

**BURBANK-GLENDALE-PASADENA  
AIRPORT AUTHORITY**

Basic Financial Statements

June 30, 2022 and 2021

(With Independent Auditor's  
Reports Thereon)



Certified  
Public  
Accountants

**This page left blank intentionally**

# **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

## **Basic Financial Statements**

June 30, 2022 and 2021

### **Table of Contents**

	<b>Page</b>
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	5
Basic Financial Statements:	
Statements of Net Position	32
Statements of Revenues, Expenses and Changes in Net Position	35
Statements of Cash Flows	36
Notes to Basic Financial Statements	39

**This page left blank intentionally**



## Independent Auditor's Report

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

### Report on the Audits of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, identified as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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 21, 2022, 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.

A handwritten signature in dark ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive, flowing style.

Walnut Creek, California  
December 21, 2022

**This page left blank intentionally**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**This page left blank intentionally**

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

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, 2022 and 2021. 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.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

### Overview of the Authority's Operations

#### Highlights of Airport Activities

As previously documented, the aviation industry experienced the negative impacts of the COVID-19 pandemic on its operations starting in the Spring of 2020. Prior to the pandemic, the Airport had been operating with the momentum of multi-year passenger growth, addition of new flight frequencies and destinations, favorable national economic conditions, and strong financial performance.

In response to the rapid and severe decline in passenger activity and the corresponding loss of Airport revenues, the Airport Commission approved a series of initiatives directed at providing temporary airline and tenant economic relief, cost reduction measures, and the suspension of non-essential discretionary projects and expenditures. Federal relief grant funds were awarded to support the loss of activity based operating revenues. Over the course of two years, three federal relief programs were enacted that provided grant funds to support the finances and operations of U.S. airports. These programs provided significant support for the Airport.

Signs of recovery began late FY 2021 and continued through FY 2022 as the aviation industry began experiencing a resurgence in passenger activity towards pre-COVID levels due to the reduced pandemic related restrictions and the pent-up leisure travel demand. The Airport's total passenger traffic concluded FY 2022 with 5,434,646 total passengers, which was 98.9% of the FY 2019 pre-pandemic levels. During FY 2022 ten air carriers served the Airport: Alaska Airlines, American Airlines, Avelo Airlines, Delta Air Lines, Flair Airlines, Frontier Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and United Airlines.

While FY 2022 exhibited a positive trend towards recovery, the Airport is cognizant that there are potential outside influences that may impact its future operations. These include a potential resurgence of COVID-19 variants, impacts of inflation, potential economic recession, geopolitical instability, and other external factors outside the control of the Airport that may dampen the demand for air travel. The Authority's financial approach will continue to be conservative, maintain and strengthen its liquidity position, be prudent with expenses as well as a practical approach to discretionary capital programs, and maintaining a reasonable cost structure in the Los Angeles-Long Beach-Anaheim, California area.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY****Management's Discussion and Analysis**

June 30, 2022 and 2021

(Unaudited)

**Passenger Traffic Activity**

The following table presents a comparative summary of passenger and other traffic in FY 2022, FY 2021 and FY 2020:

Description	FY 2022	FY 2021	FY 2020	% increase (decrease)	
				FY 2021/22	FY 2020/21
Commercial carrier flight operations (takeoffs and landings)	60,849	27,759	55,000	119.2%	(49.5)%
Landing weight (in pounds)	4,200,608,262	1,994,519,421	3,734,685,322	110.6	(46.6)
Total passengers	5,434,646	1,758,771	4,540,201	209.0	(61.3)
Departing passengers (enplaned)	2,712,835	876,735	2,261,359	209.4	(61.2)
Arriving passengers (deplaned)	2,721,811	882,036	2,278,842	208.6	(61.3)
Cargo tonnage (in tons)	51,061	56,495	53,762	(9.6)	5.1

Passenger traffic at the Airport increased by 209.0% and decreased by 61.3% compared to the prior year in FY 2022 and 2021, respectively. Of the 5,434,646 and 1,758,771 passengers during FY 2022 and 2021, respectively, Southwest Airlines serviced the largest number of passengers at 3,519,794 (64.8% of total passengers) and 1,133,353 (64.4% of total passengers), in FY 2022 and 2021, respectively.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

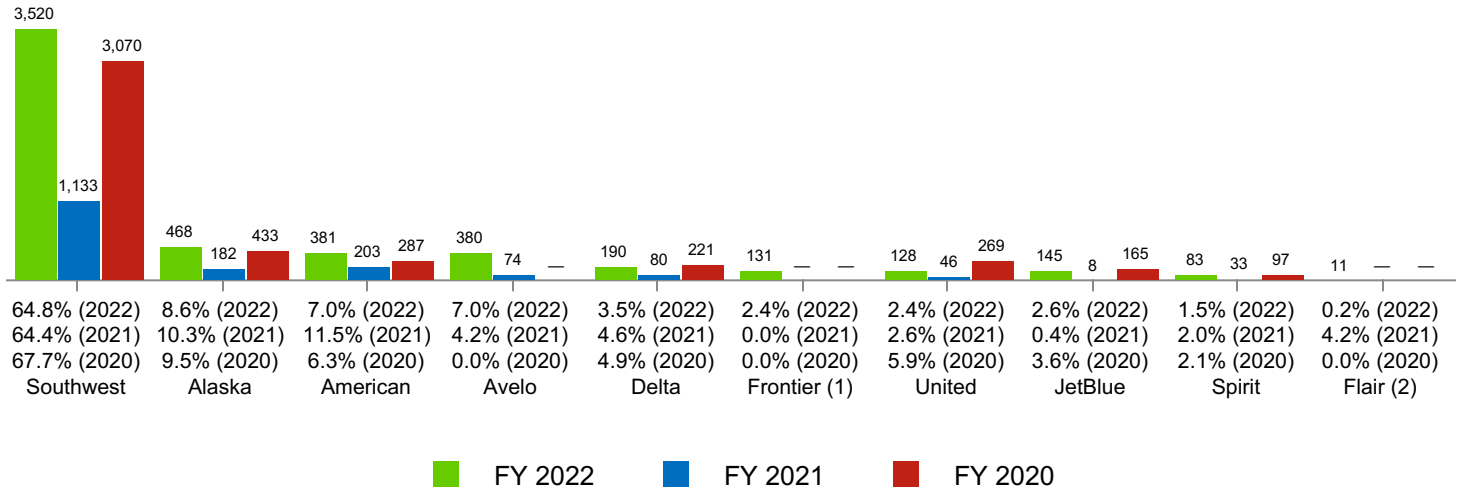
## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

The chart below presents the passenger traffic share by airline for FY 2022, FY 2021 and FY 2020:

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

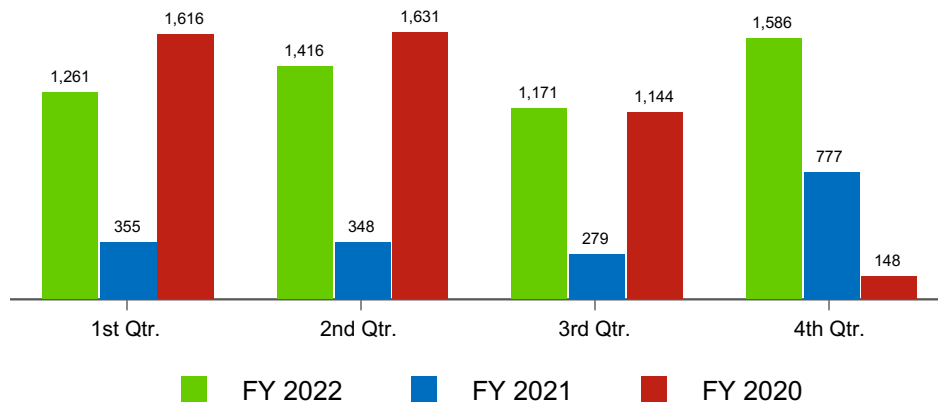


(1) Frontier Airlines began operations in July 2021.

(2) Flair Airlines began operations in November 2021.

The following chart presents the passenger traffic by quarter for FY 2022, FY 2021 and FY 2020:

### Total Passengers By Fiscal Quarter (in thousands)



## **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

### **Management's Discussion and Analysis**

June 30, 2022 and 2021

(Unaudited)

#### **Flight Operations Activities**

The total number of commercial air carrier flights was 60,849 and 27,759, resulting in an increase of 119.2% and decrease of 49.5% from the prior fiscal year for FY 2022 and 2021, respectively. Revenue landing weight increased 110.6% and decreased 46.6% from the prior fiscal year for FY 2022 and 2021, respectively. The top three carriers in terms of landing weight were Southwest Airlines, Alaska Airlines, and American Airlines. In total, these three airlines contributed 82.0% and 87.0% of the total revenue landing weight at the Airport for FY 2022 and 2021, respectively.

While passenger activity for FY 2022 remained slightly below pre-COVID-19 levels, commercial flight operations in FY 2022 slightly exceeded pre-COVID-19 levels. This was mostly due to the introduction of new airlines, which included Avelo Airlines, Frontier Airlines, and Flair Airlines. Additionally, previously suspended flight service was reinstated and new destinations were commenced by the other airlines.

#### **Air Cargo Activities**

Freight and mail cargo at the Airport for FY 2022 and 2021 was 51,061 and 56,495 tons, respectively. FY 2022 and FY 2021 resulted in a decrease of 9.6% and increase of 5.1% in air cargo tonnage from the prior fiscal year, respectively. Federal Express (FedEx) and United Parcel Service (UPS) are the top air freight carriers accounting for 94.6% and 96.2% of the total freight cargo for FY 2022 and 2021, respectively.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

### Overview of the Authority's Financial Activities

#### Financial Highlights, Fiscal Year 2022

- Assets exceeded liabilities and deferred inflows of resources (net position) at the close of the fiscal year by \$547,482,855.
- Operating revenues were \$64,712,780.
- Operating expenses before depreciation were \$49,214,407.
- Nonoperating revenues, net of nonoperating expenses (including revenues of \$9,687,636 from Passenger Facility Charges, \$4,682,637 from Customer Facility Charges, and \$8,878,981 from other non-capital grants) were \$12,472,558. Of the \$8,878,981 in non-capital federal grants, \$4,121,383 consisted of American Rescue Plan Act (ARPA) and \$4,757,598 consisted of Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) grant funds used for certain eligible FY 2022 personnel costs.
- Capital contributions from the Federal Aviation Administration's (FAA) Airport Improvement (AIP) grants, ARPA, and CRRSAA grants were \$7,233,553, of which \$5,988,499 consisted of ARPA and CRRSAA grant funds used for bond debt service.
- Net position increased by \$18,812,941 primarily due to increased operating revenues, the Authority's management of expenditures, and the use of ARPA and CRRSAA federal relief grant funds.
- The Authority restarted the Replacement Passenger Terminal project after an 18-month suspension due to the pandemic.
- The Authority implemented GASB Statement No. 87, *Leases*, effective July 1, 2020.

#### Financial Highlights, Fiscal Year 2021

- Assets exceeded liabilities and deferred inflows of resources (net position) at the close of the fiscal year by \$528,669,914.
- Operating revenues were \$34,415,327.
- Operating expenses before depreciation were \$40,903,322.
- Nonoperating revenues, net of nonoperating expenses (including revenues of \$4,195,443 from Passenger Facility Charges, \$2,347,750 from Customer Facility Charges, and \$10,587,540 from other non-capital grants) were \$12,503,857. Of the \$10,587,540 in non-capital federal grants, \$10,536,342 consisted of Coronavirus Aid, Relief, and Economic Security (CARES) Act grant funds used for certain eligible FY 2021 personnel costs.
- Capital contributions from the FAA's AIP grants and the CARES Act grants were \$12,730,126, of which \$7,281,069 consisted of CARES Act grant funds used for bond debt service.
- Net position increased by \$1,619,630 primarily due to the Authority's continued cost reduction measures such as the suspension of non-essential discretionary projects and expenditures, and the use of CARES Act grant funds.



# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

### Net Position Summary

A summary of the Airport's net position as of June 30, 2022, 2021, and 2020 is presented below:

Schedule of Net Position							
		2021		FY 2021/22		FY 2020/21	
	2022	(Restated)	2020	increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
<b>Assets:</b>							
Current unrestricted assets	\$ 47,183,502	\$ 51,842,292	\$ 42,358,426	\$ (4,658,790)	(9.0)%	\$ 9,483,866	22.4%
Noncurrent unrestricted assets	10,244,382	5,710,548	—	4,533,834	79.4	5,710,548	N/A
Restricted assets	97,832,280	90,412,599	87,016,726	7,419,681	8.2	3,395,873	3.9
Debt service reserve surety	9,455	14,183	18,911	(4,728)	(33.3)	(4,728)	(25.0)
Facility Development Reserve	200,132,453	180,132,453	180,132,453	20,000,000	11.1	—	—
Capital assets, net	304,807,471	312,584,227	326,217,599	(7,776,756)	(2.5)	(13,633,372)	(4.2)
Total assets	660,209,543	640,696,302	635,744,115	19,513,241	3.0	4,952,187	0.8
<b>Liabilities:</b>							
Current liabilities	11,672,535	11,389,307	9,677,017	283,228	2.5	1,712,290	17.7
Liabilities payable							
from restricted assets	8,103,228	7,974,152	7,857,629	129,076	1.6	116,523	1.5
Noncurrent liabilities	78,436,675	84,723,912	90,751,149	(6,287,237)	(7.4)	(6,027,237)	(6.6)
Total liabilities	98,212,438	104,087,371	108,285,795	(5,874,933)	(5.6)	(4,198,424)	(3.9)
<b>Deferred inflows of resources:</b>							
Deferred inflows - leases	14,310,232	7,632,990	—	6,677,242	87.5	7,632,990	N/A
Deferred amount on refunding	204,018	306,027	408,036	(102,009)	(33.3)	(102,009)	(25.0)
Total deferred inflows of resources	14,514,250	7,939,017	408,036	6,575,233	82.8	7,530,981	1,845.7
<b>Net position:</b>							
Net investment in capital							
assets	226,527,174	228,168,126	235,909,562	(1,640,952)	(0.7)	(7,741,436)	(3.3)
Restricted, debt service	21,857,596	21,582,760	20,912,922	274,836	1.3	669,838	3.2
Restricted, capital projects	64,085,949	56,900,982	54,138,513	7,184,967	12.6	2,762,469	5.1
Restricted, federal asset seizure	24,615	24,298	23,875	317	1.3	423	1.8
Restricted, other purposes	3,400,497	3,316,569	3,232,640	83,928	2.5	83,929	2.6
Unrestricted	231,587,024	218,677,179	212,832,772	12,909,845	5.9	5,844,407	2.7
Total net position	\$ 547,482,855	\$ 528,669,914	\$ 527,050,284	\$ 18,812,941	3.6%	\$ 1,619,630	0.3%

Note: FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases*, effective July 1, 2020.

### 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 \$547,482,855, \$528,669,914, and \$527,050,284 at the close of FY 2022, FY 2021 and FY 2020, respectively.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Management's Discussion and Analysis

June 30, 2022 and 2021

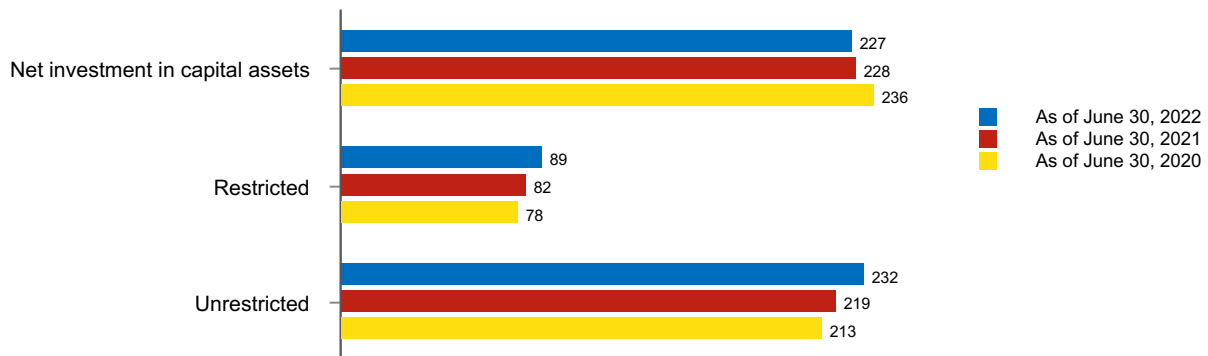
(Unaudited)

The first component of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, runways, etc.), net of accumulated depreciation, 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 component 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, 24.5%, 26.4%, and 28.3% are for repayment of long-term debt and 71.7%, 69.5%, and 67.4% are for construction of capital assets at June 30, 2022, 2021 and 2020, respectively. A very small percentage of restricted net position, comprising less than 0.1% at June 30, 2022, 2021 and 2020, are for uses pursuant to the Federal Asset Forfeiture Program. Lastly, 3.8%, 4.1%, and 4.4% are for other restricted purposes that are not related to debt service, capital projects, and the Federal Asset Forfeiture Program.

The final component 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, 2022, 2021 and 2020**  
(in millions of dollars)



The Authority's positive unrestricted net position balance has continued to increase over the three fiscal years ended June 30, 2022, 2021 and 2020.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

### ***Current Unrestricted Assets***

Current unrestricted assets consist primarily of cash and investments in the operating portfolio. Current unrestricted cash inflows are from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows are for operating activities, capital acquisitions, transfers to fiscal agents for debt service, and transfers to the unrestricted Facility Development Reserve.

The Authority's current unrestricted assets decreased by \$4,658,790, or 9.0%, and increased by \$9,483,866, or 22.4%, in FY 2022 and 2021, respectively. The net decrease in FY 2022 is primarily from an unrealized loss in the Authority's operating investment portfolio due to the fiscal year-end market valuation and the transfer of \$20,000,000 to the Facility Development Reserve. The Authority transferred these funds to the Facility Development Reserve due to an increase in operating cash from positive financial performance related to passenger activity recovery in FY 2022.

Additionally, effective July 1, 2020, the Authority implemented GASB Statement No. 87, *Leases*, which requires the Authority to recognize a lease receivable and a deferred inflow of resources for leases that previously were classified as operating leases at the commencement of the lease term, with certain exceptions for leases held as investments, certain regulated leases, short-term leases, variable payment leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The related deferred inflow of resources are measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. For the fiscal years ended June 30, 2022 and 2021, the Authority recorded current lease receivables of \$4,065,850 and \$1,922,442, respectively. Additional information regarding the Authority's lease receivables can be found in note 7 in the accompanying notes to the basic financial statements.

Current unrestricted assets in FY 2021 included both operating cash and grants receivable resulting from CARES Act grant funds awarded to the Authority for COVID-19 pandemic relief. No transfers were made in FY 2021 to the Facility Development Reserve.

### ***Noncurrent Unrestricted Assets***

The Authority's noncurrent unrestricted assets consist solely of the noncurrent portion of lease receivables of \$10,244,382 and \$5,710,548 as of June 30, 2022 and 2021, respectively, that was recorded to conform to the requirements of GASB Statement No. 87, *Leases*, which was effective July 1, 2020.

### ***Restricted Assets***

The Authority's restricted assets increased by \$7,419,681, or 8.2%, and \$3,395,873, or 3.9%, in FY 2022 and 2021, 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.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

### Facility Development Reserve

The Facility Development Reserve is an unrestricted fund that 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. For FY 2022 the Authority transferred \$20,000,000 of excess revenues from the current operating fund to the Facility Development Reserve. For FY 2021 the fund was not increased and there were no transfers made from the current operating fund.

### Capital Assets

Below is a summary of the Authority's capital assets for FY 2022, 2021 and 2020:

	2022	2021	2020	FY 2021/22		FY 2020/21	
				increase (decrease)		increase (decrease)	
Capital assets:				Amount	%	Amount	%
Land	\$ 160,065,894	\$ 160,065,894	\$ 160,065,894	\$ —	—%	\$ —	—%
Other non-depreciable capital assets	1,128,515	1,128,515	1,128,515	—	—	—	—
Construction in progress	10,006,984	2,698,604	3,100,763	7,308,380	270.8	(402,159)	(13.0)
Buildings and improvements	255,846,105	255,846,105	255,815,393	—	—	30,712	—
Runways and improvements	149,020,913	149,020,913	145,430,779	—	—	3,590,134	2.5
Machinery and equipment	38,199,756	36,893,349	37,192,736	1,306,407	3.5	(299,387)	(0.8)
Less accumulated depreciation	(309,460,696)	(293,069,153)	(276,516,481)	(16,391,543)	5.6	(16,552,672)	6.0
Total capital assets, net	<u>\$ 304,807,471</u>	<u>\$ 312,584,227</u>	<u>\$ 326,217,599</u>	<u>\$ (7,776,756)</u>	(2.5)%	<u>\$ (13,633,372)</u>	(4.2)%

The Authority's net capital assets decreased by \$7,776,756, or 2.5%, in FY 2022 and \$13,633,372, or 4.2%, in FY 2021. The decreases in FY 2022 and FY 2021 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 depreciable capital asset additions in FY 2022 and 2021 were \$1,306,407 and \$3,895,145, respectively, and total non-depreciable capital asset additions, consisting of construction in progress, in FY 2022 and 2021 were \$8,614,787 and \$3,492,986, respectively. Total deletions, including canceled projects and transfers from construction in progress to depreciable and non-depreciable capital assets, were \$1,306,407 and \$3,895,145, respectively.

Significant capital asset additions in FY 2022 include:

- Aircraft Rescue and Firefighting truck replacement
- Airfield sweeper and scrubber replacement
- Handheld radio equipment replacement
- Vehicle replacements

Significant capital asset additions in FY 2021 include:

- Delta ramp rehabilitation
- Taxiway D7 connector and Taxiway G and infield rehabilitation
- Airfield lighting rehabilitation

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

The Authority has contract commitments outstanding at June 30, 2022 for various construction contracts totaling \$3,235,789, which includes the Airfield Lighting Vault replacement and Runway 8 Precision Approach Pathway Indicator equipment relocation project. Subsequent to June 30, 2022, the Authority entered into an additional construction contract totaling \$3,065,000 for the Taxiway C and shoulders rehabilitation project.

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 increased by \$283,228, or 2.5%, in FY 2022 and \$1,712,290, or 17.7%, in FY 2021. The FY 2022 increase is primarily due to increases in vendor accruals and customer deposits reduced by decreases in payroll accruals for vacation and sick leave and unearned revenue. The FY 2021 increase is primarily due to increases in vendor accruals, payroll accruals for vacation and sick leave, unearned revenue, and customer deposits.

### **Liabilities Payable from Restricted Assets**

Liabilities payable from restricted assets increased by \$129,076, or 1.6%, in FY 2022 and \$116,523, or 1.5%, in FY 2021. The increase in FY 2022 and FY 2021 reflects an increase of \$260,000 and \$240,000, respectively, in the current portion of principal payable for the 2012 and 2015 Bonds reduced by a decrease of \$130,924 and \$123,477, 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 2022, 2021 and 2020:

				FY 2021/22		FY 2020/21	
				increase (decrease)		increase (decrease)	
	2022	2021	2020	Amount	%	Amount	%
Long-term debt, net of current portion:							
Revenue bonds payable, less							
current portion	\$ 77,370,000	\$ 83,180,000	\$ 88,730,000	\$ (5,810,000)	(7.0)%	\$ (5,550,000)	(6.3)%
Original issue premium, net	1,066,675	1,543,912	2,021,149	(477,237)	(30.9)	(477,237)	(23.6)
Total long-term liabilities	<u>\$ 78,436,675</u>	<u>\$ 84,723,912</u>	<u>\$ 90,751,149</u>	<u>\$ (6,287,237)</u>	<u>(7.4)%</u>	<u>\$ (6,027,237)</u>	<u>(6.6)%</u>

As of June 30, 2022 and 2021, the Authority's outstanding long-term debt consisted of its outstanding 2012 (Series A and B) and 2015 (Series B) bonds of \$77,370,000 and \$83,180,000, respectively, and unamortized premium of \$1,066,675 and \$1,543,912, respectively.

The Authority's long-term liabilities decreased by \$6,287,237, or 7.4%, in FY 2022 and decreased by \$6,027,237, or 6.6%, in FY 2021. The decrease in FY 2022 includes the reclassification of the current portions of the 2012 Bonds of \$1,870,000 and 2015 Bonds of \$3,940,000, and amortization of the original issue premium on both bonds of \$477,237. The decrease in FY 2021 includes the

## **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

### **Management's Discussion and Analysis**

**June 30, 2022 and 2021**

**(Unaudited)**

reclassification of the current portion of 2012 Bonds of \$1,795,000 and current portion of the 2015 Bonds of \$3,755,000, 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 represent an acquisition of net assets that applies to future periods that will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources consist of 1) the deferred inflow of resources related to leases measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods of \$14,310,232 and \$7,632,990 at June 30, 2022 and 2021, respectively, and 2) the net deferred amount on refunding of the 2005 Bonds of \$204,018 and \$306,027 at June 30, 2022 and 2021, respectively. The refunding and defeasance of the 2005 Bonds resulted in a difference between the re-acquisition 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 2022 and FY 2021 totaled \$102,009 and \$102,009, respectively.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

### Changes in Net Position Summary

A condensed summary of the Authority's changes in net position for fiscal years ended June 30, 2022, 2021 and 2020 is presented below:

#### Schedule of Revenues, Expenses, and Changes in Net Position

				FY 2021/22		FY 2020/21	
	FY 2022	FY 2021 (Restated)	FY 2020	increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Operating revenues	\$ 64,712,780	\$ 34,415,327	\$ 53,070,298	\$ 30,297,453	88.0%	\$(18,654,971)	(35.2)%
Operating expenses	65,605,950	58,029,680	64,302,519	7,576,270	13.1	(6,272,839)	(9.8)
Operating loss	(893,170)	(23,614,353)	(11,232,221)	22,721,183	(96.2)	(12,382,132)	110.2
Nonoperating revenues, net	12,472,558	12,503,857	20,621,821	(31,299)	(0.3)	(8,117,964)	(39.4)
Income before capital contributions	11,579,388	(11,110,496)	9,389,600	22,689,884	204.2	(20,500,096)	(218.3)
Capital contributions	7,233,553	12,730,126	3,568,014	(5,496,573)	(43.2)	9,162,112	256.8
Changes in net position	18,812,941	1,619,630	12,957,614	17,193,311	1,061.6	(11,337,984)	(87.5)
Total net position - beginning	528,669,914	527,050,284	514,092,670	1,619,630	0.3	12,957,614	2.5
Total net position - ending	<u>\$ 547,482,855</u>	<u>\$ 528,669,914</u>	<u>\$ 527,050,284</u>	<u>\$ 18,812,941</u>	3.6%	<u>\$ 1,619,630</u>	0.3%

Note: FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases*, effective July 1, 2020.

