DULUTH INTERNATIONAL AIRPORT

Travel Globally. Fly Locally.

DULUTH AIRPORT AUTHORITY
MEETING AGENDA
SEPTEMBER 18, 2018

DULUTH INTERNATIONAL AIRPORT
AMATUZIO CONFERENCE ROOM

I *EXECUTIVE DIRECTORS REVIEW

Information Letter to DAA Directors.

II *APPROVAL OF PREVIOUS MEETING MINUTES & OTHER CONSENT AGENDA ITEMS

A. Approval of August 15, 2018 Special Meeting Minutes and August 21, 2018 Meeting Minutes.

III *DAA CASH DISBURSEMENTS

A. Cash Disbursement Sheets #17, and #18, 2018.

IV *CORRESPONDENCE

A. Airport News: July 31, 2018, Forbes Magazine Article "Does David Neeleman Have a Clear Flight Path for His New Airline?" August 20, 2018 "News from Don Monaco, Commissioner for the Metropolitan Airports Commission (MAC)" and August 20, 2018 Albatross Airport Newsletter.
B. Weekly Duluth International Airport Tenant Operations Meeting Minutes August 21, 2018 Through September 04, 2018.
C. September 1, 2018 E-Mail from Monaco Air Foundation with Summary of August 2018 Activities.
D. September 2018 Delta Air Lines Presentation.
E. Link for Metropolitan Airports Commission (MAC) Commission Minutes -- https://metroairports.org/Airport-Authority/Metropolitan-Airports-Commission/Public-Meetings/Board-Meetings.aspx.

V OPPORTUNITY FOR PERSONS TO BE HEARD

VI OLD BUSINESS

None.

VII NEW BUSINESS

A. Resolution to Approve the Land Lease Agreement Between the Duluth Airport Authority and the Western Lake Superior Sanitary District (WLSSD).

B. Resolution to Approve the Charter Airline Agreement Between Monaco Aviation and DAA to Facilitate Nashville Charter Service.
C. Resolution to Approve the Decommission of Hangar #2.
D. *July 2018 Financial Report.
E. *August 2018 Accounts Receivables.
F. *August 2018 Airline Statistics.

VII DIRECTORS REPORTS

Items annotated by an (*) are approved by consent and require no discussion or action unless questioned by a Director (In accordance with resolution passed by Directors at March 19, 2002).

EXECUTIVE DIRECTORS REVIEW

DULUTH INTERNATIONAL AIRPORT

Travel Globally. Fly Locally.

DATE: **September 18, 2018**
TO: **DAA Directors**
FROM: **Executive Director**
SUBJECT: **EXECUTIVE DIRECTORS REVIEW**

The following items will be briefed during the Executive Director's Review. If action is required of the DAA on any of these items, they will also appear on the agenda. If you have questions or desire additional information, please contact me and I will provide it at the DAA meeting.

AIR SERVICE

- 8% Increase in Passengers YTD
- 11% Increase in July Compared to July 2017
- 1.4% Increase in Delta Passengers YTD
- 17.6% Increase in United/United Express Passengers YTD
  - Mainline Load Factors
- Airline On-time Performance Through April 2018

AIRFIELD OPERATIONS & DEVELOPMENT

- Master Plan RFQ
- Airside
  - Runway Reconstruction Update- Peterson, B.
    - Public Outreach Plan
- Landside
  - NSR
- Business/Property Development
  - Airline Agreements
  - Lake Superior Helicopter's Operating Agreement
- Sky Harbor
  - Runway Realignment Project- Peterson, B.
    - LCCMR Land

FINANCIAL UPDATE

- Off Airport Car Rental Operations/Commercial Vehicle Policy Update
- Draft Rates and Charges DLH & DYT
- Draft Budget

MARKETING UPDATE

- Business Service Center Update
- Bentleyville

LEGISLATIVE UPDATE

- MNDOT Leadership Meeting

PRESENTATIONS/TOURS/TRAVEL RECAP

- NSR

OTHER

- NSR

Thomas J. Werner
Executive Director

FINANCIAL UPDATES

Duluth Airport Authority
Off Airport Car Rental Operations/Commercial Vehicle Policy
September 2018

Background:
A car rental company located off airport property is advertising on their website to pick up and drop off passengers at the airport without charging them the airport fees. The car rental companies at DLH charge all customers originating at the airport fees per their contract with the Duluth Airport Authority (DAA).

The fees charged by car rental companies at the airport include a Customer Facility Charge (CFC) which is a pass through fee that goes to the authority to pay for any rental car related infrastructure and operating expenses. The CFC fee is $4 per day for up to 4 days of each rental. In addition car rental companies at the airport pay the authority 10% of their gross receipts so they in turn charge their customers a concession recovery fee.

Attached you will find a memo outlining the Authority's legal right to charge such fees to off airport companies.

DAA staff solicited feedback from impacted stakeholders while formulating a fair solution. DAA currently does not have an Off Airport Car Rental Company Policy in place. As an alternative staff recommends updating the Commercial Vehicle Policy to incorporate an Off Airport Car Rental Company Policy.

Discussion Outcome:
After collecting feedback from stakeholders and gathering research from other airports, staff recommends the DAA level the playing field by approving a similar fee and contractual structure. Off airport companies would pay the same concession fee that is a percentage of their gross receipts and have a potential minimum annual guarantee or fixed fee as well. The other part of this would be to establish a radius around the airport for which this policy would apply. A 25 mile radius (excluding Wisconsin) around the airport is the area that this new Off Airport Car Rental Company Policy would apply to for operations they conduct at the airport.

Staff Recommendation:
DAA Staff recommends updating our Commercial Vehicle Policy to include language regarding Off Airport Car Rental Company operations. Off airport car rental companies would have to pay a percentage of their gross receipts to the DAA in the form of a concession fee as well as pay a potential minimum annual guarantee or fixed fee. Off airport companies would have to report their gross receipts monthly and pay accordingly to the authority as well as sign an Off Airport Car Rental Company Agreement.

Benefits to DAA:
The recommended changes would level the playing field. Further the recommended changes would recognize the investment and commitment made by the rental car companies who have prioritized having an on-airport facility thus insuring our customers have adequate choices in rental car companies when they fly into DLH. In addition, DAA is missing out on revenue from off airport companies operating at the airport. Establishing an off airport policy will generate more revenue to the authority. Lastly, in the future if other car rental companies open franchises with in the 25 mile radius of the airport; this policy will already be in place to capture that revenue for operations that take place at DLH.

Next Steps:
Move forward with staff recommendations and contact the off airport company that is advertising service at DLH currently. Upon board approval at the October 2018 board meeting, update the Commercial Vehicle Policy to include off airport car rental companies.

MEMORANDUM

9/4/18

Question: Does the Duluth Airport Authority (DAA) have the authority to charge car rental companies located off airport property a fee for picking up passengers at the airport and transporting them to an off-airport site to rent vehicles.

Short Answer: Yes

The Duluth Airport Authority Act of 1969 established the Duluth Airport Authority (DAA) and gave the DAA the power to administer and operate the Duluth International Airport (Airport). Minnesota statutes provide that the DAA has the power to determine the charges or rental for the use of any properties under the DAA's control and the charges for any services or accommodations and the terms and conditions under which such properties may be used. Minn. Stat. 360.038 Subd. 6. Charges shall be reasonable and uniform for the same class of service and established with due regard to the property and improvements used and the expense of operation to the DAA. Id.

The courts have held that airports can charge off-airport car rental companies a fee based on gross revenue of business at the airport. Enterprise Leasing Company v. Metropolitan Airports Commission, 250 F.3d. 1215 (8th Cir. 2000). In the Enterprise case, the 8th Circuit Court of Appeals reversed the district court and upheld the authority of the Metropolitan Airports Commission (MAC) to impose an 8.5 percent gross revenue fee on off-airport car rental companies doing business at the Minneapolis-St. Paul Metropolitan Airport. The statute authorizing the MAC to charge a fee parallels Minn. Stat. 360.038 Subd. 6. and allows the MAC to set fees, terms, and conditions for the use of airport property so long as charges are reasonable, uniform, and established with due regard to the value of the property used and the expense of operation to the MAC. Minn. Stat. 473.651. The 8th Circuit found that the MAC has broad discretionary authority to set the fee and that the 8.5 percent fee was well within the range other airports were charging off-airport car rental companies.

Accordingly, the DAA has the authority to charge off-airport car rental companies a fee for picking up airport passengers for the purpose of bringing them to an off-airport site and renting vehicles. The fee must be reasonable and uniform for all off-airport car rental companies and established with due regard to property and improvements used and the expense of operation to the DAA. Disputes concerning such a fee would be resolved by bringing suit in district court.

DULUTH INTERNATIONAL AIRPORT

DRAFT 2019 Rates and Charges Addendum

Effective January 1st, 2019 - Est. Adoption October 16th, 2018

				New in 2019
Passenger Terminal Fees (Per Square Foot)	~~Preferential Type 1 Space - Premium Finish~~		~~$39.88~~	
	~~Joint Use Type 2 Space - Base Finish (inc. electrical surcharge)~~		~~$33.25~~	
	~~Joint Use Type 3 Space - Limited Finish~~		~~$12.32~~	
	Airline Leased Premises			$21.97
	Non-Airline Terminal Tenant Rate (Reference Per Agreement)		$39.88	
Aircraft Landing Fee (Per 1,000 lbs MGLW)	Signatory Carrier		$1.98	
	Non-Signatory Carriers (125% more)		$2.48	
	Transient		~~$0.85~~	$0.89
	FBO Tenant		$0.00	
Per Use Fee	~~Signatory Carrier~~		~~$210.00~~	
	Non-Signatory Carriers (125% more)		~~$262.50~~	$297.00
International Arrivals Facility Per Use Fee	Less than 50,000 lbs. MGLW		$50.00	
	50,001-175,000 lbs. MGLW		$150.00	
	175,001 lbs. MGLW and above		$250.00	
Commercial Aeronautical Application Fee	Per application fee for commercial aeronautical operations		$100.00	
Terminal Ramp Aircraft Parking Fees	Signatory Carrier		$0.00	
Non-Terminal FBO Charged Aircraft Parking Fees (Per 1,000 lbs MGLW)	Category by MGLW (lbs.)	Per Night (24 hour period)	Per Month (Calendar)	Per Night/Per Month
	12,499 & Under	~~$13.00~~	~~$110.00~~	$14 / $112
	12,500 - 49,999	~~$55.00~~	~~$440.00~~	$58 / $464
	50,000 - 99,999	~~$110.00~~	~~$880.00~~	$115 / $920
	100,000 & Over	~~$225.00~~	~~$1,800.00~~	$236 / $1888
Passenger Facility Charge (PFC)	$4.50 Per enplaned commercial passenger, Per FAA Approved PFC Application			
DAA Owned Hangar Rental Rates (Per Each)	West T-Hangars		~~$175.00~~	TBD
	East T-Hangars		~~$155.00~~	TBD
	East Ranch Hangars		~~$205.00~~	TBD
	Other	Set by Agreement		
Fuel Flowage Fee (Fee Per Gallon)	FBO Charged In-to Plane Fee (Per Operator Agreement)		$0.03	
	FBO Charged Aviation, Heating & Auto Fuel Fee (Per Operator Agreement)		$0.09	
	Fee Per Gallon - Other Airport Operator	Set by Operator Agreement		
Parking Fees & Permits (Includes Tax)	0-1 Hour		$3.00	
	1-2 Hours		$5.00	
	2-6 Hours		$9.00	
	6-24 Hours (Daily)		$13.00	
	Weekly		$78.00	
	Corporate Surface Permit (Annual)		$1,200.00	
	Corporate Garage Permit (Annual)		~~$1,800.00~~	$2,000.00
	Airport Employee Tenant Permit (Annual)		$96.00	
	Airline Crew Overnight Permit (Monthly or Annual)	$51.00	$612.00	

Commercial Vehicle Fees & Permits (Includes Tax)	Taxi/Limo/Shuttle Permit (Annual)		$200.00	Per Each Vehicle	
	Transportation Network Company Permit (Annual)		~~$1,200.00~~	Per Company	$1,500.00
	Transportation Network Company Per Trip Fee		~~$2.00~~	Per Pick- Up & Drop Off	$3.00
Ground & Commercial Vehicle Violations	Airport Employee Parking Violation			TBD	
	Commercial Vehicle Violation			$100.00	
Conference Room/Space Rates & Fees (20% Discount for Airport Airport Terminal Tenants)	Room/Space	0-2 Hours	2-4 Hours	4-8 Hours	
	2nd Floor Mezzanine	$200.00	$250.00	$350.00	
	2nd Floor Conference Room - Room 250	$50.00	$75.00	$100.00	
	3rd Floor Conference Room - Amatuzio A	$100.00	$150.00	$200.00	
	3rd Floor Conference Room - Amatuzio B	$75.00	$150.00	$200.00	
	3rd Floor Conference Room - Amatuzio C	$75.00	$150.00	$200.00	
	3rd Floor Conference Room - Amatuzio A&B	$125.00	$175.00	$250.00	
	3rd Floor Conference Room - Amatuzio B&C	$125.00	$175.00	$250.00	
	3rd Floor Conference Room - Amatuzio A,B,C	$150.00	$200.00	$300.00	
	Projector, Laptop, IT	$25.00	$50.00	$75.00	
Badging Fees (All Fees to be paid regardless of whether badge is issued)	SIDA & Sterile Badge			$200.00	
	AOA Badge			$125.00	
	Landside Badge			$65.00	
	AOA Renewal			$65.00	
	SIDA & Sterile Renewal			$115.00	
	AOA Renewal (Past Expiration)			$125.00	
	SIDA Renewal (Past Expiration)			$175.00	
	Incomplete			$100.00	
	Lost or Non-Returned Badge			$125.00	
	~~Fingerprinting Fee (Third Party Provided)~~			~~$35.00~~	
	Construction Badge Additional Handling Fee			$50.00	
SIDA Violations	1) First Offense - $50.00 and retraining				
	2) Second Offense - $100.00, 10-day SIDA badge suspension and retraining				
	3) Third Offense - SIDA badge revocation (for a minimum of twelve months)				
	DAA reserves the right to revoke SIDA badge and not reissue based on violation investigation				
Airport Car Rental Customer Facility Charge (CFC)	Rental Car Transaction Per Day Charge for up to Maximum of 4 Days			$4.00	

