



DULUTH AIRPORT AUTHORITY

Duluth Airport Authority Meeting Minutes October 17, 2023

MEETING LOCATION: Amatuzio Conference Room, Duluth International Airport

DIRECTORS PRESENT: Kim Maki
Kevin O'Brien
Elissa Hansen
Dan Markham
Michael Henderson
Jason Crawford

DIRECTORS ABSENT: Jeff Anderson

OTHERS PRESENT: Tom Werner, DAA Executive Director
Mark Papko, DAA Dir. of Operations
Joelle Bodin, DAA Dir. of Finance and Administration
Natalie Baker, DAA Dir. of Marketing and Communications
Jenny Delnay, DAA Administrative Coordinator
Steve Hanke, Duluth City Attorney
Robb Enslin, Duluth City Attorney
Kaci Nowicki, SEH
Shawn McMahon, SEH

OTHERS PARTICIPATING VIA ELECTRONIC MEANS:

Kathy Leon, DAA Confidential Bookkeeper
Paul Huston, HNTB
Jefrey Jakalski, EXP
Horeya Czaplewski, EXP
Matthew Stewart, SEH
Scott Sannes, SEH
Don Monaco, Monaco Air Duluth
Heather Fisher, Cirrus

CALL TO ORDER: Dir. Maki called the DAA board meeting to order at 8:00 a.m. Dir. Maki noted that Dir. Anderson is absent today.

Dir. Maki invited Mr. Tom Werner to provide the Executive Director's Review

I. *EXECUTIVE DIRECTOR'S REVIEW

A. **Air Service:** Mr. Werner provided an update on the current air service with a presentation.

- Mr. Werner shared that with more seats on the market, there have been more passengers flying through DLH, with load factors around 90-91%.
- He also noted that Delta would be flying dual class service to EAS airports throughout northern Minnesota, but those seats are expensive with only 50 seats per plane.



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- Mr. Werner shared that some of the numbers that are being circulated about the pilot shortage are underreporting the issue, since they are not accounting for the reduced traffic to regional airports.
 - Dir. Hansen asked what percentage of total pilots the shortage represented. Mr. Werner stated he would investigate that.
- Mr. Werner stated that Sun Country has officially announced that the Ft. Myers route will be returning to DLH this winter from February 2nd to April 22nd running twice per week. Mr. Werner credited Ms. Baker for all her work putting together the proposal that led to this commitment. She will be sharing more on that during her update. Mr. Werner also credited Mr. Magni and Mr. Monaco for their work in bringing Monaco Air Duluth into this deal. This will be discussed in more detail during Resolution B.
 - Mr. Werner shared that this year will be about reintroducing this flight to the region. Marketing will be focused on this flight, and not shared with other markets like Green Bay or Minneapolis. He noted that the schedule is very attractive with midday flights. Fares are currently sitting around \$70 for a one-way ticket.
 - Mr. Werner noted that this is a crucial year for this service. Strong load factors are needed to keep this route and potentially expand from here.
 - Dir. O'Brien asked about the starting dates for last year's service.
 - Mr. Werner shared that last year this service started in mid-December to capture holiday travel. This year, it is positioned to capture the spring break travelers, since it ends during Duluth's spring break.
 - Dir. Markham asked about the status of the Pheonix route.
 - Mr. Werner shared that this route has been pulled, both from Duluth and all other regional airports.
- Mr. Werner shared updates from his recent meetings with SkyWest, Allegiant.
 - SkyWest is still interested in the Denver route. They have signed a letter of support for the route when they have the fleet to fly it. Mr. Werner noted the importance of keeping a good relationship with them. He stated the current package we have would likely not get one flight per day to Denver, and SkyWest had asked our capacity to raise additional funds. This will be revisited next year.
 - Allegiant is in growth mode and taking advantage of their additional aircraft to consider new markets. Mr. Werner shared with them the advantages of Duluth and overall had great conversations.
 - The Avelo meeting was scheduled for next week but has been postponed to November due to staffing on their end. Avelo just opened in the Wausau market, which is promising for future consideration of Duluth.
- Mr. Werner shared that DAA is terminating their construction agreement with Kraus-Anderson. This agreement did not turn out the way the DAA had expected. Mr. Werner wishes Kraus-Anderson the best moving forward. Mr. Werner noted that this decision will impact the project delivery method for the Air Traffic Control Tower.

