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

**State of Hawaii Department of Transportation
Airports Division**

**For the Six Year Period of
July 1, 2007 – June 30, 2013**



**State of Hawaii Department of Transportation – Airports Division
Revenue Use Review of Selected Airports**

The Federal Aviation Administration (FAA) Office of Airport Compliance and Management Analysis (ACO) conducted a Revenue Use Compliance Review of the State of Hawaii's Department of Transportation – Airports Division (DOTA) to evaluate compliance with the FAA Policy and Procedures Concerning the Use of Airport Revenue (Revenue Use Policy) for the period July 1, 2007 to June 30, 2013. The FAA and its contractor conducted this review at the DOTA offices in Honolulu, Hawaii and outlying islands.

The State of Hawaii owns, operates, and sponsors the airport system, which consists of fifteen airports operating under the jurisdiction of DOTA. DOTA is composed of five administrative staff offices (Staff Services, Visitor Information Program, Information Technology, Engineering, and Airports Operations) providing services to all of the state airports within four District Offices. The four districts and airports within the assigned district are:

- **Oahu District**
 - Honolulu International Airport (HNL)
 - Kalaeloa Airport (JRF)
 - Dillingham Airfield (HDH)
- **Maui District**
 - Hana Airport (HNM)
 - Kalaupapa Airport (LUP)
 - Kahului Airport (OGG)
 - Kapalua Airport (JHM)
 - Lanai Airport (LNY)
 - Molokai Airport (MKK)
- **Hawaii District**
 - Kona International Airport (KOA)
 - Hilo International Airport (ITO)
 - Upolu Airport (UPP)
 - Waimea-Kohala Airport (MUE)
- **Kauai District**
 - Lihue Airport (LIH)
 - Port Allen Airport (PAK)

ACO selected a sample of five airports for ACO's review of airport compliance with the Revenue Use Policy. These five airports were:

Airport	Hub Size	Enplanements in 2013
Honolulu International Airport (HNL)	Large	9,466,995
Kahului Airport (OGG)	Medium	2,955,304
Hilo International Airport (ITO)	Small	640,411

Kona International Airport (KOA)	Small	1,376,641
Lihue Airport (LIH)	Small	1,315,141

The five airports selected represented the large, medium, and small airports in the State of Hawaii system with 99.14% of the total State of Hawaii enplanements during the 2013 calendar year¹.

Analysis and Field Work

The FAA Office of Airports contracted Ernst & Young, LLP (EY) to perform a financial and compliance review of five Hawaiian airports. Their objective was to support ACO by conducting on-site compliance reviews to assess whether the airports and their sponsor, Hawaii Department of Transportation - Aviation (DOTA), used their revenues in accordance with federal statutes, Airport Improvement Program Grant Assurances, and FAA's Revenue Use Policy. The review covered the period from fiscal year (FY) 2008 to fiscal year (FY) 2013 for the five airports (e.g. Honolulu (HNL), Kahului (OFF), Hilo (ITO), Kona (KOA), and Lihue (LIH)). These airports will be considered within the scope of our compliance review and referred to as "in-scope" throughout this report. EY worked closely with ACO by conducting daily status conference calls to discuss findings and issues as they occurred.

The FAA's State of Hawaii Airports District Office (ADO) assisted EY and ACO in the performance of the land and hangar use inspections. The DOTA provided a two-person liaison to assist ACO and EY in obtaining pertinent supporting documentation and setting up interviews with the appropriate State of Hawaii staff during the on-site work performed by EY.

The supporting administrative service departments for the DOTA are located in Honolulu. For example, such services as accounting, administrative, and legal are located at the DOTA offices at HNL. The EY field team conducted all walk-through meetings and most of the testing while on-site at HNL, except for visually verifying the existence or non-existence of community-use land, noise land, through the fence activity, marketing materials and artwork at each in-scope airport. Grandfathered payments and outstanding issues were tested at the DOTA level as well. The EY team was in daily contact with ACO and the Hawaii ADO for technical support.

The following areas and supporting documentation were preliminarily reviewed at DOTA offices located at HNL:

- Form 126 & 127 Reporting
- Transactions between the airports and other governmental entities
- Noise Land
- Utility Usage
- Fleet Services

¹ FAA. Enplanements at All Airports (Primary, Non-primary Commercial Service, and General Aviation) by State and Airport – Preliminary. (2014, June 23). Retrieved from http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/index.cfm?year=2013

- Police/Security
- Fire Fighting
- Uses of Airport Property
- Marketing/Air Carrier Incentives
- Art in Public Places
- Cost Allocations

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 Financial Summary, Form 127. Form 126 reports the financial transactions between the Airport and other governmental entities, and Form 127 reports Airport financial operating results. Each of the Hawaiian airports included in our review prepared individual Forms 126 and 127 rather than a consolidated state report.

We reviewed the information reported on both forms to determine if the State or other jurisdictions drew this information from its financial accounting system. We found the information reconciles to the State's trial balance and to its Comprehensive Annual Financial Report (CAFR). The State's outside accounting firm reported that the State's CAFR fairly presented the State's financial position.

Grandfathered Payments

The Revenue Use Policy, Section V.D provides that airport revenue may be used for purposes other than capital and operating costs of the airport, the local airport system, or other local facilities owned or operated by the sponsor and directly and substantially related to the air transportation of passengers or property, if the "grandfather" provisions of 49 U.S.C. § 47107(b) (2) are applicable to the sponsor and the particular use.

DOTA is considered a "grandfathered" airport system. Prior to 1982, state legislation required the Hawaiian airports pay a 5% surcharge on airport revenue (less debt service) to the state's general fund. Based on a 1993 Congressional study followed by a Department of Transportation's Office of General Counsel's (OGC) determination, the DOTA is a grandfathered airport system in reference to a 5 percent surcharge on airport revenues (less debt service) to the State's general fund. The grandfathering surcharge is calculated at the overall airport system level, not at the individual airport level, and the amount calculated is transferred to the State on a quarterly basis.

Based on the review procedures performed for the five airports under review, DOTA complied with FAA policy related to their grandfathered payments. The DOTA's exempted payments for the six-year period under review have not exceeded the calculated ceilings determined by the 1995 base year exempted amount being inflated by the Consumer Price Index (CPI) for each year under review.

Summary of Findings and Recommendations

A majority of the findings and recommendations for all five of the in-scope airports have similar FAA responses and recommendations. DOTA did respond to a preliminary draft of our report providing whether they concurred or did not concur with our findings. The DOTA did not respond to many of our findings, and we have interpreted non-responses to be concurrences from DOTA on the finding. For brevity purposes, we will summarize the common findings and recommendations noted during the review process in this section. Airport specific findings will be presented for a specific airport as well. The attachments designated for each airport will discuss the findings, the DOTA response, and recommendations in detail.

Use of Airport Property and Leases.

All leases for the five in-scope airports are processed and filed at the DOTA in Honolulu. Leases are broken down into several categories, including concession agreements, real property leases, revocable permits (RP), and parking permits.

- A concession agreement is a contract entered into by the airport and a company that provides goods and/or services to the public as they transit through the airport system, usually for a fixed sum or percentage of the vendor's revenue. Most of the concessionaires are retail vendors located in the airport terminal. However, some vendors such as rental cars, buses, parking, etc., are not located in the terminal, but maintain space elsewhere on airport property.
- An RP is generally for short-term use, typically 12 months, and then continue on a month-to-month basis. Generally, the rental term for RPs often run longer than 12 months. An RP can usually be cancelled with only a 30-day notice. RPs are typically awarded through direct negotiation between the DOTA and the vendor. RPs can be used for tie-downs, T-hangars, land (i.e., rental car overflow lot), storage, maintenance yards, and other uses.
- Real property leases contain numerous parameters and terms that govern the rights of lessees in the use of airport property. Cargo facility leases and hangar leases are typical examples of real property leases.
- Other general types of leases that are subject to the schedule of rates and charges are parking permits and fixed base operators (FBOs) that provide services for other airport aeronautical users (i.e. fuel and maintenance services, airplane painting and re-upholstering).

Based on the FAA review of samples of leases for all five in-scope airports, the two primary findings noted were that a sample of rental rates was not set at fair market value (FMV) initially, or they are not being re-assessed over the years. For example, a lease agreement in effect at Kahului Airport (OGG) with Alexander & Baldwin for lease of a sugar cane field needs to be re-evaluated at the earliest opportunity to determine a rental rate for agricultural use at FMV. Two of the leases at Kona Airport had clauses increasing the rental rates at a scheduled period, but the rental rates were not increased as set by the lease agreements. DOTA staff was not able to locate several of the requested lease agreements.

While conducting the perimeter tours of the airports, the EY team observed several T-hangars being used for commercial maintenance purposes. Airplanes were lined up awaiting maintenance services at Honolulu International Airport (HNL). We could not find commercial leases for aeronautical maintenance at HNL. We observed commercial maintenance operations at Hilo Airport (ITO) and Kahului Airport (OGG), but we were not able to determine if the maintenance being performed was aeronautical or nonaeronautical. We recommend commercial leases be developed at the appropriate aeronautical or nonaeronautical rental rate.

Another finding noted during the perimeter tours and subsequent walk-through interviews was that some of the rental car agencies were using airport property to park individual cars resulting from inventory overflow for no rental charges or rental collections based on an “honor system” exercised by the rental car agencies. The DOTA has established rental rates for rental car overflow which should be utilized at all airports. We recommend a system be established to provide oversight and control to ensure the rental car agencies are paying for the use of airport property.

During the course of the walk-through interviews, the EY team were told that as a matter of practice, none of the airports is including the costs of utility charges in their leases. The DOTA, when entering into new or revised agreements or otherwise establishing rates, charges and fees, must undertake reasonable efforts to make their particular airports as self-sustaining as possible under the circumstances existing at the airports.² We recommend DOTA incorporate rental rates that will recoup the costs of utilities provided to tenants.

Conclusion – Use of Airport Property and Leases:

The Revenue Use Policy at Section VII.C requires airport sponsors to ensure their airports are as self-sustaining as possible under the circumstances at their airports. Accordingly, when a sponsor enters into a new or revised agreement, it should ensure the new rates are compatible with the self-sustainability requirement. In the following Attachments section of this report, we have taken into consideration the DOTA responses. We found in the responses there were copies of lease agreements and other documents that were not provided to the EY team and have requested copies of these documents.

DOTA has provided copies of a majority of the missing RPs or lease agreements. In some cases, DOTA provided a date for the renewal of some of the leases. We are requesting copies of these new agreements. We have provided a listing of final comments and data requests in *Appendix A – Recap of FAA Final Comments and Requests*. Where we have requested a sample copy of RP or lease agreement, the sample should consist of at least one signed lease agreement.

Marketing.

During the review of the airports’ financial data, we noted there were no expenditures for marketing. The FAA conducted a walk-through meeting with the DOTA Visitor Information

² 49 USC 47107(l) (3). Efforts to be Self-Sustaining.

Program to determine if marketing costs may have been classified in other nominal accounting general ledger accounts. He explained that the Hawaii Tourism Authority (HTA) had entered into a contract for \$500,000 with the DOTA to subsidize and enable all five of the in-scope airports to provide live entertainment services to the public that would otherwise be considered marketing or general economic development expenditures. The contract provides native Hawaiian music and dancers to greet arriving tourists and entertainment at the launch of new airlines and new airline routes. Therefore, the HTA contractual agreement subsidizes the full cost of the marketing and entertainment efforts of the Hawaiian airports and no airport revenue is being used for general economic development.

During the terminal tour, it was noted that many of the informational booths located at the airports were stocked with various commercial brochures advertising tourism information. The Kahului Airport manager mentioned that the airport does not charge any of the vendors for allowing them to display their brochures. In fact, all of the airports have instituted a process whereby a company only has to submit an application for screening before it is able to drop off tourism brochures for display at the airport. If the application is approved, the airport will stock these brochures using airport-funded labor at the various travel booths and on airport-owned display racks throughout the terminal.

DOTA did not concur with the FAA finding concerning the airports not charging for vendors displaying marketing brochures. The DOTA considers the revenue generation relating to this area in question to be a de minimis amount. They believe the administrative overhead cost to oversee this concession would exceed revenues generated. The DOTA provided an estimated Monthly Projected Net Loss of \$12,172 based on a space rate unique to each airport compared to the costs of labor to administer the program.