SKY HARBOR AIRPORT

2019 Rates & Charges DRAFT

Effective January 1st, 2019 - Est. Adoption October 16th, 2018

Fuel Price	To be determined by airport manager based on per load cost and published on the airport website, airnav website, and 100LL.com		
Fuel Discounts Discounts may not be stacked	Transient with 50 gallon or greater purchase	$0.10	per gallon
	Prepaid volume purchases ($500 minimum payments)	$0.25	per gallon
	Tenants with Operator Agreement	$0.15	per gallon
	Tenants with Land Lease or Hangar Agreement	$0.40	per gallon
Tie-down	For 1 to 3 night stay (waived with min. fuel purchase of 10 gallons)	$5.00	per night
	For a 4 to 9 night stay	$15.00	per week
	For a 10 to 16 night stay	$30.00	per half month
	For a 17+ night stay	$60.00	per month
	For a six month season	$300.00	per six month season
	Contact Jonathan Aero for aircraft maintenance parking.		
Hangar 1 Storage Fee	Price per agreement with Airport		
Float Storage	Contact Jonathan Aero for float storage pricing		
Overnight Vehicle Parking	See airport manager for long-term parking costs and details		
Land Lease	Price per agreement with Airport		

Additional Information

Payment Instructions	- Make checks payable to **Duluth Airport Authority** - Place payment in bin on airport manager's office door (envelopes provided in bin) - Payments may also be sent to: 4701 Grinden Drive, Duluth, MN 55811		
Contacts for Questions	Airport Manager - Brian Madsen	218-733-0078	bmadsen@duluthairport.com
	Maintenance Parking/Float Storage - Jonathan Aero	218-269-2433	jonathanaero4@gmail.com

Duluth Airport Authority

DRAFT 2019 BUDGET

Financial Row	Previous Year Actuals (Jan 2017 - Adjust 2017)	Proposed Annual Budget 2019
Ordinary Income/Expense		
Income		
Non-Aeronautical Revenue		
Advertising Income	$15,450	$16,800
Concession Revenue		
ATM	$770	$775
Car Rental Concession	$434,953	$461,000
Food & Beverage Concession	**$67,305**	**$68,000**
Parking	$1,037,554	$1,060,000
Services/Other	$600	$600
TNC Per Trip Fee	$4,086	$8,275
Vending	$2,478	$4,835
Total - Concession Revenue	**$1,547,746**	**$1,603,485**
Customer Facility Charges	$264,932	$268,000
Miscellaneous Revenues	**$373,059**	**$66,200**
Parking	**$120,893**	**$125,614**
Permits	**$9,319**	**$9,000**
Plowing Services	$10,590	$10,000
Reimbursed Expenses	**$66,716**	**$28,500**
Rent	**$144,675**	**$155,092**
Sponsorship Income	$50,000	$65,000
State Aid	**$272,754**	**$304,117**
Total - Non-Aeronautical Revenue	**$2,876,134**	**$2,651,808**
Non-Passenger Aeronautical Revenue		
Aviation Gas	$74,481	$74,000
Concession Revenue		
Flight Training/Tour Operations	$10,479	$9,780
Fuel Flowage Fees	**$85,049**	**$87,125**
Hangar Rent	$19,896	$4,275
Landing Fees	$16,178	$19,800
Mechanic	$2,206	$2,071
Misc Sales/Other	$4,163	$4,170
Per Turn Fees	$6,875	$7,875
Total - Concession Revenue	**$144,846**	**$135,096**
Event Income	$29,756	$30,500
Landing Fees	**$38,005**	**$28,710**
Ramp Fees	$18,196	$5,280
Rent	**$1,252,153**	**$1,140,952**
Security Reimbursement	$91,761	$90,000
Tie Downs	$6,880	$6,200
Total - Non-Passenger Aeronautical Revenue	**$1,656,078**	**$1,510,738**
Passenger Airline Aeronautical Revenue		
Landing Fees	**$250,998**	**$312,295**
Terminal Office/Space Rental	$771,793	$1,095,491
Total - Passenger Airline Aeronautical Revenue	**$1,022,791**	**$1,407,786**
Total - Income	**$5,555,003**	**$5,570,332**
Gross Profit	**$5,555,003**	**$5,570,332**

Expense		
Miscellaneous Expenses		**$29,625**
Personnel Compensation & Benefits	**$2,137,190**	**$2,210,849**
Services and Charges		
Advertising	**$0**	**$2,000**
Badging	$6,335	$9,500
Central Services Fee	$45,200	$50,000
Communications & Technology	**$95,545**	**$105,710**
Employee Development Services	**$21,691**	**$25,850**
Employee Physicals	$1,883	$1,930
Finance Charge	$242	$0
Hangar Management Fee	$922	$0
Insurance	**$62,841**	**$67,545**
Marketing	**$87,624**	**$145,170**
Professional Services	**$341,663**	**$317,000**
Rentals	**$11,160**	**$9,980**
Repairs and Maintenance - Contractual/Services	**$484,712**	**$397,395**
Sponsorship Expenses	$981	$10,500
Transportation	**$5,140**	**$5,150**
Utility Services	**$466,976**	**$466,643**
Total - Services and Charges	**$1,632,916**	**$1,614,373**
Supplies		
Merchandise for Resale	**$56,029**	**$60,000**
Office Supplies	**$19,702**	**$21,650**
Operating Supplies	**$140,326**	**$129,860**
Repairs & Maintenance Supplies	**$257,467**	**$249,925**
Total - Supplies	**$473,524**	**$461,435**
Total - Expense	**$4,266,094**	**$4,316,282**
Net Ordinary Income	**$1,288,909**	**$1,254,050**
Other Income and Expenses		
Other Income		
Non-Operating Revenue		
Gain/Loss on Asset Disposal	($3,898)	$0
Interest Income	$35,474	$25,500
Passenger Facility Charges	$480,666	$498,500
Total - Non-Operating Revenue	**$512,242**	**$524,000**
Total - Other Income	**$512,242**	**$524,000**
Other Expense		
Non-Operating Expense		
Interest Expense	**$353,053**	**$379,834**
Total - Non-Operating Expense	**$353,053**	**$379,834**
Total - Other Expense	**$353,053**	**$379,834**
Net Other Income	**$159,188**	**$144,166**
Net Income Exclusive of Project Expenses, Depreciation & Amortization	**$1,448,097**	**$1,398,216**
Projects/Grants		
Contributed Capital		
Other	$51,926	$0
Total - Contributed Capital	**$51,926**	**$0**
Grants		
Federal Grants	$17,058,633	$14,963,298
State Grant	$4,821,359	$3,280,608
Total - Grants	**$21,879,992**	**$18,243,905**
Total - Capital Contributions	**$21,931,918**	**$18,243,905**
Total - Projects/Grants	**$21,931,918**	**$18,243,905**
Capital Improvement Costs		**$18,293,905**
Loan Principal		**$972,578**
CFC's Reserved for Approved Projects		**$75,319**
PFCs Dedicated to Past Debts		**$175,319**
Coverage for Hangar 103 Amortization		**$75,000**
Positive (Negative) Budget Variance		**$50,000**
Depreciation & Amortization		
Amortization Expense	**($256,695)**	**($241,531)**
Depreciation	**($9,347,278)**	**($9,347,278)**
Total - Depreciation & Amortization	**($9,603,974)**	**($9,588,809)**

2019 Budget Assumptions

MAJOR TAKE AWAYS

- Our expected annual debt service in 2019 for all of our long-term debts is $1.35M.
- The revenue side of this budget is conservative. The majority of revenues are based on 3 yr averages, taking in to consideration the passenger trends of the last year as well as stable and known revenue sources.
- Airline rates were adjusted only to the extent that it would provide a $50k positive variance to the budget.
- The expense side of the budget is aggressive. We are forced to decrease our operating costs to be within the parameters of our conservative revenue estimates.

OPERATING REVENUE

Non-Aeronautical Revenue:

- Concessions, Customer Facility Charges, Misc. Revenues based on last year of trend data.
- Assumes we will acquire a $15k sponsorship.
- Parking: Assumed no change in rates. Trend of last half of 2017 and first half of 2018 as baseline for projection.

Non-Passenger Aeronautical Revenue:

- Landing Fees, concessions, etc. used trend of last half of 2017 and first half of 2018 as baseline for projection.

Passenger Airline Aeronautical Revenue:

- Proposed increases in rates to re-coup few lost revenue sources and cover mild increases in expenses due mostly to CPI adjustments in contracts, wages, etc. Other revenues generally offset airline revenue needs.

All Rents:

- Viewed each agreement separately to determine actual contracted rental revenue per agreement.

All Concessions:

- Projecting similar activity as second half of 2017 and first half of 2018.

OPERATING EXPENSES

Central Services/City Admin Fee:

- Assumed an increase on current annual fee of about 4k, based on previous conversations from city personnel and city department use audit.

Personnel Compensation & Benefits:

- Assumed Actual Wages after Step Increases with 2% wage increases for all CBA & Management employees
- $115,000 allocated for temp wages across all departments
- Assumed a 15% increase in health benefit costs due to estimated recommended rate increase by JPE based on actual health expenses.
- Work comp benefit payments as well as increasing insurance premiums are included in this figure.

Utilities:

- Assumed similar usage to last year, with mild CPI for larger building utility expenses.

Professional Services:

- Evaluated and determined necessary services for 2019. This includes an adjustment in Trillion Aviation's scope.

Customer Service:

- Includes Thanks Again operating costs and prepaid comps.

Travel/Training:

- Estimated potential travel & training opportunities.

All Other: Based on last year as well as historical trends.

SKY HARBOR:

Sky Harbor Revenues: Trends and averages from previous three years

- Land/Field Rent: Trends & 2018 actuals
- Concessions: Estimated based on current activity
- Av Gas Sales: Projected to be similar to current and previous year sales.
- Hangar Rental: Based on current rent.
- State Aid M&O: Based on current grant

Sky Harbor Expenses: Based on trends and averages from previous three years

- COGS: Aviation gas cost is around 78% of the total sales.
- Fuel Sales at Sky Harbor – based on current and expected activity.

LONG-TERM LIABILITIES:

- We currently have three loans from the City which were funded with a GO Bond issuance.
    - The first was for terminal/parking structure expenses and has a payback to the city using PFCs, CFCs and DAA operating dollars.
        - Over 50% of our current annual collections of PFCs and CFCs are used to pay this debt service, leaving less than 50% for our upcoming projects.
        - This is a 15 year loan, which goes through 2026.
    - The second was to fund our parking structure and has a payback using parking lot revenues.
        - At EOY we must use our parking revenues, less expenses, and deduct $800,000 which is dedicated to previous airport operations.
        - What's left is used to pay our debt service and then 80% will be deposited in to a contingency fund at the city to make future payments if necessary.
        - This is a 15 year loan, which goes through 2027.
    - The third loan funded renovations to LSC's Center for Advanced Aviation. Rent revenues pay the annual debt service plus 5% over levy.
        - This is a 15 year loan, which goes through 2030.
- DEDA MIF Loan Payment of $26,666.64 per year until 2021 and remedied soil conditions.
- NCA Payment of $75,000 per year until this year, June 2019 to buyout previous FBO.
- Our expected annual debt service for 2019 for all of our long-term debts is over $1.35M.

2019 Long-Term Liability Analysis

	City Loan 1 (Bonding)				City Loan 2 (Bonding)	DEDA Amort	NCA Loan	City Loan (Bonding)	Ttl Ann. LT Liab.	Notes
	CFC	PFC	DAA	Total	Parking Revenues	0%	8.85%	LSC Rents		
2012	192,681.26	321,781.26	107,518.76	621,981.28	-	26,666.64	75,000.00		723,647.92	City Loan payments are made 12/1 and/or 6/15 of each year
2013	189,981.26	322,281.26	111,018.76	623,281.28	-	26,666.64	75,000.00		724,947.92	City Loan payments are made 12/1 and/or 6/15 of each year
2014	192,281.26	322,681.26	109,418.76	624,381.28	115,718.04	26,666.64	75,000.00		841,765.96	City Loan payments are made 12/1 and/or 6/15 of each year
2015	194,481.26	322,981.26	107,818.76	625,281.28	338,981.26	26,666.64	75,000.00		1,065,929.18	City Loan payments are made 12/1 and/or 6/15 of each year
2016	191,581.26	323,181.26	106,218.76	620,981.28	340,571.26	26,666.64	75,000.00	242,752.33	1,305,971.51	City Loan payments are made 12/1 and/or 6/15 of each year
2017	193,681.26	323,281.26	109,618.76	626,581.28	336,071.26	26,666.64	75,000.00	247,137.50	1,311,456.68	City Loan payments are made 12/1 and/or 6/15 of each year
2018	190,681.26	323,281.26	107,918.76	621,881.28	335,446.26	26,666.64	75,000.00	247,337.50	1,306,331.68	City Loan payments are made 12/1 and/or 6/15 of each year
2019	192,681.26	323,181.26	106,218.76	622,081.28	338,776.26	26,666.64	37,500.00	247,387.50	1,272,411.68	City Loan payments are made 12/1 and/or 6/15 of each year
2020	194,193.76	322,331.26	109,306.26	625,831.28	336,336.26	26,666.64	-	247,287.50	1,236,121.68	City Loan payments are made 12/1 and/or 6/15 of each year
2021	195,393.76	326,037.50	107,168.76	628,600.02	338,006.26	2,222.62	-	247,037.50	1,215,866.40	City Loan payments are made 12/1 and/or 6/15 of each year
2022	191,268.76	324,162.50	109,918.76	625,350.02	338,443.76	-	-	246,637.50	1,210,431.28	City Loan payments are made 12/1 and/or 6/15 of each year
2023	191,937.50	321,812.50	107,425.00	621,175.00	338,108.76	-	-	246,087.50	1,205,371.26	City Loan payments are made 12/1 and/or 6/15 of each year
2024	192,050.00	323,618.76	109,693.76	625,362.52	336,971.26	-	-	245,387.50	1,207,721.28	City Loan payments are made 12/1 and/or 6/15 of each year
2025	191,800.00	324,768.76	111,693.76	628,262.52	340,143.76	-	-	244,537.50	1,212,943.78	City Loan payments are made 12/1 and/or 6/15 of each year
2026	196,175.00	325,237.50	108,412.50	629,825.00	337,393.76	-	-	243,437.50	1,210,656.26	City Loan payments are made 12/1 and/or 6/15 of each year
2027					339,218.76			246,877.50	586,096.26	City Loan payments are made 12/1 and/or 6/15 of each year
2028								244,675.00	244,675.00	City Loan payments are made 12/1 and/or 6/15 of each year
2029								246,975.00	246,975.00	City Loan payments are made 12/1 and/or 6/15 of each year
2030								243,695.00	243,695.00	City Loan payments are made 12/1 and/or 6/15 of each year

