



Monterey Peninsula Airport District

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August 12, 2015

The Honorable Judge Marla O. Anderson
Presiding Judge
Monterey County Superior Court
240 Church St.
Salinas, CA 93901

Re: *Monterey Peninsula Airport District's Response to 2015 Monterey County Civil Grand Jury Report*

Dear Judge Anderson:

Pursuant to Penal Code section 933, subsection (c), et seq., the Monterey Peninsula Airport District has reviewed the 2014-2015 Monterey County Civil Grand Jury Report regarding the operations of the Monterey Regional Airport. The Monterey Peninsula Airport District, which operates the Monterey Regional Airport (collectively referred to as "MPAD"), would like to thank the Grand Jury members for their effort and dedication in researching the issues and in preparing the annual report.

In preparing this response, information and input was obtained from various sources regarding each finding and recommendation, including the General Manager and staff members. In response to the Grand Jury Report released June 25, 2010, the Monterey Peninsula Airport District Board of Directors unanimously approved the following response in a public session of its duly noticed meeting held on August 12, 2015.

FINDINGS

F1. The occupancy rate for non-aviation 'outside storage areas' properties is 63.7%, significantly lower than other Monterey Regional Airport space.

Response: Disagree in Part.

Non-aviation related revenues are critical to the financial health of MPAD. The occupancy rate for all non-aviation properties is 89.4%. While "outside storage areas" constitute a component of the non-aviation properties, those areas do not exclusively make up the non-aviation rental revenue for MPAD. However, the "outside storage areas" do have a lower occupancy rate than other non-aviation properties.

F2. Monterey Regional Airport parking rates have not been adjusted in seven years and are losing potential revenue for the airport.

Response: Disagree.

The parking rates were revised on July 1, 2014 and the rates reflect the current market rates for airport parking.

F3. The availability of street parking in the adjacent neighborhood is causing the airport to lose parking revenue.

Response: Agree.

While there is general agreement that MPAD loses revenue from the availability free, extended-term street parking in the City of Monterey's adjacent neighborhood, it is difficult to determine how much revenue is being lost.

F4. The possibility exists to redefine the airport property as a "utility" district, potentially generating new revenue streams.

Response: Disagree.

Monterey Peninsula Airport District was formed as a special district by the Legislature of the State of California. The enabling act gives MPAD broad powers and authority, including almost all of the statutory authority as that of a utility district. Accordingly, MPAD is able to generate new revenue streams as if it were a utility district without the need to change its organizational structure.

F5. The airport's north side property is a valuable, income-producing asset contributing to airport operations.

Response: Agree.

F6. Most tenant leases are subject to CPI (Consumer Price Index) rate increases. In some cases however, tenants cannot raise their price point at the same rate and remain in business.

Response: Agree in part; Unable to Agree or Disagree in Part

MPAD agrees that most long-term tenant leases are subject to CPI rate increases, while other leases contain annual increases by a fixed amount. MPAD is unable to make an informed determination as to whether some tenants are able to raise their prices at the same rate and remain in business.

F7. MRA pays competitive-to-high salaries for airport personnel, enabling employees to live on the Monterey Peninsula.

Response: Disagree in part.

MPAD has adopted a salary schedule that is competitive in the marketplace, enabling employees to live on the Monterey Peninsula.

F8. MRA is currently underutilized by area residents, capturing only 40% of the passengers in its service area.

Response: Agree.

F9. Increased airline activity at the airport will increase revenue. Discussions with airlines are currently underway.

Response: Agree.

F10. The Airport District is making a concerted effort to reach customers through local TV advertising and has begun to use social media to promote its services.

Response: Agree.

F11. The cost of Board of Directors elections can potentially be reduced by privatizing the election process.

Response: Disagree.

The cost of a general election, at which time the Board of Directors are elected, is shared

proportionally among all public agencies that take part in the election. MPAD investigated whether it would save money by utilizing a private company to conduct a general election and determined that it would not reduce the cost of the general election.

