

NEVADA COUNTY AIRPORT MANAGEMENT

REASON FOR INVESTIGATION

The Nevada County Civil Grand Jury has the responsibility to review departments and organizations of Nevada County to see if they are meeting the needs of our community

PROCEDURE FOLLOWED

The Grand Jury interviewed former airport executives, a county supervisor, the county administrative officer, an airport commissioner, a representative of the Federal Aviation Administration and county officers and executives. It also reviewed plans, board minutes and minute orders, deeds and agreements and other documents.

FINDINGS

1. The Nevada County Air Park, built in the 1930s, was given to the county in 1957 by Charles Litton's Loma Rica Industrial Park Corporation, subject to certain conditions. The conditions were stated in a signed agreement that specified, among other things, that:
 - "Said property will be maintained in such condition that airplanes and aircraft may use the same with safety on a year round basis."
 - "County agrees to appoint an airport commission to manage and control the operation of the property.. "
2. Studies have found that continued operation of the airport has significant economic and safety value to the county
3. The airport has operated under temporary operating permits since 1995 because of unsafe conditions. CalTrans, acting for the FAA, issued a letter of closure of the airport for night operations in 1996 because the county did not solve an obstruction problem. A second letter of closure was issued in 2000 because the county still had not solved the problem. Night landings were restricted in 1996 and then eliminated for a period in 2000, and the airport is *still* operating under a temporary permit.
4. In 1997 the county was offered free used light poles to support obstruction warning lights as required by the FAA. Two years later, the poles were sold to another buyer after the county failed to act
5. The county now expects the lighting project to cost \$245,000, plus the cost of tree trimming and removal
6. Boards of Supervisors did not enforce an existing Public Utility Code and a Nevada County Ordinance requiring residents to keep their trees from obstructing the runway. Consequently, the county paid for the purchase and installation of lights in 1997 instead of requiring trees to be trimmed. In 2000, the county required trees on private property to be trimmed or removed but paid the \$79,000 cost out of taxpayer funds
7. The county established an Airport Commission in the 1980s. The commission's by-laws specify that it is an advisory body only, contrary to the Litton agreement. It has no authority over the airport, and no budgetary input.

8. Within Nevada County government structure, the airport is an "Enterprise Fund". An enterprise fund is to create its own operating revenue.
9. The airport's sources of operating revenue are fuel sales, hanger fees, aircraft tie-down fees, paid by the California Department of Forestry, as well as some tax revenue. The airport manager and the Airport Commission have no decision-making authority about airport revenues. The county has not clearly defined the decision-making authority for airport revenues.
10. The airport has typically operated at a deficit. Nevada County "loans" funds to the airport to cover expenses incurred to comply with FAA and CalTrans regulations. Debt presently owed to the County is nearly \$1 million.
11. The Grand Jury has not been able to track airport financial actions from BOS authorizations through to airport spending, despite questioning the Auditor-Controller, reviewing BOS records, interviewing the CAO, examining county financial statements, and examining airport financial records.
12. The airport's sources of funds for capital improvements are FAA grants, CalTrans grants, and local funds. When the airport underwent a \$5,900,000 improvement project in 1995, funding for the project was 90% FAA grant, 4.5% state grant, and 5.5% county funds (by way of a CalTrans-provided loan). The county loaned the funds to the airport, supposedly to be repaid through operating revenue.
13. The county employs an airport manager. The airport manager has reported to various county staff members, always ultimately reporting to the BOS by way of the CAO. A new manager, with extensive airport management experience, was hired effective February 5, 2001.
14. The BOS has adopted an Airport Master Plan and an Airport Business Development Plan. There is no operating plan.

CONCLUSIONS

1. Since 1957 Boards of Supervisors have disregarded the three basic requirements of the Litton agreement to keep the airport open, operate it in a safe manner, and to establish an airport commission to manage and control the airport.
2. Historically, Boards of Supervisors have authorized many of the actions and funds necessary to accomplish the safety and other needs of the airport, yet failed to follow through to assure completion.
3. Boards of Supervisors have spent an enormous amount of time on airport issues without fully resolving the problems of safety and financial viability.
4. Under the present system, there is no operating plan, no one with the authority to implement an operating plan, and woefully inadequate financial information and accountability.
5. Poor systems and weak oversight of the airport have resulted in emergency expenditure of taxpayer money by the Board of Supervisors to avoid airport closure.

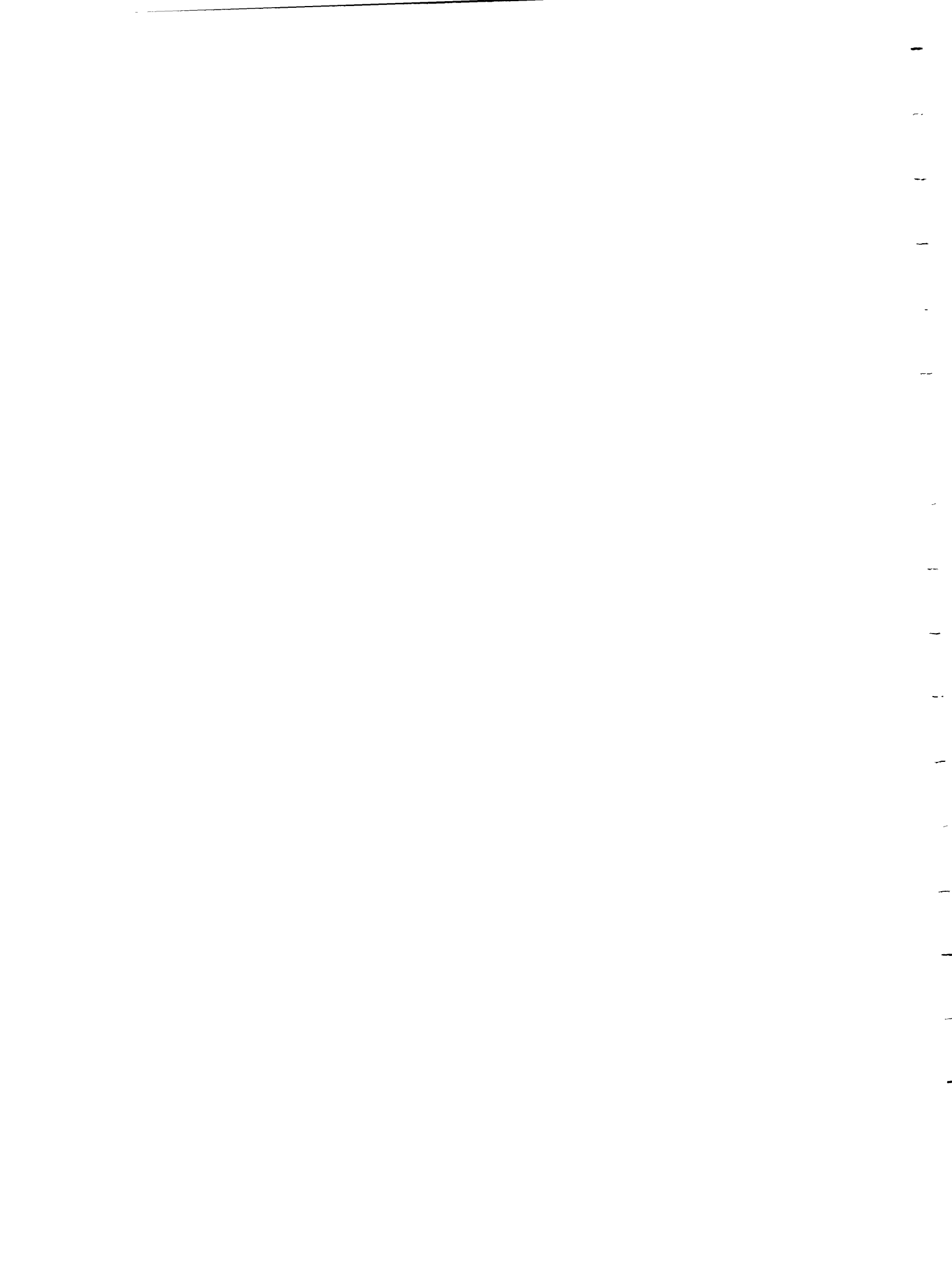
RECOMMENDATIONS

The BOS should:

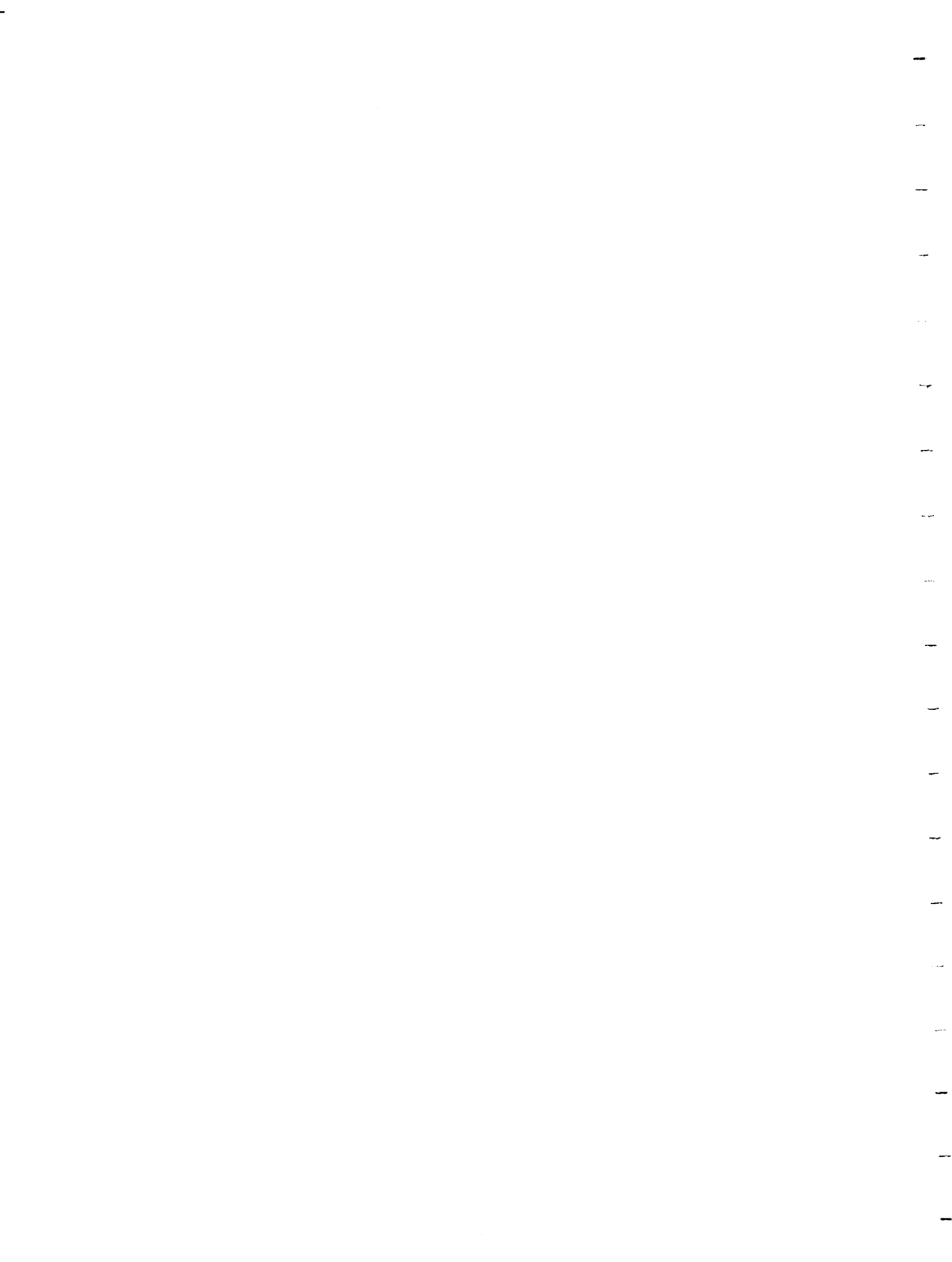
1. Empower a new Airport Commission, responsible to the board, to manage and control the operation of the airport.
2. Assure that an operating plan is produced that identifies and expedites a path to financial independence.
3. Assure that the \$1 million indebtedness is repaid to the county.
4. Develop an effective follow-up process to track progress against the plan and require strict financial accountability.
5. Track what happened to funds authorized by the BOS for the airport.

