

TRANSFORM

THE FUTURE OF ORF

Board of Commissioners Meeting

November 21, 2024



Agenda

1. Call to Order
2. Approval of Previous Board Meeting Minutes
 - Thursday, September 26, 2024
3. Public Comments
4. CEO & Staff Report
5. NAA BOC Chair Report
6. Committee Reports
 - None
7. Old Business
 - None
8. New Business
 - Acceptance of Annual Financial Statements
 - Approval of Updated Air Service Development Policy
9. Closed Meeting
10. Adjournment

2. Approval of Meeting Minutes

Norfolk Airport Authority
Board of Commissioners Meeting

3. Public Comments

Norfolk Airport Authority
Board of Commissioners Meeting

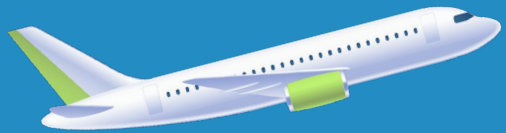
4. CEO & Staff Report

Norfolk Airport Authority
Board of Commissioners Meeting

Featured Employee

- Kia Moten, Business Diversity Manager
 - 2 years with the Authority
 - Kia is responsible for all our diversity and inclusion efforts including those with our staff, airlines, tenants, and community partners.





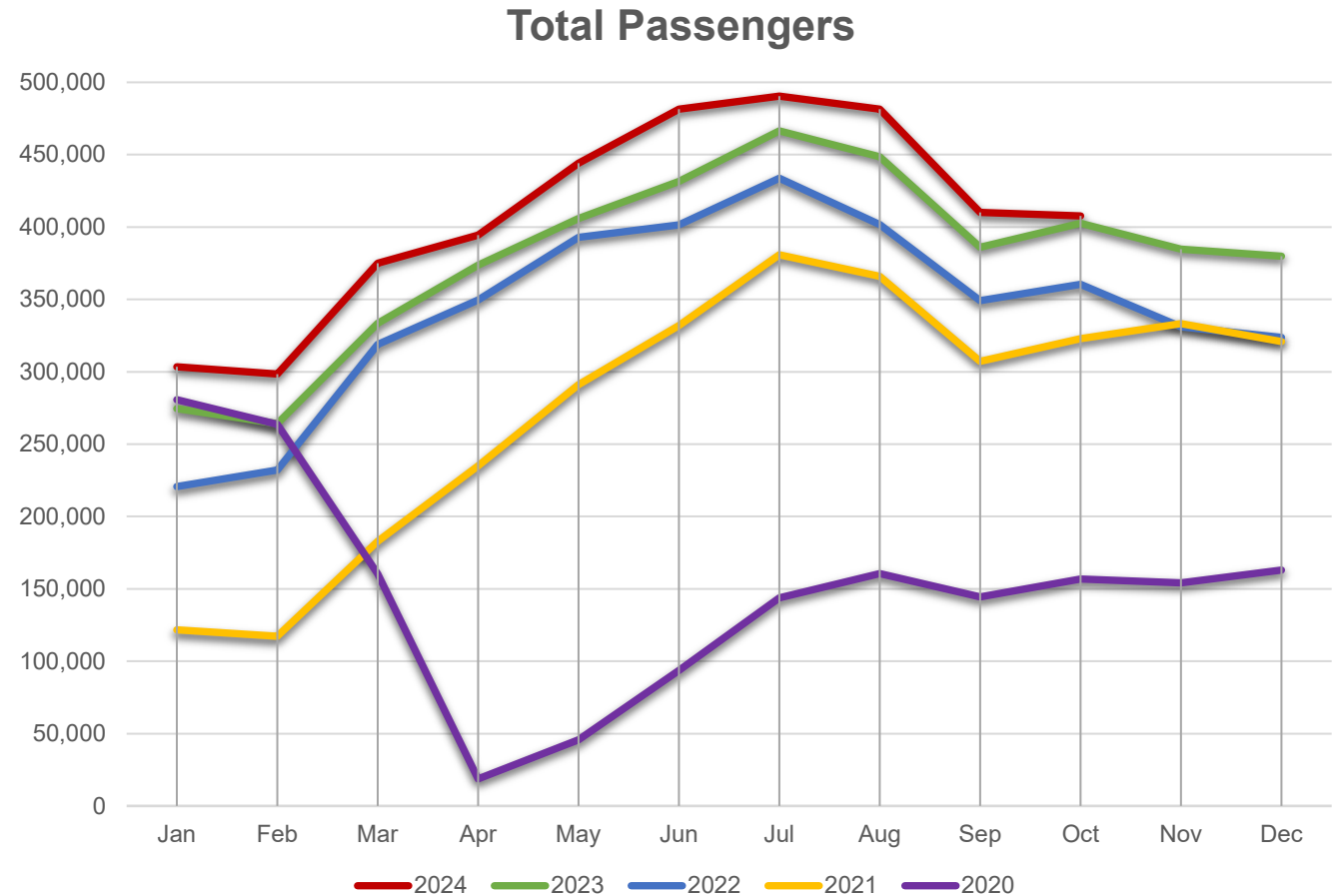
Air Service & Marketing

November 21, 2024



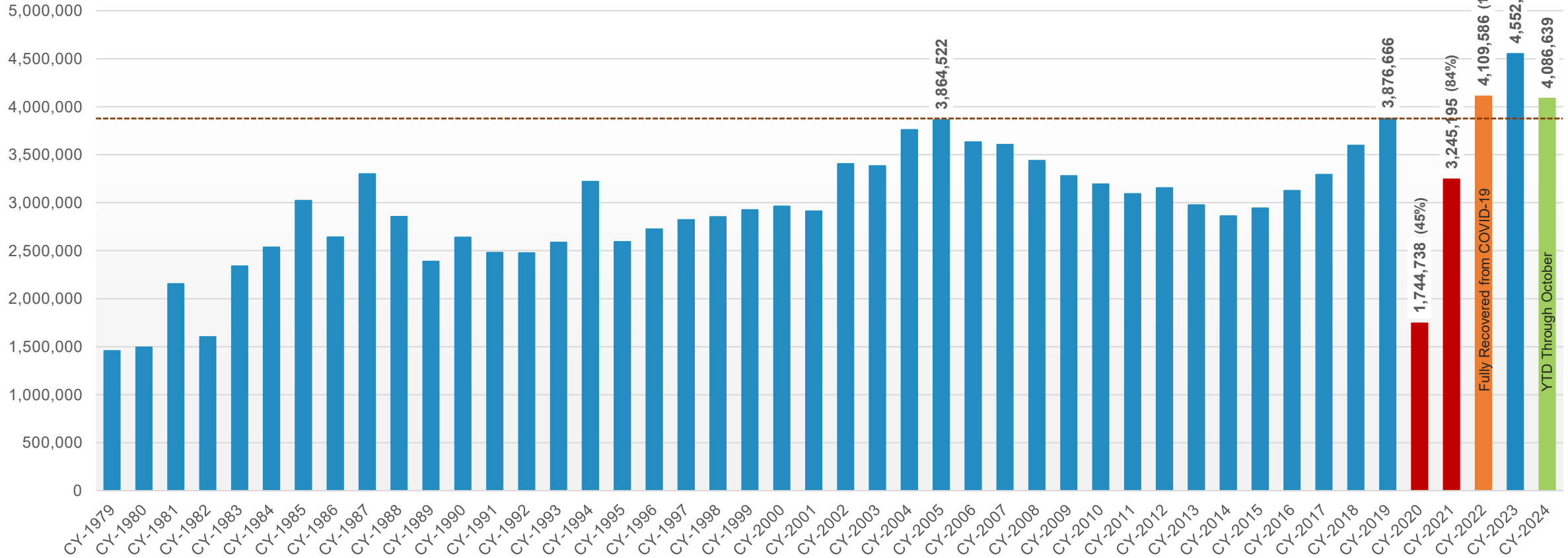
Our Market Strength Continues to Grow

- January through October were each record months
- July was the busiest month in the airport's history
- Up 8% YTD 2024 over YTD 2023
- 2024 should be another record-breaking year!
 - Will be very close to reaching 5 million total passengers