Conclusion - Marketing:

Based on FAA Order 5190.6B, FAA Airport Compliance Manual, Chapter 17.2 to 17.5, airports must maintain a fee and rental structure that makes the airport as financially self-sustaining as possible. It is our understanding from the on-site interviews that there is already a Visitor Information Program staff person assigned to processing the vendor applications and distributing the brochures throughout the terminal.³ The calculation of the de minimis revenue generation provides another example of the necessity of re-evaluating rates to capture the full cost of providing services at the airport. The development of fees and rates should cover the full cost of providing a service to maintain self-sustainability. We recommend that DOTA institute a fee to be charged to the various vendors to recoup the costs of the processing of the application, space used, and the stocking of the various tourist brochures by the Airport staff.

The DOTA responded to our recommendation to notify us of the preparation of a new advertising contract. This new contract will include administration and cost recovery for the placement of tourism brochures. FAA concurs with the new contract and requests of a copy of the signed contract.

³ Chapter II-9, Visitor Information Program Brochures and Publications, State of Hawaii, Department of Transportation, Visitor Information Program, Standards and Procedures, effective date March 9, 2012.

Art in Public Places.

Under Hawaii statutes, for every new government building, including airports, 1% of the (non-federally funded) construction budget is to be set aside for the purchase of art to be used in the facility. This art could be pictures that hang in the terminal or sculptures that are displayed in places where the public transits inside or outside of the terminal.

According to DOTA, a regular inventory of artwork is conducted at the airports. In addition, the DOTA Project Manager told FAA that theft deterrence mechanisms are employed at all airports to minimize actual theft of the artworks. Theft of artwork in recent years has been negligible.

Conclusion - Art in Public Places:

With regard to FAA Policy Concerning the Use of Airport Revenue, we found no irregularities with the art program at OGG.

Wildlife Hazard.

The Nene Goose is the State bird of Hawaii. Their presence at an airport presents a risk to aviation safety, because of their large body size, flocking behavior, and low, slow flight pattern.



LIH is part of the natural habitat for the Nene geese, and they are frequently observed flying across the runways. On April 14, 2011, the governor of the State of Hawaii signed a proclamation authorizing the Department of Land and Natural Resources (DLNR) and DOT to cooperatively work while relocating four hundred Nene geese that reside at the Kauai Lagoons to the Hawaii Island and Maui. The proclamation declared that the large bird numbers residing adjacent to LIH posed a serious threat to public aviation safety. The proclamation was for a five year period ending April 15, 2016.

According to the plan, successful implementation of the Nene Relocation Project requires the identification of suitable relocation sites on Hawaii Island and Maui; preparation of the sites; habitat management; bio secure quarantine facility; safe capture and handling; veterinary care; predator control; tracking control; and response to any unacceptable movements or behavior detected in the release of the birds for their and the public's safety. In the MOU between the DLNR and the DOT, the DLNR would implement the plan and furnish all personnel, equipment, and supplies necessary and the DOT agreed to fund the program.

The State of Hawaii's relocation program for the Nene Goose has resulted in the Department of Transportation Airports Division funding \$2.3 million as of the date of this compliance review. The Department of Land and Natural Resources estimates the relocation program will require another \$1 million of the airports funds over the remaining two years of the program.

Conclusion – Wildlife Hazard:

The Nene Goose is not only the state bird of Hawaii, it is also identified as critically endangered by USFWS, the steps taken and funding necessary to mitigate the risk it represents are understandable, justifiable, and laudable. The DOTA and DLNR should be commended for the efforts put forth to move upwards of 400 individual geese. The FAA concern comes from reports of relocated geese becoming a hazard at new airports (Kahului and Maui) near new relocation sites. The preferred separation distance is 5 miles for wildlife hazard attractants, and with the new sightings, an error may have been made in choosing a suitable site thus wasting time and funding. We also read that the plan requires predator control as well as tracking devices on some birds to track and monitor survival and movements necessary for management. There is no mention of a time frame, which could mean the FAA and DOTA funding predator control in perpetuity for the insured or improved survival of the geese.

Airport Improvement Program Grant Assurance 20 requires an airport to take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.

The DLNR and the DOTA are seeking an additional \$1 million funding beyond the \$2.3 million already invested to finish the capture and relocation efforts for the last two years of the project. DOTA should request the FAA to review the relocation sites selected and the monitoring and movement data already collected from trans-located birds to determine whether the relocation sites are suitable. Finally, alternatives must be considered including attractive water impoundments near airports, permanent biologists at each airport to monitor and mitigate wildlife hazards, and the DLNR personnel to provide assistance with predator control activities without the reliance on airport revenues.

In their response to our request, the DOTA did provide a timeline for the mitigation of the wildlife hazard created by the Nene Goose. However, in the July 1, 2016 letter, we are requesting a detailed description of the role of the Deputy Attorney General while providing continuous monitoring and update date action plans.

The FAA would appreciate being an active participant as the DOTA and partners work to resolve the Nene Goose issue.

Security.

DOTA has a \$33 million per year contract with Securitas, a security firm that provides all of the airports with traffic control officers, security guards, and armed law enforcement officers (LEOs). The Securitas contract covers all airports in the Hawaii Airport System. The Securitas mission is to protect persons and property located in the Airport area, maintain the security of the Airport, work in coordination and in conjunction with other law enforcement and security personnel, and enforce all applicable laws, ordinances, rules and regulations. The Securitas

airport security officers and traffic control officers will have to rely on the Sheriff's personnel to make arrests and remove the arrestee(s) from the airport.

Honolulu International Airport (HNL) has Memorandums of Understanding (MOU) with the State of Hawaii Attorney General's Office (Attorney General), State of Hawaii Department of Public Safety Sheriff's Department (Sheriff), and Securitas, an independent security contractor, to assist and provide security at HNL.

At HNL, the Securitas contract is supplemented by a MOU with the Sheriff. The Sheriff's mission is similar to Securitas' mission. The Sheriff's Department works to protect all persons and airport property, maintain the security of HNL, and enforce all applicable laws and ordinances. The Sheriff provides 63 deputy sheriffs with arrest authority and 3 administrative positions. The Sheriff's Department LEOs do have arrest powers and the ability to remove suspects from the Airport. The Sheriff's MOU costs the Airport approximately \$4 million per year.

The Attorney General's MOU provides three full-time investigators who assist the Airport deputy sheriffs and investigate all felony crimes. It also provides one additional investigator supervisor, who provides on-call response, with standby pay, for a total of \$250,000 per year. The Attorney General's MOU also funds a deputy attorney general (DAG) position at a salary of \$90,000 per year. The DAG position's "primary duty will be to prosecute airport related felony cases."

DOTA responded to our finding stating that they have developed their airport security system based upon statutes and guidelines as determined by the Department of Homeland Security (DHS) and the Transportation Security Administration (TSA). Specifically, DOTA cites the Code of Federal Regulations (CFR), Title 49 Transportation, Part 1542 Airport Security (49 CFR Part 1542). Whereas the TSA regulates the security and law enforcement at all certificated airports. Each airport prepares and establishes an Airport Security Plan (ASP), which provides for the safety and security of persons and property on an aircraft operating in air transportation or intrastate air transportation against an act of criminal violence, aircraft policy, and the introduction of an unauthorized weapon, explosive, or incendiary onto an aircraft. The TSA reviews and approves all ASPs. DOTA believes the funding of the MOA for contracting Special Agent Investigators and Deputy Attorney General to prepare the prosecution of felony acts committed on the airport and the existing security system is a part of the TSA's approval of the ASP.

Conclusion - Security:

The FAA contacted the TSA's Office of Security Policy and Industry Engagement and the Attorney-Advisors, Pacific Rim, to determine if the TSA was requiring the DOTA fund the prosecution of crimes committed on any of the DOTA airports within the established ASPs. The FAA was informed that there is no language requiring the funding of prosecutions committed on the DOTA airports. Therefore, we stand with our initial recommendation that the DOTA should not be funding the prosecution of individuals committing crimes on the airports. Generally, the

responsibility and prosecution of the criminal should shift to the jurisdiction of the county or state once the booking process is complete.

The FAA's Revenue Use Policy, Section V defines the permitted uses of airport revenue to be 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 the air transportation of passengers or property. The funding of the State of Hawaii Attorney General's Office staff is not a proper use of Airport revenues. The prosecution of criminal violators is not a capital or operating cost of the Airports. The MOU with the State of Hawaii Attorney General's Office should be re-evaluated to determine what legal activities would be determined to be associated with airport capital or operating costs. The costs of investigating and prosecuting criminal violators should be reimbursed to DOTA for the amounts expended during the six years prior to 2013 (July 1, 2007 – June 30, 2013).

DOTA was awaiting a written response from the City and County of Honolulu Prosecutor to determine if his office will accept felony investigations occurring at the Honolulu International Airport directly from the Sheriffs Airport Detail without any further investigative support from any third party and without any compensation for this service from his office. We are requesting a copy of this letter from the City and County of Honolulu Prosecutor when it becomes available.

Attachments

The following attachments of our report present the findings and FAA recommendations for each airport within scope of the State of Hawaii Revenue Use Review. Our findings explain in detail the circumstance for each finding and an explanation of the remediation of the issue. The overview of each attachment provides the comprehensive areas of our test plan to determine if there were any diversions from the policies set by the Revenue Use Policy. Other areas of interest may have arisen through our analysis process, walk-through interviews, and visual inspections during the perimeter and terminal tours.

We have included a brief response to findings that the DOTA did not concur in the Overview section of each in-scope airport review. In the Summary of Recommendations, we present our conclusion on the findings the DOTA did not concur. If the DOTA did not respond to the finding, we understood this to mean concurrence with the finding.

Attachment 1 – Honolulu International Airport



Honolulu International Airport (HNL)

Overview

Based on our review of HNL, several findings were noted at HNL. The findings at HNL are discussed in more detail below with FAA recommendations. DOTA has responded with their concurrence or non-concurrence, and their reasoning is briefly summarized. The FAA Final Comments are the response to *The Summary of Findings and Recommendations* section listed above, which discusses the final FAA recommendations and DOTA responses.

Use of Airport Property and Leases

Based on FAA's review of 26 HNL lease agreements, two findings were noted: (1) Revocable Permits (RP) were not awarded at fair market value (FMV), and (2) rent increases did not occur in accordance with airport policy or normal practice. These findings were noted for two of the 26 samples.

1. **Budget Rent-A-Car System – HNL (Budget).** Budget was awarded a ten-year concession lease in 1988. The Minimum Annual Guarantee (MAG) is the greater of 10% of the lessee's gross receipts or the minimum annual guarantee set forth in the lease proposal. In 2004, the gross receipts report showed that the minimum annual guarantee of \$1,391,085 was utilized. In verifying the 2013 receipts, the minimum annual guarantee of \$1,391,085 was used once more. It appears the MAG is not being reviewed on a consistent or timely basis to protect HNL interests. After the concession lease ended in 1998, the airport has not revised the lease to reflect a current fair market rental value.

DOTA Response: Non-concurrence. The DOTA held over the concession agreement for Budget at HNL. Such a holdover means the terms and conditions of the agreement will continue. DOTA justifies not re-negotiating the Minimum Annual Guaranteed (MAG) Rental due to the MAG amount of \$1,391,085 being exceeded in the years subsequent to the expiration of the 1988 agreement in FY 1998. DOTA believes the revenues in excess of the minimum annual guaranteed amount justified the lack of negotiation or documentation of FMV determination.

2. **National Car Rental (National).** National was issued a parking permit (PP) in 2007 for the overflow parking lot located on Ualena Street. The lot was rented out at the rate of \$3.15 per square foot per annum (psfpa) instead of the airport's published rate of \$4.16 psfpa. The published rate would be the FMV established by the DOTA Schedule of Rates and Charges.

DOTA Response: Non-concurrence. DOTA does not agree with this finding since the appraised rate of \$6.20 per square foot per annum (psfpa) on their overflow lot on Ualena Street was implemented effective March 1, 2013, prior to the auditors' fieldwork.

FAA Conclusion for the Two Findings Above: Our analysis of the leases involved only a sample of the complete population of the airport leases due to time and staff restraints. When a finding is discovered using this methodology, it is reasonable to expect more of the same findings to be found throughout the overall population. Each federally assisted airport owner/operator is required by 49 USC 47107(a)(13) and Grant Assurance 24 to have an airport fee and rental structure that will make the airport as self-sustaining as possible under the particular airport circumstances in order to minimize the airport's reliance on Federal funds and local tax revenue.

