

**MINUTES OF THE BUDGET & FINANCE COMMITTEE MEETING OF THE MONTEREY PENINSULA AIRPORT DISTRICT BOARD OF DIRECTORS**

**August 10, 2020 - 10:00 AM**

**SPECIAL AND URGENT NOTICE ELIMINATING IN-PERSON PUBLIC PARTICIPATION AT MONTEREY PENINSULA AIRPORT DISTRICT BOARD MEETINGS**

Due to the directives contained in the Governor's Declarations of Emergency for the State of California (Executive Orders N-25-20 and N-29-20) and the Governor's Stay at Home Order (Executive Order N-33-20), the Board of Directors of the Monterey Peninsula Airport District is required to limit in-person attendance at the upcoming Board Committee meeting. Members of the public may utilize alternative measures established by the Monterey Peninsula Airport District to listen to Board meeting and/or to communicate your opinions to the Board Members. To participate in the Board meeting via Zoom video conference, please visit [www.zoom.us/join](http://www.zoom.us/join) and enter the following Meeting ID: **859 7215 9285**. The password for this meeting is: **20200615**. If you do not have access to the internet, you may also participate telephonically by calling (253) 215-8782 and entering the same Meeting ID and password.

Members of the public who wish to provide comment on an item on the agenda may do so during the meeting prior to the item being considered by the Board.

**A. CALL TO ORDER**

*Finance Committee Meeting of the Board of Directors was called to order at 10:00 AM. Director Leffel, Director Cursio, Executive Director La Pier, Deputy Director Strategy and Planning Morello and Deputy Executive Director of Finance and Administration Bergholz were present.*

*LSL Audit Partner Brandon Young was present via ZOOM meeting.*

*District resident Doug McKenzie was present via ZOOM meeting.*

*The following documents were presented to the Budget and Finance Committee members:*

- June 2020 Financial Statements*
- June 2020 Financial Statement Variance Analysis*
- June 30, 2020 Accounts Receivable Aged Invoice Report*
- Resolution No. 1782, Authorizing a Professional Services Agreement with PFM Financial Advisors LLC to Provide Financial Services Related to the Development of Airport Capital Improvement Projects*

**B. COMMUNICATIONS/ANNOUNCEMENTS/INFORMATIONAL ITEMS**

*None.*

**C. PUBLIC COMMENTS**

*None.*

**D. REGULAR AGENDA – ACTION ITEMS**

Presentation 1. LSL FY 2020 Audit Plan

*Mr. Young presented the SAS 114 letter to the Finance committee, discussed the timing of the audit, covered remote audit processes and the mentioned LSL staff members assigned the audit. The tentative audit schedule is:*

Airport financial information due August 10 to 17,  
LSL test work to begin August 17,  
Test work to be completed the week of August 24,  
Draft financial statements presented to Finance Committee October 12,  
Client representation letter due week of November 2, and  
Final audit report to be presented to the BOD November 11

Review        2. FYTD 2020 Financial Statements

*Reviewed overall financial performance of the Airport as of June 30, 2020.*

*In June 2020, the Monterey County Health Department and shelter in place health emergency continues to impact the Airport tenants and users of the Airport. Commercial airline enplanements, general aviation landings and passenger counts are improving. Airport concessions have remained open, but customer traffic is still slow.*

*The Airport filed Corona virus Aid, Relief, and Economic Security (CARES) Act reimbursement requests for February to April, May and June totaling \$1.28M. All reimbursement requests have been paid by the FAA as of July 15, 2020.*

*June 2020 combined Airport operating revenues are \$414.8K which is \$381.2K (47.9%) lower than budget (\$796.0K), and FYTD revenues are \$8.90M which is \$677.9K (7.1%) lower than budget (\$9.57M). The June unfavorable revenue variance is attributed to lower revenues in all categories. Most of the businesses operating in the Non-Aviation and Other Operating categories are considered essential services and continued to operate with near normal revenues. The June unfavorable revenue variance is attributed to the following:*