REQUIRED RESPONSES

Board of Supervisors, due July 10, 2001
County Administrative Officer, due June 10, 2001
Auditor-Controller, due June 10, 2001
Airport Commission, due July 10, 2001
Airport Manager, due June 10, 2001



RESPONSES



COUNTY OF NEVADA

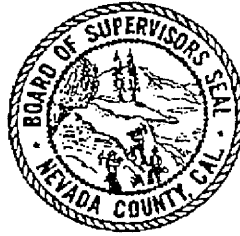
STATE OF CALIFORNIA

950 Maidu Avenue • Nevada City • California 95959-8617

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July 10, 2001

The Honorable Kathleen Butz
Presiding Judge of the Nevada County Courts
Nevada County Court House
Nevada City CA 95959

Subject: Board of Supervisors Responses to the 2000-2001 Nevada County Civil Grand Jury Interim Report No. 9, dated April 11, 2001 regarding Nevada County Airport Management.

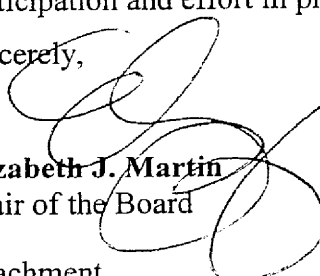
Dear Judge Butz:

The attached responses by the Board of Supervisors to the 2000-2001 Nevada County Civil Grand Jury Interim Report No. 9, dated April 11, 2001, are submitted as required by California Penal Code §933.

These responses to the Grand Jury's findings and recommendations were approved by the Board of Supervisors at their regular meeting on July 10, 2001. Responses to findings and recommendations are based on either personal knowledge, examination of official county records, review of the responses by the County Administrator, the Airport Manager, the Auditor-Controller, and the Airport Commission, or testimony from the Board chair and county staff members.

The Board of Supervisors would like to thank the members of the 2000-2001 Grand Jury for their participation and effort in preparing this Interim report.

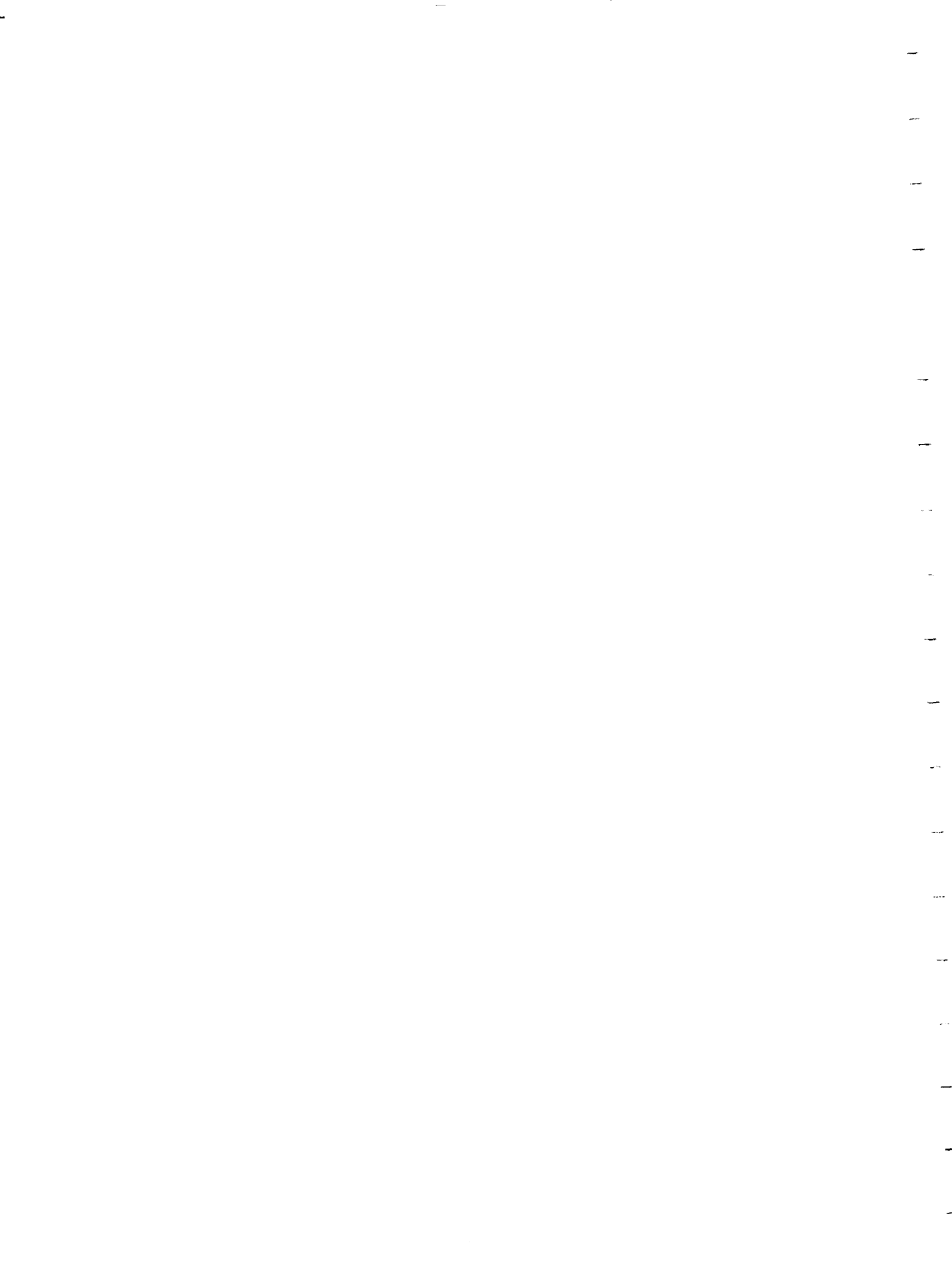
Sincerely,


Elizabeth J. Martin
Chair of the Board

Attachment

ejm:pjw:pb

cc: Foreman, Grand Jury
Ted Gaebler, County Administrator
County Counsel
Airport Manager
Airport Commission



**NEVADA COUNTY BOARD OF SUPERVISORS RESPONSES TO
2000-2001 CIVIL GRAND JURY INTERIM REPORT NO. 9
DATED APRIL 11, 2001
RE: NEVADA COUNTY AIRPORT MANAGEMENT**

Responses to findings and recommendations are based on either personal knowledge, examination of official county records, review of the responses by the County Administrator, Airport Manager, Auditor Controller, and Airport Commission, or testimony from the board chairman and county staff members.

I. GRAND JURY INVESTIGATION:

Nevada County Airport Management

A. RESPONSE TO FINDINGS & RECOMMENDATIONS:

Findings:

1. The Nevada County Airpark, built in the 1930s, was given to the county in 1957 by Charles Litton's Loma Rica Industrial Park Corporation, subject to certain conditions. The conditions were stated in a signed agreement that specified, among other things, that:

- "Said property will be maintained in such conditions that airplanes and aircraft may use the same with safety on a year round basis."**
- "County agrees to appoint an airport commission to manage and control the operation of the property ..."**

Agree.

2. Studies have found that continued operation of the airport has significant economic and safety value to the county.

Agree.

3. **The airport has operated under temporary operating permits since 1995 because of unsafe conditions. Caltrans, acting for the FAA, issued a letter of closure of the airport for night operations in 1996 because the county did not solve an obstruction problem. A second letter of closure was issued in 2000 because the county still had not solved the problem. Night landings were restricted in 1996 and then eliminated for a period in 2000, and the airport is *still* operating under a temporary permit.**

Partially disagree.

The Airport operating permit was suspended in 1995 during the Airport Improvement Project (AIP). In 1996 after completion of the AIP, CalTrans issued a conditional operating permit, restricting night operations because of tree obstructions near the runway. In 2000, a second letter gave the County 120 days to resolve the obstruction issue. The County has since taken action to remove the tree obstructions and the conditional operating permit has been extended to September 15, 2001 to complete the installation of airport light poles. Following installation of the light poles, CalTrans will issue a permanent operating permit, removing night operations restrictions.

4. **In 1997 the county was offered free used light poles to support obstructions warning lights as required by the FAA. Two years later, the poles were sold to another buyer after the county failed to act.**

Disagree.

The poles referenced by the Grand Jury, one hundred-foot stadium lights, were not free and would not have met FAA requirements for lighting standards at the airport. The poles were offered for sale to the County for \$20,000 and a letter acknowledging a \$30,000 gift from the seller. If this type of pole were to be used, over twenty additional lights would have to have been purchased by the County to meet FAA requirements.

The County presently has a construction project underway to install two one hundred foot poles and two one hundred thirty five foot poles with lighting specifications needed to meet required lighting standards. The project is expected to be completed by August 30, 2001.

5. **The county now expects the lighting project to cost \$245,000, plus the cost of tree trimming and removal.**

Disagree.

The actual cost of the light poles and lights will be closer to \$235,000. The total project cost, including lights and poles, installation, and obstruction removal is estimated to be approximately \$485,000.

6. **Board of Supervisors did not enforce an existing Public Utility Code and a Nevada County Ordinance requiring residents to keep their trees from obstructing the runway. Consequently, the county paid for the Purchase and installation of lights in 1997 instead of requiring trees to be trimmed. In 2000, the county required trees on private property to be trimmed or removed but paid the \$79,000 cost out of taxpayer funds.**

Partially disagree.

