

Note to Readers of this Report

Throughout this Report references are made to specific documents or information provided to the Grand Jury. These references are shown in *italics* and reflect actual spelling, punctuation and grammar that was contained in the source documents.

SANTA MARIA PUBLIC AIRPORT DISTRICT

INTRODUCTION

The Santa Maria Public Airport District (District) was formed on September 11, 1962 by the Santa Barbara County Board of Supervisors under Resolution Number 22548. The District was formed under the California Airport District Act, and is governed in accordance with the California State Public Utilities Code 22001 et seq. The District is managed by a five member Board of Directors, elected by registered voters living within the boundaries of the District.

The District, which covers approximately 400 square miles, is the largest land mass of any government district within Santa Barbara County. As of November 2002, there were 48,557 registered voters within the District. This represents 24.94 percent of the total registered voters within Santa Barbara County.

As of February 2003, the District owned a total of 2,529 acres, of which 1,500 acres are used for the actual aviation operations and related aviation functions. The remaining 1,029 acres are used primarily for agricultural and cattle grazing purposes, and are leased to local businesses. As of May 2003, the District had a total of 183 aircraft hangar spaces and 24 storage units available for private and commercial lease.

When the District was initially formed in 1962, the District owned approximately 3,200 acres. Between 1962 and 2003, selected parcels of the District were sold for various industrial related activities. The Grand Jury found it interesting that the remaining size of the District-owned lands (2,529 acres) exceeds the size of the Los Angeles International Airport, which covers a total of 2,500 acres.

OBJECTIVE

The 2002-2003 Grand Jury could find no evidence that the Santa Maria Public Airport District (District) had ever been reviewed by a Grand Jury. In the Jury's examination of the District, a number of areas were examined. These included:

- *Renovation of Main Terminal Building*
- *District's policies regarding lease and use of hangars*
- *District's policies regarding building space leases*
- *Conduct of the elected Board of Directors*
- *Other related issues.*

PROCEDURES

During the course of the Grand Jury review of the District, four subpoenas were issued. Sworn depositions were taken from the General Manager, the Administrative Secretary and two elected members of the Board of Directors. A site visit was made to the District by members of the Jury to review leases, budgets, contracts and other related operations. Interviews were conducted with three individuals having leases with the District.

RENOVATION OF MAIN TERMINAL BUILDING

The Santa Maria Public Airport District Board of Directors included \$325,000 in the Fiscal Year (FY) 2000-2001 District budget for improvements to the Main Terminal building at the Airport.

On September 1, 2000 the General Manager of the Airport District entered into a negotiated agreement for consulting services with Prime Point National Construction Services to perform professional architectural services. These services were for the development of conceptual building improvements for the Terminal Building at the Santa Maria Public Airport. Elements of the work were to include:

- *Basic Terminal Building modified floor plan*
- *Conceptual rendering of proposed modifications to the lobby, hold-room, baggage claim and restrooms*
- *Remodel of restrooms*
- *Revised security screening checkpoint and hold-room layout*
- *Layout an interim baggage claim and rental-car scheme*
- *Provide carpet, paint and color scheme recommendations*
- *Review applicable municipal codes and permit requirements*
- *Develop preliminary cost estimates for each element.*

The fees for the above services were set on a *not-to-exceed \$10,000* and the consultant was to complete the contract by March 31, 2001. The Agreement was signed by the General Manager, under his Board-delegated spending authority of up to the \$10,000 limit.

On November 27, 2000 the General Manager sent a memorandum to the District Board of Directors which stated:

It is my understanding the Board desires to make certain improvements to the Terminal Building including carpet, counters, restrooms and hold-room. There are a series of line items in the current budget totaling \$325,000 for terminal improvements.

To get this project moving, I contracted with Prime Point to develop terminal refurbishment concepts. The initial understanding was to develop concepts within a budget of \$10,000. After two initial meetings and detailed discussions, it was apparent that a slight, unforeseen modification in the plans was needed. This additional work was done at a total cost of \$1,750 that exceeded the \$10,000 authorization limit. I am asking Board approval for this additional expenditure.

For your further information, Prime Point was chosen because it does refurbishment design and construction management for several major airlines. I felt Prime Point's airline contacts would be beneficial.

Based on a review of all minutes of regular meetings of the District during 1999 and 2000 by the Grand Jury, there was some concern as to the process which was used to hire Prime Point for this initial Service Agreement. The Jury found several instances where the General Manager made inferences and direct statements suggesting that he was searching for a highly qualified company to assist the District in handling the planned improvements to the Main Terminal. The General Manager indicated to the Jury that he actually had considered no other companies for performing this work.

What began as an initially budgeted \$325,000 improvement plan for the Main Terminal by the Board of Directors, increased to \$850,000 after agreement was reached by the Board on what improvements would be included. As of March 11, 2003 the total amount spent on this project was \$1,074,923 and additional costs were still anticipated in excess of this higher amount. This figure did not include another \$223,597 spent on replacing the roof of the Main Terminal.