### 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 2022, FY 2021 and FY 2020:

#### Comparative Summary of Operating Revenues

				FY 2021/22		FY 2020/21	
	FY 2022	FY 2021 (Restated)	FY 2020	increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Parking	\$ 25,174,110	\$ 8,526,479	\$ 17,361,157	\$ 16,647,631	195.2%	\$ (8,834,678)	(50.9)%
Landing fees	4,055,176	2,139,159	3,796,967	1,916,017	89.6	(1,657,808)	(43.7)
Concessions	12,506,117	4,871,064	9,556,806	7,635,053	156.7	(4,685,742)	(49.0)
Tenant rent	18,122,079	16,963,475	17,098,150	1,158,604	6.8	(134,675)	(0.8)
Ground transportation	2,815,018	948,286	3,899,653	1,866,732	196.9	(2,951,367)	(75.7)
Fuel flowage fees	604,992	481,963	648,527	123,029	25.5	(166,564)	(25.7)
Other operating revenues	1,435,288	484,901	709,038	950,387	196.0	(224,137)	(31.6)
Total operating revenues	<u>\$ 64,712,780</u>	<u>\$ 34,415,327</u>	<u>\$ 53,070,298</u>	<u>\$ 30,297,453</u>	88.0%	<u>\$(18,654,971)</u>	(35.2)%

Note: FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases*, effective July 1, 2020.

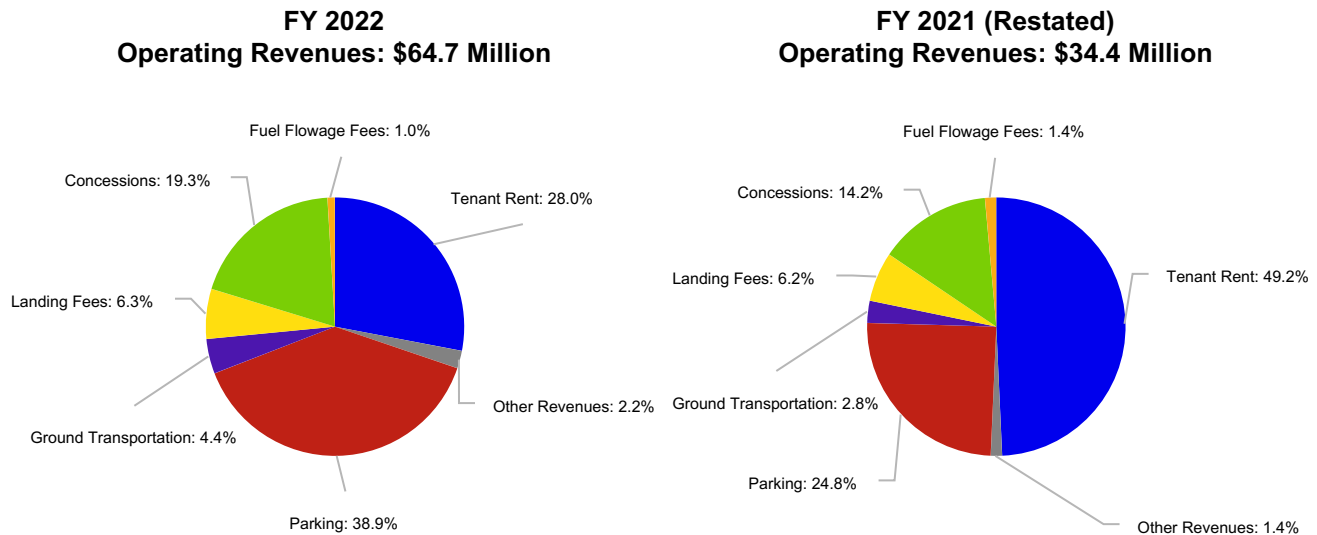
# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

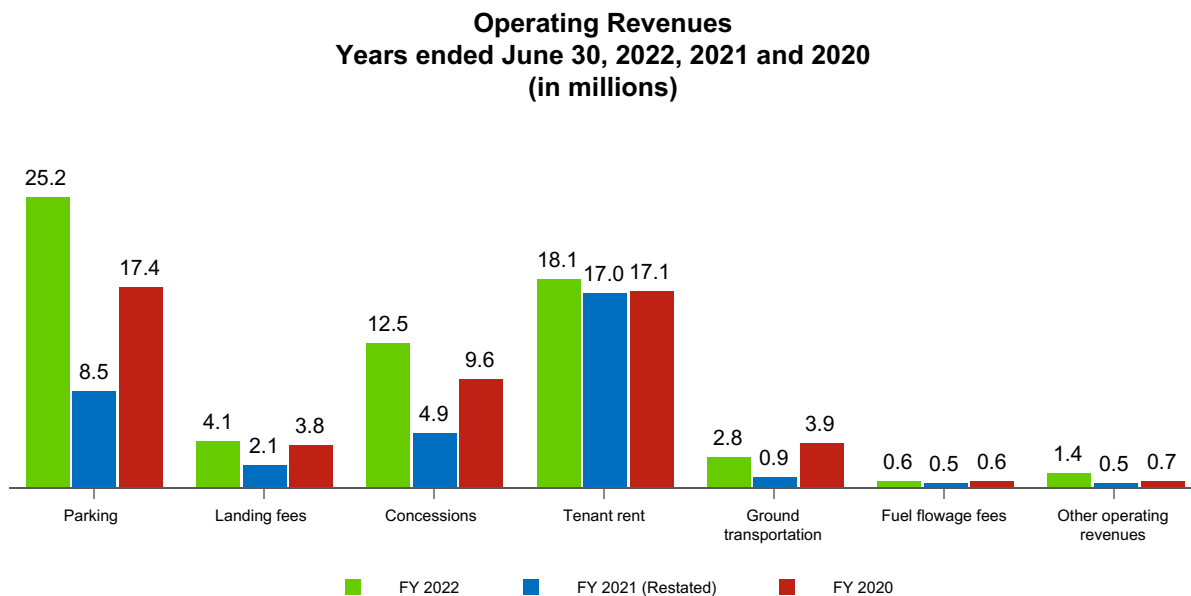
(Unaudited)

The charts below present the distribution of major sources of operating revenues in FY 2022 and FY 2021:



Note: FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases*, effective July 1, 2020.

The chart below presents the comparative summary of operating revenues for FY 2022, FY 2021 and FY 2020:





## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

In FY 2022, total operating revenues increased by \$30,297,453, or 88.0%, primarily due to passenger activity recovery from the COVID-19 pandemic. Also, starting in FY 2022, operating revenues include fees from a new non-exclusive license agreement for ground handling services.

(1) increased parking revenues of \$16,647,631, or 195.2%, which was commensurate with the 209.0% increase in passengers in FY 2022. Parking revenues are relatively correlated with passenger activity, and FY 2022 reflected this increase in parking demand along with the continued shift in consumer preference towards private modes of transportation over public transportation and ride share services. In response to the increased parking demand in FY 2022, the Authority re-opened previously closed remote parking lots. Also, rate increases were implemented to select lots beginning January 1, 2022;

(2) increased landing fees of \$1,916,017, or 89.6%, primarily due to additional air carrier flight operations from the resumption of previously suspended routes, the addition of new routes, and the introduction of new carriers;

(3) increased concession fees of \$7,635,053, or 156.7%, primarily due to increased passenger activity;

(4) increased tenant rent of \$1,158,604, or 6.8%, primarily due to the addition of new hangar leases and CPI increases to existing leases;

(5) increased ground transportation revenues of \$1,866,732, or 196.9%, primarily due to returning ride share demand;

(6) increased fuel flowage fees of \$123,029, or 25.5%, primarily due to an increase in general aviation activity in FY 2022; and

(7) increased other operating revenues of \$950,387, or 196.0%, primarily due to the introduction of a new ground handling agreement and an increase to overnight aircraft ramp parking utilization in FY 2022.

In FY 2021, total operating revenues decreased by \$18,654,971, or 35.2%, primarily due to a decrease in air travel demand resulting from the COVID-19 pandemic. Tenant rent revenues remained fairly consistent due to these revenues being based on long-term fixed lease contracts while the other operating revenue line items are activity based, and therefore were significantly impacted by the COVID-19 pandemic and its unprecedented impact on air travel demand and passenger activities:

(1) decreased parking revenues of \$8,834,678, or 50.9%, which was commensurate with the 61.3% decrease in passenger activity in FY 2021. Parking revenues are relatively correlated with passenger activity, but FY 2021 reflected a shift in consumer behavior due to the pandemic as a greater number of passengers chose to utilize private modes of transportation such as their own vehicles instead of public transportation and ride share services. As a result, while parking revenues decreased from FY 2020, it performed better when compared to passenger activities;

(2) decreased landing fees of \$1,657,808, or 43.7%, primarily due to the decrease in air carrier flight operations at the Airport and downsizing of aircrafts by the air carriers in response to decreased air travel demand due to the pandemic;

# **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

## **Management's Discussion and Analysis**

**June 30, 2022 and 2021**

**(Unaudited)**

(3) decreased concession fees of \$4,685,742, or 49.0%, primarily due to the combination of decreased passenger activity and the continuation through FY 2021 of relief measures granted by the Authority to the on-airport concessionaires and rental car companies allowing them to remit a percentage of gross sales in lieu of their minimum annual guarantee amounts;

(4) decreased tenant rent of \$134,675, or 0.8%, due to the implementation of GASB Statement No. 87, *Leases*, effective as of July 1, 2020;

(5) decreased ground transportation revenues of \$2,951,367, or 75.7%, primarily resulting from a change in consumer behavior due to the COVID-19 pandemic as previous users of ride share/TNC services began utilizing other modes of transportation to and from the Airport. As a result, ground transportation revenues performed significantly worse when compared to passenger activities;

(6) decreased fuel flowage fees of \$166,564, or 25.7%, primarily due to a reduction in general aviation activity in FY 2021 due to the pandemic; and

(7) decreased other operating revenues of \$224,137, or 31.6%, 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.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

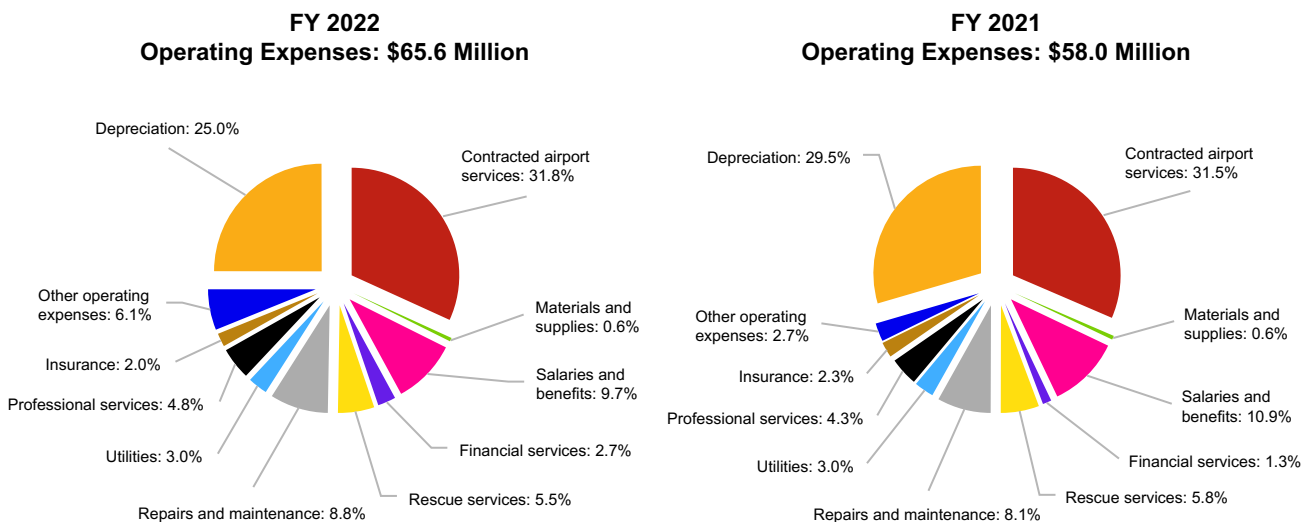
(Unaudited)

### Operating Expenses

The following table presents a comparative summary of operating expenses in FY 2022, FY 2021 and FY 2020:

Operating Expenses Summary							
	FY 2022	FY 2021	FY 2020	FY 2021/22		FY 2020/21	
				increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Contracted airport services	\$ 20,871,769	\$ 18,269,154	\$ 20,850,757	\$ 2,602,615	14.2%	\$ (2,581,603)	(12.4)%
Salaries and benefits	6,362,897	6,301,997	5,893,032	60,900	1.0	408,965	6.9
Financial services	1,788,161	776,346	1,008,697	1,011,815	130.3	(232,351)	(23.0)
Rescue services	3,591,874	3,345,417	3,151,738	246,457	7.4	193,679	6.1
Materials and supplies	365,869	348,613	368,513	17,256	4.9	(19,900)	(5.4)
Repairs and maintenance	5,752,810	4,693,372	5,623,541	1,059,438	22.6	(930,169)	(16.5)
Utilities	1,942,277	1,715,301	1,854,677	226,976	13.2	(139,376)	(7.5)
Professional services	3,180,213	2,490,812	3,363,956	689,401	27.7	(873,144)	(26.0)
Insurance	1,337,733	1,353,231	1,276,271	(15,498)	(1.1)	76,960	6.0
Other operating expenses	4,020,804	1,609,079	3,818,678	2,411,725	149.9	(2,209,599)	(57.9)
Operating expenses before depreciation	49,214,407	40,903,322	47,209,860	8,311,085	20.3	(6,306,538)	(13.4)
Depreciation	16,391,543	17,126,358	17,092,659	(734,815)	(4.3)	33,699	0.2
Total operating expenses	<u>\$ 65,605,950</u>	<u>\$ 58,029,680</u>	<u>\$ 64,302,519</u>	<u>\$ 7,576,270</u>	13.1%	<u>\$ (6,272,839)</u>	(9.8)%

The charts below present the distribution of operating expenses in FY 2022 and FY 2021:



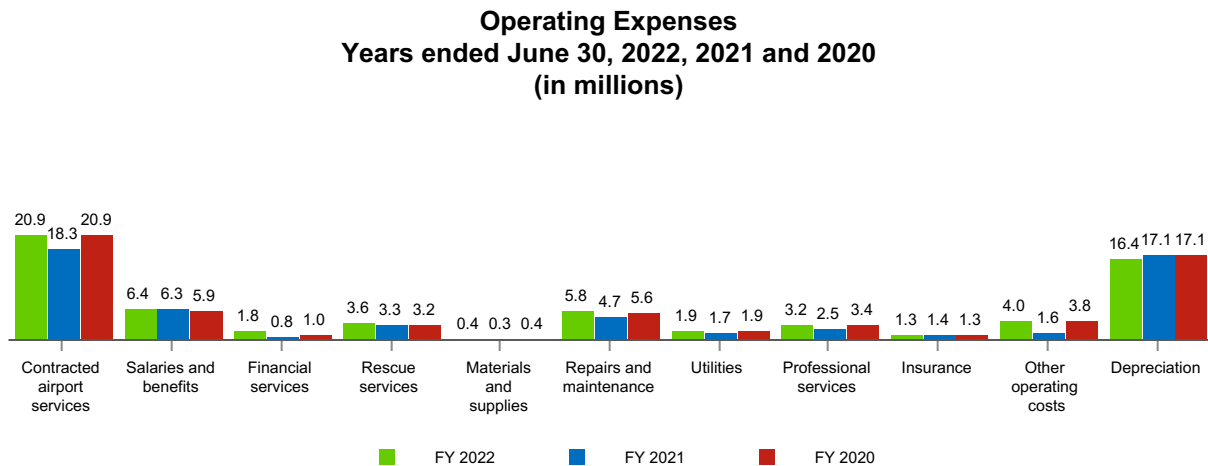
# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

The chart below presents the comparative summary of operating expenses for FY 2022, FY 2021 and FY 2020:



Total operating expenses increased by \$7,576,270, or 13.1%, in FY 2022 primarily due to reinstatement of certain services due to passenger demand recovery that had previously been suspended or curtailed. These changes include:

- (1) increased contracted airport services of \$2,602,615 primarily due to reinstatement of parking operator staffing levels and courtesy parking shuttle services;
- (2) increased financial services expenses of \$1,011,815, primarily due to increased activity based credit card transactions and parking pre-booking management fees paid;
- (3) increased cost for aircraft rescue and firefighting services of \$246,457, primarily due to the terms of the collective bargaining agreement with the Burbank Airport Professional Firefighters IAFF Local 1-61 Union effective July 1, 2020;
- (4) increased repairs and maintenance costs of \$1,059,438, primarily due to additional fuel costs for reinstated courtesy parking shuttle services, increased telephone expenses due to equipment replacement cycles, and increased janitorial and refuse collection services;
- (5) increased utilities costs of \$226,976, primarily due to an increase in water usage and utility rate increases;
- (6) increased professional services expenses of \$689,401, primarily due to additional traffic safety staffing levels and legal services costs associated with the Authority's ongoing litigation matters;
- (7) increased other operating expenses of \$2,411,725, primarily due to the resumption of air service retention initiatives, and an increase in parking tax paid to the City of Burbank; and

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

(8) decreased depreciation expense of \$734,815, primarily due to capital assets fully depreciated in FY 2021 exceeding the impact of new capital asset additions in FY 2022.

Total operating expenses increased by \$6,272,839, or 9.8%, in FY 2021 primarily due to a combination of factors, as follows:

(1) decreased contracted airport services of \$2,581,603, primarily due to reduced contractual parking operations and continued suspension of courtesy parking shuttle services;

(i) the decreased contractual parking operations costs were a result of a reduction in staffing levels in response to the significant decline in parking and passenger activities at the Airport due to the COVID-19 pandemic. As a result, contractual parking operations costs decreased by \$926,941, or 20.00%, in FY 2021;

(ii) the decreased courtesy shuttle services costs was a result of the closure of the Airport's remote parking lots during the prior year due to the significant decline in passenger activity, which negated the need for shuttle services to and from those lots. As a result, the Authority discontinued its contractual shuttle services after the contract expired in early FY 2021, which decreased courtesy services costs by \$1,758,477, or 81.48% for FY 2021;

(2) increased salaries and benefits for Airport police officers of \$408,965, primarily due to the terms of a replacement agreement with the Burbank-Glendale-Pasadena Airport Police Officers Association effective February 1, 2020;

(3) decreased financial services expenses of \$232,351, primarily due to decreased credit card transaction fees paid as a result of decreased passenger activity;

(4) increased cost for aircraft rescue and firefighting services of \$193,679, primarily due to the terms of the collective bargaining agreement with the Burbank Airport Professional Firefighters IAFF Local 1-61 Union effective July 1, 2020;

(5) decreased repairs and maintenance costs of \$930,169, primarily due to decreased fuel costs for the courtesy shuttle buses, decreased telephone expenses, and the completion of repair projects;

(6) decreased utilities costs of \$139,376, primarily due to a reduction in water usage, which is correlated to passenger activity levels through the Airport;

(7) decreased professional services expenses of \$873,144, primarily due to the completion of the safety management system project and noise task force meetings in the prior year, and the reduction of traffic safety staffing levels due to decreased passenger activity;

(8) increased insurance costs of \$76,960, primarily due to increased insurance premiums; and

(9) decreased other operating expenses of \$2,209,599, primarily due to reductions in conference travel due to COVID-19 travel restrictions, a reduction of air service retention costs, and a reduction in parking tax paid resulting from a decrease in parking revenues.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

### Nonoperating Revenues and Expenses

The following summary presents a comparison of nonoperating revenues and expenses in FY 2022, FY 2021 and FY 2020:

#### Comparative Summary of Nonoperating Revenues and Expenses

				FY 2021/22		FY 2020/21	
	FY 2022	FY 2021 (Restated)	FY 2020	increase (decrease)		increase (decrease)	
				Amount	%	Amount	%
Nonoperating revenues:							
PFC revenues	\$ 9,687,636	\$ 4,195,443	\$ 10,397,681	\$ 5,492,193	130.9%	\$ (6,202,238)	(59.7)%
CFC revenues	4,682,637	2,347,750	4,821,896	2,334,887	99.5	(2,474,146)	(51.3)
Interest income	519,784	282,169	—	237,615	84.2	282,169	N/A
Investment income	(7,282,192)	438,124	9,499,897	(7,720,316)	(1,762.1)	(9,061,773)	(95.4)
Gain on retirement of capital assets	—	—	3,805	—	N/A	(3,805)	100.0
Other noncapital grants	8,878,981	10,587,540	2,187,637	(1,708,559)	(16.1)	8,399,903	384.0
	<u>16,486,846</u>	<u>17,851,026</u>	<u>26,910,916</u>	<u>(1,364,180)</u>	<u>(7.6)</u>	<u>(9,059,890)</u>	<u>(33.7)</u>
Nonoperating expenses:							
Interest expense	4,011,938	4,273,787	4,520,740	(261,849)	(6.1)	(246,953)	(5.5)
Sound insulation program	2,350	2,063	1,740	287	13.9	323	18.6
Replacement terminal development	—	1,071,319	1,701,115	(1,071,319)	(100.0)	(629,796)	(37.0)
Other expenses, net	—	—	65,500	—	N/A	(65,500)	(100.0)
	<u>4,014,288</u>	<u>5,347,169</u>	<u>6,289,095</u>	<u>(1,332,881)</u>	<u>(24.9)</u>	<u>(941,926)</u>	<u>(15.0)</u>
Total nonoperating revenues							
(expenses), net	<u>\$ 12,472,558</u>	<u>\$ 12,503,857</u>	<u>\$ 20,621,821</u>	<u>\$ (31,299)</u>	<u>(0.3)%</u>	<u>\$ (8,117,964)</u>	<u>(39.4)%</u>

Note: FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases*.

Nonoperating revenues of \$16,486,846 and \$17,851,026 in FY 2022 and FY 2021, 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 2022, nonoperating revenues net of nonoperating expenses decreased by \$31,299, or 0.3%, primarily due to a combination of the following:

- (1) increased PFC revenues of \$5,492,193, primarily due to an increase in passenger levels reduced by a decrease in the fair value of investments in the PFC investment portfolio;
- (2) increased CFC revenues of \$2,334,887, due to an increase in rental car activity;
- (3) increased interest income of \$237,615, due to an increase in lease receivables in FY 2022 as a result of the implementation of GASB Statement No. 87, *Leases*;

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

(4) decreased investment income of \$7,720,316, primarily due to a decrease in fair value of the operating investment portfolio;

(5) decreased other noncapital grants of \$1,708,559, primarily due to a decrease in federal relief grant funds used for eligible personnel costs;

(6) decreased interest expense of \$261,849, 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 \$1,071,319, due to the resumption of the Replacement Passenger Terminal project as costs are now capitalized as work-in-progress.

In FY 2021, nonoperating revenues net of nonoperating expenses decreased by \$8,117,964, or 39.4%, primarily due to a combination of the following:

(1) decreased PFC revenues of \$6,202,238, primarily due to a decrease in passenger levels caused by the COVID-19 pandemic and a decrease in the fair value of investments in the PFC investment portfolio reduced by an increase in interest revenue;

(2) decreased CFC revenues of \$2,474,146, due to a decrease in rental car activity caused by the COVID-19 pandemic;

(3) increased interest income of \$282,169, due to lease receivables being recorded in FY 2021 as a result of the implementation of GASB Statement No. 87, *Leases*;

(4) decreased investment income of \$9,061,773, due to decreases in fair value of the operating investment portfolio and interest income from the trustee-held investment portfolio;

(5) increased other noncapital grants of \$8,399,903, primarily due to CARES Act grant funds received for the reimbursement of certain personnel costs;

(6) decreased interest expense of \$246,953, 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 \$629,796, primarily due to the continued suspension of all discretionary capital projects, including the replacement passenger terminal project as a result of the COVID-19 pandemic.

### **Capital Contributions**

Capital contributions amounting to \$7,233,553 and \$12,730,126 were recorded during FY 2022 and FY 2021, respectively. In FY 2022, these amounts represent FAA Airport Improvement (AIP) grants for the Delta ramp rehabilitation, the acquisition of a new Airport Rescue and Firefighting truck, the completion of the Replacement Passenger Terminal project's Environmental Impact Statement, and CRRSAA and ARPA federal relief grants used for bond debt service. In FY 2021, these amounts represent FAA Airport Improvement (AIP) grants for the Delta ramp rehabilitation, Taxiway D7 connector and Taxiway G and infield rehabilitation, airfield lighting rehabilitation, reimbursement for the purchase of the Hollyonna property in FY 2020, the acquisition of a new Airport Rescue and

## **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

### **Management's Discussion and Analysis**

June 30, 2022 and 2021

(Unaudited)

Firefighting truck, the ongoing Replacement Passenger Terminal project's Environmental Impact Statement, and CARES Act grants used for bond debt service.

#### ***Recovery from the COVID-19 Pandemic***

Just prior to and subsequently after the close of FY 2021, the Airport began to see positive indicators toward its recovery to pre-COVID passenger activity levels. Leisure travel rebounded due to pent-up demand with business travel returning at a much slower rate. The demand for leisure travel during the summer season was stronger than anticipated due to the wider availability and distribution of COVID-19 vaccines and easing of certain restrictions on the traveling public. A new start-up airline, Avelo Airlines, which selected Hollywood Burbank Airport as its initial hub, began service in late April 2021 introducing new leisure destinations not previously served. The public response to these new leisure destinations exceeded expectations and prompted competitive reactions by other air carriers serving the Airport. In July 2021, Frontier Airlines relocated three of its flight operations from Los Angeles International Airport to Hollywood Burbank Airport, which are also served by Southwest, American, and United, and have proven to be popular with the traveling public due to competitive service and price options. Also, during this time, airlines (e.g. JetBlue, Spirit, etc.) that had previously suspended their flights to and from the Airport because of the pandemic, began to reinstate their pre-COVID air service and flight schedules. Other air carriers continue to revise their air service frequencies and destinations subject to aircraft and staffing availability. Additionally, Canada based Flair Airlines inaugurated service from Vancouver, B.C. on November 21, 2021. In September 2021, with airline support, the Authority authorized the restart of activities related to the Replacement Passenger Terminal project, which was suspended in March 2020 due to the COVID-19 pandemic.

