June 19, 2025

Jacqueline Jackson, Presiding Judge
Superior court of California, County of Riverside
4050 Main Street
Riverside, CA 92501

Riverside County Grand Jury
P.O. Box 829
Riverside, CA 92502

Riverside County Clerk-Recorder
2720 Gateway Drive
Riverside, CA 92507

Subject: March Joint Powers Authority Responses to Grand Jury Findings and Recommendations in Report Titled "Mission Accomplished, Time to Completely Dissolve"

Dear Sir/Ma'am:

Please accept this letter as the March Joint Powers Authority's formal response to the Grand Jury's April 10th, 2025, letter of findings and recommendations (attached hereto), pursuant to California Penal Code §933.05. Please note that the original Grand Jury findings are repeated below in italics. The March Joint Powers Authority ("March JPA") responses are in bold, with additional explanation and commentary in regular typeface. References to the "JPA" or the "respondent" refer to the March JPA.

Responses to Findings

F-1 In violation of the California Government Code §6505.6 and its own joint powers authority agreement, the March JPA Commission has not appointed a professionally qualified commissioner or staff member as its treasurer (i.e., qualified to serve as a treasurer for one of the cities or the county).

The respondent disagrees with the finding. The CEO is identified as the March JPA's Treasurer in multiple documents approved by the Joint Powers Commission ("JPC")

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including, for example, the quarterly investment reports. Nevertheless, all purchases, sales, and other transactions related to investments are presented to the entire JPC for approval.

F-2 *The March JPA did not perform monthly bank reconciliations for the 2022-2023 fiscal year until the end of the 2022-2023 fiscal year.*

The respondent agrees with the finding. This was due to staff turnover, and has long since been addressed.

F-3 *The March JPA Commission has not complied with its own joint powers agreement by failing to complete annual financial audits within six months following the end of each fiscal year.*

The respondent agrees with the finding. This is true for some recent years, and was due to staff turnover. The March JPA has since obtained the appropriate resources to ensure the completion of annual financial audits in a timely manner.

F-4 *For the past four years, auditors have consistently reported internal control issues to the March JPA Commission and management, particularly regarding the segregation of duties. These unresolved issues increase the risk of errors, fraud, and unauthorized transactions.*

The respondent partially agrees with the finding. The internal control findings in the audits, and management responses to those findings, are a matter of public record. Management is currently implementing a corrective action plan to implement internal control recommendations identified by the auditors.

F-5 *Persistent unresolved internal control issues create uncertainty regarding the accuracy of March JPA's financial records and the effectiveness of its financial procedures.*

The respondent partially disagrees with the finding. In the vast majority of years, the March JPA has received unmodified opinions from its auditors. The only modification received was related to the land valuation identified in the Grand Jury report. In terms of the reliability of the March JPA's financial statements, auditors have found that they fairly state the financial position of the March JPA such that they were able to issue an opinion.

F-6 *The March JPA oversees an airport authority. The airport's operating expenses consistently surpass its operational income.*

The respondent partially disagrees with the finding. For FY22, FY23, and FY24, the Airport Authority improved its net position. The Grand Jury is misreading the statements of cash flows in audit reports and as a result, has incorrectly identified the "operating loss" line item in the report as the Airport's net operating position. The Grand Jury needs to refer to the line item labeled "Total cash provided by operating activities" to correctly identify the Airport's net operating position for that given year. The Grand Jury must also refer to total cash and investments to understand the Airport's overall net financial position. For example, in the year ending June 30, 2022, the Airport's total net position stood at $7,448,372 (p.12 of the 2022 report). To correctly assess the Airport's financial health, the Grand Jury must consider the whole of the Airport's Statement of Cash Flows for each given year, as well as its Cash and Investments and Statement of Net Position. Pasted below is March Inland Port Airport Authority's (MIPAA) actual operational position from 2016 to 2023. Of the eight years identified in the Grand Jury's report, only two of those years were reported in the negative in its net operating position.