As the Grand Jury looked further into this matter, it appears that while the proposed project was commendable, what actually transpired was an out of control project. Excluding the roof replacement of \$223,597 there were over 70 change orders totaling \$224,923 of increased costs dealing with either unplanned, or misplanned aspects of the project.

The General Manager and Directors contacted by the Grand Jury indicated that they were dealing with an older structure, and that whenever a wall or floor was opened problems were discovered which added to the overall costs of the project. The Jury found it

interesting that the architectural firm that designed and oversaw the construction of the original Main Terminal was never consulted by either the District, or Prime Point, concerning availability of “as-builts” and other pertinent information on the structure. Failure on the part of the District and the contractor to consult with the original architectural firm for the facility undoubtedly added costs to the total project.

Of greater concern were comments made by a member of the Board of Directors to the Grand Jury about the financing of these terminal improvements. The Director indicated that the improvements did not cost the taxpayers anything. The cost of the improvements was covered by interest on the District’s investment portfolio. The cavalier attitude displayed is troubling. This facility is owned by the citizens living within the boundaries of the Airport District, and the Board is elected by the registered voters within that same area.

The General Manager defended the hiring of Prime Point to handle the construction management aspect of the job, indicating that he did not want to impact the regular District staff with the handling of the “paperwork” associated with the remodeling contracts, etc. As of March 11, 2003 the District had paid Prime Point a total of \$212,331 in construction management fees. The General Manager felt that what he had originally hoped to accomplish, in terms of reducing the impact on the District staff, probably was not achieved.

FINDINGS AND RECOMMENDATIONS

Finding 1

The Santa Maria Public Airport District Board of Directors and General Manager failed to exercise adequate control over the remodel of the Main Terminal facility and incurred costs which exceeded the planned expenditures by over \$224,000.

Recommendation 1

The Board of Directors needs to establish proper internal controls over planned capital improvement projects to ensure projects are completed within amounts budgeted.

Finding 2

The elected Board of Directors of the Santa Maria Public Airport District (SMPAD) must recognize that it is managing an asset which belongs to the citizens and registered voters who reside within the geographical boundaries of the SMPAD.

Recommendation 2

As part of the Board of Directors’ responsibilities to citizens and registered voters of the SMPAD, greater public input should be sought concerning the planned uses and improvements proposed for facilities and lands owned by the District.

Finding 3

The Airport District is not required to use competitive bidding on projects of this magnitude.

Recommendation 3

Projects costing in excess of \$10,000 should be put out to competitive bid in accordance with sound business practices.

POTENTIAL CONFLICT OF INTEREST SITUATIONS

The District Board of Directors has received training, as well as periodic refreshers, by the District legal counsel (counsel) on the Brown Act and conflict of interest regulations. The Grand Jury, as part of the review of the minutes of the regular Board meetings, found a disturbing dialogue which occurred between members of the Board and their legal counsel.

At the June 11, 2001 meeting, the Board was scheduled to discuss District Resolution Number 613 which concerned lease rates for T-hangars owned by the District. Since two of the Directors held leases for these hangars, the counsel advised them that to participate in any discussion of this matter would be a conflict of interest. Further, the counsel advised staff, and the remainder of the Board, that they should disregard any opinions which the two Directors shared with other Board members. The counsel did indicate that the two members could step down as members of the Board and address the Board as members of the public during the public forum portion of the discussions.

Even though counsel publicly admonished the two directors to recuse themselves from voting on hangar rates, they ignored the admonishment and voted on the issue. One Director indicated we (the Board members) can do the damage first and then you (counsel) can tell us what the repair is. This Director then ignored the counsel's advice and stated his interpretation of rights and obligations to constituents.

The Grand Jury finds it inappropriate for a Board member to conduct himself in this fashion! California Government Code Section 87160 specifically forbids the use of an official position to influence a decision in which the person holding the position has a financial interest. It would appear that the actions taken by the Director may in fact be in violation of this Code. Even more important was the fact that other Board members did not interject and request that the two members step down from the discussion. In failing to do so, they shared complicity in the situation.

Finding 4

The Santa Maria Public Airport District Board of Directors, as a body, is not cognizant of, nor does it follow or enforce the conflict of interest requirements during the conduct of District business.

Recommendation 4a

The Santa Maria Public Airport District Board of Directors and key staff must continue to receive training on the conflict of interest requirements.

Recommendation 4b

Members of the Board of Directors have a responsibility to ensure that all Board members follow their District counsel's advice and assist in the enforcement of the conflict of interest requirements.

HANGAR SPACE LEASES

The Santa Maria Public Airport District has a total of 183 aircraft storage hangars available for private and corporate lease. Leases are offered on a month-to-month basis, with a current monthly rent of \$126 for private planes and \$240 for corporate jets. The terms of the use and conditions associated with these hangar leases are very specific.