B. Operations/Construction/Planning: Mr. Papko provided the following updates:

- New Air Traffic Control Tower (ATCT) Update
 - Mr. Papko noted he has received comments back from the FAA about the Environmental Assessment Update.
 - Construction Delivery Method for ATCT: AFTA Labs were optimistic about the delivery of the materials and the Citing Study and Requirements Workbook, but the landscape has changed since then. There have been two towers that have gotten funded through this program and will be evaluating their progress to help



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ensure the success of DAA's tower. ACRP has an in-depth tool to input priorities into a matrix and create recommendations for selecting delivery and construction methods. Mr. Papko shared that he has been working with both EXP and SEH to go through that process to project the best strategy. Mr. Papko introduced Mr. Jeffrey Jakalski and Ms. Horeya Czaplewski from EXP to expand on this further.

- Mr. Jakalski shared a memo to compare different delivery methods, including design bids, constructor as advisor and construction manager at risk (CMAR). He recommends that using a CMAR method will be the best for DAA's ACTC project for three main reasons:
 - 1. CMAR allows for one contractor even with multiple bids/phases. Maintaining the same contractor will help prevent any gaps or redundancies while moving through this process.
 - 2. Allows for a Guaranteed Maximum Price (GMP) to be used during the bill funding parameters. A GMP can be set prior to the drawings being completed to allow for expediting the process.
 - 3. Risks are being held by the construction manager, not by the airport itself.
- Mr. Jakalski noted that CMAR allows for good flexibility for meeting funding schedules. Some of the risk is being taken away from the airport, with not holding or managing contracts. There are more details within the report, but EXP is recommending DAA utilize the CMAR approach.
- Mr. Papko reiterated Mr. Jakalski's second point; since there is a challenge of how to design and bid out projects prior to the deadline. This is highlighted by one of the aforementioned towers having to turn back funds due to the deadlines. Mr. Papko shared that he will be working to onboard a CMAR soon. They will then provide a GMP for the project, which can be counted as a "bid" for funding requirements to prevent having to turn back funds. The CMAR can then take the grants and create usable units of work from that. If we need to go through the grant process a second year, this GMP will hold over.
- Dir. Maki asked how the FAA's cost estimate will impact these decisions.
 - Mr. Papko shared that estimate was their best guess as to cost. While that number is being used, there is not a lot of detail on where that number came from. As more details are defined, that number will be updated.
- Dir. O'Brien asked if that number was higher than the DAA expected.
 - Mr. Papko confirmed that it was, however that was largely due to the FAA equipment requirements. The FAA controls those costs since it needs to be purchased from them. When only looking at the reimbursable costs, the numbers make sense.
 - Mr. Werner shared that the \$66 million number is considered "all in". The build cost has been very similar from all parties who have given estimates, with the largest variable being labor and the FAA inputs. One of the biggest risks in this process is the risk of the GMP being artificially inflated. The congressional delegations, both federal and state, have been updated on the new numbers and the ATP application has been updated accordingly before submission yesterday.
- Mr. Papko shared that the next steps are to start on designs, hopefully to have a full design workbook from EXP as soon as next month. Once designs are completed, then will go through an RFQ for CMAR to provide a GMP.
- 2024 Capital Improvement Plan Draft: Mr. Papko shared the draft CIP. He expressed excitement at having the CIP running concurrent to the budget this year. He did note



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differences between the CIP and budget, in that the budget looks at funds going in and out of DAA accounts in 2024, while the CIP reflects grant dollars coming in at 2024. Mr. Papko expressed that he would be happy to meet with any board member to go over more details of the proposal and will look for board approval next month. Approving the CIP allows for the ability to accept grants as they come in during the year. He noted that contracts will still individually come in front of the board for approval.

- Mr. Werner noted that these projects are reflective of the 20-year Master Plan that the board established previously.
- Sky Harbor Terminal and Snow Removal Building Updates: Mr. Papko shared that there has been unexpected delays due to a higher water table level. During the design phase, the water table was lower, but they have learned that it fluctuates at Sky Harbor. Despite three submersible pumps and a diesel pump, it could not keep up with the water in the hole, so a new plan was developed. They are now using well points for relief, which required permits from the DNR. They are in the ground for one project, and will be soon on the other.