The field auditors were not able to locate documents substantiating a review of the Budget lease and/or the decision not to increase the minimum annual guarantee. We recommend the sponsor maintain records of negotiations and documentation of the determination of the held-over agreement terms.

DOTA Response to FAA Conclusion:

- 1. Budget:** At the time the DOTA decided to “hold over” the Budget contract, there was no written notice given to Budget. There is currently no legal requirement to notify tenants in writing when there is no change in their lease rent. Car rental contracts fall under Chapter 102 of the Hawaii Revised Statutes. Chapter 102 requires, except in certain specific cases that concessions be awarded through a competitive sealed bid process. Since such contracts are awarded through a public offering, substantive changes to the documents cannot be made after the contracts are awarded.

The contracts were continued in holdover status in anticipation of the project being resurrected when the economy improved. Eventually, that project was replaced with the current consolidated rent-a-car projects.

The consolidated rental car facilities concession agreements at HNL and OGG were bid in 2014, with an effective date of beneficial occupancy of the Consolidated Facility. At HNL, the RACs will temporarily occupy a portion of the Overseas Parking Structure, while the consolidated rental car facility is being constructed. The OGG RAC contracts will be bid for a four-year term in 2015.

For concessions, the DOTA prefers to have defined long-term arrangements in place rather than revocable permits.

The concession agreement and land lease for HNL and OGG were bid in 2014 to take effect as of beneficial occupancy of the facilities.

- 2. National:** A copy of the National Car Rental agreement dated March 1, 2013 is included in their response.

FAA Final Comment: Concur. DOTA has demonstrated that the specific circumstances of HNL and the Budget-Rent-A-Car System MAG enhances the assurance for self-sustainability due to the excess revenues received in excess of the MAG. DOTA has provided a revenue history showing lease revenues in excess of the greater of 10% of the lessee’s gross receipts or the minimum annual guarantee of \$1,391,085. Due to the local economy and circumstances, DOTA held over the concession agreement for Budget at HNL.

We are in receipt of the RP for National Car Rental that was in effect on March 1, 2013 and concur with DOTA on this finding.

Other Property Use Findings

EY, the on-site team, conducted a perimeter tour provided by airport management with the assistance of the Hawaii ADO staff. Based on the perimeter tour, the following additional findings were noted:

T-hangar Usage. Of the 88 T-hangars on the South Ramp at the HNL airport, several tenants were using their spaces for maintenance-type operations. In two instances during the perimeter tour, multiple aircrafts were lined up outside the T-hangars awaiting maintenance. HNL was not able to provide any commercial leases for the T-hangars being used for airplane maintenance. Commercial leases should be charged a higher rate and should not impede a waiting list for T-hangars.



DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: We will recommend DOTA to review the existing leases or RPs in place for the T-hangars to update terms and fair market rental values. Aviation maintenance providers should be paying commercial rates on their leases.

DOTA Response to FAA Conclusion: DOTA has performed a physical audit to ensure tenants complies with T-Hangar usage. It should also be noted that DOTA began performing continuous compliance inspections and issuing citations in March 2013. The DOTA is in the process of developing appropriate notices and guidelines to be sent to all T-hangar tenants.

To accomplish this, DOTA will follow the action plan shown below.

Action Plan:

HRS § 261-7 (e) provides a mechanism for the DOTA to set airports rates and charges following publication of the rates and charges and conduct of public informational hearings. When airports rates and charges are set in this manner, the DOTA is obligated to report the circumstances and resulting rates and charges to the Legislature.

Since this is a new rate for commercial aeronautical activities from T-Hangars, DOTA will establish 10% of gross receipts as the beginning rate for this activity from T-Hangars and will conduct an assessment on an annual basis to determine if this is a fair and equitable rate and, if appropriate, adjust the rate as necessary.

The DOTA's plan to meet the intent of §261-7 (e) is to do the following:

1. Brief key legislators (Senate President Donna Mercado Kim, Speaker of the House Joseph M. Souki, Senator Clarence K. Nishihara, Chair of the Senate Transportation Committee, and Representative Henry J.C. Aquino, Chair of the House Transportation Committee) on the FAA Findings and Recommendation, the use of §261-7(e) to establish rates for commercial activities from T-Hangars with an effective date of June 1, 2015, proposed

schedule for public informational hearings, and the submission of a final report to the Legislature.

Estimated Completion Date: March 2, 2015.

2. Conduct Public Informational Hearings on each island (Oahu, Hawaii, Kauai, and Maui) for the proposed rates for commercial activities from T-Hangars effective June 1, 2015.

Estimated Completion Date: March 31, 2015.

3. DOTA will notify President Mercado Kim, Speaker Souki, Senator Nishihara and Representative Aquino via written correspondence of the results of the public informational hearings held on each island to establish rates for commercial activities from T-Hangars, including the effective date of the rates of June 1, 2015.

Estimated Completion Date: April 10, 2015.

4. Provide written notice to the public and tenants of the airports facility of the rates and effective date for a 30-day period.

Estimated Completion Date: May 30, 2015.

5. Implement the effective rate by issuing 30 days written notice terminating RP's to tenants conducting commercial activities from T-Hangars with an offer to execute new RP's with the rates for commercial activities from T-Hangars within the 30-day timeframe or when prospective new tenants are interested in acquiring a T-Hangar to conduct commercial activities.

Estimated Completion Date: June 1, 2015.

6. Submit a report to the Legislature on the use of §261-7 (e) and implementation of the new rates for commercial activities from T-Hangars.

Estimated Completion Date: June 15, 2015.

7. Renew all T-Hangar RP's based on the rates for commercial aeronautical activities on an annual basis.

DOTA provided a copy of State Memorandum No. AIR-A 15.022 dated February 11, 2015.

FAA Final Comment: Concur. The FAA requests documentation to substantiate implementation.

Utility Costs. Utility costs are not being charged to tenants with RPs, including T-hangars. Airport management does not, as a matter of practice, attempt to recover utility costs (electric, water, sewer, etc.) from its tenants. Electric bills for the three HNL T-hangar buildings totaled about \$80,000 in 2013. None of these costs was passed on to the 88 T-hangar tenants.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: DOTA should be including the utility costs into the lease agreements to recover full cost of providing services.

DOTA Response to FAA Conclusion: In April 2014, the DOTA began charging tenants in ITO and LIH. At HNL, OGG and KOA, DOTA is in the process of preparing the required notices to T-Hanger tenants to recover the costs for utilities (electricity and water). The date to begin charging the T-Hangar tenants for utilities was established as July 1, 2015.

FAA Final Comment: Concur. The FAA requests sample copy of active lease with utility charges included in lease terms.

Marketing.

The marketing findings are consistent with the marketing summary disclosed in the Executive Summary on page 6 of this report. There are no findings that are localized to Honolulu.

DOTA Response: The DOTA is preparing to procure a new advertising contract. This new contract will include administration and cost recovery for the placement of tourism brochures.

FAA Conclusion: We request a copy of the new advertising contract when available.

DOTA Response to FAA Conclusion: The DOTA is preparing to procure a new advertising contract. This new contract will include administration and cost recovery for the placement of tourism brochures. The estimated date to have the new contract in place is January 1, 2016.

FAA Final Comment: Concur. The FAA requests a copy of new advertising contract.

Security.

HNL has Memorandums of Understanding (MOU) with the State of Hawaii Attorney General's Office (Attorney General), State of Hawaii Department of Public Safety Sheriff's Department (Sheriff), and Securitas, an independent security contractor, to assist and provide security at HNL.

DOTA has a \$33 million per year contract with Securitas, a security firm that provides the Airport with traffic control officers, security guards, and armed law enforcement officers (LEOs). The Securitas contract covers all airports in the Hawaii Airport System. The Securitas mission is to protect persons and property located in the Airport area, maintain the security of the Airport, work in coordination and in conjunction with other law enforcement and security personnel, and enforce all applicable laws, ordinances, rules and regulations. The Securitas airport security officers and traffic control officers will have to rely on the Sheriff's personnel to make arrests and remove the arrestee(s) from the airport.

At HNL, the Securitas contract is supplemented by a MOU with the Sheriff. The Sheriff's mission is similar to Securitas' mission. The Sheriff's Department works to protect all persons and airport property, maintain the security of HNL, and enforce all applicable laws and ordinances. The Sheriff provides 63 deputy sheriffs with arrest authority and 3 administrative positions. The Sheriff's Department LEOs do have arrest powers and the ability to remove suspects from the Airport. The Sheriff's MOU costs HNL approximately \$4 million per year.

The Attorney General's MOU provides three full-time investigators who assist the Airport deputy sheriffs and investigate all felony crimes. It also provides one additional investigator supervisor, who provides on-call response, with standby pay, for a total of \$250,000 per year. The Attorney General's MOU also funds a deputy attorney general (DAG) position at a salary of \$90,000 per year. The DAG position's "primary duty will be to prosecute airport related felony cases."

Per the MOU between the DOTA and the Attorney General, the primary duty of the Attorney General is to assist the Sheriff's staff with handling and prosecuting criminal matters that occur at the Airport. The DOTA is funding three (3) investigators and one investigative supervisor's salaries and reimbursable costs. The DOTA will also fund standby pay for the supervisor and one investigator. The DOTA also funds a Deputy Attorney General at a federal reimbursement rate of \$131 per hour rather than the state fully weighted (with benefits) actual rate of \$42 per hour within the State of Hawaii. To require the DOTA to fund the State of Hawaii Attorney General's prosecution responsibilities is not a proper use of Airport revenues. The Sheriff and the Airport Security Manager agreed that there was not any reason for the Attorney General's investigators to supplement the skills and abilities already present with the Sheriff and the contract LEOs.

DOTA Response: Non-concurrence. DOTA has developed their airport security system based upon statutes and guidelines as determined by the Department of Homeland Security (DHS) and the Transportation Security Administration (TSA). Specifically, DOTA cites the Code of Federal Regulations (CFR), Title 49 Transportation, Part 1542 Airport Security (49 CFR Part 1542). Whereas the TSA regulates the security and law enforcement at all certificated airports. Each airport prepares and establishes an Airport Security Plan (ASP), which provides for the safety and security of persons and property on an aircraft operating in air transportation or intrastate air transportation against an act of criminal violence, aircraft policy, and the introduction of an unauthorized weapon, explosive, or incendiary onto an aircraft. The TSA reviews and approves all ASPs. DOTA believes the funding of the MOA for contracting Special Agent Investigators and Deputy Attorney General to prepare the prosecution of felony acts

committed on the airport and the existing security system is a part of the TSA's approval of the ASP.

FAA Conclusion: The FAA contacted the TSA's Office of Security Policy and Industry Engagement and the Attorney-Advisors, Pacific Rim, to determine if the TSA was requiring the DOTA fund the prosecution of crimes committed on any of the DOTA airports within the established ASPs. The FAA was informed that there is no language requiring the funding of prosecutions committed on the DOTA airports. Therefore, we stand with the initial recommendation that the DOTA should not be funding the prosecution of individuals committing crimes on the airports. Generally, the responsibility and prosecution of the criminal should shift to the jurisdiction of the county or state once the booking process is complete.

DOTA Response to FAA Conclusion: DOTA has a Memorandum of Understanding (MOU) with the Investigative Division and Criminal Division of the Department of the Attorney General, respectively for investigative and prosecutorial services, on a reimbursable basis to support the felony investigations being conducted by the Sheriffs Airport Detail at the HNL. As a result of the findings and recommendations, HNL is awaiting a written response from the City and County of Honolulu Prosecutor Keith M. Kaneshiro to determine if his office will accept felony investigations occurring at the Honolulu International Airport directly from the Sheriffs Airport Detail without any further investigative support from any third party and without any compensation for this service from his office. We will terminate the MOU with both the Investigative and Criminal Divisions of the Department of the Attorney General if Prosecutor Kaneshiro accepts cases directly from the Sheriffs Airport Detail.

Should the City Prosecutor's Office decline to accept felony investigations occurring at HNL, then DOTA will look into whose responsibility it is to prosecute airport felony cases without additional funding by DOTA.

FAA Final Comment: Concur. The FAA requests an update on City Prosecutor's Office decision.

