

# STAFF REPORT



## FINANCIAL SERVICES

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**DATE:** April 25, 2023

**TO:** Justin Hess, City Manager

**FROM:** Jennifer Becker, Financial Services Director 

**SUBJECT:** Adoption of a Resolution Approving the Issuance of Obligations by the Burbank-Glendale-Pasadena Airport Authority

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### **RECOMMENDATION**

1. Adopt A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK APPROVING THE ISSUANCE OF OBLIGATIONS BY THE BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY. (Attachment 1).
2. Conduct a public hearing to receive comments relating to the issuance by the Burbank-Glendale-Pasadena Airport Authority (the "Authority") not to exceed \$1,900,000,000, for the purpose of financing or refinancing the acquisition, development, improvement, renovation, construction and reconfiguration of certain facilities, including a replacement passenger terminal and associated support components, at the Airport (the "Project").

### **BACKGROUND**

The City of Burbank (the "City") is a member of the Burbank-Glendale-Pasadena Airport Authority (Authority), established pursuant to the Joint Exercise of Powers Act (commencing with Section 6500 of the California Government Code) (the "Act") and that certain Amended and Restated Joint Exercise of Powers Agreement, dated as of September 15, 1991, as amended by the First Amendment to Amended and Restated Joint Exercise of Powers Agreement, dated as of November 25, 2003, as further amended by the Second Amendment to Amended and Restated Joint Exercise of Powers Agreement, dated as of January 10, 2017 (collectively, the "Agreement"), each by and among the cities of Burbank, Glendale, and Pasadena. The Authority owns and operates the Bob Hope Airport (commonly known as the Hollywood Burbank Airport) (the "Airport") pursuant to the Agreement.

In November of 2016, the Burbank voters approved Measure B, which authorized replacing the existing 14-gate terminal at the Airport with a new 14-gate, 355,000 square foot replacement terminal. The Authority proposes to issue tax-exempt or taxable bonds, notes or other obligations (collectively, the “Obligations”) in multiple series or issues from time to time, all in an aggregate principal amount not to exceed \$1,900,000,000, for the purpose of financing or refinancing the acquisition, development, improvement, renovation, construction and reconfiguration of certain facilities, including the replacement passenger terminal and associated support components, at the Airport (the “Project”). The not-to-exceed amount is derived from the expected costs shown in the table below and is intended to reflect a conservative estimate of the aggregate amount of all Obligations issued to finance the Project, including any Obligations issued to finance on an interim basis any anticipated revenues, grants, reimbursements from third parties or other long-term Obligations. Additionally, the not-to-exceed amount includes the possible need to fund capitalized interest during the construction of the Project, a reserve fund to serve as additional security for investors, and costs of issuance. The actual amount of Obligations to be issued will depend on the cost of the Project, the timing of available funds, and the possible need to finance the uses listed in the chart below. The following chart describes the current estimated amounts associated with the Project:

Northeast Quadrant Cost Estimate	\$1,313,000,000
Southeast Quadrant Cost Estimate	\$117,000,000
Prior Authority Development Cost	\$23,000,000
Reserve Fund	\$86,000,000
Capitalized Interest (3 years x 6%)	\$342,000,000
Costs of Issuance (1%)	\$19,000,000
<b>Total</b>	<b>\$1,900,000,000</b>

The Project is to be located within the boundaries of the City, and it will provide significant benefits to the public, including enhanced safety, increased employment of local area construction workers, and improved access to the intermodal transit hub, providing a more efficient delivery of services to travelers from the City and other members of the Authority.

**DISCUSSION**

Section 6586.5 of the Act requires that the City, as the local agency within whose boundaries the Project is to be located, approve the financing of the Project and make a finding of significant public benefit, after a public hearing preceded by public notice in accordance with the Act.

Furthermore, Section 103 of the Internal Revenue Code of 1986 (the “Code”) allows interest on the tax-exempt Obligations issued by the Authority to be excluded from gross income for federal income tax purposes if the bonds satisfy certain requirements. For certain “qualified bonds” to receive this benefit, the obligations must be approved by the “applicable elected representative” of the governmental unit that issues the obligations or on behalf of which the obligations are issued, as well as the governmental unit having

jurisdiction over the area in which the Project is to be located pursuant to Section 147(f) of the Code. Such approval must follow a public hearing which has been preceded by public notice in accordance with the Code. A similar public hearing was held on behalf of the Airport in February of 2011, when the City Council approved the financing for the Regional Intermodal Transportation Center (RITC) project.

The City Council has been requested to hold the required public hearing pursuant to Section 6586.5 of the Act and Section 147(f) of the Code. As a result, a public hearing will be held on April 25, 2023 in connection with the Obligations. Notice of the public hearing was published on April 12, 2023 in the Los Angeles Times.

At the public hearing interested persons may express their views on the issuance of the Obligations and the Project. Upon completion of the public hearing, the City Council will consider a resolution approving the Obligations to finance the Project for purposes of Section 147(f) of the Code and Section 6586.5 of the Act (“Resolution”). Holding the public hearing and adopting the Resolution approving the issuance of the Obligations to finance or refinance the Project are requirements of state and federal laws, but such actions do not require the City Council to approve any of the documentation relating to the issuance of the Obligations. Aside from assisting the Authority with meeting the requirements of Section 147(f) of the Code and Section 6586.5 of the Act, the City Council will not be required to take any other actions for the issuance of the Obligations. The approval required by Section 147(f) of the Code and Section 6586.5 of the Act are conditions to the issuance and authorization, respectively, of the Obligations by the Authority. The Authority expects to authorize the initial issuance of the Obligations in late Spring 2023, with an expected issuance in Summer 2023.

The Authority has informed the City that any indenture or similar instrument pursuant to which the Obligations will be issued will provide that neither the faith and credit nor the taxing power of the State of California (the “State”) or any public agency thereof, including the cities of Burbank, Glendale and Pasadena, will be pledged to the payment of the Obligations, and the payment of the Obligations will not constitute a debt, liability or obligation of the State or any public agency thereof, including the Cities of Burbank, Glendale and Pasadena, other than the special obligation of the Authority as provided in such indenture or similar instrument.

## **ENVIRONMENTAL REVIEW**

Approval of the Resolution approving the Authority’s financing of the Project and issuance of the Obligations has no potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment. As such, this action is not a “project” subject to the requirements of the California Environmental Quality Act (CEQA) 14 Cal. Code Regs § 15378.

## **FISCAL IMPACT**

There is no fiscal impact if the City adopts the Resolution. The City of Burbank does not bear any responsibility for the tax-exempt status of the interest with respect to the

Obligations, the debt service on the Obligations, or any other matter related to the Obligations.

**CONCLUSION**

Staff recommends that Council adopt the Resolution approving the Authority's financing of the Project and issuance of the Obligations by the Authority in a maximum aggregate principal amount of \$1,900,000,000 for the purposes of the Project.

**ATTACHMENTS:**

ATTACHMENT 1: Resolution  
Correspondences