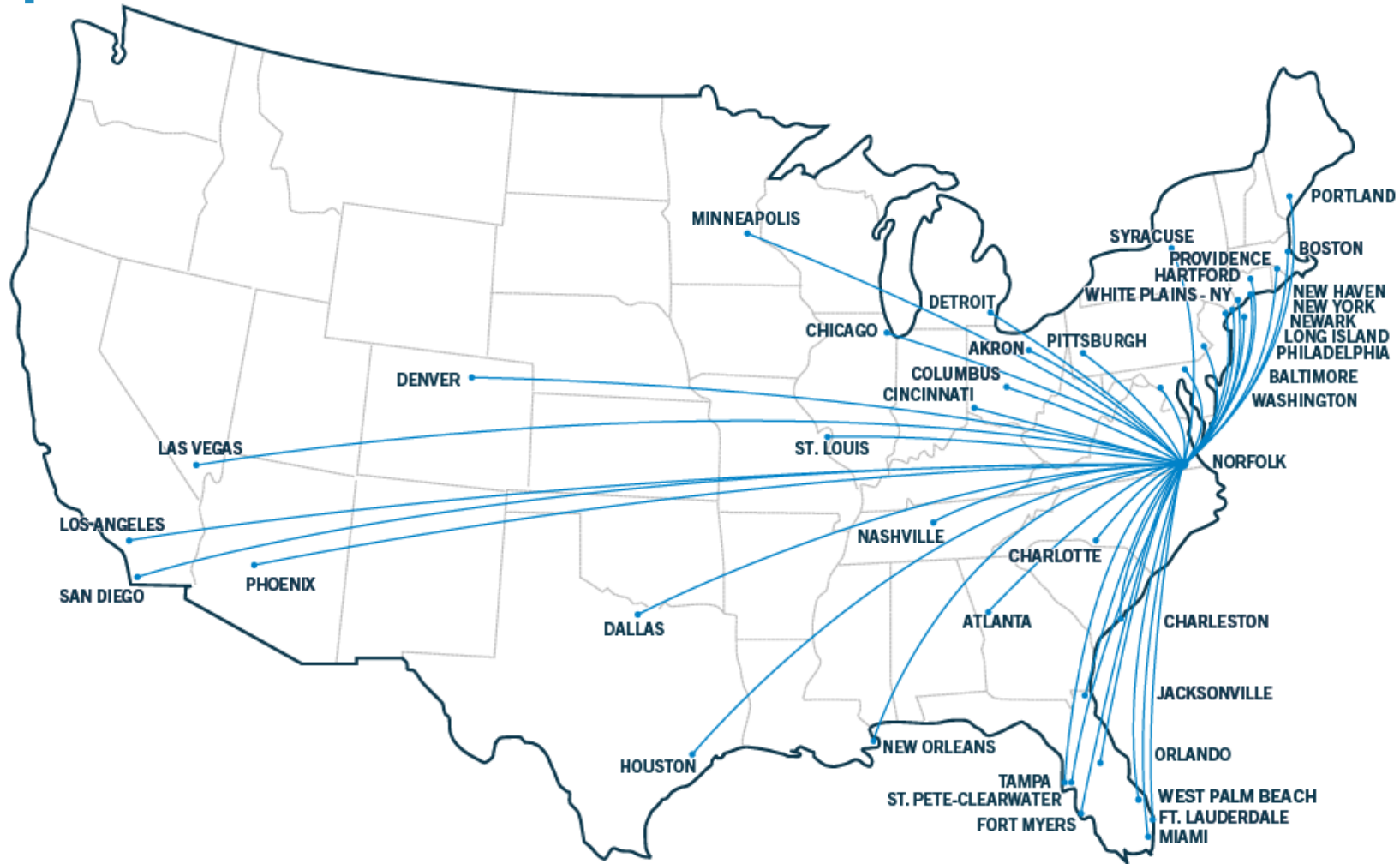


Passenger Traffic Recovery

Historic Total Annual Passengers

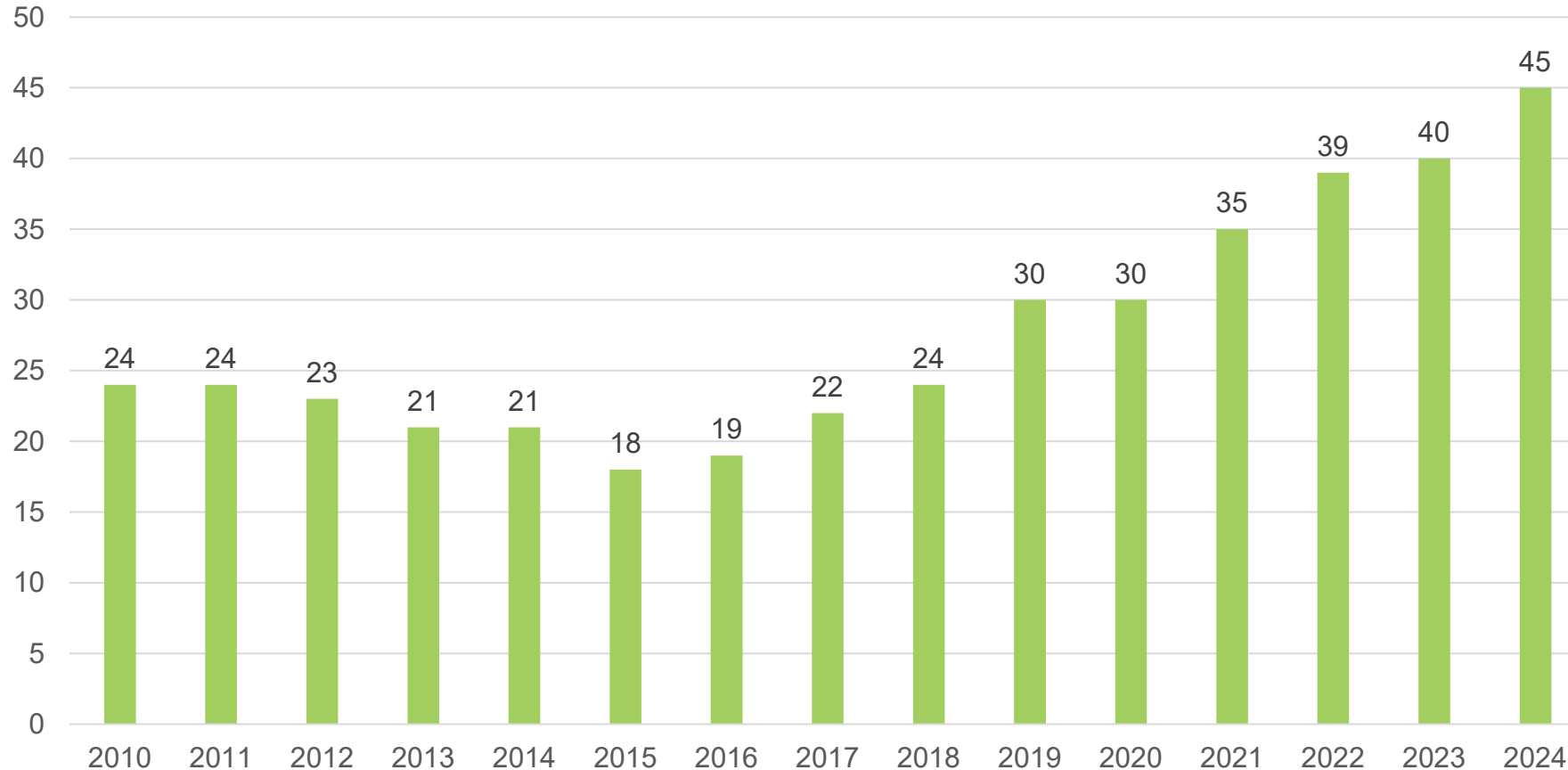


Nonstop Destinations Served



November 21, 2024

Number of Nonstop Destinations



Airline Data Inc. as of 7/12/2024

Origin Airport Code	Total Nonstop Markets	2023 Passengers
CVG	54	8,738,239
CHS	53	6,153,540
CMH	48	8,375,611
IND	48	9,788,867
OAK	48	11,239,075
SMF	48	12,977,001
SNA	47	11,741,325
CLE	46	9,868,868
PBI	46	7,764,458
JAX	45	7,446,084
ORF	45	4,552,582
SAT	45	10,676,570
ANC	44	5,587,528
BUR	41	6,034,729
SJC	41	12,097,160
BDL	40	6,248,165
MKE	33	6,015,731
MEM	32	4,963,502
OMA	32	5,026,639
OGG	30	7,736,001
ABQ	29	5,310,964
ONT	27	6,429,986
RNO	26	4,573,384
BOI	25	4,752,757

Our Air Service Needs – Domestic

2024 Top 50 Domestic Destinations														
Pax Rank	Destination Airport City	Airport Code	PDEW	Passengers	Avg Fared Fare	Fared Yield		Pax Rank	Destination Airport City	Airport Code	PDEW	Passengers	Avg Fared Fare	Fared Yield
1	Orlando, FL	MCO	335.6	245,675	\$ 104.37	\$ 21.18		26	Charlotte, NC	CLT	65.3	47,818	\$ 229.92	\$ 34.67
2	Atlanta, GA	ATL	229.9	168,319	\$ 244.66	\$ 28.05		27	St. Louis, MO	STL	54.8	40,090	\$ 217.52	\$ 20.97
3	Tampa, FL	TPA	180.4	132,071	\$ 114.87	\$ 16.90		28	Hartford, CT	BDL	54.7	40,011	\$ 107.74	\$ 34.20
4	Fort Lauderdale, FL	FLL	177.8	130,179	\$ 95.29	\$ 17.76		29	Austin, TX	AUS	54.5	39,905	\$ 270.42	\$ 13.88
5	Dallas/Ft. Worth, TX	DFW	175.7	128,648	\$ 256.78	\$ 14.58		30	Minneapolis/St. Paul, MN	MSP	52.0	38,072	\$ 277.79	\$ 20.84
6	San Diego, CA	SAN	163.5	119,649	\$ 297.12	\$ 9.90		31	San Francisco, CA	SFO	51.6	37,756	\$ 372.00	\$ 10.77
7	Chicago, IL	ORD	158.6	116,082	\$ 197.79	\$ 30.26		32	Baltimore, MD	BWI	49.3	36,066	\$ 164.48	\$ 8.28
8	New York, NY	LGA	157.7	115,420	\$ 146.98	\$ 30.14		33	San Juan, PR	SJU	47.1	34,451	\$ 236.81	\$ 9.37
9	Denver, CO	DEN	146.6	107,286	\$ 241.79	\$ 13.17		34	Honolulu, HI	HNL	46.1	33,772	\$ 607.64	\$ 7.79
10	New York, NY	JFK	137.4	100,541	\$ 134.18	\$ 18.80		35	Kansas City, MO	MCI	45.9	33,603	\$ 258.29	\$ 19.20
11	Las Vegas, NV	LAS	131.0	95,926	\$ 257.62	\$ 11.19		36	Salt Lake City, UT	SLC	45.7	33,452	\$ 361.53	\$ 10.64
12	Newark, NJ	EWR	127.1	93,071	\$ 142.99	\$ 15.12		37	Indianapolis, IN	IND	43.0	31,495	\$ 207.62	\$ 26.16
13	Los Angeles, CA	LAX	123.5	90,402	\$ 295.36	\$ 11.76		38	Philadelphia, PA	PHL	42.9	31,396	\$ 250.17	\$ 38.86
14	Jacksonville, FL	JAX	120.7	88,366	\$ 139.03	\$ 23.13		39	Charleston, SC	CHS	40.6	29,746	\$ 138.98	\$ 25.73
15	Houston, TX	IAH	117.9	86,329	\$ 222.84	\$ 13.93		40	Pensacola, FL	PNS	40.0	29,284	\$ 228.70	\$ 16.26
16	Boston, MA	BOS	108.5	79,412	\$ 190.27	\$ 30.54		41	Pittsburgh, PA	PIT	38.4	28,081	\$ 149.63	\$ 40.78
17	Nashville, TN	BNA	107.0	78,302	\$ 197.51	\$ 28.98		42	Cincinnati, OH	CVG	37.8	27,689	\$ 170.22	\$ 28.08
18	Miami, FL	MIA	92.9	68,010	\$ 226.27	\$ 15.73		43	Fort Myers, FL	RSW	36.3	26,573	\$ 169.95	\$ 13.07
19	New Orleans, LA	MSY	92.3	67,539	\$ 159.25	\$ 15.87		44	Columbus, OH	CMH	36.3	26,558	\$ 147.22	\$ 30.37
20	Seattle, WA	SEA	89.7	65,689	\$ 346.40	\$ 13.31		45	Houston, TX	HOU	35.3	25,857	\$ 196.35	\$ 5.52
21	Chicago, IL	MDW	83.3	61,009	\$ 162.84	\$ 8.34		46	Sanford, FL	SFB	34.8	25,487	\$ 35.71	\$ 0.45
22	Phoenix, AZ	PHX	82.6	60,481	\$ 320.41	\$ 10.71		47	Memphis, TN	MEM	34.3	25,110	\$ 229.89	\$ 18.68
23	Providence, RI	PVD	81.0	59,293	\$ 113.91	\$ 31.89		48	Portland, OR	PDX	33.2	24,304	\$ 353.64	\$ 9.15
24	Detroit, MI	DTW	77.8	56,956	\$ 266.37	\$ 33.54		49	Sacramento, CA	SMF	32.6	23,887	\$ 345.70	\$ 8.43
25	San Antonio, TX	SAT	69.9	51,151	\$ 246.30	\$ 12.28		50	West Palm Beach, FL	PBI	32.6	23,833	\$ 244.56	\$ 11.18