Fiscal Years Ending On	Reconciliation of Net Operating Income to Net Cash Provided By (Used For) for Operating Activities
6/30/2016	$284,798
6/30/2017	($159,946)
6/30/2018	($112,237)
6/30/2019	$1,173,036
6/30/2020	$435,719
6/30/2021	$934,692
6/30/2022	$144,962
6/30/2023	$391,880

The Grand Jury incorrectly stated that the March JPA's land use authority is tied to MIPAA's financial health. MIPAA is a separate fund with revenue sources that are separate and apart from the March JPA's revenues. MIPAA's primary source of income for operations is in its airport ground leases. The land use transition to the County, would not impact MIPAA's ability to sustain its operations through its ground lease agreements and airport-related agreements with Airport tenants.

With regard to MIPAA's capital projects, MIPAA's capital projects are tied to federal and state grants. MIPAA is a designated reliever airport in the FAA's National Plan of Integrated Airport Systems (NPIAS) and is recognized as a general aviation and air cargo airport by the FAA. As such, MIPAA is entitled to FAA grant funding on an annual basis toward capital projects. These annual allocations allow MIPAA to address its capital needs in a phased approach and as approved by the FAA. The master plan is a 20-year planning document that outlines strategies and goals that support the implementation of airport projects, and the full buildout of the airport as desired by MIPAA and in collaboration with the March Air Reserve Base. We recognize that MIPAA cannot self-fund proposed projects but as with any major airport, the airport master plan allows MIPAA to pursue the necessary federal and state grant opportunities that can help complete those projects over the next 20 years. This is a tool that is used by airports to address their funding needs on the federal and state levels.

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The Grand Jury incorrectly characterizes Amazon as a major contributor to MIPAA's capital improvement funds. The primary source of funding for MIPAA's capital projects is its federal grants. Moreover, MIPAA's major source of revenues is from its ground lease agreements with its Airport operators. Amazon did not hold a ground lease with MIPAA and as such, their absence from the Airport will have no impact to our ground lease revenues or our grant funding toward capital projects.

Besides the foregoing, the Airport should not be treated like a business. It is a regional asset, controlled cooperatively through the March JPA by the County and the Cities of Moreno Valley, Perris, and Riverside. The Airport plays a critical role in the long-term stability of the March Air Reserve Base. Airport revenues are anticipated to improve over the next five years.

F-7 *The March JPA was not originally intended to become a permanent, stand-alone airport authority governed by non-elected officials who rely heavily on a single administrative staff member.*

The respondent disagrees with the finding. Thirty years on, it is very difficult to assess the original intent of the March JPA beyond what is contained in the Joint Powers Agreement, as amended. Nevertheless, the March JPA was not provided an end date, whether in statute or through the Joint Powers Agreement.

F-8 *March JPA Commissioners are appointed to serve on the March JPA Commission. The Commission is not accountable to any single city, county, or state government, including voters.*

The respondent disagrees with the finding. The commissioners appointed to serve on the March JPA Commission are all elected officials, ultimately accountable to voters. In addition, for the most part, theses commissioners are appointed by their legislative bodies and may be removed and replaced by those legislative bodies. The March JPA is, of course, accountable to the State, which has the capacity to regulate the agency. The notion that the commissioners are not accountable to the public is absurd.

F-9 *March JPA Commissioners' votes may sometimes conflict with the positions held by their respective city councils or county board.*

The respondent agrees with the finding. This is true when any representative is appointed by their legislative body to another entity's board. For example, this is true for the County when the Board of Supervisors appoints its members to other joint powers authority boards or to regional authorities like the Southern California Association of Governments. This issue was clearly addressed in the March JPA's response to the prior Grand Jury report (see F-4 from that response, which is copied below verbatim). With this said, generally speaking, the votes of commissioners generally align with the interests of the communities from which they are elected – they are ultimately accountable, after all, to those voters.

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"The March JPA Commissioners infrequently seek a consensus on March JPA issues from other elected officials on their city council/board..