MINUTES

DRAFT

DAA Special Meeting

DATE: August 15, 2018

PLACE: Amatuzio Conference Room
Duluth International Airport, Duluth, MN

DIRECTORS PRESENT: Anna Tanski
Craig Fellman
Richard Stewart
Todd Fedora
Kim Maki
Don McIsaac

DIRECTORS ABSENT: Ken Butler

OTHERS PRESENT: Tom Werner, Executive Director
Mary Ann Wittkop, Recording Secretary
Blaine Peterson, Director of Operations
Natalie Peterson, Director of Marketing & Communications
Joelle Bodin, Finance & Administration Director
Steve Wabrowetz, Airside Manager
Kathy Carver, Confidential Bookkeeper
Benita Crow, SEH
Kaci Nowicki, SEH
Shawn McMahon, SEH
Scott Sannes, SEH
Rob Cotter, Allete, Inc.
Mark Rukavina, 148th FW
Ryan Kaspari, 148th FW
Mark Wasserbauer, 148th FW
Jake Martin, FAA
Lindsay Butler, FAA
Peter DeSutter, AAR
Don Monaco, Monaco Air
Jimmy Lovrien, DNT

Vice President Tanski welcomed everyone and called the special meeting to order at 8:04 a.m. She moved to first Item A under New Business. Mr. Tom Werner, Executive Director explained this meeting was to focus on the 9/27 reconstruction project as there are a number of new Board members. This is an opportunity to give everyone background information to this point of time and present some high level phasing and feasibility studies. Mr. Blaine Peterson, Director of Operations, introduced to the Board members

the SEH consultant team and the Federal Aviation Administration (FAA) Deputy ADO Manager and Program Manager. Ms. Benita Crow, SEH, overviewed on the presentation goals. She gave background on what was on the initiated 2009 Master Plan, which MnDOT and FAA approved in 2015, and why things changed. She explained Master Plan challenges -- the State Zoning reform not being passed and concerns about extending the crosswind runway 3/21. The current zoning is incompatible with runway extension; it would require a change to State law. Ms. Lindsey Butler, FAA Deputy ADO Manager, spoke on the FAA's position on the purpose and need for extension of a crosswind runway -- have to justify capacity, environmental qualifications and planning for FAA financial participation; extension of crosswind Runway 3/21 does not rise to the level of FAA purpose and need. Questions and discussion followed. Ms. Crow continued with the Runway 9/27 reconstruction. She highlighted the concerns with the pavement deterioration; tests conducted and cited the 2009 engineering study regarding the condition of Runway 9/27. The runway was estimated to have five to ten years of useful life. However, confirmed by the boring samples and other studies in 2015 -- the fact was that deterioration had accelerated, which was concerning. She summarized on the scope of work and funding, the operational requirements for the tenants and the least impactful solutions for the reconstruction. Ms. Crow spoke on what is next and recapped on the phases. Mr. Werner and Mr. Peterson detailed further. Questions followed.

Ms. Kaci Nowicki, SEH, provided background information for Phase 3, explained and detailed on the two hot spots on the east end of Runway 27 and the FAA required additional alternatives to resolve. She summarized on the planning involved for the multiple processes and timelines – runway length justification and ultimate geometry study, triggering event Master Plan and ALP update, and the final design. Ms. Butler reiterated the importance of the justification for the reconstruction at Duluth, a lot of collaboration, time and money was put into this effort to make sure it was right. Ms. Nowicki spoke more on the coordination with all stakeholders to find a solution for everyone involved with this unique and complex situation. After many outreach meetings regarding proposed alternatives, it was narrowed down to the chosen alternative. She overviewed and spoke on the process, options, signage, declared distances and noise contours. Questions followed.

Mr. Shawn McMahon, SEH, summarized on the construction, safety plan and phasing of the project. To minimize impacts, separations and transition of phases were made. He detailed on all phases for the Phase 3 project -- the impacts, available airfield, closures and timelines. Questions and discussion from the public and Board followed. Mr. McMahon explained how impacts affected the instrument approaches and overviewed on the three types of Instrument Approach Procedures – visual, non-precision and precision. He spoke on causes and effects of the impacts and challenges of timelines during the

construction. Detailed questions and discussion followed. Mr. McMahon continued summarizing on the final phases and overviewed on the scheduling timeline for the construction work on Phase 3. He explained the phasing planned for the Airshow scheduled mid July 2019. Questions followed.

Mr. Peterson reviewed the Phase 3 draft public involvement and communication plan; this will be continually updated with tenant and stakeholders feedback. He spoke on the project costs for the three phases, mainly appropriation funding, MnDOT and FAA. Ms. Butler explained this was the largest grant issued to a single airport in a single year, FAA requirements were met, they could see the need and all the planning and thought process that went into this project; FAA supports and will continue to financially support this project. She also mentioned it is uncommon to have a MALSR on the crosswind runway; there are no facilities in comparable size to Duluth that have one. Questions and comments followed. Mr. Werner asked how did we arrive at this ninety plus day project. Ms. Crow spoke on the engineering standpoint and how elements are evaluated. Ms. Butler spoke on the FAA benefit cost and potential of trying to get contractor's incentives in the future reauthorization bill. Questions followed.

Dir. Fedora thanked Mr. Werner and his staff for holding this informative meeting. Vice President Tanski emphasized that this is the beginning; more interaction will be happening with this project and asked if there were any final questions. Questions and comments followed. Working on a strategy for engagement meetings with tenants and users of the airport for feedback during this project.

Dir. Fellman left the meeting at 9:57.

Dir. Fedora moved to adjourn the meeting. Dir. Maki seconded. Motion carried. Vice President Tanski thanked everyone for their input and adjourned the DAA special meeting at 10:03 a.m.

Respectfully submitted,

Mary Ann Wittkop
Recording Secretary

APPROVED:_____ DATE:_____

DULUTH INTERNATIONAL AIRPORT

Travel Globally. Fly Locally.

DRAFT

MINUTES OF THE MEETING

DATE: August 21 2018

PLACE: Amatuzio Conference Room
Duluth International Airport, Duluth, MN

DIRECTORS PRESENT: Ken Butler
Anna Tanski
Craig Fellman
Richard Stewart
Todd Fedora
Kim Maki
Don McIsaac

OTHERS PRESENT: Tom Werner, Executive Director
Mary Ann Wittkop, Recording Secretary
Joan Christensen, Assistant City Attorney
Blaine Peterson, Director of Operations
Joelle Bodin, Director of Finance &Administration
Brian Madsen, Sky Harbor Manager
Kathy Carver, Confidential Bookkeeper
Jana Kayser, Part Time Bookkeeper
Benita Crow, SEH
Kaci Nowicki, SEH
Shawn McMahon, SEH
Ryan Jones, KLJ
Don Monaco, Monaco Air Duluth
Bill King, Cirrus
Darren Christopher, RS&H
Eric Monson, LSH
Benjamin Vitulli, GSSC
William Leoni, GSSC
Jim McGarvey, GSSC
Kevin Norbie, 148th Fire
Edmond Stuart, 148th Fire
Tim Larson, 148th Fire
Ray Skoglund, 148th Fire
Matthew Carlson, 148th Fire
Grant Gimpel, 148th Fire
Marianne Torntore

President Butler called the meeting to order at 8:00 a.m. He reminded the public to sign in for the Opportunity to be Heard section and invited Mr. Tom Werner, Executive Director, to present on the Executive review. Mr. Werner explained there would be unique employee recognition

and invited Mr. Ben Vitulli and his supervisor Mr. William Leoni, Regional Director, General Security Service Corporation (GSSC), to the table. Mr. Werner gave background information on a medical emergency and Mr. Vitulli's quick action and effort, which were successful in saving the life of a fellow officer. He presented Mr. Vitulli with a certificate of appreciation. Mr. Leoni read the citation for Meritorious Action Award recognizing Mr. Vitulli's performance on that day and presented the award and service ribbon to him. Officer Vitulli was thanked for his service.

Mr. Werner updated on the following:

EXECUTIVE DIRECTOR'S REVIEW

- Air Service: Up 7.1% on the year to date (YTD) passenger numbers, with a very nice 13.4% increase July 2017 to 2018; Delta level with .8% YTD increase and United doing quite well with a 17.4% increase. Very positive meeting with SkyWest, they are pleased with both CRJ and mainline load factors, discussion for possibility of Denver service. Phoenix/Mesa air service – met with Allegiant and informed them we were not awarded the community air service grant, good meeting, they are focusing on medium markets at this time. Nashville Charter service – waiting for one community to gather their partnerships before the kick off announcement.
- Airfield operations and development:
  * Airside: Mr. Blaine Peterson, Director of Operations, spoke on the Part 139 airfield inspection -- review went very well, one of the smoothest, kudos to all airfield and landside personnel for their great work. Mr. Peterson and Ms. Joan Christensen, Assistant City Attorney, will be meeting with St. Louis County regarding transfer of west airfield property, more to update next month. Overviewed on the runway 9/27 reconstruction project -- working on finalizing grant and updating comprehensive plan; Mr. Werner has been meeting with the tenant association and incorporating their feedback into this plan.
  * Business/Property Development: Mr. Werner updated on the airline agreements, final phases of legal review, hope to present at the September meeting along with the Lake Superior Helicopter's operating agreement, renegotiating for a five-year term.
  * Sky Harbor: Mr. Peterson explained the pre-construction meeting would be this afternoon, goal to start operations after Labor Day.
- Financial: Ms. Joelle Bodin, Director of Finance & Administration, presented and overviewed on the second quarter financial update. The Board thanked her for the review.
- Marketing: Mr. Werner updated on the Business Service center, confident the January 1st opening goal will be met.
- Legislative: Updated on the FAA Reauthorization and MnDOT sponsored bills.
- Other: Summarized on the Silver Bay Airport closure. Questions followed.

Questions and discussion followed on several of the Executive Director's review items. Dir. Stewart moved to approve the July 17, 2018 meeting minutes and other consent items. Dir. Tanski seconded. Motion carried.

CONSENT ITEMS

Cash Disbursement Sheets #14, #15, #15A and #16, 2018. Construction fund sheet #10, 2018.
Memorandum from Short Elliott Hendrickson, Inc. to DAA Regarding Estimated Grant Summary – AIP 59-15 and AIP 60-16.
Airport News: July 13, 2018, Conde Nast Traveler Article "Delta to Raise Ticket Prices Because of Higher Fuel Costs" and July 17, 2018 DNT Reader's View "Landscaping Sans Maintenance Wastes Money".
Thank You Letter from Duluth Air and Aviation Expo to DAA for Partnership and Support for the 2018 Air Show.
Weekly Duluth International Airport Tenant Operations Meeting Minutes July 24, 2018 Through August 14, 2018.
Letter from FAA to DAA Encouraging All Airports and the Aviation Industry to Report all Wildlife Strikes.
E-Mail from Monaco Air Foundation with Summary of July 2018 Activities.
Compliance and Recommendation Letter from the Federal Aviation Administration to DAA.
Sky Harbor Runway Relocation Newsletter Volume #7.
Link for Metropolitan Airports Commission (MAC) Commission Minutes – https://metroairports.org/Airport-Authority/Metropolitan-Airports-Commission/Public-Meetings/Board-Meetings.aspx.

OPPORTUNITY FOR PERSONS TO BE HEARD

None.

OLD BUSINESS

None.

NEW BUSINESS

Mr. Werner explained the sponsorship agreement. Dir. Fedora moved to approve the resolution for the Bulldog Sponsorship agreement between the Duluth Airport Authority and the University of Minnesota Duluth Athletics. Dir. Stewart seconded. Motion carried.

Ms. Jana Kayser, Part Time Bookkeeper, spoke on the terminal space lease and recommended approval. Dir. Tanski move to approve the resolution to for the terminal space lease agreement between the Duluth Airport Authority and Divine Carrier's LLC. Dir. Stewart seconded.

Motion carried.

Mr. Peterson overviewed on the military cooperative agreement and recommended approval. Questions followed. Dir. Fedora moved to approve a Military Construction Cooperative Agreement (MCCA) #W912LM-18-2-2004 between the Duluth Airport Authority for repair of Taxiway A5 FMKM182011. Dir. Tanski seconded. Motion carried.

Dir. Maki moved to adjourn the meeting. Dir. Fellman seconded. Motion carried. Pres. Butler adjourned the August 21st DAA Board meeting at 8:31 a.m.

