



U.S. Department
of Transportation
**Federal Aviation
Administration**

Office of Airport Compliance
and Management Analysis

800 Independence Ave., SW
Washington, DC 20591

June 17, 2024

Mr. Daren Griffin, A.A.E.
President/CEO
Reno-Tahoe International Airport
P.O. Box 12490
Reno, NV 89510-2490

Re: Transmittal of Final Financial Compliance Report

Dear Mr. Griffin:

Thank for your January 24, 2024, response to the Federal Aviation Administration's (FAA) draft compliance review report of the Reno -Tahoe Airport Authority (RTAA) and Reno -Tahoe Airport (RNO), airport sponsor and operator of RNO. We appreciate your letter recognizing RNO's full commitment to address recommendations proposed by the FAA's Office of Airport Compliance and Management Analysis (ACO) during the April 24 – April 27, 2023, financial compliance review.

The draft report recommendation, RNO's response and the FAA's final response are as follows:

Airport Marketing/Incentives/Advertising

FAA Recommendation: We found that RTAA's practice of reimbursing Spirit directly for marketing expenditures is contrary to FAA Policy which states there can be no direct air carrier subsidies. Although Spirit has a practice of conducting its marketing in-house and not using third-party vendors, this is not a justification for making direct payments to Spirit. We recommend that RTAA find other means which do not involve direct payments to the airline to create incentives for Spirit. Lamar Advertising Company handles the digital assets throughout the airport terminal. No other irregularities with regard to the marketing and incentive program were found at RTAA.

RTAA's Response: The RTAA has created an Airline Incentive Agreement that will be used going forward. The agreement clarifies that the RTAA will only pay the airline's marketing

agency after receiving supporting receipts. A recently executed incentive agreement with Delta Airlines is included with this response.

It specifically prohibits the direct payment to airlines for marketing expenditures. On page 4 of the agreement, it states: "Marketing Incentives shall be provided by the RTAA by way of reimbursement directly to the advertising agency carrying out the marketing campaign or qualified portions thereof and no reimbursement will be made directly to Airline."

FAA'S Conclusion: After thoroughly reviewing RTAA's Air Carrier Incentive Program Agreement concerning the recommendations in the draft report, the FAA is pleased to confirm that these matters are now considered closed. However, should RTAA decide to make any modifications to the agreement, RTAA should notify the FAA immediately. In such cases, please be aware that the FAA reserves the right to re-open the recommendation until it is satisfactorily resolved/corrected.

Aircraft Rescue and Fire Fighting (ARFF)

FAA Recommendation: "Typically, 911 services are already paid for through state and local funding. The City of Reno and RTAA need to justify the cost. Specifically, is it a City of Reno requirement that City entities pay for 911 and are there other City entities paying for 911 services? If the charge is justified, the County may not disproportionately charge RTAA for the services. The payment should be tied to a cost allocation methodology that does not disproportionately charge the airport, such as by the number of dispatch calls from RNO or another appropriate metric. There should also be a true up at year end to actual services provided to the RTAA."

RTAA's Response: The RTAA understands the FAA's concerns. The RTAA is actively renegotiating the agreement with the City of Reno to align with the FAA's recommendations. RTAA's goal is to complete these negotiations within 180 days, but a timeline for final execution will depend on the pace of negotiations and the City's willingness to engage. RTAA will provide the FAA with status updates every ninety (90) days and will advise the FAA when a final methodology has been agreed upon between the parties.

FAA'S Conclusion: The FAA has reviewed your response transmitted 4/4/2024 and consider the matter closed at this time. However, the FAA expects RTAA to provide the necessary updates as promised as well as a copy of the executed renegotiated agreement with the City of Reno.

FAA Form 126 and 127 Operating and Financial Summary

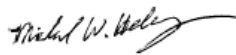
FAA's Recommendation: "ACO Recommends CATS Forms 5100-126 & 127 be reconciled and updated to the appropriate financial reports in their Fiscal Year Ending (FYE) June 30, 2020 and 2021 ACFR's."

