



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

Office of Airport Compliance  
and Management Analysis

800 Independence Ave., SW.  
Washington, DC 20591

December 5, 2023

Mr. Iftikhar Ahmad  
President/CEO  
Rhode Island Airport Corp.  
2000 Post Road  
Warrick, RI 02886

Re: Transmittal of Draft Financial Compliance Report

Dear Mr. Ahmad:

The Federal Aviation Administration's (FAA), Office of Airport Compliance and Management Analysis (ACO) conducted a financial compliance review at the Rhode Island T.F. Green International Airport (PVD) from October 17 – October 21, 2022. The purpose of the review was to determine if the Rhode Island Airport Corporation (RIAC), airport sponsor and operator of PVD, complies with Airport Improvement Program (AIP) Grant Assurances and the FAA *Policy and Procedures Concerning the Use of Airport Revenue* (Revenue Use Policy), 64 Fed. Reg. 7697 (Feb 16, 1999).

We met with officials at PVD, examined financial records pertaining to the use of airport revenues, and toured the facilities. Our review focused on PVD's Fiscal Year 2021, but included prior years where necessary.

We thank you, your staff, and other RIAC officials for providing us with quick responses to our questions and requests for access to airport records. The review is summarized in the following draft report and identifies areas for your response as part of an action plan. We request that RIAC take these findings under advisement and respond to the FAA within 60 days.

We would be happy to discuss these findings further with you and your staff, as well as review any additional information before submitting your plan. For questions regarding the technical aspects of this letter, please call Lead Financial Management Analyst, Olu Okegbenro at (202) 267-9605.

Sincerely,

**KEVIN WILLIS**

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WILLIS  
Date: 2023.12.05 13:19:05  
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Kevin C. Willis  
Director, Office of Airport Compliance  
and Management Analysis

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

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**RHODE ISLAND T.F. GREEN INTERNATIONAL AIRPORT  
October 17-21, 2022**



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

The Federal Aviation Administration's (FAA) Office of Compliance and Management Analysis (ACO), conducted a financial compliance review at the Rhode Island T.F. Green International Airport (PVD or Airport) to evaluate compliance with Federal statutes and FAA requirements. The FAA conducted this review at PVD and the Rhode Island Airport Corporation (RIAC) offices from October 17-21, 2022.

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

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

We reviewed the following financial topics at PVD:

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

## Financial Data Reported to FAA

### FAA Form 126 and 127 Operating and Financial Summary

Section 111 of the FAA Authorization Act of 1994 established the requirement for commercial service airports to file financial reports with the FAA: Financial Government Payment Report (Form 5100-126) and the Operating and Financial Summary (Form 5100-127). Federal law requires all commercial service airports to file. Commercial service airports are defined as airports with 2,500 or more enplanements in the preceding calendar year and is receiving scheduled passenger aircraft service.

In the case of PVD's financial reporting, the FAA reconciled discrepancies between PVD's Form 5100-126 to PVD's financial accounting system. PVD reports balance sheet, income statement, and airport operations statistical information on Form 5100-127. As part of this financial review, the FAA asked PVD to reconcile selected amounts reported on Form 5100-127 to PVD's general ledger and annual financial statements.

**Conclusion:** The FAA was able to reconcile the amounts reported on PVD Forms 5100-126 and 5100-127 to PVD's accounting records and financial statements. No follow-up is required.

## Uses of Airport Property

### Background

Each federally obligated airport owner is required by statute and Grant Assurance 24, *Fee and Rental Structure*, and Grant Assurance 25, *Airport Revenues*, to have an airport fee and rental structure that allows the airport to be as self-sustaining as possible, and minimizes the airport's reliance on Federal funds and local tax revenues. The FAA has generally interpreted the self-sustaining assurances to require airport sponsors to charge fair market value (FMV) or commercial rates for nonaeronautical uses of airport property.

### Leases and Agreements

The FAA received 114 leases and memorandum of agreements (MOAs) to review from the PVD airport.<sup>1</sup> Of the 114 contracts submitted, 13 leases were signatory and non-signatory airline agreements, 44 were nonaeronautical or commercial leases, 29 were advertising leases, and 28 other contracts and agreements. The FAA reviewed approximately 30% or 35 leases. The leases and agreements pertained to the property and concessions at PVD to determine if the airport sponsor followed acceptable practices for the leasing of airport property.