Respectfully submitted,

Mary Ann Wittkop
Recording Secretary

APPROVED: _____ DATE: 11SEP18

CASH DISBURSEMENTS

III

Duluth Airport Authority
Operating Check Register
August 24-2018
CD 17-2018
DAA Operating Check Register

Document N	Date	Transaction Ty	Payee	Amount
6538	8/24/2018	BILLPMT	Acme Tools	$79.89
6539	8/24/2018	BILLPMT	Ameripride Linen & Apparel Services	$43.07
6540	8/24/2018	BILLPMT	AT&T Mobility	$241.71
6541	8/24/2018	BILLPMT	Best Oil Company	$7,803.19
6542	8/24/2018	BILLPMT	Blueglobes LLC	$2,008.91
6543	8/24/2018	BILLPMT	Bodin, Joelle	$60.00
6544	8/24/2018	BILLPMT	Century Link	$338.82
6545	8/24/2018	BILLPMT	City Of Duluth Comfort Systems	$5,179.67
6546	8/24/2018	BILLPMT	Cossalter, Wade	$60.11
6547	8/24/2018	BILLPMT	Cummins NPower	$1,073.77
6548	8/24/2018	BILLPMT	Grainger	$52.40
6549	8/24/2018	BILLPMT	Hermantown Radiator Repair	$166.01
6550	8/24/2018	BILLPMT	iFIDS.com Inc.	$125.00
6551	8/24/2018	BILLPMT	Lumacurve Airfield Signs	$7,184.46
6552	8/24/2018	BILLPMT	Madsen, Brian	$60.00
6553	8/24/2018	BILLPMT	Madsen, Brian	$69.65
6554	8/24/2018	RFND	McCarney, Thomas	$43.72
6555	8/24/2018	BILLPMT	Menards	$198.55
6556	8/24/2018	BILLPMT	Minnesota Power	$25,509.19
6557	8/24/2018	BILLPMT	MN Dept of Emply & Econ. Development	$2,222.22
6558	8/24/2018	BILLPMT	NAPA Auto Parts	$86.40
6559	8/24/2018	BILLPMT	Northern States Supply, Inc.	$43.20
6560	8/24/2018	BILLPMT	Peterson, Blaine	$60.00
6561	8/24/2018	BILLPMT	Peterson, Natalie	$60.00
6562	8/24/2018	BILLPMT	Praxair Distribution Inc.	$467.35
6563	8/24/2018	BILLPMT	Republic Parking System, LLC	$1,100.00
6564	8/24/2018	BILLPMT	Sam's Club	$216.73
6565	8/24/2018	BILLPMT	Schindler Elevator Corp	$404.65
6566	8/24/2018	BILLPMT	Sinnott, Paul	$60.00
6567	8/24/2018	BILLPMT	Swanson, Richard	$1,632.00
6568	8/24/2018	BILLPMT	Tars and Stripes	$2,400.00
6569	8/24/2018	BILLPMT	Taylor, Dan	$60.00
6570	8/24/2018	BILLPMT	Wabrowetz, Steve	$60.00
6571	8/24/2018	BILLPMT	Walker Display Incorporated	$130.33
6572	8/24/2018	BILLPMT	Welch, Ryan	$60.00
6573	8/24/2018	BILLPMT	Werner, Thomas	$574.74
6574	8/24/2018	CHK	WF Bus Payment Processing - Joelle	$1,238.47
6575	8/24/2018	CHK	WF Bus Payment Processing - Tom	$1,598.68
6576	8/24/2018	BILLPMT	Ziegler, Inc.	$204.58
Total				$62,977.47
			Void Check #5570 Dated 11/3/2017 Payable to Thomas McCarney	-$43.72
			Void Check #5743 Dated 12/29/2017 Payable to Wade Cossalter	($60.11)
			Total	$62,873.64

Approvals:

Airport Director

Airport Authority

City Treasurer

CD 17 -- 2018

Duluth Airport Authority
Operating Check Register
September 07-2018
CD 18-2018
DAA Operating Check Register

Document N	Date	Transaction	Payee	Amount
6577	9/7/2018	BILLPMT	AirFiber	$49.95
6578	9/7/2018	BILLPMT	Ameripride Linen & Apparel Services	$425.67
6579	9/7/2018	BILLPMT	Arrowhead Tap House	$212.68
6580	9/7/2018	BILLPMT	Best Oil Company	$7,466.40
6581	9/7/2018	BILLPMT	Blueglobes LLC	$988.04
6582	9/7/2018	BILLPMT	Bobcat Of Duluth, Inc.	$6.80
6583	9/7/2018	BILLPMT	Charter Communications	$126.18
6584	9/7/2018	BILLPMT	Como Lube & Supplies	$1,974.50
6585	9/7/2018	BILLPMT	Compudyne, Inc.	$150.00
6586	9/7/2018	BILLPMT	Dalco	$932.10
6587	9/7/2018	BILLPMT	Dash Express, LLC	$80.00
6588	9/7/2018	BILLPMT	Grainger	$468.36
6589	9/7/2018	BILLPMT	Hearing Wellness Center	$720.00
6590	9/7/2018	BILLPMT	Hotsy Minnesota	$314.18
6591	9/7/2018	BILLPMT	Jamar Company	$8,750.00
6592	9/7/2018	BILLPMT	Lift Pro	$335.76
6593	9/7/2018	BILLPMT	Lumacurve Airfield Signs	$3,722.46
6594	9/7/2018	BILLPMT	Menards	$462.26
6595	9/7/2018	BILLPMT	Metro Sales, Inc.	$494.31
6596	9/7/2018	BILLPMT	NAPA Auto Parts	$32.17
6597	9/7/2018	BILLPMT	Northern Tool + Equipment	$109.95
6598	9/7/2018	BILLPMT	Praxair Distribution Inc.	$218.92
6599	9/7/2018	BILLPMT	Sam's Club	$633.93
6600	9/7/2018	BILLPMT	Schindler Elevator Corp	$760.89
6601	9/7/2018	BILLPMT	Shel/Don Group Inc.	$99.80
6602	9/7/2018	BILLPMT	Swanson, Richard	$1,020.00
6603	9/7/2018	BILLPMT	Terrazzo & Concrete Restoration, INC	$1,183.75
6604	9/7/2018	BILLPMT	Thanks Again, LLC	$64.83
6605	9/7/2018	BILLPMT	Turbo Diesel & Electric	$192.35
6606	9/7/2018	BILLPMT	Viking Industrial North	$53.12
6607	9/7/2018	BILLPMT	Waste Management of WI-MN	$1,851.05
6608	9/7/2018	BILLPMT	Western Lake Superior Sanitary District	$338.15
6609	9/7/2018	BILLPMT	Ziegler, Inc.	$145.67
Total				$34,384.23

Approvals:

Airport Director

Airport Authority

City Treasurer

CD 18 -- 2018

CORRESPONDENCE

IV A

Does David Neeleman Have A Clear Flight Path For His New Airline?

Jul 31, 2018, 01:39pm
Jeremy Bogaisky Forbes Staff
Aerospace & Defense*Deputy editor for Industry; eyes on the skies*

David Neeleman probably would have preferred that word hadn't leaked in June that he's launching a new U.S. airline. Now the big carriers have time to plan how they'll respond when it launches. But the dynamic airline entrepreneur may not have actually tipped much of his hand yet, industry observers say, if at all.

According to an investor presentation seen by *Airline Weekly*, which broke the news of Neeleman's plans, the founder of four other airlines, most notably JetBlue, is aiming to establish point-to-point routes in underserved secondary markets near major metro areas, with a provisional name of Moxy.

"Providence, outside Boston, features prominently as an example in Moxy's presentation," according to *Airline Weekly*. Other airports mentioned include Stewart airport an hour and half drive north of New York City, Baltimore, Phoenix-Mesa and in the greater L.A. area, Orange County, Ontario and Burbank.

The message to existing airlines: that he's trying to create new business rather than take theirs with what would be the first new U.S. carrier since Virgin America started flying in 2007. "That's what everybody tries to say: I'm not stealing from the rice bowl, I'm bringing new rice," says the airline consultant Robert Mann.

Doubling down on the leaking of his plans, Neeleman let Airbus announce a tentative deal to buy 60 A220-300 jets at the Farnborough Air Show earlier this month. Neeleman said in a statement that the fuel-efficient planes "will enable us to serve thinner routes in comfort without compromising cost, especially on longer-range missions."

The planes, developed by Bombardier, could be key to his plans, offering impressive fuel consumption savings courtesy of efficient Pratt & Whitney geared turbofan engines and a lightweight aluminum and composite airframe, and a relatively spacious cabin with five-abreast seating, both of which dovetail with Neeleman's reported goal of providing a better passenger experience at a reasonable price.

Their range could also abet plans Neeleman shared at Farnborough to knit his new airline into an international network with the carrier he co-owns in Europe, TAP Portugal, and his Brazilian startup Azul, allowing for service from the Northeast U.S. to the U.K., or Florida to Brazil, though it might make more sense to make the connection at U.S. airports.

"They have the potential to feed each other dramatically," says Mann, but it won't work unless Neeleman builds a strong network in the U.S.

Can he do that with nonstop routes connecting secondary markets? After years of consolidation, there are many markets that are underserved – Henry Harteveldt of Atmosphere Research Group points to former hubs abandoned by major carriers like Memphis, Cincinnati, Pittsburgh and St. Louis – but that's not to say they're unserved. "Many of them do have relatively easy access to big airports through regional airlines and the hub and spoke system," Harteveldt says.

The competitive response could be ferocious on many point-to-point routes. Delta, United and American all have extensive fleets of regional aircraft with 50 to 76 seats that they could deploy on any routes where Neeleman establishes service (Delta and JetBlue also have A220s on order). Southwest, which only operates 737s, may find the planes are too large to be economic to respond with in some markets.

The incumbent airlines could also make moves at hubs close to any secondary airports that Moxy flies to — for example if Moxy establishes service at Stewart near New York City, JetBlue, Southwest or Frontier could lower fares or increase capacity at LaGuardia or JFK to reduce the attractiveness of the longer trek north.

Mapping out a route network that minimizes a competitive response will be key, but Harteveldt thinks Neeleman will need to establish hubs in at least a few major markets – that's where the demand leads, and the efficiencies of the hub and spoke model generate better returns. That may mean trying to claw his way into the big, congested airports with shortages of gates and counter space.

"The people who do route planning for Moxy face a big challenge," says Harteveldt. "It's far more complex than it was for JetBlue 20 years ago."

Along with the airline consolidation that has occurred over the past few decades, there's also been investor consolidation, points out Mann, and the small club of private-equity funds and venture capital firms that invest in airlines are unlikely to support a startup that they think would truly hurt their existing positions.

In the best-case scenario, Neeleman's team truly finds a way to expand the market, perhaps beyond underserved geographies to other income brackets as well. According to Atmosphere Research, the average household income of travelers on American, United, Delta all top $105,000 a year, boosted by their first class and business passengers; JetBlue and Southwest passengers are at about $100,000. Budget airline travelers average $78,000, while the average household income in the U.S. is $55,000.

But given the likelihood that the established airlines will match or beat his fares on routes they compete, Moxy will have to differentiate itself in other ways — Neeleman's old tricks like more legroom and free snacks won't be enough, says Harteveldt. One way he thinks it could stand out is by crafting a better digital experience for customers to shop for and book flights, and offering travelers more flexibility.

First deliveries of planes are scheduled for 2021, according to the Airbus release. Mann estimates that the airline could start out with 15 to 20 planes serving a dozen cities, with at least four flights a day per market – the minimum for running a legitimate schedule for business travelers.

In the best-case scenario, Neeleman's team truly finds a way to expand the market, perhaps beyond underserved geographies to other income brackets as well. According to Atmosphere Research, the average household income of travelers on American, United, Delta all top $105,000 a year, boosted by their first class and business passengers; JetBlue and Southwest passengers are at about $100,000. Budget airline travelers average $78,000, while the average household income in the U.S. is $55,000.

But given the likelihood that the established airlines will match or beat his fares on routes they compete, Moxy will have to differentiate itself in other ways — Neeleman's old tricks like more legroom and free snacks won't be enough, says Harteveldt. One way he thinks it could stand out is by crafting a better digital experience for customers to shop for and book flights, and offering travelers more flexibility.

First deliveries of planes are scheduled for 2021, according to the Airbus release. Mann estimates that the airline could start out with 15 to 20 planes serving a dozen cities, with at least four flights a day per market – the minimum for running a legitimate schedule for business travelers.

NEWS FROM YOUR MAC COMMISSIONER

Aug 20, 2018
Subject: News from Don Monaco, Commissioner for the Metropolitan Airports Commission (MAC)

Greetings:

As the Twin Cities moves into the late days of summer, Minneapolis-St. Paul International Airport (MSP) is entering a new era of amenities for our travelers and guests. The InterContinental Hotel held a ribbon-cutting ceremony on Monday, July 30, marking the culmination of years of planning for a hotel at MSP. Graves Hospitality, a local firm, developed the 291-room hotel on the site between the inbound and outbound roadways at Terminal 1. The InterContinental's services include two first-floor restaurants, a 30,000-square-foot meeting and event center, luxury spa and a penthouse-level lounge. A public airport security checkpoint is located in the hotel and offers direct access to the terminal. The next time you are at the airport, build in some time to visit the hotel. You can book a room and stay a night prior to your next departure to get the full flavor. Bookings are available at this website.

Airline Service

Delta Air Lines recently announced that it will launch the first ever service between the Twin Cities and Seoul, South Korea beginning April 1, 2019. Through Delta's agreement with Korean Air, the new route will provide fast, convenient access to more than 80 cities throughout Southeast Asia. The Seoul route was a priority for the MSP Regional Air Service Partnership (RASP), a collaborative air service development initiative launched in 2017 by the MAC and GREATER MSP. The full news release is available here. Another milestone: **JetBlue** recently kicked off service at MSP, with the airline's inaugural flight from Boston Logan International Airport (BOS) touching down just before 9:00 a.m. on May 3. The new flights in the Twin Cities mark the first-ever scheduled JetBlue service in Minnesota and bring a new option for travelers with the airline operating the route three times daily. More details are available here.

Twice as nice – MSP again named best North American Airport

Airports Council International (ACI) recently named Minneapolis-St. Paul International (MSP) the Best Airport in North America in its size category in 2017. Each year, ACI ranks the world's airports by region and size category based on results of customer surveys. MSP earned the highest score among North American airports serving 25 to 40 million passengers a year in both 2016 and 2017. Details on the award are available here.

In other accolades, for the second year in a row Minneapolis-St. Paul International Airport was honored this summer for its efficient operations. The Air Transport Research Society (ATRS) presented MSP with the Award of Excellence last month, highlighting efficiency in productivity and operations, unit-cost competitiveness and comparisons of airport charges. The ATRS named MSP the top North American airport for efficiency excellence in the 25 million to 40 million-passenger-per-year category. The airport accommodated 38 million passengers last year, surpassing the previous record of 37.6 million from 2005.