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

Our Air Service Needs – International

2024 Top 25 International Destinations						
Pax Rank	Destination Airport City	Airport Code	PDEW	Passengers	Avg Fared Fare	Fared Yield
1	Cancun, Mexico	CUN	31.5	23,093	\$ 288.07	\$ 8.36
2	Montego Bay, Jamaica	MBJ	27.2	19,889	\$ 336.31	\$ 7.81
3	London, UK	LHR	22.2	16,237	\$ 668.79	\$ 16.81
4	Punta Cana, DR	PUJ	19.9	14,569	\$ 365.53	\$ 7.28
5	Manila, Philippines	MNL	15.5	11,379	\$ 1,014.34	\$ 12.71
6	Toronto, ON	YYZ	12.0	8,810	\$ 268.02	\$ 39.15
7	Paris, France	CDG	10.9	7,951	\$ 767.09	\$ 12.56
8	Frankfurt, Germany	FRA	10.3	7,574	\$ 648.15	\$ 9.92
9	Tokyo, Japan	HND	10.1	7,415	\$ 1,006.16	\$ 12.88
10	Rome, Italy	FCO	10.1	7,412	\$ 805.97	\$ 11.75
11	Nassau, Bahamas	NAS	9.1	6,629	\$ 323.31	\$ 8.54
12	Aruba, Aruba	AUA	8.4	6,151	\$ 366.25	\$ 5.66
13	San Jose, Costa Rica	SJO	7.8	5,702	\$ 379.30	\$ 6.45
14	Liberia, Costa Rica	LIR	7.0	5,121	\$ 420.95	\$ 6.35
15	San Jose Del Cabo, Mexico	SJD	6.9	5,056	\$ 382.25	\$ 5.56
16	Amsterdam, Netherlands	AMS	6.8	5,014	\$ 766.86	\$ 13.41
17	Athens, Greece	ATH	6.8	4,988	\$ 895.65	\$ 12.29
18	Montreal, QC	YUL	6.5	4,790	\$ 283.45	\$ 38.54
19	Manama, Bahrain	BAH	6.0	4,423	\$ 1,069.66	\$ 9.50
20	Mexico City, Mexico	MEX	6.0	4,404	\$ 367.18	\$ 7.74
21	Munich/Augsburg, Germany	MUC	6.0	4,391	\$ 837.18	\$ 9.96
22	Vancouver, BC	YVR	5.5	4,036	\$ 477.02	\$ 13.39
23	Seoul, Republic of Korea	ICN	5.3	3,905	\$ 1,082.28	\$ 7.71
24	Madrid, Spain	MAD	5.1	3,756	\$ 739.03	\$ 10.13
25	Turks and Caicos	PLS	5.1	3,750	\$ 416.42	\$ 6.62

Top Unserved U.S. Transatlantic Markets	
1.	Kansas City – 216,964 passengers (296.4 PDEW)
2.	Indianapolis – 211,752 (289.3) Air Lingus to DUB - \$19M
3.	Fort Lauderdale, Fla. – 190,671 (260.5)
4.	Jacksonville, Fla. – 180,559 (246.7)
5.	Columbus, Ohio – 174,647 (238.6)
6.	Norfolk – 121,677 (166.2)
7.	Charleston, S.C. – 119,278 (162.9)
8.	Sacramento – 114,225 (156)
9.	Louisville – 92,571 (126.5)
10.	Richmond – 90,571 (123.7)

Source: U.S. DOT T-100 data for 12 months ended June 30, 2024

Risk Mitigation / Incentives

- FAA regulations restrict U.S. airports' ability to directly subsidize expanding or new airline entrants. Airport incentives can include:
 - Marketing dollars
 - Fee waivers for limited time periods
- Despite the FAA limits, **airlines often expect cash commitments** to secure new long-haul international service prior to committing to a U.S. route
 - **Condor** – \$1.3M over 2 years for **San Antonio**
 - **British Airways** – \$3.5M over 2 years for **Pittsburgh**
 - **Lufthansa** – \$5.5M over 2 years for **St. Louis**
 - **Aer Lingus** – \$12M over 3 years for **Cleveland**



Assistance in Bridging the Gap

Airport support can be augmented using **public money from local municipalities, state agencies, private businesses or chambers of commerce**, as well as **convention & visitors bureaus**. Recent examples include:

- The **State of Missouri** budgeted \$5 million annually to support efforts to lure international flights to Kansas City and/or St. Louis
- San Antonio used **corporate funding** organized through its **CVB** to secure Condor service from Frankfurt; commitment was reportedly \$2 million
- The **St. Louis County Port Authority** and **Greater St. Louis Inc.** jointly committed up to \$2.5 million over two years for Lufthansa service from Frankfurt, along with \$500,000 in airport fee waivers
- The **City of Cleveland, Cuyahoga County** and **Greater Cleveland Partnership** will contribute up to \$2.4 million over three years for Aer Lingus flights from Dublin to CLE, plus \$9.4 million from **JobsOhio**, the state government's private economic development arm
- British Airways landed in Cincinnati thanks to \$700,000 in **airport marketing support**, 24 months of **fee waivers** plus \$10 million from **JobsOhio**
- The **Allegheny County Airport Authority** committed \$3.5 million of **state casino revenue** over two years toward British Airways' service in Pittsburgh
- Providence recently packaged \$3 million in **airport fee waivers**; \$3 million in **state tax credits**: \$1.2 million in **state air service funds** and \$9.6 million in **tourism marketing commitments** to lure more domestic and foreign service to Rhode Island

Virginia Support

- The Commonwealth provides the **Governor's New Airline Service Incentive Fund**, which can award:
 - up to \$50,000 a year for daily, year-round international nonstops, or
 - \$25,000 for less-than-daily service
- The General Assembly has pledged \$825,000 per year to this fund during the 2024-2026 biennium
- GNASIF money is also accessible for new air service bid at Dulles, Richmond and Reagan airports



Start your trips at ORF



- Passengers Daily Each Way (PDEW)

- London (21.4)
- Rome (10.4)
- Paris (10.3)
- Frankfurt (10.2)
- Athens (6.8)
- Amsterdam (6.0)
- Munich (5.7)

These seven markets alone would add up to **~250 passengers per flight** for twice-a-week service

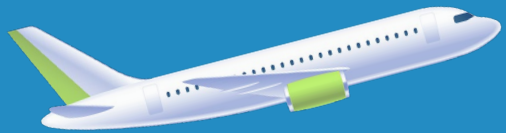
Every seat sold is measured

- Driving or flying on a separate ticket to another gateway weakens ORF's figures
- **Front-of-the-cabin** bookings are crucial
- **Once we get service, we can't afford to lose it**

Build a Hampton Roads Coalition



- **Collective efforts are essential**
 - Local governments and CVBs
 - Businesses and development agencies
 - General Assembly
 - Norfolk Airport Authority
- Regional leadership and support, including a mechanism to collect and disperse **financial incentives** airports cannot provide alone
- **We're in the game**



A View to the Future of ORF

November 21, 2024



Capital Development Summary

FY START	PROJECT DESCRIPTION	PROPOSED BUDGET	\$49M					\$13M		\$748M				\$110M
			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	30,000,000	-	-	8,000,000	-	-	-	-	-	-	22,000,000	-	-
FY 24	Gate 1 Federal Inspection Services Facility Modernization	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)	450,000,000	-	-	-	-	-	-	-	230,000,000	109,000,000	111,000,000	-	-
FY 24	Airport Hotel	50,000,000	-	-	-	-	-	-	-	-	-	-	-	50,000,000
FY 24	Closure of Runway 14/32	12,000,000	5,000,000	-	-	-	-	4,000,000	2,000,000	1,000,000	-	-	-	-
FY 25	CONRAC Facility	200,000,000	-	-	-	-	-	-	-	-	-	-	200,000,000	-
FY 25	Admin. Offices Consolidation	18,000,000	-	-	-	-	-	-	-	18,000,000	-	-	-	-
FY 26	Intersection Improvements & LTW Exit	25,000,000	-	-	-	14,700,000	-	-	-	-	-	-	10,300,000	-
FY26	Fuel Farm	60,000,000	-	-	-	-	-	-	-	-	-	-	-	60,000,000
FY 28	Runway 5/23 Reconstruction (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

