

## **Response by the Santa Maria Public Airport District to Santa Barbara County 2002-2003 Grand Jury Findings**

### **General Statement**

In its opening Objective statement the Grand Jury stated it could find no evidence that the Santa Maria Public Airport District (District) had ever been reviewed by a Grand Jury. This statement is contrary to the fact that the General Manager reported in his deposition that every year since his first year of employment in 1999, the Grand Jury had interviewed him and sought certain records. No follow up action was apparently needed in prior years.

### **RENOVATION OF MAIN TERMINAL BUILDING**

#### **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 \$224,000.00.*

#### **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.*

#### **Recommendation 1 - Response**

In fact the District has adequate internal controls for all expenditures. This is a unique project handled in a unique manner. It was the intent of the District to renovate an old facility in the most efficient and cost effective process available knowing renovations tend to overrun in costs due to unforeseen circumstances. Therefore, the initial bid specifications were drafted knowing change orders would be used to address hidden elements that were likely to be encountered. This approach prevented bidders from inflating line items in their bid that were not quantifiable until uncovered. It also provided the greatest flexibility in issuing changes as the project progressed. In reviewing change orders it is obvious most dealt with hidden factors such as galvanized piping, uneven flooring once tiles were removed, asbestos imbedded in a ceiling and unknown elements surrounding security issues. Some change orders involved addressing unforeseen tenant issues such as counter design with rental cars and security doors for the restaurant. Moreover, the company awarded cabinet construction defaulted and a second supplier had to be found. Apparently the first company significantly underbid the job and forfeited its bond rather than proceed. The second cabinet company's cost was double the initial bid. There were almost daily reviews between Prime Pointe and District staff. All change orders in excess of 10% of the contract amount were brought before the Board for approval. The President of Prime Pointe appeared before the Board twice to explain the process we were using and the justification for a high number of change orders. The Board was kept informed throughout the entire process. It should be noted the District was well aware that this project due to its nature, would likely have overruns.

The District does have clear internal controls for all its projects.

### 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 Director's 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.*

### Recommendation 2 – Response

Input is always welcome from all citizens whether within the District's boundaries or not. Public agendized meetings are held every second and fourth Thursday of each month. In the process of capital projects and service contracts public notices are properly placed in newspapers and circulated in construction industry newsletters. Moreover, the District is currently in a Master Plan update requiring public participation. District meetings are regularly reported on in the media.

### 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.*

### Recommendation 3 – Response

All construction projects in excess of \$10,000 are publicly bid. It is within the District's purview to contract with professional services without formal bid procedures. In the case of Terminal renovation, it was deemed prudent by the District to contract with Prime Pointe, an aviation related company with extensive experience dealing with airport terminal renovation, airline and airport security requirements. Prime Pointe was hired to design and manage the project. Moreover, recognizing the likelihood of significant change orders, the contract with Prime Pointe was fixed and change orders were not marked up, as would be the case with a General Contractor. Each sub-trade of the project was competitively bid. A contract was entered between the District and each sub-contractor and a "faithful performance" bond and Payment bond required for each. It is estimated that over \$120,000 was saved in General Contractor fees in this project.

## **POTENTIAL CONFLICT OF INTEREST SITUATIONS**

### 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.*

### Finding 4- Response

To state the Airport District Board is not cognizant of conflict of interest implications begs the question of the District's Legal Counsel clearly stating her opinion regarding

this issue. The entire Board is cognizant of conflict of interest; individual members simply have different interpretations of the intent of the requirements.

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 4a - Response

All Board members have attended seminars on appropriate Board duties and the implications of the Brown Act and Conflict of Interest laws. The District's legal Counsel has over twenty years experience in public law and has on several occasions submitted opinions to the Board of Directors on the Brown Act and Conflict of Interest laws.

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.*

Recommendation 4b - Response

In absence of any action mandated by statute for individual Board members that are clearly not impacted by conflict of interest regulations, District Counsel orally responded that non conflicted Board members should make a public record of their concerns. As with any advice, it can be followed exactly or acted upon partially. Circumstances will dictate individual Board member responses.

For example, it is understood that financial implications of a policy-maker's decision has direct consequences. However, the annual cap for determining conflict of interest issues clearly indicates an understanding that inconsequential financial conflicts should not deprive the individual Board member from representing his/her constituency. Actually, in the case of hangar rent issues, two Board members are hangar tenants but their actions bespeak more of representing a constituency than their personal gain. As a member of a group of over 150 tenants, certain Board member/hangar tenants view their responsibility to represent the group as paramount. Whatever financial benefit accrues is inconsequential and not a consideration in their mind compared to the overall need to have fair representation for the hangar tenant group. Furthermore, all hangar tenants are treated uniformly in terms of rental adjustments and no individual hangar tenant whether a Board member or not receives a greater financial benefit relative to rented space than any other tenant. It should be noted hangar rental rates have increased over thirty percent (30%) in the past three years.