C. Business/Property Development:

- Mr. Werner stated Ms. Kayser is at the Airport Law Conference in DC.
- Mr. Werner shared that the Ranch Hangar project continues. They are analyzing winter conditions now to determine when it become cost prohibitive to continue the project due to weather. As of now, there are no interruptions to the project.
- Mr. Werner stated that Ms. Kayser has kept the board up to date on the rental car contracts. Previously she had stated that they were seeking an increase in those contracts, however that has been discarded and the contracts will stay at 10% for now. Ms. Kayser is continuing to look at other ways to strengthen those contracts.

D. Financial Update: Ms. Bodin provided an update on the following:

- The Concessionaire Audit is almost completed with Hangar 10. Ms. Bodin noted the challenges with this audit since the levels of bookkeeping are different from operator to operator. She noted there have been minor errors and miscommunications, but nothing malicious. They are working to update or amend agreements as necessary, especially since some agreements can have a length of 20 years. Ms. Bodin is hoping to wrap this up before the year ends.
- SCASD Semiannual Report Submission: This was submitted on Friday. Mr. Werner had received a letter of support from SkyWest regarding the Denver route.
- 2024 State Capital Budget Request Update: This has been updated with the new cost estimate of \$66 million, but overall is the same. This was completed last Friday.
- 2024 Draft DLH Rates & Charges Addendum: Ms. Bodin provided a handout of the draft rates and charges. These are reviewed annually for DLH and DYT. Ms. Bodin noted that there are still a few items on this list in flux and may change between this draft and the final proposal next month. She would appreciate a Board Member to become her point of contact to review and explain all changes over the next month.
 - Ms. Bodin shared that she has been working with a consultant who recommended a 6% increase to commercial airline fees and others. Many of these fees have not been adjusted over the last several years and this increase is reflective of a review survey from similar airports.
 - Ms. Bodin noted the addition of land leases to have a predetermined rate per square foot. This will help ensure new agreements are provided at market rate.



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- The new technology in the parking lot allows for sophisticated charging, but with limited data to review, Ms. Bodin is holding off on further changes to these rates.
- Dir. Henderson asked about the new Ranch Hangars and if they were fully leased.
 - Mr. Papko shared that Ms. Kayser has a plan of how to award them, likely via a lottery system. They have not yet been awarded due to not having a set move-in date yet.
 - Ms. Bodin shared that it appears Ms. Kayser has more interested parties than space available for lease.
- 2024 Draft DYT Rates & Charges Addendum: Ms. Bodin noted that this has been updated to include a QR code for easy payments and some clarifications on page two, but is largely the same as last year.
- 2024 Draft Budget: Ms. Bodin provided a handout with the full details.
 - Ms. Bodin noted that there are several non-AIP capital projects that the DAA is looking to accomplish. There have been COVID Relief funds the last couple years, however those funds are being reduced.
 - Operating revenues have surpassed pre-pandemic levels, with some of the biggest changes being bringing the parking in-house and ensuring agreements are at market rates. Income is up 11% over last year. In addition, Sun Country will now start paying as their introductory rate expires at the end of the year.
 - Operating expenses are over 5% from last year, even with some projects being cut.
 - Ms. Bodin noted that several projects not listed that will need to be evaluated as they get closer to see the costs versus revenue.
 - Ms. Bodin stressed that this is still a draft, so there likely will be changes before the final budget next month. Airline negotiations have not been completed. Also, this budget does not include any employee changes, which have been discussed with the Operations Study.
 - Dir. Maki asked what the next steps were for this proposed budget.
 - Ms. Bodin stated that she will be seeking approval from this board next month, then it will go to the City in December.
 - Mr. Werner shared that this gives the board and the public a month to review and digest before voting.
 - Mr. Werner noted that the 2023 budget was projected to use \$1.4 million in cash reserves but ended up being closer to \$400,000. This decrease was thanks to the team strengthening underperforming revenue streams. For 2024, the budget was projected to use \$600,000 in cash reserves. Mr. Werner noted that FY25's budget will look very different, as it is not planned to eat into cash at all. There have been several big projects happening like the runway and ATCT.
 - Mr. Werner noted he would enjoy a board discussion on strategically what is important to the board as they consider the next couple of budgets. Staff is happy to make recommendations with rational, but noted there will be some hard discussions coming soon.

E. **Marketing/Communications:** Ms. Baker provided an update on the following:

- Digital Ad Landing Page Update: Per the discussion at the Board Retreat, Ms. Baker is working to create good reporting on the current marketing campaigns. To help with this, they have created a landing page for all the ads to direct to. There will also be tags to see what people do when they get to this page.



