

Board of Commissioners Meeting

July 25, 2024



1. Call to Order

Norfolk Airport Authority
Board of Commissioners Meeting

July 25, 2024



Agenda

- 1. Call to Order
- 2. Approval of Previous Board Meeting Minutes
 - Thursday, May 23, 2024
- 3. Public Comments
- 4. CEO & Staff Report
- 5. NAA BOC Chair Report
- 6. Committee Reports
 - Facilities Development Committee
 - Construction Manager at Risk for the Future Consolidated Rental Car Facility (ConRAC)
- 7. Old Business
 - None
- 8. Closed Meeting
- 9. New Business
 - None
- 10. Adjournment



2. Approval of Meeting Minutes

Norfolk Airport Authority
Board of Commissioners Meeting

July 25, 2024



Regular Agenda

Approval of Board Meeting Minutes of May 23, 2024



3. Public Comments

Norfolk Airport Authority
Board of Commissioners Meeting

July 25, 2024



4. CEO & Staff Report

Norfolk Airport Authority
Board of Commissioners Meeting

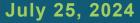
July 25, 2024



Featured Employee

- David Huffman, Police Chief
 - 5 years with the Authority
 - Dave oversees all aspects of public safety as it relates to law enforcement activities including safety and security, badging, and emergency response.









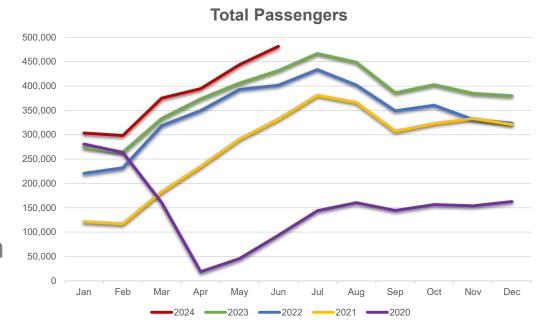
Air Service

July 25, 2024



Our Market Strength Continues to Grow

- 2024 should be another record-breaking year!
- January through June were each record months again
- Up 10% YTD through Jun 30
- On pace to reach 5 million passengers in 2024





Our Air Service Needs

- Unserved non-stop markets
 - Seattle (89.7) is now the largest unserved non-stop domestic market
 - San Antonio (67.0), Austin (55.3), and San Francisco (53.6) round out our Top 30
 - Cancun (32.2) is our largest unserved non-stop international market; followed by Montego Bay (26.7) and London (21.4)

Note: Highlighted markets are the top unserved non-stop destinations

	2023 Top 30 Norfolk Destinations										
Pax Rank	Destination Airport City	PDEW	Passengers	Avg Fared Fare	Fared Yield						
1	Orlando, FL	307.5	224,509	\$109	\$21.88						
2	Atlanta, GA	227.6	166,174	\$245	\$28.68						
3	Tampa, FL	177.5	129,579	\$115	\$17.20						
4	Dallas/Ft. Worth, TX	167.7	122,451	\$258	\$15.25						
5	San Diego, CA	166.7	121,705	\$302	\$10.94						
6	Chicago, IL	160.4	117,092	\$193	\$30.17						
7	Fort Lauderdale, FL	158.4	115,605	\$103	\$18.66						
8	New York, NY (LGA)	149.1 108,813		\$147	\$34.32						
9	Denver, CO	146.0	106,590	\$241	\$13.81						
10	New York, NY (JFK)	140.5	102,590	\$135	\$19.22						
11	11 Las Vegas, NV		99,186	\$252	\$11.02						
12	12 Newark, NJ		96,773	\$137	\$13.91						
13 Los Angeles, CA		120.2	87,776	\$308	\$12.16						
14	Jacksonville, FL	116.2	84,815	\$141	\$24.58						
15	Houston, TX	113.9	83,127	\$222	\$15.48						
16	16 Boston, MA		78,428	\$188	\$30.54						
17	Nashville, TN	107.0	78,140	\$195	\$29.66						
18	Seattle, WA	89.7	65,497	\$339	\$13.33						
19	Miami, FL	89.2	65,116	\$235	\$15.66						
20	Chicago, IL	84.5	61,671	\$161	\$8.73 \$35.23						
21	Providence, RI	84.0	61,331	\$108							
22	New Orleans, LA	83.3	60,803	\$166	\$16.65						
23	Phoenix, AZ	79.2	57,827	\$322	\$11.84						
24	Detroit, MI	77.8	56,789	\$263	\$36.57						
25	San Antonio, TX	67.0	48,922	\$248	\$12.25						
26	Charlotte, NC	64.0	46,721	\$222	\$36.04						
27	27 Hartford, CT		42,156	\$103	\$35.43						
28	St. Louis, MO	55.4	40,469	\$214	\$20.64						
29	Austin, TX	55.3	40,342	\$265	\$13.53						
30	San Francisco, CA	53.6	39,112	\$361	\$11.50						
											

