



DULUTH INTERNATIONAL AIRPORT

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Duluth Airport Authority Strategic Plan 2020-2025 Revised 2022

Our vision is to be a world-class aviation center that drives economic development and connects the region to the global economy.

Recognizing its unique role as a driver of the regional economy, the Duluth Airport Authority (DAA) envisions the future of the Duluth International Airport as the region's center of gravity for air commerce and aviation-related business, providing quality services and extensive benefits to travelers, businesses, and communities throughout a large and diverse region.

The commercial activity centered around the infrastructure at the DAA's two airports will be a catalyst for economic development locally and regionally – creating jobs and supporting businesses throughout the region.

In order to transform its vision into reality, the Authority affirms its daily commitment to a mission statement that articulates how the Airport will work to achieve its vision:

The Duluth Airport Authority is committed to delivering a superior airport experience in a safe and secure environment, while enriching the region's economy.

The DAA staff is committed to remaining true to the DAA's core role and responsibilities on a daily basis as it executes its duties. The mission statement acts as a compass providing direction and affirms our dedication to our customers, tenants and stakeholders.



Obstacles to Success

Challenges and opportunities to achieving the DAA's vision persist. Among them are:

- Competition with other airports for passengers driven by:
 - Long-established perceptions of flying out of Duluth (expensive, unreliable, etc.)
 - Proximity to MSP/effect on willingness to pay higher DLH fares
 - Expansion of low-cost carriers at MSP
 - No low-cost carrier or ultra-low-cost carriers at DLH (cost sensitive passengers)
 - Stiff competition nationally for regional air service expansion
 - Overcoming past pain people had with cancelled flights due to weather and runway construction
- Operational resource constraints
 - Limitations to hiring additional key staff
 - Limited funding sources
 - Limited cash reserves
- Capital Resource Constraints:
 - Aging infrastructure
 - Cost of infrastructure maintenance
 - Aging facilities; especially revenue-generating assets (buildings)
 - Aging IT/expertise/keeping pace with technological advances
 - Terminal space as demand/use increases
- Land-use issues:
 - Area land use compatibility
 - Environmental concerns on developable land (not caused by our actions)
- Diverse customer base competing for space:
 - Mixed airframe use of airport
 - FAA future planning – drones and safety
- Obstacles over which DAA has little control:
 - Susceptible to economic fluctuations
 - Population stagnation and its impact on economic growth
 - Unforeseen political issues
 - Limited influence on airline decision-making, reliability and pricing of airfares
 - Reliance on our partners to deliver a high level of service – customers retention
 - Future of 148th and other airport tenants
 - Workforce (tenants)



Strategic Initiatives

The Authority selected four strategies that, if realized, will successfully negotiate obstacles to progress and move the DAA toward its vision. These strategies will focus the energy and resources of the organization through 2025:

- **Infrastructure Renewal**
- **Support Economic Development**
- **Strengthen the Duluth Airport Authority's Cash Position**
- **Strengthen/Grow Air Service**

These strategies when implemented over the next five years with the commitment identified in the mission statement – will help the Duluth Airport Authority achieve its vision in an environment rich with challenges and opportunities. Throughout the remainder of this strategic plan each strategic initiative is detailed with supporting tactics and measurements for success.



Consistency with the Vision 2040 master plan is critical to the successful implementation of both plans. The DAA's strategic plan has been amended accordingly.



Strategy I: Infrastructure Renewal

Background:

Upon completion of the terminal building in 2013 and the parking ramp in 2014, focus has been primarily on the aging airfield infrastructure at both Duluth International and Sky Harbor Airports including reconstruction of the main runways at both airports. Moving forward there are a number of property development and infrastructure renewal priorities that will be sequenced for completion through the DAA's Vision 2040 Master Plan project. Marquee projects or "tactics" include:

- **Reconstruction of Alpha Taxiway**
 - Key(s) to Success:
 - Identify project sequencing and phasing
 - Scope the projects based on the current FAA design specifications and stakeholder input
 - Secure funding (Federally/State eligible, local share and independent 3rd party funding source(s) for ineligible work scope items)
 - Develop a communication and coordination strategy for airport users, off-airfield stakeholders, and media
 - Measurement(s) of Success:
 - Taxiway A is reconstructed consistent with phasing outlined in Vision 2040, meeting the needs of stakeholders no later than 2030

- **New Air Traffic Control Tower**
 - Key(s) to Success:
 - Complete sighting study
 - Scope the project to address line-of-sight, parking, and security requirements
 - Develop a P3 funding model
 - Secure a long term FAA lease that would satisfy any debt service obligations
 - Develop a communication and coordination strategy for airport users, off-airfield stakeholders, and media
 - Secure broad public support including area chambers, businesses, local government, communities, tenants and legislators; likely a G.O. bond initiative
 - Prepare preferred location for development (demolition, environmental cleanup, etc)



- Measurement(s) of Success:
 - A new air traffic control tower is constructed with a sustainable funding model, meeting the needs of the FAA, and airport users no later than 2030