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<sup>1</sup> MOUs and Leases collectively known as "contracts".

**Recommendation:** The FAA has one recommendation; the FAA believes that RIAC may want to consider revising or modifying the QDC Management lease. The FAA understands that QDC manages the six nonaeronautical revenue producing parcels at Quonset State Airport. Also, QDC collects rent, provides roadway maintenance, snow plowing and other public infrastructure maintenance functions. There is also a small free public beach that they maintain. This lease could have a more robust section with regard to Grant Assurance 5, *Rights and Powers*, as well as an updated subordination clause to meet current standard language. RIAC may consider breaking this lease into two separate standalone documents, a lease for property and a management agreement for the oversight of operations. While the FAA understands they do not approve leases, the responsibility to maintain compliance with Federal obligations falls on the Airport Sponsor.

**Conclusion:** The FAA determined that properties at PVD were appraised at either fair rental value or a fair market value depending on the lease. All properties were appraised before executing a new lease or when a tenant wants to expand their leasehold. Upon an expansion request, a new appraisal is required. The Airport has a thorough leasing policy in place and executes leases in a manner, which is consistent with their Federal obligations.

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### **Marketing/Incentives at PVD**

RIAC spent \$1,257,000 and \$964,000 in 2020 and 2021, respectively for marketing at PVD. The focus is to advertise the convenience of flying in and out of PVD, promoting competition and public awareness, and cooperative airport/airline marketing of new and existing air service. The Chief Marketing Officer oversees advertising, marketing and branding of the airport focusing on markets in Rhode Island, Southern Massachusetts and Northern Connecticut. RIAC uses local advertising partner's digital advertising and print, The Voice of Southern New England, Providence Business News, The Beacon, Go Local Pro among others to disseminate information on PVD. The Marketing staff provided examples of their advertising which included ads on voting for the best small airport, new and existing air services, and the convenience of PVD, some of which are shown in our report.

PVD uses an advertising agency to help procure media space, billboards, and creative development. In addition, PVD uses an air service development consultant to provide data tools to conduct its own market research. The consultant also assisted in 2021, when Gov. Dan McKee signed the legislation that officially renamed the airport, Rhode Island T.F. Green International Airport.

PVD also offers live music within the terminal, which is performed by unpaid local volunteers. PVD has a visitors booth, located in the baggage area and is also manned by volunteers. RIAC does not have cooperative marketing agreements with the Convention and Visitors Bureau however, RIAC has entered into an agreement with Providence Venues and Sports Properties, LLC (PVSP) in FY21. This agreement relates to digital marketing assets, such as website advertising and social media showcasing PVD in conjunction with the Men's Hockey team, the Providence Bruins. PVD pays \$5,000 for this engagement.

The New England Patriots Boeing 767-300ER is allowed to park for free and receives waived landing fees during their playing season. The estimated value of the lost revenue to PVD is \$56,347 and \$141,815 for 2020 and 2021, respectively. In exchange, PVD receives a large marketing package from the Patriots, which includes Gillette Stadium signage, digital and social medial inclusion and broadcast of the PVD branding logo. In 2021, PVD received \$1,233,000 in benefits from the agreement.

PVD encourages existing air carriers and new entrants to add new service by offering the carriers incentives for the added service. As part of the incentive package, PVD offers the waiver of airport related charges such as, landing, common use, and baggage fees payable by airlines for new entrant and existing carriers for 1 year, and in some cases for up to 2 years starting from the start of the service. In addition, PVD reimburses air carrier marketing expenses up to \$200,000 for unserved domestic routes, and \$500,000 for near-international routes, and \$750,000 for international routes. PVD does not include the cost of incentives in their rates and charges base. PVD directly reimburses the air carrier for marketing expenditures paid out of pocket. The carrier must show proof they paid for those expenses and must make claims within two years from the start of service.

In 2018, PVD benefited from the rapid influx of new carriers. As a result, Commerce Rhode Island provided additional funding to meet the needs of PVD's incentive program. Funding was directed to PVD, and PVD reimbursed the carriers who provided paid invoices and supporting documentation of approved marketing expenditures. The incentives were not offered to a single carrier. The program was open to everyone including existing airlines with new service or a new airline. In 2018, American, Azores, Norwegian and Southwest received \$1,068,655 in incentives.