The Federal Aviation Administration AIP project grant in 1994-95 funded 90% of the cost of an FAA approved seven-pole obstruction lighting system along the north end of the airport runway. CalTrans contributed another 4.5% of the cost and the County paid 5.5%.

The obstruction lights were approved as one part of the permanent solution to the runway obstruction issue. A permanent solution required the removal and trimming of numerous trees in the runway approach and clearance zones at each end of the runway. Trees that were identified for trimming and removal in airport inspections in the early 1990s were removed in 2000. Eventually over 900 trees were removed or trimmed on public and private property. In cases where the timber could not be sold to offset the costs of trimming and removal, a County General Fund loan to the Airport Enterprise Fund supported these costs.

In conjunction with the tree removal operation in 2000, a more efficient and effective lighting system was also designed. The new design allowed more than twice the number of trees to remain standing, reducing the impact on private property adjoining the airport.

7. **The county established an Airport Commission in the 1980s. The commission's by-laws specify that it is an advisory body only, contrary to the Litton agreement. It has no authority over the airport, and no budgetary input.**

Disagree with the first sentence.

The County established the Airport Commission by Resolution in 1957 (attached). Nevada County Ordinance No. 635, adopted June 5, 1973, also provides for an Airport Commission consisting of 5 members and outlines their duties and responsibilities in language similar to the Commission's present by-laws. The most current authority for establishment of the Commission is Ordinance No. 1609, adopted on December 12, 1989.

Partially disagree with the second and third sentences.

The current Airport Commission by-laws indicate the Commission is to advise and make recommendations on airport operations and management (see attached by-laws) even though the Board retains ultimate decision making authority.

The Commission has the power and the duty to advise the Board of Supervisors on all aspects of planning, maintenance, development and operation of the airport. The Commission also has direct input into the airport budget process as is specified in their by-laws in Section III. D. and

E. In practice, a Commission subcommittee works with the Airport Manager to develop and review the budget before presentation to the Airport Commission for recommendation to the Board.

There is a significant opportunity for the Commission to take an active role in determining the future and direction of the airport if it chooses to do so.

8. **Within Nevada County government structure, the airport is an "Enterprise Fund." An enterprise fund is to create its own operating revenue.**

Agree.

9. **The airport's sources of operating revenue are fuel sales, hangar fees, aircraft tie-down fees, user fees paid by the California Department of Forestry, as well as some tax revenue. The airport manager and the Airport Commission have no decision-making authority about airport revenues. The county has not clearly defined the decision-making authority for airport revenues.**

Partially disagree with the first sentence.

Over the past ten years, excluding unpaid occupancy of the Airport Terminal Building, the County has contributed over \$500,000 from the General Fund to the Airport Enterprise Fund.

Partially disagree with the second sentence.

The Airport Manager does have decision-making authority over fuel prices and makes recommendations to the Board of Supervisors regarding hangar fees, aircraft tiedown fees, and user fees paid by the California Department of Forestry and Fire Protection (CDF). The Airport Manager has no control over tax revenue, as it is legislatively determined.

Disagree with the third sentence.

The process for developing airport fees is clearly defined. Airport staff develops recommended fees, the Airport Commission and/or the User Fee Committee review them, and they are approved by the Board of Supervisors. Revenue-generating programs and concession and lease agreements with airport business operators or airport users are also subject to review by the Commission before approval by the Board of Supervisors.

10. **The airport has typically operated at a deficit. Nevada County "loans" funds to the airport to cover expenses incurred to comply with FAA and Caltrans regulations. Debt presently owed to the county is nearly \$1 million.**

Partially disagree with the first sentence.

Indirect revenue from the use of airport property that has not been paid to the Airport Enterprise Fund in the past by Transit Services and the County Department of Transportation and Sanitation (DOTS) could potentially offset or eliminate portions of airport deficits if reimbursed.

Partially disagree with the second sentence.

The County Administrator, Airport Manager, and a subcommittee of the Airport Commission are presently in the process of reviewing financial accounting procedures and past financial transfers. They will make a recommendation to the Board by September 30, 2001 regarding possible reimbursements to the Airport Enterprise Fund for the use of Airport facilities and how repayment of loans from the County General Fund are to be handled in the future.

Disagree.

The obstruction removal and illumination project is presently incomplete and the total amount the Airport Enterprise Fund will owe the County General Fund is still to be determined. The current amount loaned to the airport for this project is approximately \$250,000. The current airport long-term debt balance as of June 30, 2000 was \$592,298.

11. **The Grand Jury has not been able to track airport financial action from BOS authorizations through to airport spending, despite questioning the Auditor-Controller, reviewing BOS records, interviewing the CAO, examining county financial statement, and examining airport financial records.**

Neither agree nor disagree. The Board has no knowledge of why the Grand Jury was unable to track airport financial transactions.

Past financial accounting practices regarding Board spending authorizations and airport expenditures have been confusing and difficult to completely reconcile. However, annual audits of Airport Enterprise Fund financial records in past years have not found any significant accounting errors.

Since the arrival of the new Airport Manager, financial and budgeting documents have been detailed and well documented.

12. **The airport's sources of funds for capital improvements are FAA grants, Caltrans grants, and local funds. When the airport underwent a \$5,900,000 improvement project in 1995, funding for the project was 90% FAA grant, 4.5% state grant, and 5.5% county funds (by way of a Caltrans-provided loan). The county loaned the funds to the airport, supposedly to be repaid through operating revenue.**

Agree.

The Airport currently has three outstanding CalTrans loans. The total principal loan balance as of June 30, 2000 is \$592,298. The loans are presently being repaid to CalTrans through the County from the Airport Enterprise Fund.

13. **The county employs an airport manager. The airport manager has reported to various county staff members, always ultimately reporting to the BOS by way of the CAO. A new manager, with extensive airport management experience, was hired effective February 5, 2001.**

Agree.

14. **The BOS has adopted an Airport Master Plan and an Airport Business Development Plan. There is no operating plan.**

Partially disagree.

Although there is no formal document called an "Operating Plan," the Airport does have operating procedures in place to ensure Airport operations are carried out safely and efficiently. There are also procedures in place for Airport operations during emergency operations.

RECOMMENDATIONS

The BOS should:

1. **Empower a new Airport Commission, responsible to the Board, to manage and control the operation of the airport.**

The recommendation has been partially implemented.

The management and control of Airport operations on a day-to-day basis is the responsibility of the Airport Manager. The Airport Commission, through its by-laws, is empowered by the Board of Supervisors to work with the Airport Manager to make recommendations regarding business and operational policy decisions. Decisions requiring Board approval or policy direction are then submitted to the Board for approval. Commissions appointed by the Board of Supervisors are advisory by their nature and are not empowered to make decisions regarding County policy, property, and resources. The ultimate authority to make these decisions is the Board of Supervisors.

The Airport Commission has also consistently had the independent ability and authority to directly approach the Board of Supervisors and make recommendations on any issue related to Airport policy, operations, maintenance, or finances.

Following a joint meeting with the Airport Commission in March 2001 to clarify roles and responsibilities, the Board directed the Commission to work with the Airport Manager to strengthen the Commission by-laws to facilitate improved communication and decision-making procedures between the two bodies.

On April 26, 2001 The Airport Commission approved submitting a proposed policy statement to the Board along with changes to the Commission by-laws. These changes were approved by the Commission to strengthen communication procedures with the Board and to provide flexibility and additional methods of communication on complex Airport issues. A resolution adopting the proposed policy statement and ratification of the changes to the Airport Commission will be considered by the Board by July 31, 2001.

Additionally, the Airport Manager will evaluate the structure and organization of similar airport commissions to determine if any additional changes to the Airport Commission are warranted. His recommendations will be presented to the Airport Commission and the Board by November 1, 2001.

2. Assure that an operating plan is produced that identifies and expedites a path to financial independence.

The recommendation has not yet been implemented, but will be by September 30, 2001.

The Airport Manager is working with the Airport Commission Fee & Budget Subcommittee to address Airport fiscal issues and develop a revised Airport business plan that will provide for fiscal independence. The plan will be reviewed by the Airport Commission and presented to the Board for approval by September 30, 2001.

3. Assure that the \$1 million indebtedness is repaid to the County.

The recommendation requires further analysis to be completed by September 30, 2001.

Following the expected completion of the Airport obstruction lighting and tree removal project by September 15, 2001, the amount of money owed by the Airport to the County General Fund is estimated to be approximately \$475,000. This amount is in addition to the approximately \$549,000 in CalTrans loans for Airport improvements that are presently being paid off on a regular basis from the Airport Enterprise Fund to the County General Fund.

As required by the Work Plan to Gain Compliance with Federal Aviation Administration Grant Assurances, dated March 27, 2001, and approved by the FAA, the County is obligated to determine the amount owed to the County by the Airport or by the Airport to the County. As indicated in the response to Finding No. 10, the County Administrator, Airport Manager, and a subcommittee of the Airport Commission are presently in the process of reviewing financial accounting procedures and past financial transfers. They will make a recommendation to the Board by September 30, 2001 regarding possible

reimbursements to the Airport Enterprise Fund for the use of Airport facilities and how repayment of loans from the County General Fund are to be handled in the future.

4. Develop an effective follow-up process to track progress against the plan and require strict financial accountability.

The recommendation has not yet been implemented, but will be by September 30, 2001.

As indicated in Response No. 2. to this recommendation, the Airport Manager is working with the Airport Commission Fee & Budget Subcommittee to address Airport fiscal issues and develop a revised Airport business plan by September 30, 2001 that will provide for fiscal independence. This plan will contain provisions for maintaining financial accountability and include performance measurement criteria to ensure the plan is meeting desired goals and objectives.

5. Track what happened to funds authorized by the BOS for the airport.

The recommendation has been implemented.

Audited financial statements of the Airport Enterprise Fund are available for review in the Auditor-Controller's and the County Administrator's offices. No significant accounting exceptions for this fund have been documented in recent years.

The Auditor-Controller audits the Airport Enterprise Fund on an annual basis and financial accounting procedures are in place to ensure all funds appropriated for Airport expenses are properly accounted for and controlled.

B. OTHER RESPONSES REQUIRED:

Board of Supervisors – July 10, 2001
County Administrator – June 10, 2001
Auditor-Controller – June 10, 2001
Airport Commission – July 10, 2001
Airport Manager – June 10, 2001

**BYLAWS OF
NEVADA COUNTY AIRPORT COMMISSION**

I. STATEMENT OF AUTHORITY

The authority for the formation of the Airport Commission is Nevada County Ordinance 1609, adopted 12 December 1989 and operative 11 January 1990.

II. DEFINITION OF MEMBERSHIP

A. APPOINTMENT

The Airport Commission shall consist of five (5) members; one to be appointed by each Supervisor from his/her supervisorial district from Nevada County. Each appointee shall serve at the pleasure of the appointing Supervisor.