- Commercial Aviation (CA) fees in June are under budget (\$28.6K actual vs \$71.5K budget) by \$42.9K or 60.2%. Aircraft landing volumes (123) are under budget (337) by 214 landings.*
- General Aviation (GA) operating revenues for June (\$112.0K) are \$54.5K or 32.7% lower than budget (\$166.5K). This unfavorable GA revenue variance resulted from lower FBO Rents, GA Landing and Fuel Flowage fees.*
- In June combined TCP permits, Taxi Permits/Trips, TNC Trips, Terminal Concessions, Rental Car and Parking Concessions (Concessions) fees (\$61.5K) are \$137.5K or 69.1% lower than budget (\$198.9K).*
- June Non-Aviation Tenant revenues (\$165.6K) are lower than budget (\$177.4) by \$11.9K or 6.7%.*
- June Other Operating Revenues (\$16.2K) are lower than budget (\$22.7K) by \$6.5K or 28.6%.*

*June operating expenses (\$618.7K) are under budget (\$711.4K) by \$92.7K or 13.0%. The June expense variance came from the following:*

- Salary & Wages and Employer Payroll Tax (Wages) Expenses (\$149.6K) for June are under budget (\$183.4K) by \$33.8K or 18.4%.*
- Employer Benefit Expenses (\$107.7K) for June are lower than budget (\$117.5K) by \$9.8K or 8.3%.*
- Personnel Related Expenses (\$615) for June were under budget (\$12.2K) by \$11.6K or 95.0%.*

- *Business Related Expenses (\$23.7K) for June are under budget (\$27.1K) \$3.3K or 12.3%.*
- *Expendable/Consumable Supplies & Materials expenses (\$19.4K) for June are higher than budget (\$13.7K) by \$5.7K or 41.3%.*
- *Repair & Maintenance expenses (-\$5.0K) for June are under budget (\$28.2K) by \$33.3K or 117.8%.*
- *Outside Services expenses (\$242.9K) for June are over budget (\$237.1K) by \$5.8K or 2.5%.*
- *Professional Service expenses (\$37.3K) for June are over budget (\$29.7K) by \$7.6K or 25.6%.*
- *Marketing related expenses (\$4.0K) for June were under budget (\$29.9K) by \$25.9K or 96.7%.*
- *Combined Utilities expenses for June (\$32.9K) are over budget (\$27.0K) \$6.0K or 22.3%.*

*Lower revenues due to the national health emergency and lower operating expenses resulted in an operating loss of \$203.9K for June which is \$288.5K lower than budget (\$84.6K). FYTD operating income is \$452.4K which is \$100.2K or 18.1% lower than budget (\$552.6K).*

Review 3. Variance Analysis - MTD and YTD

**Revenues:**

*CA Landing Fee  
 APRON Fees  
 CA RON Fees  
 Landing Fee  
 Terminal Space Rent  
 Terminal Concessions  
 Taxi Operator Permits & Trip Fees  
 TNC Permits & Trip Fees  
 Rental Car Concessions*

*In June rental car concessions improved over May but missed budget by \$54.7K (51.7K Act vs. \$106.4K Bud) as rental car companies completed approximately 2133 contracts at \$243 per contract.*

*Parking Concession*

*The COVID-19 health emergency continued to impact Parking Concession vehicle counts for June. The Airport abates the \$7.3K minimum monthly guarantee (MAG) but receives concession income over the MAG. Actual parked vehicles were 3,338 and concession revenues over the MAG were \$4.4K.*

*FBO Rents  
 GA Fuel Flowage Fees  
 Facility / Space Rents  
 Self-Storage Concession  
 Office Space Rental Revenue  
 Property Tax Allocation*

*The FY20 Property Tax payments were slightly over budget, but the payment distribution was slightly different than budget.*

*Utility Charges*

**Expenses:**

**Finance & Administration:**

*Salaries & Wages  
CalPERS Health Insurance  
Business Travel & Entertainment  
Human Resources*