The respondent agrees with the finding. *The March JPA is not in the best position to confirm whether this is the case. However, the frequent seeking of consensus on March JPA items at member agency boards would be inappropriate. When a member agency appoints a representative to a position on another public agency board, they confer on that representative the responsibility for making the decisions on that board. (See 83 Ops. Cal. Atty. Gen. 267 (2000)). The decisions are made by that appointed official, and that appointed official alone. To the extent the home jurisdiction's board wishes to direct their officials to vote in a particular way, they may not do so – the individual official retains the discretion to vote their conscience as part of the appointment. In addition, the consideration of March JPA items at a member agency's board prior to a decision by the March JPA Commission could raise significant due process concerns. (See 104 Ops. Cal. Atty. Gen. 34 (2021)). Member agency boards are free, in most cases, to adjust their representation on a joint powers board if they are unhappy with their representation. It would defeat the operational efficiencies of a joint powers authority for member agency boards to weigh in on every agenda item coming before the joint powers board prior to action. In addition, it would significantly burden the member agency boards to have to hold advance hearings on every single item coming before every regional board to which they appoint members."*

F-10 The County of Riverside has departments and personnel with specialized expertise and resources that the March JPA lacks, enabling it to meet the commercial and general aviation needs at the March Air Reserve Base more efficiently than the small March JPA staff.

The respondent partially disagrees with the finding. While the County of Riverside certainly has departments and personnel with specialized expertise and resources, it does not necessarily follow that the County is better able to run the Airport. No other County-run airport is similar in nature to the Airport. Riverside County operates five general aviation airports within the County of Riverside. The County does not currently own or operate any commercial airports. The Airport is different from County airports in that it is an air cargo airport with a general aviation component that operates on a military base which makes it a Joint Use Airport with ties to the Air Force. Moreover, it is designated as a reliever airport within the FAA's NPIAS. No county airport has the military joint use designation, FAA reliever designation, or relationships within the military. The March JPA has extensive experience in federal defense policies with critical relationships at the Pentagon level and Department of Defense that allows it to be an effective partner to the March Air Reserve Base. MIPAA's federal relationships have been in place for decades and they have allowed the Authority to facilitate over $60 million worth of projects around the Base. Moreover, March JPA does not have competing interests within its operations and is highly capable of supporting the warfighting missions at March.

In addition, our Airport is located immediately adjacent to the Cities of Moreno Valley, Perris, and Riverside. Those jurisdictions presently have a say in how the Airport is run. Under County operation, this would be less so.

F-11 *March JPA can legally transfer its utility authority to the California Gas Company and its Successor Agency to the County of Riverside.*

The respondent partially agrees with the finding. The March JPA is presently working with SoCal Gas to transfer services to the company. The March JPA Successor Agency has bond debt tied to the agency and the agency land. Attempting to transfer the Successor Agency to the County would require bondholder consent, and would be a complicated and expensive process. This question may be better addressed by the California Department of Finance, which has oversight of the dissolution of redevelopment agencies.

F-12 *The March JPA does not have a succession plan to replace upper management personnel should it be necessary.*

The respondent agrees with the finding. It is highly unusual for a public agency to have a formal succession plan for upper management personnel. The JPC is responsible for appointing the position of CEO should the position become vacant.

F-13 *The March JPA has over $40,000,000 in its "unrestricted" funds.*

The respondent agrees with the finding. It should be noted that this number includes the March JPA general fund as well as all other funds and its related entities (including the Airport, Green Acres, and a reserve fund set aside for CalPERS liability). Healthy and well-run agencies have ample unrestricted funds available. In the past year, the March JPA distributed over $15 million in land sales revenues to member agencies.

Responses to Recommendations

R-1 *The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission comply with California Government Code §6505.6 and its own joint powers authority agreement by appointing a professionally qualified commissioner or staff member as treasurer by October 1, 2025. (A professionally qualified treasurer is defined as a person whose academic and work experience qualifies them to serve as treasurer within the cities of Moreno Valley, Perris, or Riverside.)*

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. There is nothing to implement because March JPA is not in violation of this Code. The CEO serves as March JPA's Treasurer, and began serving in that function following the departure of March JPA finance staff. The CEO has been signing investment reports as Treasurer since at least July 2022. Those

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reports were taken to the JPC for approval and the action was included in the March JPA's minutes. With regard to the CEO's qualifications to the Treasurer position, the CEO holds a master's degree from an accredited university in business leadership and management and a doctorate degree from an accredited university in public policy. The CEO also has over eight (8) years of experience in managing budgets in a supervisory capacity.

