

**Compliance Review of the
Greater Orlando Aviation Authority**



**Conducted by the
Federal Aviation Administration
Airport Compliance Division ACO-1**

April 29, 2013 through May 10, 2013

The Federal Aviation Administration (FAA) Airport Compliance Division conducted a compliance review at the Greater Orlando Aviation Authority (GOAA) to evaluate compliance with Federal law and FAA requirements, for the period October 2006 through September 2012. The FAA conducted this review at GOAA and at City Hall in Orlando, Florida.

Orlando International (MCO) and Orlando Executive (ORL) are airports managed by GOAA. GOAA is governed by a seven-member board; the mayor of the City of Orlando, the Chairman of the Board of County Commissioners, and five other members who are appointed by the Governor of the State of Florida, subject to confirmation by the Senate. GOAA is responsible for ensuring MCO and ORL comply with Federal laws, the Airport Improvement Program (AIP) Grant Assurances, and FAA policies that pertain to the federally obligated airports. MCO is located 6 miles south of the central business district in Orlando. It is the second busiest airport in Florida, after Miami International Airport. MCO had approximately 18 million passenger boardings in 2011. ORL is located 3 miles from the business and financial center of Orlando and primarily serves the general aviation community.

Noise Land

We reviewed the GOAA noise and capacity restrictions to determine if they complied with FAA noise requirements and AIP grant assurances. GOAA has a very limited noise land program. There is no noise land at ORL. On June 28, 2010, GOAA filed its Noise Land Inventory and Reuse Plan Acceptance for MCO with FAA's Orlando Airports District Office. The plan was approved by FAA; however, new Federal legislation has been enacted that does not require airports to sell noise land under certain circumstances.

At MCO, Wetherbee Road area is unneeded noise land that is scheduled to be disposed of through either a lease or sale. The area consists of 2.5 acres designated as a roadway easement and 30.78 acres zoned for an industrial like gas station. GOAA is actively seeking a tenant for this property.

At MCO, The Conway Road area was a 1.66 acre parcel that was disposed through a deed of transfer of ownership to the City of Orlando. The FAA approved the transfer on November 12, 1999.

Conclusion: GOAA is in compliance with FAA Policy concerning the use and disposal of noise land. In addition, the Authority is current in its promises to FAA with regards to noise land.

Transactions between GOAA and Government Entities

We reviewed the financial transactions between GOAA and other government entities to determine if the transactions complied with FAA Policy and Procedures Concerning the Use of Airport Revenue (Revenue Use Policy). There was no requirement for a cost allocation plan since there were no indirect or overhead charges.

Conclusion: Based on our review of financial transactions between the Authority and government agencies, we found GOAA to be in compliance with FAA Policy.

Form 126 and 127 Data Reported to FAA

GOAA must file Form 5100-126 Financial Government Payment Report and Form 5100-127 Operating and Financial Summary each year with FAA for MCO. GOAA does not file financial information for ORL because its current enplanement level is below the 2,500 passenger boarding threshold. The Form 126 reports the payments MCO makes for services provided by government entities, including the services from the airport sponsor. The Form 127 reports the airports financial position. It is a combination of information commonly found on balance sheets and income statements. FAA determined that all the information reported on the two forms traced to MCO's general ledger and ultimately to the audited comprehensive annual financial report.

Conclusion: FAA determined that the amounts reported on the Form 126 and 127 agreed with GOAA's accounting records.

Marketing

The Marketing team at GOAA consists of 5 staff members. The Marketing Director stated that the marketing program is independent of the City and the City does not provide input as to what kind of marketing GOAA should be involved in.

The Marketing team provided examples of the types of advertising, which included various ads showing MCO as "your ticket to Central Florida," "you ticket to more nonstop destinations," ads showing international and domestic airlines, and an advertisement asking airlines to "be next to plant your routes in Orlando." We found these types of ads to comply with FAA's Revenue Use Policy.

Based on our review we found:

- GOAA does not contract with the Convention and Visitors Bureau or engage in tourism marketing;
- GOAA acts as a facilitator to bring airlines and businesses together for joint marketing efforts;
- GOAA may contribute some advertising to joint marketing efforts; however, the advertising is for the airport or new service; and
- GOAA does not have an incentive program because their Signatory Agreement does not allow it.

Conclusion: We found the marketing program at GOAA to be in compliance with FAA Policy.

Art and Outreach

We toured various art exhibits and held discussions with staff responsible for the art program at MCO. Most of the airport art is mosaics installed on the floor or attached to the walls. The resources from the art came from an opening gala for the new airport terminal in 1980. Some of

the hanging art can be removed, but since it is all airport owned, the airport would retain ownership of it.

The City does not require MCO to install art and nor does it have an art acquisition program. The acquisition of art is planned at the time of the construction. MCO has a “borrowing program” whereby art selection is chosen by a working group. The working group, which sets the amount available for the art and artists, are selected through a request for quote process.

Conclusion: The art program at GOAA appears to be in compliance with FAA Policy.

Executive Airport (ORL)

The general manager at ORL provided a tour of the grounds of ORL and its facilities. As part of the tour, we discussed the use of airport land and leaseholds to determine compliance with FAA Policy. We learned there was one community use lease which is a small part for the viewing of aircraft. The park is aviation themed and occupies a very small parcel of land which would be otherwise difficult to use for other commercial development. We determined all other uses including government agencies pay rent at fair market value.