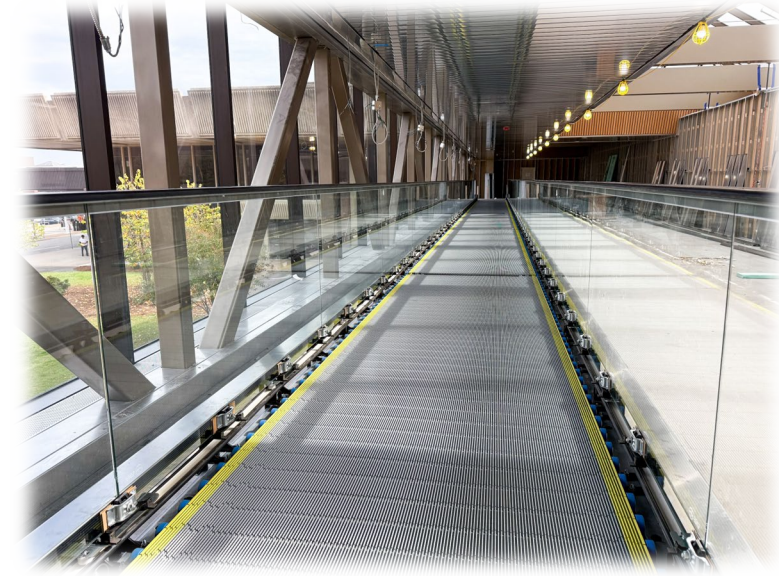
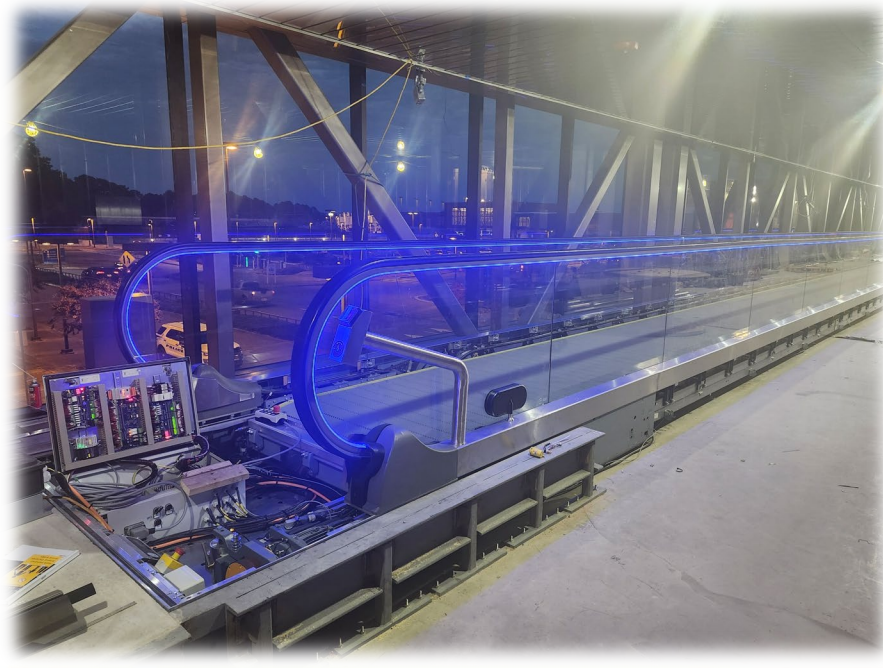
Runway 5/23 Rehabilitation

- Completed in two phases
 - Phase 1 (R/W 23 end) completed Nov. 2, 2023
 - Phase 2 (R/W 5 end) completed Oct. 31, 2024
- Environmentally sustainable project since we did not need to haul waste materials offsite for disposal
 - Rubblizing both ends of the runway eliminated 33,333 CY of concrete waste
 - Saved 460 Tons of CO2 emissions
 - Saved 263,200 total miles of truck traffic
 - Saved 52,640 gallons of fuel



Moving Walkways

- Anticipated completion in February 2025
- Cost: \$2.5M



Interior Wayfinding

- Design Complete
- Contract Awarded
 - W. M. Jordan
- Estimated Cost: \$3.0M



DR.08



DR.05



ID.G1



ID.R1



ID.E1



DR.S1



DR.V2



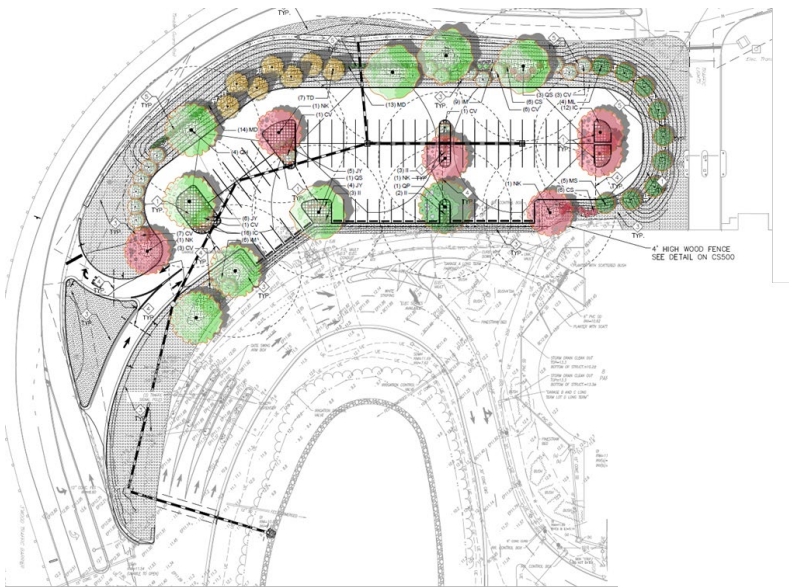
DR.RB1

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 Symbolgy: Custom symbols set (with modified accessible symbol to match a more standard look)



New Park and Wait Lot

- 80-space Park & Wait Lot
- Cost: \$1.2M
- Completion Dec '24



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Alpha Expansion

- 3 Holdrooms / Gates / New Restrooms / Pet Relief Area
- Estimated cost: \$25M
- Completion December '25





CBP International Arrivals Facility

- Estimated cost: \$25M
 - \$3.0M Congressionally Directed Spending (CDS)
 - \$6.0M BIL ATP grant received
- Completion December '25



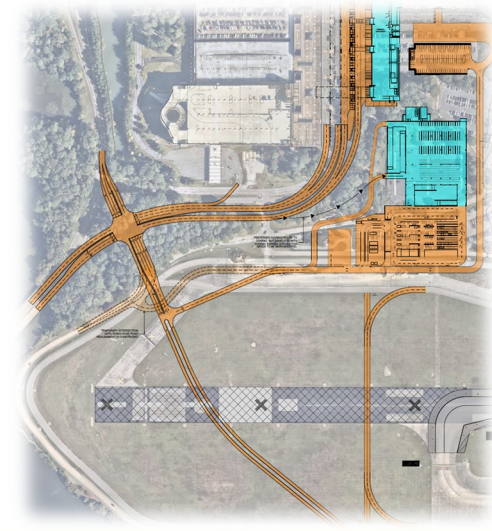
Airport Hotel

- Courtyard by Marriott
 - 165 rooms
 - Rooftop Bar
 - Covered connection to terminal
- Fully financed, designed, and constructed by third-party developer
- Groundbreaking Winter '25
- Completion Summer '26



Main Entrance Intersection Improvements

- Realign and improve the intersection at the main entrance to the airport
- Award \$14.7M in BIL ATP funds
- Construction to start Summer '25



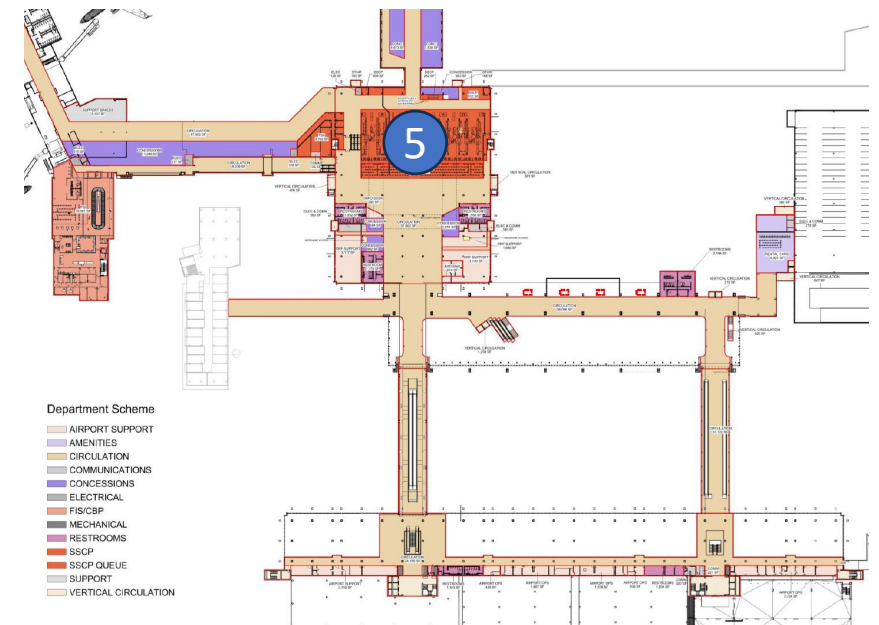
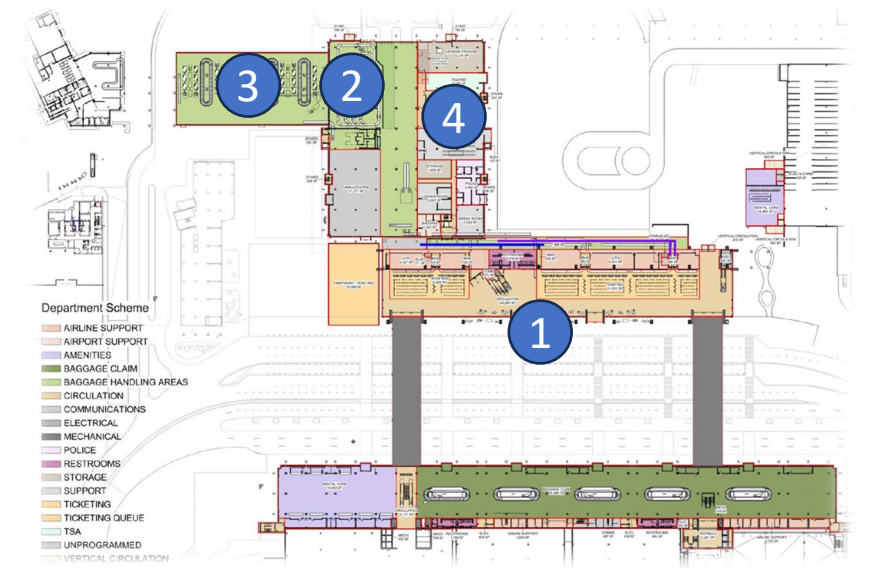
Consolidated Rental Car Facility