Attachment 2 – Kahului Airport



Kahului Airport (OGG)

Overview

Several findings were noted at Kahului Airport (OGG). The findings at OGG are discussed in more detail below with FAA recommendations. DOTA has responded with their concurrence or non-concurrence, and their reasoning is briefly summarized. The FAA Final Comments are the response to *The Summary of Findings and Recommendations* section listed above, which discusses the final FAA recommendations and DOTA responses.

Uses of Airport Property and Leases

The Revenue Use Policy at Section VII requires airport sponsors to ensure their airports are as self-sustaining as possible under the circumstances at their airports. Accordingly, when a sponsor enters into a new or revised agreement, it should ensure the new rates are compatible with the self-sustainability requirement. In addition, the airport should refrain from entering into leases where the airport receives little or no compensation.

Based on FAA's review of 15 OGG lease agreements, two findings were noted: (1) Revocable Permits (RPs) were not awarded at fair market value, and (2) rent increases did not occur in accordance with airport policy or normal practice.

1. **Alexander & Baldwin, Inc.** Alexander & Baldwin have agreed to a land lease to grow sugar cane. The tenant currently pays \$9,696 per year for 7,132,020 square feet of land, at a rate of \$0.00135 per square foot per year. The rate has not been increased since the inception of the lease on July 12, 2007. According to the Schedule of Rates and Charges effective 8/13/2013 for OGG, the airport should be receiving an agricultural rate of \$2.04 per square foot per year, which yields a payment of \$14,549,320 per year.

DOTA Response: Non-concurrence. The DOTA response indicated that if Alexander & Baldwin were assessed the \$2.04 per square foot operations, they would be forced to cease operations. In 2014, DOTA obtained an appraisal for agricultural use of the property and determined a rate of \$.05 up to 9.99 acres, \$.02 for 10 to 49 acres, and \$.01 for 50 or more acres.

Alexander & Baldwin's current RP reflects the following:

- A. Lot-No.004-105 – contains an area of approximately 4,865,172 square feet of land (approx. 111-112 acres);
- B. Lot No. 008-130 – contains an area of approximately 363,900 square feet of land (approx. 8 acres).

Current annual rentals: A. \$6,600 and B. \$516 for a total annual rental of \$7,116.

The new RP annual rental rates will reflect the 2014 rates as shown below:

- C. Lot-No.004-105 – contains an area of approximately 4,865,172 square feet of land (approx. 111-112 acres);
- D. Lot No. 008-130 – contains an area of approximately 363,900 square feet of land (approx. 8 acres).

C. \$48,652 (or \$0.01 psfpa for more than 50 acres);

D. \$18,195 (or \$.05 psfpa for up to 9.99 acres).

The new annual rent will increase to \$66,847.

FAA Conclusion: We concur with the DOTA's corrective action plan. Rental rates will be adjusted to reflect appraised values for agricultural property. Please provide a copy of the 2014 appraisal, new RP, and provide a date when the increase has or will take effect.

FAA Final Comment: Concur. DOTA has provided a copy of the 2014 appraisal and the new Revocable Permit No. 8243. The effective date of the rate increase is December 1, 2014.

2. **Alamo Rent-A-Car.** Alamo Rent-A-Car's (Alamo) lease agreement is for car rental operations at OGG. Alamo currently pays a monthly rate of \$5,599 for approximately 54,188 square feet of improved paved land, which has not changed since the original agreement date of March 6, 2000. The lease contains a provision to increase the monthly

rental at any time upon thirty days advanced written notice. According to the Schedule of Rates and Charges, Alamo should be paying \$2.20 per square foot car rental use on improved land, which yields approximately \$9,934 per month.

DOTA Response: Non-concurrence. The DOTA response indicated that the \$2.20 per square foot car rental use rate proposed by FAA and the Schedule of Rates and Charges is not appropriate for a parcel of unimproved, unpaved land. The lease agreement indicates Space No. 008127 contains an area of 54,188 square feet of improved/paved land. Alamo should be paying a rate of \$1.86 per square foot instead of \$2.20. Alamo is currently paying \$1.76 per square foot per year. A 25% discount was allowed for “uneven surface, lack of water and sewer stub-outs” which yields \$1.65 of the base \$2.20 rate.

FAA Conclusion: DOTA did not provide enough information to concur or non-concur with the resolution of the finding. How is the 25% calculated and what is it based on? Are other tenants with similar operations receiving the same discount? Alamo is currently underpaying. When does DOTA plan to increase Alamo’s rate?

DOTA Response to FAA Conclusion: The DOTA has begun the process of updating the permit with the appropriate unimproved rental rate from the current schedule of rates and charges. It is anticipated that the process of issuing such a permit will take until June 30, 2015.

The permit did inaccurately characterized the property as improved, paved. However, there is a comment in the “**Purpose(s) section**” of the permit that reads, “... Rental rate is discounted 25% due to uneven surface, lack of water and sewer stub-outs.” Therefore, the minimum discount was applied to this permit.

The minimum 25% reduction is based on the Airports Division Procedure 4.5 Rates and Charges. The Airports Division Procedure 4.5 Rates and Charges includes the following instructions with regard to unimproved land, “Unimproved Land is not graded and lacks utilities and paved access road. For unimproved land at all airports, discount improved unpaved rates by 25 to 50 percent depending on distance to utilities and paved access road.”

This language has been included in every schedule of rates and charges since August 1, 1987.

Since the Airports Division Procedure 4.5 Rates and Charges talks about distance from utilities and paved access roads, it is difficult to set a standard. Is it 25-feet from paved access road and 25-feet from utilities? Alternatively, are utilities less of a concern, so it could be 25-feet from paved access road and 50- feet from utilities? What if it is only 15 feet from a paved access road, but the ground turns into a mud bog every time it rains? There are excessively many combinations of variables, particularly in the case of ground conditions, to be able to create a table that applies across the board. In this case, the Alamo location is approximately 300

to 600 feet from the nearest paved access road.

FAA Final Comment: Concur. The FAA requests a copy of the new parking permit for Alamo Rent-A-Car.

3. **Overflow Rental Car Space.** OGG allows rental car companies to park their unrented vehicles on airport property for \$1.30 per day. However, the process is based on the honor system, with the expectation that the rental car company will report the number of vehicles parked in its designated area per month. The payments are not verified for accuracy by OGG. The lack of oversight and controls does not ensure OGG is generating maximum revenue.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: We recommend OGG obtain an appraisal for the designated areas and charge an appropriate FMV rental rate. In addition, OGG should implement an oversight process and controls to verify that the airport is accurately paid.

DOTA Response to FAA Conclusion: The DOTA is beginning the process of issuing parking permits to cover these areas and charging square footage rent. It is anticipated the issuance of new permits with the new, increased rate will be completed by June 30, 2015.

Revocable Permit No. 5896, currently at \$1.65, will be re-issued new revocable permit at the new rate of \$3.00.

FAA Final Comment: Concur. The FAA requests copies of new parking permit issued.

4. **Utility Costs.** Utility Costs are not being charged to tenants with RPs, including T-hangar tenants. Airport management advised the FAA that OGG does not, as a matter of practice, attempt to recover utility costs (water, electric, or sewer, etc.) from its tenants.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: DOTA should be including the utility costs into the lease agreements to recover the full cost of providing leasing services.

DOTA Response to FAA Conclusion: In April 2014, the DOTA began charging tenants at ITO and LIH. At HNL, OGG and KOA, DOTA is in the process of preparing the required notices to T-Hanger tenants to recover the costs for utilities (electricity and water). The date to begin charging the T-Hangar tenants for utilities is established as July 1, 2015.

FAA Final Comment: Concur. The FAA requests a copy of a notice to tenants for utility charges.

5. **T-Hangar Space Usage.** During the perimeter tour, the review team noted some tenants were using their T-hangar spaces for maintenance-type operations. It is unclear as to whether this maintenance is for aeronautical or non-aeronautical purposes.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: OGG needs to determine whether the rental space is being used for aeronautical or nonaeronautical maintenance and have the vendors/tenants sign the appropriate type of lease agreement. If the maintenance is performed on aircraft solely, OGG should develop aeronautical lease rates for commercial leases for aircraft maintenance. Rental space used for non-aeronautical maintenance should be charged an appropriate FMV rental rate at the earliest legal opportunity.

DOTA Response to FAA Conclusion: DOTA has performed a physical audit to ensure tenants are in compliance with T-Hangar usage. It should also be noted that DOTA began performing continuous compliance inspections and issuing citations in March 2013. The DOTA is in the process of developing appropriate notices and guidelines to be sent to all T-hangar tenants.

To accomplish this, DOTA will follow the action plan shown below.

Action Plan:

HRS § 261-7(e) provides a mechanism for the DOTA to set airports rates and charges based on commercial aeronautical use following publication of the rates and charges and conduct of public informational hearings. When airports rates and charges are set in this manner, the DOTA is obligated to report the circumstances and resulting rates and charges to the Legislature.

Since this is a new rate for commercial aeronautical activities for T-Hangars, DOTA will establish 10% of gross receipts as the beginning rate for this activity from T-Hangars and will conduct an assessment on an annual basis to determine if this is a fair and equitable rate and, if appropriate, adjust the rate as necessary.

The DOTA's plan to meet the intent of §261-7 (e) is to do the following:

1. Brief key legislators (Senate President Donna Mercado Kim, Speaker of the House Joseph M. Souki, Senator Clarence K. Nishihara, Chair of the Senate Transportation Committee, and Representative Henry J.C. Aquino, Chair of the House Transportation Committee) on the FAA Findings and Recommendation, the use of §261-7(e) to establish rates for commercial activities from T-Hangars with an effective date of June 30, 2015, proposed schedule for public informational hearings, and the submission of a final report to the

Legislature.

Estimated Completion Date: March 2, 2015.

2. Conduct Public Informational Hearings on each island (Oahu, Hawaii, Kauai, and Maui) for the proposed rates for commercial activities from T-Hangars effective June 30, 2015.

Estimated Completion Date: March 31, 2015.

3. DOTA will notify President Mercado Kim, Speaker Souki, Senator Nishihara and Representative Aquino via written correspondence of the results of the public informational hearings held on each island to establish rates for commercial activities from T-Hangars, including the effective date of the rates of June 1, 2015.

Estimated Completion Date: April 10, 2015.

4. Provide written notice to the public and tenants of the airports facility of the rates and effective date for a 30-day period.

Estimated Completion Date: May 30, 2015.

5. Implement the effective rate by issuing 30 days written notice terminating RP's to tenants conducting commercial activities from T-Hangars with an offer to execute new RP's with the rates for commercial activities from T-Hangars within the 30-day timeframe; or when prospective new tenants are interested in acquiring a T-Hangar to conduct commercial activities.

Estimated Completion Date: June 1, 2015.

6. Submit a report the Legislature on the use of §261-7 (e) and implementation of the new rates for commercial activities from T-Hangars.

Estimated Completion Date: June 15, 2015.

7. Renew all T-Hangar RP's based on the rates for commercial aeronautical activities on annual basis.
- **FAA Final Comment: Concur.** The FAA requests sample documentation to substantiate implementation of action plan.
6. **Free Administrative Space to Federal Government Agencies.** USDA Wildlife Services and TSA have offices located on OGG property. The OGG staff advised that TSA and USDA do not pay rental fees for their administrative spaces. It is unclear

whether the amount of space used is more than a desk or small administrative area. If this is the case, then TSA and USDA should be paying a reasonable rate for use of the space.

DOTA Response: Non-concurrence. DOTA's response indicated that TSA pays for space with the only exception at OGG where TSA is temporarily allowed to use space due to ongoing construction activities to expand the checkpoint and other TSA areas. In addition, you indicated that USDA uses the space for airport operational needs. The USDA Wildlife Services, USDA Plant Protection & Quarantine Cooperative Service Agreement states that OGG "will provide ample office and storage space at Kahului Airport to accommodate seven APHIS-WS personnel, seven APHIS-WH vehicles, operational supplies, equipment and one telephone line for APHIS- WS operational activities".

APHIS-WS had made major repairs to the roof of the building to be considered as an offset to rental fees. In consideration for their investment, USDA's rental rate has been forgiven.

FAA Conclusion: We request DOTA provide a schedule of USDA's costs for major repairs to support the in-kind costs of \$1.5 million. If FAA determines the schedule of costs to support the repairs, the DOTA needs to provide a plan to ensure that they receive a reasonable rent after the \$1.5 million has been offset.

DOTA Response to FAA Conclusion: Copies of a summary schedule showing the offset of rent with capital improvements to building and the USDA property leases were provided by DOTA.