All Board members have attended Special District seminars regarding their obligations and responsibilities administering District policy and continue to received updated information as statutes are amended.

**HANGAR SPACE LEASES**

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.*

### Recommendation 5 – Response

As the Grand Jury correctly pointed out the General Manager and the Board must make management decisions based upon the facts as presented and impart a sense of fairness in enforcing rules and regulations. Unfortunately, perceptions often rule and with the facts presented to the Grand Jury by a fraction of the hangar tenants, a biased opinion was drafted. First and foremost, the lease cancellation was based on a long series of incidents in which the tenant failed to comply with simple requests such as providing proof of aircraft ownership and failure to cease and desist regarding sub-leasing hangar space. The same pictures and incidents brought to the Grand Jury were brought by one individual to the General Manager and over a reasonable time those violations have been dealt with properly. For example improperly parked and registered automobiles have been removed from Airport property, accumulated “junk” has been, for the most part removed, and improper storage of materials has been addressed in ongoing hangar inspections. Just recently another tenant’s hangar lease has been terminated for non-compliance regarding aircraft registration and two other tenants have been given three-day notices for improper storage items in hangars. It should be noted these processes have been ongoing for the past four years, during the current General Manager’s tenure. No favoritism has been demonstrated in regard to violations. The Grand Jury noted signs on certain hangar doors denoting the tenant. According to the lease no signs shall be erected. Since it is understandable that certain signs depicting a tenant space that needs to be identified for the convenience of that tenant’s passengers, the space lease will be modified giving the General Manager discretion regarding such minor infractions. The general policy and philosophy regarding leasing aircraft storage hangars remains intact. Each private hangar should house at least one registered aircraft or an aircraft under renovation or construction. Each private hangar should not pose a threat to other hangars and no commercial businesses should be operated from a private hangar. The general appearance of the hangar area should remain aesthetically pleasing without debris and unattended vehicles. This philosophy is maintained in as friendly a manner as possible. As in many instances, there are only a few violators of the intent of policies and those few are dealt with appropriately. If you look at the condition of Santa Maria Airport’s hangar area you will find a well maintained, aesthetically pleasing area indicating a professionally cared-for, safe facility. As for the pointed out painting of a motor home, once brought to the General Manager’s attention, that practice was addressed and terminated. In fact, there have been several examples of violations being reported and dealt with in the proper fashion without repercussion to the reporter. As is often the case, any reference to a “good ole boys” network appears to be “sour grapes” on the part of a violator that was caught.

## **FOXENWOODS SUBDIVISION – OVER-FLIGHTS**

### Finding 6

*The Santa Maria Public Airport Board of Directors took a stronger position in enforcement of aircraft over-flights of the Foxenwoods 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.*

### Recommendation 6 – Response

The Santa Maria Airport has a long history of addressing all noise complaints and over-flight issues for all impacted residential areas. There is a 24-hour hot line for noise complaints followed up by the Airports Operations Supervisor. If the Operations Supervisor's response is unsatisfactory, the General Manager intercedes. All noise complaints are logged and addressed in a timely fashion.

This observation by the Grand Jury is interesting since it made its recommendation without fully exploring the policy regarding over-flights, the jurisdictional purview of the Airport Board versus the FAA and the fact that the Board member was actually addressing a safety issue never before addressed by complainants. The fact that the issue was brought to staff by the Board member is noteworthy because for the first time a clear understanding of pattern altitude concerns was addressed to Control Tower personnel. The Santa Maria Airport has published altitude restrictions set by the Federal Aviation Administration, FAA, for which Air Traffic Control Tower personnel have responsibility to enforce. It is very difficult, from the Control Tower to ascertain the exact tract of circling aircraft but with the knowledge that some aircraft were flying below recommended altitude with low power settings (judged by the trained ear and eye of the Board member who has been piloting various aircraft for over fifty years) and over an area far beyond normal landing patterns, Control Tower personnel took a more active role in observing and admonishing pilots that appeared to be flying in an inappropriate manner. Additionally, this matter was discussed with the local flight school and the unsafe practice observed by the Board member has decreased.

Dated: August 14, 2003

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RICHARD A. HULME  
Board President

Approved by the Board on August 14, 2003, by a Vote of 4-1.