

**Senate Bill 10: The San Diego County Regional Airport Authority Reform Act of 2007 –
Introduced by Senator Kehoe**

Board Recommendation:

CONDITIONAL SUPPORT with the proviso that
1) the SDCRAA Board of Directors shall not be given the authority to modify their compensation; and
2) action taken by the Audit Committee relating to the approval of the annual internal and external audits including performance monitoring; the Office of the Chief Auditor's Annual Audit Plan for each fiscal year submitted to the board for approval; and actions recommending or approving debt financing for the Airport Authority, must require an affirmative vote by at least five members of the Audit Committee.

Rationale:

SB 10 will improve governance and accountability of the San Diego County Regional Airport Authority (SDCRAA) and remove the salaries paid to the Executive Committee, thereby saving the public hundreds of thousands of dollars. The expansion of the Airport Authority's Audit and Performance Monitoring Committee to include three voting members of the public will allow for revenues and expenditures to be vetted through a public process.

Finally, this bill will incorporate a strategy that will coordinate all modes of transportation that has yet to be seen in the region. If implemented properly, future projects will have better access to and from all airports throughout the county, via highway or transit. The interconnectivity of all modes of transportation is essential in the quest to reduce congestion at a time where the population in the county is expected to increase by one million people by 2030.¹

Background:

The San Diego County Regional Airport Authority is a public entity created by the passage of Assembly Bill 93 in 2001, and is designated to operate the San Diego International Airport and plan for the region's future air transportation needs. The Airport Authority assumed ownership and operations of San Diego International Airport from the Unified Port of San Diego January 1, 2003.

The Airport Authority is currently governed by a nine-member Board of Directors with three paid members serving as the Executive Committee. Each member of the Executive Committee receives an annual salary of \$171,648.²

¹ The 2006 population within the county as estimated by the San Diego Association of Governments is 3,066,820. By 2030, it is estimated that population will reach 3,984,753. 2030 Regional Growth Forecast, Updated 2006.

² Members of the Executive Committee receive a salary equal to the salary of superior court judge in the County of San Diego.

SB 10 would take effect on January 1, 2008. To assure continuity in the work on the Lindbergh Field Master Plan and ongoing preparation and adoption of the Airport Land Use Compatibility Plan for the 16 airports in the region, the current Airport Authority Board would serve until January 2009.

Duties of the Airport Authority:

Airport Land Use Compatibility Plans

Under this bill, the authority would be responsible for the preparation and adoption of all airport land use compatibility plans (ALUCP) for all airports within the county. There will be specific points within the ALUCPs where the authority, SANDAG, local cities and the county must interact. All ALUCPs will be paid for by fees from all of the airlines for all 16 airports within the county. The ALUCPs must be compatible with the Airport Multimodal Accessibility Plan and will also contribute to the development of the Regional Aviation Strategic Plan. All ALUCPs must be updated every five years.

Regional Aviation Strategic Plan

The Regional Aviation Strategic Plan (RASP) will be a document that incorporates: air passenger and air cargo demand within the county; existing capacity and future demand for commercial and general aviation; revenue and expenditure forecasts; all master plans and ALUCPs for all airports within the county (including the military); and interregional aviation plans from the regions bordering the county.

The RASP must be submitted to SANDAG to assure that the RASP is compatible with the Airport Multimodal Accessibility Plan prior to approval by the Airport Authority board. The board must also incorporate a public outreach process during development of the RASP and address and respond to recommendations made by the public. The first RASP must be adopted by December 31, 2010.

San Diego International Airport

The authority will have direct control of the operations at San Diego International Airport, including the adoption and implementation of the master plan. The authority will have the responsibility to study, plan and implement any improvements, expansion, or enhancements at the San Diego International Airport. The authority must also adopt a comprehensive plan on the future development of San Diego's regional international airport. In developing this plan, the authority must review all options of alternative sites, including, but not limited to, expansion of the existing airport site and other development options available to address future airport needs.

Duties of SANDAG:

Airport Multimodal Accessibility Plan

SANDAG will be in charge of completing the Airport Multimodal Accessibility Plan (AMAP). The AMAP will include transportation projects that will improve access to airports within San Diego County as well as airports in adjacent counties. The AMAP will also include a schedule of those projects as well as expected revenue sources to fund those projects.

In order to complete the AMAP, SANDAG must incorporate all of the following:

- Airport Authority RASP

- Master plans of all civilian and military airports within the county
- General plans of all 18 cities and the county
- Freeway plans of both SANDAG and Caltrans
- Transit plans of SANDAG and all transit operators
- Interregional aviate and rail plans from regions bordering the county

SANDAG must distribute a draft AMAP six months prior to adoption. Those parties that must receive a copy of the draft AMAP include: airport authority; operators of the remaining civilian and military airports within the county; cities in which an airport is located; Department of Transportation; representatives of the tenants of the airports; and other interested parties. These parties have the opportunity to review and comment on the recommendations presented within the draft AMAP.

The first AMAP must be adopted by June 30, 2013 and will be used to develop the SANDAG Regional Transportation Plan and the Regional Comprehensive Plan.