B. QUALIFICATION

The desired qualifications for candidates for appointment to the Airport Commission shall include, but not be limited to, the following:

- (1) A resident of Western Nevada County.
- (2) Knowledge of General Aviation and an appreciation for its role in the economic structure of Nevada County.
- (3) A desire to assist the Board of Supervisors in the development of the Nevada County Airport as a contributory element of the local economy and the County infrastructure.

C. VACANCIES

Airport Commission vacancies shall be filled expeditiously as vacancies occur by appointment by the Supervisor of the affected district.

D. TERM OF SERVICE

Each Commissioner shall serve at the pleasure of the appointing Supervisor and can only be removed by that Supervisor or by resignation.

III. RESPONSIBILITIES AND DUTIES

In accordance with the responsibilities assigned by the Board of Supervisors, the Airport Commission shall have the following duties and powers:

- A. To advise the Board of Supervisors on the planning, maintenance, development and operation of the airports and airport facilities which are, or will be, owned, controlled or leased by the County.
- B. To study and to make recommendations on the subject of developing the airports and airport facilities in Western Nevada County.
- C. To formulate and to recommend to the Board of Supervisors the general policies relating to the purposes of the Airport Commission.
- D. To work with the Airport Manager in the preparation of a preliminary and final budget to submit to the Board annually, providing for the costs of maintenance, operation and improvement for the ensuing fiscal year.
- E. To study and to make recommendations on the subject of funds available to the County for the development of the airports and airport facilities from Federal, State and other sources.
- F. Such other functions, powers, and duties as the Board of Supervisors shall designate by resolution.

IV. STAFFING AND FUNDING

In accordance with the authority granted by the Board of Supervisors, the staff to the Commission shall consist of the following:

- A. The Airport Manager, who acts as liaison between the Commission and the Board of Supervisors.
- B. Secretarial services approved by the Board of Supervisors to be paid for by the Airport Enterprise Fund.

V. ORGANIZATION

- A. A chairperson shall be elected by majority vote of the members at the first meeting of the new calendar year, or as soon thereafter as practical. Term of office shall be for the calendar year in entirety or until a succeeding chairperson is elected. The term of office shall also be limited to no more than two consecutive terms unless

other members are unwilling to serve as chairperson, under which conditions the current chairperson can continue to serve on a year-to-year basis.

- B. A vice chair-person shall be elected by majority vote of the members at the first meeting of the new calendar year, or as soon thereafter as practicable. Term of office shall be for the calendar year in entirety, or until a succeeding vice chairperson is elected.

VI. CONDUCT OF BUSINESS

A. QUORUM

Three members shall constitute a quorum, which shall be required for the conduct of business, including matters during which one or more Commissioners has excused themselves (themselves) from the deliberations and vote.

B. MEETINGS

Regular meetings shall normally be held on the fourth Thursday of each month at 7:00 p.m. in the Board Chambers on the First Floor of the Eric Rood Administrative Center, 950 Maidu Avenue, Nevada City, California 95959. Special meetings may be held at the call of the Chairperson; however, no meeting, regular or special, may be called or held if there is insufficient time to post an Agenda for the meeting at the Airport and at the Rood Center to allow 72 hours for viewing prior to the scheduled opening of the meeting.

C. OPEN MEETING REQUIREMENTS

As a public agency, all meetings held by the Airport Commission are subject to the provisions of the Brown Act, the California State Statute which prescribes required procedures to assure public access to the deliberations of government agencies.

D. SUBCOMMITTEES

The Commission Chairperson may establish such subcommittees as he/she deems necessary; however, membership may not exceed two members from the Airport Commission.

E. CONFLICT OF INTEREST

No Commissioner shall vote on a matter before the Commission which directly affects the personal or economic well-being of the Commissioner.

F. COMMUNICATION WITH THE BOARD OF SUPERVISORS

Communication from the Airport Commission to the Board of Supervisors shall be accomplished as expeditiously, clearly, and completely as possible. Available means for this communication are as follows and shall be used as time and circumstances require, but usually in the following order:

- (1) Summary Minutes, prepared the day following Airport Commission meetings and immediately provided to the Board of Supervisors.
- (2) Regular, full Minutes of Airport Commission Proceedings prepared as soon as practicable after approval by the Airport Commission.
- (3) Letter from the Commission Chairperson to the Chairperson of the Board of Supervisors relating information on a matter or matters of critical or urgent nature which the Commission believes requires special attention by the Board of Supervisors.

G. COMPENSATION

Mileage to and from the meeting may be paid per Board authorization. No other compensation is provided for service to the Commission.

VII. AMENDMENTS

The following procedures shall be followed to amend these by-laws:

- (1) Proposed amendments shall be prepared in the proper format and forwarded to the Commission Chairperson a minimum of 15 days prior to the date desired for consideration of the change.
- (2) The Chairperson will include the proposed amendment on the Agenda for the next meeting.
- (3) The proposed Amendment will be read aloud, discussed by the Commission and the public, as appropriate, and subsequently approved, disapproved, tabled for research, etc.

- (4) Amendments to these by-laws approved by the Airport Commission must be forwarded to the Board of Supervisors and ratified by them prior to becoming effective.

VIII. APPROVAL OF BY-LAWS

These by-laws shall be adopted by a 2/3rds vote of all Commission members and ratified by the Board of Supervisors.

IX. RATIFICATION OF BY-LAWS

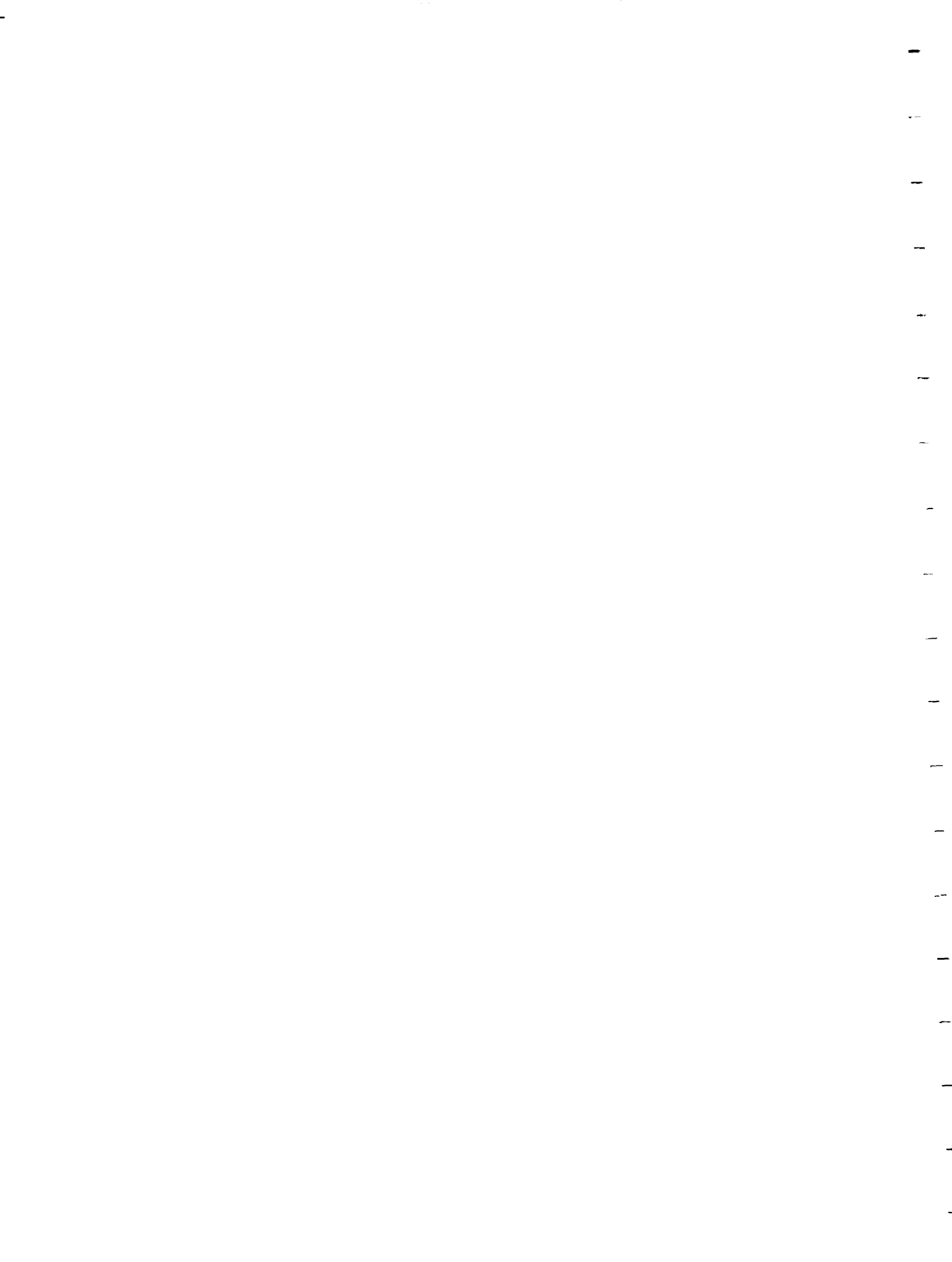
A.

The Nevada County Board of Supervisors ratified these bylaws on October 6, 1998.

ATTEST:

CATHY R. THOMPSON
Clerk of the Board

By: *Cathy R. Thompson*



A motion was made by Supervisor Smart, seconded by Supervisor Bishop, to adopt the following Resolution relative to the creation of an Airport Commission for Western Nevada

Upon a roll call ballot, the following vote was recorded:

Supervisor First District	Aye
Supervisor Second District	Aye
Supervisor Third District	Aye
Supervisor Fourth District	Aye
Supervisor Fifth District	Aye

RESOLUTION

BE IT RESOLVED by the Board of Supervisors of the County of Nevada:

That there is hereby created an Airport Commission for western Nevada County to be known as the Western Nevada County Airport Commission and consisting of five (5) members.

That the following be and they are hereby appointed members of the Western Nevada County Airport Commission to-wit:

1. Downey Clinch
2. Robert C. Schiffner
3. Robert T. Ingram
4. Theodore Schwartz
5. Robert Paine

ADOPTED AND PASSED this 1st day of July, 1957, by the following vote:

AYES: Supervisors SMART, BISHOP, COUGHLAN, ROBINSON & LOEHR
 NOES: Supervisors _____ None
 ABSENT: Supervisors _____ None

/s/ H. G. LOEHR
Chairman of the Board of Supervisors.

ATTEST: /s/ JOHN T. TRAUNER
Clerk of said Board.

Mr. Fred Willeford appeared before the Board which was sitting as a Board of Equalization, and protested his assessments. Mr. Willeford argued that equalization of his assessments be granted. Mr. Kitts, the County Assessor, was called and after a discussion, matter was referred to the District Attorney.

