



September 13, 2018

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

NOTICE is hereby given that a regular meeting of the Finance and Administration Committee will be held Monday, September 17, 2018, at 10:30 a.m., or immediately following the Commission meeting, in the Airport Skyroom of Hollywood Burbank Airport, 2627 Hollywood Way, Burbank, California 91505.

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

REGULAR MEETING
OF THE
FINANCE AND ADMINISTRATION COMMITTEE

Airport Skyroom
Monday, September 17, 2018
10:30 A.M. or Immediately Following
the Conclusion of the
Regular Airport Authority Meeting

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

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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. Allocation of speaker time to another person is prohibited.

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.*

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The following activities are prohibited:

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

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Any disclosable public records related to an open session item on a regular 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.

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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. Approval of Minutes

a. August 20, 2018

[See page 1]

4. Contracts and Leases

a. First Amendment to the Automated Teller Machine
Concession and Lease Agreement – MOBILEMONEY, INC..

[See page 4]

- Staff Report Attached

Staff seeks a Finance and Administration Committee recommendation to the Commission that it approve a proposed First Amendment to the Automated Teller Machine Concession Agreement (“Amendment”) with MOBILEMONEY, INC. (“MOBILEMONEY”). The proposed Amendment would remove one Automated Teller Machine (“ATM”) kiosk located at the Regional Intermodal Transportation Center (“RITC”) and reduce the monthly rent paid by MOBILEMONEY for the ATM kiosk located at the Valet Center from \$300 to \$100 per month. The combined total reduction in the monthly rent would be \$500, bringing their total monthly payment from \$3,800 to \$3,300.

5. Items for Discussion

a. CMIA Quarterly Investment Portfolio
(Quarter Ended June 30, 2018)

[No staff report]

No staff report is attached. Columbia Management Investment Advisors will provide an update to the Committee on the status of the Authority’s Operating and Passenger Facility Charge Investment Portfolios for the quarter ended June 30, 2018.

b. Auditor Required Communications for the FY 2018 Audits

[See page 9]

- Staff Report Attached

In accordance with applicable professional standards, the Authority’s auditor, Macias Gini & O’Connell LLP (“MGO”) has provided the attached letter to the Commission outlining its audit responsibilities, and planned scope and timing of the FY 2018 audits. Also attached is a copy of the annual engagement letter,

which substantially conforms to the professional services agreement between the Authority and MGO for audit services. Staff seeks a Finance and Administration Committee (“Committee”) recommendation to the Commission that it note and file these communications.

- b. Quarterly Minor Lease and Purchase Update
(Quarter Ended June 30, 2018)

[No staff report]

No staff report is attached. Staff will present the Minor Lease and Purchase Order Update through June 30, 2018.

6. Items for Information

- a. Committee Pending Items

[See page 21]

7. Other Contracts and Leases

8. Adjournment

Subject to Approval

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

MONDAY, AUGUST 20, 2018

A regular meeting of the Finance and Administration Committee was called to order on this date in the Airport Skyroom of the Burbank-Glendale-Pasadena Airport Authority, 2627 Hollywood Way, Burbank, California, at 10:30 a.m., by Commissioner Gharpetian.

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

ROLL CALL**Present:**

Commissioners Gharpetian and Selvidge

Absent:

Commissioner Adams

Also Present:

Staff: John Hatanaka, Senior Deputy Executive Director; Kathy David, Deputy Executive Director, Mike Duong, Senior Manager, Business and Compliance

1. Approval of Agenda

The agenda was approved as presented.

2. Public Comment

There were no public speakers.

3. Approval of Minutes

The minutes were approved as presented.

4. Treasurer's Report

A copy of the June 2018 Treasurer's Report was included in the agenda packet for the Committee's review.

a. June 2018**Motion**

Commissioner Selvidge moved approval; seconded by Commissioner Gharpetian.

Motion Approved

There being no objection, the Committee voted (2-0, one absent) to recommend that the report be forwarded to the Commission for note and file.

5. Contracts and Leases**a. Award of Short Term Parking
Space Reservation Agreement –
Silverco Enterprises**

Staff presented to the Committee for recommendation for Commission approval, a Short Term Parking Space Reservation Agreement

("Agreement") with Silverco Enterprises ("Silverco") for 523 spaces in Parking Lot B ("Lot B") located on Hollywood Way. Due to an increase with its operation, Silverco has requested to utilize the parking spaces in Lot B for the parking of motor vehicles and trucks on a daily basis. Payment for these parking spaces will be in arrears and will be subject to the City of Burbank's transient parking tax.