Although the momentum towards recovery from the impacts of the COVID-19 pandemic continues, the potential for recurrence of pandemic surges, reinstatement of restrictions, and impacts of global events may cause downward pressure on future activity. Therefore, the Airport continues to utilize a conservative approach to its financial planning.

#### ***Replacement Passenger Terminal Project***

The Replacement Passenger Terminal (RPT) project, as defined in the Development Agreement between the City of Burbank and the Authority, consists of a 14-gate replacement passenger terminal of 355,000 square feet, associated aircraft ramp, public and staff parking facilities, ground service equipment and cargo support facilities, a new terminal loop roadway, and demolition of the existing 14-gate passenger terminal.

The Authority reinstated the RPT project in September 2021 after an 18-month suspension and in May 2022, Jacobs Project Management Inc. assumed program management of the project. Since then, the Authority received five statements of qualifications from its Request for Qualifications from which a shortlist of three progressive-design build teams were selected. These three firms were invited to submit responses to a Request for Proposal and all three firms have recently provided responsive submittals. On December 19, 2022, the Authority awarded a design-build agreement to Holder, Pankow, TEC Joint Venture (HPTJV) and authorized HPTJV to proceed with Phase 1, design and pre-construction services, of the RPT project.



# **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

## **Management's Discussion and Analysis**

**June 30, 2022 and 2021**

**(Unaudited)**

As to the financing of the project, subject to validation of the project costs by the selected progressive design-build team, the project is estimated at approximately \$1.13 billion with a potential completion in October 2026. The plan of finance to support the project is under development, and the Authority has identified potential sources of funds such as federal grants, both from the Infrastructure Investment and Jobs Act (IIJA) and FAA's Airport Improvement Program, Passenger Facility Charges, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program, Authority cash contribution, and issuance of public debt to be determined in FY 2024.

### ***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.

**This page left blank intentionally**

## **BASIC FINANCIAL STATEMENTS**

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Statements of Net Position

June 30, 2022 and 2021

Assets	2022	2021
Current unrestricted assets:		
Cash and investments – operating fund (note 3)	\$ 35,350,451	\$ 39,076,395
Grants receivable	2,687,088	6,273,403
Leases receivable (note 7)	4,065,850	1,922,442
Accounts receivable, net of allowance	3,481,679	3,063,505
Accrued interest receivable	1,180,988	1,277,051
Prepaid expenses	417,446	229,496
Total current unrestricted assets	47,183,502	51,842,292
Current restricted assets:		
Cash and investments (note 3):		
Cash and investments held by bond trustee	15,477,881	15,337,815
Other restricted cash and investments:		
Operating Reserve Fund	12,231,156	12,231,156
Bond Surplus Fund	2,601,563	2,601,563
Authority Areas Reserve	3,400,497	3,316,569
Asset Forfeiture Fund	24,615	24,298
Proceeds from sale of Airport property	2,104,502	2,104,502
Passenger Facility Charge Fund	58,246,886	51,139,226
Customer Facility Charge Fund	1,831,820	1,797,200
Total other restricted cash and investments	80,441,039	73,214,514
Total restricted cash and investments	95,918,920	88,552,329
Passenger Facility Charge receivables	1,179,744	1,233,320
Customer Facility Charge receivables	437,240	335,981
Accrued interest receivable	296,376	290,969
Total current restricted assets	97,832,280	90,412,599
Noncurrent unrestricted assets:		
Leases receivable (note 7)	10,244,382	5,710,548
2015 Bonds debt service reserve surety (note 5)	9,455	14,183
Cash and investments – Facility Development Reserve (note 3)	200,132,453	180,132,453
Capital assets (note 4):		
Land	160,065,894	160,065,894
Other nondepreciable capital assets	1,128,515	1,128,515
Construction in progress	10,006,984	2,698,604
Buildings and improvements	255,846,105	255,846,105
Runways and improvements	149,020,913	149,020,913
Machinery and equipment	38,199,756	36,893,349
Less accumulated depreciation	(309,460,696)	(293,069,153)
Total capital assets, net	304,807,471	312,584,227
Total assets	660,209,543	640,696,302

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Statements of Net Position

June 30, 2022 and 2021

(Continued)

<b>Liabilities</b>	<b>2022</b>	<b>2021</b>
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,452,774	\$ 6,547,225
Salaries and benefits payable	1,230,400	1,354,309
Unearned revenue	1,445,881	2,038,479
Customer deposits	1,543,480	1,449,294
Total current liabilities	11,672,535	11,389,307
Liabilities payable from restricted assets:		
Current portion of long-term debt (note 5)	5,810,000	5,550,000
Accrued interest payable	2,293,228	2,424,152
Total liabilities payable from restricted assets	8,103,228	7,974,152
Long-term debt, net of current portion (note 5):		
Revenue bonds payable, less current portion	77,370,000	83,180,000
Original issue premium, net	1,066,675	1,543,912
Total long-term liabilities	78,436,675	84,723,912
Total liabilities	98,212,438	104,087,371
<b>Deferred Inflows of Resources</b>		
Deferred inflows - leases (note 7)	14,310,232	7,632,990
Deferred amount on refunding of 2005 Bonds (note 5)	204,018	306,027
Total deferred inflows of resources	14,514,250	7,939,017
<b>Net Position</b>		
Net investment in capital assets	226,527,174	228,168,126
Restricted:		
Debt service	21,857,596	21,582,760
Capital projects	64,085,949	56,900,982
Federal asset seizure	24,615	24,298
Other purposes	3,400,497	3,316,569
Unrestricted	231,587,024	218,677,179
Total net position	\$ 547,482,855	\$ 528,669,914

See accompanying notes to basic financial statements.

**This page left blank intentionally**

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Charges for services:		
Parking	\$ 25,174,110	\$ 8,526,479
Landing fees	4,055,176	2,139,159
Concessions	12,506,117	4,871,064
Tenant rent	18,122,079	16,963,475
Ground transportation	2,815,018	948,286
Fuel flowage fees	604,992	481,963
Other operating revenues	1,435,288	484,901
Total operating revenues	<u>64,712,780</u>	<u>34,415,327</u>
Operating expenses:		
Contracted airport services	20,871,769	18,269,154
Salaries and benefits	6,362,897	6,301,997
Financial services	1,788,161	776,346
Rescue services	3,591,874	3,345,417
Materials and supplies	365,869	348,613
Repairs and maintenance	5,752,810	4,693,372
Utilities	1,942,277	1,715,301
Professional services	3,180,213	2,490,812
Insurance	1,337,733	1,353,231
Other operating expenses	4,020,804	1,609,079
Total operating expenses before depreciation	<u>49,214,407</u>	<u>40,903,322</u>
Operating income (loss) before depreciation	15,498,373	(6,487,995)
Depreciation (note 4)	16,391,543	17,126,358
Operating loss	<u>(893,170)</u>	<u>(23,614,353)</u>
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest (note 8)	9,687,636	4,195,443
Customer Facility Charge revenue (note 9)	4,682,637	2,347,750
Investment income, net	(7,282,192)	438,124
Interest income (note 7)	519,784	282,169
Interest expense	(4,011,938)	(4,273,787)
Sound insulation program	(2,350)	(2,063)
Other noncapital grants	8,878,981	10,587,540
Replacement terminal development	—	(1,071,319)
Total nonoperating revenues, net	<u>12,472,558</u>	<u>12,503,857</u>
Income (loss) before capital contributions	11,579,388	(11,110,496)
Capital contributions	7,233,553	12,730,126
Changes in net position	18,812,941	1,619,630
Total net position – beginning of year	528,669,914	527,050,284
Total net position – end of year	<u>\$ 547,482,855</u>	<u>\$ 528,669,914</u>

See accompanying notes to basic financial statements.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	\$ 63,798,726	\$ 34,848,337
Cash paid to suppliers of goods and services	(41,196,074)	(33,321,854)
Cash paid for employees' services	(6,486,803)	(6,150,673)
Cash paid for parking taxes to the City of Burbank	(2,283,251)	(586,761)
Cash received (paid) for replacement terminal development	316,211	(925,403)
Cash paid for tenant leasehold improvements	(13,765)	(19,320)
Net cash provided by (used in) operating activities	<u>14,135,044</u>	<u>(6,155,674)</u>
Cash flows from noncapital financing activities:		
Sound insulation program	(2,350)	(2,063)
Other noncapital grants	10,988,293	9,466,637
Net cash provided by noncapital financing activities	<u>10,985,943</u>	<u>9,464,574</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(7,574,356)	(3,760,261)
Principal paid on revenue bonds	(5,550,000)	(5,310,000)
Interest paid on revenue bonds	(4,717,380)	(4,971,781)
Interest received on leases	519,784	282,169
Passenger Facility Charge program receipts	11,456,385	2,905,587
Customer Facility Charge program receipts	4,581,378	2,182,234
Capital contributions received	8,710,556	10,983,336
Net cash provided by capital and related financing activities	<u>7,426,367</u>	<u>2,311,284</u>
Cash flows from investing activities:		
Interest received on investments	6,217,558	5,912,966
Purchases of investments not considered cash equivalents	(29,063,393)	(5,237,242)
Proceeds from the sale or maturity of investments not considered cash equivalents	8,540	10,841
Net cash provided by (used in) investing activities	<u>(22,837,295)</u>	<u>686,565</u>
Net increase in cash and cash equivalents	9,710,059	6,306,749
Cash and cash equivalents, beginning of year	<u>24,534,085</u>	<u>18,227,336</u>
Cash and cash equivalents, end of year	<u>\$ 34,244,144</u>	<u>\$ 24,534,085</u>



# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Continued)

	<u>2022</u>	<u>2021</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (893,170)	\$ (23,614,353)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	16,391,543	17,126,358
Other nonoperating expenses	—	(1,071,319)
Changes in assets and liabilities:		
Accounts receivable	(418,174)	(698,724)
Prepaid expenses	(187,951)	122,798
Accounts payable and accrued expenses	(134,886)	789,365
Salaries and benefits payable	(123,906)	151,325
Unearned revenue	(592,598)	648,463
Customer deposits	94,186	390,413
Net cash provided by (used in) operating activities	<u>\$ 14,135,044</u>	<u>\$ (6,155,674)</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Operating fund	\$ 35,350,451	\$ 39,076,395
Restricted cash and investments	95,918,920	88,552,329
Facility Development Reserve	200,132,453	180,132,453
Cash, cash equivalents, and investments	<u>331,401,824</u>	<u>307,761,177</u>
Investments not considered cash equivalents	<u>(297,157,680)</u>	<u>(283,227,092)</u>
Cash and cash equivalents, end of year (note 3)	<u>\$ 34,244,144</u>	<u>\$ 24,534,085</u>
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	(15,124,266)	5,482,090
Capital assets acquired by accounts payable	(1,058,067)	(17,636)
Net change in lease receivable on lessor lease transactions	(6,677,242)	(7,632,990)
Net change in grants receivable related to federal awards	2,865,893	(736,941)

See accompanying notes to basic financial statements.

**This page left blank intentionally**

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (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.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021, net positions of \$63,654,996 and \$56,337,765, 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,

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

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 was fully expended by June 30, 2021.

In April 2021, the Authority received additional grants in the amount of \$7,674,141 as part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). Finally, in June 2021, the Authority was awarded \$23,309,547 as part of the American Rescue Plan Act (ARPA). CRRSAA grant funds, except for the \$640,106 related to concession relief, was fully expended in FY 2022. ARPA grant funds of \$7,829,131 were expended in FY 2022.

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.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

#### (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, 2022 and 2021, 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, 2022 and 2021 is \$4,835,771 and \$4,794,131, respectively, for the 2012 Bonds, and \$4,317,777 and \$4,225,943, 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, 2022 and 2021, 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

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

Debt Service Reserve Fund for the 2005 Bonds at June 30, 2022 and 2021 is \$153,938 and \$153,903, respectively. The balance in the Debt Service Reserve Fund for the 2012 Bonds at June 30, 2022 and 2021 is \$6,170,330 and \$6,163,773, 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, 2022 and 2021 is \$12,231,156 and \$12,231,156, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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 2012 Bonds and 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, 2022 and 2021.
- **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, 2022 and 2021, there is

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

\$62 and \$62 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 2022, \$20,000,000 of excess revenues were 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. Depreciation is recognized in amounts calculated to amortize the cost of the depreciable assets over their estimated useful lives.



## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

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 Personal 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 personal leave for the years ended June 30, 2022 and 2021, was \$871,509 and \$922,340, 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

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

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

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

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) Accounting Pronouncements Adopted During the Fiscal Year**

The following accounting pronouncements were issued by the Governmental Accounting Standards Board (GASB), and were implemented by the Authority during the fiscal year ended June 30, 2022:

- GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, with certain exceptions for leases subject to external laws, regulations, or legal rulings, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 was implemented effective July 1, 2020. Please refer to Note 7.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund, and fiduciary fund. GASB Statement No. 89 is effective for the Authority's fiscal year ended June 30, 2022. Application of GASB Statement No. 89 did not have any financial impact for the Authority.
- GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics and includes specific provisions about the following: The effective date of GASB Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, as amended, and Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; Measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

nonrecurring fair value measurements of assets or liabilities in authoritative literature; Terminology used to refer to derivative instruments. GASB Statement No. 92 is effective for the Authority's fiscal year ended June 30, 2022. Application of GASB Statement No. 92 did not have any financial impact for the Authority.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses referenced rates and other accounting and financial reporting implications that result from the replacement of in interbank offered rate as the London Interbank Offered Rate (LIBOR) ceased to exist at the end of 2021. GASB Statement No. 93 is effective for the Authority's fiscal year ended June 30, 2022. Application of GASB Statement No. 93 did not have any financial impact for the Authority.
- GASB Statement No. 99, *Omnibus 2022*. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of the LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to GASB Statement 53 and Statement 63 are effective upon issuance. Application of these requirements did not have any impact for the Authority. Other requirements related to leases, Public-Private Partnerships (PPPs) and Availability Payment Arrangements, Subscription-Based Information Technology Arrangements (SBITAs), financial guarantees, and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for future fiscal years and were not implemented as of June 30, 2022.

#### **(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, 2022. The Authority is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 91, *Conduit Debt Obligations*, effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 94, *Public-Private and Public-Private 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. 99, *Omnibus 2022*. The requirements related to leases, PPPs and Availability Payment Arrangements, and SBITAs are effective for the Airport's fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Airport's fiscal year ending June 30, 2024.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

- GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective for the fiscal year ending June 30, 2024.
- GASB Statement No. 101, *Compensated Absences*, effective for the fiscal year ending June 30, 2025.

**(t) *Reclassification of Prior Year Presentation***

Certain reclassifications have been made to the FY 2021 Basic Financial Statements to conform with the current year's presentation that reflects the implementation of an accounting pronouncement. Such reclassifications had no effect on net position or change in net position.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (3) Cash and Investments

#### (a) Cash and Investments

- (i) Cash and investments at June 30, 2022 and 2021 are classified in the accompanying statements of net position as follows:

	<u>2022</u>	<u>2021</u>
Cash and investments – current assets:		
Operating fund	\$ 35,350,451	\$ 39,076,395
Cash and investments – restricted assets:		
Cash and investments held by bond trustee:		
Debt service reserve fund – 2005 Bonds	153,938	153,903
Debt service fund – 2012 Bonds	4,835,771	4,794,131
Debt service reserve fund – 2012 Bonds	6,170,330	6,163,773
Construction funds – 2012 Bonds	65	65
Debt service fund – 2015 Bonds	4,317,777	4,225,943
Total cash and investments held by bond trustee	<u>15,477,881</u>	<u>15,337,815</u>
Other restricted cash and investments:		
Operating Reserve fund	12,231,156	12,231,156
Bond Surplus fund	2,601,563	2,601,563
Authority Areas Reserve fund	3,400,497	3,316,569
Asset Forfeiture fund	24,615	24,298
Proceeds from sale of Airport property	2,104,502	2,104,502
Passenger Facility Charge fund	58,246,886	51,139,226
Customer Facility Charge fund	1,831,820	1,797,200
Total other restricted cash and investments	<u>80,441,039</u>	<u>73,214,514</u>
Total cash and investments – restricted assets	<u>95,918,920</u>	<u>88,552,329</u>
Cash and investments – Facility Development Reserve	<u>200,132,453</u>	<u>180,132,453</u>
Total cash and investments	<u>\$ 331,401,824</u>	<u>\$ 307,761,177</u>

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

(ii) Cash and investments as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Operating portfolio cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	8,884,554	6,221,367
Money market mutual funds	1,173,315	644,302
LAIF	18,871,837	13,076,994
Total cash and cash equivalents	<u>28,930,206</u>	<u>19,943,163</u>
Investments:		
U.S. Treasury securities	80,821,375	78,242,175
U.S. Agency securities	80,183,129	77,534,173
Medium-term corporate notes	65,910,527	63,767,425
Total investments	<u>226,915,031</u>	<u>219,543,773</u>
Total cash and cash equivalents and investments in operating portfolio	<u>255,845,237</u>	<u>239,486,936</u>
Passenger Facility Charge Fund:		
Cash and cash equivalents:		
Deposits with financial institutions	3,068,157	2,622,786
Money market mutual funds	413,961	170,936
Total cash and cash equivalents	<u>3,482,118</u>	<u>2,793,722</u>
Investments:		
U.S. Treasury securities	19,461,281	17,240,483
U.S. Agency securities	19,406,440	17,071,970
Medium-term corporate notes	15,897,047	14,033,051
Total investments	<u>54,764,768</u>	<u>48,345,504</u>
Total cash and cash equivalents and investments in passenger facility charge fund	<u>58,246,886</u>	<u>51,139,226</u>
Customer Facility Charge Fund:		
Deposits with financial institutions	<u>1,831,820</u>	<u>1,797,200</u>
Investments held by bond trustee:		
Money market mutual funds	<u>15,477,881</u>	<u>15,337,815</u>
Total cash and cash equivalents and investments	<u>\$ 331,401,824</u>	<u>\$ 307,761,177</u>

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Summary of cash and investments:		
Cash and cash equivalents:		
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	13,784,531	10,641,353
Money market mutual funds	1,587,276	815,238
LAIF	18,871,837	13,076,994
Total cash and cash equivalents	<u>34,244,144</u>	<u>24,534,085</u>
Investments:		
U.S. Treasury securities	100,282,656	95,482,658
U.S. Agency securities	99,589,569	94,606,143
Medium-term corporate notes	81,807,574	77,800,476
Money market mutual funds held by bond trustee	15,477,881	15,337,815
Total investments	<u>297,157,680</u>	<u>283,227,092</u>
Total cash and cash equivalents and investments	<u>\$ 331,401,824</u>	<u>\$ 307,761,177</u>

Cash balances, except for those held by the Trustee, held in the Authority's payroll account or held as petty cash are pooled for deposit and investment purposes. Cash and investments funds are classified under the general headings of "restricted" or "unrestricted." The Authority has designated separate restricted funds to carry on specific activities in accordance with special regulations, bond covenants, or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets, and operations and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds.

**(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.



# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

Authorized investment type	Maximum maturity	Maximum percentage of portfolio <sup>a</sup>	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

# **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

## **Notes to Basic Financial Statements**

June 30, 2022 and 2021

### **(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 1.6 years. The Authority also employs a “buy and hold” investment strategy whereby investments are held to maturity and redeemed at par. This strategy limits the Authority’s exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

The weighted average maturity of each authorized investment type by pool at June 30, 2022 and 2021 are as follows:

Authorized investment type	June 30, 2022		June 30, 2021	
	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	\$ 80,821,375	1.29	\$ 78,242,175	2.01
U.S. Agency securities	80,183,129	2.13	77,534,173	1.64
Medium-term corporate notes	65,910,527	1.87	63,767,425	2.05
Total operating portfolio investments	226,915,031	1.76	219,543,773	1.89
Operating portfolio cash equivalents:				
Money market mutual funds	1,173,315	0.09	644,302	0.09
LAIF	18,871,837	0.86	13,076,994	0.81
Total operating portfolio cash equivalents	20,045,152	0.81	13,721,296	0.78
Total operating portfolio cash equivalents and investments	246,960,183	1.68	233,265,069	1.82
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	19,461,281	1.31	17,240,483	1.71
U.S. Agency securities	19,406,440	2.07	17,071,970	1.86
Medium-term corporate notes	15,897,047	1.92	14,033,051	1.96
Total PFC Fund investments	54,764,768	1.76	48,345,504	1.84
PFC Fund cash equivalents – money market mutual funds	413,961	0.09	170,936	0.09
Total PFC Fund cash equivalents and investments	55,178,729	1.75	48,516,440	1.83
Investments held by bond trustee:				
Money market mutual funds	15,477,881	0.09	15,337,815	0.09
Total investments held by bond trustee	15,477,881	0.09	15,337,815	0.09
Total cash equivalents and investments	\$ 317,616,793	1.61	\$ 297,119,324	1.73

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

**(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, 2022 and 2021 for each investment type.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

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, 2022:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	\$ 80,821,375	N/A	\$ 80,821,375	\$ —	\$ —	\$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	3,158,525	N/A	—	—	3,158,525	—
Fed. Home Loan Bank	22,356,485	N/A	—	—	22,356,485	—
Fed. Home Loan Mort. Corp.	12,961,280	N/A	—	—	12,961,280	—
Fed. National Mort. Assn.	41,706,839	N/A	—	—	41,706,839	—
Total U.S. Agency securities	80,183,129		—	—	80,183,129	—
Medium-term corporate notes	65,910,527	A	—	—	10,679,929	55,230,598
Total operating portfolio investments	226,915,031		80,821,375	—	90,863,058	55,230,598
Operating portfolio cash equivalents:						
Money market mutual funds	1,173,315	AAA	—	1,173,315	—	—
LAIF	18,871,837	N/A	18,871,837	—	—	—
Total operating portfolio cash equivalents	20,045,152		18,871,837	1,173,315	—	—
Total operating portfolio cash equivalents and investments	246,960,183		99,693,212	1,173,315	90,863,058	55,230,598
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	19,461,281	N/A	19,461,281	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	1,645,375	N/A	—	—	1,645,375	—
Fed. Home Loan Bank	3,470,493	N/A	—	—	3,470,493	—
Fed. Home Loan Mort. Corp.	3,551,933	N/A	—	—	3,551,933	—
Fed. National Mort. Assn.	10,738,639	N/A	—	—	10,738,639	—
Total U.S. Agency securities	19,406,440		—	—	19,406,440	—
Medium-term corporate notes	15,897,047	A	—	—	2,696,877	13,200,170
Total PFC Fund investments	54,764,768		19,461,281	—	22,103,317	13,200,170
PFC Fund cash equivalents:						
Money market mutual funds	413,961	AAA	—	413,961	—	—
Total PFC Fund cash equivalents and investments	55,178,729		19,461,281	413,961	22,103,317	13,200,170
Investments held by bond trustee:						
Money market mutual funds	15,477,881	AAA	—	15,477,881	—	—
Total investments bond trustee	15,477,881		—	15,477,881	—	—
Total cash equivalents and investments	\$ 317,616,793		\$ 119,154,493	\$ 17,065,157	\$ 112,966,375	\$ 68,430,768

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

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, 2021:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	\$ 78,242,175	N/A	\$ 78,242,175	\$ —	\$ —	\$ —
U.S. Agency securities:						
Fed. Home Loan Bank	26,395,281	N/A	—	—	26,395,281	—
Fed. Home Loan Mort. Corp.	15,297,174	N/A	—	—	15,297,174	—
Fed. National Mort. Assn.	35,841,718	N/A	—	—	35,841,718	—
Total U.S. Agency securities						
	77,534,173		—	—	77,534,173	—
Medium-term corporate notes	63,767,425	A	—	1,239,160	9,669,810	52,858,455
Total operating portfolio investments						
	219,543,773		78,242,175	1,239,160	87,203,983	52,858,455
Operating portfolio cash equivalents:						
Money market mutual funds	644,302	AAA	—	644,302	—	—
LAIF	13,076,994	N/A	13,076,994	—	—	—
Total operating portfolio cash equivalents						
	13,721,296		13,076,994	644,302	—	—
Total operating portfolio cash equivalents and investments						
	233,265,069		91,319,169	1,883,462	87,203,983	52,858,455
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	17,240,483	N/A	17,240,483	—	—	—
U.S. Agency securities:						
Fed. Home Loan Bank	4,170,377	N/A	—	—	4,170,377	—
Fed. Home Loan Mort. Corp.	3,763,691	N/A	—	—	3,763,691	—
Fed. National Mort. Assn.	9,137,902	N/A	—	—	9,137,902	—
Total U.S. Agency securities						
	17,071,970		—	—	17,071,970	—
Medium-term corporate notes	14,033,051	A	—	303,468	1,902,787	11,826,796
Total PFC Fund investments						
	48,345,504		17,240,483	303,468	18,974,757	11,826,796
PFC Fund cash equivalents:						
Money market mutual funds	170,936	AAA	—	170,936	—	—
Total PFC Fund cash equivalents and investments						
	48,516,440		17,240,483	474,404	18,974,757	11,826,796
Investments held by bond trustee:						
Money market mutual funds	15,337,815	AAA	—	15,337,815	—	—
Total investments bond trustee						
	15,337,815		—	15,337,815	—	—
Total cash equivalents and investments						
	\$ 297,119,324		\$ 108,559,652	\$ 17,695,681	\$ 106,178,740	\$ 64,685,251

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (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, 2022 and 2021:

Authorized investment type	June 30, 2022				June 30, 2021			
	Total	Level 1	Level 2	Not Levelled	Total	Level 1	Level 2	Not Levelled
Operating portfolio cash equivalents and investments:								
Operating portfolio investments:								
U.S. Treasury securities	\$ 80,821,375	\$ 80,821,375	\$ —	\$ —	\$ 78,242,175	\$ 78,242,175	\$ —	\$ —
U.S. Agency securities:								
Fed. Farm Credit Bank	3,158,525	—	3,158,525	—	—	—	—	—
Fed. Home Loan Bank	22,356,485	—	22,356,485	—	26,395,281	—	26,395,281	—
Fed. Home Loan Mort. Corp.	12,961,280	—	12,961,280	—	15,297,174	—	15,297,174	—
Fed. National Mort. Assn.	41,706,839	—	41,706,839	—	35,841,718	—	35,841,718	—
Total U.S. Agency securities	80,183,129	—	80,183,129	—	77,534,173	—	77,534,173	—
Medium-term corporate notes	65,910,527	—	65,910,527	—	63,767,425	—	63,767,425	—
Total Operating portfolio investments	226,915,031	80,821,375	146,093,656	—	219,543,773	78,242,175	141,301,598	—
Operating portfolio cash equivalents:								
Money market mutual funds	1,173,315	—	1,173,315	—	644,302	—	644,302	—
LAIF	18,871,837	—	—	18,871,837	13,076,994	—	—	13,076,994
Total Operating portfolio cash equivalents	20,045,152	—	1,173,315	18,871,837	13,721,296	—	644,302	13,076,994
Total Operating portfolio cash equivalents and investments	246,960,183	80,821,375	147,266,971	18,871,837	233,265,069	78,242,175	141,945,900	13,076,994

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

Authorized investment type	June 30, 2022				June 30, 2021			
	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	19,461,281	19,461,281	—	—	17,240,483	17,240,483	—	—
U.S. Agency securities:								
Fed. Farm Credit Bank	1,645,375	—	1,645,375	—	—	—	—	—
Fed. Home Loan Bank	3,470,493	—	3,470,493	—	4,170,377	—	4,170,377	—
Fed. Home Loan Mort. Corp.	3,551,933	—	3,551,933	—	3,763,691	—	3,763,691	—
Fed. National Mort. Assn.	10,738,639	—	10,738,639	—	9,137,902	—	9,137,902	—
Total U.S. Agency securities	19,406,440	—	19,406,440	—	17,071,970	—	17,071,970	—
Medium-term corporate notes	15,897,047	—	15,897,047	—	14,033,051	—	14,033,051	—
Total PFC Fund investments	54,764,768	19,461,281	35,303,487	—	48,345,504	17,240,483	31,105,021	—
PFC Fund cash equivalents – money market mutual funds	413,961	—	413,961	—	170,936	—	170,936	—
Total PFC Fund cash equivalents and investments	55,178,729	19,461,281	35,717,448	—	48,516,440	17,240,483	31,275,957	—
Investments held by bond trustee:								
Money market mutual funds	15,477,881	—	15,477,881	—	15,337,815	—	15,337,815	—
Total investments bond trustee	15,477,881	—	15,477,881	—	15,337,815	—	15,337,815	—
Total cash equivalents and investments	<u>\$ 317,616,793</u>	<u>\$ 100,282,656</u>	<u>\$ 198,462,300</u>	<u>\$ 18,871,837</u>	<u>\$ 297,119,324</u>	<u>\$ 95,482,658</u>	<u>\$ 188,559,672</u>	<u>\$ 13,076,994</u>



# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (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,			
		2022		2021	
		Amount	Fund %	Amount	Fund %
Operating portfolio investments:					
Federal National Mortgage Association	U.S. Agency securities	\$ 41,706,839	18.29%	\$ 35,841,718	16.28%
Federal Home Loan Bank	U.S. Agency securities	22,356,485	9.80	26,395,281	11.99
Federal Home Loan Mortgage Corp.	U.S. Agency securities	12,961,280	5.68	15,297,174	6.95
Passenger Facility Charge Fund investments:					
Federal National Mortgage Association	U.S. Agency securities	10,738,639	19.46	9,137,902	18.83
Federal Home Loan Mortgage Corp.	U.S. Agency securities	3,551,933	6.44	3,763,691	7.76
Federal Home Loan Bank	U.S. Agency securities	3,470,493	6.29	4,170,377	8.60

### (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.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

At June 30, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Cash deposits:		
Insured	\$ 250,000	\$ 250,000
Uninsured, collateral held in the Authority's name	<u>14,760,317</u>	<u>10,937,945</u>
Total cash deposits	15,010,317	11,187,945
Plus deposits in transit	87,268	224,779
Less outstanding checks	<u>(1,313,054)</u>	<u>(771,371)</u>
Carrying amount of cash deposits	<u>\$ 13,784,531</u>	<u>\$ 10,641,353</u>

Investments and money market mutual funds in the Operating portfolio and Passenger Facility Charge Fund portfolio were held in the Authority's name by the trust department of the bank broker-dealer (counter-party) that was used by the Authority to buy the securities and mutual funds.

**(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, which is different from the fair value of the Authority's position in the LAIF pool. As of June 30, 2022 and 2021, the total amount invested by all California local governments and special districts in LAIF was \$35.8 billion and \$37.1 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2022 and 2021 had a balance of \$231.6 billion and \$193.5 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the Code.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (4) Capital Assets

Changes in capital assets for the year ended June 30, 2022 were as follows:

	July 1, 2021	Additions	Deletions	June 30, 2022
Capital assets not being depreciated:				
Land	\$ 160,065,894	\$ —	\$ —	\$ 160,065,894
Other non-depreciable assets	1,128,515	—	—	1,128,515
Construction in progress	2,698,604	8,614,787	(1,306,407)	10,006,984
Total capital assets not being depreciated	163,893,013	8,614,787	(1,306,407)	171,201,393
Capital assets being depreciated/ amortized:				
Building and improvements	255,846,105	—	—	255,846,105
Runways and improvements	149,020,913	—	—	149,020,913
Machinery and equipment	36,893,349	1,306,407	—	38,199,756
Total capital assets being depreciated/ amortized	441,760,367	1,306,407	—	443,066,774
Less accumulated depreciation/ amortization for:				
Building and improvements	(152,566,682)	(8,173,519)	—	(160,740,201)
Runways and improvements	(106,206,799)	(1,021,945)	—	(107,228,744)
Machinery and equipment	(34,295,672)	(7,196,079)	—	(41,491,751)
Total accumulated depreciation/ amortization	(293,069,153)	(16,391,543)	—	(309,460,696)
Total capital assets being depreciated/ amortized, net	148,691,214	(15,085,136)	—	133,606,078
Total capital assets, net	<u>\$ 312,584,227</u>	<u>\$ (6,470,349)</u>	<u>\$ (1,306,407)</u>	<u>\$ 304,807,471</u>

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

Changes in capital assets for the year ended June 30, 2021 were as follows:

	July 1, 2020	Additions	Deletions	June 30, 2021
Capital assets not being depreciated:				
Land	\$ 160,065,894	\$ —	\$ —	\$ 160,065,894
Other non-depreciable assets	1,128,515	—	—	1,128,515
Construction in progress	3,100,763	3,492,986	(3,895,145)	2,698,604
Total capital assets not being depreciated	164,295,172	3,492,986	(3,895,145)	163,893,013
Capital assets being depreciated/ amortized:				
Building and improvements	255,815,393	30,712	—	255,846,105
Runways and improvements	145,430,779	3,590,134	—	149,020,913
Machinery and equipment	37,192,736	274,299	(573,686)	36,893,349
Total capital assets being depreciated/ amortized	438,438,908	3,895,145	(573,686)	441,760,367
Less accumulated depreciation/ amortization for:				
Building and improvements	(144,209,231)	(8,357,451)	—	(152,566,682)
Runways and improvements	(98,507,548)	(7,699,251)	—	(106,206,799)
Machinery and equipment	(33,799,702)	(1,069,656)	573,686	(34,295,672)
Total accumulated depreciation/ amortization	(276,516,481)	(17,126,358)	573,686	(293,069,153)
Total capital assets being depreciated/ amortized, net	161,922,427	(13,231,213)	—	148,691,214
Total capital assets, net	<u>\$ 326,217,599</u>	<u>\$ (9,738,227)</u>	<u>\$ (3,895,145)</u>	<u>\$ 312,584,227</u>

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (5) Long-Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2022 and 2021:

	Beginning balance	Additions	Deductions	Ending balance	Due within one year
Year ended June 30, 2022:					
Revenue bonds payable:					
2012 Revenue Bonds:					
2012 Series A	\$ 6,715,000	\$ —	\$ —	\$ 6,715,000	\$ —
2012 Taxable Series B	65,830,000	—	(1,795,000)	64,035,000	1,870,000
Plus deferred amounts for original issue premium	130,901	—	(6,233)	124,668	—
2015 Revenue Bonds:					
2015 Series B	16,185,000	—	(3,755,000)	12,430,000	3,940,000
Plus deferred amounts for original issue premium	1,413,011	—	(471,004)	942,007	—
Total long-term debt payable	<u>\$ 90,273,912</u>	<u>\$ —</u>	<u>\$ (6,027,237)</u>	<u>\$ 84,246,675</u>	<u>\$ 5,810,000</u>
Year ended June 30, 2021:					
Revenue bonds payable:					
2012 Revenue Bonds:					
2012 Series A	\$ 6,715,000	\$ —	\$ —	\$ 6,715,000	\$ —
2012 Taxable Series B	67,560,000	—	(1,730,000)	65,830,000	1,795,000
Plus deferred amounts for original issue premium	137,135	—	(6,234)	130,901	—
2015 Revenue Bonds:					
2015 Series B	19,765,000	—	(3,580,000)	16,185,000	3,755,000
Plus deferred amounts for original issue premium	1,884,014	—	(471,003)	1,413,011	—
Total long-term debt payable	<u>\$ 96,061,149</u>	<u>\$ —</u>	<u>\$ (5,787,237)</u>	<u>\$ 90,273,912</u>	<u>\$ 5,550,000</u>

#### (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.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

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) were paid in two annual installments on July 1, 2016 and July 1, 2017 at an interest rate of 3.000% and 4.000%, respectively. 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.

# **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

## **Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

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 re-acquisition 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, 2022 and 2021 is \$204,018 and \$306,027, 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, 2022 and 2021 is \$9,455 and \$14,183, respectively.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (c) *Annual Debt Service Requirements to Maturity*

Revenue bond debt service requirements to maturity are as follows:

	2012 Bonds		2015 Bonds		Total		Total debt service
	Principal	Interest	Principal	Interest	Principal	Interest	
Payable in year ending							
June 30:							
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	2,170,000	3,602,787	—	—	2,170,000	3,602,787	5,772,787
2027	2,290,000	3,478,754	—	—	2,290,000	3,478,754	5,768,754
2028 – 2032	13,520,000	15,276,594	—	—	13,520,000	15,276,594	28,796,594
2033 – 2037	17,770,000	10,885,064	—	—	17,770,000	10,885,064	28,655,064
2038 – 2042	23,565,000	4,926,390	—	—	23,565,000	4,926,390	28,491,390
2043	5,560,000	139,000	—	—	5,560,000	139,000	5,699,000
Total principal and interest to maturity	70,750,000	<u>\$ 49,785,960</u>	12,430,000	<u>\$ 952,750</u>	83,180,000	<u>\$ 50,738,710</u>	133,918,710
Unamortized portion of:							
Original issue premium	124,668		942,007		1,066,675		1,066,675
Less current portion of principal	<u>(1,870,000)</u>		<u>(3,940,000)</u>		<u>(5,810,000)</u>		<u>(5,810,000)</u>
Total long-term portion of revenue bonds payable	<u>\$ 69,004,668</u>		<u>\$ 9,432,007</u>		<u>\$ 78,436,675</u>		<u>\$ 129,175,385</u>

### (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).



# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

The computation of the coverage rate covenant and general rate covenant as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Net Revenues	\$ 23,603,444	\$ 12,049,709
Transfers to Surplus Fund	2,599,114	2,599,576
Net Pledged Revenues	<u>\$ 26,202,558</u>	<u>\$ 14,649,285</u>
Accrued debt service on 2012 Bonds	\$ 5,834,956	\$ 5,834,054
Less: Customer Facility Charges collected and deposited to the debt service fund	(4,581,381)	(2,182,234)
Accrued debt service on 2015 Bonds	<u>4,561,500</u>	<u>4,564,250</u>
Net accrued debt service on parity obligations	<u>\$ 5,815,075</u>	<u>\$ 8,216,070</u>
Ratio of Net Pledged Revenues to net accrued debt service on parity obligations	<u>4.51</u>	<u>1.78</u>
Net Revenues plus transfers to Surplus Fund	\$ 26,202,558	\$ 14,649,285
Less: transfers to Operating Reserve	—	—
Less: net accrued debt service on parity obligations	<u>(5,815,075)</u>	<u>(8,216,070)</u>
Excess of net revenues over net accrued debt service on parity obligations and transfers to Operating Reserve	<u>\$ 20,387,483</u>	<u>\$ 6,433,215</u>

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, 2022 of \$133,918,710. 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.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### **(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) employer-sponsored defined contribution 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 \$6,362,897 and \$6,301,997 for the years ended June 30, 2022 and 2021, respectively. The Authority's contributions have been calculated using the base salary plus overtime amount of \$4,809,813 and \$4,683,430 for the years ended June 30, 2022 and 2021, respectively. The Authority made the required accruals and contributions, amounting to \$299,676 and \$300,639 in the years ended June 30, 2022 and 2021, respectively.

