds of $36,156,809 plus $3,912,125 of 2005 Bonds Debt Service Funds, $5,942,618 of 2005 Bonds Debt Service Reserve Funds and an Authority contribution of $16,636, totaling $46,028,188, was deposited in an irrevocable trust with an escrow agent to provide for the interest and all outstanding principal of the 2005 Bonds due at July 1, 2015. The 2005 Bonds were called, without premium, on July 1, 2015 and paid in full.

The refunding and defeasance resulted in a difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds of $935,367. This difference, reported in the accompanying basic financial statements as a deferred inflow of resources, is being credited to interest expense through July 1, 2024, the final maturity of the 2015 Bonds, using the straight-line method. The Authority completed the refunding and defeasance to reduce its total debt service payments over the next nine years by $5,215,007 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $4,799,078. The unamortized deferred amount on refunding at June 30, 2020 and 2019 is $408,036 and $510,045, respectively.

A debt service reserve surety was obtained for the $3,664,397 debt service reserve requirement on the 2015 Bonds. The premium on the debt service reserve surety has been capitalized and is being amortized over the life of the 2015 Bonds. The unamortized surety premium at June 30, 2020 and 2019 is $18,911 and $23,638, respectively.

(c) Annual Debt Service Requirements to Maturity

Revenue bond debt service requirements to maturity are as follows:

	2012 Bonds		2015 Bonds		Total		Total debt
	Principal	Interest	Principal	Interest	Principal	Interest	service
Payable in year ending June 30:							
2021	$ 1,730,000	$ 4,073,031	$ 3,580,000	$ 898,750	$ 5,310,000	$ 4,971,781	$ 10,281,781
2022	1,795,000	4,002,005	3,755,000	715,375	5,550,000	4,717,380	10,267,380
2023	1,870,000	3,925,424	3,940,000	523,000	5,810,000	4,448,424	10,258,424
2024	1,950,000	3,831,663	4,140,000	321,000	6,090,000	4,152,663	10,242,663
2025	2,055,000	3,720,284	4,350,000	108,750	6,405,000	3,829,034	10,234,034
2026 – 2030	12,130,000	16,702,135	—	—	12,130,000	16,702,135	28,832,135
2031 – 2035	15,905,000	12,809,982	—	—	15,905,000	12,809,982	28,714,982
2036 – 2040	21,050,000	7,512,545	—	—	21,050,000	7,512,545	28,562,545
2041 – 2043	15,790,000	1,283,927	—	—	15,790,000	1,283,927	17,073,927
Total principal and interest to maturity	74,275,000	$ 57,860,996	19,765,000	$ 2,566,875	94,040,000	$ 60,427,871	154,467,871
Unamortized portion of: Original issue premium	137,135		1,884,014		2,021,149		2,021,149
Less current portion of principal	(1,730,000)		(3,580,000)		(5,310,000)		(5,310,000)
Total long-term portion of revenue bonds payable	$ 72,682,135		$ 18,069,014		$ 90,751,149		$ 151,179,020

(d) Pledged Revenues

The 2012 Bonds and 2015 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. The Authority covenants that the ratio of Net Pledged Revenues plus transfers to the Surplus Fund to net accrued debt service on parity obligations will be 1.25 or greater (coverage rate covenant) and that Net Revenues plus transfers to the Surplus Fund will equal or exceed the sum of net accrued debt service on parity obligations and required deposit to Debt Service Reserve, Operating Reserve and other accounts (general rate covenant).

