



FAR Part 150 Update – Duluth (DLH)

Project Update



Public Workshop and Hearing

–Public outreach overview

- Postcards mailed last week to neighboring land owners
- Legal notices in Hermantown Star and Duluth News Tribune
- Meeting advertisements
- Press releases
- Social media
- Project newsletters and emails

–Meeting Overview

- Public Workshop 6:00 p.m. – 7:00 p.m.
 - Project presentation
 - Informational stations
- Public Hearing 7:00 p.m. – 8:00 p.m.
 - Opportunity to provide comment on the plan
- Written comments will also be accepted until Nov. 26, 2021 at 6:00 p.m.
 - Comments can be submitted online via the **STUDY WEBSITE:** <https://Duluth Airport.com/noise-study/>
OR EMAIL: DAA@DuluthAirport.com
- All comments will be included in the final documentation
- Free validated parking and masks will be required

Project Progress and Next Steps

–Next Steps

- Public Workshop and Public Hearing (Nov. 2 at 6 p.m.)
- Public Advisory Committee (PAC) final meeting (Nov. 3 at 1 p.m.)
- Final DAA Board Adoption – November
- Submit final documents to FAA – Week of Nov. 22
 - FAA has up to 180 days to complete review

Duluth Airport Master Plan

Project Update

October 19, 2021

Recent Activities

- Public Outreach
 - Economic Development TAC (September 22)
 - Taxiway Network TAC (October 13)
 - Ongoing 1:1 stakeholder and tenant outreach
- Master Plan Document Draft Chapters – Review
- Finalizing financial implementation plan development

Master Plan Next Steps

- Addressing comments from Staff Review
- Submit draft document to FAA for review
- FAA/MnDOT coordination meetings
 - Nov. 24 - Facility recommendations and alternatives
 - Early Dec – Financial Plan
- Finalize draft Airport Layout Plan (ALP)
- Meeting materials and summaries continue to be posted to the project website:

<https://duluthairport.com/master-plan/>

Major Milestones to Master Plan Completion

- Presentations and approvals
 - DAA Board presentation – Oct 19 (Topic: Financial Plan)
 - MPAC Meeting – Oct. 20 (Draft Master Plan overview presentation)
 - DAA Board retreat – December (Master plan presentation and discussion)
 - DAA Board approval – December 2021
 - Public Open House/Outreach events – Early 2022

Finance Chapter Overview

October 19, 2021

Overview

- Chapter defines the potential sources and uses of funds to support the Master Plan CIP to determine the financial feasibility of funding the Master Plan.
- There are two major near-term projects with significant financial requirements that are keys to the Master Plan:
 - Taxiway A reconstruction
 - Replacement of the Air Traffic Control Tower
- Plan includes non-aeronautical revenue generating development.
- Financial feasibility includes use of “other” funds (i.e. Customer Facility Charges, military related grants, and airport generated revenues) to supplement traditional sources.
- For forecasting purposes, a conservative 1.18% growth factor was applied to prevent revenue projection that way not be accomplishable if industry volatility continues.