- Consolidates all rental car operations into a single facility
 - Includes a QTA reducing the need to take cars off airport for servicing
- Statement of Qualifications received on 11/5 from:
 - Balfour Beatty
 - Clancy & Theys
 - S.B. Ballard
 - Whiting-Turner
 - W.M. Jordan
- Staff reviewing SOQs and will select three to four companies for interviews
 - Interviews on January 14, 2025
- Construction:
 - Enabling site work is anticipated to start 9/1/25
 - Full construction starts 1/1/26
 - Construction complete in December 2027



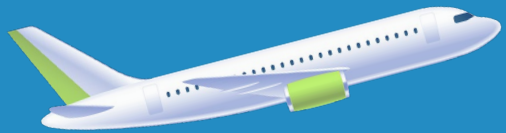
Terminal Development

- 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
- CMaR under contract Summer '25
- Construction start Summer of '26
- Construction complete end of '28





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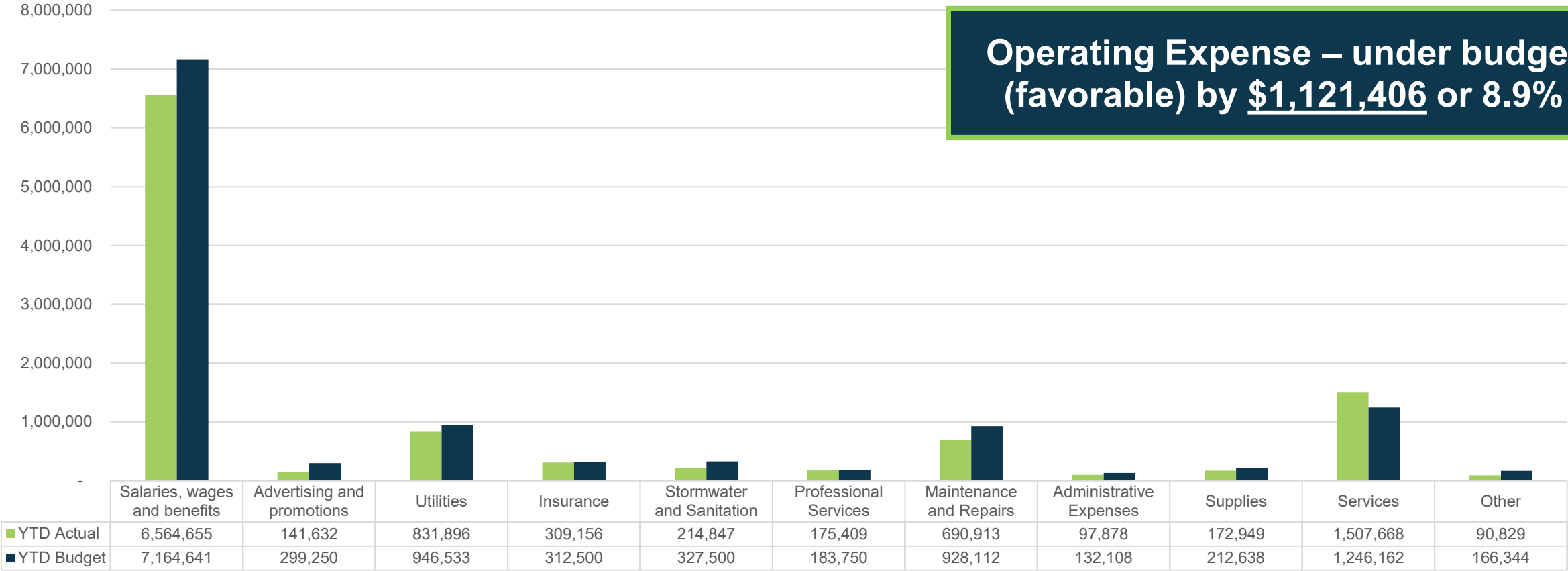
Finance/Administration

November 21, 2024



September 2024 Operating Expenses

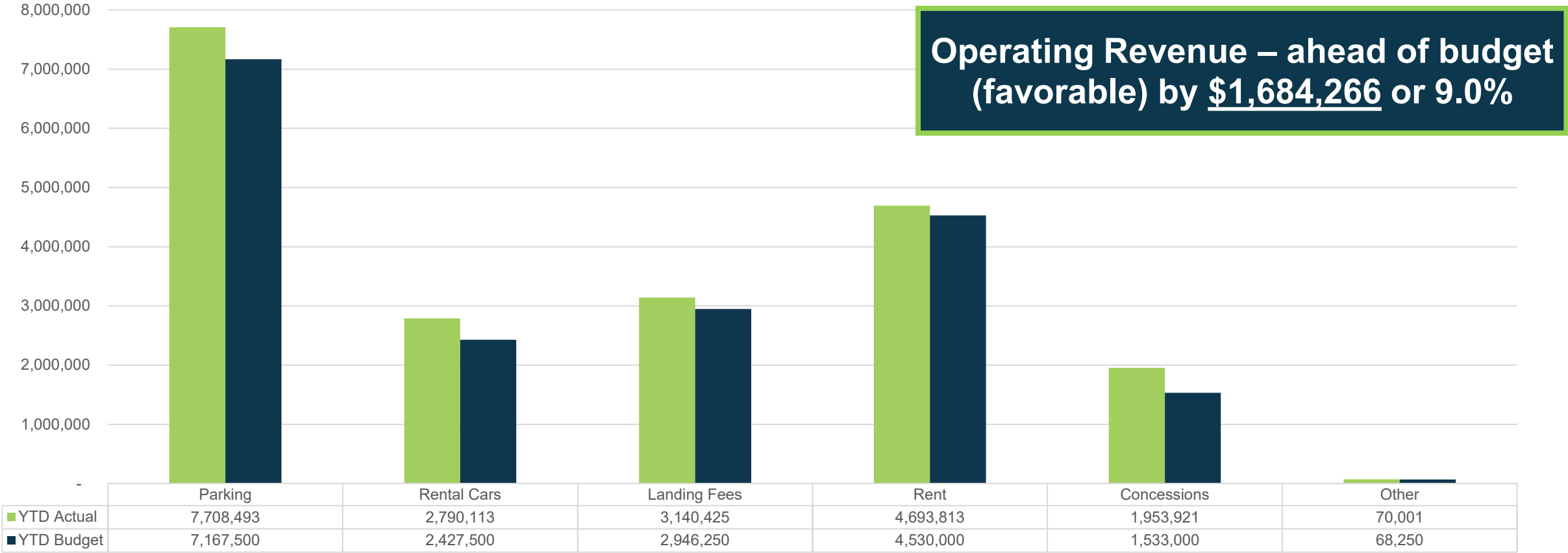
Year to Date Budgeted vs Year to Date Actual



Operating Expense – under budget (favorable) by \$1,121,406 or 8.9%

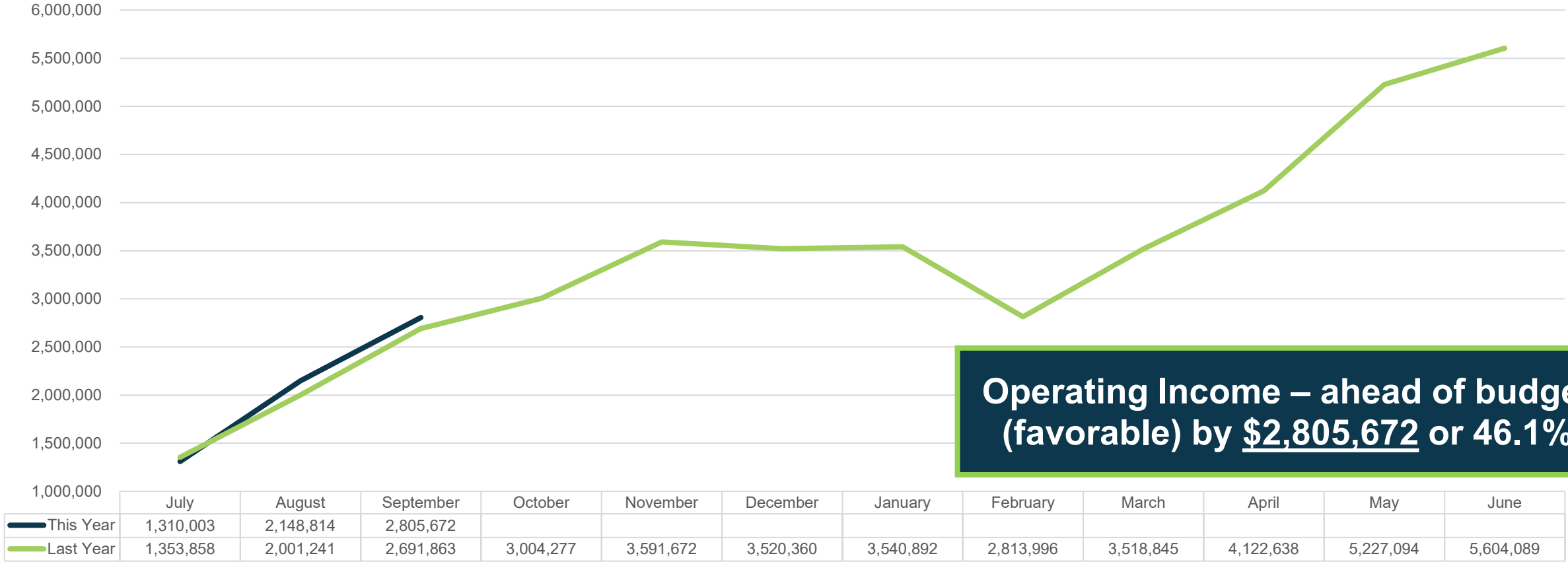
September 2024 Operating Revenues

Year to Date Budgeted vs Year to Date Actual

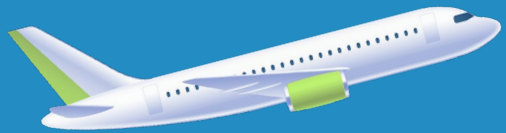


Year to Date Operating Income

Current Year vs Prior Year



Operating Income – ahead of budget (favorable) by \$2,805,672 or 46.1%



Strategic Plan Update

November 21, 2024



Strategic Plan Update

GOAL #1 OUR PEOPLE Support and develop our staff, maximize organizational and employee efficiency and performance.