The term of the proposed Agreement will begin on October 1, 2018, on an ongoing daily basis with the rate of \$1.59/per stall/per day or \$24,947.10 per month. The daily rate is subject to an annual increase of 3% beginning October 1, 2019. Termination may be invoked by either party by delivering thirty (30) days' prior written notice.

The proposed Agreement is expected to be revenue neutral, replacing the previous Agreement with Universal City Nissan for the same location.

MOTION

Commissioner Selvidge moved approval; seconded by Commissioner Gharpetian.

MOTION APPROVED

The motion was voted for approval (2-0, one absent).

The next item, Item C, was taken out of order to allow Staff the opportunity to continue making a presentation at the Legal, Government and Environmental Affairs Committee meeting which was being held concurrently. Staff was responsible for presenting Item B below.

**c. Department of Homeland Security
Transportation Security
Administration Other Transaction
Agreement ("OTA")**

Staff presented to the Committee for recommendation of approval by the Commission a modified Other Transaction Agreement with the Department of Homeland Security, Transportation Security Administration for reimbursement of electrical and janitorial charges associated with areas used for baggage screening operations at Hollywood Burbank Airport.

Staff undertook an analysis of the current applicable rates and charges attributed to TSA's operation and requested an increase in the reimbursement amount for janitorial services of \$4,561.07 and \$1,003.08 for electrical service. TSA reviewed Staff's request and has delivered a modified OTA for an annual reimbursement in the amount of \$68,841.24 for electricity and \$68,495.75 for janitorial services. The total obligated amount under the modified OTA to the

Authority is \$137,336.99 for a twelve-month period ending August 31, 2019.

The modified OTA is summarized as follows: the term will be from September 1, 2018 to August 31, 2019, or for as long as federal law requires TSA to perform screening functions at the Airport. The total increase of \$5,564.15 for janitorial and electrical will be reimbursed for the twelve-month period; space for conducting such screening operations will be provided at no cost to the TSA.

MOTION

Commissioner Selvidge moved approval; seconded by Commissioner Gharpetian.

MOTION APPROVED

The motion was voted for approval (2-0, one absent).

b. Award of Professional Services Agreements – Passenger Facility Charge Application Support Services – Ricondo & Associates

Staff presented to the Committee for recommendation for approval by the Commission two Professional Services Agreements (“Agreements”) to Ricondo & Associates Inc., for Passenger Facility Charge (“PFC”) application support services. These services will be for an Amended PFC Application No. 15 and new PFC Application No. 16. The costs for these services are \$20,000 and \$59,000, respectively, for a total of \$79,000. The cost of these services is PFC eligible and will be included as a part of each PFC application.

MOTION

Commissioner Selvidge moved approval; seconded by Commissioner Gharpetian.

MOTION APPROVED

The motion was voted for approval (2-0, one absent).

6. Items for Discussion

a. Committee Pending Items

Staff informed the Committee of future pending items that will come to the Committee for review.

7. Other Contracts and Leases

There were no other contracts or leases.

8. Adjournment

There being no further business, the meeting was adjourned at 10:42 a.m.

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 17, 2018**

**FIRST AMENDMENT TO THE AUTOMATED TELLER MACHINE
CONCESSION AND LEASE AGREEMENT
MOBILEMONEY, INC.**

SUMMARY

Staff seeks a Finance and Administration Committee ("Committee") recommendation to the Commission that it approve a proposed First Amendment to the Automated Teller Machine Concession Agreement ("Amendment") with MOBILEMONEY, INC. ("MOBILEMONEY"). The proposed Amendment would remove one Automated Teller Machine ("ATM") kiosk located at the Regional Intermodal Transportation Center ("RITC") and reduce the monthly rent paid by MOBILEMONEY for the ATM kiosk located at the Valet Center from \$300 to \$100 per month. The combined total reduction in the monthly rent would be \$500, bringing their total monthly payment from \$3,800 to \$3,300 per month.

BACKGROUND

In August 2017, staff issued a Request for Proposal ("RFP") for a replacement ATM service provider after the previous ATM service provider, J.P. Morgan Chase, served their notice of termination upon expiration of their agreement.

MOBILEMONEY was the only responsive proposer that met all of the required minimum qualifications. The RFP required installation of four ATMs in the Terminal buildings; two ATMs pre-security and two ATMs post-security with optional locations in the RITC and the Valet Center. In their submittal, MOBILEMONEY proposed installing ATMs in all six locations.