A telegram, having been received from the Supervisors' Association requesting action be taken by the Board on certain Bills to be signed by the Governor, a motion was made by Supervisor Robinson, seconded by Supervisor Smart, and passed unanimously, directing the Board to send a telegram to the Governor of the State requesting him to sign the following Bills: Senate Bill No. 328, Federal Aid, Secondary Road Funds; Assembly Bill No. 3275, Non Resident Tuberculosis Patients Bill; and Senate Bill No. 54, Share Rentals the State Received from Properties Acquired for Highway Purposes.

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COUNTY OF NEVADA
COUNTY ADMINISTRATOR

Eric Rood Administrative Center

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Fax 265-7042

E-MAIL: cao@co.nevada.ca.us

June 8, 2001

TO: Honorable Judge Carl F. Bryan, II

FROM: April Bullock, County Administration *AB*

RE: Grand Jury Report (Interim No. 9) Nevada County Airport Management

Enclosed are the responses required from the County Administrator, Airport Manager and Auditor-Controller regarding Nevada County Airport Management.

cc: Grand Jury
Board of Supervisors
CAO

**COUNTY OF NEVADA
COUNTY ADMINISTRATOR**

Eric Rood Administrative Center

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May 25, 2001

Honorable Judge Carl F. Bryan, II
Nevada County Superior Court
201 Church St.
Nevada City, CA 95959

Dear Honorable Judge Bryan:

RE: Response to Grand Jury Report – Nevada County Administrator

Attached is the County Administrator's response to the Nevada County Grand Jury report on the Nevada County Airport. I believe my response to be accurate and appropriately detailed to address the issues raised by the Grand Jury.

Sincerely,



Ted A. Gaebler
County Administrator

Nevada County Administration
Grand Jury Report
Response

1. The Nevada County Air Park, built in the 1930's was given to the County in 1957 by Charles Litton's Loma Rica Industrial Park Corporation, subject to certain conditions. The conditions were stated in a signed agreement that specified among other things that:

- "Said property will be maintained in such condition that airplanes and aircraft may use the same with safety on a year round basis."
- "County Agrees to appoint an Airport Commission to manage and control the operation of the property..."

Response: Agree

2. Studies have found that continued operation of the Airport has significant economic and safety value to the County.

Response: Agree

3. The Airport has operated under a temporary operating permit since 1995 because of unsafe conditions. CalTrans, acting for the FAA, issued a letter of closure of the Airport for night operations in 1996 because the County did not solve an obstruction problem. A second letter of closure was issued in 2000 because the County still had not solved the problem. Night landings were restricted in 1996 and then eliminated for a period in 2000, and the Airport is *still* operating under a temporary permit.

Response: Partially Disagree

The Airport operating permit was suspended in 1995 during the runway improvement project. Since 1996, the Airport has held a temporary operating permit restricting night operations because of obstruction problems. In 2000, CalTrans gave the County 120 days to resolve the obstruction problem. Tree obstructions at the Airport have been removed to CalTran's satisfaction and CalTrans has granted the County an extension until September 15, 2001 to complete light pole installation at which time night operating permit restrictions will be removed.

4. In 1997 the County was offered free used light poles to support obstruction-warning lights as required by the FAA. Two years later the poles were sold to another buyer after the County failed to act.

Response: Disagree

Six, one hundred foot stadium light poles, valued at \$50,000 by the seller, were offered to the County for \$20,000. The offer required a letter from the County

accepting a \$30,000 gift from the seller for the difference in the \$20,000 offering price and value of the poles. The light poles would not have met FAA requirements for light pole standards required at the Nevada County Airport. On order are two one-hundred-foot poles and two one hundred thirty-five-foot poles with lighting specifications designed for the Nevada County Airport.

5. The County now expects the lighting project to cost \$245,000, plus the cost of tree trimming and removal.

Response: Disagree

The estimated cost of the light poles and lights is estimated at \$100,000. The cost of light poles, installation and obstruction removal is estimated at \$485,000.

6. The Board of Supervisors did not enforce an existing Public Utility Code and Nevada County Ordinance requiring residents to keep their trees from obstructing the runway. Consequently the County paid for the purchase and installation of lights in 1997 instead of requiring trees to be trimmed. In 2000 the County required trees on private property to be trimmed or removed but paid the \$79,000 cost out of taxpayer funds.

Response: Partially Disagree

Seven lights were installed along the north end of the runway during the 1995 Airport Improvement Project as part of the engineered design.

In 2000, trees were trimmed or removed on private and public property. In cases where timber could not be sold to offset the cost of trimming or removal, a general fund loan to the Airport supported these costs. In FY 00/01, the cost of tree removal and trimming, including an aerial survey, land surveying, and planning was \$250,000.

7. The County established an Airport Commission in the 1980's. The Commission's by-laws specify that it is an advisory body only, contrary to the Litton Agreement. It has no authority over the Airport and no budgetary input.

Response: Partially Disagree

The County established the Airport Commission in 1957. The current by-laws indicate that the Commission is to advise or make recommendations to the Board of Supervisors but some duties indicate that the Commission has management functions such as working with the Airport Manager to prepare the Airport budget for submission to the Board.

The August 1, 1957 agreement between the County and Loma Rica Industrial Park states "County agrees to appoint an Airport Commission to manage and control operations of the property" is consistent with the appointment of a Commission.

The Commission has significant authority under the Commission by-laws because powers and duties include advising the Board on all aspects of the planning, maintenance, development and operation of the Airport and to make recommendations on the subject of development of the Airport and its facilities.

8. Within Nevada County government structure the Airport is an "Enterprise Fund". An Enterprise Fund is to create its own operating revenue.

Response: Agree

9. The Airports sources of operating revenue are fuel; sales, hangar fees, aircraft tiedown fees, user fees paid by California Department of Forestry, as well as some tax revenue. The Airport Manager and the Airport Commission have no decision-making authority about Airport revenues. The County has not clearly defined the decision-making authority for Airport revenues.

Response: Partially Disagree

In the past, sources of funding for the Airport has also included direct contributions to the Airport from the General Fund.

The Airport Manager does have decision making authority over fuel prices and makes recommendations to the Board of Supervisors regarding hangar fees, aircraft tiedown fees, and user fees paid by California Department of Forestry. Tax revenue is legislatively determined; the Airport Manager has no decision making authority over this revenue.

Under the Airport Commission by-laws, the commission's duties include advising the Board on all aspects of the planning, development and operation of the Airport and to make recommendations on the subject of development of the Airport and its facilities. Commissioners can make revenue decisions under their duty to advise the Board of Supervisors about Airport operations.

10. The Airport has typically operated at a deficit, Nevada County "loans" funds to the Airport to cover expenses incurred to comply with FAA and CalTrans regulations. Debt presently owed to the County is nearly \$1 million.

Response: Partially Disagree

The obstruction and illumination project is incomplete as of this date; therefore the amount the Airport owes the General Fund is yet to be determined. The amount currently loaned to the Airport for the FAA compliance project stands at \$250,000.

11. The Grand Jury has not been able to track Airport financial actions from Board of Supervisors authorizations through to Airport spending, despite questioning the

Auditor-Controller, reviewing BOS records, interviewing the CAO, examining County financial statements and examining Airport financial records.

Response: Agree

This was the Grand Jury's experience based on their research efforts.

12. The Airport sources of funds for capital improvement are FAA grants, CalTrans grants and local funds. When the Airport underwent a \$5,900,000 improvement project in 1995, funding for the project was 90% FAA Grant, 4.5% state grant, and 5.5% County funds (by way of a CalTrans funded loan). The County loaned the funds to the Airport, supposedly to be repaid through operating revenue.

Response: Agree

13. The County employs an Airport Manager. The Airport Manager has reported to various County staff members, always ultimately reporting to the BOS by way of the CAO. A new manager, with extensive Airport management experience, was hired effective February 5, 2001.

Response: Agree

14. The BOS has adopted an Airport Master Plan and an Airport Business Development Plan. There is no operating plan.

Response: Partially Disagree

The Airport maintains documentation for day to day safety and maintenance operations as well emergency operation plans. These documents have not been formalized into an Airport Operations Manual.

Recommendations

1. Empower a new Airport Commission, responsible to the Board to manage and control the operation of the Airport.

Recommendation requires further analysis.

A joint meeting was held with the Board of Supervisors and the Airport Commission in March of 2001. At that time, it was recommended that the Commission make policy recommendations to the Board of Supervisors for better communications and commission roles. The Airport Manager has also been tasked with evaluating other possible governing structures for consideration by the Board of Supervisors.

2. Assure that an operating plan is produced that identifies and expedites a path to financial independence.

Recommendation requires further analysis.

The Airport Commission has formed an Airport Commission Fee and Budget Committee to address Airport fiscal issues. A revised Business Plan should be completed by September of 2001, and will address financial independence.

3. Assure that the \$1 million indebtedness is repaid to the County.

Recommendation is partially implemented.

When the Obstruction illumination and removal project is complete, and a final loan from the General Fund determined, a repayment plan will be brought before the Board of Supervisors for approval. The current loan amount is recorded in the Airport records of the County's accounting system, subsequent loans will be added to this amount.

4. Develop an effective follow-up process to track progress against the plan and require strict financial accountability.

Recommendation requires further analysis.

The Airport Manager, County Administration and the Auditor-Controller will develop a plan to hold the Airport accountable for financial independence. This plan will be included in the Airport Business Plan.

5. Track what happened to funds authorized by the BOS for the airport.

Recommendation implemented

The Auditor-Controller has recorded the current loan of \$250,000 in the Airport records. All subsequent loans will be recorded in the same manner.

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COUNTY OF NEVADA

BRUCE A. BIELEFELT

Auditor-Controller
Eric Rood Adm. Bldg.
950 Maidu Avenue
Nevada City, CA 95959
(530) 265-1244
FAX: (530) 265-1568

CPD

May 2, 2001

Honorable Judge Kathleen Butz
Nevada County Superior Court
201 Church St.
Nevada City, CA 95959

Dear Honorable Judge Butz:

RE: Response to Grand Jury Report – Nevada County Auditor-Controller

Herewith, Nevada County Auditor-Controller's response to the Nevada County Grand Jury report with reference to the Nevada County Airport. My responses are truthful and comprehensive detailing the issues raised by the Grand Jury.

Sincerely,




Bruce Bielefelt
Nevada County Auditor-Controller

cc: Grand Jury

**Nevada County Auditor-Controller
Grand Jury Report Response**

FILED

JUN - 7 2001

Nevada County Courts
By 
Deputy Clerk

- 1) The Nevada County Air Park, built in the 1930's was given to the County in 1957 by Charles Litton's Loma Rica Industrial Park Corporation, subject to certain conditions. The conditions were stated in a signed agreement that specified among other things that:
 - a) "Said property will be maintained in such condition that airplanes and aircraft may use the same with safety on a year round basis."
 - b) "County Agrees to appoint an Airport Commission to manage and control the operation of the property..."