7% FROM AUG 2024

84%

PERCENT COMPLETE

- 100% Objective 1A: Optimize our organizational structure
- 85% Objective 1B: Better engage our employees
- 75% Objective 1C: Foster a culture of transparency, and strong communications, where information is shared and voices are heard
- 60% Objective 1D: Create a formal employee training and development program
- 98% Objective 1E: Hire and retain diverse, qualified, and competent employees

GOAL #2 OUR CUSTOMERS Grow our traffic and provide a world-class customer experience.



0% FROM AUG 2024

68%

PERCENT COMPLETE

- 70% Objective 2A: Increase customer and passenger satisfaction; improve customer experience.
- 71% Objective 2B: Increase air service offerings and expand direct flight destinations
- 65% Objective 2C: Identify and capitalize on economic development opportunities

GOAL #3 OUR COMMITMENT Create and maintain a welcoming and safe environment for our employees, patrons, and stakeholders.



9% FROM AUG 2024

88%

PERCENT COMPLETE

- 92% Objective 3A (Diversity): Assess the Diversity of the Authority
- 75% Objective 3B (Equity): Ensure applicants and employees are treated fairly and given equal opportunities
- 100% Objective 3C (Inclusion): Create an Inclusive Work Culture
- 89% Objective 3D: Enhance Small Business Participation
- 85% Objective 3E: Improve physical and mental accessibility into and throughout our facilities

GOAL #4 OUR FACILITY Optimize facilities to create and sustain growth, expand opportunities, and diversify revenue sources.



4% FROM AUG 2024

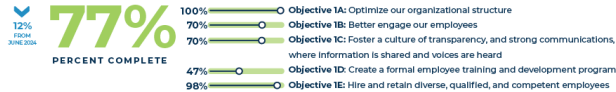
60%

PERCENT COMPLETE

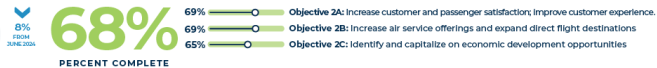
- 86% Objective 4A: Enhance the Passenger Experience
- 32% Objective 4B: Expand and Diversify Revenue Sources
- 60% Objective 4C: Increase our infrastructure reliability, sustainability, and resiliency; decrease our environmental footprint

AUGUST 2024 GOALS PROGRESS

GOAL #1 OUR PEOPLE Support and develop our staff, maximize organizational and employee efficiency and performance.



GOAL #2 OUR CUSTOMERS Grow our traffic and provide a world-class customer experience.



GOAL #3 OUR COMMITMENT Create and maintain a welcoming and safe environment for our employees, patrons, and stakeholders.



GOAL #4 OUR FACILITY Optimize facilities to create and sustain growth, expand opportunities, and diversify revenue sources.



November 21, 2024

In the Community

- Oct. 4 – Sentara 3D Mobile Mammography screenings offered onsite at ORF
- Oct. 12 – Community drive-in movie night near airfield – “Disney’s Planes by the Planes”
- Oct. 12 – Official gameday sponsor of Norfolk State University football
- Oct. 16 – Inside Business Top 40 Under 40 recognition for CFO Jarred Roenker
- Oct. 26 – Children’s STEM event at Virginia Science Center with NAA Police
- Oct. 26 – Chaired holiday travel panel at ACI-NA Marketing/Communications Conference
- Oct. 27 – NAA Police participated in charity plane pull for Mission: POW-MIA
- Oct. 31 – Completion of monthlong Breast Cancer Awareness Fundraiser by Dispatch staff
- Nov. 5 – Girls in Aviation Day led by ORF Operations
- Nov. 7 – TSA media event at ORF to raise awareness of prohibited items
- Nov. 11 – Veterans Day luncheon with guest speaker U.S. Navy Capt. Janet Days
- Nov. 12 – Transform ORF presentation to Virginia Beach City Council
- Nov. 14 – Hampton Roads Chamber BRAVO! Leadership award for Mark Perryman
- Nov. 18-22 – Supporting NASA test flights for research into sustainable aviation fuel



Events on Approach

- Nov. 23 City of Norfolk – Grand Illumination Parade
- Dec. 7 Snowball Express – Military
- Dec. 14 Snowball Express – Public Safety
- Dec. 20 U.S. Army Block Leave

5. Chair Report

Norfolk Airport Authority
Board of Commissioners Meeting

6. Committee Reports

Norfolk Airport Authority
Board of Commissioners Meeting

Committee Reports

- None

7. Old Business

Norfolk Airport Authority
Board of Commissioners Meeting

Old Business

- None

8. New Business

Norfolk Airport Authority
Board of Commissioners Meeting

New Business

- Approval of Updated Air Service Development Policy
- Acceptance of Annual Financial Statements

Air Service Development Policy Updates

- A copy of the proposed policy was included in your pre-Board package
- Key changes include:
 - Aligns Authority's program with current guidance from the FAA Policy Regarding Air Carrier Incentive Program, published in the Federal Register on Dec. 7, 2023
 - Consolidates incentive offerings into five distinct categories:
 - New Year-Round Priority Service
 - New Year-Round International Service
 - New Seasonal Priority Destination
 - Priority Underserved Destination
 - New Non-Priority Destination

Air Service Development Policy Updates

- Key changes continued:
 - Places greater priority on incentivizing service that is most desirable to this market, specifically ORF's Top 50 busiest destinations as well as international service
 - Heightens Authority's ability to offer maximum incentives in today's competitive environment – up to 24 months (was 12) for New Year-Round Priority Service
 - New Seasonal category can extend select service's eligibility for to up to 36 months from launch date, but no more than seven months per year
 - Non-Priority Destination allows Authority to offer lesser incentives on certain routes
 - Eliminates previous categories that were redundant and/or never utilized

NORFOLK AIRPORT AUTHORITY

Audit Executive Summary

November 8, 2024

November 21, 2024

Agenda

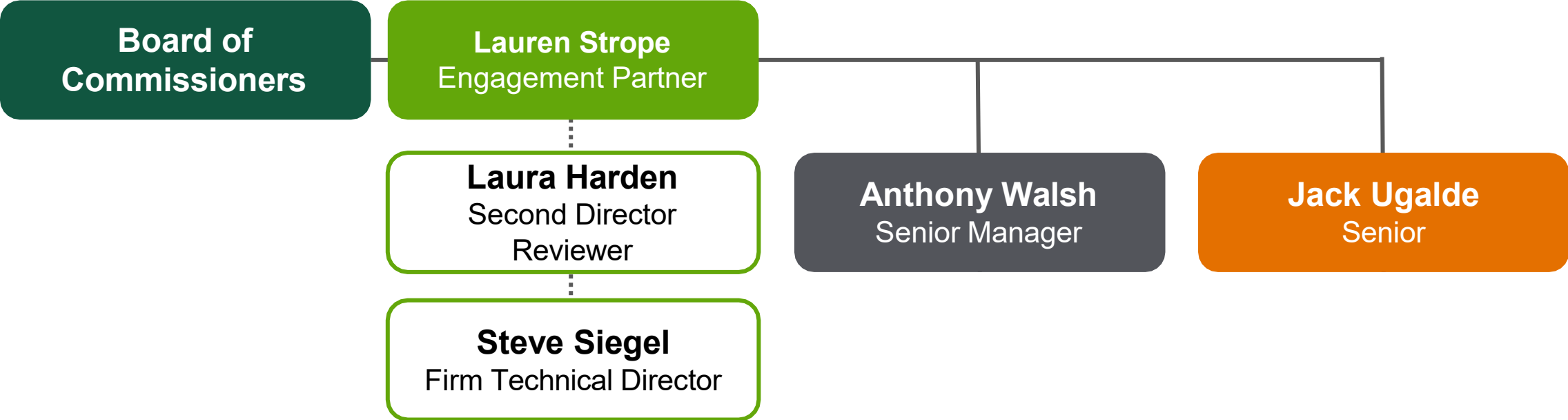
- ▶ Client Service Team
- ▶ Results of the Audit
- ▶ Internal Control Communication
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
- ▶ Independence Considerations
- ▶ Other Required Communications
- ▶ Other Matters
- ▶ Upcoming Financial Reporting Changes

This information is intended solely for the use of the Norfolk Airport Authority and Management and is not intended to be, and should not be, used by anyone other than these specified parties.

