

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Schedule of Customer Facility Charge
Revenues and Expenditures

Year ended June 30, 2023

(With Independent Auditor's Reports Thereon)



Certified
Public
Accountants

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**BURBANK-GLENDALE-PASADENA
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Schedule of Customer Facility Charge Revenues and Expenditures
Year ended June 30, 2023

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**Independent Auditor’s Report on Compliance for the Customer
Facility Charge Program; Report on Internal Control Over Compliance; and
Report on Schedule of Customer Facility Charge Revenues and Expenditures
Required by the CFC Code**

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

Report on the Compliance for the Customer Facility Charge Program

Opinion

We have audited the Burbank-Glendale-Pasadena Airport Authority’s (Authority) compliance with the compliance requirements described in the California Civil Code Chapter 1.5 (commencing with Section 1939.01) to Title 5 of Part 4 of Division 3, and California Government Code Section 50474.1 through Section 50474.3 (CFC Code), adopted by the State of California, applicable to the Authority’s Customer Facility Charge (CFC) program for the year ended June 30, 2023.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the Authority’s CFC program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the State of California’s CFC Code. Our responsibilities under those standards and the CFC Code are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Authority’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Authority’s management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority’s CFC program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the CFC Code will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the CFC program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the CFC Code, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's CFC Code. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Customer Facility Charge Revenues and Expenditures Required by the CFC Code

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2023, and have issued our report thereon dated December 15, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Customer Facility Charge Revenues and Expenditures (CFC Schedule) is presented for purposes of additional analysis as required by the CFC Code, issued by the State of California, and is not a required part of the Authority's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the CFC Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 15, 2023

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Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2023 and each quarter during the
period from July 1, 2022 through June 30, 2023

(With cumulative total amounts at June 30, 2023 and 2022)

Revenues	Cumulative total – June 30, 2022	Quarter ended				Year ended June 30, 2023	Cumulative total – December 1 2009 to June 30, 2023
		September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023		
Customer facility charge revenues	\$ 59,806,951	\$ 1,308,313	\$ 1,293,419	\$ 1,044,739	\$ 1,389,233	\$ 5,035,704	\$ 64,842,655
Customer facility charge revenue refund	(15,662)	—	—	—	—	—	(15,662)
Reimbursement of OCIP reserves for RITC project	336,275	—	—	—	—	—	336,275
Total customer facility charge revenues	<u>\$ 60,127,564</u>	<u>\$ 1,308,313</u>	<u>\$ 1,293,419</u>	<u>\$ 1,044,739</u>	<u>\$ 1,389,233</u>	<u>\$ 5,035,704</u>	<u>\$ 65,163,268</u>
Expenditures							
Development review and other planning costs	\$ 1,105,186	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,105,186
Refund of development review and other planning costs based on cost reclassification	(6,030)	—	—	—	—	—	(6,030)
Deposit of 25% of Maximum Annual Debt Service to Surplus Fund	1,459,500	—	—	—	—	—	1,459,500
Construction costs	15,419,445	—	—	—	—	—	15,419,445
Construction costs reimbursed by 2012 Bonds	(512,961)	—	—	—	—	—	(512,961)
Transfers to Bond Trustee for debt service on 2012 Bonds	40,665,539	\$ 1,370,983	\$ 1,266,899	\$ 1,071,259	\$ 1,327,097	\$ 5,036,238	45,701,777
Rehabilitation of Escalator #5 and #6	137,015	—	—	—	—	—	137,015
Marketing - RITC Art Column	28,050	—	17,125	—	—	17,125	45,175
Total expenditures on approved customer facility charge projects	<u>\$ 58,295,744</u>	<u>\$ 1,370,983</u>	<u>\$ 1,284,024</u>	<u>\$ 1,071,259</u>	<u>\$ 1,327,097</u>	<u>\$ 5,053,363</u>	<u>\$ 63,349,107</u>

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

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Notes to Schedule of Customer Facility Charge Revenues and Expenditures

Year ended June 30, 2023

(1) General

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

This project consolidated the rent-a-car operations at the Airport into a single facility. This project also relocated the rental car ready return facility that was partially located in the Runway 33 runway safety area. As part of a larger Regional Intermodal Transportation Center (RITC), the CRCF contains the customer service, ready return, and quick turnaround facilities, and rental car fueling and delivery systems. The consolidation of these facilities eliminated over 700,000 annual trips by rental car companies on Empire Avenue between the former ready return lot and the prior service center facilities used for the washing and fueling of the rental cars on the southwest quadrant of the Airport. A replacement parking structure (RPS) was also constructed to replace the then existing parking spaces on the RITC site.