R-2 *The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission require its Chief Executive Officer to prepare, sign, and date a quarterly agenda item confirming that its internal financial controls comply with US Generally Accepted Accounting Principles (GAAP) standards no later than October 1, 2025.*

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. First, GAAP is the wrong set of standards for internal financial controls. Second, while this recommendation may be appropriate for a large publicly traded company, this is not a routine requirement in government or for privately held companies. The March JPA follows GAAP in recording its transactions and preparing its financial statements. In addition, with every audit, the March JPA makes the following representations: (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated ___, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP; (2) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud; (4) We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements; (5) We have reviewed, approved, and taken responsibility for the financial statements and related notes; (6) We have a process to track the status of audit findings and recommendations; and (7) We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

R-3 *The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission mandate that its staff members complete March JPA annual financial statement audits within six months of the end of each fiscal year no later than August 1, 2025.*

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. A mandate of this nature would be duplicative of the Joint Powers Agreement, and March JPA staff is already working diligently to ensure audits are completed in a timely manner.

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R-4 *The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission transfer its March Inland Port Airport Authority to the County of Riverside no later than July 1, 2028.*

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. This is a decision for member agencies, not for the March JPA. At the time of the 14th Amendment to the Joint Powers Agreement, it was possible for member agencies to transfer the operation of the Airport. They did not do so. The Cities of Moreno Valley, Perris, and Riverside presently have a greater say over the Airport's operations than they would under County ownership. Also, see response to F-10.

R-5 *The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority dissolve its Utility Authority no later than July 1, 2028.*

The recommendation requires further analysis. The March JPA is actively working with SoCal Gas to transfer gas services. It is unnecessary to set a deadline for such a transaction because it requires cooperation.

R-6 *The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority transfer its Successor Agency to the County of Riverside no later than July 1, 2028.*

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. See response to F-11.

R-7 *The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission dissolves itself no later than December 31, 2028.*

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. The JPC may not dissolve the March JPA – only the member agencies may do this, operating collectively through a joint powers agreement.

R-8 *If the March Joint Powers Authority does not agree to dissolve itself by December 31, 2028, the Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission modify its joint powers agreement to convert its appointed commissioner positions into elected positions no later than October 1, 2027. (Candidates should appear on the 2028 California primary election ballot.)*

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. All members of the March JPA Commission are elected by voters in their home jurisdiction. They represent the interests of those voters when they appear at the meetings of March JPA. The interest in the March JPA, and particularly the Airport, is much broader than the interests of residents living within the

March JPA territory. For example, residents in Moreno Valley, Perris, and Riverside who reside outside of the March JPA's territory have strong interests in the Airport's operations and success. This flawed recommendation appears to arise from a fundamental misunderstanding of how modern government functions and a notion that any entity with governmental authority ought to be governed by elected officials only – this notion is completely at odds with effective administration of government. The Grand Jury itself is unelected, with secret meetings and no published membership, yet it wields power to force other government entities to exhaust resources in attending closed door meetings and responding to reports like this one. Across the County and the State, there are numerous entities governed by appointed officials (many of whom were elected in their home jurisdictions) that successfully operate to improve the lives of residents (for example, RCTC, WRCOG, and LAFCO to name just a few – there are many others).

R-9 The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission hire an independent firm to conduct a forensic audit of the March JPA financial records from July 1, 2021, to June 30, 2023, with a completion deadline of no later than January 1, 2026.

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. The Grand Jury's notion that such a forensic audit could be performed for between $8,000 to $20,000 is completely out of touch with reality. Not only would such an endeavor be expensive, it is unnecessary. As identified elsewhere in this response, the March JPA's financial statements are subject to annual audit.

R-10 The Riverside County Civil Grand Jury recommends that the March Joint Powers Authority Commission develop and approve a succession plan for key staff positions, including the Chief Executive Officer, by October 1, 2025.

The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore. See Response to F-12.

Sincerely,

Grace I. Martin, DPPD
Chief Executive Officer

Enclosure

cc: Michael Vargas, Chair of the March JPA Commission
Dr. Yxstian Gutierrez, Vice Chair of the March JPA Commission
Chuck Conder, March JPA Commissioner
Ed Delgado, March JPA Commissioner

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Jim Perry, March JPA Commissioner
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