RTAA's Response: The Annual Comprehensive Financial Report (ACFR) is for the Reno - Tahoe Airport Authority (RTAA) that includes the operating results of both the Reno -Tahoe International Airport (RNO) and the Reno -Stead Airport (RTS) combined. RTS is a General Aviation Airport. It is a non-commercial airport. The operating results of this airport are not included in the CATS Form 5100-127. Provided with the response is a spreadsheet for both fiscal years ending 6/30/2020 and 6/30/2021 removing RTS from the ACFR to agree with the CATS Form 5100-127.

FAA Conclusion: After reviewing your updated CATS Form 5100-127, the FAA considers this matter as closed.

We appreciate your prompt responses in addressing these recommendations. As a result, all matters are now considered closed. The final audit report will be published on the financial compliance website. Thank you for your cooperation, and our appreciation extends to you, your team, and other city officials. If you have further questions, please contact Olu Okegbenro, Lead Financial Management Analyst at (202) 267-9605.

Sincerely,



Digitally signed by
MICHAEL W HELVEY
Date: 2024.06.17
16:05:40 -04'00'

Michael Helvey
Director, Office of Airport Compliance

**Federal Aviation Administration
Office of Airports Compliance and Management Analysis
Financial Compliance Review**

**RENO-TAHOE INTERNATIONAL AIRPORT
April 24, 2023 – April 27, 2023**



**Federal Aviation Administration
Office of Airports Compliance and Management Analysis
Draft Financial Compliance Review**

The Federal Aviation Administration (FAA) Office of Airport Compliance and Management Analysis (ACO) conducted a financial compliance review at the Reno -Tahoe International Airport (RNO or Airport) to evaluate compliance with Federal statutes and FAA requirements. The FAA conducted this review at RNO and the Reno -Tahoe Airport Authority (RTAA) offices from April 24, 2023 through April 27, 2023.

As the airport sponsor, RTAA manages RNO and is responsible for ensuring compliance with Federal statutes, the Airport Improvement Program (AIP) Grant Assurances, and FAA policies for federally obligated airports. Airport sponsors agree to certain obligations when they accept Federal grant funds or Federal property transfers for airport purposes. The FAA enforces these obligations through its Airport Compliance Program. The ACO conducts a financial compliance review of selected airports each fiscal year.

Unlawful revenue diversion, as defined in section II, C of the Policy Concerning the Use of Airport Revenue (Revenue Use Policy) 64 Fed. Reg. 7697 (Feb 16, 1999), as “the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner or operator and directly and substantially related to air transportation or property.” The ACO is responsible for ensuring that airports adhere to AIP Grant Assurances and the FAA’s Revenue Use Policy.

We reviewed the following financial topics at RNO:

- Financial Transactions and Payments;
- Form 126 & 127 Reporting;
- Leases and Agreements;
- Aircraft Rescue and Fire Fighting (ARFF);
- Advertising and Incentives;
- Art in Public Places;
- Police and Security Services;
- Noise Land Program.

Financial Transactions and Payments

To assess compliance of RTAA's expenditures with FAA's Revenue Use Policy, we interviewed finance department staff to understand their accounting practices. We judgmentally selected 65 accounting transactions to determine if these expenditures were allowable, allocable, and reasonable under the Revenue Use Policy.

Finally, we randomly selected five service agreements with related lobby activities, government relations, and public communications to determine if the scope of work in these agreements were related to airport operation. During our onsite evaluation of the transactions, we identified eight exceptions. RTAA provided additional information and explanations, which allowed us to resolve six of the exceptions. However, the other two exceptions remained unresolved during our visit and are described below.

\$50,000 payment to Economic Development RTAA of Western Nevada-County (EDAWN)

RTAA paid \$50,000 for Annual Membership dues to EDAWN. According to EDAWN's website, it is a private/public partnership established in 1983, committed to adding quality jobs to the region by recruiting new companies, supporting the success of existing companies, and assisting newly forming companies to diversify the economy and have a positive impact on the quality of life in Greater Reno-Sparks.