Interior improvements

The airport lobby of the future is taking shape at Minneapolis-St. Paul International Airport (MSP), where three separate airlines are evaluating self-service bag drop devices and construction continues on an expanded and user-friendly area at the front of Terminal 1.

Currently, travelers on American Airlines, Delta Air Lines and United Airlines who are checking bags at MSP can use self-bag-drop technology. The process involves printing a bag tag at a kiosk and affixing it to a bag. Travelers then scan their boarding pass and place their baggage on a belt that weighs and checks the dimensions of the bag before sending it through security screening and to the plane.

The system is already gaining popularity in Europe and makes for faster and more efficient bag checks as passengers become familiar with the technology. The MAC is working with the three airlines to monitor the performance of each of the separate software systems during the pilot project stage. The MAC also provided the airlines with IT services, including the computer network and hosting capability required for the self-service bag drop devices.

The bag drops are only one part of the extensive remodeling project underway in MSP's ticketing and baggage claim areas at Terminal 1. An ongoing "vertical circulation" project at the front of the terminal is creating additional interior space closer to the roadway and redesigning escalator and elevator options for smoother traffic flow and more intuitive wayfinding for travelers. The improvements are being developed in phases to minimize disruptions to travelers. This 360-degree fly-through video gives you an idea of what the finished product will look like.

Artist selected for iconic piece at Terminal 1

An artist internationally known for large scale, technology-driven, interactive artwork was selected by a blue-ribbon panel recently to create a major piece for Terminal 1-Lindbergh at Minneapolis-St. Paul International Airport (MSP). Jen Lewin will design the piece, which will be visible on both the airport's baggage claim and ticketing levels through a hole between the levels.

The local artist collaborating with Lewin is Betsy Alwin, who Lewin will mentor through the design, fabrication and installation process. Alwin was chosen from among 12 artists and will have a specific scope of work on the project.

Lewin will unveil the concept for her new artwork later this fall. Lewin already has experience creating interactive pieces in Minnesota; she designed the sidewalk harp located near Target Field. People walking by that piece can make music by waving their hands under a series of LED lights.

Online

New on-line flight tracker launched for MSP, other MAC airports

The MAC launched a new, more mobile-friendly Flight Tracker earlier this summer, available now at this website. The Flight Tracker has long been popular with aviation enthusiasts and residents near MSP for monitoring flights and noise levels. The new tracker has enhanced features including the capability to see each flight's real-time speed and altitude. Information about flights at the MAC's six reliever airports is also shown on the tracker as it's available.

Users also can determine a noise level from the MAC's sound-monitoring devices located in neighborhoods near MSP. The new website provides daily bar charts that note how many airplanes flew each hour and how MSP's runways were configured for air traffic at that time.

I appreciate your interest in airport activities. Please contact me at donm@monacoairduluth.com if you have any questions.

Albatross Airport Newsletter 2018 Aug 20

The third and final phase of runway reconstruction at the Duluth International Airport is slated for next summer, pending the release of one more federal grant.

Once work on the main runway and several sections of adjacent taxiway is complete in fall 2019, it will mark the end of a years-long effort to reconstruct the 60-year old, 10,200-foot runway.

The shorter runway will remain open at the airport except for some overnight projects at the runway intersection. Additionally, taxiway construction is staggered so the 148th Fighter Wing isn't blocked off.

Construction shouldn't affect the Blue Angels' performance at the 2019 Duluth Airshow.

This phase will cost almost $13 million while the total cost of all three phases has totaled nearly $38 million, but relies entirely on Federal Aviation Administration funds, direct appropriation and a chunk from the Minnesota Department of Transportation.

Construction started on the aging runway in 2016 and resumed again in 2017, but was delayed in 2018 due to the needs of AAR Corp., which services Air Canada Airbus jets at the airport.

IZB

Mary Ann Wittkop

From: Rick Swanson
Sent: Tuesday, August 21, 2018 1:09 PM
To: Aaron Henstorf (NWA - Delta); Alan Jusczak (Cirrus); Benita Crow (SEH); Bill Kuhlmey (ARFF); Blaine Peterson; Charles Wall (Oakwells Arrowhead Tap House); Chauncy (Bubba) McGregor (HMI); Chris Rankila (AAR); Dan Monette (TSA); Dan Traska (LSC); Darren Christopher (RS&H); Dean Thesing (UPS); DeWayne Tomasek (CAF); Don Lowman (DGS); Doug Haala (Abateco); Eric Monson (Lake Superior Helicopters); Ian Jorgensen (Century Fence); Security; Joanne Fay (jfay@pciroads.com); Joe Klainert (FedEx); Joelle Bodin; John Kontny (JAMAR); Joseph Solberg (148th ANG CES) (joseph.v.solberg.mil@mail.mil); Joseph Stover (Northland Const); Keith Bischoff (CAP); Loren Kuhnly (DGS); Lysher, Daniel E MSgt USAF 148 FW (US) (daniel.e.lysher.mil@mail.mil); Mark Ketterer (AAR); Matthew Deveau (Marsden); Michael J. Reilly (Oakwells); Michael Stewart (NWS); Nathan Horner (Century Fence); Nathan Sapik (Benson Electric); Pam Roed (Cirrus); Rachel Wedig (PCi Roads); RJ Kotter (ARFF) (robert.j.kotter.nfg@mail.mil); Rob Cotter (Allete/MN Power); Rob Missinne (Monaco Air); Robert Lender (FAA); Ryan Blazevic (148th ANG CE); Ryan Kern (Duluth Airshow); Ryan Nelson (Northland Const); Ryan Osvold (Parsons Electric); Sadie Borneman (Cirrus); Scott Wright (DGS); SMSgt 148th MMS Allen Young (allen.g.young.mil@mail.mil); Steve Cauchon (Jet Duluth); Tanya Hanson (DGS); Thomas Klovstad (CBP); Wilfrid (Bill) Hines (PCi); Alan Widell (alan.j.widell.mil@mail.mil); Barb Michelizzi (Republic Parking); Blaine Peterson; Brian Madsen; Budget Car Rental; Casey Erickson (148th ANG SFS); Dan Desanto (Cirrus); Dan Monette (TSA AFSD); Dan Taylor; Duane Johnson (johnsond@co.st-louis.mn.us); Edmund Stuart (ARFF); Garett Johnson (FAA); Helen Kallberg; James Picconatto (148th ANG SFS); Jamey Nord (148th ANG Antiterrorism); Jana Kayser; Jeffrey Kreager (148th ANG SFS); Jerilee Buggert (FAA); John Orrey; 'Jusczak, Alan'; Justin Zoss (TSA); Karyn Shold (CBP); Kathy Carver; 'leslie.carlson@rsandh.com'; Mark Vavra (Col. 148 ANG); Mark Wasserbauer (148th ANG); Mary Ann Wittkop; Mike Magni; Natalie Peterson; Paul Sinnott; Rick Swanson; Ryan Welch; Scott Poldoski; Scott Rautio; Sharon Miller (N/A/E Car Rental); Special Projects; Stephanie Howe (BOP duluth Secretary); Steve Wabrowetz; Steven Eliason (steven.d.eliason@cbp.dhs.gov); Tom Werner; Travis Lee (Marsden); Tyler Rule (148th ANG SFS)
Cc: Paul Sinnott; Dan Taylor; Steve Wabrowetz; Ryan Welch; John Orrey; Security; Jana Kayser; Joelle Bodin; Kathy Carver; Helen Kallberg; Mary Ann Wittkop; Troy Roberts
Subject: 082118 Tenant Airport Ops Meeting

Attending were representatives of: Monaco Air / Delta Global Services / DAA Airfield, Ops, Security / 148th ARFF / 148th SFS / 148th Munitions / Marsden Cleaning / General Security Services Corp / Cirrus Aircraft / FAA ATCT and Field Operations / Transportation Security Administration / Lake Superior College / SEH Engineering

DAA: Appreciate the attendance at the Special Airport Board Meeting held last week. Phase 3 of our runway project was the topic presented. If there are questions about Phase 3 of this project or if you are interested in seeing the power point presentation, contact Blaine Peterson (bpeterson@duluthairport.com or 218-625-7767.

Sky Harbor pre-construction meeting will be held today at 1300 hrs (1 pm) at the Duluth Sky Harbor Airport. Items include the runway re-alignment construction starting after Labor Day.

Airport Badging office will not be offering NEW badge training until Sept 20th. Current problems with taking pictures for the badges has caused a backlog of cleared candidates waiting to complete the current

badging. Rick is on vacation, so when the problem with the computer camera driver is resolved an email from the airport executive secretary will go to those tenant organizations currently affected. RENEWAL requests of badges are being met, the camera is not necessary for that process.

Sept 1 is on a Saturday, tenant badge signers should check their badging expiration files to ensure their employees have a current unexpired airport badge on Sept 1, any badge expired or expiring on Sept 1, 2018 will automatically lose all door and gate access ability on that date.

Jana Kayser reminded us of the Blood Drive mentioned in previous notes, the need is great the stock pile is low. Please contact Jana if you are able to donate blood on Sept 11th (jkayser@duluthairport.com).

There is office space available within the Air Traffic Control Tower for lease. Contact Jana at jkayser@duluthairport.com if interested.

There is hangar space available within Airport Hangar #2 for lease, contact Jana at jkayser@duluthairport.com

FAA: Runway 27 ILS has been restored

ANG: 148th Security Forces Squadron will have an Active Shooter Exercise in October. DAA Operations and Security will be provided information updates related to the exercise.

GDS: Delta Global Services reports that Jet Bridge 4 is having power control problems and Jet Bridge 1 has a power outage.

Monaco: 4 Sun Country military flights on Sunday the 23rd and 1 Sun Country civilian flight on Labor Day.

Richard Swanson
Security / Badging Coordinator
Duluth International Airport (DLH)
4701 Grinden Drive
Duluth, MN 55811
(218) 625-7772
(218) 340-5678
swansonr@duluthairport.com

DULUTH INTERNATIONAL AIRPORT
Travel Globally. Fly Locally.

DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

Duluth International Airport Tenant Operations Meeting Minutes
Tuesday, August 28th, 2018

Present: Blaine Peterson, Garett Johnson, Bob Lender, Bill King, Al Young, Mark Wasserbauer, Jim McGarvey, Randine LePage, Loren Kuhnley, Dan Monette, Mark Ketterer, Rob Missinne, Scott Poldoski, Steve Wabrowetz, Ryan Welch, Benita Crow, Troy Roberts, Aaron Nelson, Anthony Olson

Minutes: The next regularly scheduled meeting will be on **September 4, 2018 at 9am on 2nd floor.**

THE DAA ENCOURAGES YOUR ORGANIZATION TO SHARE RECENT ACCOMPLISHMENTS OR WHAT IS HAPPENING WITHIN YOUR ORGANIZATION

1. **Airport Operations Update: Blaine Peterson-** September 26 is the tentative date for grooving operations to take place on panels that were replaced this past spring as well as where the additional grinding took place this past spring. This will cause a full runway day closure to allow for efficient grooving operations. An update will be distributed once the contractor confirms September 26 is the date. Please send to Blaine any conflicts with this date.

    a. **Airside: Steve Wabrowetz-** Please review recent crane NOTAMs. Cirrus has a crane that will be in place Thursday and Friday.

    b. **Landside: Ryan Welch-** Tower windows are on order. No confirmed delivery/install date.

    c. **Construction, SEH: Benita Crow –** working with Shafer (Runway 9/27 Phase 3 contractor) on setting a meeting date sometime in September to discuss construction scheduling.

    d. **DAA Blood Drive: Jana Kayser-** Please sign up for the Blood Drive on Tuesday September 11th. We need only 13 individuals to sign up in order to make the drive happen. We are at 8 right now. Please contact Jana. Attached is a flyer with further details and Jana's contact info.

2. **Airport Security Updates** **IF YOU SEE SOMETHING, SAY SOMETHING**

    a. **DAA**:

    b. **GSSC: Jim McGarvey**- Nothing to report

    c. **TSA: Dan Monette**- Nothing to report

DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

3. **Airport Terminal Tenant Updates**

   a. **Airlines/FBO**

      a. **Delta Global Services: Loren Kuhnley**- Please remove the local Operations phone number from the DAA webpage.

      b. **Monaco: Rob Missinne-** C-130 to arrive sometime today to pick up the K loader.

         Scott Poldoski- nothing to report

   b. **Food/Beverage**

   c. **Facilities Management**

      a. **Marsden, Troy Roberts** – nothing to report today

   d. **Rental Cars**

      a. **AVIS: Randine Lepage** - Nothing to report

      b. **Budget:**

      c. **Hertz:**

      d. **National/Alamo/Enterprise:**

4. **Airfield Tenant Updates**

   a. **148th ANG**
      a. **ARFF:** - Nothing to report
      b. **Security:**
      c. **Operations: Mark Wasserbauer**- 148th Family Day on September 15. There will be local transients taxing to the ANG ramp for parking as static displays.
      d. **Emergency Management:**
      e. **Munitions: Al Young** – Nothing to report. WELCOME BACK!

   b. **AAR: Mark Ketterer**- Nothing to report. Thank you AAR for supporting local blood drives on a monthly basis.

   c. **CAF**

   d. **Cirrus: Bill King** - Nothing to report

   e. **FAA/ATC: Garett Johnson** – Nothing to report

   a.**Tech ops: Bob Lender**- Nothing to report. Asked for update on tower cab windows.

   f. **FedEx**

   g. **LSC: Anthony Olson**- AC drain issues. Rand has been notified.

   h. **LSHeli**

   i. **Allete**

5. **Alibi / Q&A – None**

DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

Duluth International Airport Tenant Operations Meeting Minutes
Tuesday, September 4, 2018

Present: Blaine Peterson, Garett Johnson, Bob Lender, Mark, Ford, Dan Lysher, RJ Kotter, Mark Wasserbauer, Jim McGarvey, Randine LePage, Loren Kuhnley, Dan Monette, Scott Poldoski, Steve Wabrowetz, Benita Crow, Anthony Olson

Minutes: The next regularly scheduled meeting will be on **September 11, 2018 at 9am on 2nd floor.**

THE DAA ENCOURAGES YOUR ORGANIZATION TO SHARE RECENT ACCOMPLISHMENTS OR WHAT IS HAPPENING WITHIN YOUR ORGANIZATION

1. **Airport Operations Update: Blaine Peterson-** September 26 is the tentative date for grooving operations to take place on panels that were replaced this past spring as well as where the additional grinding took place this past spring. This will cause a full runway day closure to allow for efficient grooving operations. An update will be distributed once the contractor confirms September 26 is the date. Please send to Blaine any conflicts with this date. DAA is still waiting for the Phase 3 Grant Offer from the FAA. The offer is expected September 6th. Customs Border Protection Area Port Director will be visiting the Duluth International Airport Terminal on Friday September 7. Sky Harbor Airport begins construction this week. Mostly dirt work this phase.

   a. **Airside: Steve Wabrowetz-** Please review outdoor storage and think about storing excess equipment and/or materials inside.

   b. **Landside:**

   c. **Construction, SEH: Benita Crow** – working with Shafer (Runway 9/27 Phase 3 contractor) on setting a meeting date sometime in September to discuss construction scheduling.

   d. **DAA Blood Drive: Jana Kayser-** Please sign up for the Blood Drive on Tuesday September 11th. We need only 13 individuals to sign up in order to make the drive happen. Please contact Jana. Attached is a flyer with further details and Jana's contact info.