FAA Final Comment: Concur. The capital improvement costs did provide offsets to the appropriate rental charges. We will follow up on the property rent revenues upon the termination of the offsets of the capital improvements.

Marketing.

The marketing findings are consistent with the marketing summary disclosed in the Executive Summary on page 6 of this report. There are no findings localized to Kahului Airport.

Art in Public Places

There were no irregularities noted with the art program at OGG with regard to the Revenue Use Policy.

Attachment 3 – Hilo International Airport



Hilo International Airport (ITO)

Overview

Several findings were noted at Hilo International Airport (ITO). These findings are discussed in more detail below with FAA recommendations and DOTA response. The DOTA has responded with their concurrence or non-concurrence, and their reasoning is briefly summarized. The FAA Final Comments are the response to *The Summary of Findings and Recommendations* section listed above, which discusses the final FAA recommendations and DOTA responses.

Uses of Airport Property and Leases.

The Revenue Use Policy at Section VII requires airport sponsors to ensure their airports are as self-sustaining as possible under the circumstances at their airports. Accordingly, when a sponsor enters into a new or revised agreement, it should ensure the new rates are compatible

with the self-sustainability requirement. In addition, the airport should refrain from entering into leases where the airport receives little or no compensation.

Based on FAA's review of 15 ITO short term leases agreements, three findings were noted: (1) RPs were not awarded at FMV, (2) rent increases did not occur in accordance with airport policy or normal practice, and (3) copies of the lease agreements were not provided to EY. In addition, we suggest ITO consider using a lease agreement rather than an RP for long-term leases (more than 12 months).

Land rental to, or use of land for non-aeronautical purposes at less than fair market value rent, except to the extent permitted by Section VII.D of the Revenue Use Policy, is prohibited.⁴

- 1. Hawaii Fuel Facilities.** This lease was awarded in 1999, and the rate has not increased since inception of the agreement. Hawaii Fuel Facilities is paying \$3,663 per month for 63,706 square feet, which yields approximately \$0.69 per square foot. For this type of aeronautical activity, Hawaii Fueling Facilities should be paying \$0.95 per square foot for industrial improved land use based on the DOTA's schedule of rates and charges for ITO.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: The Revenue Use Policy requires DOTA to ensure it increases Hawaii Fuel Facilities rental rates to levels that are compatible with other aeronautical users, at the earliest legal opportunity.

DOTA Response to FAA Conclusion: The DOTA is in the process of issuing a new Revocable Permit. DOTA provided a copy of their correspondence with Hawaii Fueling Facilities Corporation. The new RP will increase the rent to reflect the fair market rental rate and includes recovery of utilities. The new revocable permit and rent increase is scheduled to be in place no later than June 30, 2015.

FAA Final Comment: Concur. Please provide a copy of the new RP.

- 2. Helicopter Consultants of Maui.** We were not provided this lease agreement and could not validate the amount of square footage being used by Helicopter Consultants of Maui (Helicopter Consultants). Without knowing the actual square footage of the lease, we could not confirm whether Helicopter Consultants' current payment is reasonable. Helicopter Consultants should be paying the stated rate in the schedule of rates and charges for this type of aeronautical activity. They are currently paying \$222 per month, which seems unusually low compared to other aeronautical users.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: We request ITO to provide us a copy of the agreement and certify Helicopter Consultants is paying an appropriate aeronautical rate. If Helicopter

⁴ FAA Policy and Procedure Concerning the Use of Airport Revenue, Section VII.D, page 7720.

Consultants is paying a rate less than what is prescribed in the schedule of rates and charges, ITO needs to increase the rate at the earliest legal opportunity.

DOTA Response to FAA Conclusion: The DOTA is beginning the process of issuing new parking permits to cover these areas and charging square footage rent. It is anticipated that the issuance of new permits at the increased rate will be completed by July 1, 2015.

Issuance of new Revocable Permits and Parking Permits requires the following actions:

1. Notification to tenant that a new Revocable Permit will be issued.
2. Filing of all appropriate documents by the tenant with DOTA.
3. Submittal to the Board of Land and Natural Resources (Land Board).
4. Approval by the Land Board
5. Execution of the RP by (in this order) tenant, Director of Transportation, and Land Board Chair.

The earliest the process can be completed is by June 30, 2015.

FAA Final Comment: Concur. The FAA requests a copy of the new RP.

3. **Wesley R. Segawa.** The lease agreement was not provided to the FAA; therefore, we were not able to validate the square footage or other lease terms. Wesley R. Segawa & Associates are civil engineers performing a non-aeronautical activity at ITO.

DOTA Response: Non-concurrence. The DOTA response indicated that since the DOTA provides office space free of charge, the overhead multiplier has been reduced to 2.67 for the duration of the contract to compensate for the office fees not paid.

FAA Conclusion: We request ITO provide us with a copy of the agreement to confirm Wesley R. Segawa & Associates is paying an appropriate non-aeronautical rental rate. If Wesley R. Segawa & Associates is paying a rate less than what is prescribed for non-aeronautical uses in the schedule of rates and charges, ITO needs to increase the rate at the earliest legal opportunity.

DOTA Response to FAA Conclusion: DOTA is not losing revenue by providing free office space to their construction management contractor, Wesley R. Segawa & Associates.

As stated previously, DOTA reduced the contract overhead multiplier of Segawa & Associates for the duration of their contract. Without a reduction in the multiplier from the standard DOTA rate of 3.0 to 2.67, DOTA would have to pay additional overhead costs to the contractor in the amount of \$63,407 for the 3-year period (fiscal years 2011-2013).

The amount of rent that DOTA would have charged to Segawa for this space is

\$11,495 per year for a total of \$34,485 for the 3-year period.

The amount of overhead at the 3.0 rate the DOTA would have to pay to Segawa & Associates is \$97,892. This would have resulted in the DOTA paying an additional \$63,407 in overhead costs to Segawa.

It is for this reason that the State (DOTA) provides office space at no cost to Segawa for the term of their construction management contract. Upon completion of the State's Project No. AH1061-13 and completion of Contract No. 56673, Wesley R. Segawa & Associates will vacate the space.

DOTA attached a summary sheet showing the difference between the current rental rates for the office space currently occupied by Segawa versus the amount of increased overhead expenses the contractor would be entitled to charge the DOTA based on the normal multiplier of 3.0 allowed by DOTA policy.

DOTA provided copies of the following documents to substantiate their determination of offset to rent:

1. Calculation of Rent Exclusion versus the increased DOTA Overhead Costs.
2. Internal audit of the contract multiplier for Segawa (DOTA Memorandum No. AIR-AF 14.0240 dated October 24, 2014.
3. Revocable Permit No. 8265.
4. Copy of page 1 of Attachment S1 the Scope of Services included in the construction management contracts for Project No. AH1061-13.

FAA Final Comment: Concur.

4. **Overflow Rental Car Space.** ITO allows rental car companies to park their unrented vehicles on airport at no charge. The lack of oversight and controls does not ensure ITO is generating maximum revenue.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: ITO should charge fair market value for the use of airport property for parking unrented vehicles. ITO needs to determine the amount of rental space used for the vehicles parked at the airport and charge an appropriate rate at the soonest legal opportunity.

DOTA Response to FAA Conclusion: The DOTA is beginning the process of issuing parking permits to cover these areas and charging square footage rent. It is anticipated that the issuance of new permits with the increased rate will be completed by June 30, 2015. Parking Permit No. PP-13-S256 currently at \$0.83 PSFPA will be increased to \$1.10 PSFPA.

FAA Final Comment: Concur. The FAA will follow-up to determine implementation status. Please provide a copy of the new RP.

5. **Utility Costs.** Utility Costs are not being charged to tenants with Revocable Permits, including T-hangar tenants. Airport management advised FAA that ITO does not attempt to recover utility costs (water, electric, or sewer, etc.) from its tenants normally.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: ITO needs to recoup the costs for providing utilities to T-hangar and other tenants who currently benefit from these services. Analysis for the new rate should include cost of new meters and monthly charges based on historic usage.

DOTA Response to FAA Conclusion: In April 2014, the DOTA began charging tenants in ITO and LIH. At HNL, OGG and KOA, DOTA is in the process of preparing the required notices to T-Hanger tenants for the costs of utilities (electricity and water). The date to begin charging the T-Hanger tenants for utilities is established as July 1, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine implementation status. Please provide a sample copy of new lease when available.

6. **T-Hangar Space Usage.** During the perimeter tour, the review team noted some tenants were using their T-hangar spaces for maintenance-type operations. It is unclear as to whether this maintenance is for aeronautical or non-aeronautical purposes.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: ITO needs to determine whether the rental space is being used for aeronautical or nonaeronautical maintenance and sign the vendors/tenants to the appropriate type of lease agreement. If the maintenance is being performed on aircraft, ITO should develop aeronautical lease rates for commercial leases for aircraft maintenance. Rental space used for non-aeronautical maintenance should be charged the appropriate FMV rental rate at the earliest legal opportunity.

DOTA Response to FAA Conclusion: DOTA has performed a physical audit to ensure tenants are in compliance with T-Hangar usage policy. It should also be noted that DOTA began performing continuous compliance inspections and issuing citations in March 2013. The DOTA is in the process of developing appropriate notices and guidelines to be sent to all T-hangar tenants.

To accomplish this, DOTA will follow the action plan shown below.

Action Plan:

HRS § 261-7 (e) provides a mechanism for the DOTA to set airports rates and

charges following publication of the rates and charges and conduct of public informational hearings. When airports rates and charges are set in this manner, the DOTA is obligated to report the circumstances and resulting rates and charges to the Legislature.

Since this is a new rate for commercial aeronautical activities from T-Hangars, DOTA will establish 10% of gross receipts as the beginning rate for this activity from T-Hangars and will conduct an assessment on an annual basis to determine if this is a fair and equitable rate and, if appropriate, adjust the rate as necessary.

The DOTA's plan to meet the intent of §261-7 (e) is to do the following:

1. Brief key legislators (Senate President Donna Mercado, Kim, Speaker of the House Joseph M. Souki, Senator Clarence K. Nishihara, Chair of the Senate Transportation Committee, and Representative Henry J.C. Aquino, Chair of the House Transportation Committee) on the FAA Findings and Recommendation, the use of §261-7(e) to establish rates for commercial activities from T-Hangars with an effective date of June 1, 2015, proposed schedule for public informational hearings, and the submission of a final report to the Legislature.

Estimated Completion Date: March 2, 2015.

2. Conduct Public Informational Hearings on each island (Oahu, Hawaii, Kauai, and Maui) for the proposed rates for commercial activities from T-Hangars effective June 1, 2015.

Estimated Completion Date: March 31, 2015.

3. DOTA will notify President Mercado Kim, Speaker Souki, Senator Nishihara and Representative Aquino via written correspondence of the results of the public informational hearings held on each island to establish rates for commercial activities from T-Hangars, including the effective date of the rates of June 1, 2015.

Estimated Completion Date: April 10, 2015.

4. Provide written notice to the public and tenants of the airports facility of the rates and effective date for a 30-day period.

Estimated Completion Date: May 30, 2015.

5. Implement the effective rate by issuing 30 days written notice terminating RP's to tenants conducting commercial activities from T-Hangars with an offer to execute new RP's with the rates for commercial activities from T-Hangars

within the 30-day timeframe or when prospective new tenants are interested in acquiring a T-Hangar to conduct commercial activities.

Estimated Completion Date: June 1, 2015.

6. Submit a report to the Legislature on the use of §261-7 (e) and implementation of the new rates for commercial activities from T-Hangars.

Estimated Completion Date: June 15, 2015.

7. Renew all T-Hangar RP's based on the rates for commercial aeronautical activities on an annual basis.

DOTA provided a copy of State Memorandum No. AIR-A 15.022 dated February 11, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine status of implementation of adjusted rates. Please provide sample documentation to substantiate implementation of the action plan detailed above.

Marketing.

The marketing findings are consistent with the marketing summary disclosed on page 6 of the Executive Summary above. There are no findings that are localized to ITO.

Art in Public Places.

The FAA found no irregularities with the art program at ITO that do not comply the Revenue Use Policy.

Attachment 4 – Kona Airport



Kona International Airport (KOA)

Overview

Several findings were noted at Kona International Airport (KOA) during the review of DOTA. These findings are discussed in more detail below with FAA recommendations and DOTA response. The DOTA has responded with their concurrence or non-concurrence, and their reasoning is briefly summarized. The FAA Final Comments are the response to *The Summary of Findings and Recommendations* section listed above, which discusses the final FAA recommendations and DOTA responses.

