



February 7, 2019

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

NOTICE is hereby given that a special meeting of the Finance and Administration Committee will be held Monday, February 11, 2019, at 9:00 a.m., in the Airport Skyroom of Hollywood Burbank Airport, 2627 N. Hollywood Way, Burbank, California 91505.

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

SPECIAL MEETING
OF THE
FINANCE AND ADMINISTRATION COMMITTEE

Airport Skyroom
Monday, February 11, 2019
9:00 A.M.

The public comment period is the opportunity for members of the public to address the Committee on agenda items and on airport-related non-agenda matters that are within the Committee's subject matter jurisdiction. At the discretion of the presiding officer, public comment on an agenda item may be presented when that item is reached.

Members of the public are requested to observe the following decorum when attending or participating in meetings of the Committee:

- *Turn off cellular telephones and pagers.*
- *Refrain from disorderly or boisterous conduct, including loud, threatening, profane, or abusive language, clapping, whistling, stamping, or other acts that disrupt or otherwise render unfeasible the orderly conduct of the meeting.*
- *If you desire to address the Committee during the public comment period, fill out a speaker request card and present it to the Board Secretary.*
- *Confine remarks to agenda items or to airport-related non-agenda matters that are within the Committee's subject matter jurisdiction.*
- *Limit comments to five minutes or to such other period of time as may be specified by the presiding officer.*



The following activities are prohibited:

- *Allocation of speaker time to another person.*
- *Video presentations requiring use of Authority equipment.*



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



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

AGENDA

1. Approval of Agenda
2. Public Comment
3. Items for Discussion
 - a. Presentation of FY 2018 Audited Financial Statements and Analysis of Financial Results
 - Staff Report Attached

[See page 1]

The Authority's independent auditor, Macias Gini & O'Connell LLP ("MGO") has completed its audit of the Burbank-Glendale-Pasadena Airport Authority ("Authority") fiscal year 2018 financial statements. Enclosed with this staff report is a copy of the audited Basic Financial Statements for the fiscal years ended June 30, 2018 ("FY 2018") and 2017 ("FY 2017"). Also enclosed are copies of the audited Single Audit Reports (audit of federal grant programs), Passenger Facility Charge Audit Report, Customer Facility Charge Audit Report, Independent Auditor's Report on Compliance with Section 6.05 of the Bond Indenture, and the Auditor's Report to the Authority Regarding the FY 2018 Audits.

Staff will present each report and provide an overview and analysis of financial results for the fiscal year ended June 30, 2018. A representative of MGO will present a summary of its audit. Staff seeks a Finance and Administration Committee recommendation to the Commission that it note and file these audit reports.

4. Other Contracts and Leases
5. Adjournment

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
FEBRUARY 11, 2019**

**PRESENTATION OF FY 2018 FINANCIAL STATEMENTS AND
ANALYSIS OF FINANCIAL RESULTS**

SUMMARY

The Authority's independent auditor, Macias Gini & O'Connell LLP ("MGO") has completed its audit of the Burbank-Glendale-Pasadena Airport Authority ("Authority") fiscal year 2018 financial statements. Enclosed with this staff report is a copy of the audited Basic Financial Statements for the fiscal years ended June 30, 2018 ("FY 2018") and 2017 ("FY 2017"). Also enclosed are copies of the audited Single Audit Reports (audit of federal grant programs), Passenger Facility Charge Audit Report, Customer Facility Charge Audit Report, Independent Auditor's Report on Compliance with Section 6.05 of the Bond Indenture, and the Auditor's Required Communications to the Authority Regarding the FY 2018 Audits.

The results are summarized below.

- MGO's "unmodified" opinions are:
 - The Basic Financial Statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles.
 - The Authority complied in all material respects with compliance requirements applicable to its major federal program, the Passenger Facility Charge program and the Customer Facility Charge program and identified no reportable deficiencies in internal control over compliance.
 - MGO identified no reportable deficiencies in internal control over financial reporting or compliance that are required to be reported under Government Auditing Standards.
 - The Schedule of Expenditures of Federal Awards, Schedule of Passenger Facility Charge Revenues and Expenditures and Schedule of Customer Facility Charge Revenues and Expenditures are fairly stated in relation to the Basic Financial Statements as a whole.
 - Based on auditing procedures performed, the Authority complied with the terms, covenants, provisions or conditions of Section 6.05 (Rates and Charges) to Article VI of the Bond Indenture, as amended.