Airport Authority Board:

Board Make-Up

The board of directors will consist of nine members. The Mayor of the City of San Diego will appoint three individuals, two of which are subject to confirmation by the City Council. These individuals must be residents of the City of San Diego and at least one individual must either be the Mayor or a member of the City Council. The Mayor will also have the authority to appoint the chair of the board.

Two board members will be appointed by the Chair of the County Board of Supervisors and are subject to confirmation by the Board of Supervisors. These individuals must be residents within the county and at least one must be a member of the Board of Supervisors.

The remaining board members will be selected to represent the following regions within the County:

- East County: La Mesa, Lemon Grove, Santee
- North County Coastal: Carlsbad, Del Mar, Encinitas, Oceanside, Solana Beach
- North County Inland: Escondido, Poway, San Marcos, Vista
- South County: Chula Vista, Coronado, Imperial Beach, National City

Each of the individuals selected by the region must either be a city council member or a resident of a city within that region.

A three member Executive Committee will consist of one board member from the City of San Diego, the County of San Diego, and one board member from among the remaining regions.

The Governor will appoint two ex officio members: one member will be the District Director of the Department of Transportation for the San Diego region and one member will be the Department of Finance representative on the State Lands Commission. The Airport Authority board may also choose to expand the number of ex officio members, including representatives of the Navy and the Marine Corps.

Voting

Each jurisdiction represented on the board will have a weighted vote determined by that jurisdiction's total population within the San Diego County region. Based on the formula outlined within the bill and current population figures, the weighted vote would be distributed as follows:

City of San Diego	40
San Diego County	16
North County Coastal	13
North County Inland	12
South County	11
East County	8
Total	100

Source: SANDAG staff report

Any action taken by the board that would place a ballot measure before the public will require a two-thirds majority vote both by tally and by weighted vote. A majority vote of the total voting membership of the board is required for the board to take action.

Terms & Compensation

Board members will serve two-year staggered terms, without the provision of term limits. If a board member is serving as a representative of a public office, that individual is no longer permitted to serve on the board once they vacate that position.

Each of the board members may receive compensation in an amount not to exceed \$200 for each day of service. A board member may not receive compensation for more than six days of service per month. A board member must be present for at least half of the time set for the meeting in order to be eligible for compensation. The board may choose to modify the amount of compensation by a two-thirds majority vote. The board may also choose to provide the chair additional compensation, but no more than \$500 per month.

Oversight:

Currently, the Airport Authority Audit and Performance Monitoring Committee consists of four board members. The committee maintains three primary functions:

1. Oversee independent audit of Airport Authority's annual financial statements
2. Oversee Airport Authority's internal audit function (contract, processes)
3. Ensure there is in place an effective system of internal controls reasonably designed to:
 - a. Safeguard assets/income of authority
 - b. Assure integrity of authority's financial statements
 - c. Maintain compliance with authority's ethical standards, policies, plans and procedures with laws and regulations
4. Prepare annual committee audit report, which is required by the FAA and is included in authority's annual financial statements

SB 10 would expand this committee to include three public members that will be appointed by the board. The board may choose public representatives of the following categories to serve as voting members of the Audit Committee:

- A professional with experience in the field of public finance and budgeting.
- An architect or civil engineer licensed to practice in this state.
- A professional with experience in the field of real estate or land economics.
- A person with experience in managing construction of large-scale public works projects.
- A person with public or private sector executive level decision-making experience.
- A person who resides within the airport influence area of the San Diego International Airport (Lindbergh Field).
- A person with experience in environmental justice as it pertains to land use.

Each of these three new members will serve staggered three-year terms. The board may also choose to appoint nonvoting, noncompensated, ex officio members to serve on the Audit Committee.

The Audit Committee will act independently and will be charged with oversight responsibilities for reviewing the Airport Authority's internal controls, financial reporting obligations, operating efficiencies, ethical behavior, and regular attention to cash flows, capital expenditures, regulatory compliance and operations.

The Audit Committee will meet a minimum of four times a year and be empowered with the following duties:

- Regularly review the Authority's accounting, audit and performance monitoring processes
- Recommend to the Executive Committee and full board its nomination for external auditor and compensation
- Give advice to the Executive Committee and the board regarding the selection of the Auditor
- Be responsible for oversight and monitoring of internal and external audit functions, and monitoring performance of, and internal compliance with, Authority policies and procedures
- Be responsible for overseeing the annual audit by the external auditors and the joint audit required under the Authority Act
- Make recommendations to the full board with regard to all of the preceding functions.
- The approval of the annual internal and external audits including performance monitoring; the Office of the Chief Auditor's Annual Audit Plan for each fiscal year submitted to the board for approval; and actions recommending or approving debt financing for the Airport Authority, shall require an affirmative vote by at least five Audit Committee members.

Fiscal Impact:

This bill would eliminate approximately \$515,00 in annual salaries paid to the current Executive Committee. New Board members will be eligible to receive up to \$1,200 a month for their days of service, with the new Board Chair eligible to receive an additional \$500 per month.

The Airport Authority has estimated the total cost to complete the Regional Aviation Strategic Plan at approximately \$3.95 million. The entire process will take 3 years to complete. SANDAG has estimated the average cost of completing the Airport Multimodal Accessibility Plan to be approximately \$2 million.