July 25, 2024



NORFOLK AIRPORT AUTHORITY

Broadening the Brand









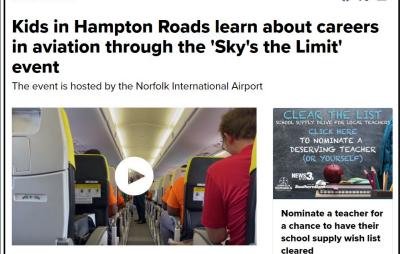








In the Community







July 25, 2024

TRANSPORTATION



Events on Approach

- Aug 1 Summer internship ends
- Aug 9 Authority night at the Norfolk Tides
 - First Pitch
 - Block Tickets
 - Volunteer Table
- Sep 12 Mentorship Luncheon Wrap-up
- Sep 23 Business Opportunities Outreach
- Sep 28 Community Movie Event held at Signature Aviation





Capital Development

July 25, 2024



Capital Development Summary

FY START	PROJECT DESCRIPTION	PROPOSED BUDGET	AIP ENTITLEMENTS	AIP DISCRETIONARY	AIG ENTITLEMENTS	ATP DISCRETIONARY	CDS	STATE ENTITLEMENTS	STATE DISCRETIONARY	LOCAL FUNDING (DEBT SERVICE)	LOCAL FUNDING (PAY-GO)	PFC FUNDING FUTURE (ASSUMED PFC GARBS)	CFC	FUNDED BY OTHERS
FY 24	Alpha Concourse Gate Addition - Design & Construction	30,000,000	-	-	8,000,000	-		-	-	-	-	22,000,000	-	-
FY 24	Gate 1 Federal Inspection Services Facility Modernization - Design & Construction	30,000,000	-	-	7,000,000	6,000,000	3,000,000	-	-	9,000,000	-	5,000,000	-	-
FY 24	Departures Terminal Program (Consolidated Checkpoint Included) - Design & Construction	450,000,000	-	-	-	-		-	-	230,000,000	109,000,000	111,000,000	-	-
FY 24	Hotel - Design & Construction	50,000,000	-	-	-	-		-	-	-	-	-	-	50,000,000
FY 24	Closure of Runway 14/32 - Design & Construction	12,000,000	5,000,000	-	-	-		4,000,000	2,000,000	1,000,000	-	-	-	-
FY 25	CONRAC Facility - Design & Construction	200,000,000	-	-	-			-	-	-	-	-	200,000,000	-
FY 25	Admin. Offices Consolidation - Design & Construction	18,000,000	-	-	-			-	-	18,000,000	-	-	-	-
FY 26	Intersection Improvements & LTW Exit - Design & Construction	25,000,000	-	-	-	-		-	-	12,500,000	-	-	12,500,000	-
FY26	Fuel Farm - Design & Construction	60,000,000	-	-	-	-	-	-	-	-	-	-	-	60,000,000
FY 28	Runway 5/23 Reconstruction - Design & Construction (Grading, Drainage and 23 End Profile Improvements)	45,000,000	10,000,000	10,000,000	-	-		4,000,000	3,000,000	-	-	18,000,000	-	-
	GRAND TOTAL CIP:	920,000,000	15,000,000	10,000,000	15,000,000	6,000,000	3,000,000	8,000,000	5,000,000	270,500,000	109,000,000	156,000,000	212,500,000	110,000,000