RECOMMENDATIONS

R1. Dedicate adequate staff to oversee the property management component of the airport's revenue.

Response: Will Be Implemented.

MPAD employees currently monitor rental properties. However, MPAD recognizes that dedicated personnel resources may create a positive effect on the operating revenue generated from rental property.

R2. Immediately evaluate non-aviation 'outside storage areas' such as the areas occupied by the current tree service tenants, to determine what can be done to encourage additional tenants.

Response: Will Be Implemented.

MPAD staff will continue to evaluate all non-aviation properties to maximize occupancy and revenue generation for the airport.

R3. Provide regular maintenance and upgrades to the buildings that are located on the airport's north side property, to keep them rentable and up to standards.

Response: Has Been Implemented.

MPAD maintains its buildings on the north side property such that the buildings are compliant with building codes and available for rent.

R4. Confirm that all airport property rates are in line with local 'market rent' rates.

Response: Has Been Implemented.

MPAD has done assessments related to market rent rates and it will aggressively continue to obtain market rent rates in the future for its properties which become available for rent. Further, MPAD is required by its grant assurances with the FAA to charge market rates for all rental property.

MPAD is in compliance with its FAA grant assurances and is charging market rates for its currently rented properties.

R5. Immediately research the potential of redefining MRA as a utility district to generate new revenue streams.

Response: Has Been Implemented.

Monterey Peninsula Airport District was formed as a special district by the Legislature of the State of California. The enabling act gives MPAD broad powers and authority, including almost all of the statutory authority as that of a utility district. Accordingly, MPAD is able to generate new revenue streams as if it were a utility district without the need to change its organizational structure. MPAD will need to comply with regulations related to the sale of any type of "utility" that it may be able to sell in the future, however, it is not technically necessary for MPAD to become a utility district to generate those types of new revenues.

R6. Evaluate the impact of raising parking rates.

Response: Has Been Implemented.

The parking rates were revised on July 1, 2014 and the rates reflect the current market rates for airport parking. As part of the annual budget process, parking rates are reviewed on an annual basis.

R7. Enter into further discussions with the City of Monterey to regulate free street parking on the adjacent city streets.

Response: Will Be Implemented.

Parking revenue is an important component of the financial health of MPAD. Accordingly, MPAD will continue to coordinate with the City of Monterey regarding the issue of free, extended-term street parking in the adjacent neighborhood, and MPAD will continue to request that the City of Monterey vigorously enforce current parking regulations in the area.

R8. Work with the local tourist and hospitality industry (Monterey County Convention and Visitors Bureau) to expand marketing of the area as a destination.

Response: Has Been Implemented.

MPAD is an active participant on the Monterey County Convention and Visitors Bureau (“MCCVB”) board and is active in the MCCVB meetings. MPAD will continue to coordinate marketing efforts with the MCCVB, and others in the industry, in an effort to expand the marketing of this area as a destination.

R9. Consider advertising with online commercial real estate services (such as LoopNet) as a means of attracting tenants.

Response: Will Be Implemented.

As part of its marketing efforts, MPAD will explore additional advertisement avenues such as online commercial real estate services as a means of attracting tenants.

R10. Expand the use of social media for marketing purposes.

Response: Has Been Implemented.

MPAD is utilizing social media for marketing purposes, and such efforts will continue to be expanded.

R11. In terms of advertising, continue to emphasize the traveler’s savings on time, gas, hotels, parking, and traffic aggravation by flying from Monterey.

Response: Has Been Implemented.

In its marketing, MPAD will continue to promote air travel from Monterey by emphasizing the traveler’s savings on time, gas, hotels, parking, and traffic aggravation by flying into and out of the Monterey Regional Airport.

R12. Continue to work with various airlines to pursue additional flight destinations.

Response: Has Been Implemented.

MPAD has and will continue to meet with various airlines to pursue additional flights to