The computation of the coverage rate covenant and general rate covenant as of June 30, 2020 and 2019 are as follows:

	2020	2019
Net Revenues	$ 18,624,535	$ 23,028,224
Transfers to Surplus Fund	2,601,315	2,600,103
Net Pledged Revenues	$ 21,225,850	$ 25,628,327
Accrued debt service on 2012 Bonds	$ 5,837,008	$ 5,836,911
Less: Customer Facility Charges collected and deposited to the debt service fund	(5,174,449)	(5,660,457)
Accrued debt service on 2015 Bonds	4,568,250	4,563,500
Net accrued debt service on parity obligations	$ 5,230,809	$ 4,739,954
Ratio of Net Pledged Revenues to net accrued debt service on parity obligations	4.06	5.41
Net Revenues plus transfers to Surplus Fund	$ 21,225,850	$ 25,628,327
Less: transfers to Operating Reserve	(688,435)	(622,041)
Less: net accrued debt service on parity obligations	(5,230,809)	(4,739,954)
Excess of net revenues over net accrued debt service on parity obligations and transfers to Operating Reserve	$ 15,306,606	$ 20,266,332

The estimated aggregate total amount of pledged net revenues and amounts in the funds established under the Master Indenture of Trust related to the 2012 Bonds and 2015 Bonds is equal to the remaining debt service on the 2012 Bonds and 2015 Bonds at June 30, 2020 of $154,467,871. The pledged revenues are in force during the term of the 2012 Bonds and 2015 Bonds with final maturity on July 1, 2042.

(e) Events of Default

Events of default under the Master Indenture of Trust related to the 2012 Bonds and 2015 Bonds include: (a) non-payment of the principal and/or interest due; (b) non-payment of the parity purchase price of any outstanding Bond(s) or other parity obligation(s) which are tender obligations; (c) a breach of a covenant if the default continues for a period of 120 days after written notice specifying such default and requiring the default to be remedied was given to the Authority by the Trustee or to the Authority and to the Trustee by the bond owners who held not less than 25% in aggregate principal amount of the outstanding Bond(s); (d) non-payment of any parity obligation that is declared due and payable as a result of an event of default; and (e) an event of bankruptcy. There is an acceleration remedy in the event of default that allows the Trustee, with the consent of each credit provider and at the direction of the Bond owners that hold a majority in principal amount of the outstanding Bond(s), to declare the principal of the outstanding Bond(s) and interest accrued to the date of payment to be immediately due and payable.

(6) Retirement Plan

Effective February 1, 2020 through January 31, 2023, the Authority entered into a replacement employment contract with the Burbank Airport Police Officers Association (BAPOA) which, among other things, called for the continued implementation of a 401(a) profit sharing plan (401(a) Plan) and a 457(b) government deferred compensation plan (457(b) Plan) sponsored by the BAPOA. The Authority contributes 6.5% of eligible base salaries and overtime as a retirement contribution to the 401(a) Plan, payable as part of bi-weekly payroll. Effective February 1, 2020, officers may make voluntary contributions to the 457(b) Plan with the Authority matching and contributing up to 2%, 4%, and 6% of eligible base salaries for years 1, 2, and 3 of the MOU, respectively. Officers may take loans against contributions. All employees are eligible to participate upon hire and contributions and earnings vest immediately. The 401(a) Plan and the 457(b) Plan are administered by Transamerica Retirement Solutions.

Total salaries and benefits for the Airport Police Officers were $5,893,032 and $5,465,519 for the years ended June 30, 2020 and 2019, respectively. The Authority's contributions have been calculated using the base salary plus overtime amount of $4,432,712 and $4,126,508 for the years ended June 30, 2020 and 2019, respectively. The Authority made the required accruals and contributions, amounting to $289,269 and $270,212 in the years ended June 30, 2020 and 2019, respectively.

(7) 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, 2020 and 2019 as follows:

	2020		2019	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 34,042,063	$ —	$ 34,042,063	$ —
Buildings and improvements	141,951,573	53,254,214	141,885,033	48,949,482
Runways and improvements	757,494	540,507	757,494	507,749
	$ 176,751,130	$ 53,794,721	$ 176,684,590	$ 49,457,231

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 $9,556,806 and $11,105,119 for the years ended June 30, 2020 and 2019, respectively, consisting of MAG revenues of $6,280,918 and $7,810,869, respectively, and over-MAG revenues of $3,275,888 and $3,294,250, respectively.