As outlined in Section 112 of the FAA Authorization Act of 1994, 49 U.S.C. § 47107(1)(2) (A-D), Congress explicitly prohibited the diversion of airport revenues. This includes usage of airport revenues for general economic development, marketing, and promotional activities that don't pertain to airports or airport systems.

We raised our concern about the potential misuse of airport revenues for general economic development and requested RTAA to provide additional supporting documentation that demonstrates the monetary benefits RTAA obtained as a result of its participation in EDAWN.

RTAA was able to provide examples and quantify the monetary benefits it received through its participation in EDAWN. One such example occurred in September 2020 when Deluxe Public Charter, LLC d/b/a JSX (JSX) initiated flights from Reno -Tahoe International Airport (RNO). As Subject Matter Experts (SMEs), EDAWN presented RTAA with specific information on the local demographics, disposable income, and economic diversity that JSX considers when selecting a region to operate in. According to RTAA, the landing fees collected from JSX since its first flight until April 2023 amounted to a total of over \$165,000.

In addition, RTAA uses EDAWN's website to maximize exposure by posting Requests for Proposals (RFPs). One notable outcome from an RFP posted on EDAWN's website was the selection of Stellar for a significant expansion project. Commencing in February 2021, this three-phased project carries an estimated cost of \$25 million. It encompasses the construction of two new 30,000 square foot hangars, over 10,000 square feet of office space, and a 5,000 square foot executive terminal. During the property tour, you were given a glimpse of the area under development. RTAA reports that during the first phase of development, Stellar is paying annual land rents of \$235,224.

Finally, RTAA has stated that they will actively prepare an annual report to highlight the tangible financial benefits accrued from their active engagement with EDawn.

Conclusion: Since RTAA was able to quantify the monetary benefits it received and will prepare an annual summary that demonstrates the monetary benefits obtained due to its participation in EDawn. No further action is needed.

\$135,378.00 Payment for participating in the Washoe County Regional Communications P25 System ("P25 System")

P25 is a collaborative project to ensure that two-way radios are interoperable. The goal of P25 is to enable public safety responders to communicate with each other and, thus, achieve enhanced coordination, timely response, and efficient and effective use of communications equipment. RTAA is one of twenty-two partner and sponsored agencies participating in the system. RTAA has pledged a total contribution of \$837,472.51 over a 15-year period to support the funding of the system's construction and infrastructure.

Before they joined the P25 System, the management of RTAA reported that they had difficulties communicating with the State police during public safety incidents, leading to various incidents. The FAA Revenue Use Policy restricts the use of airport revenue for non-airport activities and prohibits direct or indirect payments that exceed the fair and reasonable value of services and facilities provided to the airport. To ensure RTAA is contributing its fair share to the system and adhering to the FAA Revenue Use policy, we have requested RTAA to provide the following information:

- 1) The proportionate number of radios uses by each Partner and Sponsored Agency, expressed as a percentage of the total number of radios used by all Agencies in the Washoe County P25 System.
- 2) The breakdown of the cost allocation for the Washoe County P25 Radio System, specifying the distribution of costs to each Partner and Sponsored Agency.

After our visit, RTAA supplied a copy of an Excel file and a written statement containing the information we requested. For the fiscal year ending June 30, 2021, RTAA had 268 radios in operation, accounting for 4.20% of the 6,380 radios actively used by all agencies within the Washoe County P25 System. Furthermore, RTAA contributes to the system's debt payments, with their contribution standing at 7.18% (or \$837,472.51)—a figure that corresponds to the number of Radio IDs issued.

Conclusion: After evaluating the cost allocation and analyzing the proportional use of radios by each Partner and Sponsored Agency, it appears that RTAA is contributing its fair share to the system. No further action is needed.