On September 21, 2009, the Authority approved Resolution No. 429 authorizing collection of a CFC, effective December 1, 2009, of \$10 per rental car contract for an initial period of two years to fund the planning and other initial costs of a CRCF. It was anticipated that the Authority would proceed with construction and financing of the CRCF, and that the collection authority period would be extended accordingly. The CRCF was also expected to be financed through a then yet to be determined bond issuance and loan from the Authority both supported by CFC revenues and residual rent from the rental car companies, as required.

Based on an amendment of the enabling legislation for the CFC (S.B. 1192; Chapter 642, Statutes of 2010), on December 10, 2010, the Authority approved Resolution No. 439 which repealed Resolution No. 429 and authorized collection of an alternative CFC, effective July 1, 2011, of \$6 per rental car transaction day up to a maximum of five days. Resolution No. 439 authorized collection of the alternative CFC through the period that any debt related to the CRCF is outstanding. The enabling legislation was further amended on September 27, 2017 by Assembly Bill No. 218, Chapter 311 and September 27, 2022 by Assembly Bill No. 157, Chapter 570.

(2) Regional Intermodal Transportation Center Project

The Authority approved planning and other related activities to prepare and submit a Development Review (DR) package to the City of Burbank (City) to obtain entitlements to construct a CRCF as part of a larger RITC project. The portion of the DR package costs for the RITC project attributable to the CRCF expended through June 25, 2010 are included in the accompanying Schedule of Customer Facility Charge Revenues and Expenditures (Schedule) on page 3.

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Year ended June 30, 2023

On August 24, 2010, the City approved entitlements and minor amendments to the Development Agreement (an agreement between the Authority and the City that sets guidelines on Airport development and provides greater certainty to the City and Authority on issues of Airport zoning and development) to permit the Authority to proceed with the RITC project to be located in the southeast corner of the A-1 North Property. This project includes a transportation center and the CRCF described above.

On April 23, 2012, the Authority approved a revised Plan of Finance with an estimated cost of \$99.5 million, as well as the form of non-exclusive on-airport rental car lease and concession agreement.

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, issued as parity bonds with the 2005 Airport Revenue Bonds, were issued in two series (i) to finance those costs of the RITC project consisting of the CRCF and the portion of the costs of the RPS 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 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.

Construction on the RITC project continued in fiscal year (FY) 2013 and FY 2014, with completion in FY 2015. The replacement parking structure was completed and opened for business on August 1, 2013 and the CRCF was substantially completed and opened to the public for business on July 15, 2014. The RITC project has been funded by a combination of 2012 Revenue Bonds, CFCs, and federal grants. Cumulative expenditures on the RITC project through completion in FY 2015 totaled \$99,487,109, which consisted of \$77,662,736 for the CRCF, \$7,270,208 for the Customer Service Building, \$3,000,150 for the Transit Center, and \$11,554,015 for the replacement parking structure.

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(3) Cumulative Revenues and Expenditures of Customer Facility Charges

Debt service on the 2012 Bonds are funded from CFCs and residual Facility Rents paid by the RACs. In accordance with the Bond Indenture, beginning July 1, 2014, all CFCs collected are transferred to the 2012 Bonds Debt Service Fund held by the bond trustee. In FY 2023, \$5,035,704 was collected and \$5,036,238 was transferred. The difference of \$534 was collected in late June 2022 (FY 2022) and, as a result, was transferred in July 2022 (FY 2023).

As of June 30, 2023, the Authority had cumulative expenditures of \$63,349,107, which include cumulative transfers to the Bond Trustee for debt service of the 2012 Bonds of \$45,701,777, the transfer of \$1,459,500 (representing 25% of maximum annual debt service on the 2012 Bonds) from the CFC Fund to the Bond Surplus Fund, other eligible costs incurred in prior years of \$16,005,640, \$137,015 used in FY 2020 for the rehabilitation of the escalators on the elevated walkway, and \$45,175 used for the RITC Art Columns. The remaining balance in the CFC Fund of \$1,814,161 at June 30, 2023 is available for uses in accordance with the agreements between the Authority and the RACs for operation in the CRCF.

(4) Customer Facility Charge Rate Modification Report

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

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(5) Basis of Accounting

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

(6) Schedule of Facility Charge Revenues and Expenditures

The accompanying Schedule presents the revenues received from CFC and expenditures disbursed on the CRCF and towards debt service on the 2012 Bonds.

(7) Cumulative Total

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

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