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- Sun Country Returning: Ms. Baker noted that she will be placing additional media for only Sun Country prior to the end of their incentive period in December. Then there will be additional media for all carriers in Q1 of 2024, but with an emphasis on Sun Country. In addition, there will be a 50% discount on parking rates for Sun Country passengers.
 - Mr. Werner noted that the parking fee reduction is a good opportunity for the DAA. He noted that there is not only competition with MSP, where parking is more expensive, but also competition with the Iron Range airports, where parking is free. He noted that parking fees will not be going away at DLH, since they are a good revenue stream, but this strategy may be used in other ways moving forward, such as to strength underperforming months.

F. **Legislative Update:** Mr. Werner provided an update on the following:

- MN House Capital Investment Committee Tour Recap: Both the House and the Senate came through the Tower in the month of October. Mr. Werner expressed his deep gratitude to the DAA team for making this possible. He noted that the entire team had to pitch in to make this possible, but especially Ms. Baker for spearheading this project.
- Duluth and St Louis County Days Legislative Breakfast Recap: Mr. Werner attended this breakfast with Ms. Baker to update them on the \$14 million bond ask and hearing about the other projects they are considering. Mr. Werner noted it was positive to hear that the state budget projections are showing a surplus, which could transition the ask from a bond to cash to give additional flexibility.
- Mr. Werner previewed his upcoming meeting with LASAC. There will be lots of discussions surrounding the removal of PFAS foam and putting an urgency at the state level to help with this transition.

G. **Presentations/Tours/Travel Recap:**

- National Economic Development Conference: Mr. Werner attended with Ms. Kayser and saw trends in development, especially around non-aeronautical revenue. This is in line with the DAA's focus.

H. **Other:** Mr. Werner provided an update on the following:

- Operations Department Organizational Study: They are still compiling data for the second draft (first draft was presented at the Board Retreat). The second draft will be presented to the Board once ready.
- Organization Salary Study: Per the recommendations in the Operations Study, Ms. Bodin is currently pursuing a review for existing and proposed positions.
- Dir. Maki thanked everyone for their reviews and moved to item II of the agenda.

II. ***APPROVAL OF PREVIOUS MEETING MINUTES & OTHER CONSENT AGENDA ITEMS AS INDICATED BY *:**

- ### A. Approval of September 14, 2023 Board Retreat Meeting Minutes & September 19, 2023 Meeting Minutes
- Motion: Dir. Hansen
 - Second: Dir. Markham
 - Abstain: None
 - Result: This resolution was adopted unanimously



III. *DAA CASH DISBURSEMENTS

- A. Operating Check Register Sheets #25-27 of 2023; Operating ACH Payment Register # 26-29 of 2023; Construction ACH Register #08 of 2023.

IV. *CORRESPONDENCE

- A. DLH Construction Newsletter:
- i. Dated September 15, 2023.
 - ii. Dated September 22, 2023.
 - iii. Dated September 29, 2023.
 - iv. Dated October 6, 2023.
- B. DYT Construction Newsletter:
- i. Dated September 19, 2023.
 - ii. Dated September 29, 2023.
- C. September 8, 2023: Persisting Pilot shortage strains growth prospects, reduces flights for regional airports like Duluth. MPR News.
- D. September 18, 2023: Klobuchar, Stauber Call On FAA To 'Expedite' Approvals for New DLH Air Traffic Control Tower. Fox21.
- E. September 26, 2023: Minnesota House Capital Investment Committee Bonding Tour makes a stop in Duluth. WDIO.
- F. September 28, 2023: Email from AAAE Aviation News Today.
- G. September 30, 2023: September 2023 Monaco Air Foundation Report.

V. OPPORTUNITY FOR PERSONS TO BE HEARD

- A. None.

VI. OLD BUSINESS

- A. None.