July 25, 2024



Runway 5/23 Rehabilitation

- Runway 5/23 Rehabilitation of Concrete Extensions
 - To be completed in two phases
 - Estimated cost of construction is \$40 million for both phases of construction
 - Phase 1 (R/W 23 end) completed Nov 2nd
 - Phase 2 (R/W 5 end) began April 1, 2024
 - Bids opened Jan 31st
 - Awarded to Virginia Paving
 - Cost: \$20.4M







Moving Walkways

- Realigned placement into a split system on the sides of the pedestrian bridge
- Anticipated construction is Aug '24 – Feb '25
- BIL ATP funds will pay for 80% of the construction costs
- Cost: \$2.5M







Interior Wayfinding

- Design Complete
 May '24
- Bidding Summer '24
- Estimated Cost: \$3.0M



















Typeface: Trade Gothic Symbology: Custom symbols set (with modified accessible symbol to match a more standard look)





Park & Wait Lot (Cell Phone Lot)

- New 80-space cellphone lot better situated to be more accessible & user friendly
- Cost: \$1.19M
- Construction started Feb '24
- Completion December '24







Alpha Expansion

- 3 Holdrooms / Gates / New Restrooms / Pet Relief Area
- Estimated cost: \$30M
- Groundbreaking June 10, 2024
- Completion December '25







CBP International Arrivals Facility

- Estimated cost: \$30M
 - \$3.0M Congressionally Directed Spending (CDS)
 - \$6.0M BIL ATP grant received
- Groundbreaking June 10, 2024
- Completion December '25







Airport Hotel

- Negotiations complete
 - Contract signed
 - Due diligence complete
- Working with City on TDFP map amendment
- Groundbreaking Winter '24
- Completion March '26

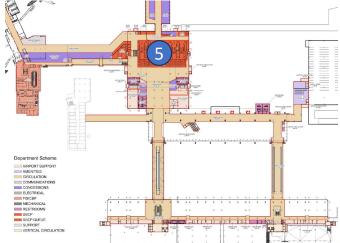




Terminal Development

- Project Scope:
 - 1. Linear Ticket Lobby
 - 2. Consolidated Checked Bag Inspection
 - 3. Expanded Baggage Make-up Area
 - 4. New Shipping and Receiving Area
 - 5. Consolidated TSA Checkpoint
- Earliest possible schedule:
 - CMaR under contract Summer '25
 - Construction start Summer of '26
 - Construction complete end of '28



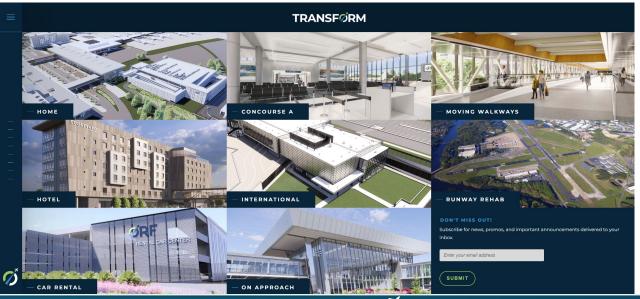






Transform ORF Website

- Website provides updates on the terminal and ongoing projects
- Video found at <u>www.TransformORF.com</u>







Finance/Administration



May Financial Highlights

- Operating Expense under budget (favorable) by \$3,304,671 or 7.8%
 - Salaries, wages and benefits under budget by \$1,376,811 or 6.1% due to open positions.
 - Advertising and promotions under budget by \$227,551 or 20.7% due to timing of advertising.
 - Utilities under budget by \$432,123 or 11.4% due to a mild winter.
 - Insurance under budget by \$83,686 or 7.3% due to favorable insurance rates.
 - Stormwater and sanitation under budget by \$46,911 or 4.2%.
 - Professional services under budget by \$383,335 or 46.1% due to the timing of billing of services used during the year and reduction of legal professional services expenses.
 - Maintenance and repairs under budget by \$765,637 or 22.3% due to lower necessary maintenance requirements.
 - Administrative under budget by \$64,614 or 14.7% due to lower education and tuition expenses.
 - Supplies under budget by \$57,062 or 7.9% due to lower usage.
 - Services over budget by \$225,995 or 5.5% due to increases in costs.
 - Other under budget by \$91,936 or 16.6% due to lower fuel, travel, and safety apparel expenses.