- **Rehabilitation of Runway 3-21**
 - Key(s) to Success:
 - New airport zoning ordinance has been adopted
 - Scope the project based on the current FAA design specifications and stakeholder input
 - Secure funding (Federally/State eligible, local share and independent 3rd party funding source(s) for ineligible work scope items)
 - Develop a communication and coordination strategy for airport users, off-airfield stakeholders, and media
 - Measurement(s) of Success:
 - Runway 3/21 is rehabilitated, preserving its current width and edge lighting is replaced, meeting the needs of stakeholders no later than 2025
 - Taxiway C is realigned no later than 2024

- **Possible General Aviation Ramp Expansion**
 - Key(s) to Success:
 - Determine purpose and need as part of Vision 2040
 - Relocate DAA assets such as airfield lighting vault and generator
 - Complete environmental surveys and clean up as needed
 - Scope hangar type and use with stakeholder input
 - Secure P3 funding
 - Develop a pro forma
 - Measurement(s) of Success:
 - Additional ranch hangars are constructed no later than 2023 behind the Monaco Air fuel farm
 - Additional apron expansion is completed as a part of Phase 4 of the Taxiway A project
 - The Hydrosolution building is demolished no later than 2024 to make way for additional general aviation hangar development
 - General aviation ramp and taxi lane is constructed as a part of ATC relocation phase 1 no later than 2025



- **Terminal Ramp Expansion**
 - Key(s) to Success:
 - Complete air service demand forecast during the Vision 2040 process
 - Purpose and need has been established
 - Scope the project in concert with other adjacent projects where practical (A Taxiway reconstruction and/or terminal renovation) using FAA design specifications and stakeholder input
 - Secure funding (Federally/State eligible, local share and independent 3rd party funding source for ineligible work scope items)
 - Develop a communication and coordination strategy for airport users, off-airfield stakeholders, and media
 - Measurement(s) of Success:
 - Terminal ramp is expanded, meeting the needs of stakeholders no later than 2025

Strategy II: Support Economic Development

Background:

For many years there has not been a property development plan at DLH. Buildings have been acquired by the Authority for little or no cost but they have come with the need for major investment in order to generate revenue. DAA staff has made it standard practice to restrict spending on aging facilities that have reached a point of diminishing returns and do not have a long-term tenant. The decommissioning, and eventual demolition, of Hangar(s) 2 and 101, are examples of how we are now managing dilapidated facilities.

In conjunction with the Vision 2040 process, we are going to identify redevelopment zones that will be available to future developers. The DAA does have some constraints on available land for development. Through the Master Plan process, we will identify spaces on the airport campus prime for redevelopment. Tactics that will help the DAA achieve success include:



- **Position Blighted/Underperforming Property for Redevelopment**

- Key(s) to Success:
 - Designate non-aeronautical property through Vision 2040
 - Complete “shovel ready” property packets
 - Leverage key funding partnerships reducing the development cost as much as practical (DEED, MPCA, Brownfield/EPA, military, EDA, etc)
 - Devise a plan to improve/create road and utility infrastructure to support development
 - Complete environmental assessments in targeted areas
 - Secure funding (Federally/State eligible, local share and independent 3rd funding source for ineligible work scope items)
 - Secure a developer (signed development agreement and/or lease)
 - Determine marketing partnership(s) with developer(s)
 - Develop a communication and coordination strategy for airport tenants
- Measurement(s) of Success:
 - Hangar 101 is demolished no later than 2022
 - DHL building is demolished no later than 2024
 - The Hydrosolutions building is demolished no later than 2024
 - A plan is developed to demolish the vacant hangar pads on the Midfield Ramp no later than 2025

- **Position Select Green Space for New Development**

- Key(s) to Success:
 - Designate non-aeronautical property through Vision 2040
 - Complete “shovel ready” property packets
 - Leverage key funding partnerships reducing the development cost as much as practical (DEED, MPCA, Brownfield/EPA, military, EDA, etc)
 - Devise a plan to improve/create road and utility infrastructure to support development
 - Complete environmental assessments in targeted areas
 - Secure funding (Federally/State eligible, local share and independent 3rd party funding source for ineligible work scope items)
 - Secure a developer (signed development agreement and/or lease)
 - Determine marketing partnership(s) with developer(s)



- Measurement(s) of Success:
 - Staff presents highest and best use recommendations to the DAA Board in 2022
 - Secured a FAA land release for the Haines Rd/Airport Rd (Site 4) development area in 2022
 - The Haines Rd/Airport Rd (Site 4) development area is marketable to developers no later than 2025
 - Non-aeronautical development areas have commercial zoning no later than 2023

Strategy III: Strengthen the DAA's Cash Position

Background:

The Duluth Airport Authority operates with a small staff on a lean budget, making it difficult to maintain the existing aging infrastructure and fleet. It is difficult to invest money in people or new initiatives. Being good stewards of resources and investing in growth tactics will require the Airport to leverage existing assets, add new revenue streams. Tactics to achieve success in this area include:

- **Strengthen Underperforming Revenue Streams**
 - Key(s) to Success:
 - Audit revenue producing agreements
 - Identify new opportunities through the master planning process
 - Continue to pursue leases for vacant space
 - Review the cost structure of underperforming revenues
 - Measurement(s) of Success:
 - Revenues increase year over year
 - Research and implement a new parking revenue management structure that differentiates between parking products including electric charging, covered, and uncovered no later than 2023
 - Support restaurant upgrades and investments that result in increased product offerings, efficiency, and customer utilization no later than 2023
 - Unrestricted cash average balance is- \$750,000 over the course of a year
 - Adopt a cash balance policy in 2022
 - 100% of office, hangar and warehouse space is leased



- **Pursue New Revenue**

- Key(s) to Success:
 - Identify new opportunities through the master planning process
 - Identify new advertisement and sponsorship opportunities
 - Renegotiate a restructured land lease for the AAR hangar
- Measurement(s) of Success:
 - Revenues increase year over year
 - Unrestricted cash average balance is \$750,000 over the course of a year
 - Construct a quick turn facility (QTA) non later than 2023
 - New ranch hangars are constructed and leased no later than 2023 behind the Monaco Air fuel farm
 - Establish a peer-to-peer car rental concession and operating policy no later than 2022
 - Adopt a cash balance policy in 2022

- **Adopt Priority Based Budgeting**

- Key(s) to Success:
 - Employee training
 - Develop spending and investment priorities with a cash flow and rainy day fund focus
 - Review current and past spending practices, discontinue spending that doesn't support priorities
 - Regular staff review of priorities and spending analysis
- Measurement(s) of Success:
 - Improved financial processes and efficiencies with an emphasis on goal setting at all echelons
 - Unrestricted cash average balance is- \$750,000 over the course of a year
 - Adopt a cash balance policy in 2022



Strategy IV: Strengthen/Grow Air Service

Background:

Passenger related revenue is approximately half of Duluth Airport Authority's annual revenue. Serving an average of 300,000 passengers per year, the Airport has capacity to serve more travelers and generate additional revenue. The new main runway, relatively new terminal, other improvements to infrastructure and emphasis on a superior passenger experience create an even greater opportunity to expand air passenger service.

The past 5 years have been marked by significant losses including Allegiant's pullout of the market and the loss of Delta's Detroit route in 2015. Conversely we've seen some significant gains as well, including United launching a daily mainline frequency to Chicago and American's launch of Service to Chicago in 2019.

Tactics that will assist the DAA capitalize on recent air service gains include:

- **Add Daily Flights to a Western Hub on a Major Network Carrier**
 - Keys to Success:
 - Successfully awarded DOT's Small Community Air Service Development (SCASD) Grant
 - Negotiate a revenue guarantee agreement with SkyWest Airlines
 - Announce the launch of service
 - Market the service pre and post launch
 - Measurement of Success:
 - Daily flights to a western hub are launched no later than 2024
 - Route is financially sustainable within the first 2 years

- **Add a Low Cost or Ultra-Low Cost Carrier to Fly Select Leisure Routes**
 - Keys to Success:
 - Support the growth of Landline as a route-proofing strategy; the result of which will be shared with prospective carriers
 - Continue marketing DLH's air carrier cost structure, FIS and Duluth's growing economy to prospective air carriers
 - Announce the launch of service
 - Market new routes pre and post launch



- Sustain Fly Local relationship with area travel agents
- Measurement of Success:
 - Flights to select leisure destinations are launched seasonally no later than 2025
- **Strengthen Existing Carriers and Routes**
 - Keys to Success:
 - Support United's conversion of the Chicago route to Contract Purchase Agreement in 2020 (post-737-max issue resolution)
 - Increase investment in air service marketing by \$50,000 by 2021
 - Use new passenger revenues from new routes to market the route for a least 1 year
 - Continue the Fly Local Program
 - Continue marketing DLH's air carrier cost structure, FIS and Duluth's growing economy to prospective air carriers
 - Continue to support air carrier competition
 - Explore prorate agreements for underperforming routes and/or to launch new ones
 - Encourage increased engagement by airline travel programs in our catchment area
 - Measurement of Success:
 - DLH sustains 2 major network carriers to at least 3 major hubs no later than 2025
 - DLH increases total passengers to 330,000 by 2025
 - Grow passengers to maintain 85% load factor or better, on all carriers
 - Encourage network carriers to maintain dual class product on 50% of flights from DLH
- **Strengthen Customer Experience/Perception and Increase Air Service Marketing**
 - Keys to Success:
 - Increase investment in air service marketing by \$50,000 by 2021
 - Use new passenger revenues from new routes to market the route for a least 1 year
 - Continue the Fly Local Program
 - Promote leader emphasis with our stakeholders by hosting leader meetings to discuss customer service and culture
 - Increase regular engagement with regional leadership from customer service stakeholders such as Delta Global Service and the Arrowhead Taphouse



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- Improve customer amenities such as wifi, water filling and device charging stations
- Improve TNC wayfinding and install a shelter at the customer waiting area no later than 2022
- Conduct regular customer feedback surveys in person and electronically
- Measurement of Success:
 - Customer satisfaction with the Above and Beyond culture at DLH is above 90% according to customer surveys