Staff will present each report and provide an overview and analysis of financial results for the fiscal year ended June 30, 2018. MGO will present a summary of its audits. Staff seeks a Finance and Administration Committee recommendation to the Commission that it note and file these audit reports.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements ("BFS") of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Government Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing accounting and financial reporting principles.

The Authority reports its financial operations as a government enterprise activity, and as such, its financial statements are presented using the “economic resources” measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the 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, tenant rent, fuel flowage fees and other operating revenues. 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 for reimbursement of expenses have been met.

The BFS report is composed of three parts:

- (i) The Independent Auditor's Report;
- (ii) Management's Discussion and Analysis (“MD&A”), a narrative overview and analysis of the Authority's financial activities; and
- (iii) The Basic Financial Statements, consisting of the Statements of Net Position (Balance Sheets), Statements of Revenues, Expenses and Changes in Net Position (Income Statements), Statements of Cash Flows and Notes to Basic Financial Statements.

The Independent Auditor's Report reflects an unmodified opinion, indicating that the BFS present fairly, in all material respects, the financial position of the Authority at June 30, 2018 and 2017, and the change in financial position and cash flows for the years then ended, are in conformity with GAAP. The audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The MD&A is required supplementary information. The discussion and analysis in the MD&A is intended to serve as an introduction to the Authority's Basic Financial Statements.

A summary of the Statements of Net Position at June 30, 2018 and 2017 is as follows:

Summary Statements of Net Position

June 30, 2018 and 2017

	2018	2017	Change	
			\$	%
Current assets	\$ 28,915,023	\$ 28,038,471	\$ 876,552	3.13%
Restricted assets	70,721,436	66,532,659	4,188,777	6.30%
Facility Development Reserve	173,132,453	167,632,453	5,500,000	3.28%
Bond debt service reserve surety, net	28,366	33,094	(4,728)	-14.29%
Capital assets, net	340,426,317	343,910,005	(3,483,688)	-1.01%
Total assets	613,223,595	606,146,682	7,076,913	1.17%
Liabilities:				
Current liabilities and liabilities payable from restricted assets	18,832,694	18,131,404	701,290	3.87%
Noncurrent liabilities	102,090,622	107,427,859	(5,337,237)	-4.97%
Total liabilities	120,923,316	125,559,263	(4,635,947)	-3.69%
Deferred inflows of resources –				
Deferred amount on refunding of 2005 Bonds	612,054	714,063	(102,009)	-14.29%
Net position:				
Net investment in capital assets	238,837,597	236,974,240	1,863,357	0.79%
Restricted	58,940,687	54,847,653	4,093,034	7.46%
Unrestricted	193,909,941	188,051,463	5,858,478	3.12%
Total net assets	\$ 491,688,225	\$ 479,873,356	\$ 11,814,869	2.46%

A summary of the Statements of Revenue, Expenses and Changes in Net Position for the years ended June 30, 2018 and 2017 is as follows:

Summary Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	2018	2017	Change	
			\$	%
Operating revenues	\$ 54,890,750	\$ 50,443,155	\$ 4,447,595	8.82%
Operating expenses before depreciation	42,058,420	41,226,440	831,980	2.02%
Operating income before depreciation	12,832,330	9,216,715	3,615,615	39.23%
Depreciation	17,906,547	17,604,416	302,131	1.72%
Operating loss	(5,074,217)	(8,387,701)	3,313,484	-39.50%
Nonoperating revenues, net	7,263,655	7,625,208	(361,553)	-4.74%
Income before capital contributions	2,189,438	(762,493)	2,951,931	-387.14%
Capital contributions	9,625,431	10,261,859	(636,428)	-6.20%
Changes in net position	11,814,869	9,499,366	2,315,503	24.38%
Net position, beginning of year	479,873,356	470,373,990	9,499,366	2.02%
Net position, end of year	\$ 491,688,225	\$ 479,873,356	\$ 11,814,869	2.46%

SINGLE AUDIT REPORTS

The Single Audit Reports present the activity of federal award programs of the Authority for the year ended June 30, 2018. The Single Audit Reports include:

- An unmodified independent auditor's report which indicates that MGO identified no instances of noncompliance, reportable deficiencies or other matters that are required to be reported under *Government Auditing Standards*.
- An independent auditor's report that provides an unmodified opinion on compliance with compliance requirements applicable to the Authority's major program and identified no reportable deficiencies related to compliance for that program. The report also indicated that the Schedule of Expenditures of Federal Awards is fairly stated in relation to the Basic Financial Statements as a whole.
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
No findings or questioned costs were noted.
- Summary Schedule of Prior Audit Findings and Questioned Costs
None noted.