Permitted uses of hangars are spelled out as follows:

- (a) *Storage of aircraft*
- (b) *Storage of an automobile while the aircraft is being operated outside the hangar*
- (c) *Storage of equipment and tools used for preventive maintenance, construction or restoration of an aircraft, including, but not limited to, personal items such as chairs, refrigerators and flameless heaters located 36 or more inches above the floor. Catalytic heaters are not permitted.*
- (d) *Maintenance, construction and restoration of an aircraft (under certain specific conditions).*

Prohibitions are equally specific and the lessee shall not do any of the following:

- (a) *Store property outside the premises or store any property in the premises unless, authorized as Permitted Uses of the Premises*
- (b) *Commit or suffer excessive noise, obnoxious odors, excessive dust or any other nuisance on the Airport*
- (c) *Alter or improve the Premises without District's prior written consent.*
- (d) *Fasten or erect any sign on the Airport*
- (e) *Assign the lease or sublet the Premises*
- (f) *Permit a third party to use the Premises except with prior written approval of District*
- (g) *Make use of the Premises or Airport in any manner which may interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard*

- (h) Use, keep or store in the Premises any combustible or flammable liquids...grease and other combustible liquids necessary to the permitted uses when stored in Underwriter Laboratory listed container*
- (i) Permit any activity within the premises involving fuel transfer, welding, torch cutting, torch soldering, doping except with nonflammable dope, or spray painting.*

The Grand Jury is concerned that, although at least one tenant has had a lease canceled for lease violations, the provisions of the hangar leases are not being uniformly enforced. Interviews with aircraft owners confirmed this perception. The Jury has observed first hand, and has been provided with photographic evidence of numerous easily discernable violations, including:

- Hangars completely devoted to the storage of furniture and other items, leaving no room for an aircraft
- Signs erected on hangars
- Cars with expired license plates parked outside of hangars.

The Airport Manager indicated that cars can be parked in front of a hangar for a day. If longer, they must be inside the hangar. It was acknowledged that cars had been towed in the past.

The Grand Jury presented the photographic evidence of the violations of the lease policy to members of the Board of Directors and they acknowledged that violations did in fact occur, and would probably continue. The Jury was concerned when a Board member indicated that in some cases the Board tended to overlook lease violations by long-term tenants.

Interviews with two Directors and the Airport Manager revealed that they feel the Airport Manager has the right to allow exceptions to the lease agreements. This leads to confirmation in the minds of other lessees that there is, in fact, a “good ole boys” network in place.

The fact that a lease can be canceled by the District for any violation of permitted uses or prohibitions leaves lessees in an extremely awkward position. If they see a neighboring tenant engaged in some non-permitted activity without repercussions, they should not expect to be singled out by the District for a similar violation of the lease.

BUILDING SPACE LEASES

Building Space Leases appear to be developed in conformity with a specific operation of a business-based tenant. Violations of such leases were also noted. As an example, in the case of a business engaged in the painting of aircraft, a large motor home was observed in the process of being painted, a clear violation of the lease which states under Permitted Uses: *Painting of Aircraft*. The lack of consistent adherence to the requirements contained in leases issued by the Airport causes confusion and encourages violations on the part of some tenants.

Finding 5

Lease agreements for both hangar space and building space are not being uniformly enforced.

Recommendation 5

Restructure leases to conform with present practice in and around hangars, or notify tenants that lease provisions for all tenants shall be rigidly enforced in the future.

FOXENWOOD SUBDIVISION – OVER-FLIGHTS

The Foxenwood subdivision is located in a southerly direction from the boundaries of the Santa Maria Public Airport District (District). The Grand Jury reviewed minutes from the Board of Directors' meetings. One of the Directors indicated on several occasions that since he was now a resident of Foxenwood, he now understands why that housing community complains about noise. He further indicated that he wanted to see the aircraft noise problem in Foxenwood included as a future agenda item for the Board.

It became clear to the Grand Jury that, with the move of the Director to Foxenwood, citizens' complaints suddenly took on greater importance to the Board of Directors and the General Manager. The issue of low-flying aircraft was discussed at numerous Board meetings, with specific direction given to the General Manager to work with the Federal Aviation Administration (FAA) to get the problem fixed.

The Director continued to provide "comments" concerning the situation and at the September 27, 2001 Board meeting announced that the issue with low-flying aircraft had not been a problem since the flight school had been grounded. This action was taken following the September 11, 2001 tragedy in New York City.

Finding 6

The Santa Maria Public Airport District Board of Directors took a stronger position in enforcement of aircraft over-flights of the Foxenwood subdivision after a member of the Board of Directors moved into that subdivision.

Recommendation 6

The Santa Maria Public Airport District Board of Directors should take appropriate actions on any citizen's complaint concerning low-flying aircraft.

AFFECTED AGENCIES

Santa Maria Public Airport District

Findings 1-6

Recommendations 1-6