### **(7) Leases**

As a lessor, the Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset to lessee. The Authority does not have any leases of assets held as investment or leases that transfer ownership of the underlying asset to lessee. As a lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. For the purposes of the GASB Statement No. 87 implementation, the Authority's leases have been categorized as follows:

1. Regulated Leases
2. Short-term and Variable Payment Leases
3. Other Leases

#### **(a) Regulated Leases**

The Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers and other aeronautical users. Regulated leases include the Airport Use Agreement and related airline leases, as well as contracts with Fixed Based Operators (FBOs), and aeronautical hangar leases.

## BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

### Notes to Basic Financial Statements

June 30, 2022 and 2021

In FY 2022 the Authority executed amendments to its Airport Use Agreements (AUA) with nine commercial airlines (Signatory Airlines), which are set to expire on June 30, 2025. The AUAs define the relationship between the Authority and the Signatory Airlines. In exchange for authorization to operate at the Airport, including within the passenger terminal, each Signatory Airline is responsible for costs of the Airport not covered by other Authority revenues such as concession fees, hangar rents, and parking revenues. The AUAs also stipulate joint use fees for common shared areas and equipment, office and storage spaces, cargo areas, and other air carrier operations support spaces to be used and paid for by each Signatory Airline. By definition, the Authority's AUAs are considered regulated leases and do not recognize a lease receivable and corresponding deferred inflow of resources.

The Authority also maintains other numerous aeronautical agreements that are considered regulated leases. These agreements include two FBOs that provide general aviation services and hangar leases for aircraft storage and cargo operations. Revenues from regulated leases of \$14,334,197 and \$13,272,845 were recorded in the years ended June 30, 2022 and 2021, respectively. These revenue are included in Tenant rent revenues on the Statement of Revenues, Expenses and Changes in Net Position.

#### **(b) *Short-term and Variable Payment Leases***

The Airport does not recognize a lease receivable and a deferred inflow of resources for short-term and variable payment leases. Short-term leases are certain leases that, at the commencement of the lease term, has a maximum possible term under the lease agreement of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Month-to-month leases are considered short-term. Variable payment leases are certain leases that are not based on fixed amount payments, but rather have a variable component such as payments based on a percentage of sales, provisions for reallocation of square footage, etc.

The Authority has various short-term leases for Airport property and land. These short-term leases are based on a month-to-month term. Revenues from short-term leases of \$1,435,424 and \$1,381,639 were recorded in the years ended June 30, 2022 and 2021, respectively. These revenues are included in Parking, Concessions, and Tenant rent revenues on the Statement of Revenues, Expenses and Changes in Net Position.

The Authority has various variable payment leases with in-terminal concessions and rental car companies. These leases have variable payments based on 1) activities, such as a percentage of sales or an amount per transaction, 2) annually adjusted rates, not based on an index such as the Consumer Price Index, and square footage re-allocations due to activity based metrics, and/or 3) a percentage of the prior year's total remitted amount. Revenues from variable payment leases of \$9,215,188 and \$5,887,420 were recorded in the years ended June 30, 2022 and 2021, respectively. These revenues are included in Concessions and Tenant rent revenues on the Statement of Revenues, Expenses and Changes in Net Position.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (c) **Other Leases**

The Authority recognizes a lease receivable and a deferred inflow of resources for leases the Authority, as the lessor, categorizes as in-scope of GASB Statement No. 87. The Authority has two main types of in-scope GASB Statement No. 87 leases: fixed payment concession leases and non-aeronautical property leases. Fixed payment concession leases include food and beverage, sundries, and advertising tenants at the Airport. Non-aeronautical property leases contain various leases for property and space that are used for non-aeronautical purposes such as vehicle and equipment storage.

The general terms of the fixed payment concession leases require the greater of a minimum annual guarantee (MAG), which is a fixed monthly amount increased annually by 3% or by defined terms based on an inflation index such as the Consumer Price Index (CPI), or a percentage of gross sales to be remitted by the lessee in exchange for the non-exclusive right, privilege and concession to conduct on-airport business. If the percentage of gross sales exceeds the MAG, the excess is remitted as over-MAG revenues.

The general terms of the Authority's non-aeronautical property leases are based on an amount per square footage or a defined annual base rent paid in monthly installments. These amounts are usually adjusted annually based on CPI.

In FY 2021, in response to the unprecedented negative impacts of the COVID-19 pandemic on passenger activity, the Authority provided relief to concessionaires directly affected by this extraordinary downturn in passenger activity at the Airport. Certain fixed payment concession leases were permitted to remit a percentage of gross receipts in lieu of their MAG, which normally consists of fixed monthly amounts that create a minimum floor amount that must be remitted to the Authority on a monthly basis. Non-aeronautical property leases were not provided this relief as their businesses were not directly affected by the downturn in passenger activity at the Airport. The relief was provided until June 30, 2021 and as of July 1, 2021 reverted back to a fixed monthly payment based on the greater of MAG or a percentage of gross sales. For the purposes of the GASB Statement No. 87 implementation, these concession leases were included in the lease receivable and deferred inflow of resources as of June 30, 2022.

At June 30, 2022 and 2021, the Authority's current lease receivables are \$4,065,850 and \$1,922,442, respectively, and noncurrent lease receivables are \$10,244,382 and \$5,710,548, respectively. For each of the fiscal years ended June 30, 2022 and 2021, the Authority reported lease revenue, included in Concessions and Tenant rent on the Statement of Revenues, Expenses and Changes in Net Position, of \$6,949,853 and \$2,243,710, respectively, of which \$2,402,573 and \$0, respectively, were related to over-MAG revenues. Additionally, for each fiscal years ended June 30, 2022 and 2021, the Authority reported interest income of \$519,784 and \$282,169, respectively, related to lease payments received.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

## Notes to Basic Financial Statements

June 30, 2022 and 2021

The future expected lease receivable and revenue balances for in-scope GASB Statement No. 87 leases are summarized as follows:

Fiscal year ending June 30:	Beginning Lease Receivable	Annual Lease Revenue	Ending Lease Receivable	Interest Revenue
2023	\$ 14,310,232	\$ 4,065,850	\$ 10,244,382	\$ 393,501
2024	10,244,382	3,580,829	6,663,553	267,097
2025	6,663,553	3,196,841	3,466,712	164,163
2026	3,466,712	2,904,498	562,214	64,247
2027	562,214	562,214	—	4,113

**(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, 2022 and 2021 totaled \$9,687,636 and \$4,195,443, respectively, including an investment loss, due to the change in fair market valuation, on the PFC investment portfolio of \$1,715,173 and investment income of \$110,198, respectively.

During the year ended June 30, 2022, funds totaling \$2,642,161 for eligible costs expended on PFC projects during FY 2022 were reimbursed to the Operating Fund from the PFC Fund. During the year ended June 30, 2021, funds totaling \$1,423,624 for eligible costs expended on PFC projects during FY 2021 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, 2022 and 2021 totaled \$4,682,637 and \$2,347,750, 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 \$4,581,381 and \$2,182,234 for the years ended June 30, 2022 and 2021, respectively. CFC revenues plus residual Facility Rent, as necessary, are used to pay debt service on the 2012 Bonds. The balance in the CFC Fund of \$1,831,820 is available for uses in accordance with the agreements between the Authority and the RACs for operation in the CRCF.

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

### (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, 2022 and 2021 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 \$2,678,382 and \$899,006 during the years ended June 30, 2022 and 2021, respectively. Amounts due to the City of Burbank for parking taxes were \$788,813 and \$393,682 at June 30, 2022 and 2021, 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, 2022 and 2021 totaling \$2,536,388 and \$2,300,627 (including amounts charged back to tenants of \$514,315 and \$488,783), respectively. Amounts due to Burbank Water and Power were \$228,719 and \$215,261 at June 30, 2022 and 2021, 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.

One lawsuit and claim, arising in the normal course of the Authority's operations, was pending at June 30, 2022. The Authority does not anticipate material adverse effects on the financial position of the Authority from the disposition of this lawsuit and claim:

#### **City of Los Angeles v. Federal Aviation Administration, Burbank-Glendale-Pasadena Airport Authority**

The City of Los Angeles is challenging the FAA Record of Decision approving the Environmental Impact Statement (EIS) for the Replacement Passenger Terminal project at the Airport. The case names the Authority as a real party in interest and claims that the FAA's approval of the EIS does not comply with the National Environmental Policy Act (NEPA). The case does not seek monetary damages from the Airport, but does seek to delay the RPT until the FAA complies with NEPA. The matter was fully briefed and oral argument was held before the United States Court of Appeal of the Ninth Circuit in October 2022. The matter is under submission before the Court and a decision is expected sometime in 2023.

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

## Notes to Basic Financial Statements

June 30, 2022 and 2021

**(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, 2022 and 2021, respectively, are as follows:

	<b>2022</b>	<b>2021</b>
Contracted airport services	\$ 14,376,608	\$ 14,160,787
Aircraft rescue and firefighting services	3,591,874	3,345,417
Capitalized to constructed capital assets	89,041	106,662
Other expenses	145,523	119,346
Total airport management contract costs	<u>\$ 18,203,046</u>	<u>\$ 17,732,212</u>

The Authority has 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. 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, 2022 and 2021 are \$4,599,565 and \$3,708,775, respectively.

The Authority has also contracted with MV Transportation to provide turn-key employee and customer shuttle services to and from the Airport's remote parking lots. The costs of the shuttle services for the years ended June 30, 2022 and 2021 are \$1,895,596 and \$399,592, respectively.

**(c) Construction Contracts**

The Authority did not have any contract commitments outstanding at June 30, 2022.

**(d) Federal and Other Grants**

As of June 30, 2022, the Authority had nonexpended, noncancelable grant commitments of \$16,160,400 for the following items:

	<b>Nonexpended, Noncancelable Grant Commitments</b>
ARPA	\$ 12,919,992
ARPA Concession Rent Relief	2,560,424
CRRSAA Concessions Relief	640,106
County of Los Angeles Measure R, I-5 construction mitigation	39,878
Total Nonexpended, Noncancelable Grant Commitments	<u>\$ 16,160,400</u>

# BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

## Notes to Basic Financial Statements

June 30, 2022 and 2021

The Authority has been awarded various federal and other grants for traffic mitigation, facility improvement, COVID-19 relief, and COVID-19 safety equipment. Grants awarded and expenditures against those grants for the years ended June 30, 2022 and 2021, respectively, are as follows:

Award Date	Award Amount	Project description	Expenditures charged to grant	
			2022	2021
Aug. 2017	\$ 2,417,000	Conduct environmental study	\$ 225,728	\$ 839,563
Sep. 2020	40,134	FEMA Grant	40,134	—
Apr. 2020	21,081,611	CARES Act Grant	—	17,817,411
Aug. 2020	758,166	Acquire ARFF Truck	752,166	1,870
Sep. 2020	2,167,160	Rehab. Delta Ramp	267,160	1,900,000
Sep. 2020	987,507	Rehab. Taxiway D and G	—	814,831
Apr. 2021	7,038,348	CRRSAA Grant	7,038,348	—
Apr. 2021	640,106	CRRSAA Concessions Relief Addendum	—	—
Jun. 2021	1,892,793	Acquire Hollyonna property	—	1,892,793
Aug. 2021	20,749,123	ARPA Grant	7,829,131	—
Dec. 2021	2,560,424	ARPA Concessions Rent Relief	—	—
Total expenditures charged to federal grants			16,152,667	23,266,468
Jun. 2015	180,000	CoLA – Measure R, I-5 support services	—	—
Total expenditures charged to local grants			—	—
Total expenditures charged to grants			<u>\$ 16,152,667</u>	<u>\$ 23,266,468</u>

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) Replacement Passenger Terminal Project

On August 1, 2016, the City of Burbank approved a 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.



## **BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

### **Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

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); seeking grant funding, beginning the application process for potential U.S. Department of Transportation credit programs; completing of the Environmental Impact Statement under the National Environmental Policy Act (NEPA); completing a concept validation and updated 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 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, which extended through the end of FY 2021.

Signs of passenger recovery began in the last quarter of FY 2021 and continued into FY 2022, and in September 2021, with airline support, the Authority authorized the restart of activities related to the RPT. Jacobs Project Management Inc. assumed program management of the project in May 2022. Since then, the Authority received five statements of qualifications from its Request for Qualifications from which a shortlist of three progressive-design build teams were selected. These three firms were invited to submit responses to a Request for Proposal and all three firms have recently provided responsive submittals. On December 19, 2022, the Authority awarded a design-build agreement to Holder, Pankow, TEC Joint Venture (HPTJV) and authorized HPTJV to proceed with Phase 1, design and pre-construction services, of the RPT project.

The plan of finance for the project, subject to validation of the project costs by the selected progressive design-build team, will consist of multiple funding sources for the estimated \$1.13 billion project, which will potentially be completed by October 2026. While the plan of finance to support the project is still under development, the Authority has identified potential sources of funds such as federal grants, both from the Infrastructure Investment and Jobs Act (IIJA) and FAA's Airport Improvement Program, Passenger Facility Charges, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program, Authority cash contribution, and issuance of public debt. The Authority is continuing to work with the respective government agencies and financial institutions for identification of available funding sources by FY 2024.