November 21, 2024



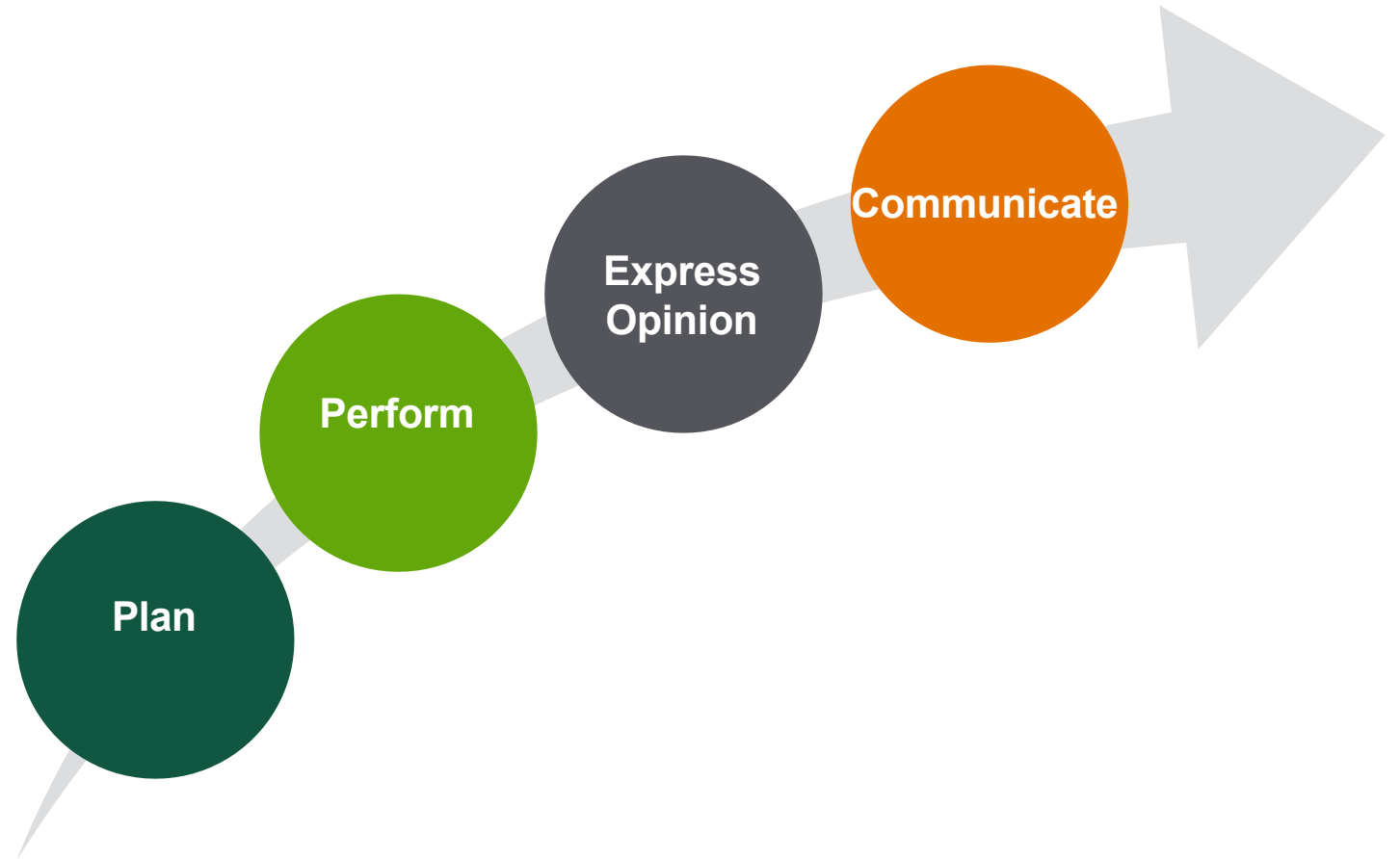
Client Service Team



Results of the Audit

We have audited the financial statements of Norfolk Airport Authority (“NAA”), as of and for the year ended June 30, 2024, and we have issued our report thereon dated November 8, 2024. We have issued an unmodified opinion on the financial statements.

We have audited the financial statements of NAA, in accordance with the *Government Auditing Standards* and the *Specifications for Audits of Counties, Cities, and Towns* (the “Specifications”), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, as of and for the year ended June 30, 2024. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Internal Control Communication

In planning and performing our audit, we considered internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NAA's internal control. Accordingly, we do not express an opinion on the effectiveness of NAA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.



Internal Control Communication

Material Weakness

- ▶ A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of NAA's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant Deficiency

- ▶ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We did not identify any control deficiencies that we believe to be material weaknesses.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected Misstatements

- ▶ None noted.

Uncorrected Misstatements

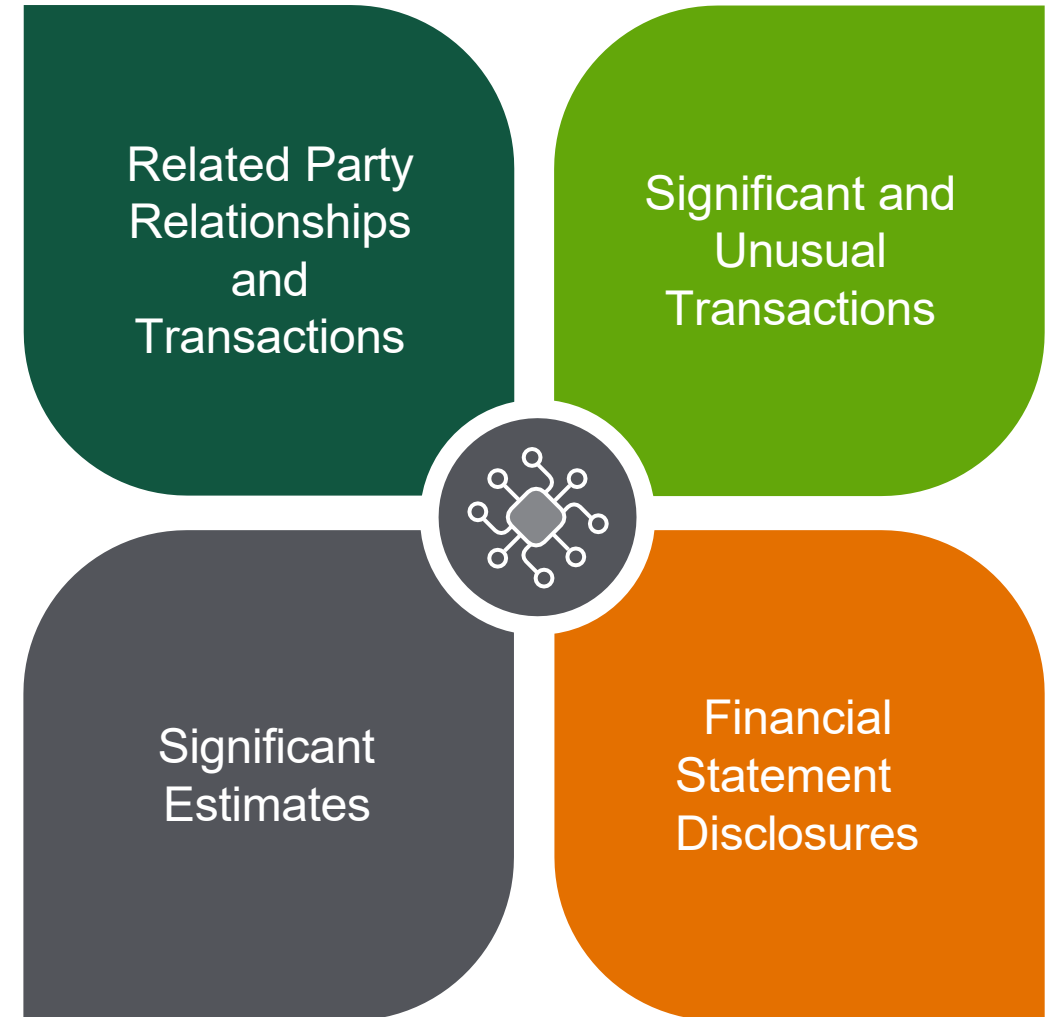
- ▶ Prior year net position was overstated by a \$500,000 capital contribution accrued at year-end for which revenue was recognized in the same period. Management reversed the accrual in the current year which results in current year revenue being understated. Net position is properly stated at June 30, 2024.



Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NAA are described in Note [1] to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no inappropriate accounting policies or practices.



Qualitative Aspects of Accounting Practices

As part of our audit, we evaluated NAA's identification of, accounting for, and disclosure of NAA's relationships and transactions with related parties as required by professional standards.

We noted none of the following:

- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with NAA's policies or procedures or for which exceptions to NAA's policies or procedures were granted;
- Significant related party transactions that appeared to lack a business purpose;
- Noncompliance with applicable laws or regulations prohibiting or restricting specific types of related party transactions, and
- Difficulties in identifying the party that ultimately controls NAA.

Related Party Relationships and Transactions

Significant and Unusual Transactions

Significant Estimates

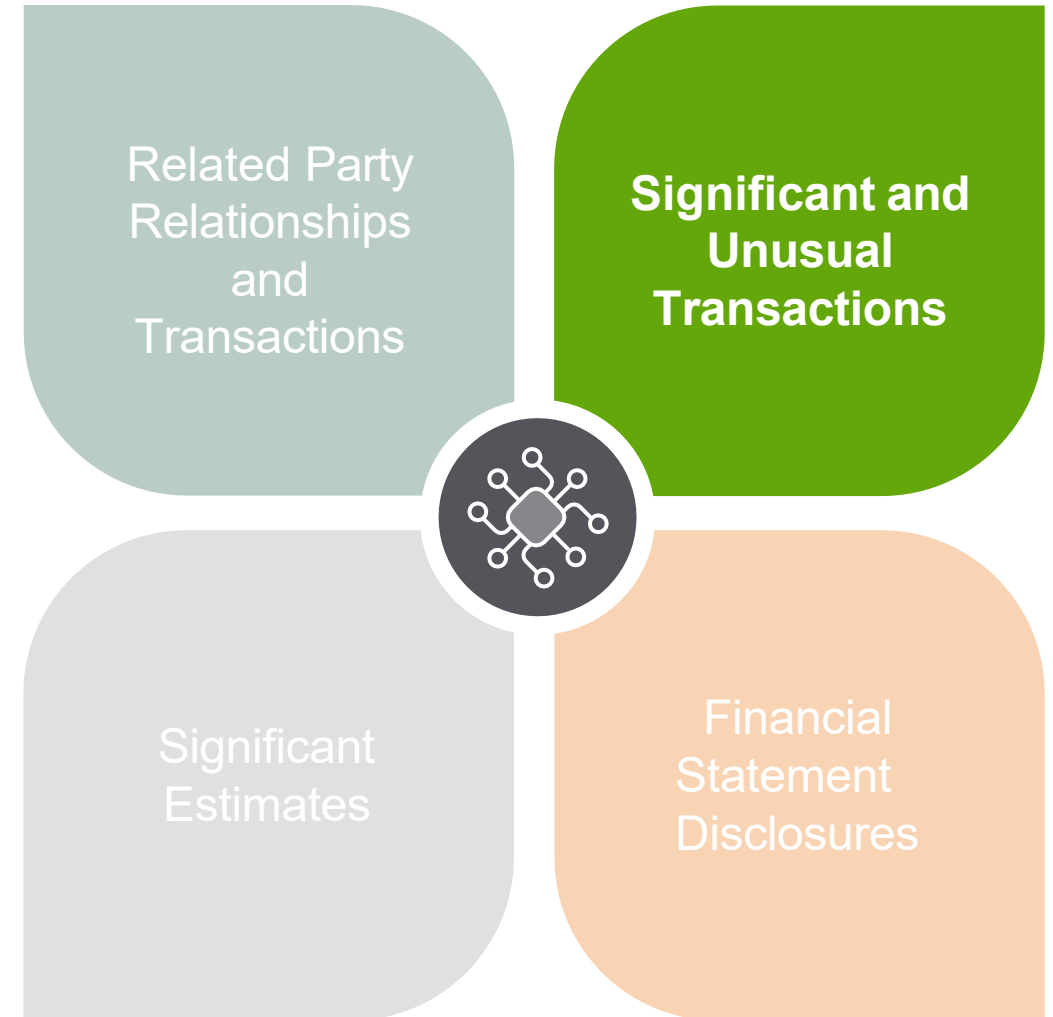
Financial Statement Disclosures



Qualitative Aspects of Accounting Practices

We noted no transactions entered into by NAA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for NAA or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during our audit.