In December 2017, MOBILEMONEY was awarded the Automated Teller Machine Concession and Lease Agreement ("Agreement"). After several months of monitoring transactional data, MOBILEMONEY determined that actual transactions were well below forecasted activity and approached Staff with a request to amend their Agreement in order to sustain ATM operations at Hollywood Burbank Airport.

Staff investigated their claim and checked ATM usage at other airports and financial institutions. Staff has been able to confirm that there is a continuing downward trend in use of ATMs at airports throughout the country as more people are embracing the use newer technology especially mobile banking, relying less on cash as a method of payment for transactions. Based upon this data, Staff is recommending that MOBILEMONEY be allowed to remove the ATM located in the RITC and reduce the rent for the ATM in the Valet Center. If approved, the proposed changes will reduce the total annual rent received by \$6,000.00.

This Amendment will allow MOBILEMONEY to maintain their operations and stay committed to fulfilling their five-year term with the Burbank-Glendale-Pasadena Airport Authority to provide ATM services at Hollywood Burbank Airport.

DETAILS

The key components of the proposed First Amendment are as follows:

Premises:	RITC ATM – Removal of one ATM Valet Center ATM – Reduction in monthly rent by \$200
Commencement Date:	October 1, 2018
Term:	No change to the current Lease expiration date of December 5, 2022. Two (2) one-year extension options available thereafter, with the written consent of the Executive Director being required for each one-year extension
Rent Reduction:	\$6,000.00 annually
Adjustments:	Three percent (3%) on the anniversary of the original commencement date of the Agreement
Termination:	Termination may be invoked by the Authority by delivering sixty (60) days' prior written notice

A copy of the proposed First Amendment to the Automated Teller Machine Concession and Lease Agreement are attached.

IMPACT ON REVENUE

The proposed First Amendment with MOBILEMONEY, INC. will reduce the total rent amount by \$500.00 per month or \$6,000.00 annually. The new annual rent will be \$39,600.00 for the Authority.

RECOMMENDATION

Staff Seeks the Finance and Administration Committee recommendation to the Commission that it approve the proposed First Amendment to the Automated Teller Machine Concession Agreement with MOBILEMONEY, Inc. and authorize the President to execute the same.

**FIRST AMENDMENT TO AUTOMATED TELLER MACHINE
CONCESSION AND LEASE AGREEMENT**

This FIRST AMENDMENT TO AUTOMATED TELLER MACHINE CONCESSION AND LEASE AGREEMENT (this "Amendment") is dated as of _____, 2018 and is entered into by and between the BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY, a public entity formed under a joint exercise of powers agreement among the Cities of Burbank, Glendale and Pasadena, California, pursuant to the California Joint Exercise of Powers Act ("Landlord"), and MOBILE MONEY, INC., a California corporation ("Tenant").

RECITALS

- A. Landlord and Tenant are parties to an Automated Teller Machine Concession and Lease Agreement dated December 4, 2017 (the "Lease").
- B. Landlord and Tenant desire to amend the Lease as hereafter set forth.
- C. Capitalized terms used but not defined herein shall have the meaning set forth in the Lease.

THEREFORE, in consideration of the foregoing recitals, the mutual terms set forth below, and other consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

- 1. Termination of Lease to One ATM Space. As of October 1, 2018, the Lease shall terminate with respect to the ATM Space in the Regional Intermodal Transportation Center (RITC), and Tenant shall comply with Section 10 of the Lease with respect thereto.
- 2. Rent. On October 1, 2018, monthly rent shall decrease to \$3,300, and shall thereafter be subject to annual adjustment under Section 3 of the Lease. Landlord and Tenant stipulate and agree that such rent is allocated to each ATM space/location as follows:

Terminal A Entrance	\$800.00 per month
Terminal A East Concourse	\$800.00 per month
Terminal B Entrance	\$800.00 per month
Terminal B Gate B4	\$800.00 per month
Valet Center	\$100.00 per month

- 3. No Other Changes. Except as expressly modified herein, all of the terms of the Lease shall remain in full force and effect.

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

LANDLORD:

BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY, a public entity

By: _____
_____, President

TENANT:

MOBILE MONEY, INC.,
a California corporation

By: _____
Lawrence Dunnwald,
President & CEO

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 17, 2018**

**AUDITOR REQUIRED COMMUNICATIONS FOR
THE FY 2018 AUDITS**

SUMMARY

In accordance with applicable professional standards, the Authority's auditor, Macias Gini & O'Connell LLP ("MGO") has provided the attached letter to the Commission outlining its audit responsibilities, and planned scope and timing of the FY 2018 audits. Also attached is a copy of the annual engagement letter, which substantially conforms to the professional services agreement between the Authority and MGO for audit services. Staff seeks a Finance and Administration Committee ("Committee") recommendation to the Commission that it note and file these communications.

