

Connecticut Airport Authority Financial Compliance Review

The Federal Aviation Administration (FAA) Office of Airport Compliance and Management Analysis (ACO) conducted a Revenue Use Compliance Review of Bradley International Airport (BDL) of the Connecticut Airport Authority (Authority) to evaluate compliance with the FAA Policy and Procedures Concerning the Use of Airport Revenue (Revenue Use Policy) for the period July 1, 2005 through June 30, 2012. The FAA conducted this review at the CAA offices in the Connecticut Department of Transportation in Newington, CT and the Airport.

The Connecticut Airport Authority (CAA) is the Airport's sponsor. The CAA was established in July of 2011 to manage and operate Bradley International Airport (BDL) and the State of Connecticut's (State) five general aviation (GA) airports. The five GA airports are Danielson (LZD), Groton-New London (GON), Hartford-Brainard (HFD), Waterbury-Oxford (OXC), and Windham (IJD) airports. The CAA board consists of eleven (11) voluntary members. Prior to the establishment of the CAA, the airports were sponsored by the State of Connecticut Department of Transportation. Sponsorship for Bradley International Airport and the five GA airports transferred to the CAA on

FAA Reporting

Section 111 of the *Federal Aviation Administration Authorization Act of 1994* (Act of 1994) established the requirement for commercial service airports to file financial reports with the FAA. These reports are the Financial Government Payment Report, Form 126 and the Operating and Financial Summary, Form 127. Form 126 reports the financial transactions between the Airport and governmental entities, and Form 127 reports Airport operating results.

We reviewed the information reported on both forms to determine if the State drew this information from its financial accounting system. We found the information traces to the State's trial balance and to its comprehensive annual financial report (CAFR). The State's outside accounting firm reported the State's CAFR fairly presented the State's financial position. In addition, to relying on the independent audit report, we also tested several transactions between the Airport and the State to determine if the State supported those transactions with journal entries, and detailed invoices. Our review found the State's Forms 126, and 127 do tie to its financial accounting system and to its consolidated annual report.

Starting in 2009, the FAA added a statistical section to the Operating and Financial Summary. In this section, the FAA asked sponsors to provide information on enplanements, landings, full-time equivalent employees, and costs that pertain to security, fire, repairs, and marketing. The FAA requested this information in response to inquiries from stakeholders, industry groups, and the public. The mandate is consistent with the Federal Aviation Authorization Act of 1994,

which mandated airport sponsors provide the FAA and the public information on airport financial operations. To date, the State has not provided this information.

Police and Security

The Connecticut Department of Public Safety (DPS) provides security and law enforcement services to Bradley International Airport as required by the federally approved Bradley Airport Security Program (ASP) and the Airport Certification Manual.

The DPS operates and staffs a State Police Troop (also known as Troop W) at Bradley. The law enforcement officers (LEOs) staffed at Bradley are armed officers with arrest powers. The DPS provides law enforcement and dispatch services at the Airport twenty-four hours per day, seven days a week as required by the ASP.

The Airport Administrator and the ranking officer for Troop W meet monthly to discuss concerns of either party. The discussions include staffing requirements, overtime, overhead, equipment, and other services and supplies necessary to provide law enforcement services to the airport. The DPS provides radio dispatch services on a 24/7 basis to the Airport Fire Department for fire, medical, emergency, and other routine matters in addition to the dispatch service .

FAA Action: At this time, the FAA does not have any concerns as to the agreement with the DPS and Airport agreement. The Airport manager actively participates in the determination of law enforcement officers staffing, shifts, overtime, and costs.

Financial Operations

Each year, Connecticut Airport Authority is required to file two reports with the FAA to disclose the Airport's financial operations. The first report is the Financial Government Payment Record, FAA Form 5100-126, which reports payments the airport makes to governmental entities for services received, and it also reports the value of any property or services furnished to governmental entities by the Airport. For example, an airport may pay a governmental entity for fire or police services.

An airport, on the other hand, may provide land to a governmental entity for storage. The second report is the Operating and Financial Summary, FAA Form 5100-127. This is a report of the Airport's financial operations and contains information typically found on income statements and balance sheets. The City affirmed the information on its Forms 126 and 127 is based on audited financial information.