Response: *Neither agree nor disagree. Finding is a factual assertion by the Grand Jury.*

- 2) Studies have found that continued operation of the Airport has significant economic and safety value to the County.

Response: *Neither agree nor disagree. I have no knowledge of what systems studies were reviewed by the Grand Jury.*

- 3) The Airport has operated under a temporary operating permit since 1995 because of unsafe conditions. CalTrans, acting for the FAA, issued a letter of closure of the Airport for night operations in 1996 because the County did not solve an obstruction problem. A second letter of closure was issued in 2000 because the County still had not solved the problem. Night landings were restricted in 1996 and then eliminated for a period in 2000, and the Airport is *still* operating under a temporary permit.

Response: *Neither agree nor disagree. Finding seems to agree with what I have read in the newspaper, and with information I have received from people involved with the airport.*

- 4) In 1997 the County was offered free used light poles to support obstruction-warning lights as required by the FAA. Two years later the poles were sold to another buyer after the County failed to act.

Response: *Partially agree. I remember a discussion a long time ago with Harold Wolfe, part-time airport manager, on this subject. I don't remember the exact year, but I do remember that Harold was still in the process of working out the specifics of the offer. I don't believe he got Board acceptance.*

- 5) The County now expects the lighting project to cost \$245,000, plus the cost of tree trimming and removal.

Response: *Neither agree nor disagree. I have no knowledge of final cost projections. It is not clear to me if this was being handled by General Services, the CAO, or the Airport manager.*

- 6) The Board of Supervisors did not enforce an existing Public Utility Code and Nevada County Ordinance requiring residents to keep their trees from obstructing the runway. Consequently the County paid for the purchase and installation of lights in 1997 instead of requiring trees to be trimmed. In 2000 the County required trees on private property to be trimmed or removed but paid the \$79,000 cost out of taxpayer funds.

Response: *Partially agree. The first part of the finding is a factual assertion which I assume the Grand Jury researched. The second part of the finding, the logging operation, was done by more than one vendor. I understand the C.A.O. office kept a record of their contracts with those vendors.*

- 7) The County established an Airport Commission in the 1980's. The Commission's by-laws specify that it is an advisory body only, contrary to the Litton Agreement. It has no authority over the Airport and no budgetary input.

Response: *Neither agree nor disagree. I have not read the Airport Commission's by-laws.*

- 8) Within Nevada County government structure the Airport is an "Enterprise Fund". An Enterprise Fund is to create its own operating revenue.

Response: *Partially Agree. The State Controller, Accounting Standards & Procedures require the Airport to be an enterprise fund. The accounting focus of an enterprise fund is profit or loss, and capital retention. The basis of accounting is full accrual. The General Fund has subsidized Airport revenue shortfalls.*

- 9) The Airports sources of operating revenue are fuel; sales, hangar fees, aircraft tiedown fees, user fees paid by California Department of Forestry, as well as some tax revenue. The Airport Manager and the Airport Commission have no decision-making authority about Airport revenues. The County has not clearly defined the decision-making authority for Airport revenues.

Response: *Partially agree. With the inclusion of the General Fund support, the various sources of airport revenue are correct. The Airport commission is an advisory committee of the Board of Supervisors. The Board of Supervisors has airport decision making authority.*

- 10) The Airport has typically operated at a deficit, Nevada County "loans" funds to the Airport to cover expenses incurred to comply with FAA and CalTrans regulations. Debt presently owed to the County is nearly \$1 million.

Response: *Partially agree. The airport enterprise fund typically has a net loss. The June 30, 2000 financial statement shows long term debt to be \$596,722.*

- 11) The Grand Jury has not been able to track Airport financial actions from Board of Supervisors authorizations through to Airport spending, despite questioning the Auditor-Controller, reviewing BOS records, interviewing the CAO, examining County financial statements and examining Airport financial records.

Response: *Neither agree nor disagree. I am sure the Grand Jury has been provided all available information. Board authorized spending is tracked by the financial accounting system. Revenue and expenditures compared to budget, i.e. Board authorization, is available on-line, and can be viewed anytime using a standard P.C. Monthly hard copy reports are available at the push of a button. However, the Grand Jury must realize that the Board may have authorized an expenditure in the budget, i.e. light poles, that management decided not to buy.*

- 12) The Airport sources of funds for capital improvement are FAA grants, CalTrans grants and local funds. When the Airport underwent a \$5,900,000 improvement project in 1995, funding for the project was 90% FAA Grant, 4.5% state grant, and 5.5% County funds (by way of a CalTrans funded loan). The County loaned the funds to the Airport, supposedly to be repaid through operating revenue.

Response: *Agree. The Airport has three Cal Trans loans outstanding. Principal outstanding as of June 30, 2000: \$592,298*

- 13) The County employs an Airport Manager. The Airport Manager has reported to various County staff members, always ultimately reporting to the BOS by way of the CAO. A new manager, with extensive Airport management experience, was hired effective February 5, 2001.

Response: *Neither agree nor disagree. I know we have a new airport manager, but I don't remember his exact hire date.*

- 14) The BOS has adopted an Airport Master Plan and an Airport Business Development Plan. There is no operating plan.

Response: *Neither agree nor disagree. I have not stayed current on airport management issues.*

Recommendations

- 1) Empower a new Airport Commission, responsible to the Board to manage and control the operation of the Airport.

The recommendation has not been acted upon. I have no idea what the Airport Manager, County Administer, and Board of Supervisors have planned.

- 2) Assure that an operating plan is produced that identifies and expedites a path to financial independence.

Same as 1 above.

- 3) Assure that the \$1 million indebtedness is repaid to the County.

Same as 1 above.

- 4) Develop an effective follow-up process to track progress against the plan and require strict financial accountability.

Same as 1 above.

- 5) Track what happened to funds authorized by the BOS for the airport.

The recommendation has been implemented. Audited financial statements are open for inspection at the Airport, in the County Administrator's Office, in the Auditor-Controller Office, and on the Auditor-Controller's Webpage.

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COUNTY OF NEVADA

STATE OF CALIFORNIA

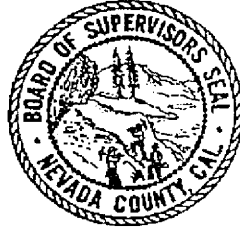
950 Maidu Avenue • Nevada City • California 95959-8617

rec'd
JUL 11 2001

BOARD OF SUPERVISORS

Peter Van Zant, 1st District
Sue Horne, 2nd District
Bruce Conklin, 3rd District
Elizabeth Martin, 4th District
Barbara Green, 5th District

Cathy R. Thompson
Clerk of the Board



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Toll-Free Telephone: (888) 785-1480
E-Mail: bdofsupervisors@co.nevada.ca.us
Website: <http://boardclerk.co.nevada.ca.us>

July 10, 2001

The Honorable Kathleen Butz
Presiding Judge of the Nevada County Courts
Nevada County Court House
Nevada City CA 95959

Subject: Nevada County Airport Commission Responses to the 2000-2001 Nevada County Civil Grand Jury Interim Report No. 9, dated April 11, 2001 regarding Nevada County Airport Management.

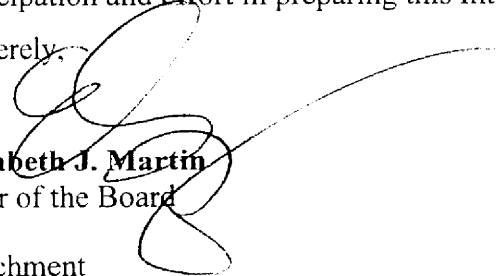
Dear Judge Butz:

The attached responses by the Nevada County Airport Commission to the 2000-2001 Nevada County Civil Grand Jury Interim Report No. 9, dated April 11, 2001, are submitted as required by California Penal Code §933.

These responses to the Grand Jury's findings and recommendations were approved by the Airport Commission at their regular meeting on June 14, 2001 and ratified by the Board of Supervisors at their regular meeting on July 10, 2001.

The Board of Supervisors would like to thank the members of the 2000-2001 Grand Jury for their participation and effort in preparing this Interim report.

Sincerely,


Elizabeth J. Martin
Chair of the Board

Attachment

ejm:pjw:pb

cc: Foreman, Grand Jury
Ted Gaebler, County Administrator
County Counsel
Airport Manager
Airport Commission

NEVADA COUNTY AIRPORT COUNTY OF NEVADA

(530) 273-3374

FAX: (530) 274-1003

Mail: 950 Maidu Avenue
Nevada City, CA 95959

Location: 12818 Loma Rica Drive
Grass Valley, CA 95945

June 19, 2001

The Honorable Carl F. Bryan, II
Nevada County Superior Court
201 Church St.
Nevada City, CA 95959

Dear Judge Bryan:

Subject: Response to Grand Jury Report – Nevada County Airport Commission

Attached is the Airport Commission's response to the April 9, 2001 Nevada County Grand Jury report on the Nevada County Airport, submitted as required by the California Penal Code.

This response to the Grand Jury's findings and recommendations was approved by the Airport Commission at their meeting on June 19, 2001. We believe this response appropriately addresses the issues raised by the Grand Jury.

The Airport Commission would like to thank the members of the 2000-2001 Grand Jury for their effort in preparing this report.

Sincerely,


Helen Edwards
Chair, Airport Commission


David Blanchard
Vice Chair, Airport Commission

Attachment

Cc: Nevada County Board of Supervisors
Gary Peterson, Airport Manager
Airport Commission Members

Nevada County Airport Commission Response to Grand Jury Report
June 19, 2001

Responses to findings and recommendations are based on either personal knowledge, examination of official county records, review of the response by the Airport Manager, or testimony or information by the Airport Manager or other County Staff members.

FINDINGS

1. The Nevada County Air Park, built in the 1930s, was given to the county in 1957 by Charles Litton's Loma Rica Industrial Park Corporation, subject to certain conditions. The conditions were stated in a signed agreement that specified, among other things, that:

· "Said property will be maintained in such condition that airplanes and aircraft may use the same with safety on a year round basis."

· "County agrees to appoint an airport commission to manage and control the operation of the property..."

Agree

2. Studies have found that continued operation of the airport has significant economic and safety value to the county.

Agree

3. The airport has operated under temporary operating permits since 1995 because of unsafe conditions. CalTrans, acting for the FAA, issued a letter of closure of the airport for night operations in 1996 because the county did not solve an obstruction problem. A second letter of closure was issued in 2000 because the county still had not solved the problem. Night landings were restricted in 1996 and then eliminated for a period in 2000, and the airport is still operating under a temporary permit.

Disagree with the first sentence. The airport has operated under temporary operating permits since 1995 because of failure to comply with FAA Part 77 regulations pertaining to the safe operations of airports.