Minimum future rental revenue on noncancelable leases in effect at June 30, 2020 is as follows:

	Lease revenue
Fiscal year ending June 30:	
2021	$ 23,105,099
2022	21,458,255
2023	18,495,379
2024	17,138,314
2025	9,222,198
2026 – 2030	17,036,579
2031 – 2033	9,366,255
	$ 115,822,079

(8) Passenger Facility Charges

In June 1994, the FAA approved the Authority's application to collect a $3.00 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 specific FAA approved 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, 2020 and 2019 totaled $10,397,681 and $12,575,929, respectively, including investment income on the PFC investment portfolio of $2,122,312 and $1,558,306, respectively.

During the year ended June 30, 2020, funds totaling $4,486,664 for eligible costs expended on PFC projects during FY 2020 were reimbursed to the Operating Fund from the PFC Fund. During the year ended June 30, 2019, funds totaling $3,409,561 for eligible costs expended on PFC projects during FY 2019 were reimbursed to the Operating Fund from the PFC Fund.

(9) Customer Facility Charges

Effective December 1, 2009, the Authority adopted a $10 CFC per rental car transaction to provide for the planning, design, construction and financing of a CRCF in accordance with *California Civil Code Section 1936 et. seq.,* as amended. Effective July 1, 2011, the Authority implemented an alternative CFC rate of $6 per rental car transaction day up to a maximum of five days. All CFC funds collected are maintained in a separate account administered by the Authority prior to disbursement. CFC revenue for the years ended June 30, 2020 and 2019 totaled $4,821,896 and $5,754,081, respectively. In accordance with the Bond Indenture, all CFC revenues collected subsequent to July 1, 2014 are transferred to the 2012 Bonds Debt Service Fund, which amounted to $5,174,449 and $5,660,457 for the years ended June 30, 2020 and 2019, respectively. CFC revenues plus residual Facility Rents, as necessary, are used to pay debt service on the 2012 Bonds and the rent-a-car company (RAC) loans for certain contingent costs associated with the RITC project. The balance in the CFC Fund of $1,856,390 is available for uses in accordance with the agreements between the Authority and the RACs for operation in the CRCF.

(10) 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 position and are included in various capital assets for permits and related fees. The most significant related-party transactions with the City are payments for utilities and City parking tax. Amounts due to related parties at June 30, 2020 and 2019 are included in accounts payable and accrued expenses on the accompanying basic financial statements.

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 $1,841,355 and $2,305,482 during the years ended June 30, 2020 and 2019, respectively. Amounts due to the City of Burbank for parking taxes were $81,437 and $609,910 at June 30, 2020 and 2019, respectively.

The Authority incurred electricity, water, and wastewater utilities expenses related to various operating activities, non-operating activities, and capital projects from Burbank Water and Power during the years ended June 30, 2020 and 2019 totaling $2,447,454 and $2,506,459 (including amounts charged back to tenants of $484,700 and $504,657), respectively. Amounts due to Burbank Water and Power were $189,014 and $228,118 at June 30, 2020 and 2019, respectively.

(11) 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. There were no significant lawsuits or claims pending against the Authority at June 30, 2020.

(b) Contracted Services

The Authority has contracted with TBI to perform certain airport administrative, maintenance, ARFF services, and operational services. Compensation under the agreement is based on a base management fee and reimbursement of operating costs, primarily salaries and benefits. A budget for TBI costs is prepared each year and is 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 years ended June 30, 2020 and 2019, respectively, are as follows:

	2020	2019
Contracted airport services	$ 14,056,972	$ 13,364,815
Aircraft rescue and firefighting services	3,151,738	3,260,929
Capitalized to constructed capital assets	221,604	488,426
Other expenses	111,060	141,259
Total airport management contract costs	$ 17,541,374	$ 17,255,429

Effective May 7, 2018, the Authority contracted with SP+ for self-park management and valet parking services in addition to implementing an e-Commerce platform for online pre-booking services for parking. The base term is from July 1, 2018 through June 30, 2021 with two one-year option periods.

