



Minutes from 18 April 2024 HRMFFA Board of Directors Meeting

1. HRMFFA's Quarterly Board of Directors meeting was held at the Regional Building on 18 April 2024. Public Board members present were Mayors Alexander, Cutchins, Duman, Dyer, Glover, Pons, Tuck, and West; Supervisors Bazzani, Cornwell, Drewry, Hipple, Rosie, Shepperd, and Councilman Southall. Ms. Jerri Wilson represented the City of Newport News. Private Board members present were Buckless, Faulkner, Garcia, Klett, Monaco, Sutton, Stephens, and Warren. Mr. Bill Brown represented ECPI University. Executive Director Dwyer and Deputy Executive Director Nichols were present, along with Treasurer Wilson. A quorum was achieved.
2. Board Chairman Dyer called the meeting to order at 10:32 a.m. and made a call for public comments. Mr. Drew Lumpkin, Regional Director, US Senator Mark Warner, announced he accepted a position with the Hampton Roads Executive Roundtable as Vice President of External Affairs and Strategic Initiatives starting May 1, 2024. Mr. Lumpkin introduced Ms. Erin Carter, who would fill the position in the interim.
3. Chairman Dyer introduced keynote speaker, Mr. Mark Edelson, Program Executive Officer for Industrial Infrastructure, responsible for cost, schedule, and performance of the Shipyard Infrastructure Optimization Program (SIOP), the Navy's holistic investment plan to optimize the four naval public shipyards. Chairman Dyer invited Mr. Edelson to provide remarks and brief the Board on SIOP.

In an overview of the \$6B SIOP construction under contract, Mr. Edelson stressed the overdue need to recapitalize the Navy's four public shipyards due to their aged infrastructure and support services, noting the average extent of dry docks (DD) in service ranges between 86-108 years. He underscored other issues, including shipyard worker compensation has not kept pace with the private sector and warrants pay raises to remain competitive. Coastal resiliency concerns raised SIOP's DD project urgency. Locally, Norfolk Naval Shipyard (NNSY) continues to be plagued by its degraded electrical distribution system, and the pressing need for replacement Portal Cranes.

More broadly, Mr. Edelson emphasized SIOP planning efforts included Area Development Plans for all shipyards, Industrial Modeling Increment #2 commenced, and the Waterfront Production Facility planning studies for Pearl Harbor Naval Shipyard (PHNS), Puget Sound Naval Shipyard (PSNS), and Norfolk Naval Shipyard (NNSY), and NNSY material RFID tagging pilot. Design & Construction milestones include NNSY DD 2&4 Flooding Protection completion; NNSY DD 4 restoration; NNSY DD 8 FORD Class upgrades (cooling, berths, caisson); PSNS DD 4 and Pier 3 electrical upgrade completion and awarding PHNS DD 5 construction.





At NNSY, Mr. Edelson described \$520m of work under contract or in progress, which include Buildings 261 & 1539 Facility Envelope Repair; Replacing DD2 Caisson; Ships Maintenance Facility B510 Conversion; DD8 Convert Caisson Flood Through; Berths 40 & 41 repairs, DD8 CVN 78 Class Saltwater System upgrades; Medium Voltage Circuits and Distribution Equipment replacement; DD4 Refueling Complex upgrades; and Building 278 Repairs. Upcoming NNSY Work includes energy station upgrades to accommodate data processing facilities increased power demands and heavier power requirements of new fleet platforms at piers and dry docks; a suite of fire safety improvements, DD3 reconstruction and modernization to support LA and VA Class (Blocks I-V) submarines with larger payload modules.

Mr. Edelson drew the Board's attention to the local community economic impacts this vast recapitalization effort brings, offering economic vitality from decades of construction work, installing resilient infrastructure and utilities, and outfitting the shipyards with modern industrial equipment. Chairman Dyer opened the floor for questions and comments.

Given the industrial efficiencies planned into SIOP, Mayor Tuck inquired as to observable schedule improvements realized in future ship overhauls, and what agency is advocating for new ship maintenance aspects. Mr. Edelson explained there will be an immediate 90-day ship schedule improvement from current schedule models due to transit efficiencies; however, submarine overhauls would realize less of an impact due to their complexities. Regarding advocacy, the Chief of Naval Operations and Naval Sea Systems Command Directorates champion meeting the future platforms maintenance demands.

Captain Dees, CNRMA Chief of Staff, commented that the Navy is effective at maintenance planning; however, dated infrastructure continues to be problematic as industrial base capacity has declined and ship system complexity increased.

Mr. Bryan Stephens, President of the Hampton Roads Chamber of Commerce, inquired if SIOP execution had been impacted by workforce shortages; and if so, are the impacts localized or broader. Mr. Edelson described the workforce shortages were on a national level, stressing there are not enough workers. He clarified the submarine industrial base was built out privately.