May Financial Highlights

- Operating Revenue ahead of budget (favorable) by \$1,931,588 or 3.2%
 - Parking ahead of budget by \$1,352,428 or 6.1% due to significant growth in hourly lot revenue.
 - Rental cars ahead of budget by \$361,426 or 4.3% due to higher customer usage.
 - Landing fees <u>under budget</u> by \$28,313 or 0.3% due to seasonality and timing of Spirit's incentives. Landing fees will be trued up at the end of year reconciliation.
 - Rent <u>under budget</u> by \$158,788 or 1.1% as a gate was down for maintenance for four months, timing
 of Spirit's incentives, and Southwest and United not leasing space that had been projected during the
 budget process.
 - Concessions ahead of budget by \$384,242 or 7.3% due to better-than-expected food, advertising, and rideshare commissions.
 - Other ahead of budget by \$20,593 or 8.0%.
- Operating Income ahead of budget (favorable) by \$5,236,260 or 29.9%





Strategic Plan Update



Strategic Plan Update

APRIL 2024 GOALS PROGRESS

JUNE 2024 GOALS PROGRESS



July 25, 2024

COAL #2 OUR CUSTOMERS COMMUNICATION

COAL .4 OUR FACILITY O



Employee of the Year / Quarter

Ronald Smith – Fire Department











5. Chair Report

Norfolk Airport Authority
Board of Commissioners Meeting

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6. Committee Reports

Norfolk Airport Authority
Board of Commissioners Meeting

July 25, 2024



Facilities Development Committee

 Construction Manager at Risk (CMaR) for the Future Consolidated Rental Car Facility (ConRAC)



Rental Car Financials

- Total Rental Car Operating Revenue in NAA FY25 Budget \$9.6M
 - 13% of Authority's total Operating Revenue in FY25
- Rental Car performance for past 12 months ending 5/31/24
 - \$90.5M in total rental revenue over 1.6M rental days

Enterprise – Alamo – National \$33.0M – 550k days
 Avis – Budget \$32.9M – 560k days

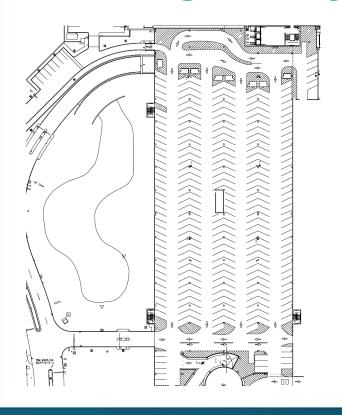
• Hertz – Dollar \$24.3M – 460k days

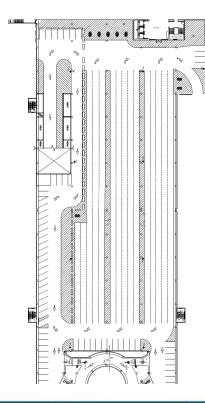
• American \$350k – 30k days

- CFC in FY25 estimated at \$10M dollars
 - Assumes \$5 CFC for first half of year with \$7.50 CFC for second half of year



Existing Ready / Return Location





- Total Ready: 307 (Left image)
- Total Return: 336 (Right image)
- Total Capacity: 643
- No ability to flex between return and ready spaces



ConRAC Purpose and Need

- Provide modern operating facility for RACs
 - All-in-one location for customers, vehicle servicing and storage will provide increases in efficiency that benefit all parties
 - Properly sized
 - Security upgrades
 - Technology upgrades
- RACs have admitted to capping throughput at ORF
 - Modern ConRAC with QTA should facilitate growth
 - Remove speeding rental car jockey drivers from airport and public roadways



ConRAC Location





ConRAC Features and Sizing

- 4-Levels Total
 - One for each of the three RAC families with one hard cap level for storage
- Quick Turnaround (QTA) Facility On-Site
 - Fueling
 - Vacuuming
 - Washing
 - Light Maintenance
 - Total Area of ConRAC / QTA Facility is approximately 7 Acres
- New Facility will have 690 spaces with ability to flex between ready and return on each RAC level
 - Additional 78 vehicle capacity in QTA
 - Total onsite spaces = 768
 - Net 125 additional spaces (+19%)