A tour of the Connecticut airport facility revealed a space used for non-aeronautical purposes billed at \$35,000/year which cannot be substantiated. The audit of the Connecticut Airport Authority revealed that the Department of Fire Standards is using airport land for fire training, but they are being charged a nominal amount rather than fair market value. According to

February 16,1999 (64 Federal Register 7716) Section II(B)(1)(b)(iii) of the revenue use policy; 'revenue from any non-aeronautical activity conducted by the sponsor on airport property not acquired with Federal assistance, but only to the extent of the fair rental value of the airport property. The fair rental value will be based on the fair market value'.

In addition, the state of Connecticut issues a comprehensive annual financial report for the Airport, which is audited by independent auditor.

FAA Form 5100-126: The following is a summary of the financial information submitted by the Airport for payments made to governmental entities:

Type of Payment	Amount	Government Entity	Note
Utilities	\$23,192	State of Connecticut	Note 1
Fleet Services	\$3,613	State of Connecticut	Note 1
Other	\$408,969	State of Connecticut	Note 2
Payments in Lieu of Tax	\$4,678,512	State of Connecticut	Note 3
Office of State Fire Administration	\$2,287	State of Connecticut	Note 4
Law Enforcement	\$4,696,874	State of Connecticut	Note 5
Water Pollution Control Authority	\$174,255	Town of East Granby - City	Note 6
Lease (Airport Mail Facility)	\$273,573	U.S. Federal Government	Note 7
Snow Removal, R/W maintained	\$47,391	U.S. Federal Government	Note 8
Snow Removal, R/W maintained	\$49,089	U.S. Federal Government	Note 9
Office of State Fire Administration	\$110,373	State of Connecticut	Note 10
Office of State Fire Administration	\$3,261	U.S. Federal Government	Note 11

Note 1. The state of Connecticut bills the Airport for utilities and the maintenance of operation vehicles and equipment in their fleet.

Note 2. The state of Connecticut bills the Airport for gas diesel, paramedic certification, Insurance/claims, environmental, licenses and printing services.

Note 3. Under Connecticut law, State owned real property is not subject to taxation by the municipality in which the property is located. Historically, some municipalities have suffered the loss of these revenues disproportionately. As a result, the Connecticut legislature has instituted a program of payments-in-lieu of taxes for all State owned real property. Under this program, the State makes an annual payment to each municipality in which State property is located, which is a percentage of the amount of property taxes which the municipality would receive were the property not exempt from taxation. Bradley was owned and operated by the State of Connecticut before being transferred to the Connecticut Airport Authority.

Note 4. The state of Connecticut bills the Office of State Fire Administration for emergency services rendered at the airport.

Note 5. The state of Connecticut provides security and law enforcement officers for the Airport. The security and law enforcement officers are armed officers with arrest powers on rotations 7 days a week. Salary and fringe benefits are charged and are within a reasonable range.

Note 6. The town of East Granby bills the airport for sewer services provided by the Water Pollution Control Authority.

Note 7. The U.S. Postal Services pays the airport for 6.75 acres of land leased by the airport to use for its mail facility.

Note 8. The U.S. Postal Services pays the airport for snow removal effort on 144.2 acres of runway.

Note 9. The U.S. Postal Services pays the airport for snow removal effort on 68.2 acres of runway.

Note 10. The state of Connecticut Airport Authority bills the Department of Fire and Safety Standards for the training facility at the airport for 664,546 sq.ft. of land used for training facility. The Department of Fire and Safety Standard is including in kind services valued at \$35,000 to reduce the rental fees.

Note 11. The Connecticut Airport Authority pays the U.S. Federal Government for emergency services rendered at the airport.

FAA Form 5100-127: Inputs disclosing financial information were supported by the accounting records. We reconciled the fiscal year end 2012 financial information to the draft Comprehensive Annual Financial Report provided.

FAA Action: We prepared reconciliations of the Forms 126 and 127 to the Authority's financial records, analyzed selected ledger accounts, and reviewed material expenditures. We did not discover any anomalies or errors. No action required.