BACKGROUND

In accordance with professional standards issued by the American Institute of Certified Public Accountants ("AICPA"), MGO has issued the attached letter which (1) outlines its responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance") related to the Single Audit of federal grant programs; and (2) outlines its planned scope and timing of the FY 2018 audits. The Auditor's responsibilities and management's responsibilities are detailed in the accompanying letters.

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

Staff met with the MGO partner, director, manager and senior auditor on June 26, 2018, for an audit planning meeting to discuss in detail any significant accounting, auditing and reporting matters that may affect the FY 2018 audits, as well as to discuss the timing of audit fieldwork and reporting. Audit fieldwork will begin on August 13, 2018, with the final reports expected to be issued no later than November 9, 2018.

STAFF RECOMMENDATION

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



May 22, 2018

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

We are engaged to audit the financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) for the year ended June 30, 2018. We are also engaged to perform a compliance audit of the Passenger Facility Charge Program in accordance with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and of the Customer Facility Charge Program in accordance with compliance requirements set forth under the *California Civil Code Section 1936, as amended*, and an examination on the Authority's compliance with covenants and other requirements as outlined in any the related indentures issued related to outstanding debt issues. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

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

As stated in our engagement letter dated May 22, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

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

We have been engaged to report on Schedule of Expenditures of Federal Awards, Schedule of Passenger Facility Charge Revenues and Expenditures, Schedule of Customer Facility Charge Revenues and Expenditures, which accompany the financial statements but are not RSI. In addition, we will also conduct an examination on the Authority's compliance with covenants and other requirements as outlined in any indentures issued related to outstanding debt issues. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, and Other

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

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

We expect to begin our audit on approximately August 13, 2018 and issue our report no later than November 9, 2018. Jim Godsey is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

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

Very truly yours,



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



May 22, 2018

To the Board of Airport Commissioners

Burbank-Glendale-Pasadena Airport Authority
2627 N Hollywood Way
Burbank, California 91505

We are pleased to confirm our understanding of the services we are to provide Burbank-Glendale-Pasadena Airport Authority (the Authority) for the year ended June 30, 2018. We will audit the basic financial statements of the Authority as of and for the year ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis

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

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

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

Charge Program in accordance with compliance requirements set forth under the *California Civil Code Section 1936, as amended*. In addition, we will also conduct an examination on the Authority's compliance with covenants and other requirements as outlined in any Indentures issued related to outstanding debt issues.

Audit Objectives

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

1. Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
2. Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.
3. Internal control over Passenger Facility Charge Program and an opinion (or disclaimer of opinion) on compliance with requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.
4. Internal control over Customer Facility Charge Program and opinion (or disclaimer of opinion) on compliance with requirements described in the *California Civil Code Section 1936, as amended*.

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

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, the *California Civil Code Section 1936, as amended*; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Airport Commissioners of the Authority.

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

Audit Procedures—General

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

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

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

Audit Procedures—Internal Control

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

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

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

As required by the *California Civil Code Section 1936, as amended*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to the program. However, our tests will be less in scope that would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the *California Civil Code Section 1936, as amended*.

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

Audit Procedures—Compliance

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

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

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

The *California Civil Code Section 1936, as amended*, requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to the program. Our procedures will consist of tests of transactions and other applicable procedures described in the *California Civil Code Section 1936, as amended*, for the types of compliance requirements that could have a direct and material effect on the Authority's program. The purpose of these procedures will be to express an opinion on the Authority's compliance with requirements applicable to the program in our report on compliance issued pursuant to the *California Civil Code Section 1936, as amended*.

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

Management Responsibilities

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

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

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

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

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

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

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

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

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

the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

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

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

Engagement Administration, Fees, and Other

Assistance from the Authority

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

Data Collection Form

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

Report Copies

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

Audit Documentation

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

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

Engagement Partner

We expect to begin our audit on approximately August 13, 2018 and to issue our reports no later than November 9, 2018. Jim Godsey is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Fees

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

Independence

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

General

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Godsey". The signature is fluid and cursive, with a large loop at the end.

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

RESPONSE:

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

Management signature: _____

Title: _____

Date: _____

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 17, 2018
COMMITTEE PENDING ITEMS**

Future

1. Aviation Hangar Lease: Hangar 22
2. Desmond Studio Equipment – Lease Renewal