

**Compliance Review of the
Nashville International Airport**



**Conducted by the
Federal Aviation Administration
Airport Compliance Division**

April 9, 2018 – April 19, 2018

The Federal Aviation Administration's (FAA) Airport Compliance Division conducted a compliance review at the Metropolitan Nashville Airport Authority (MNA) to evaluate compliance with Federal statutes and FAA requirements. The FAA conducted this review at the MNA offices at the Nashville International Airport.

Nashville International Airport (BNA) and John C. Tune Airport (JWN) are managed by Metropolitan Nashville Airport Authority (MNA), which is governed by a 10-member board of commissioners appointed by the mayor of Nashville. The board is made up of (3) business and finance representatives, two (2) pilot representatives, two (2) neighborhood representatives, one (1) engineering representative, one (1) legal representation and the mayor of Nashville Davidson County. Metropolitan Nashville Airport Authority (MNA) is responsible for ensuring its Airports comply with Federal statutes, the Airport Improvement Program (AIP) Grant Assurances and FAA Policy and Procedures Concerning the Use of Airport Revenue (Revenue Use Policy).

BNA is located 10 miles southeast of the central business district in Nashville. It is the busiest airport in Tennessee and had over six million passenger boardings in 2016. John C. Tune Airport (JWN) is located 7 miles from the business and financial center of Nashville and primarily serves the general aviation community.

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. Unlawful revenue diversion is 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 Compliance Division has the responsibility to ensure airports adhere to this policy. The Compliance Division conducts a compliance review of several airports each fiscal year. These reviews disclose the airport's adherence to FAA grant assurances and the Revenue Use Policy.

We reviewed the following areas at MNA:

- Form 126 & 127 Reporting
- Financial Transactions
- Noise Land
- Police
- Fire Fighting
- Uses of Airport Property
- Marketing/Air Carrier Incentives
- Art in Public Places

FAA Reporting

Section 111 of the (*Federal Aviation Administration Authorization 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 MNAA drew this information from its financial accounting system. The information in both forms accurately reconciles to MNAA's accounting records and Comprehensive Annual Financial Report (CAFR).

Beginning in 2009, the FAA added a statistical section to the Operating and Financial Summary. In this section, the FAA required airports with 25,000 enplanements or more to provide information on enplanements, landings, full-time equivalent employees, and breakout costs that pertain specifically to security, fire, repairs, and marketing. The FAA requested this information in response to inquiries from stakeholders, industry groups, and the public. Providing this additional information is consistent with the FAA Reauthorization Act of 1994, which mandated airport sponsors provide the FAA and the public information on airport financial operations. We verified BNA completed this section for the prior three years.

Conclusion: FAA was able to reconcile the amounts reported on Forms 126 and 127 to the Airport's accounting records and CAFR. No follow-up necessary.

Uses of Airport Property

Background

Each federally assisted airport owner/operator is required by statute and grant assurances to have an airport fee and rental structure that will ensure the airport is as self-sustaining as possible under the particular airport circumstances, in order to minimize the airport's reliance on Federal funds and local tax revenues. The FAA has generally interpreted the self-sustaining assurance to require airport sponsors to charge fair market value (FMV) commercial rates for non-aeronautical uses of airport property.



National Guard. Nashville International Airport (BNA) is home to the operations of the Tennessee Air National Guard. The long-term lease for 87.93 acres covers the use of lands, certain buildings and the right to jointly use the airfield at BNA until June 30, 2045. The Tennessee Air National Guard paid \$2 for the use of the property at the beginning of the lease term on January 4, 1952. The Guard currently pays no rent for the use of the property. In the March 24, 1983 supplemental lease agreement the Tennessee Air National Guard agreed to

“..comply during the term of this agreement with all rules and regulations of the Federal Aviation Administration and such rules and regulations as the Metropolitan Government of Nashville and Davidson County, Tennessee and the Metropolitan Nashville Airport Authority have or may promulgate to promote aviation safety.”

The Policy at Section VII, Paragraph F acknowledges that many airports provide facilities to military units with *aeronautical* missions at nominal lease rates. This practice is not inconsistent with the requirement for a self-sustaining airport rate structure. Military units with aeronautical missions may include the Air National Guard, aviation units of the Army National Guard, U.S. Air Force Reserve, and Naval Reserve air units operating aircraft at the airport.