2. **Airport Security Updates** **IF YOU SEE SOMETHING, SAY SOMETHING**

   a. **DAA**:

   b. **GSSC: Jim McGarvey**- Nothing to report

   c. **TSA: Dan Monette**- Nothing to report

f. FedEx

g. LSC: Anthony Olson-

h. LSHeli

i. Allete

5. Alibi / Q&A – None

IIB C

Mary Ann Wittkop

From: Don Monaco <donm@monacoairduluth.com>
Sent: Saturday, September 1, 2018 6:01 AM
To: Tom Werner; 'kbutler@kenbutlerlaw.com'
Cc: 'Dave Gaddie (dgaddie@bankrepublic.com)'; 'Greg Fox (gregandsheilafox@hotmail.com)'; 'Bill King (BKing@cirrusaircraft.com)'; Michael A. Magni; 'Pat Mullen (MP)'; 'Richard Stewart (RStewart@uwsuper.edu)'; 'Steve Overom'; Mary Ann Wittkop
Subject: August, 2018 Monaco Air Foundation Report

Tom and Ken,

Please share this report with the Duluth Airport Authority Board at its next regularly scheduled meeting.

Summary of August, 2018 Activities

Duluth Flying Club Scholarship Fund: The Foundation has issued two scholarships of $554.38 each since the Fund was established. The current balance in the Scholarship Fund is $1,141.24. The Foundation has temporarily suspended issuing any new aviation training scholarships.

High School Aviation Day Program: The Foundation continues to provide tours to high schools and other organizations upon request.

Other Initiatives: The Foundation welcomes additional requests from the Duluth Airport Authority Board for other initiatives the Board would like the Foundation to pursue.

Please let me know if you have any questions about this month's report.

Respectfully submitted,

Don Monaco
President
Monaco Air Foundation, Inc.
4535 Airport Approach Road
Duluth, MN 55811
Phone: 218-727-2911
Mobile: 630-728-5571
Fax: 218-336-0001
donm@monacoairduluth.com
www.monacoairduluth.com

IVD

Delta Air Lines
September 2018

DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

Summary: DTW Opportunity

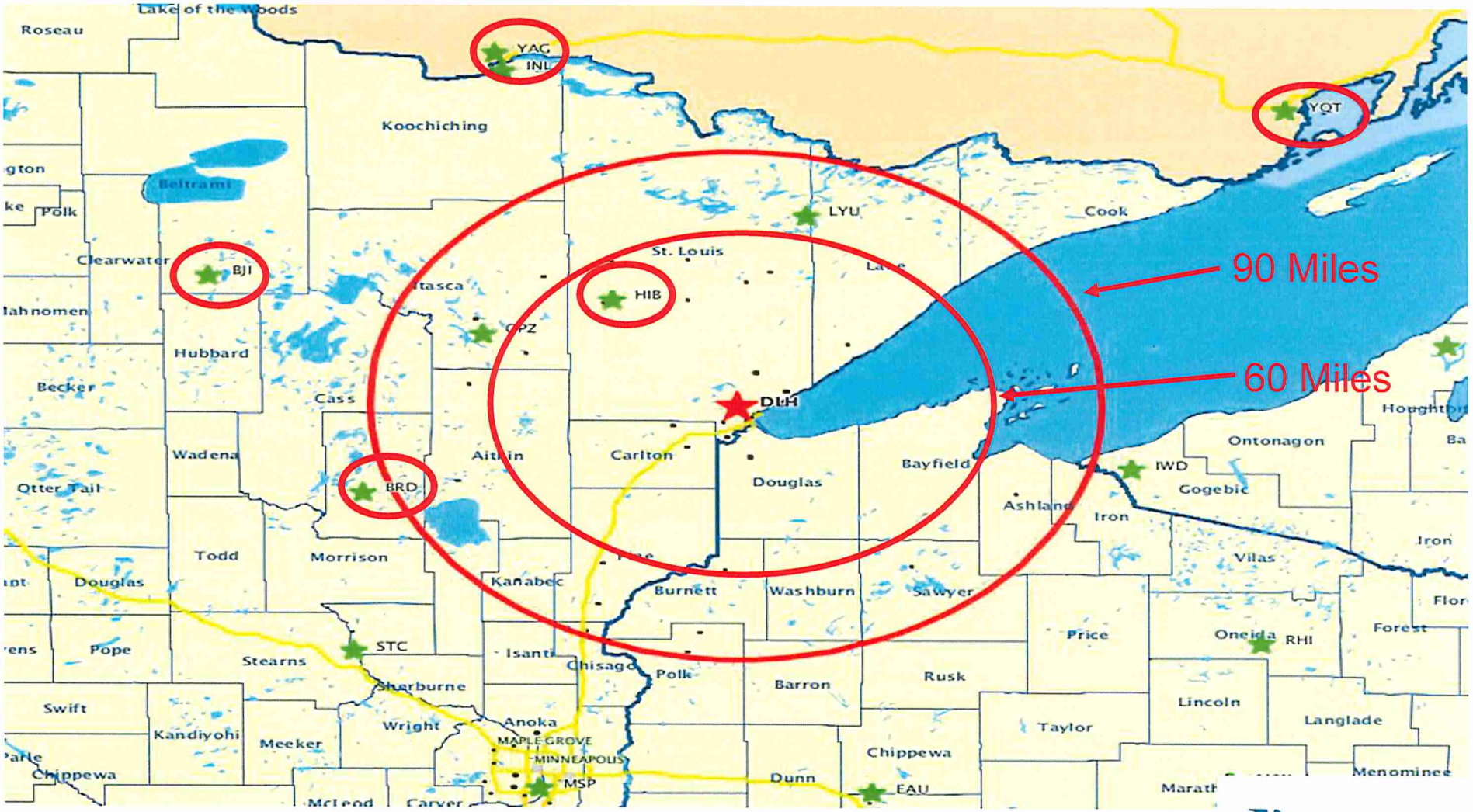
- DL served DTW-DLH from 2004 until November 2014; O&D PDEWs typically ranged from 10-15 at average one-way air fares exceeding $250 one-way

- With leakage, there are approximately 15 booked PDEWs from DLH catchment area on a year-round basis

- DTW air fares are extremely high both regionally and from MSP, indicating that there is potentially good stimulation potential from more moderately priced air fares

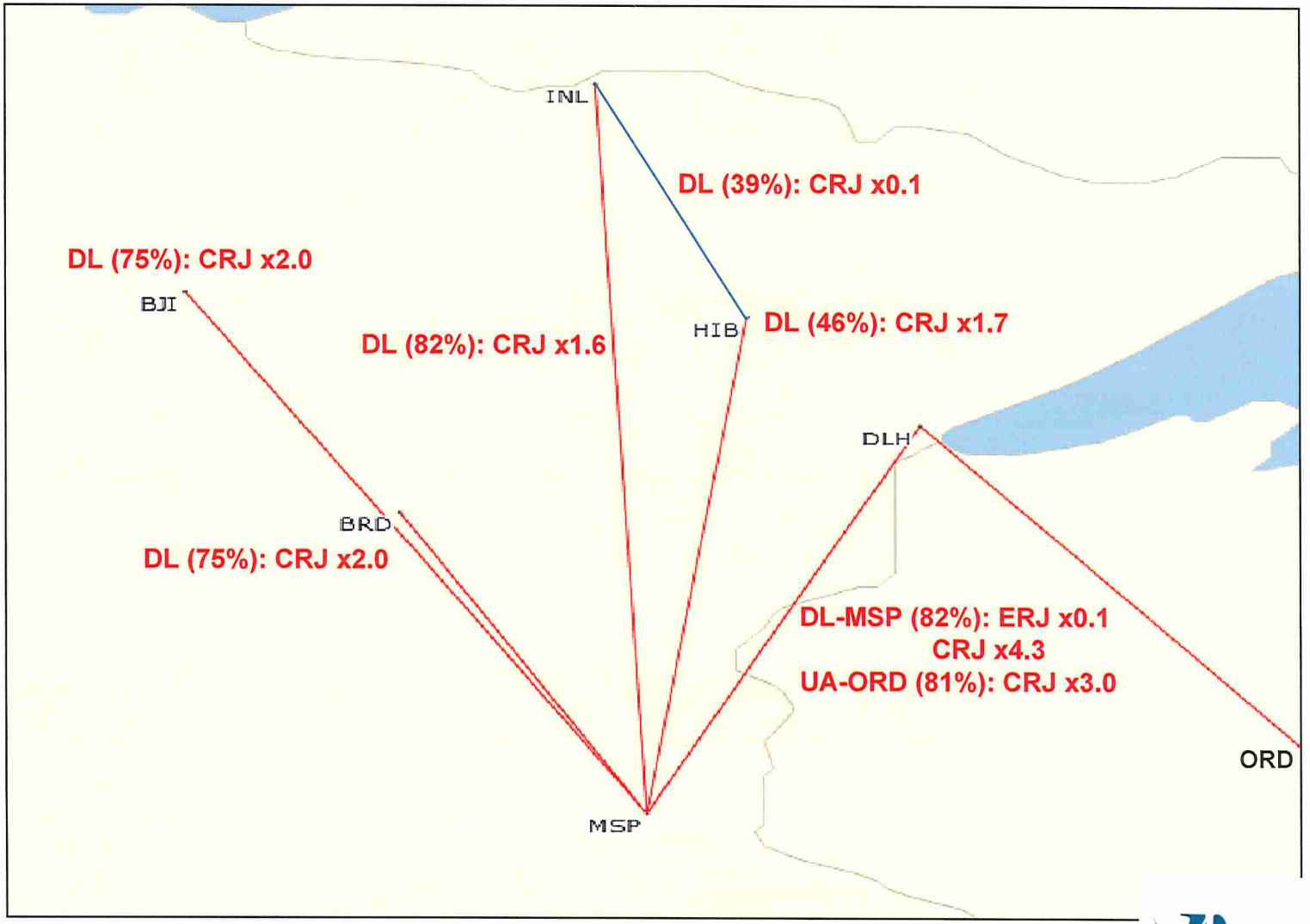
- With 1x daily DTW service, SkyWest could capture 20-25 O&D PDEWs, in addition to taking back some DL share to major east coast markets

Overview of Northern Minnesota: 300,000 people within 60 miles of DLH, with 500,000 within 90 miles



DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

Regional Air Service Overview: Hub LFs generally at or near 80%, even on EAS routes



DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

There is significantly more traffic potential regionally than is being accommodated currently

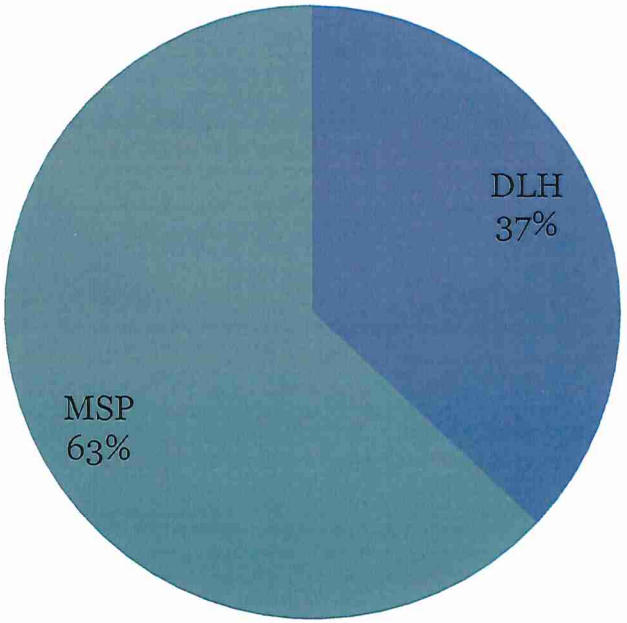
Passenger Volume today, "Leakage" & Potentional Traffic: Regional Airports

	DLH	HIB	BJI	INL	Sub-Total	BRD	Total
Population (25 miles)	279,601	16,301	45,670	13,311	354,883	91,067	445,950
Enplaned Passengers	121,139	22,584	24,202	12,103	180,028	16,744	196,772
"Leakage"	67%	70%	59%	60%	64%	75%	70%
Potential Passengers	367,088	75,280	59,029	30,258	531,655	66,976	598,631