Indirect Cost Allocation

The Connecticut Department of Transportation has agreed to allocate costs to Connecticut Airport Authority at the rate of 5% in accordance with the OMB A-87 Circular in respect of cost principles for State, Local and Indian Tribal Government. Below is a summary analysis to substantiate the 5% Indirect Cost Allocation; which reconciled to the Connecticut Airport Authority's Financial Statements.

Unit	FY 2010 Actual PS/OE	Measure	Allocation %	Cost
Human Resources	\$4,366,594	Total Employees	4.17%	\$182,086.97
Purchasing	\$1,994,016	Purchase Order	2.62%	\$52,243.22
Accounts Payable	\$1,484,992	Vouchers	5.44%	\$80,783.56
Information Services (1)	\$5,367,133	Total Employees	4.17%	\$138,809.43
Information Services (2)	\$2,314,202	GA Employees	0.85%	\$19,670.72
Contract Compliance (EEOC/AA)	\$1,472,392	Total Employees	4.17%	\$61,398.75
Total Allocated Cost	\$16,999,329			\$534,992.65

Existing Bradley 5% Indirect Cost Allocation				\$413,860.00
Future GA 5% Indirect Cost Allocation				\$90,000.00

(1) PS Only. Allocated cost reduced by Bradley IT Consultant budget

(2) OE only

FAA Action: After discussions and review of the indirect cost allocation with the Authority's financial staff, we did not find any diversionary items in the indirect cost allocation methodology. We will request Authority to provide updated indirect cost allocation determinations in five years for FAA review.

Payment in lieu of tax (PILOT)

Section VI.B.5, of FM's "Policy and Procedures Concerning the Use of Airport Revenue", copy enclosed, specifically prohibits "payments in lieu of taxes, or other assessments, that exceed the value of services provided or are not based on a reasonable, transparent cost allocation formula calculated consistently for other comparable units of government." The FAA discovered a violation of the revenue use policy during a review of Connecticut Department of Transportation's annual financial reports (FAA Forms 5100-125 & 126). However the state of Connecticut had amended its legislation in 2009 to justify the payment in lieu of taxes.

Under Connecticut law, State owned real property is not subject to taxation by the municipality in which the property is located. Historically, some municipalities have suffered the loss of these revenues disproportionately. As a result, the Connecticut legislature has instituted a program of payments-in-lieu of taxes for all State owned real property. Under this program, the State makes an annual payment to each municipality in which State property is located, which is a percentage of the amount of property taxes

which the municipality would receive were the property not exempt from taxation. Bradley is owned and operated by the State of Connecticut. This program of payments-in-lieu of taxes dates, in some form, from prior to 1949.

In the 1949 Revision of the Connecticut general Statutes, § 1697, the legislature provided for payments to towns for State owned property. Section 1700 of the 1949 Revision specifically provided for such grants to be made for Bradley Field, and is based on a 1947 enactment the legislature. (See attached.) 1947 is the year in which the United States Military transferred Bradley Field to the State of Connecticut. Currently, Conn. Gen. Stat. § 12-19a provides the formula for making such payments-in-lieu of taxes for State owned property. (See attached.) Conn. Gen. Stat. § 12-19a(d) specifically directs the Commissioner of Transportation to make such payments to the Comptroller on behalf of Bradley of such amounts due to the towns of East Granby, Suffield, Windsor and Windsor Locks for real property located at Bradley. The Comptroller is to include such amounts with the State's payments-in-lieu of taxes to those municipalities.

The audit of the Connecticut Airport Authority revealed a payment of \$4,678,512.00 to the state of Connecticut as payment in lieu of taxes.

RECOMMENDATIONS

1. We recommend that the Department of Fire Standards' use of airport land for fire training be paid at fair market value to the airport authority.
2. We recommend that the parking garage be transferred to the airport authority as stipulated in the transfer conditions and in a timely manner. Currently the revenue from the parking garage is going to the Connecticut Department of Transportation.
3. We recommend that the state shows the proof that the value of services rendered to the airport equals the payment in lieu of taxes collected.

SUMMARY:

The Airport staff had gathered information for us prior to our visit, making our stay, both efficient and effective. We appreciate the courtesies extended to us which assisted our efforts.