Reserve and Guard units typically have a historical presence at Nashville International Airport (BNA) airport, which precedes the Airport and Airway Improvement Act of 1982. In most cases, these guard units provide services that directly benefit airport operations and safety, such as snow removal and supplementary ARFF capability. The Tennessee Air National Guard at BNA does not provide any in-kind services to the airport.

The Policy does not extend the provision for nominal rates to non-aeronautical military use. Based on our observation and discussion with airport management, there appears to be a substantial use of the property for non-aeronautical purposes. The Guard lost its flying mission in 2012 and there are no airplanes stored on the property. We learned from BNA management that the Guard’s primary focus includes intelligence collection, cyber warfare and remotely

piloted vehicles. BNA management expressed concern over the lease citing it was disadvantageous to the development of the airport and potential revenue growth.

In 2015, the Tennessee Army National Guard (TARNG) relocated its rotary wing aircraft of 10-12 Black Hawk helicopters from Smyrna Rutherford County Airport, TN. The U.S. Air Force, lessee of the airport property permitted the U.S. Army and TARNG to relocate rotary wing unit to the Airport. According to Military Department of Tennessee, BNA's consent was not necessary. BNA and the TARNG executed a new Airport Joint Use Agreement to cover maintenance costs.

BNA and TARNG are discussing Land use and rental rates as a part of a separate lease agreement. TARNG pays a nominal value for the space - \$1 per year in a current lease that expires in 2041. BNA is requesting FMV for the land lease. Without a long-term (20+ years) lease agreement in place, TARNG will not be able to obtain MILCON funds for construction projects. This item remains open.

Conclusion: BNA, as airport proprietor has the right to negotiate rate increases charged the Guard for airport property that pertains to non-aeronautical usage at fair market value. However, Title 49 U.S.C. §47107(t) permits an airport owner or operator who renews a covered lease shall not be treated as violating a written assurance if it grants a nominal lease rate.



Marketing and Incentives

Nashville International Airport (BNA) spends approximately \$1,400,000 per year on marketing, which involves social media, on-line advertising, billboards, and music. The marketing effort at BNA focuses on revenue development, concessions marketing and advertisements to encourage travelers to use airport parking and facilities. BNA does not have a marketing manager, nor any staff specifically assigned to the marketing program. Five employees are involved with various pieces of the marketing program. The staff provided examples of the types of marketing activities at BNA, which included ads on BNA's vision and airport amenities.

Nashville International Airport (BNA) is a member of the Nashville Chamber of Commerce and Convention and Visitors Bureau. The airport pays for a basic membership, which amount to less than \$2000 per organization.

Based on our review we found:

- The Nashville International Airport (BNA) does not contract with Nashville Conventions and Visitors Bureau or engage in tourism marketing.
- BNA does not pay for travel agent tours of city sites.
- Marketing at the BNA is not directed by any outside entities; the Airport has complete control of the program.
- BNA does not pay for any marketing staff located off the airport.

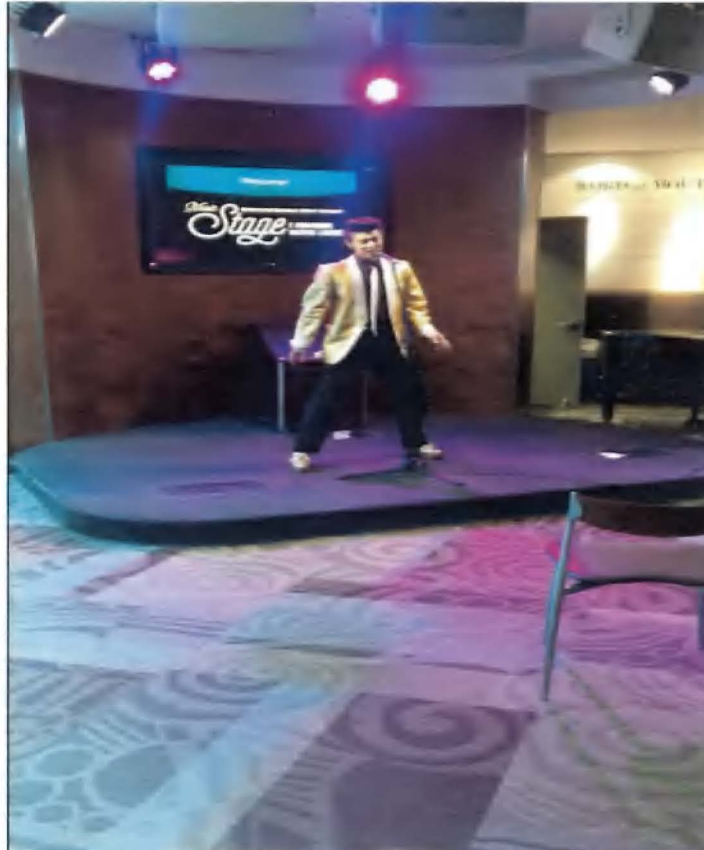
BNA also has a visitor's booth, located in the baggage claim area and it's managed by BNA staff. The focus is to provide information on services at BNA and ground transportation options.