Estimated Cost of Construction

- \$203M Cost of Construction
- Preliminary Customer Facility Charge (CFC) at \$10.25 per rental day
 - 30- year term with level debt service assumed in initial analysis
 - Assumes all project costs are in debt issuance
 - However, CFC balance is currently \$6M and will be used to cash flow design
 - Expecting to have \$20M in CFCs between now and start of construction which will reduce overall debt required
 - · Cost subject to change as we discuss design with RAC families
 - We are also evaluating all terminal expenses to make sure they are in the appropriate cost centers
 - This effort could move some costs from Terminal to ConRAC



Anticipated Schedule

- Assuming Construction Manager at Risk (CMaR)
 - CMR Solicitation to be issued no later than January 10, 2025
 - CMR Pre-Construction Services Start July 1, 2025
 - Anticipated FY26 Budget Request of \$20M
 - Includes CMaR and Design Costs
- Construction Start July 1, 2026
 - Anticipated FY27 Budget Request of \$185M
 - Construction and Construction Administration Costs
- Facility Open For Use June 30, 2028



Project Delivery Methods

- Design-Bid-Build
 - Owner hires a design team to complete design before procuring a contractor through competitive bidding
 - Default delivery method for government agencies
- Design-Build
 - Owner hires a single entity to deliver full design and construction scope
 - · Transfers design risk from owner but results in loss of control over design
- Public-Private-Partnerships (P3)
 - Owner contracts with a private entity to design, build, finance, operate and maintain a specific project
 - · Typically used by government entities with limited bonding capacity
- Construction Manager-at-Risk (CMaR)
 - Owner hires a design team and then enters into a contract with a Construction Manager (CM) prior to completion of 30% design to assist with constructability review, cost estimating and early subcontractor engagement
 - · Though price is part of evaluation, CMs are primarily selected based on qualifications



Project Delivery Methods Matrix

GOALS	Design Bid Build	Design Build	Public Private Partnerships	Construction Manager At-Risk		
Schedule	Generally slowest delivery method	Can be shortest	Elongated procurement and contracting	CM on board prior to design completed and ready to start		
Construction Cost	Lowest upfront cost but not necessarily lowest final cost	More hands off for staff	Much higher cost to finance	Less construction costs but requires more staff time		
Quality of Design	Owner retains control of design	Owner loses control of design	Owner loses control of design	Owner retains control of design		
Quality of Construction	Low bid award does not always result in most qualified contractor	Searching for ways to reduce costs	P3 will operate facility so is incentivized to construct well	Generally, higher as CM selected based on qualifications		
Risk Exposure / Certainty	Typically, more claims for changes	Risk shifted to contractor	Risk shifted to P3 partner	Contingency built into Guaranteed Maximum Pricing		



Recommended Motion Language

- The Facilities Development Committee makes the following motion at the July 25th, 2024 Board Meeting:
 - Due to the complex nature of the ConRAC construction environment and immediate need for improvements in the rental car operations at Norfolk International Airport, the Facilities Development Committee hereby moves that the Board approve Staff's recommendation to utilize the Construction Manager-at-Risk project delivery method for the Consolidated Rental Car and Quick Turnaround Facility.

7. Old Business

Norfolk Airport Authority
Board of Commissioners Meeting

July 25, 2024



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Old Business

None



8. Closed Meeting

Norfolk Airport Authority
Board of Commissioners Meeting

July 25, 2024



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Closed Session Items

- Land swap status update
- Hotel Update
 - Tourism Development Financing Program (TDFP)
- Conduit Bonds
- MS4 Permit
- Payment In-Lieu of Taxes (PILOT) Negotiations
- Potential Property Acquisition in Virginia Beach



Norfolk Airport Authority Off-Airport Land

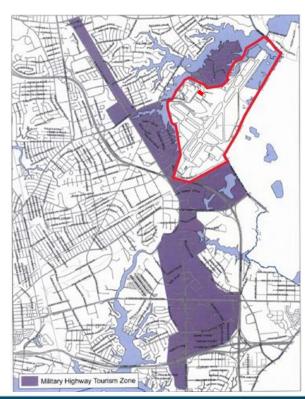
- NAA Property:
 - 8 parcels 7.91ac
 - Appraised @ \$3.56M
 - 8 parcels 2.33ac
 - Appraised @ \$1.10M
- McLeskey Property:
 - 1 parcel 6.35ac
 - Appraised @ \$2.06M
- City of Norfolk
 - 1 parcel 7.50ac
 - Encumbered = \$100K
 - Unencumbered = \$3.37M
 - 1 parcel 4.41ac
 - Appraised @ \$2.42M