Agree with the remainder of this section.

4. In 1997 the county was offered free used light poles to support obstruction warning lights as required by the FAA. Two years later, the poles were sold to another buyer after the county failed to act.

Disagree with first sentence; the light poles offered were not free. Agree with second sentence

5. The county now expects the lighting project to cost \$245,000, plus the cost of tree trimming and removal.

Partially Disagree. According to information provided to the Commission by the Airport Manger, the lighting project is expected to cost approximately \$235,000 plus the cost of tree trimming and removal.

6. Boards of Supervisors did not enforce an existing Public Utility Code and a Nevada County Ordinance requiring residents to keep their trees from obstructing the runway. Consequently, the county paid for the purchase and installation of lights in 1997 instead of requiring trees to be trimmed. In 2000, the county required trees on private property to be trimmed or removed but paid the \$79,000 cost out of taxpayer funds.

Agree with the first sentence.

Partially Disagree with the second sentence. The original seven-pole obstruction lighting system was approved and constructed as part of Federal AIP project grant 3-06-0095-03 in 1994-95. Ninety percent of the cost of the installation was paid for by the Federal Aviation Administration 4.5% was paid by Caltrans and the County of Nevada paid 5.5%. The obstruction lights were approved as one part of a permanent resolution to the obstruction issues. In order for the problem to be completely resolved, numerous trees in approach zones and clears zones off of runway ends identified in airport inspections in the early 1990's also needed to be removed. The trees that were scheduled for cutting were not removed until the year 2000. At the same time a more efficient and effective lighting system was designed that would allow as many trees to remain standing as possible. Eventually over 900 trees were cut or trimmed to bring permanent resolution to the obstruction problem. However, the installation of the lighting has saved more than twice the amount of trees that were cut, thereby mitigating the impact of the airport on neighboring properties.

Agree with third sentence; in 2000, the county required trees on private property to be trimmed or removed and paid the costs out of County funds.

7. The county established an Airport Commission in the 1980s. The commission's by-laws specify that it is an advisory body only, contrary to the Litton agreement. It has no authority over the airport, and no budgetary input.

Disagree with first sentence. According to information from the Asst. County Counsel, the current By-laws state that the authority for the formation of the Airport Commission is Nevada County Ordinance 1609, adopted 12/12/89 and operative 1/11/90. However, this statement does not appear to refer to the earliest date of establishment for the Commission. Certainly an Airport Commission was meeting regularly prior to that date and Ordinance No. 635, adopted June 5, 1973, provides for an Airport Commission consisting of 5 members and spells out their powers & duties in language substantially similar to that in the current by-laws. It appears that the first mention of an Airport Commission was in a Resolution creating the Airport Commission passed by the Board of Supervisors on July 1, 1957. That Resolution reads as follows: "RESOLVED that there hereby be created an

AIRPORT COMMISSION for WESTERN NEVADA COUNTY to be known as the WESTERN NEVADA COUNTY AIRPORT COMMISSION, consisting of 5 members as follows: [5 members named]." It thus appears that the county established an Airport Commission in 1957.

Partially disagree with the second sentence. Although not fully compliant with the Litton Agreement, the Commission's by-laws do specify that it is an advisory body only. The bylaws of the commission state in part:

"III. RESPONSIBILITIES AND DUTIES

In accordance with the responsibilities assigned by the Board of Supervisors, the Airport Commission shall have the following duties and powers:

- A. To advise the Board of Supervisors on the planning, maintenance, development and operation of the airports and airport facilities which are, or will be, owned, controlled or leased by the County.*
- B. To study and to make recommendations on the subject of developing the airports and airport facilities in Western Nevada County.*
- C. To formulate and to recommend to the Board of Supervisors the general policies relating to the purposes of the Airport Commission.*
- D. To work with the Airport Manager in the preparation of a preliminary and final budget to submit to the Board annually, providing for the costs of maintenance, operation and improvement for the ensuing fiscal year.*
- E. To study and to make recommendations on the subject of funds available to the County for the development of the airports and airport facilities from Federal, State and other sources.*
- F. Such other functions, powers, and duties as the Board of Supervisors shall designate by resolution."*

Disagree with the third sentence. The power and duty to advise the Board on all aspects of the planning, maintenance, development and operation of the airport and to make recommendations on the subject of development of the airport and its facilities provides the Commission with significant input authority, even though the Board retains the ultimate decision making authority. Per section III - F of the bylaws stated above, the commission has whatever authority that the Board of Supervisors shall designate. Per section D, the Commission has budgetary input as stated above. In practice, a subcommittee of the

commission works with the airport manager in reviewing the budget; it is then presented to the full commission for approval for recommendation to the Board of Supervisors.

8. Within Nevada County government structure, the airport is an "Enterprise Fund." An enterprise fund is to create its own operating revenue.

Agree.

9. The airport's sources of operating revenue are fuel sales, hangar fees, aircraft tie-down fees, user fees paid by the California Department of Forestry, as well as some tax revenue. The airport manager and the Airport Commission have no decision-making authority about airport revenues. The county has not clearly defined the decision-making authority for airport revenues.

Agree with the first and second sentences.

Disagree with the last sentence. Fees are developed by the airport staff, reviewed by the Airport Commission and or the User Fee Committee and approved by the Board of Supervisors. Revenue programs and leases or concessions with airport operators or users that may result in airport revenue are subject to review by the Commission and approval by the Board of Supervisors.

10. The airport has typically operated at a deficit. Nevada County "loans" funds to the airport to cover expenses incurred to comply with FAA and CalTrans regulations. Debt presently owed to the County is nearly \$1 million.

Neither agree or disagree with first sentence. Although some financial documents show a deficit, they do not show the effects of revenue from the use of airport property by the Transit department and the County DOT that has not been paid in the past to the airport enterprise fund as required by FAA grant assurances. Payment of the amount due yearly from the County to the Airport funds would have an effect on whether or not the airport had a deficit.

Agree with the second sentence. As the airport sponsor, the county is required by the FAA grant agreements to provide a small percentage of funds required to comply with FAA and CalTrans regulations. These are being paid back to the county from the enterprise fund.

Neither agree or disagree with the third sentence. The Airport Commission does not currently have documentation available that can support or dispute this information and has no knowledge of the documentation or testimony that the Grand Jury used in coming to this conclusion. However, the Commission does not support this number and we do not believe that it is correct. Revenue from the use of airport property by the Transit department and the County DOT have not been paid in the past to the airport enterprise

fund as required by FAA grant assurances. This would offset any funds that the airport were to owe the county. These financial issues are currently under review to determine the amount due the airport fund from the County, if any. The net operational deficit (if any) will be better known after review of the amount due to the enterprise fund from the County for the use of airport land.

11. The Grand Jury has not been able to track airport financial actions from BOS authorizations through to airport spending, despite questioning the Auditor-Controller, reviewing BOS records, interviewing the CAO, examining county financial statements, and examining airport financial records.

Neither agree or disagree. The airport commission has no knowledge of the documentation used by the Grand Jury or testimony by the CAO or Auditor-Controller to the Grand Jury. However, two CPAs, one a previous airport commissioner and one a present airport commissioner, have also tried to sort out the finances without success.

12. The airport's sources of funds for capital improvements are FAA grants, CalTrans grants, and local funds. When the airport underwent a \$5,900,000 improvement project in 1995, funding for the project was 90% FAA grant, 4.5% state grant, and 5.5% county funds (by way of a CalTrans-provided loan). The county loaned the funds to the airport, supposedly to be repaid through operating revenue.

Agree. The loans are being repaid from the enterprise fund

13. The county employs an airport manager. The airport manager has reported to various county staff members, always ultimately reporting to the BOS by way of the CAO. A new manager, with extensive airport management experience, was hired effective February 5, 2001.

Agree

14. The BOS has adopted an Airport Master Plan and an Airport Business Development Plan. There is no operating plan.

Agree

RECOMMENDATIONS

The BOS should:

1. Empower a new Airport Commission, responsible to the board, to manage and control the operation of the airport.

The Airport Commission agrees that a stronger Airport Commission would be desirable within the context of state laws governing non-elected commissioners. The final authority to implement this recommendation lies within the Board of Supervisors.

The management and control of operation of an Airport on a day to day basis is the responsibility of the Airport Manager. The Commission should and does work with the Airport Manager to make business and policy decisions. These decisions are then submitted to the BOS for approval. In this manner it is clear that the Commission is responsible to the BOS.

The implementation of this recommendation has begun. The airport commission met in joint session with the BOS in March 2001 to strengthen the relationship and communication between the two bodies and clarify responsibilities. The Airport Commission has considered changes to the Bylaws to be sent to the BOS for ratification; one such change relating to communication between the two bodies was approved by the Commission on April 26, 2001. Additionally, on April 26, 2001, the Commission approved recommending that the BOS adopt a resolution of policy strengthening the role of the Airport Commission. The Commission will continue to consider ways to bring more authority to the Commission and make appropriate recommendations to the Board of Supervisors.

Additionally, by November 1, 2001, Airport Staff will evaluate the structure and composition of similar airport commissions to determine if any changes in structure or form are warranted

2. Assure that an operating plan is produced that identifies and expedites a path to financial independence.

A revised Airport Business operating plan is being developed by the Airport Manager and will be subject to an ongoing and final review process by the Airport Commission. It is expected that this will be completed by September 30, 2001.

3. Assure that the \$1 million indebtedness is repaid to the county.

The Airport Commission does not agree that \$1 million is the amount owed to the county. This figure most likely ignores the occupation of the airport land by the county without compensation as well as the county charging the airport enterprise for things not related to airport operation.

A Work Plan to Gain Compliance with Federal Aviation Administration Grant Assurances, dated March 27, 2001 and submitted to the FAA, was written by the airport manager, reviewed by airport commission designees and Board of Supervisor designees, and approved by the county administration and the FAA. Included in this work plan is determining the amount of money owed to the county by the airport or the airport to the county. The determinations from the work plan are to be agreed upon and approved by the airport manager, airport commission, Board of Supervisors, county administration and the FAA by September 30, 2001. This amount will be in addition to CalTrans loans for airport improvements that is presently being paid off on a regular basis from the airport enterprise fund to the county general fund. The CalTrans loans repayments are current; as of July 1, 2001, the amount owed to CalTrans is \$549,137.

The responsibility to assure any repayment is not within the authority of the Airport Commission. However the Airport Commission will continue to review the status of any required transfer of funds between the airport enterprise fund and the county general fund. The airport commission has directed the airport manager to provide monthly financial reports at each commission meeting.

4. Develop an effective follow-up process to track progress against the plan and require strict financial accountability.

The Commission agrees that a process to track progress against plan with strict financial accountability should be developed. Airport Staff working with the Airport Commission and County Administrative Staff will develop a plan that includes follow up processes and accountability. This document will be contained in the Airport Business Plan (see item 2 above). When the process is in place, the Airport Commission will require monthly reviews of the progress against plan at the commission meetings by the Airport Manager.