Uses of Airport Property and Leases.

The Revenue Use Policy at Section VII requires airport sponsors to ensure their airports are as self-sustaining as possible under the circumstances at their airports. Accordingly, when a sponsor enters into a new or revised agreement, it should ensure the new rates are compatible with the self-sustainability requirement. In addition, the airport should refrain from entering into leases where the airport receives little or no compensation.

Based on our review, three findings, as well as other property related findings, were noted at KOA, and one finding was noted at the DOTA level. (1) Leases were not awarded at FMV, (2) Three leases did not have rent increases in accordance with airport policy and/or normal practice, (2) Three leases were not filed in the lease folder and/or KOA was not able to locate the file. Two leases did not appear to have a formal agreement in place.

1. **Aeko Kula, Inc. /SWFC.** The lease agreement was not provided to the FAA; therefore, we were not able to validate the square footage or the amount of rent paid. Aeko Kula, Inc. /SWFC (Aeko) provides cargo services at the airport and is pays a rental rate of \$800 per month.

DOTA Response: DOTA indicated that the lease agreement was located and certified Aero Kula is being billed \$5,511.56 monthly for its space. The rate will be adjusted to the current rate by January 1, 2015.

FAA Conclusion: We request a copy of the lease agreement between Aeko Kula and DOTA to confirm Aeko Kula is paying an appropriate aeronautical rate. If Aeko Kula is paying a rate less than what is prescribed for aeronautical uses in the schedule of rates and charges, KOA needs to increase the rate as soon as it is legally possible.

DOTA Response to FAA Conclusion: DOTA was unable to adjust the lease rate by January 1, 2015, due to the change in administration in the State of Hawaii.

The DOTA is beginning the process to issue a new RP permit with the new, increased rate to be completed by June 1, 2015.

Issuance of new Revocable Permits and Parking Permits requires the following actions:

1. Notification to tenant that a new Revocable Permit will be issued.
2. Filing of all appropriate documents by the tenant with DOTA.
3. Submittal to the Board of Land and Natural Resources (Land Board).
4. Approval by the Land Board
5. Execution of the RP by (in this order) tenant, Director of Transportation, and Land Board Chair.

The earliest the process can be completed is by June 30, 2015.

DOTA provided the requested copy of Revocable Permit No. RP-6733.

FAA Final Comment: Concur. FAA will follow-up to determine status of implementation of updated lease rates.

2. **Direct Freight Service Hawaii, Inc.** In 2006, a parking permit was issued for 10,000 square feet of paved surface for storage of container trailers at a rental rate of \$587.33/month. The average KOA parking stall is usually 250 square feet, which is equivalent to 40 parking stalls in this case. According to the 2007 Schedule of Rates and Charges, the automobile parking stalls rate for uncovered parking is \$70 per month. Therefore, the monthly rate should have been \$2,800 per month (40 parking stalls X \$70 per month for each parking stall) instead of \$587.33 per month. The rate has not been increased since the inception of the lease. We believe Direct Freight was under billed \$180,960 for 80 months calculated at the 2007 rate and 7 months calculated at the 2014 rental rate.

DOTA Response: DOTA responded that Direct Freight is charged for bulk land at a rate of \$0.70 per square foot. The land is undeveloped because there are no utilities in place. This would revise the calculation to \$583.33/month instead of the \$587.33/month that they are currently paying. The rate is based on the established Rates and Charges.

FAA Conclusion: We recommended that KOA revise the lease agreement and increase the rate as soon as it is legally possible. The FAA was unable to locate the \$0.70 per sq. foot rate on the Schedule of Rates and Charges. The DOTA needs to provide supporting documentation for the rate.

DOTA Response to FAA Conclusion: Since these findings, the tenant was found in default and ordered to vacate effective September 5, 2014. The lease has expired effective October 31, 2014. KOA Airport Assistant Supervisor will confiscate abandoned property and prepare for disposal as allowed by law. As of February 11, 2015, the KOA Airport Assistant Supervisor has been provided instructions by the Attorney General's Office concerning disposition of DFS abandoned property via public auction.

FAA Final Comment: Concur. The FAA will follow-up to determine if the tenant's abandoned property was auctioned and the disposition of revenues received by the DOTA.

3. **Federal Express Corporation-KOAFc.** The lease agreement with Federal Express is for cargo parking spaces at KOA. Federal Express currently pays a rate of \$2,360. Documentation received from the State of Hawaii indicates the rate was scheduled to increase to \$2,940 per month starting April 2012, but it has not been increased.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: We recommended that KOA revise the rental rate as soon as it is legally possible to reflect fair market value.

DOTA Response to FAA Conclusion: The DOTA is beginning the process to issue a new RP permit with the new, increased rate to be completed by June 1, 2015.

Issuance of new Revocable Permits and Parking Permits requires the following actions:

1. Notification to tenant that a new Revocable Permit will be issued.
2. Filing of all appropriate documents by the tenant with DOTA.
3. Submittal to the Board of Land and Natural Resources (Land Board).
4. Approval by the Land Board
5. Execution of the RP by (in this order) tenant, Director of Transportation, and Land Board Chair.

The earliest the process can be completed is by June 30, 2015.

FAA Final Comment: Concur. FAA will follow-up to determine status of implementation of updated lease rates.

4. **Alamo Rental, Inc.** The lease agreement with Alamo-Rent-a-Car is for car rental operations at KOA. Alamo currently pays a monthly rate of \$4,281.87 for approximately 65,041 square feet of improved/paved land, which has not changed since the origination of the agreement on July 13, 1998. The lease contains a provision to increase the monthly rental at any time upon thirty days advanced written notice. According to the Schedule of Rates and Charges, Alamo should be paying \$1.23 per square foot for car rental use on improved land, which yields approximately \$6,666 per month.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: We recommend KOA revise the lease agreement to adjust the rental rate to the appropriate level per the Schedule of Rates and Charges at the earliest legal opportunity.

DOTA Response to FAA Conclusion: The DOTA is beginning the process to issue a new RP permit with the new, increased rate to be completed by June 1, 2015.

Issuance of new Revocable Permits and Parking Permits requires the following actions:

1. Notification to tenant that a new Revocable Permit will be issued.
2. Filing of all appropriate documents by the tenant with DOTA.
3. Submittal to the Board of Land and Natural Resources (Land Board).
4. Approval by the Land Board
5. Execution of the RP by (in this order) tenant, Director of Transportation, and Land Board Chair.

The earliest the process can be completed is by June 30, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine status of implementation of updated lease rates.

5. **Onizuka Space Center.** This space center museum was established at KOA in the 1990s after native Hawaiian Astronaut Ellison S. Onizuka was killed in the Challenger Space Shuttle disaster. There is no lease agreement for the museum. In addition, the museum pays no rent and the utilities charges are not being recouped by KOA. In addition, no portion of the \$1-\$3 entry fees is shared with the airport. According to the Deputy Director Airports Division, the airport is in the process of relocating the museum.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: The Onizuka Space Center should be charged a non-aeronautical FMV rental rate. If the museum is not relocated, we recommend KOA develop a lease agreement at the earliest legal opportunity.

DOTA Response to FAA Conclusion: The relocation of the Onizuka Space Center has been cancelled. The Onizuka Space Center will be demolished as part of a terminal modernization project. The DOTA will not provide any replacement facility.

The current anticipated start of construction of the KOA Modernization Program is May 2016. The Onizuka Memorial Committee has requested six months of notice to vacate which would set the tenancy end date at October 31, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine status of the vacated status of the Onizuka Space Center.

6. **National Energy Lab.** We were not provided the lease agreement for the National Energy Lab. A lease agreement with the Hawaii Department of Land and Natural Resources (DLNR) and the National Energy Lab does exist, but KOA was not able to provide a lease agreement between the DOTA and National Energy Lab. Therefore, we could not validate any of the lease terms including the square footage occupied, duration of lease agreement, or the rental rate being charged.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: We request a copy of the lease agreement between DOTA and National Energy Lab to confirm that a lease agreement does exist and the terms of the agreement for our review. If National Energy Lab is paying a rate less than what is prescribed for non-aeronautical uses in the schedule of rates and charges, KOA needs to increase the rate at the earliest legal opportunity. Title 49 USC 47107(n) includes a statute of limitations that allows the recovery of funds illegally diverted up to six years after the illegal diversion occurs.

DOTA Response to FAA Conclusion: Please note the correct name is “Natural Energy Laboratory of Hawaii Authority (NELHA). There is no lease agreement between the DOTA and NELHA.

As DLNR is the overall land management office for the State of Hawaii, no formal documentation was ever completed to allow DLNR to remove those questioned parcels of land previously assigned to Airports Division. Subsequently DLNR formalized lease agreements with NELHA. At that time, NELHA was a state agency under the direction of DLNR. Under Act 236, Session Laws of Hawaii 1974 established NELHA as a State Agency. A copy of the latest Airport Layout Plan approved by the FAA on December 10, 2012 was provided showing the NELHA property outside of the airport boundary (land west of the airport boundary).

The NELHA site is state land and has always been state land. No federal funds were used for the purchase of, nor any improvements within, those questioned

parcels of land.

The DOTA is awaiting an opinion from the State Attorney General on the intent of the language in the Governor's Executive Order No. 3074 to determine who has control over the those questioned parcels.

Pending the Attorney General's decision, DOTA will pursue a corrective action. Any formal action taken may require the review and approval of the State legislature, which may take as long as one year to obtain the legislative approvals for land release, transfer or Governor's Executive Order.

Our current timeline to accomplish the final resolution of the status of NELHA lands is shown below.

Between February 1 and March 1, 2015, DOTA reviewed all historical documentation related to the Natural Energy Laboratory of Hawaii Authority including all enacted laws, Governor Executive Orders, leases and all related documentation.

On March 12, 2015, a meeting was held with DLNR staff. At the meeting with DLNR, it was disclosed that no revenues have ever been collected by DLNR from NELHA. Moreover, to the best of their knowledge, there is no documentation releasing the NELHA lands from DOTA to DLNR.

FAA Final Comment: The FAA will follow-up to determine the status of rightful ownership of the property occupied by NELHA.

7. **Overflow Rental Car Space.** KOA allows rental car companies to park their unrented vehicles on airport property for less than fair market value.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: KOA should charge FMV for the use of airport property for parking unrented vehicles. In addition, the airport should consider implementing oversight and controls to verify that the airport is being paid accurately.

DOTA Response to FAA Conclusion: The DOTA is beginning the process of issuing parking permits to cover these areas and charging square footage rent. It is anticipated the issuance of new permits with the new increased rates will be completed by June 30, 2015.

FAA Final Comment: Concur. FAA will follow-up to determine the status of the issuance of new permits reflecting new rates.

8. **Utility Costs.** Utility Costs were not charged to tenants with RPs including T-hangar tenants. Airport management advised the FAA that KOA does not attempt to recover utility costs (water, electric, or sewer, etc.) from its tenants.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: Unless the airport tenant leases explicitly state that utilities are included in the rental rates, the airport should be recouping the costs for providing utilities to T-hangar and other tenants who currently benefit from these services, but do not pay for them.

DOTA Response to FAA Conclusion: In April 2014, the DOTA began charging tenants at ITO and LIH for utility costs. At HNL, OGG and KOA, DOTA is in the process of preparing the required notices to T-Hanger tenants to recover the costs for utilities (electricity and water). The date to begin charging the T-Hanger tenants for utilities is established as July 1, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine if utility costs are recovered in lease agreements.

9. **Non-aeronautical Use of T-Hangar Space.** Some tenants are using their T-hangar spaces for maintenance-type operations. It is unclear as to whether this maintenance is for aeronautical or non-aeronautical purposes.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: KOA needs to determine the amount of space used for non-aeronautical maintenance and charge an appropriate rental rate as soon as it is legally possible.at the soonest opportunity.

DOTA Response to FAA Conclusion: DOTA has performed a physical audit to ensure tenants are in compliance with T-Hangar usage. It should also be noted that DOTA began performing continuous compliance inspections and issuing citations in March 2013. The DOTA is in the process of developing appropriate notices and guidelines to be sent to all T-hangar tenants.