VII. NEW BUSINESS

- A. Resolution to Approve Employee Incentive Awards for Natalie Baker in the Amount of \$1000 in Accordance With Operating Policy #5.
- Mr. Werner expressed excitement to talk about the employee's hard work. Mr. Werner shared that Ms. Baker has been working hard since she started on several very important strategic projects. She is fearless, taking these projects on "head on". She has worked hard in supporting the legislative requests from a communications point of view, which greatly impacts how that helps reach goals for funding and project execution. Mr. Werner referenced the memo in the Board Packet that lists the larger projects she's been working on. He also noted that she is pursuing professional development to earn her CM with the test in 3 weeks. Mr. Werner recommended approval for this resolution wholeheartedly.
 - Dir. Maki entertained questions or a motion
 - Motion: Dir. Crawford
 - Second: Dir. Henderson
 - Abstain: None
 - Result: This resolution was adopted unanimously
- B. Resolution of Support for the Monaco Air Foundation to Grant Monaco Air Duluth \$14,100 in support of Air Service Development Activities Related to Sun Country Service.



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- Mr. Werner shared the DAA had to get creative in the proposal to get Sun Country to return to Duluth this season. Mr. Werner shared that he had approached the Monaco Air Foundation to get the costs as low as possible for Sun Country. Monaco Air Foundation's mission is to support the growth of air service in Duluth. The Foundation has supported air service projects in the past, like supporting the Chicago route. Since the FAA incentive period will end this December, the DAA cannot give these incentives. Typically, airports will turn to their communities for support in these situations. Mr. Werner recommended this resolution to support this grant to reduce their fees. Mr. Werner stressed that this was for one year only. Mr. Werner thanked Mr. Don Monaco for his support of this project.
 - Dir. Maki entertained questions or a motion
 - Dir. Maki thanked Monaco Air for their assistance in this and hoped it would encourage Sun Country to come to Duluth year after year.
 - Motion: Dir. Markham
 - Second: Dir. Hansen
 - Abstain: None
 - Result: This resolution was adopted unanimously
- C. Resolution to Approve Work Order 2023-13 for the design of Midfield Ramp Phase 2 between Short Elliot Hendrickson, Inc. and the Duluth Airport Authority.
- Mr. Papko shared that the DAA has received a grant from MNDOT for the Midfield Ramp Phase 2, which will be 70% covered by MNDOT and 30% PFC eligible.
 - Dir. Maki entertained questions or a motion
 - Motion: Dir. Henderson
 - Second: Dir. Crawford
 - Abstain: None
 - Result: This resolution was adopted unanimously
- D. Resolution to Approve Work Order 2023-15 for the design of the Runway 27 PAPI's between Short Elliot Hendrickson, Inc. and the Duluth Airport Authority.
- Mr. Papko shared that this replacement is for old technology that no longer is easily repairable. There has been lots of coordination with the FAA on this project. This is planning to be accomplished with entitlement funding.
 - Dir. Maki entertained questions or a motion
 - Dir. Maki clarified that this project is also listed on the 2024 CIP presented earlier.
 - Motion: Dir. Crawford
 - Second: Dir. Hansen
 - Abstain: None
 - Result: This resolution was adopted unanimously
- E. Resolution to Approve Transportation Network Company Operating Agreement between Lyft, Inc. and the Duluth Airport Authority.
- F. Resolution to Approve Transportation Network Company Operating Agreement between Rasier, LLC and the Duluth Airport Authority.
- Mr. Werner recommended that the Board votes on Resolutions E and F together, since they are identical agreements, just with two different companies (Lyft and Raiser/Uber). These are a 2-year renewal of the previous agreement. Rates are not changing, since there is a shortage of taxi/ride-shares in the community. Mr. Werner recommended approval for both resolutions.



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- Dir. Maki entertained questions or a motion for Resolutions E and F
 - Motion: Dir. Hansen
 - Second: Dir. Markham
 - Abstain: None
 - Result: This resolution was adopted unanimously

G. *August 2023 Financial Reports

H. *October 2023 Accounts Receivable

I. *September 2023 Airline Statistics, Landline Statistics

VIII. DIRECTOR'S REPORTS

A. Dir. Hansen stated that she was very happy to hear Sun Country is returning.

B. Dir. Maki wanted to highlight an item that was in the Board Packet as part of a newsletter. Mr. Tom Werner recently achieved AAE status (Accredited Airport Executive). This process includes testing, writing and interviewing process and is a big achievement. Dir. Maki appreciated Mr. Werner's leadership in continuing to improve career development, as further demonstrated by Ms. Baker's current CM studies.

ADJOURN: The meeting was adjourned at 9:28 a.m.

Respectfully submitted,

Jenny Delnay
Administrative Coordinator

Approved: _____
DAA Executive Director