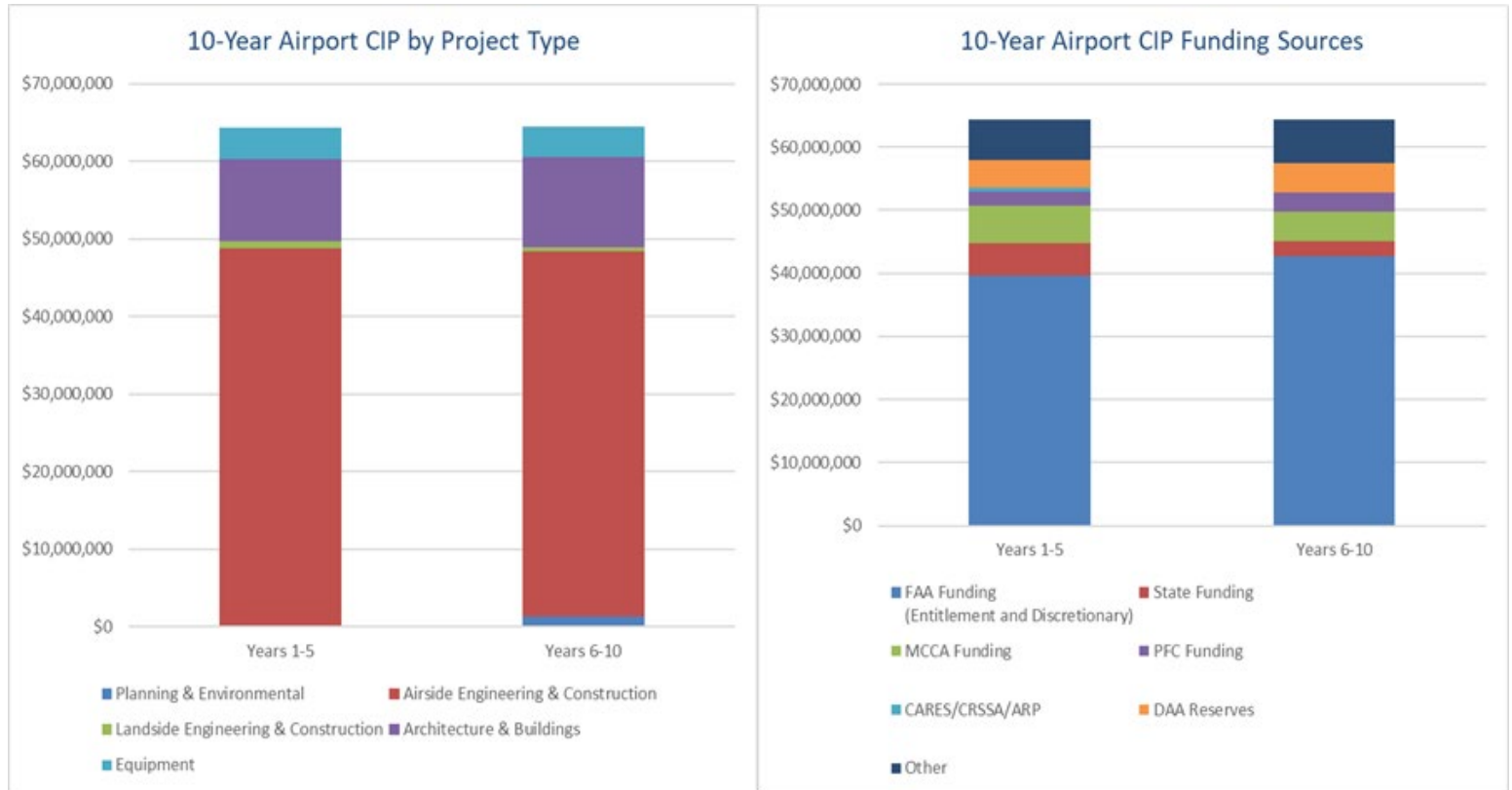
Summary of Financial Chapter Deliverables

- 20-Year CIP and financial chapter narrative
- Debt service forecasting
- Defined use of available CARES/CRSSA/ARP funds to support development
- Rates and charges analysis and recommendations
- Identification of funding sources and uses
- PFC and CFC use strategy and projections
- Pro-formas for non-aeronautical development opportunities
- Cost per enplanement forecasting

Primary Sources of Funding

- AIP Entitlement
- AIP Discretionary
- Passenger Facility Charge (PFC) - \$4.50
- CARES/CRSSA/ARP pandemic related grants
- Military Construction Cooperative Agreement (MCCA)
- MnDOT Aeronautics
- State Bond Funding
- Customer Facility Charges (CFC) – Rental Cars @ \$4.00
- Airport reserves/discretionary revenues
- New incremental aeronautical, non- aeronautical development revenue, and scheduled rates & charges increases
- Third Party Funding

Funding Sources by Type



Factors in Allocation of Funds

- Airline Use and Lease Agreement and the use of discretionary revenue from rates, fees and charges
- Federal and State high ranking eligibility projects
- CARES/CRSSA/ARP for projects that support airport projects but may not rank high, or the funds can be used to incentivize development
- MCCA funds to support military related improvements not eligible or high ranking
- State Bonding for major projects
- PFCs to augment eligible lower ranking projects or for local share on Federal projects that could impact rates & charges

Factors in Allocation of Funds (Continued)