To accomplish this, DOTA will follow the action plan shown below:

Action Plan:

HRS § 261-7 (e) provides a mechanism for the DOTA to set airports rates and charges following publication of the rates and charges and conduct of public informational hearings. When airports rates and charges are set in this manner, the DOTA is obligated to report the circumstances and resulting rates and charges to the Legislature.

Since this is a new rate for commercial aeronautical activities from T-Hangars, DOTA will establish 10% of gross receipts as the beginning rate for this activity from T-Hangars and will conduct an assessment on an annual basis to determine if this is a fair and equitable rate and, if appropriate, make adjust the rate as necessary.

The DOTA's plan to meet the intent of §261-7 (e) is to do the following:

1. Brief key legislators (Senate President Donna Mercado Kim, Speaker of the House Joseph M. Souki, Senator Clarence K. Nishihara, Chair of the Senate Transportation Committee, and Representative Henry J.C. Aquino, Chair of the House Transportation Committee) on the FAA Findings and Recommendation, the use of §261-7(e) to establish rates for commercial activities from T-Hangars with an effective date of June 1, 2015, proposed schedule for public informational hearings, and the submission of a final report to the Legislature.

Estimated Completion Date: March 2, 2015.

2. Conduct Public Informational Hearings on each island (Oahu, Hawaii, Kauai, and Maui) for the proposed rates for commercial activities from T-Hangars effective June 1, 2015.

Estimated Completion Date: March 31, 2015.

3. DOTA will notify President Mercado Kim, Speaker Souki, Senator Nishihara and Representative Aquino via written correspondence of the results of the public informational hearings held on each island to establish rates for commercial activities from T-Hangars, including the effective date of the rates of June 1, 2015.

Estimated Completion Date: April 10, 2015.

4. Provide written notice to the public and tenants of the airports facility of the rates and effective date for a 30-day period.

Estimated Completion Date: May 30, 2015.

5. Implement the effective rate by issuing 30 days written notice terminating RP's to tenants conducting commercial activities from T-Hangars with an offer to execute new RP's with the rates for commercial activities from T-Hangars within the 30-day timeframe or when prospective new tenants are interested in acquiring a T-Hangar to conduct commercial activities.

Estimated Completion Date: June 1, 2015.

6. Submit a report to the Legislature on the use of §261-7 (e) and implementation of the new rates for commercial activities from T-Hangars.

Estimated Completion Date: June 15, 2015.

7. Renew all T-Hangar RP's based on the rates for commercial aeronautical activities on an annual basis.

DOTA provided a copy of State Memorandum No. AIR-A 15.022 dated February 11, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine status of implementation of adjusted rates.

- 10. Free Administrative Space to Federal Government Agencies.** TSA has offices located on KOA property. The KOA staff advised the EY team that TSA does not pay rental fees for their administrative spaces. We were not provided a copy of the lease agreement to determine the amount of rental space and rental rates negotiated with TSA.

DOTA Response: DOTA did not provide a response to this finding made by the FAA.

FAA Conclusion: We request a copy of the lease agreement between KOA and TSA to determine the amount of space used and the appropriate rental rate.

DOTA Response to FAA Conclusion: As requested copies of the RPs between DOTA and TSA at KOA were provided as listed below:

- a. Revocable Permit No. 8028 dated November 2, 2012 (2 pages)
- b. Notice of Termination No. 8409 effective April 30, 2014 for RP 8028 (1 page)
- c. Revocable Permit No. 8158 dated May 1, 2014 (2 pages)

There is an additional small office space located on the second floor of the Administration Building at KOA currently in use by TSA without a current RP. The DOTA is beginning the process to issue an RP for this smaller office space, which is scheduled to be completed by July 1, 2015.

Issuance of new Revocable Permits and Parking Permits requires the following actions:

1. Notification to tenant that a new Revocable Permit will be issued.
2. Filing of all appropriate documents by the tenant with DOTA.
3. Submittal to the Board of Land and Natural Resources (Land Board).
4. Approval by the Land Board
5. Execution of the RP by (in this order) tenant, Director of Transportation, and Land Board Chair.

The earliest the process can be completed is by June 30, 2015.

FAA Final Comment: Concur. The FAA will follow-up to secure a copy of RP for the additional space occupied by TSA. Revocable Permit No. 8158 complies with revenue use requirements.

Marketing.

The marketing findings are consistent with the marketing summary disclosed in the Executive Summary on page 6 of this report. There are no findings localized to Kona Airport.

Art in Public Places.

The FAA found no irregularities with the art program at Kona Airport. The art program at Kona Airport complies with the Revenue Use policy.

Attachment 5 – Lihue Airport



Lihue Airport (LIH)

Overview

Several findings were noted at Lihue Airport (LIH) during the review of DOTA. These findings are discussed in more detail below with FAA recommendations and DOTA response. The DOTA has responded with their concurrence or non-concurrence and their reasoning is briefly summarized. The FAA Final Comments are the response to *The Summary of Findings and Recommendations* section listed above, which discusses the final FAA recommendations and DOTA responses.

Use of Airport Property and Leases

Based on FAA's review of 15 Airport lease agreements, two findings were noted: (1) RPs were not awarded at fair market value (FMV), and (2) rent increases did not occur in accordance with airport policy or normal practice. These findings were noted for following five of the 15 samples:

1. **Kevin Britt.** The RP for a hangar lease was initiated in 2004 at a rental rate below FMV and with no escalation in the rental rate since initiation. The original rental rate was set at

\$368 per month when FMV at the time was \$604 per month. The current rental rate in FY 2014 is set at \$815 for a small plane hangar.

DOTA Response: The DOTA did not respond to the observation made by the FAA.

2. **Citizens Utility Company.** This RP is a lease of improved property for the storage of a propane tank at LIH since 1997. The original rental rate was set at \$61 per month and has not been increased to the current rental rate of \$114 per month.

DOTA Response: The DOTA did not respond to the observation made by the FAA.

3. **Marriott Resorts.** LIH and Marriott Resorts entered into an RP to provide access between LIH and the Marriott Resort. The RP was set up in 1995 at a rental rate of \$1,000 per month increasing to \$2,000 after six months. However, the rental rate was decreased to the current rate of \$1,000 per month in 2003. The approximate rental rate in 2014 would be \$3,000.

DOTA Response: The DOTA did not respond to the observation made by the FAA.

4. **Kauai Lagoons Golf Course.** The RP was agreed to in 1991 at a rental rate of \$0.17 per square foot. There has not been any adjustment in the rental rates since inception of the RP.

DOTA Response: The DOTA did not respond to the observation made by the FAA.

FAA Conclusion for the Four Findings Above:

Per FAA Order 5190.6B, FAA airport Compliance Manual, Appendix E, Section VI, "Prohibited Uses of Airport Revenue," Subsection 8: land rental to, or use of land for nonaeronautical purposes at less than fair market value rent, except to the extent permitted by Section VII.D of this policy, is prohibited. We recommend that DOTA/LIH at the earliest possible opportunity to renegotiate the leases establishing rental rates at a FMV level and an escalation of the rental rates during the course of the lease. We also recommend that DOTA consider developing long-term lease agreements for airport property that will extend beyond 12 months.

DOTA Response to FAA Conclusion: The DOTA is beginning the process to issue a new RP permit with the new, increased rate to be completed by June 30, 2015.

Issuance of new Revocable Permits and Parking Permits requires the following actions:

1. Notification to tenant that a new Revocable Permit will be issued.
2. Filing of all appropriate documents by the tenant with DOTA.
3. Submittal to the Board of Land and Natural Resources (Land Board).
4. Approval by the Land Board
5. Execution of the RP by (in this order) tenant, Director of Transportation, and Land Board Chair.

The earliest the process can be completed is by June 30, 2015.

DOTA provided a copy of State Letter No. AIR-K 15.020 dated March 11, 2015 establishing the new rates and providing an application for a new revocable permit.

FAA Final Comment: Concur. DOTA did provide a copy of the new RP with Marriott Resorts. The new rental rate of \$3,775.15 became effective on November 1, 2014. The FAA requests a copy of the renewed RPs when issued by DOTA to Kevin Britt, Citizens Utility Company and Kauai Lagoon Golf Course.

5. **GSA- Transportation Security Administration (TSA).** The RP was established in 2003 implementing a rental rate at FMV. There has not been any increase in the rental rate since 2003, and the RP was terminated on December 31, 2011. The TSA is still using the area for administrative purposes at no charge.

DOTA Response: The DOTA did not respond to the observation made by the FAA.

FAA Conclusion: We recommend renegotiating a new lease for TSA's administrative functions. LIH should seek reimbursement of FMV rental fees plus utility costs for the period from January 1, 2012 to current date. The amount of unpaid rent would approximate \$52,000 as of September 30, 2014 at the terminated RP rental rate.

DOTA Response to FAA Conclusion: The DOTA issued a new Revocable Permit on July 8, 2014 and included a copy of the RP.

FAA Final Comment: Concur.

6. **Overflow rental car parking.** Rental car companies located on LIH are using airport property for parking unrented vehicles at no charge.

DOTA Response: Non-concurrence. The DOTA states that they are charging the rental car companies a monthly rate of \$1,267 per month. However, Dollar Car Rental is being charged \$1,133 monthly. New permits will be issued effective January 1, 2015 which correct the rates to FMV.

FAA Conclusion: LIH should be charging FMV for the overflow parking by the rental companies. We recommend LIH should implement an oversight process and controls to verify the number of cars parked and the duration for each vehicle to ensure LIH is receiving the appropriate revenues. We request copies of the parking permits prior to January 1, 2015 and the new parking permits that are now effective for our review.

DOTA Response to FAA Conclusion: DOTA was unable to adjust the lease rate by January 1, 2015, due to the change in administration for the State of Hawaii. The DOTA is beginning the process of issuing parking permits to cover

these areas and charging square footage rent. It is anticipated the issuance of new permits with the new, increased rate will be completed by June 30, 2015.

Copies of the previous parking permits for Alamo, Avis, Budget, Hertz, National and DTG were provided by DOTA. Parking permits (PP-06-K001 to K005 and K007) for the rental car companies will be revised from the current rate of \$0.76 to \$0.87 psfpa. The \$0.87 rate is being assessed because the area is an open field, not paved or graded. The lot has no utilities and the access road is not within a reasonable distance from the property line. The rate of \$0.87 is the rental rate for undeveloped property in the Airports Division Procedures 4.5 Rates and Charges.

FAA Final Comment: Concur. The FAA requests DOTA provide copies of the new parking permits for the rental car companies (Alamo, Avis, Budget, Hertz, National, and DTG) as they are issued.

7. **T-Hangar rental space.** During the perimeter tour of LIH, it was noted that several of the T-Hangar spaces were being used for commercial maintenance of small aircraft. There was no available space for parking any type of aircraft.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: We recommend DOTA develop a separate rental rate for commercial leases of the T-Hangars if the commercial maintenance of small aircraft is the highest and best use of the space.

DOTA Response to FAA Conclusion: DOTA has performed a physical audit to ensure tenants are in compliance with T-Hangar usage. It should also be noted that DOTA began performing continuous compliance inspections and issuing citations in March 2013. The DOTA is in the process of developing appropriate notices and guidelines to be sent to all T-hangar tenants.

To accomplish this, DOTA will follow the action plan shown below:

Action Plan:

HRS § 261-7 (e) provides a mechanism for the DOTA to set airports rates and charges following publication of the rates and charges and conduct of public informational hearings. When airports rates and charges are set in this manner, the DOTA is obligated to report the circumstances and resulting rates and charges to the Legislature.

Since this is a new rate for commercial aeronautical activities from T-Hangars, DOTA will establish 10% of gross receipts as the beginning rate for this activity from T-Hangars and will conduct an assessment on an annual basis to determine if this is a fair and equitable rate and, if appropriate, adjust the rate

as necessary.

The DOTA's plan to meet the intent of §261-7 (e) is to do the following:

1. Brief key legislators (Senate President Donna Mercado Kim, Speaker of the House Joseph M. Souki, Senator Clarence K. Nishihara, Chair of the Senate Transportation Committee, and Representative Henry J.C. Aquino, Chair of the House Transportation Committee) on the FAA Findings and Recommendation, the use of §261-7(e) to establish rates for commercial activities from T-Hangars with an effective date of June 1, 2015, proposed schedule for public informational hearings, and the submission of a final report to the Legislature.

Estimated Completion Date: March 2, 2015.

