Pillar 2: Ensuring Financial Health

A. Capital Funding

To support overall financial health and stability, the Authority will seek to maximize the use of all available federal and state funding, and the Authority will aggressively maximize all non-airline revenue sources and opportunities to maintain a healthy balance sheet and minimize cost recovery requirements from airlines. Debt issuance will be considered when there is a proven business rationale or customer service benefit for development of capital improvements.

Strategies include long-term debt capacity planning, exploring alternative financing options such as non-FAA grants, TIFIA loans, and public-private partnerships seeking third-party financing when appropriate, and optimizing the timing of bond issuances to achieve bond rating and interest rate benefits.

Tasks:

- Set financial targets.
- Create performance metrics.
- Assess multi-year capacity funding planning.
- Ensure funding transparency.
- Prioritize initiatives based on strategic impact, risk, and return on investment.

Measurement Criteria:

- Bond rating(s).
- Diversification of sources of funds.
- Minimization of financial investment / risk on customer enhancement programs rather than on revenue producing projects.
- Third-party funding sources, when prudent.
- Competitive airlines rates and charges.
- Benchmarking revenue per enplanement for passenger-related revenue-generating activities.

Target Timeline:

- End of FY27 with quarterly updates thereafter.

Pillar 2: Ensuring Financial Health

B. Operational Budgeting

The strategy focuses on maximizing non-airline revenue opportunities and utilizing the airport's asset base for the highest possible return. Analyze all expense categories and evaluate the most cost-effective means of providing required services while maintaining the desired level of customer service. the Authority will develop a zero-based budgeting approach for both expenses and revenues, assessing the efficiencies of how services are delivered.

Tasks:

- Implement a zero-based budgeting approach for the FY28 budget.
- Set a capital outlay planning program for a running 5-yer window.
- Develop cost of ownership modeling and return on investment.
- Ensure risk oversight.

Measurement Criteria:

- Compliance with adopted targets.
- Alternative service delivery analyses and recommendations (e.g., insourcing or outsourcing).
- Identification of areas where technology can increase productivity, increase revenue, and/or
- decrease expenses without compromising customer service.

Target Timeline:

- End of FY27 with quarterly updates thereafter

Pillar 2: Ensuring Financial Health

C. Non-Airline Net Revenue Growth

The Authority will evaluate programs that can result in cost savings and/or revenue enhancement and implement business assessment recommendations (*see BAC September 2024 report)* to drive increased net return in major non-airline revenue categories. Targeted business assessments will be evaluated on a case-by-case basis and can be compared to peer airports or other industry benchmarks when relevant or applicable.

Policies on all airport related leasing and rates, fees, and charges will be reviewed and implemented for a consistent approach that would apply economic consistency among tenants.

Tasks:

- Develop policies on each category of leases that address financial aspects.
- Conduct benchmarking on performance and peers regarding policy and rates.
- Migrate all existing leases into the new policy and format when applicable.
- Review all existing delivery methods for services provided by the Authority and identify opportunities for enhanced net revenue while maintaining customer service standards.

Measurement Criteria:

- Positive net revenue generation.
- Expenses reduction.
- Benchmarking against peer airports.
- Simplification and consistency in rates, fees, and charges.

Target Timeline:

- Complete in FY27 with annual updates thereafter.

Pillar 2: Ensuring Financial Health

D. Airline Rates and Charges

The Strategic Plan aims to maintain a competitive cost per enplanement (CPE), balancing a leasing strategy among different airline types to eliminate barriers to entry and support a "pay for what you use" approach. We will benchmark ORF's five-year CPE overall and by airline, maximize incentive programs for new service, and analyze cost distribution models to ensure cost center integrity.

Tasks:

- Optimize a rate making model that is fair and is based upon a "pay for what you use" approach.
- Set cost per enplanement targets and benchmarks against actuals.
- Assess airline rate-based costs as a percentage of budget.
- Ensure the Authority control of the facility to ensure maximum utilization.
- Balance risk associated with unleased space.

Measurement Criteria:

- Analysis of historical airlines rates and charges and total payments by airlines.
- Analysis of passenger processing space and Airline support space versus space that is supported by the Authority.
- Revenue and expense benchmarks and annual performance analysis.
- Implementation of business assessment recommendations.

Target Timeline:

- Commence internal analysis in FY27 and complete negotiations and execution prior to the expiration of the existing AULA.