Financial Data Reported to FAA

FAA Form 126 and 127 Operating and Financial Summary

Section 111 of the Federal Aviation Administration Authorization (FAA) Act of 1994, Public Law 103-305 (August 23, 1994) established the requirement for commercial service airports to file financial reports with the FAA. These reports are the Financial Government Payment Report, Form 5100-126, and the Operating Financial Summary, Form 5100-127. Congress enacted the reporting requirements to inform the public about how airports collect and disburse funds and to provide the FAA with a means of evaluating sponsor compliance with revenue–use requirements. Form 5100-126 reports the financial transactions between the Airport and other governmental entities and all services and property provided to such units. Form 5100-127 reports Airport financial operating results.

ACO attempted to reconcile the information reported on both forms with the sponsor’s FY 2021 and 2020 Annual Comprehensive Financial Reports (ACFR). ACO found the information presented in the sponsor’s Form 5100-127 did not reconcile to the ACFR. The sponsor had not updated the FAA financial reporting database (CATS) financial information to reflect the audited financial reports resulting with material variances between the CATS reporting and the ACFRs. For example, variances between amounts entered into CATS and the ACFR for FY 2021 were:

	CATS	ACFR	Variance	%
Total Operating Revenue	\$42,588,202	\$43,662,916	\$-1,074,714	-2.52
Depreciation	22,648,942	26,827,690	-4,178,748	-18.45
Total Non-operating Revenue	30,027,890	41,579,899	-11,552,009	-38.47
Change in Net Assets	8,318,256	15,802,828	-7,484,572	-89.98

Advisory Circular 150/5100-19D *Guide for Airport Financial Reports Filed by Airport Sponsors* (June 23, 2011) advises that the FAA Authorization Act of 1994 did not require audited information, but the FAA prefers audited data. CATS allows sponsors to update financial data at any time. ACO felt the reported variance warranted the necessity of updating unaudited amounts to those reported in the ACFR to prevent misleading the public.

Conclusion: ACO recommends CATS Forms 5100-126 & 127 be reconciled and updated to the appropriate financial reports in their Fiscal Year Ending (FYE) June 30, 2020 and 2021 ACFRs.

Uses of Airport Property

Background

Each federally assisted airport owner/operator is required by statute and Grant Assurances 24, *Fee and Rental Structure* and Grant Assurance 25, *Airport Revenues* to have an airport fee and rental structure that will make the airport as self-sustaining as possible and minimize the airport’s reliance on Federal funds and local tax revenues. The FAA has generally interpreted the self-

sustaining assurances to require airport sponsors to charge fair market value commercial rates for nonaeronautical uses of airport property.

Leases and Agreements

The FAA received and reviewed 52 commercial leases and agreements pertaining to the property and concessions at RNO to determine if the airport sponsor followed acceptable practices for the leasing of airport property.

The FAA determined that properties are appraised at either fair rental value or a fair market value depending on the lease. All properties are appraised before executing a new lease or when a tenant wants to expand their leasehold. Upon an expansion request, a new appraisal is required.

All leases reviewed contained provisions for annual increases with an escalation, and the Airport or Real Estate Division approves all sub-leases, depending on the duration. The FAA found the lease program to exceed leasing practices and fairly administered. There was no indication of outside influences or political favoritism for the soliciting and awarding of leased property.

Aircraft Rescue and Fire Fighting (ARFF)

ARFF at RTAA is staffed with 15 line staff and 3 battalion chiefs, who handle paramedic, structural, training, and inspections at RNO. The majority of calls at RNO involve Emergency Medical Services. The ARFF staff do not perform off-airport runs however, RNO engages in mutual aid if a specific request is made and authorized. RNO has mutual aid agreements with Reno Fire, Sparks Fire and Truckee Meadows. Remza handles ambulance services and does not bill RNO for services, but rather the patient requesting the services.