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 years ended June 30, 2020 and 2019 are $4,635,716 and $4,661,740, respectively.

Effective November 1, 2015, the Authority contracted with MV Transportation for a five-year period to provide turn-key employee and customer busing services, which replaced the service provided by SP+ as well as the costs for repair and other services related to the Authority shuttle bus fleet, which was subsequently retired. The costs of the shuttle services for the years ended June 30, 2020 and 2019 are $2,158,069 and $2,409,029, respectively.

(c) Construction Contracts

The Authority has contract commitments outstanding of at June 30, 2020 for various construction contracts totaling $498,112 for the airfield lighting system rehabilitation and airfield lighting vault replacement projects.

(d) Federal and Other Grants

As of June 30, 2020, the Authority had nonexpended, noncancelable grant commitments of $19,640,867 of which $17,817,411 is related to the CARES Act grant funds received as a result of the COVID-19 pandemic to support the ongoing operations of the Authority, $1,065,290 for the completion of the environmental study for the preferred site of the Replacement Terminal, and $758,166 to acquire a replacement aircraft rescue and fire fighting vehicle. The Authority also had nonexpended, noncancelable grant commitments of $39,878 in County of Los Angeles Measure R grant funds for I-5 construction mitigation project costs.

The Authority has been awarded various federal and other grants for noise mitigation, facility improvement and security equipment. Grants awarded, which are included in grant commitments in the previous paragraph, and expenditures against those grants for the years ended June 30, 2020 and 2019, respectively, are as follows:

			Expenditures charged to grant	
Award Date	**Award Amount**	**Project description**	**2020**	**2019**
Aug. 2017	$ 2,417,000	Conduct environmental study	$ 530,361	$ 640,754
Jul. 2018	5,238,350	Rehab.Taxiway C & D	—	4,291,944
Jun. 2019	2,196,041	Rehab. Taxiway A design and construction	1,895,590	238,018
Apr. 2020	21,081,611	CARES Act grant	3,264,200	—
Total expenditures charged to federal grants			5,690,151	5,170,716
Jun. 2015	180,000	CoLA – Measure R, I-5 support services	65,500	16,364
Jun. 2015	100,000	CoLA – Measure R, I-5 shutting services	—	35,392
Total expenditures charged to local grants			65,500	51,756
Total expenditures charged to grants			$ 5,755,651	$ 5,222,472

In FY 2020, the Authority received additional federal grant funds awarded through CARES Act, which was signed into law by the President on March 27, 2020. The Authority was awarded $21,081,611 to support airport operations and supplement the loss in revenues resulting from the COVID-19 pandemic. The Authority used $3,264,200 of this amount for 2015 Bond debt service and certain personnel costs covering the last quarter of FY 2020. Certain eligible expenses incurred prior to the issuance of this grant are considered allowable expenses.

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.

(12) Airport Development Agreement/Replacement Passenger Terminal Project

The Authority and the City of Burbank had previously entered into a Development Agreement clarifying permitted development and uses at the airport during the term of the agreement. That Development Agreement, as amended, expired on March 15, 2015.

On August 1, 2016, the City of Burbank approved a new Development Agreement associated with entitlement of the Replacement Passenger Terminal (RPT) project and on November 8, 2016, voters in the City of Burbank passed Measure B (70% approval) allowing for the development of a RPT at the Airport.

Since the passage of Measure B, the Authority has started to address multiple tasks for the RPT process including the completion and receipt of conditional approval by the FAA for its Airport Layout Plan (ALP); obtaining grant funding, beginning the application process for potential U.S. Department of Transportation credit programs; coordinating with the FAA, as the lead agency, for the Environmental Impact Statement under the National Environmental Policy Act (NEPA); completing a concept validation and initial cost estimate; selecting a project delivery method and program manager; completing six public charettes; and continuing financial analysis of various potential financing options for the RPT.