Conclusion: We found the use of airport property at ORL to be in compliance with FAA Policy.

Security Reimbursement

MCO participates in the Transportation Security Administration (TSA) Law Enforcement Officer Reimbursement Program. The program allows TSA to reimburse airports for law enforcement security services at passenger screening checkpoints. In 2007, the reimbursement rate was \$29.96 per hour. By 2012, the TSA had reduced the rate to \$20 per hour. TSA provides the funding as financial assistance. The program does not relieve an airport of its responsibility to man the check points. Airports must continue to man the check points even when the financial assistance does not cover the full cost of providing the service. TSA’s directive for the program is SD 1542-01-07M. It requires one law enforcement officer at each passenger screening check point.

MCO uses off-duty police officers to man the checkpoints. The police union contract requires \$32 per hour for off-duty police work. This rate is the same whether the officer works a sporting event or is posted to a passenger screening check point. The rate is favorable to MCO because it does not include benefits or overhead, so it is lower than regular-duty pay. MCO must use its own funds to pay the difference between the police rate and the TSA reimbursement. This difference averages \$192,000 per year since 2007. Since TSA requires the officers to man the check points regardless of reimbursement, MCO’s cost is an allowable use of airport revenue. The use is allowable because law enforcement presence at screening check points contributes to airport operations.

Leases and Land-Use

MCO and ORL have over 200 non-terminal, terminal and signatory leases. Both the Authority and City Council must approve new leases at GOAA. All leases have annual escalation clauses and are based on new appraisals which adjust every 5 years. In some cases, the airports pay for demolition of obsolete leasehold property, but require the tenant to demolish property when the leases allow and the tenant is financially capable.

We judgmentally selected 5 leases for review based on terms and dollar amounts from the lease log.

- Colonial
- Disney
- Galaxy FBO
- Orlando Fuel Farm
- FedEx

Conclusion: We found all leases reviewed contained subordination and escalation clauses. The structure of these leases complies with FAA Policy.

OIG Audit of GOAA

On August 3, 2006, the United States Department of Transportation Office of Inspector General (OIG) issued a report finding the City had unlawfully diverted airport revenue. It stated:

- GOAA overpaid \$1.4 million to the police pension fund because the City improperly calculated GOAA's share of pension costs.
- GOAA overpaid \$325,822 for its share of an upgrade to the City's radio communications system.
- GOAA lost rental income of \$144,000 per year, when it leased a building to the United States Department of Agriculture for \$1 per year.
- The City failed to remit \$493,000 of airport revenue for on-airport traffic enforcement fines.

The FAA found the City has fully complied with its corrective actions. The City reimbursed GOAA \$1.7 million for overcharges to the police pension fund, and it amended the Department of Agriculture lease to fair market value. The current payment is \$177,000 per year. The FAA did not require corrective actions for communications and traffic tickets. GOAA's payment for the communications system was not an over payment, because the charge correctly reflected the airport's share of system use. The FAA also found that in this instance revenues from traffic tickets are not considered airport revenue.

Police Services

GOAA's Police Department includes 1 captain, 3 lieutenants, 9 sergeants and 59 officers. GOAA procures these services from the City. In July 2009, GOAA and City entered into a Memorandum of Understanding (MOU) that established a formal agreement on how GOAA and

the City would manage the delivery of those services. Since GOAA is under an independent authority, it had more leverage in negotiating the agreement than it would have had if GOAA were under City governance. In particular, the State of Florida does not direct an airport to procure police services from a City. In fact, an airport may hire its own officers if it chooses. Consequently, the MOU gives GOAA the tools it needs to manage the costs of providing police services:

- The City must provide GOAA with an annual budget before April 1 of each year. GOAA then reviews, makes recommendations and approves the budget, as revised. Once approved, GOAA is not required to pay amounts in excess of the total, except for certain emergency responses.
- The City provides a monthly invoice based on actual costs, and supporting documentation in an agreed format. GOAA has the right to dispute any cost. The City trues up on an annual basis any budgeted amounts to actual billed costs.
- GOAA police salaries will not be greater than the average salaries of City police officers of the same rank.
- GOAA police cars will have the same labeling as City police, but to economize, the GOAA will not have the same heavy performance features as City police cars. GOAA police officers may not use airport police cars for commuting to and from work.

Conclusion: Based on our review of Police financial records and interviews with Officers, we believe the arrangement for Police services between GOAA and the City complies with FAA Policy.

No Follow-up Actions Needed:

The FAA's review of GOAA's financial records and interviews with appropriate staff did not identify any violations of our Revenue Use Policy. In summary:

- Noise land disposal is on schedule with the plan filed with FAA. GOAA is in compliance with FAA Policy concerning the use and disposal of noise land;
- Leases escalate to fair market value every 5-years based on new appraisals. This meets requirements for financial self-sustainability under Grant Assurance 24 and FAA Revenue Use Policy;
- Marketing is for the airport or new service. There was no general tourism marketing. We found the marketing program at GOAA to be in compliance with FAA Revenue Use Policy;
- Art Program is mostly mosaics installed on the floor. All hanging art is the property of the airport. The program appears to be in compliance with FAA Policy;
- GOAA completed the corrective actions from the 2006 Office of Inspector General Report by having repaid \$1.7 million;
- Police services are direct billed at actual cost, no overhead added; and

- The cost of providing police officers at TSA screening points exceeds the TSA reimbursement. GOAA pays the additional cost because the security is part of the airport operations.