Travelers have been able to enjoy live music at Nashville International Airport (BNA) since the 1980s. During our review, we observed several performances in the terminal. BNA showcases a good mix of mix music including country music, rhythm & blues, jazz, pop, gospel and bluegrass.

Nashville International Airport (BNA) currently offers an incentive program to British Airways (BA) for its direct flight from Nashville International Airport to London Heathrow. BA is the first recipient of the incentive. The incentive was offered to all carriers at BNA for marketing and advertising of the new route. No other incentives are being offered to BA at this time. The program is targeted for up to two years and BA uses its own firm to market the new route. BA provides supporting documentation of marketing expenditures to BNA and BNA reimburses BA for the costs incurred.

Conclusion: FAA noted no irregularities with the marketing. We found the incentive program was generally complaint with FAA Policy. However, the FAA recommends that Nashville International Airport (BNA) should avoid paying British Airways (BA) directly for marketing of the new route from BNA to London Heathrow. Also, it is recommended that BNA pay the costs of marketing and advertising services directly to the entity providing the service. This reduces the risk and appearance of the airport providing a direct air carrier subsidy, which is a violation

of the Revenue Use Policy. It also provides greater control for Nashville International Airport (BNA).



Art in Public Places

The art staff at Nashville International Airport (BNA) consists of two employees who work closely with the Foundation Art Board and the Tennessee Arts Commission. BNA follows the policies and procedures set forth by the Director of Community Affairs and Customer Service. Metropolitan Nashville Airport Authority (MNAA) directs the art program at BNA.

MNAA dedicates one percent of its non-federally allocated revenues involving capital construction to fund public art. Currently, a LED glass light sculpture is under construction in the new parking garage. Art in the terminal building are mainly movable art consisting of mosaic sculptures and standard picture frame art. MNAA owns all pieces. BNA provided FAA an inventory list of all pieces.

Some art are borrowed on rotation; however, there is a selection process and the theme of the art must be relevant to the State of Tennessee. Any request to purchase a piece of art displayed in the terminal at BNA, the airport introduces the prospective buyer to the artist. The Foundation Art Board receives 25% from the sale and the proceeds can only be used to buy other pieces of art for BNA.

When BNA decides to dispose a piece of art, BNA provides a 45-day review period to the artists. The artist must decide during the 45-day period to buy-back the piece of art from the airport or otherwise. BNA airport has only disposed of one piece of art in the short term parking garage. The Pagio LED light sculpture never worked properly, the owner was given the option to purchase it back from the airport. After 45 days, BNA has the right to remove the piece of art and dispose at its discretion.

Conclusion: FAA noted no irregularities with the Art Program at BNA. No follow-up necessary.

Noise Land

Nashville Airport Authority (BNA) no longer has a noise program. The last grant issued to residential owner was in 1997 for sound insulation in the 65 dnl zone. BNA currently has no noise land for sale. In the past BNA sold two properties. BNA has some noise land to the south and north but; these parcels used as a noise buffer.

Conclusion: No follow-up necessary

Law Enforcement and Firefighting

BNA has 74 commissioned officers cross-trained in fire, police and emergency medical services. It also has a K-9 unit with 6 dogs. We noted the following during our review:

- The airport operations division for police and fire conducts all work at BNA and performs no off airport duties.
- The division has mutual aid agreements with the City of Nashville and Davidson County. BNA management stated that the airport would only need police from the city if there were a major event.
- BNA has firing range that officers utilize for training and on occasion FBI and ATF perform joint exercises.
- The division has noticed an uptick in overtime due to recent retirements. Overtime is offered on a first come first serve basis.
- There is one ARFF station located at BNA with 4 fire trucks.
- There are over 500 security cameras located throughout the airport, which are monitored by the Airport Communication Services office.

Conclusion: FAA noted no irregularities with Police and Fire BNA. No follow-up necessary.

Report Conclusion

The FAA found no irregularities in the management of the Airports.