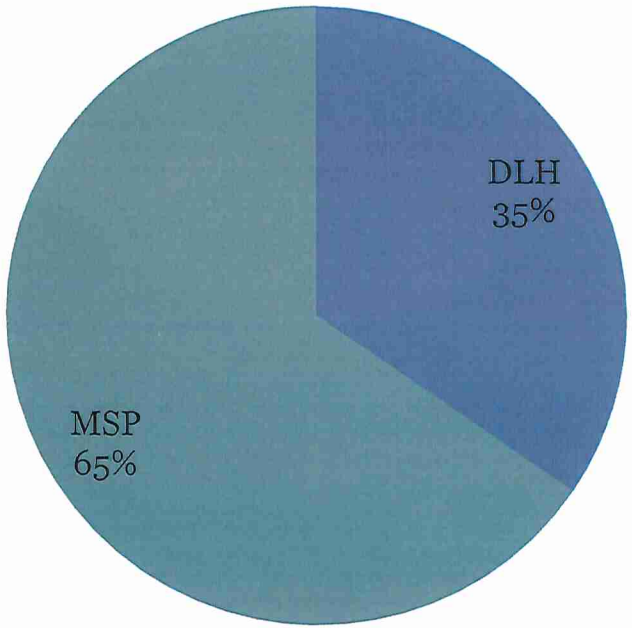
- **The region currently generates almost 200,000 annual enplaned passengers, while booked demand is close to 600,000**
- **In other words, about 400,000 enplaned passengers annually are driving to MSP**
- **With the exception of DLH, all other airports are EAS airports**

More than 2/3 of Duluth booked passengers drive to MSP

Airport of Origin
August 2018 (within 60 miles)

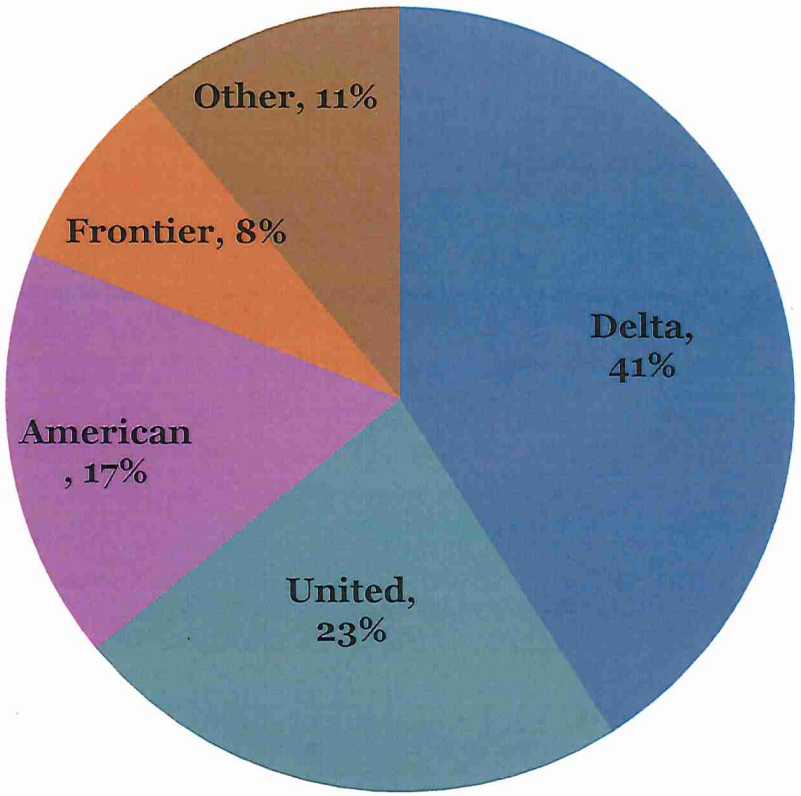


Airport of Origin
August 2017 (within 60 miles)



DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

Surprisingly, Delta only gets approximately 41% of traffic driving to MSP; UA does well

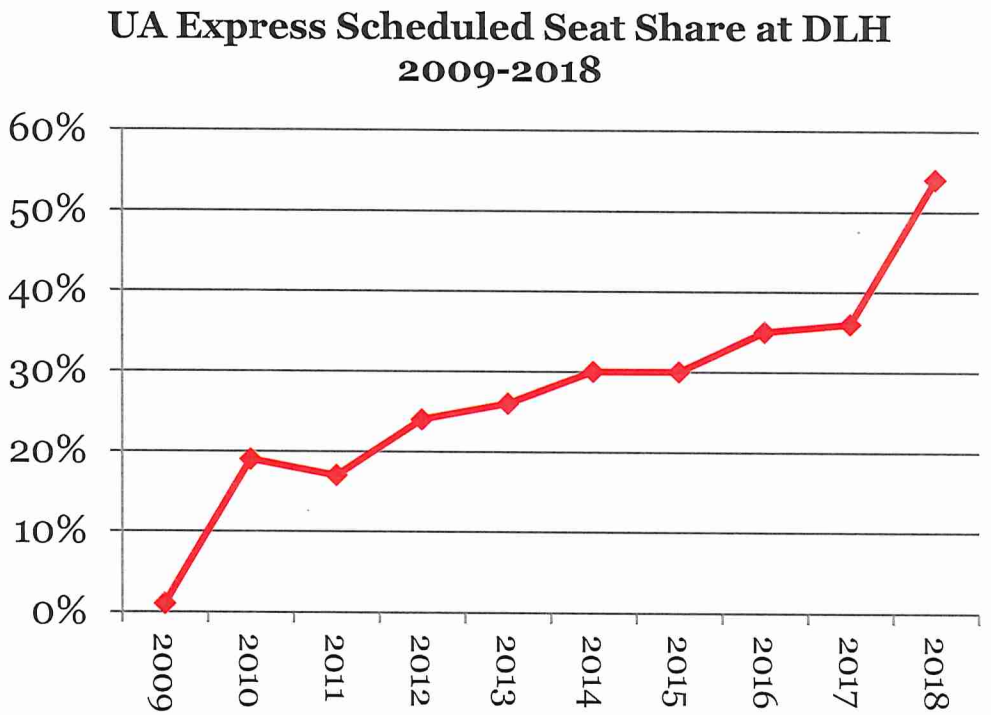


- DL's 41% share of DLH "leakage" is surprisingly low
  - DL's O&D share at MSP has historically been in the 55%-60% range
  - Recently in high 50's
- UA's share is higher than expected
  - May be due to some frequent flyer loyalty for passengers "leaking"
- Other airline brands also high
- Appears to be price-driven

With addition of Airbus, UA's departing seat share from DLH will exceed 50% in 2018

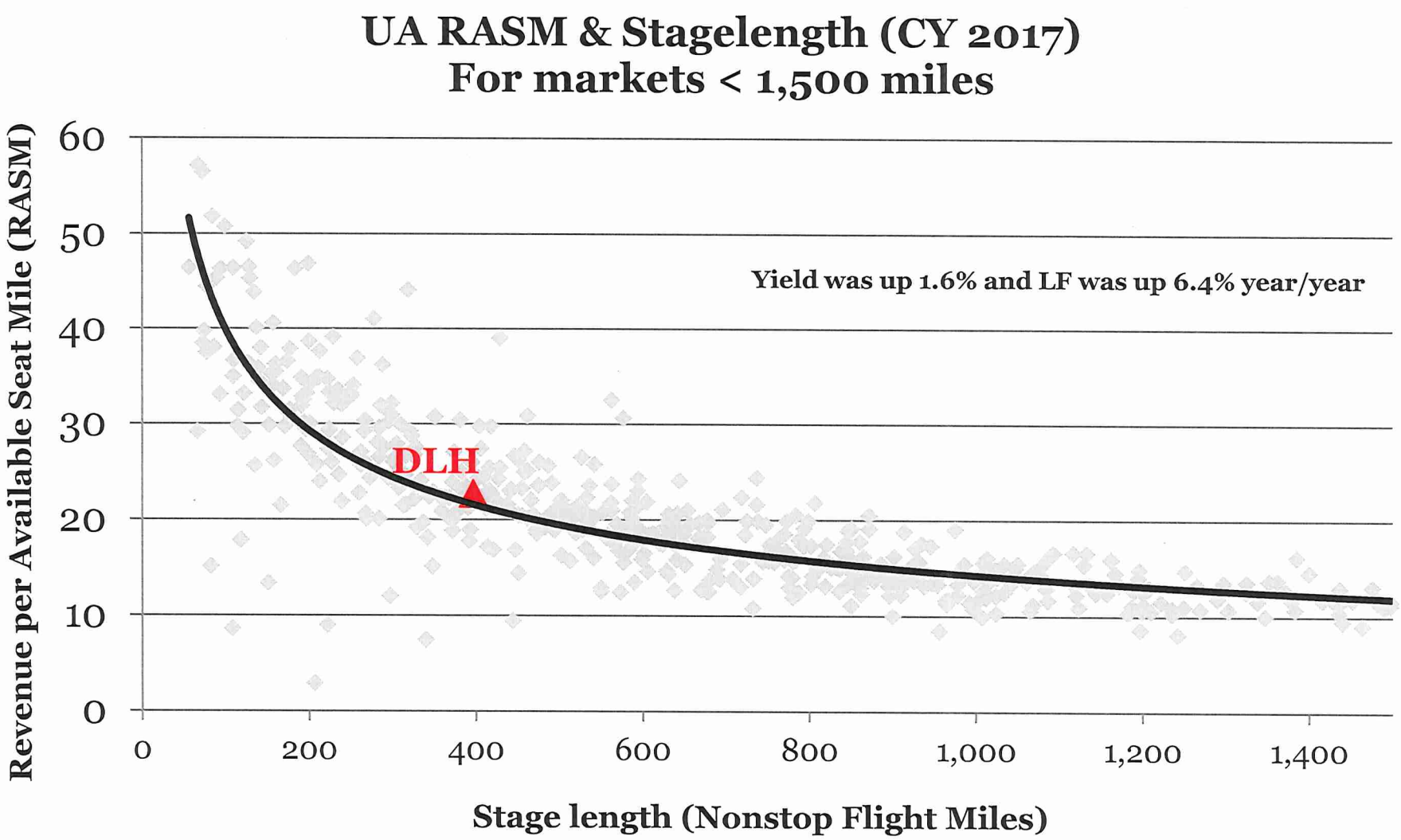
DLH Air Service Overview: YE May 2018

Airline	Market	Daily Depts	Enplaned Psgrs	Departing Seats	Load Factor
DL	MSP	4.3	72,592	88,217	82
UA	ORD	3.0	47,794	61,258	78
	TOTAL	7.4	120,386	149,475	79



DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

UA Express generates good mileage-adjusted RASMs from DLH



DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

Top DLH O&D Markets: UA generally garners 40%+ to the east coast in major markets

Top DLH O&D Markets: CY 2017

		Daily, Directional			Carrier Share	
Rank	Market	Pax	Fare	Revenue	DL	UA
1	ORD	33.4	$142	$4,759	5%	95%
2	MCO	10.1	$208	$2,091	51%	49%
3	LAS	9.1	$229	$2,085	91%	8%
4	PHX	7.5	$255	$1,908	94%	6%
5	LAX	7.2	$261	$1,878	82%	18%
6	LGA	7.1	$234	$1,664	69%	31%
7	DCA	6.8	$233	$1,596	56%	44%
8	BOS	6.7	$250	$1,675	57%	42%
9	IAH	6.4	$285	$1,819	52%	48%
10	DEN	6.3	$258	$1,617	74%	26%
11	ATL	6.1	$258	$1,578	80%	19%
12	**DTW**	**6.1**	**$278**	**$1,696**	**76%**	**24%**
13	SEA	6.1	$283	$1,722	90%	8%
14	TPA	5.3	$231	$1,224	53%	47%
15	SFO	4.7	$285	$1,348	73%	27%
16	PDX	4.7	$267	$1,246	82%	17%
17	DFW	4.6	$233	$1,068	77%	23%
18	EWR	4.4	$270	$1,198	59%	41%
19	RSW	4.0	$223	$896	80%	19%
20	SLC	3.9	$306	$1,203	94%	6%

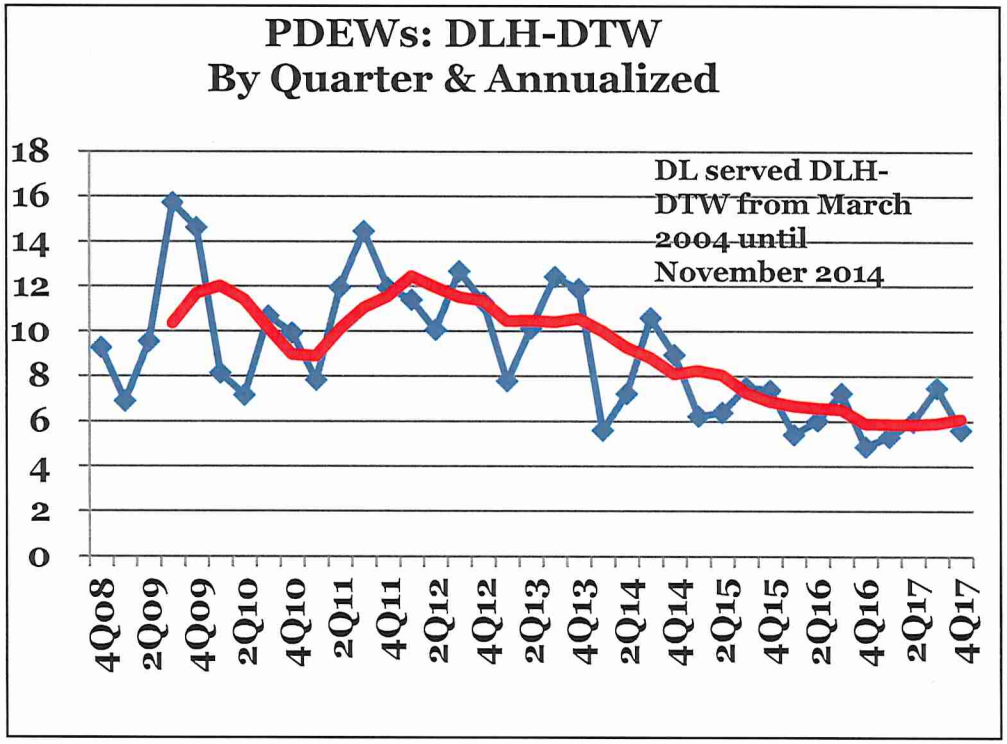
When including EAS markets, DL garners dominant shares across N. Minnesota airports