Mr. John Simmons, The Roosevelt Group, questioned how much of the \$3.3 billion supplemental spending bill would impact Hampton Roads. Mr. Edelson responded by stating he was unsure of the impacts, noting some funding was superseded by the FY24 Defense Spending Bill.





Mayor West solicited Mr. Edelson to elaborate on how the Navy will manage east coast ship maintenance demands with reduced capacity constraints from SIOF execution. In response, Mr. Edelson acknowledged the complexities of the problem, as it contained many fluid variables. Precise planning is a key aspect of the solution. Mr. Edelson recognized there will be a short-term capacity impact but he did not foresee a productivity reduction.

Mr. Jason Sutton, Newport News Shipbuilding, requested insight on the Navy's DD capacity analysis to meet future higher submarine fleet inventory maintenance demands, and if nuclear-capable floating DDs are being considered. Mr. Edelson referenced the annual DD analysis coincides with the Navy's 30-year shipbuilding plans, and suspects there is need for additional DDs. He acknowledged the Submarine Industrial Base is considering the addition of a floating DD, and there is interest in increasing the number of DDs, including exploring private industry options.

Mayor Tuck asked Mr. Edelson to discuss opportunities to accelerate SIOF execution to improve the Navy's critical maintenance infrastructure and improve nuclear fleet operational readiness to sustain strategic advantages. Mr. Edelson elaborated upon the 5-year Congressional Report which identifies several accelerants for SIOF execution, which are predicated on funding those opportunities.

On behalf of the HRMFFA Board of Directors, Chairman Dyer thanked Mr. Edelson for his remarks and addressing the Board's questions.

4. Mr. John Simmons of The Roosevelt Group provided a Washington Update. Highlights included:
 - Congress reauthorized the Foreign Intelligence Surveillance Act, only for two years.
 - House is struggling to consider the \$95B Security Supplemental to assist Israel, Ukraine, Taiwan, and US Industrial Base.
 - House Republicans selected Rep. Tom Cole (R-OK) to replace retiring Rep. Kay Granger as Appropriations Committee Chairman. Defense, Mil Con-VA Subcommittee Chairmen remain unchanged.
 - Japanese Prime Minister Fumio Kishida addressed a joint session of Congress touting expanding defense spending and partnerships with the US. Japan is to be added into an AUKUS framework for Pillar Two.
 - FY25 budget process began with House and Senate Appropriations Committees holding hearings.
 - The 2025 National Defense Authorization Act will include PPBE Commission recommendations and bipartisan congressional language revamping the DoD process for basing new military missions at existing installations.
 - FY24 Appropriations Bills Passed: Congress passed two large mini-bus appropriations bills funding the government through September 30, 2024.
 - Defense receives \$824.485B - \$26.745B (3.4%) above FY23 levels.
 - Homeland Security funds 22,000 Border Patrol Agents, highest level ever.



- NASA's budget is \$24.5B, about \$509 million below FY23 levels and \$2.3B below budget request.
 - DOJ's budget will be \$37.5B, nearly \$1B below FY23 funding, and \$3.8B below budget request. The FBI will see a 6% budget cut and the Bureau of Alcohol, Tobacco, and Firearms and Explosives (ATF) will have their budget reduced 7%.
 - FY24 Defense Community Highlights:
 - Funds the largest basic pay increase (5.2%) in over 20 years.
 - Investments to improve Child Development Centers and enhance quality of education at all Department of Defense-run schools.
 - Funding childcare fee assistance programs to address out-of-pocket costs for families unable to access childcare on a military installation.
 - Providing clear guidance on professional license portability and improvements for measuring military spouse employment.
 - Providing an additional \$123 million for recruiting and retention incentives and servicemember cost-of-living adjustments.
 - Providing an additional \$177 million for quality-of-life initiatives.
 - Shipbuilding
 - \$33.5B for procurement of eight Navy ships, including two DDG-51 guided missile destroyers, two Virginia-class fast attack submarines, one Columbia-class ballistic submarine, two Frigates, and one TAO Fleet Oiler.
 - Supports \$155 million request for multi-use and parking facilities at shipyards to improve Sailor's quality of life.
 - Aircraft
 - \$9.8B for 86 F-35 aircraft, including 19 Navy and Marine Corps carrier variants.
 - FY25 President's Budget Request: \$1.63T for defense and non-defense discretionary accounts.
 - Second year of the 2023 Fiscal Responsibility Act.
 - \$895B for defense spending and \$734B for non-defense spending.
 - 2% federal pay raise for ~1.5 million federal employees.
 - Military members would receive a 4.5% raise next year.
 - Unfunded Priorities Lists submitted by Services roughly add up to the FY25 Defense Budget cuts under FRA.
 - FY25 DoD Budget Request: The request is aligned to funding levels agreed to in the 2023 Fiscal Responsibility Act (FRA), it grows by \$7.8B (0.9 percent) over the FY 2024 President's Budget request.
5. Mayor Dyer invited Mr. Nichols to provide a recap of the Association of Defense Communities (ADC) National Summit. Mr. Nichols presented the central themes: a) Failing Installations; b) Military & Veterans Healthcare Challenges; c) Critical Infrastructure and the ongoing Climate & Adversarial Threats; and d) Quality of Service/Quality of Life issues.