*The Human resources account is used to track payments to RGS for HR services and other HR related expenses. In March 2 two employees were laid-off. It appears the Airport opted to be a pay as you go employer for unemployment insurance expenses. Claims totaling approximately \$7.1K were processed for Q4 2020. We can expect these quarterly expenses to continue into FY 21 and they are not included in the FY 21 budget.*

*Marketing  
Public Relations  
Air Service Development*

*Bad Debt Expense*

*In May, MPAD received a bankruptcy notice from Hertz Rental Car Corp and recognized an additional \$22.0K bad debts reserve. In June Hertz paid most of their outstanding invoices. The additional bad debts reserve has not been reversed as there are other questionable accounts like Swift Air. The bad debts reserve will be reevaluated during preaudit cleanup of the FY 20 financial statements.*

**Planning & Development:**

*Salary & Wage Reimbursement*

*In June, Planning and Development submitted \$12K in labor expenses to be liquidated to capital projects. These liquidations were \$11K over the \$1K monthly budget.*

**Maintenance & Custodial Services:**

*Salaries & Wages  
CalPERS Health Insurance  
Airfield Repair & Maintenance*

*In June Maintenance budgeted runway patching and restriping airfield repairs totaling about \$10.5K. The June variance resulted from \$5.8K in additional expenses for KSRI Surfaces to remove AOA markings.*

*Landscape & Grounds Repair & Maintenance*

*Other / Contract Services*

**Airport Operations:**

*Salaries & Wages  
Other / Contract Services*

*The June variance resulted from expenses for Surveillance GRID Integration, Inc. to perform system updates and maintenance which is typically budgeted in July.*

**Police Department:**

*None*

**ARFF / Fire Services:**

*District Vehicle Supplies & Materials*

*In June, the ARFF department switched foam supplies from 6% to 3% so both ARFF trucks could use the same supplies. The airport agreed to cover the cost that was not budgeted.*

*District Vehicle Repair & Maintenance*

*The Airport received a second invoice for new Motorola radios for the ARFF truck. This invoice was sent in error and entered but has since been reversed.*

**Board of Directors:**

*Seminars & Conferences  
Business Travel & Entertainment Expense  
District Legal Counsel*

**Office Rental Property:**

*Utilities – Electricity*

*In June electrical expenses were over budget as the air conditioner usage has increased in the F&K building. The Airport is still learning the pattern of expenses for these properties.*

**Other Income and Expense:**

*Grants – FAA  
Grants - FAA CARES ACT*

*In June, MPAD submitted a \$467.7K CARES ACT draw for eligible expenses incurred through June 30, 2020. The Airport received the payment in early July.*

*Passenger Facility Charges*

*No additional questions on revenues or expenses.*

Review 4. Accounts Receivable Aged Invoice Report

*The accounts receivable balance on June 30, 2020 is \$269K. This balance is 14.4% lower than May 31, 2020 balance of \$314K and 60.4% lower than the \$678K balance on June 30, 2019. The net accounts receivable balance over 60 days old on June 30, 2020 is \$4.8K.*

*On March 31, 2020, the Airport offered Airlines, Rental Car, Parking and Concessions vendors the option to defer space rents and minimum guaranteed payments until June 30. Additionally, in May the Airport offered rent and MAG abatements to aviation related tenants beginning May 1, 2020. On June 30, several of the deferred and abated customer account issues have been resolved and Hertz paid most of the reserved receivables. The \$22K increase in the bad debts reserve has not been reversed since there are other accounts that may have collection issues. As part of our pre-FY 20 audit review we will complete our analysis and may adjust the bad debts reserve.*

Review 5. Resolution No. 1782, Authorizing a Professional Services Agreement with PFM Financial Advisors LLC to Provide Financial Services Related to the Development of Airport Capital Improvement Projects

*Finance Committee reviewed the Professional Services Agreement scope and fees in preparation for the upcoming Regular Board meeting.*

**E. ADJOURNMENT**

*The meeting adjourned at 12:00 PM.*

Minutes Approved at the  
Meeting of September 16, 2020



Mary Ann Leffel, Chair

ATTEST



Michael La Pier, AAE  
District Secretary