2. Conduct Public Informational Hearings on each island (Oahu, Hawaii, Kauai, and Maui) for the proposed rates for commercial activities from T-Hangars effective June 1, 2015.

Estimated Completion Date: March 31, 2015.

3. DOTA will notify President Mercado Kim, Speaker Souki, Senator Nishihara and Representative Aquino via written correspondence of the results of the public informational hearings held on each island to establish rates for commercial activities from T-Hangars, including the effective date of the rates of June 1, 2015.

Estimated Completion Date: April 10, 2015.

4. Provide written notice to the public and tenants of the airports facility of the rates and effective date for a 30-day period.

Estimated Completion Date: May 30, 2015.

5. Implement the effective rate by issuing 30 days written notice terminating RP's to tenants conducting commercial activities from T-Hangars with an offer to execute new RP's with the rates for commercial activities from T-Hangars within the 30-day timeframe or when prospective new tenants are interested in acquiring a T-Hangar to conduct commercial activities.

Estimated Completion Date: June 1, 2015.

6. Submit a report the Legislature on the use of §261-7 (e) and implementation of the new rates for commercial activities from T-Hangars.

Estimated Completion Date: June 15, 2015.

7. Renew all T-Hangar RP's based on the rates for commercial aeronautical activities on an annual basis.

DOTA provided a copy of State Memorandum No. AIR-A 15.022 dated February 11, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine status of implementation of adjusted rates.

8. **Utility Costs.** Utility costs are not being charged to tenants with RPs including T-Hangars. Airport management advised that they do not recover the utility costs as matter of practice. This practice applies to the commercial use of T-Hangars, which could require utility services.

DOTA Response: The DOTA did not respond to the finding made by the FAA.

FAA Conclusion: We recommend LIH should establish a policy of recouping the costs of utilities from tenants to ensure the self-sustainability of LIH. The tenants rather than LIH bearing these costs should reimburse utility costs not incurred for the operations of LIH.

DOTA Response to FAA Conclusion: In April 2014, the DOTA began charging tenants at ITO and LIH for utility costs. At HNL, OGG and KOA, DOTA is in the process of preparing the required notices to T-Hanger tenants to recover the costs for utilities (electricity and water). The date to begin charging the T-Hanger tenants for utilities is established as July 1, 2015.

FAA Final Comment: Concur. The FAA will follow-up to determine if utility costs are recovered in lease agreements.

Marketing

The marketing findings are consistent with the marketing summary disclosed in the Executive Summary on page 6 of this report. There are no findings that are localized to LIH.

Art in Public Places

The FAA found no irregularities with the art program at Lihue Airport. The art program at Lihue Airport complies with the Revenue Use policy.

Wildlife Hazard – Nene Geese

The Nene Goose is the State bird of Hawaii. Their presence at an airport presents a risk to aviation safety, because of their large body size, flocking behavior, and low, slow flight pattern.



LIH is part of the natural habitat for the Nene geese, and they are frequently observed flying across the runways. On April 14, 2011, the governor of the State of Hawaii signed a proclamation authorizing the Department of Land and Natural Resources (DLNR) and DOT to work collaboratively relocating four hundred Nene geese that reside at the Kauai Lagoons to the Hawaii Island and Maui. The proclamation declared that the large bird numbers residing adjacent to LIH posed a serious threat to public aviation safety. The proclamation was for a five year period ending April 15, 2016.

According to the plan, successful implementation of the Nene Relocation Project requires the identification of suitable relocation sites on Hawaii Island and Maui; preparation of the sites; habitat management; biosecure quarantine facility; safe capture and handling; veterinary care; predator control; tracking control; and response to any unacceptable movements or behavior detected in the release of the birds for their and the public's safety. In the MOU between the DLNR and the DOT, the DLNR would implement the plan as well as furnish all personnel, equipment, and supplies necessary and the DOT agreed to fund the program.

In FY 2013, DOTA has funded \$800,000 for the capture, caring, removal, and the reintegration of the Nene Goose away from Lihue Airport. In previous years, the program has cost DOTA \$1.5 million with estimates of \$1 million required in the final two years of the program.

Response by DOTA: Partial Concurrence. DOTA proposes to include the Nene Goose issue as a part of their Wildlife Hazard Management Plan under Part 139-Certification of Airports, Section 139.337 Wildlife Hazard Management. The DOTA plan going forward will be to negotiate the wildlife hazard managements with the adjacent landholders. Costs will be negotiated and shared with the adjacent landholders.

FAA Conclusion: The Nene Goose is not only the state bird of Hawaii; it is also identified as critically endangered by USFWS. The steps taken and funding necessary to mitigate the risk it represents are understandable, justifiable and laudable. The DOTA and DLNR should be commended for the efforts put forth to move upwards of 400 individual geese. The FAA's concern comes from reports of relocated geese becoming a hazard at new airports (Kahului and Maui) near new relocation sites. The preferred separation distance is 5 miles for wildlife hazard attractants, and with the new sightings, a mistake was made in choosing a suitable site; thus wasting time and funding. We also read that the plan requires predator control as well as tracking devices on some birds to track and monitor survival and movements necessary for management. There is no mention of a time frame, which could mean the FAA and DOTA funding predator control in perpetuity for the insured or improved survival of the geese.

The DLNR and the DOTA are seeking an additional \$1 million funding beyond the \$2.3 million already invested to finish the capture and relocation efforts for the last two years of the project.

DOTA should request the FAA to review the relocation sites selected and the monitoring and movement data already collected from trans-located birds to determine whether the relocation sites are suitable. Finally, alternatives must be considered including attractive water impoundments near airports, permanent biologists at each airport to monitor and mitigate wildlife hazards, and the DLNR personnel to provide assistance with predator control activities without the reliance on airport revenues.

DOTA Response the FAA Conclusion:

Historical Data: The FAA's Airport District Office directed DOTA to address the Lihue Airport Nene Goose population that created an emergency safety and health issues for aviation. The Governor's Proclamation authorized general funds over a 5-year period to include Federal and State agency mobilization to address the Nene Goose relocation amongst various islands. The FAA's Airports District Office previously reviewed the local planning and funding source.

The DOTA agreement with DLNR for the NENE Relocation Program will end on June 30, 2016. The DOTA currently has another existing contract with USDA for Wildlife Management Hazards which has funding in the FY15 Fourth Quarter for the hazing program to ensure Nene Geese do not enter aircraft flight paths or nest in ground areas bordering airport approaches.

The DLNR has reduced their annual expenditures for FY15 from \$800,000 to \$630,000. USDA will continue the work functions DLNR is unable to conduct with the residual funds.

The DOTA has no Wildlife Biologist staff to conduct analysis of Nene Goose impacts on the neighboring islands. DOTA accomplishes such activities through a FAA-approved, statewide USDA Wildlife Management Plan contract at Hawaii's 15-Public Airports. It is understood that the wildlife issues will continue with Nene population reductions/increases and continuous statewide monitoring by an approved FAA USDA Wildlife Biologist will be handled as shown in the timeline below.

March 1, 2015: USDA will hire one (1) Wildlife Biologist and (1) Technician to conduct an assessment and implement hazing program.

April 1, 2015: USDA and DNLR will implement cost benefit for hazing Nene Geese with available funds from the DNLR contract agreement.

July 1, 2015: DOTA to increase funding to USDA through FY16-17 Nene Geese monitoring and hazing with funds available under the DLNR contract agreement.

June 30, 2016: Agreement ends between DOTA and DLNR for the Relocation of Nene Geese.

July 1, 2016: USDA will have sufficient qualified staff in-place to work with DLNR Relocation of Nene Geese to include monitoring relocation sites, implementation of hazing program between fiscal years. Deputy Attorney General and Wildlife Biologist will be assigned to provide DOTA continuous monitoring and update date action plans.

FAA Final Comment: FAA requests a detailed description of the role the Deputy Attorney General during the monitoring of the relocation sites and the hazing programs between fiscal years. The FAA would appreciate being an active participant as the DOTA and partners work to resolve the Nene Goose issue.

Appendix A – Recap of FAA Final Comments and Requests

Honolulu International Airport (HNL)

Use of Airport Property and Leases

- **Budget Rent-A-Car System** – Concur.
- **National Car Rental** – Concur.
- **T-Hangar Usage** – Concur. DOTA provided an action plan to update rates and implement new rates as leases were renewed. FAA requests sample documentation to substantiate implementation of action plan.
- **Utility Costs** - Utility costs were not being charged to tenants. FAA requests sample documentation of lease in which Airport is recovering the utility costs.

Marketing – Concur. DOTA has prepared a new advertising contract. FAA requests a copy of new advertising contract.

Security – DOTA was waiting for a written response from the City and County of Honolulu Prosecutor to determine if the City Prosecutor’s Office will accept felony investigations occurring at HNL directly from the Sheriff’s Airport Detail. FAA requests an update of the status of the City Prosecutor Office’s decision.

Kahului Airport (OGG)

Use of Airport Property and Leases

- **Alexander & Baldwin, Inc.** – Concur.
- **Alamo Rent-A-Car** – Concur. FAA requests a copy of the parking permit for Alamo Rent-A-Car.
- **Overflow Rental Car Space** – Concur. FAA requests a copy of the new parking permit issued.
- **Utility Costs** – Concur. FAA requests a copy of a notice to tenants for utility charges.
- **T-Hangar Space Usage** – Concur. DOTA provided an action plan to update and implement new rates as leases were renewed. FAA requests sample documentation to substantiate implementation of action plan.
- **Free Administrative Space to Federal Government Agencies** – Concur.

Hilo International Airport (ITO)

Use of Airport Property and Leases

- **Hawaii Fuel Facilities** – Concur. DOTA issued a new RP with updated rates. FAA requests a copy of the new RP.
- **Helicopter Consultants of Maui** – Concur. FAA requests a copy of the new RP.
- **Wesley R. Segawa** – Concur.
- **Overflow Rental Car Space** – Concur. FAA requests a copy of the new RP.
- **Utility Costs** – Concur. FAA requests a sample copy of a new lease when available.

- **T-Hangar Space Usage** – Concur. DOTA provided an action plan to update and implement new rates as leases were renewed. FAA requests sample documentation to substantiate implementation of action plan.

Kona International Airport (KOA)

Use of Airport Property and Leases

- **Aeko Kula, Inc. /SWFC** – Concur.
- **Direct Freight Service Hawaii, Inc.** – Concur. Please provide substantiation of auction and disposition of funds.
- **Federal Express Corporation – KOAFC** – Concur. Please provide copy of the new RP agreement.
- **Alamo Rental, Inc.** – Concur. Please provide copy of the new RP agreement.
- **Onizuka Space Center** – Concur. Please provide a status of KOA Modernization Program.
- **Natural Energy Laboratory of Hawaii Authority (NELHA)** – FAA requests a status of the rightful ownership of the property occupied by NELHA and the lease agreement, if applicable.
- **Overflow Rental Car Space** – Concur. Please provide a sample copy of a parking permit.
- **Utility Costs** – Concur. FAA requests a sample copy of a new lease when available.
- **Non-aeronautical Use of T-Hangar Space** - Concur. DOTA provided an action plan to update and implement new rates as leases were renewed. FAA requests sample documentation to substantiate implementation of action plan.
- **Free Administrative Space to Federal Government Agencies** – Concur.

Lihue Airport (LIH)

Use of Airport Property and Leases

- **Kevin Britt** – Concur. FAA requests a copy of the RP when available.
- **Citizens Utility Company** – Concur. FAA requests a copy of the RP when available.
- **Marriott Resorts** – Concur.
- **Kauai Lagoons Golf Course** – Concur. FAA requests a copy of the RP when available.
- **GSA – Transportation Security Administration (TSA)** – Concur.
- **Overflow Rental Car Space** – Concur. FAA requests copies of the new parking permits for the rental car companies utilizing the parking spaces.
- **T-Hangar Space Usage** – Concur. DOTA provided an action plan to update and implement new rates as leases were renewed. FAA requests sample documentation to substantiate implementation of action plan.
- **Utility Costs** – Concur. FAA requests a sample copy of a new lease when available.

Wildlife Hazard – Nene Geese

DOTA provided a timeline for a wildlife hazard mitigation program involving the Nene Goose population on the islands. FAA requests a detailed description of the role the Deputy Attorney

General during the monitoring of the relocation sites and the hazing programs between fiscal years. The FAA would appreciate being an active participant as the DOTA and partners work to resolve the Nene Goose issue.