5. Track what happened to funds authorized by the BOS for the airport.

The Commission has no authority to direct implementation of this recommendation but agrees that funds authorized by the BOS for the airport should be accounted for. Meetings between Commission representatives and the Auditor-Controllers Office relating to the accountability of funds took place in late 2000, but were not conclusive.

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**NEVADA COUNTY AIRPORT
COUNTY OF NEVADA**

(530) 273-3374

FAX: (530) 274-1003

**Mail: 950 Maidu Avenue
Nevada City, CA 95959**

**Location: 12818 Loma Rica Drive
Grass Valley, CA 95945**

May 14, 2001

Hon. Carl F. Bryan, II
Nevada County Superior Court
201 Church St.
Nevada City, CA 95959


Judge Bryan:

RE: Response to Grand Jury Report – Nevada County Airport

Attached is the Airport Manager's response to the Nevada County Grand Jury report on the Nevada County Airport. I believe my response to be accurate and appropriately detailed to address the issues raised by the Grand Jury.

If you have questions or comments, or require further information about my response please contact the airport office at 530-273-3374.

Very truly yours,


Gary E. Petersen
Airport Manager

Nevada County Airport Manager
Grand Jury Report
Response

1. The Nevada County Air Park, built in the 1930's was given to the county in 1957 by Charles Litton's Loma Rica Industrial Park Corporation, subject to certain conditions. The conditions were stated in a signed agreement that specified among other things that:
 - "Said property will be maintained in such condition that airplanes and aircraft may use the same with safety on a year round basis."
 - "County Agrees to appoint an airport commission to manage and control the operation of the property..."

Response: Agreed.

2. Studies have found that continued operation of the airport has significant economic and safety value to the county.

Response: Agreed.

3. The airport has operated under a temporary operating permit since 1995 because of unsafe conditions. CalTrans, acting for the FAA, issued a letter of closure of the airport for night operations in 1996 because the county did not solve an obstruction problem. A second letter of closure was issued in 2000 because the county still had not solved the problem. Night landings were restricted in 1996 and then eliminated for a period in 2000, and the airport is *still* operating under a temporary permit.

Response: Partially Disagree.

The airport-operating permit was suspended in 1995 for airport reconstruction. When the reconstruction was complete a conditional temporary permit was issued due to obstruction problems with trees. Night landings have been on a proscribed basis since 1996 with a complete elimination of the conditional operating permit occurring only in the year 2000.

4. In 1997 the county was offered free used light poles to support obstruction-warning lights as required by the FAA. Two years later the poles were sold to another buyer after the county failed to act.

Response: Disagree

The poles were not offered free nor were they capable of resolving the specific obstruction light problems at the Nevada County Airport. The types of light poles offered for purchase would have required the installation of over twenty additional poles to resolve the lighting problem.

The current construction project that is underway to change the types of lights that are used and relocate the poles so that only four poles are required represents the appropriate solution for this problem.

5. The County now expects the lighting project to cost \$245,000, plus the cost of tree trimming and removal.

Response: Disagree:

The actual cost of installing the lights is expected to be closer to \$235,000 plus the cost of tree trimming and removal.

6. Board of Supervisors did not enforce an existing Public Utility Code and Nevada County Ordinance requiring residents to keep their trees from obstructing the runway. Consequently the county paid for the purchase and installation of lights in 1997 instead of requiring trees to be trimmed. In 2000 the county required trees on private property to be trimmed or removed but paid the \$79,000 cost out of taxpayer funds

Response: Partially Disagree

The original seven-pole obstruction lighting system was approved and constructed as part of Federal AIP project grant 3-06-0095-03 in 1994-95. Ninety percent of the cost of the installation was paid for by the Federal Aviation Administration 4.5% was paid by CalTrans and the County of Nevada paid 5.5%.

The obstruction lights were approved as one part of a permanent resolution to the obstruction issues. In order for the problem to be completely resolved, numerous trees in approach zones and clears zones off of runway ends identified in airport inspections in the early 1990's also needed to be removed.

The trees that were scheduled for cutting were not removed until the year 2000. At the same time a more efficient and effective lighting system was designed that would allow as many trees to remain standing as possible. Eventually over 900 trees were cut or trimmed to bring permanent resolution to the obstruction problem.

In an effort to resolve the problem as expeditiously as possible the county elected to pay for the cost of the tree cutting. As of this date an expectation exists that the airport enterprise fund will pay for the cutting of the trees and not the general fund.

7. The County established an Airport Commission in the 1980's. The commission's by-laws specify that it is an advisory body only, contrary to the Litton Agreement. It has no authority over the airport and no budgetary input.

Response: Disagree, Partially Disagree

"The County established an Airport Commission in the 1980's..." Disagree. The current By-laws state that the authority for the formation of the Airport Commission is Nevada County Ordinance 1609, adopted 12/12/89 and operative 1/11/90. However, numerous older airport documents reference decisions and actions made by the Airport Commission well before the 1980's.

"The commission's by-laws specify that it is an advisory body only...". Partially agree. It is not clear what the definition of authority means in the context of this statement and in the relationship between the Commission and the Board of Supervisors. However, with the Commission having the power and duty to advise the Board on all aspects of the planning, maintenance, development and operation of the airport there is significant opportunity for the Commission to take an active role in determining the direction of the airport.

Additionally, I believe there is little question as to whether the Commission has input into the budgetary process.

The Airport Commission by-laws read in part

III. RESPONSIBILITIES AND DUTIES

In accordance with the responsibilities assigned by the Board of Supervisors, the Airport Commission shall have the following duties and powers:

- D. To work with the Airport Manager in the preparation of a preliminary and final budget to submit to the Board annually, providing for the costs of maintenance, operation and improvement for the ensuing fiscal year.
- E. To study and to make recommendations on the subject of funds available to the County for the development of the airports and airport facilities from Federal, State and other sources.

By exercising these responsibilities and duties the Commission does in fact provide input into the budgetary process and in my opinion exercises more than simple advisory input to the Board of Supervisors.

8. Within Nevada County government structure the Airport is an "Enterprise Fund". An Enterprise fund is to create its own operating revenue.

Response: Agreed

9. The Airports sources of operating revenue are fuel; sales, hangar fees, aircraft tiedown fees, user fees paid by California Department of Forestry, as well as some tax revenue. The airport manager and the Airport Commission have no decision-making authority about airport revenues. The county has not clearly defined the decision-making authority for airport revenues.

Response: Partially Disagree

Another source of revenue for the Airport has been the Nevada County General Fund. Over the past 10 years, excluding unpaid occupancy of the Airport Terminal Building the General Fund has contributed over \$500,000 into the Airport Enterprise Fund.

The process for setting fees and establishing revenues has been clearly defined. Fee increases are developed by airport staff, reviewed by the Airport Commission and approved by the Board of Supervisors. All revenue generating programs and concession or lease agreements with airport business operators or airport users that may result in revenue to the airport are also subject to review by the Commission and approval by the Board of Supervisors.

10. The airport has typically operated at a deficit, Nevada County "loans" funds to the airport to cover expenses incurred to comply with FAA and CalTrans regulations. Debt presently owed to the county is nearly \$1 million.

Response: Partially Disagree

The amount of money currently to the County by the Airport is \$250,000. It is important to understand that of the outstanding loans for the airport three of these loans are with CalTrans and are being paid by revenues generated by from the Airport Enterprise fund.

11. The Grand Jury has not been able to track airport financial actions from BOS authorizations through to airport spending, despite questioning the Auditor-Controller, reviewing BOS records, interviewing the CAO, examining county financial statements and examining airport financial records.

Response: Partially Disagree

My tenure as Airport Manager has been for only a few months however; I have been able to find all records that I need regarding airport expenditures. Having just completed my first budget for the County I found financial and budget documents to be detailed and adequate. Additionally, in past years the airport organization has been audited on an annual basis without a significant deficiency of record keeping being noted.

12. The airport sources of funds for capital improvement are FAA grants, CalTrans grants and local funds. When the airport underwent a \$5,900,000 improvement project in 1995, funding for the project was 90% FAA Grant, 4.5% state grant, and 5.5% county funds (by way of a CalTrans funded loan). The county loaned the funds to the airport, supposedly to be repaid through operating revenue.

Response: Agree

13. The county employs an airport manager. The airport manager has reported to various county staff members, always ultimately reporting to the BOS by way of the CAO. A new manager, with extensive airport management experience, was hired effective February 5, 2001.

Response: Agree

14. The BOS has adopted an Airport Master Plan and an Airport Business Development Plan. There is no operating plan.

Response: Partially Disagree

It is difficult to understand what is meant by an operating plan. As an Airport Manager I consider an Operating Plan a set of documents that describes the day to day safety and maintenance operation of an airport. Nevada County Airport does have documents and record keeping in place that ensures that the airport operates efficiently on a day to day basis. There are also plans in place to operate the airport during emergency situations.

Recommendations

1. Empower a new Airport Commission, responsible to the Board to manage and control the operation of the Airport.

The management and control of operation of an Airport on a day to day basis is the responsibility of the Airport Manager. The Commission should and does work with the Airport Manager to make business and policy decisions. These decisions are then submitted, to the BOS for approval. In this manner it is clear that the Commission is responsible to the BOS.

Implementation of this recommendation has begun. The BOS and the Airport Commission held a joint meeting in March of 2001 to clarify roles and responsibilities. Subsequent to that meeting the Airport Commission is making a recommendation to the BOS to change the Commission by-laws in a manner that will facilitate communication and decision making between the two bodies.

Additionally, by November 1, 2001, Airport Staff will evaluate the structure and composition of similar airport commissions to determine if any changes in structure or form are warranted.

2. Assure that an operating plan is produced that identifies and expedites a path to financial independence.

The Airport Manager working with the Airport Commission will develop a revised Airport Business Plan by September 31, 2001. The purpose of this plan is to provide

direction for the Nevada County Airport to achieve financial independence as soon as possible.

3. Assure that the \$1 million indebtedness is repaid to the County.

This recommendation is partially implemented.

With the completion of the obstruction lighting and tree removal project the amount of money owed to the County General Fund is expected to total \$475,000. Effective July 1, 2001, the amount owed to CalTrans is \$549,137. The CalTrans loans are on a fixed payment schedule and are paid up to date. The final project completion date has been extended to September 15, 2001. By that time a repayment schedule will have been completed for repayment of general fund money.

4. Develop an effective follow-up process to track progress against the plan and require strict financial accountability.

Airport Staff working with the Airport Commission and County Administrative Staff will develop a plan that includes follow up processes and accountability. This document will be contained in the Airport Business Plan.

5. Track what happened to funds authorized by the BOS for the airport.

This recommendation has been implemented. The Controllers Office audits the airport on an annual basis. Mechanisms are in place to track all funds into and out of the airport.