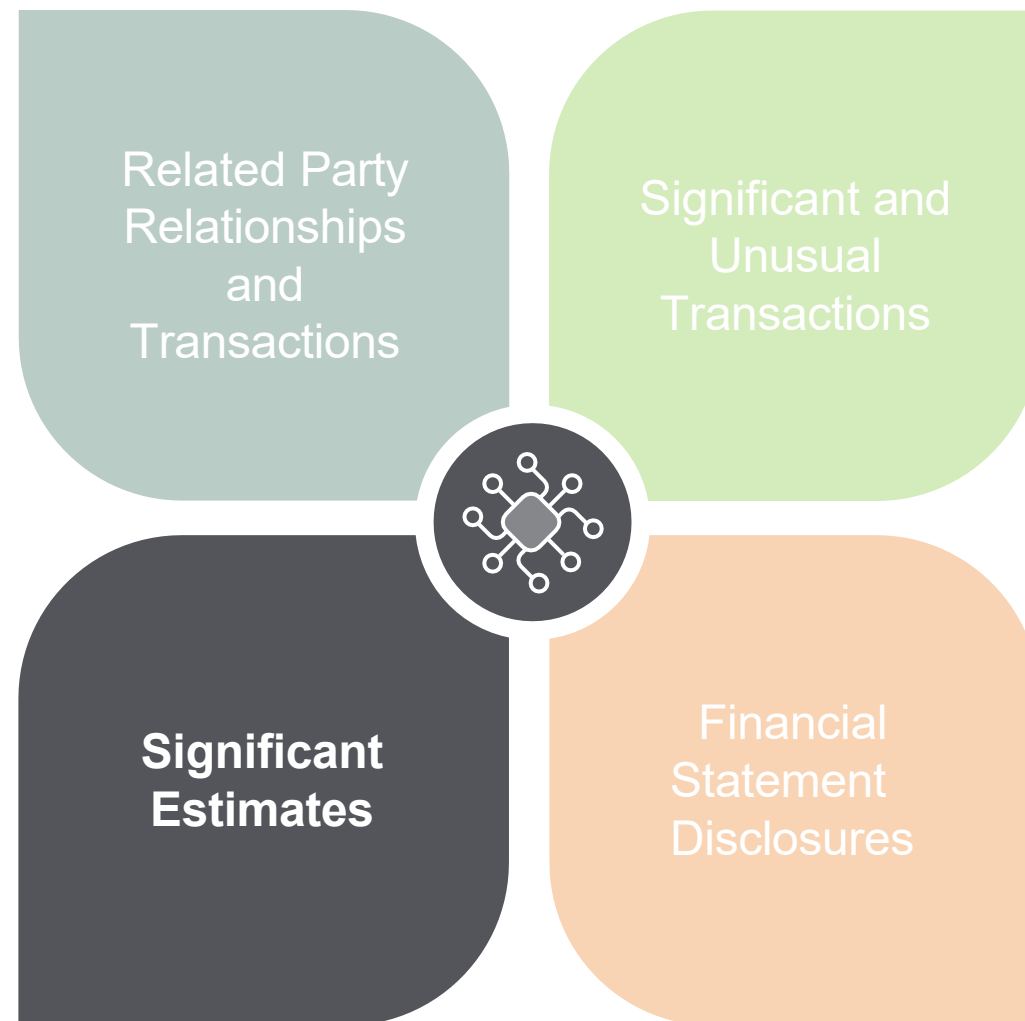


Qualitative Aspects of Accounting Practices

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

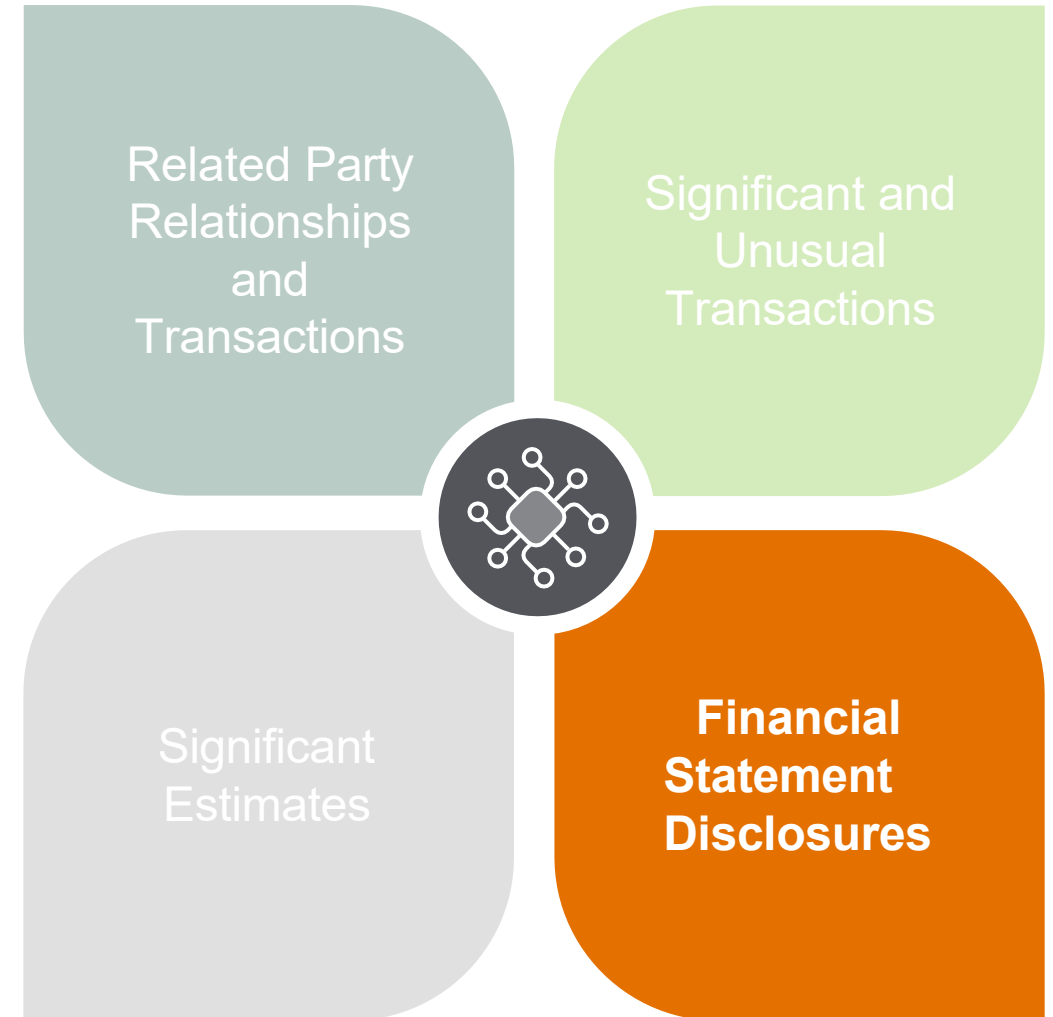
- Useful lives of capital assets
- Fair value of investments
- Liabilities, expenses, deferred flows of resources related to pensions and OPEB
- Discount rates for leases and SBITAs

Management's estimates of the above identified items are based on analysis of historical trends, estimated useful life of the capital asset, payroll and vacation pay estimates, actuarial valuations, and lease terms and conditions. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.



Qualitative Aspects of Accounting Practices

The financial statement disclosures are neutral, consistent, and clear.



Independence Consideration

Nonattest Services

- ▶ Our Firm assisted NAA in the rollforward, printing and assembly of the basic financial statements and with the completion of the appropriate sections of the Data Collection Form.
- ▶ For all nonattest services we perform, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results for the services.



Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.
- ▶ We are independent of NAA and have met our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.



Other Required Communications

Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 8, 2024.



Other Required Communications

Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. To our knowledge, there were no such consultations with other accountants.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Fraud and Illegal Acts

As of the date of this presentation, no fraud, illegal acts, or violations of laws and regulations noted.

Going Concern

No events or conditions noted that indicate substantial doubt about NAA’s ability to continue as a going concern



Other Matters

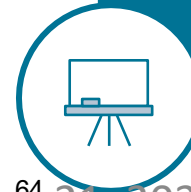
Required Supplementary Information

We applied certain limited procedures to the required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the other supplementary information which accompanies the financial statements, but which is not RSI.



Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Upcoming Financial Reporting Changes

These standards will be effective for the Utilities Commission in the upcoming years and may have a significant impact on NAA's financial reporting.

We would be happy to discuss with management the potential impacts on NAA's financial statements and how we may be able to assist in the implementation efforts.

- ▶ GASB 101 – Compensated Absences
- ▶ GASB 102 – *Certain Risk Disclosures*
- ▶ GASB 103 – *Financial Reporting Model Improvements*
- ▶ GASB 104 – *Disclosure and Classification of Certain Capital Assets*



Questions

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About Cherry Bekaert

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November 21, 2024

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9. Closed Meeting

Norfolk Airport Authority
Board of Commissioners Meeting

10. Adjournment

Next Meeting:

Thursday, January 30, 2025

Lunch: 12:30pm

Meeting: 1:00pm