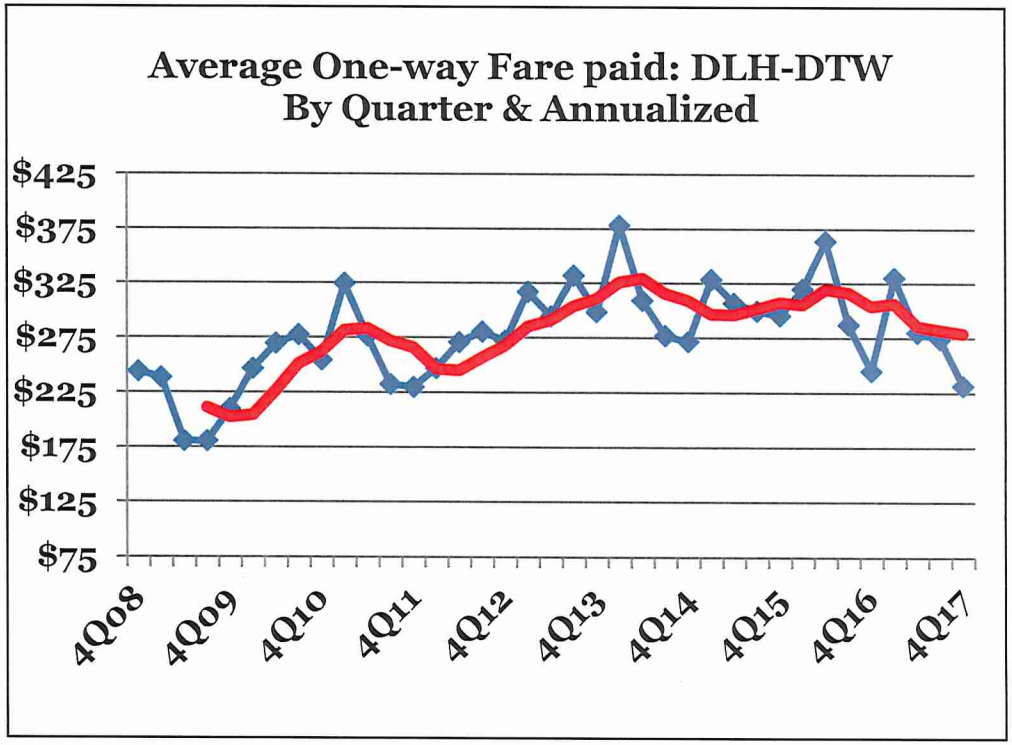
Top Northern Minnesota O&D Markets: CY 2017

		Daily, Directional			Carrier Share	
Rank	Dst	Psgrs	Fare	Revenue	DL	UA
1	ORD	40.5	148	5,995	22%	78%
2	MSP	18.5	116	2,145	100%	0%
3	DEN	16.4	214	3,524	90%	10%
4	MCO	15.8	208	3,280	69%	31%
5	PHX	15.7	226	3,545	97%	3%
6	LAS	14.7	230	3,379	95%	5%
7	LAX	13.6	256	3,479	90%	10%
8	ATL	12.6	264	3,330	91%	9%
9	SEA	11.3	276	3,122	93%	4%
10	DCA	10.6	238	2,532	72%	28%
11	LGA	10.6	237	2,517	79%	21%
12	**DTW**	**10.1**	**285**	**2,861**	**86%**	**14%**
13	BOS	9.5	260	2,471	69%	30%
14	IAH	9.4	291	2,727	67%	33%
15	DFW	9.0	230	2,061	88%	12%
16	TPA	8.8	224	1,968	72%	28%
17	RSW	8.6	219	1,884	91%	9%
18	SFO	8.2	279	2,289	84%	16%
19	PDX	7.6	266	2,023	89%	11%
20	BNA	7.2	242	1,736	84%	16%

**Includes: DLH, BJI, BRD, INL, and HIB*

DL operated DLH-DTW nonstop until 2014; PDEWs were as high as 16; typically at air fares well over $250 one-way

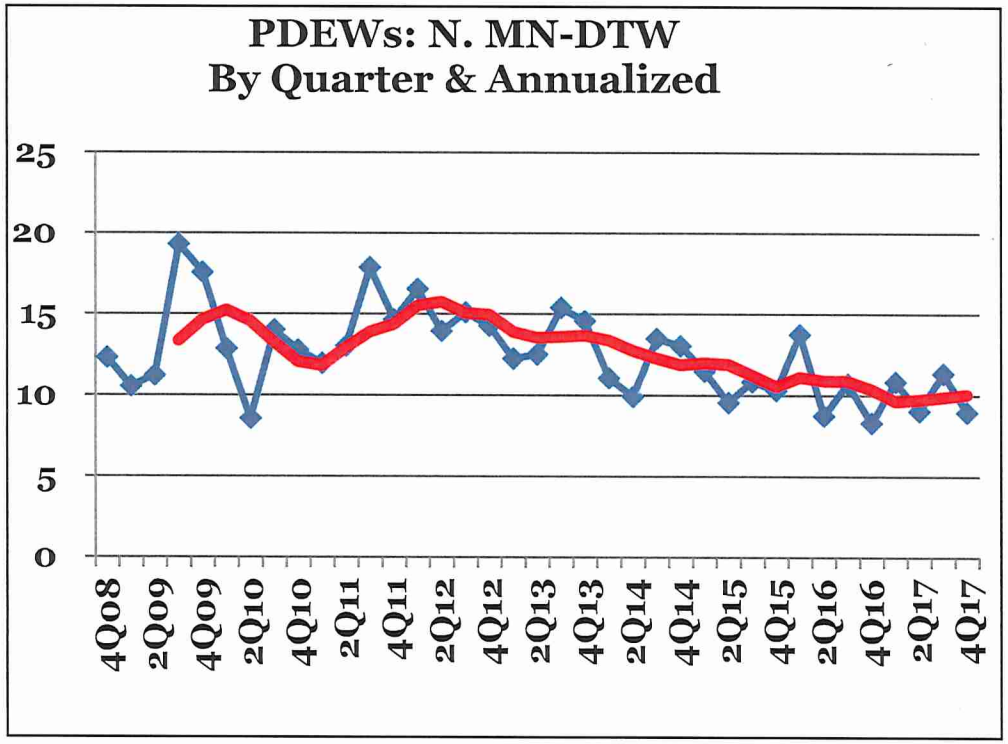


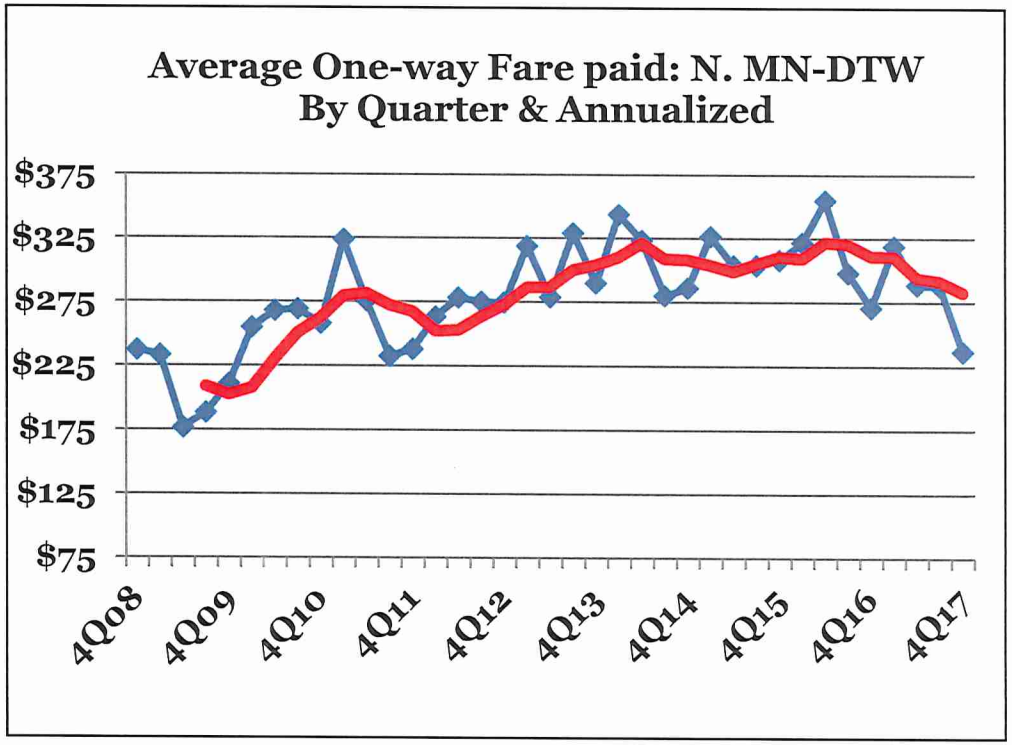


* Northern Minnesota: DLH, BJI, BRD, INL, & HIB

DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

N. Minnesota-DTW: Historically about 10-15 PDEWs with seasonal peaks near 20 (all at very high fare levels)





* Northern Minnesota: DLH, BJI, BRD, INL, & HIB

There are 15 booked PDEWs to DTW; also, DTW service would allow for more westbound connections over MSP

Top DLH O&D Markets: CY 2017

Rank	City Name	Airport Code	Reported PDEW	Leaked PDEW	TRUE PDEW	Avg Fare
1	Chicago	ORD/MDW	35.2	9.9	45.1	$146
2	New York/Newark	LGA/JFK/EWR	12.8	24.2	37.0	$246
3	Washington/Baltimore	DCA/IAD/BWI	12.1	21.9	33.9	$231
4	Orlano	MCO	10.1	20.5	30.6	$208
5	LA Basin	LAX/ONT/SNA/BUR	9.7	37.9	47.5	$260
6	Las Vegas	LAS	9.1	49.5	58.6	$229
7	Phoenix	PHX	7.5	34.0	41.5	$255
8	Boston	BOS	6.7	10.0	16.6	$250
9	Houston	HOU/IAH	6.5	8.6	15.0	$285
10	Denver	DEN	6.3	28.6	34.9	$258
11	Atlanta	ATL	6.1	8.9	15.0	$258
12	**Detroit**	**DTW**	**6.1**	**9.2**	**15.3**	**$278**
13	Seattle	SEA	6.1	22.6	28.7	$283
14	South Florida	MIA/FLL/PBI	6.0	16.0	22.0	$238
15	Tampa	TPA	5.3	9.6	14.9	$231
16	San Francisco	SFO	4.7	26.4	31.2	$285
17	Portland	PDX	4.7	24.0	28.7	$267
18	Dallas-Fort Worth	DFW/DAL	4.6	18.6	23.2	$235
19	Ft. Myers	RSW	4.0	16.3	20.3	$223
20	Salt Lake City	SLC	3.9	7.7	11.7	$306
21	Minneapolis	MSP	3.9	0.0	3.9	$125
22	Nashville	BNA	3.6	6.1	9.7	$250
23	San Diego	SAN	3.5	13.2	16.7	$257
24	Kansas City	MCI	3.5	13.1	16.6	$243
25	Cleveland	CLE	3.3	2.8	6.1	$289

Based upon DLH-ORD stimulation, DTW could potentially generate approximately 23 PDEWs w/nonstop service

Recent DLH Stimulation Effect

		Stimulation Effect		
Carrier	Market	Psgrs	Fare	Rev
G4	LAS	350%	-40%	143%
G4	Phoenix	329%	-45%	135%
G4	Orlando	287%	-28%	180%
OO	Chicago	315%	-23%	220%

Recent DLH Stimulation Forecast

	Stimulation Forecast		
Market	Psgrs	Fare	Rev
DTW	23.2	$179	$4,163

DULUTH INTERNATIONAL AIRPORT
Closer to everywhere.

DLH: Incentive Program

- Landing fee waiver
- Discounted fuel flowage fee
- International arrival passenger fee waiver (FIS fee)
- Advertising support

Overview of FIS/CBP at DLH

- DLH is an Airport of Entry Designated by Congress. This is the Most Advantageous Type of FIS, as CBP Cannot Dictate Hours or Charge for Labor
- Can Process up to 150 Passengers Per Hour
- No charges for CBP
- FIS Fee Waivers Available for the First 2 Years ($150 per use)

DLH Rates & Charges

Passenger Terminal Fees	Preferential Type 1 Space - Premium Finish		$39.88
	Joint Use Type 2 Space - Base Finish (inc. electrical surcharge)		$33.25
	Joint Use Type 3 Space - Limited Finish		$12.32
Aircraft Landing Fee (Per 1,000 lbs MGLW)	Signatory Carrier		$1.98
	Non-Signatory Carriers (125% more)		$2.48
	Transient		$0.85
	FBO Tenant		$0.00
Per Use Fee	Signatory Carrier		$210.00
	Non-Signatory Carriers (125% more)		$262.50
International Arrivals Facility Per Use Fee	Less than 50,000 lbs. MGLW		$50.00
	50,001-175,000 lbs. MGLW		$150.00
	175,001 lbs. MGLW and above		$250.00
Commercial Aeronautical Application Fee	Per application fee for commercial aeronautical operations		$100.00
Terminal Ramp Aircraft Parking Fees	Signatory Carrier		$0.00
Non-Terminal Aircraft Parking Fees (Per 1,000 lbs MGLW)	Category by MGLW (lbs.)	Per Night (24 hour period)	Per Month (Calendar)
	12,499lbs & Under	$13.00	$110.00
	12,500 - 49,999	$55.00	$440.00
	50,000 - 99,999	$110.00	$880.00
	100,000 & Over	$225.00	$1,800.00
Passenger Facility Charge (PFC)	$4.50 Per enplaned commercial passenger, Per FAA Approved PFC Application		
DAA Owned Hangar Rental Rates	West T-Hangars		$175.00
	East T-Hangars		$155.00
	East Ranch Hangars		$205.00
	Other	Set By Agreement	
Fuel Flowage Fee	Fee Per Gallon	Set by Operating Agreement	
Parking Fees & Permits (Includes Tax)	0-1 Hour		$3.00
	1-2 Hours		$5.00
	2-6 Hours		$9.00
	6-24 Hours (Daily)		$13.00
	Weekly		$78.00
	Corporate Surface Permit (Annual)		$1,200.00
	Corporate Garage Permit (Annual)		$1,800.00
	Airport Employee Tenant Permit (Annual)		$96.00
	Airline Crew Overnight Permit (Monthly or Annual)	$51.00	$612.00