A Navy/Marine Corps Town Hall Panel moderated by Executive Director Dwyer presented:

- Virginia's Navy Community Ambassadors, Ms. Alisa Crider & Michelle Norman (both from Hampton Roads).





- VADM Gray, Commander, Navy Installations Command, described Naval Installations as 'Poor or Failing'; with more Sailors at Huntington Ingalls Industries Newport News Shipbuilding than at 61 of 70 installations; however, the Navy never built Sailor support facilities. VADM Gray mentioned a forthcoming spending package to expand Newport News/Hampton Roads Sailor housing.
 - RADM Vanderley, Commander, NAVFAC, reiterated public shipyard degradation, noting a \$3.2B electrical infrastructure backlog. The Navy is exploring outsourcing electrical utilities privatization with NNSY, NAVSTA, and NSA Hampton Roads.
 - Mr. James Balocki, Executive Director Marine Corps Installations Command, discussed recent headlines describing unlivable conditions in Marine Corps barracks, degradation, lost opportunity costs over decades to do incremental economical upgrades vice comprehensive recapitalization. He added future barracks investments needed a longer-term view which accommodates rapid technology turnover, not a rigid 30-year lifecycle.
 - Installations continue to face risks to critical infrastructure and the ongoing climate & adversarial threats. The going concern is whether installations can continue to operate in a prolonged climate or adversarial crisis. Primary areas of concern continue to be reliable electrical distribution systems, overcoming prolonged telecommunications outages, storm water pumping station outages, prolonged stresses on regional transportation corridors, and regional water supply strains, with potable and cooling water as the biggest adversarial threat and highest value target.
 - The QoS/QoL Panel continued to stress childcare capacity shortfalls, Spousal Employment (Compacts) which stress family finances, Housing Allowance Formula reviews to alleviate the prolonged 95% BAH funding rate, barracks conditions, and Installation Services (food, internet, gyms).
6. Draft FY2025 Federal Legislative Priorities: Mr. Dwyer presented the 2025 Federal legislative priorities for Board approval, clarifying that the draft version was used in recent Congressional delegation visits. The Board had no questions or comments. Supervisor Shepperd motioned to approve the FY2025 Federal Legislative Priorities, with Mayor West seconding the motion; the Board unanimously approved the Federal Legislative Priorities.
7. Monthly Financial Statements: Mr. Dwyer presented the March 2024 financial reports noting current expenses were on track with the budget. The Board had no questions or comments.
8. Budget & Finance Committee: Chairman Dyer invited Mayor Duman to present the Budget and Finance (B&F) Committee Report.
- Mayor Duman presented the Budget & Finance Committee met virtually on April 4th and conducted a second review of the draft FY25 budget. Revenues remain projected to yield a 4% interest rate, with Mr. Buckless providing confirmation to the Budget & Finance Committee prior to June 2024 final budget approval.
 - Mayor Duman noted labor expenses changed from the December 2023 Board briefing, increasing the staff inflationary adjustment from 3% to 3.5%, consistent



with HRPDC, HRTAC, and municipality staff increases. The additional 0.5% increase results in approximately +\$1,861 to labor expenses.

- Other expenses remained consistent with the December 2023 draft budget briefing except HRPDC support expenses, which was increased to \$55,000 based on FY24 projections.
- Executive Director Dwyer recommended maintaining \$25,000 for event sponsorship to attract ADC to host a Virginia Defense Forum.
- Budget projections indicated an annual net positive cash flow.

The Board had no questions on revenue projections or the adjustments to labor and non-labor expenses.

9. Mayor Dyer called upon the Nominating Committee Chairman, Councilman Southall, who announced he would need to step down as a Board member after serving out the remainder of his term due to personal and family reasons. The Nominating Committee recommended to the Board York County Supervisor Tom Shepperd assume the responsibilities of the HRMFFA Vice-Chair. Mayor Pons made a motion to approve the recommendation, with Mayor West seconding the motion. The motion was passed with unanimous Board approval.
10. Executive Director Dwyer put out a call to the elected official Board members of the upcoming U.S. Conference of Mayor's annual meeting, scheduled June 20-23, 2024. Mr. Dwyer pointed out this meeting coincides with HRMFFA's 20 June 2024 Annual meeting, and needed to determine if there was a need to reschedule HRMFFA's annual meeting. By show of hands, Mayor Glover was the only elected official who indicated his intention to attend the U.S. Conference of Mayor's annual meeting, the HRMFFA annual meeting will be held as scheduled.
11. Chairman Dyer adjourned the meeting at 12:01 p.m.