RTAA engages the City of Reno for 911 dispatch services at an annual cost of \$97,383. The cost is based on 75% of the cost to the city of the salary and benefits of one full-time Public Safety Dispatcher and some indirect costs. The primary function the City of Reno provides to the RTAA includes, receiving, processing and dispatching “911 emergency” calls for service to RTAA. Typically, an airport 911 call is for a passenger with a possible heart problem. During our review, we were unable to determine how many calls 911 dispatchers received for service requests at RNO.

Conclusion: Typically, 911 services are already paid for through state and local funding. The City of Reno and RTAA need to justify the cost. Specifically, is it a City of Reno requirement that City entities pay for 911 and are there other City entities paying for 911 services? If the charge is justified, the County may not disproportionately charge RTAA for the services. The payment should be tied to a cost allocation methodology that does not disproportionately charge the airport, such as by the number of dispatch calls from RNO or another appropriate metric. There should also be a true up at year end to actual services provided at RTAA.

LESS WORK

MORE PLAY

Reno-Tahoe International Airport

At Reno-Tahoe International Airport (RNO), less is more. We are transforming the travel experience through a multi-year construction program, MoreRNO. First, we are expanding our Ticketing Hall, so we have more room for all the things that make the region a year-round adventure paradise, like golfing, hiking and skiing. Next, you can't top the views here and we want to make sure the airport serves as the best gateway to and from our beautiful region.

With 12 airlines and 20+ non-stop destinations, the future of RNO is more.

moreRNO

RenoAirport.com @renoairport #flyRNO #MoreRNO

Airport Marketing/Incentives/Advertising

With an annual budget of \$350,000 RTAA focuses on digital, billboard, MoreRNO, and television marketing programs of the facilities and services at RNO. MoreRNO is a construction program with an emphasis of creating more restaurants, shops, and increased parking at RNO. Recently, RTAA has engaged in marketing to encourage passengers to arrive early for their flights. RTAA does not engage in co-op advertising with air carriers or general economic development organizations. Also, RTAA does not engage in familiarization tours of the regional area. RTAA internally conducts its own market research and does not engage with outside firms.

In December 2020, RTAA created an incentive program to attract new services and expand existing services. Incentives are offered for one year and include marketing incentives, waiver of landing fees, and terminal rents. Spirit Airlines is currently taking advantage of the incentive and receives one year of marketing reimbursement showcasing the new route and waiver of landing fees for six months on and six months off.

Conclusion: We found that RTAA's practice of reimbursing Spirit directly for marketing expenditures is contrary to FAA Policy which states there can be no direct air carrier subsidies. Although Spirit has a practice of conducting its marketing in-house and not using third-party vendors, this is not a justification for making direct payments to Spirit.

We recommend that RTAA find other means which do not involve direct payments to the airline to create incentives for Spirit Airlines. Lamar Advertising Company handles the digital

assets throughout the airport terminal. No other irregularities with regard to the marketing and incentive program were found at RTAA.

Art Program at RTAA



RTAA seeks to celebrate the cultural heritage and artistic experience of the region for the enjoyment of passengers, tenants, and employees. In 2005, RTAA opened its first departures gallery showcasing art exhibits that rotate 4 times per year. Art displayed in the terminal consists of, but not limited to, drawings, prints, photographs, collages, sculpture, paintings, and mosaics. Other public art forms may include music, performance dance, and poetry.

The works of art may be permanent or temporary. In 2022, RTAA implemented a multi-year construction program called MoreRNO which allocates 1% of capital construction project costs to public art placement at RNO. RTAA has an art staff of two and maintains policies and procedures for the donation and demolition of art. All donating artists must sign a gallery artwork installation and display agreement.

In addition, RTAA maintains an art inventory listing and all pieces are insured. Except for a collection of prints at the bottom of the escalator in the baggage claim area, the art is donated or loaned to RTAA by local artists or the University of Nevada. RTAA is not involved with art sales of the displayed pieces and refers prospective buyers to the local artist.

Conclusion: The FAA found no irregularities with the art program at RTAA.