PASSENGER FACILITY CHARGE AUDIT REPORT

The Passenger Facility Charge Audit Report presents the cash receipts and disbursements of the Authority's Passenger Facility Charge ("PFC") program. The Aviation Safety and Capacity Expansion Act of 1990 authorized the local imposition of Passenger Facility Charges and use of the PFC revenue on Federal Aviation Administration ("FAA") approved projects.

The PFC audit report includes the following:

- An unmodified independent auditor's report, which indicates that: (i) the Authority complied in all material respects with compliance requirements applicable to the Passenger Facility Charge program; (ii) MGO identified no reportable deficiencies in internal control over compliance; and (iii) the Schedule of Passenger Facility Charge Revenues and Expenditures is fairly stated in relation to the Basic Financial Statements taken as a whole.
- Schedule of Passenger Facility Charge Revenues and Expenditures
- Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

No findings or questioned costs were noted.

CUSTOMER FACILITY CHARGE AUDIT REPORT

The Customer Facility Charge Audit Report presents the cash receipts and disbursements of the Authority's Customer Facility Charge ("CFC") program. Assembly Bill 491 of the 2001-2002 California Legislature (codified in California Civil Code Section 1936 et seq. ("Code")) authorized the local imposition of CFC and use of CFC revenue to plan, finance, design and construct on-airport consolidated rental car facilities (CRCF). The Authority established the CFC effective December 1, 2009 with adoption of Resolution 429. Based on an amendment of the enabling legislation for the CFC (S.B. 1192; Chapter 642, Statutes of 2010), on December 10, 2010 the Authority approved Resolution 439 which repealed Resolution 429 and authorized collection of

an alternative CFC, effective July 1, 2011, of \$6 per rental car transaction day up to a maximum of five days. Resolution 439 authorized collection of the alternative CFC through the period that any debt related to the CRCF is outstanding.

The CFC audit report includes the following:

- An unmodified independent auditor's report, which indicates that: (i) the Authority complied in all material respects with compliance requirements applicable to the Customer Facility Charge program; (ii) MGO identified no reportable deficiencies in internal control over compliance; and (iii) the Schedule of Customer Facility Charge Revenues and Expenditures is fairly stated in relation to the Basic Financial Statements taken as a whole.
- Schedule of Customer Facility Charge Revenues and Expenditures
- Notes to Schedule of Customer Facility Charge Revenues and Expenditures

No findings or questioned costs were noted.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 6.05
OF THE BOND INDENTURE**

Based on audit procedures performed, MGO identified no instances of noncompliance with the terms, covenants, provisions or conditions with Section 6.05 (Rates and Charges) to Article VI of the Indenture dated May 1, 2005 with Bank of New York Mellon Trust Company, as amended (Bond Indenture), insofar as they relate to accounting matters. The report also contains a calculation of the rates and charges ratio and the debt service ratio for the year ended June 30, 2018, as follows:

Rates and Charges Ratio	
Pledged revenues	\$ 56,353,195
Less operating expenses	<u>42,058,420</u>
Net revenues	\$ 14,294,775
Transfers to Surplus Fund	<u>2,600,186</u>
Net revenues plus transfers to Surplus Fund	<u>\$ 16,894,961</u>
Deposits and charges:	
Accrued debt service	\$ 4,480,352
Deposits to operating reserve account	<u>582,420</u>
Total deposits and charges	<u>\$ 5,062,772</u>
Deposits and charges coverage ratio	3.34
Required deposits and charges coverage ratio	1.00
Debt Service Coverage Ratio	
Net revenues plus transfers to Surplus Fund	<u>\$ 16,894,961</u>
Accrued debt service	<u>\$ 4,480,352</u>
Debt service coverage ratio	3.77
Required debt service coverage ratio	1.25

STAFF RECOMMENDATION

Staff seeks a Finance and Administration Committee recommendation to the Commission that it note and file the Basic Financial Statements as of and for the fiscal years ended June 30, 2018 and 2017; the Single Audit Reports for the year ended June 30, 2018; the Passenger Facility Charge Audit Report for the year ended June 30, 2018; the Customer Facility Charge Audit Report for the year ended June 30, 2018; the Independent Auditor's Report on Compliance with Section 6.05 of the Bond Indenture; and the Auditor's Required Communications to the Authority regarding the FY 2018 Audits.