However, in mid-March 2020, the effects of the COVID-19 pandemic across the nation and the world had an immediate and unprecedented negative impact on the national economy and the entire global aviation industry. By April 2020, in response to the rapid and severe decline (97.1%) in passenger activity and corresponding loss of revenues, the Authority implemented temporary airline and tenant economic relief measures, as well as, cash conservation and expense reduction measures including the suspension of non-essential discretionary projects such as the Replacement Passenger Terminal project. The Authority continues to closely monitor the impacts of COVID-19, the recovery from it, and will evaluate in the future the appropriate timing to resume discretionary capital projects.

(13) COVID-19 Impact on the Authority

The outbreak of the COVID-19 pandemic in March 2020 and the related restrictions and measures adopted to contain the spread of the virus have had, and continue to have, a materially negative impact on travel and travel-related industries. The federal government and many states, including California, have instituted travel restrictions, social distancing guidelines, and/or stay-at-home health orders since the start of the COVID-19 pandemic. These guidelines and orders have included avoiding discretionary travel, working or engaging in school from home, the closure of amusement parks and highly visited landmarks, the cancellation of numerous events, and restrictions placed on the operations of restaurants, bars, and other places of gathering. Although the Airport's operations have continued largely uninterrupted through the pandemic due to the essential nature of its core business, the Airport's operations, as well as the finances and operations of many of its airlines and tenants, have been materially and adversely affected by the COVID-19 pandemic.

In April 2020, recognizing the unprecedented impacts of the COVID-19 pandemic on the Airport and aviation industry as a whole and with the receipt of CARES Act grant funds, the Authority approved deferrals of the April through June 2020 rental and landing fees for all signatory airlines operating at the Airport, which would later be remitted in equal installments during the first six months of FY 2021 by each airline. Additionally, the Authority also approved economic relief to the terminal concessionaires and rental car companies covering the same period that waived the minimum annual guarantee (MAG) amounts and allowed for a percentage of gross sales to be remitted instead.

The dynamic nature of the COVID-19 pandemic is the cause of numerous uncertainties, some of which include the ultimate duration or extent of the pandemic; the duration or expansion of travel restrictions and warnings; to what extent the COVID-19 pandemic will disrupt the local or global economy; the extent to which such disruption will adversely impact construction, or other operations at the Authority; actions that may be taken by governmental authorities to contain the outbreak or to treat its impact; and duration or extent to which any of the foregoing may have a material adverse effect on the financial position, results of operations and cash flows of the Authority, including reduction in the overall investment position and declines in passenger traffic. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

(14) Subsequent Events

On August 7, 2020, Standard & Poor's (S&P) placed 98 ratings of U.S. airports and airport-related obligations, including that of the Authority, on CreditWatch with negative implications due to the impact of the COVID-19 pandemic on the aviation industry. On October 9, 2020, S&P downgraded the Airport Revenue Bonds to "A" from "A+" with a negative outlook due to the high uncertainty of passenger activity levels at the Airport and the expected restrained growth due to the COVID-19 pandemic and associated effects outside of the Authority's control. Moody's and Fitch maintained their current ratings of A2 and A, respectively, with stable outlooks.

On August 17, 2020, the Authority approved the continued temporary economic relief for its terminal concessionaires and rental car companies for the first six months of FY 2021 due to the continued reduction in sales activity resulting from the COVID-19 pandemic. The MAG abatement approved in April 2020 was continued, allowing the Airport's concessionaires and rental car companies to only remit amounts based on a percentage of gross sales for the first six months of FY 2021. The Authority has and will continue to closely monitor the effects of the COVID-19 pandemic on the Airport and its stakeholders.