- MnDOT Aeronautics
 - M&O Grants
 - Hangar loan program
- Airport reserves for low-ranking ineligible projects that will be included in rates & charges
- CFCs for rental car related projects
- Third-party funding for non-aeronautical and aeronautical projects (i.e. retail and private hangars)
- Other State and Federal Grants from sources other than the FAA

Feasibility Overview

- Debt position substantially improves in 2027 as terminal bonds are paid off. This will have a substantial positive impact on use of discretionary revenue.
- For the **short term (2021-2025)** the projects and funding are substantially defined. The funding for the Taxiway A and Air Traffic Control Tower replacement are dependent on State bonding, AIP discretionary funding, and MCCA funding.
- **Intermediate term (2026-2030)** includes the completion of the Tower and later phases of the Taxiway A replacement. Other projects are more fluid and could be adjusted depending on funding feasibility and other unanticipated priorities.
- **Long term (2031-2039)** are more flexible as to timing and scope. There is more uncertainty in this planning term.

Summary

- In 2027 the debt position of DAA will be significantly improved which positively impacts the Master Plan financial feasibility.
- The scope of project definition becomes less defined in the later years which can result in modification to support the funding capacity at that time.
- There is a focus on including revenue producing projects in the short term to generate increased discretionary revenue.
- The sources and uses of funds are designed to minimize the potential that capital costs would be funded through rates and charges.
- Some CARES/CRISSA/ARP funds will be used to support general aviation related development and make cost recovery rates more competitive.

Summary

- There are other potential sources of revenue that may become available that are not factored into the financial feasibility so that the CIP is not dependent on highly speculative funding sources.
- If unexpected sources are obtained, the financial feasibility should be adjusted with the objective of maximizing reserves.
- Additional funding from general aviation projects should be sought to reduce the cost basis and keep cost recovery rates as competitive as possible for new facilities.

Summary (Continued)

- The ability to fund the Taxiway A replacement and the Tower are heavily dependent on State and Federal funding. If those funding sources materialize, the financial feasibility of the Master Plan CIP is manageable.
- Recommendations
 - The DAA consider adopting a policy on fund management to provide a cushion to support unanticipated capital needs.
 - Rates for revenue producing facilities should be reviewed annually and adjusted to balance fair market prices with funding requirements. To not do so, will be a lost opportunity that could impact the overall financial feasibility.

CPE Projections

	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Airline Landing Fees	\$328,596	\$354,728	\$217,925	\$365,370	\$383,638	\$395,148	\$407,002	\$419,212	\$431,788	\$444,742	\$458,084
Airline Terminal Rents	910,177	\$1,112,405	\$1,103,885	\$1,134,653	\$1,191,385	\$1,215,213	\$1,239,517	\$1,264,308	\$1,289,594	\$1,315,386	\$1,341,693
Total Airline Revenues	\$1,238,773	\$1,467,133	\$1,321,809	\$1,500,023	\$1,575,024	\$1,610,361	\$1,646,519	\$1,683,520	\$1,721,382	\$1,760,128	\$1,799,778
Airline Enplanements	140,485	160,212	66,117	101,549	108,669	155,150	156,981	158,833	160,707	162,604	167,936
Airline Cost per Enplanement	\$8.82	\$9.16	\$19.99	\$14.77	\$14.49	\$10.38	\$10.49	\$10.60	\$10.71	\$10.82	\$10.72

CPE Projections - Continued

Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
\$471,827	\$485,982	\$500,561	\$515,578	\$531,045	\$546,977	\$563,386	\$580,288	\$597,696	\$615,627
\$1,368,527	\$1,395,898	\$1,423,816	\$1,452,292	\$1,481,338	\$1,510,965	\$1,541,184	\$1,572,008	\$1,603,448	\$1,635,517
\$1,840,354	\$1,881,880	\$1,924,377	\$1,967,870	\$2,012,383	\$2,057,941	\$2,104,570	\$2,152,295	\$2,201,144	\$2,251,144
169,738	171,561	173,406	175,272	177,161	179,072	181,005	182,961	184,941	192,946
\$10.84	\$10.97	\$11.10	\$11.23	\$11.36	\$11.49	\$11.63	\$11.76	\$11.90	\$11.67