Police and Security Services

Reno Tahoe Police Department is a precinct that provides all airport security and law enforcement services, which operates independently from the City of Reno and Washoe County. There are 24 sworn law enforcement officers with arrest powers assigned to the airport and one civilian compliance officer funded by RNO airport. These officers are all Nevada State certified and have gone through both in-house law enforcement training and regional specialized training. The Authority Captain reports to reports directly to the Chief Operations and Public Safety Officer at RNO. The police officers are responsible for maintaining law and order at the terminals and curbside traffic control.

RNO airport funds one Customs and Border Patrol Officer as a part of the agreement to support international flights at the airport. The Police Department's dispatch center monitors approximately 450 security cameras at the airport as well as dispatches an officer to investigate narcotics issues and make arrests when necessary. Also, the Reno Tahoe Police Department agreed to provide law enforcement presence to support the U.S. Customs and Border Patrol. The law enforcement officers sweeps the airport every night after the last flight has landed. Authority Police do not provide any off-airport policing unless needed as part of mutual aid agreements.

Conclusion: No follow-up is required because the FAA found no irregularities with the Airport Police and Security services at RNO.

Police Hangar at Stead Airport

On September 22, 1992, RTAA entered into an agreement with Washoe County to allow hangar use for police helicopters at Stead Airport in exchange for in-kind services. The lease currently continues in force and effect from year to year. RTAA has the option to terminate the lease with 90 days' notice before the year-to-year lease term expires. The parcel of real property consists of 6,364 square feet. If during the term of this agreement, RTAA needs to reclaim the parcel for airport improvement, expansion, or development, the Authority can provide 90 days written notice to relocate to another site at the airport.

RTAA would be responsible for any expenses incurred by the tenant for relocation. RTAA has the right to amend the agreement to comply with any existing or future agreement between RTAA and the U.S. Government. In lieu of any rental amounts for the leased premises, the City of Reno agrees to provide patrol services at Stead Airport. The agreement states the value of in-kind service provided by the Reno Police Department is in an overall range of \$25,000 to \$30,000 per year, which would cover the use of the hangar.

The agreement also states, as a result of the agreement the Authority's Police patrols will be limited in light of the City of Reno's continuous presence and occupancy of the hangar.

Conclusion: The lease agreement and exhibit are over 30 years old. We recommend RTAA revise Exhibit E to reflect the current value of in-kind services received from the City of Reno for the use of the hangar. The airport must receive an appropriate rental rate for the use of the premises and can be offset by services.

Noise Land Program

There are five areas of Noise Land acquisition properties at RTAA acquired using the AIP grants. These properties located on 75 DNL were acquired between 1994 and 2001; also included in its portfolio is an 80-acre former residential subdivision. Since the 75 DNL is not compatible for residential use, RTAA razed the 80-acre residential subdivision. The property is designated for future cargo development. In addition, RTAA purchased Steel Nash Ranch and the residential neighborhood Home Garden South as noise buffer land.

RTAA proposed selling some of its noise properties, however it does not believe it is the best time to sell. RTAA went through the formal process with the FAA to dispose of the property. In 2014, RTAA had a residential sound insulation program from homes located inside the 65 DNL. The Noise Land sound insulation program ended in 2015. The most recent noise land disposal at RNO was for road expansion in 2016. Also, the most recent disposal at Stead airport involved a former military radar facility.

We note that proceeds from both disposals at RNO and Stead Airport went to the airport coffers. The program focuses on noise insulation for properties within 65-69 DNL contour and is funded by FAA noise discretionary grants and Passenger Facility Charges, with no direct cost implication to the airport. Noise remediation included window replacement, sliding glass door, and buffering of the skylights. Attic batting and blown in insulation. The program ended because they ran out of interested parties. RTAA has a Noise land and inventory reuse plan on file with the Phoenix Airport District Office.

Conclusion: No follow-up is required; the FAA found no irregularities with the Noise Land Program at RNO.