Tourism Development Financing Program

- Military Highway Tourism Zone
 - City has agreed to update the hotel site to be included for TDFP eligibility
 - Once included, the developer can apply, and the project will be judged on its own merit for funding
- Tax pro forma shows significant tax benefit to the City of Norfolk for the investment
 - TDFP request of \$7.0M
 - City of Norfolk share will not exceed \$2.5M
 - Estimated return of \$146M of the 50-year term
 - ROI of 2-3 years





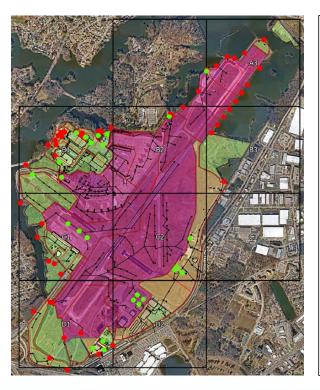


Conduit Bonds

- NAA and IDA/EDA entered into an agreement whereby:
 - NAA received a one-time fee of \$3,000 for each bond issuance
 - IDA/EDA received annual administrative fee of 1/8 of 1% on outstanding balance
- FAA has determined this agreement constitutes illegal revenue diversion of airport funds
 - Requires that this issue be fixed on a go-forward basis
 - By agreement, EDA has agreed to relinquish its right to collect the annual administrative fee, effective July 10, 2024



MS4 Permit Status



Calculated Fee Reduction - Only Paying City of Norfolk for Non-VPDES Permitted Drainage

5/22/2024

CURRENT PAYMENT TO CITY

		Impervious Area	# of Billed					L	ess 12% BMP
Tax Parcel #	Address	Billed	ERUs	Da	ily Rate		Annual Fee		reduction
84605000	2200 Norview Avenue	12,431,985	6,216	\$ 2,	915.30	\$	1,064,085.96	\$	936,395.64
12512950	Old Employee Lot	204,560	102	\$	47.84	\$	17,460.87	\$	15,365.57
Totals		12,636,545	6,318	\$ 2,	963.14	\$	1,081,546.83	\$	951,761.21

ONLY NON-VPDES AREAS (CONTINUED PAYMENT TO CITY)

		Impervious Areas Billed (Excluding Leased Properties)						
		Impervious Area	# of Billed					
Tax Parcel #	Address	Billed	ERUs	s Daily Rate			Annual Fee	
84605000	14 End Pavement	331,105	166	\$	77.85	\$	28,416.71	
	Terminal, Garages, Roads	1,091,220	546	\$	256.07	\$	93,467.01	
12512950	Old Employee Lot	204,560	102	\$	28.46	\$	10,387.17	
Totals		1,626,885	814	\$	362.39	\$	132,270.89	

Total Fee Reduction \$ 819,490.32

Impervious Areas Billed (Excluding Leased Properties)



Payment in-Lieu of Taxes (PILOT)

- In December 1999, NAA and City of Norfolk entered into an agreement for Payment In-Lieu of Taxes (PILOT)
 - First payment agreement 1999 2013
 - Second payment agreement 2014 2024
- Need to begin negotiations with the City for a potential new payment agreement
 - Staff will take lead in negotiations with consultation and support from the Executive Committee and Commercial & Business Committee of the Board



Norfolk Airport Authority Off-Airport Land

- Canonie Atlantic Co.
 - Total 35.84ac
 - 1 parcel 14.85ac
 - 1 parcel 11.29ac
 - 1 parcel 8.95ac
 - 1 parcel 0.72ac
- Stretches From Little Creek harbor to the Norfolk/Virginia Beach city limits line





9. New Business

Norfolk Airport Authority
Board of Commissioners Meeting

July 25, 2024



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New Business

None



10. Adjournment

Next Meeting: Thursday, September 26, 2024 1:00pm

July 25, 2024



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