**Conclusion:** We generally found no irregularities with the marketing/advertising and incentive program offered at PVD. RIAC marketing staff do not engage in destination marketing or familiarization tours. However, since PVD engages in joint airport/airline advertising of existing air service, FAA cautions PVD to conduct the activity to ensure its compliance with applicable grant assurances prohibiting unjust discrimination in providing access to the airport. In addition, directly paying an air carrier for the reimbursement of marketing expenditures related to approved incentives is generally not recommended as noted in the Air Carrier Incentive Guidebook. Directly paying an air carrier gives an appearance of an air carrier subsidy, which is strictly prohibited by FAA Policy. We recommend PVD make their payments directly to the marketing firm and not the airline.

### **Noise Program**

PVD noise land program has currently been paused. There are no buffers or inventory on record. The last noise land acquisition was the former off-airport parking location in 2016 for \$3 million. RIAC in January 2020 entered into a purchase agreement to sell the former off-airport parking lot for \$3.3 million and all proceeds went to the airport.

### **Financial Transactions and Payments**

To assess compliance of RAIC's expenditures with FAA's Revenue Use Policy, we interviewed finance department staff to understand their accounting practices. We selected 94 accounting transactions to determine if these expenditures were allowable, allocable, and reasonable under the Revenue Use Policy. Finally, we randomly selected five service agreements related lobby activities, government relations, and public communications to determine if the scope of work in these agreements were related to airport operation. We found 8 exceptions in the transactions reviewed, but after obtaining additional information and explanations from RAIC, all exceptions were resolved except for one payment of \$41,666.

This \$41,666 was a monthly payment made to the City of Warwick (City) for municipal services, based on a service agreement established approximately in 1992-1993. The City provided municipal services to RIAC for an annual payment of \$500,000 (\$41,666 per month). On

April 30, 2004, the FAA New England Regional Office deemed this amount fair and reasonable. However, we noted this amount was reported on FAA Forms 5100-126 for 2021 as a firefighting service. RIAC also reported a cost of \$2,750,000 for its Aircraft Rescue and Fire Fighting (ARFF) program on the same form.

**Conclusion:** The presence of RIAC's ARFF program raises questions about the allowability of any fixed payment to the City for firefighting service may be questioned under FAA's Revenue Use Policy. The allowability of this service is further discussed in the next section.

### **Payments for Municipal Services**

PVD pays five hundred thousand (\$500,000) a year to the City to fund municipal services provided by Fire Station 8. The payment is derived from an airport parking charge enacted in 1988 and specifically covers the following services:

*(1) Providing primary response and command for all structure fire alarms on the airport corporation property outside the airfield, and E-911 reporting system calls for extrications, industrial accidents, motor vehicle accidents, confined-space incidents, hazardous-material incidents and spills outside the airfield, and secondary response to airfield incidents on Rhode Island airport corporation property;*

*(2) Responding to and providing treatment and transportation for all emergency medical service calls on Rhode Island airport corporation property; and*

*(3) Maintaining a mutual aid agreement to respond to any potential catastrophe or emergency resulting from airport operations.*

*(b) Nothing in this section shall be construed to limit the jurisdiction of the state police in connection with response to or command of any emergency incident on the airport corporation property.<sup>2</sup>*

Fire Station 8 is not located on the airport nor is it dedicated solely to servicing the airport. The same service it provides the airport is also provided to the surrounding community. We learned during our interviews that most of the calls to PVD were for medical emergencies in terminal. For example, if someone at the PVD has a medical emergency or there was a fire at an fixed-base operator (FBO), Fire Station 8 would be the first to respond. Fire Station 8 does not provide Aircraft Rescue Fire Fighting services; these services are provided by the PVD fire station located on the airfield. The \$500,000 payment is an approximation of the services provided to the airport and it is not tied to a level service.

In the City of Warwick Ordinances Section 20-3 Mutual aid agreements for fire protection states the following:

*The board of public safety is hereby authorized, on behalf of the city, to enter into mutual aid agreements for fire protection with other municipalities, fire districts or state agencies.*

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<sup>2</sup> §1-2-17 Rhode Island State Law



*Such agreements may provide for the use of city firefighting equipment and personnel in other municipalities or districts on a reciprocal basis; provided, however, that no charge, expense or liability is incurred or assumed by the city with respect to the activities of other firefighting agencies within the city.*

**Conclusion:** We consider the activity provided to PVD by Fire Station #8 as mutual aid and should be provided on a free of charge reciprocal basis as noted in the Ordinance. Further, PVD should not pay any more than the general public for municipal services and typically police and fire response is provided to everyone without charge by city or county charter. Therefore, the FAA believes PVD should not be making the \$500,000 payment to the City. In addition, the FAA can't ignore the fact that the City may be billing the patient for emergency medical services (EMS) services provided at PVD. This would constitute a double reimbursement to the City of Warwick, once from the \$500,000 annual payment from RIAC and then again from the patient or insurance company. RIAC staff stated PVD receives no offset to the \$500,000 charge from any insurance proceeds. Rhode Island State Law § 1-2-17 *Payment for compensation for municipal services to the city of Warwick* states "In the event that the FAA disapproves this payment from the airport corporation, the state shall pay to the city of Warwick the sums of money required to insure that the city of Warwick receives five hundred thousand dollars (\$500,000)."

As it stands, FAA disapproves of the \$500,000 payment to the City of Warwick, and all payments should cease going forward.

### Art at PVD

The art displayed at PVD is a combination of built-in pieces that are integrated with architecture and hangings like art paintings. The art program at PVD is comprised of two components: (1) the State's requirements that one percent of construction costs are dedicated to art and (2) the rotating arts program where RIAC invites local artists to offer their creative talents at PVD.

The rotating arts program is an opportunity for temporary works of art to sprout up throughout PVD. PVD provides a stipend of \$300 for the artists to display their work throughout the terminal. In general, the art program is handled by the Rhode Island State Council for the Arts (Council for the Arts).



For the permanent art on display at PVD, RIAC owns the art. The disposals and transfers are handled by the Council for the Arts.

**Conclusion:** The FAA was unable to confirm how the Council for the Arts handles disposals of pieces owned by RIAC. PVD should confirm the airport receives FMV for any disposals handled by Council for the Arts. In addition, we learned RIAC does not have a Memorandum of Understanding (MOU) with the Council for the Arts. Since, the Council for the Arts generally handles the program, the FAA recommends the RIAC enter into an MOU with the Council for the Arts.

## **Fleet Services**

RIAC maintains the vehicles in the airport fleet and the mechanics are considered airport employees. There is a fleet management plan in place that tracks and identifies the vehicles necessary for replacement under the AIP funding. Disposal of vehicles occurs through an auction as required by state laws. Proceeds from fleet disposals are deemed airport revenue.

**Conclusion:** No follow up needed as our review found no issues with the fleet services at PVD.

## **Aircraft Rescue and Fire Fighting (ARFF)**

RIAC met the FAA minimum standard of 40 hours of training per year for department members. The ARFF training at RIAC focuses on community risk reduction, fire code enforcements and fire education. The ARFF facility on the Airport is a division of the City of Warwick Fire and Rescue Department, which primarily serves the airport. The fire division consists of one fire Chief, four Captains, four Lieutenants and twenty sworn firefighting officers across four working groups. The City of Warwick provide support to the airport and responds to all paramedics and structural fire requests at the airport.

The FAA understands that the airport does not respond to off airport property fire emergencies. The airport has a mutual aid agreement with the City to provide support in the event of a large scale disaster, fire incidents and medical emergencies. The City of Warwick Fire Department handles 2-3 incidents in the terminal on a daily basis.

The ARFF facility on the Airport has three rapid response vehicles, and one Oshkosh T-3000 Truck. All periodic maintenance on the Trucks are done by the ARRF crew; vehicle inspections, fluid maintenance and repairs are done by RIAC Fleet Services department. Complicated and warranty repairs are done by the respective manufacturers of the Trucks.

**Conclusion:** No follow up is required because the FAA found no irregularities with the ARFF on the Airport.

## **Police and Security Services**

The City of Warwick Police Department provides security and law enforcement services at the airport. There's a fully functional Police department at the airport and the assigned officers are funded by the airport. There are 25 sworn law enforcement officers with a minimum of three officers per shift at all times. The police officers are responsible for maintaining law and order at the terminal, as well as curbside traffic control. All law enforcement trainings are conducted by the Rhode Island Police Academy.

AMB Security Services, a private company provides additional security services for the airport, including perimeter monitoring/security, access point and exit point monitoring, employee screenings, badge checks, and concessionaire staff validation at the airport. AMB Security is required per contract to have 25 security officers on rotation.

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