



# DULUTH AIRPORT AUTHORITY

## Duluth Airport Authority

### Meeting Minutes

November 21, 2023

**MEETING LOCATION:** Amatuzio Conference Room, Duluth International Airport

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

**OTHERS PRESENT:** Tom Werner, DAA Executive Director  
Jana Kayser, DAA Dir. of Business Development  
Cole Martin, DAA Finance Technician  
Jenny Delnay, DAA Administrative Coordinator  
Robb Enslin, Duluth City Attorney  
Alzira Maldonado Protsishin, EXP  
Horeya Czaplewski, EXP  
Jefrey Jakalski, EXP  
Phillip Scott, EXP  
Mike Magni, Monaco Air Duluth  
Adinda Van Espen, SEH  
Kaci Nowicki, SEH  
Scott Sannes, SEH  
Shawn McMahon, SEH

**OTHERS PARTICIPATING VIA ELECTRONIC MEANS:**  
Mark Papko, DAA Dir. of Operations  
Joelle Bodin, DAA Dir. of Finance and Administration  
Natalie Baker, DAA Dir. of Marketing and Communications  
Kathy Leon, DAA Confidential Bookkeeper  
Dante Tomassoni, Cirrus  
Heather Fisher, Cirrus  
James Gibson, Cirrus  
Paul Huston, HNTB  
Don Monaco, Monaco Air Duluth  
Matthew Stewart, SEH

**CALL TO ORDER:** Dir. Maki called the DAA board meeting to order at 8:00 a.m.

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 there has been continued growth and that load factors are extremely high. Mr. Werner noted that there is not the usual drop in load factor at the start of the school year, due to limited seats on the market derived from the pilot shortage.
- Mr. Werner stated that his air service slides will no longer be including 2019, as that is nearly 5 years ago and it is a new market.
- Mr. Werner shared that both routes are profitable, in part due to high fares, which is good news for our airline partners going forward.
  - Dir. Maki asked if the shift to business travel from recreational travel based on the high fares?
    - Mr. Werner replied that this shift is more due to the time of year. Historically, there is always a drop in recreational travel once the school year starts.
- Mr. Werner shared that in addition to the pilot shortage, there is also a shortage of engine parts which is constraining capacity for the next few months.
- Mr. Werner meets with United next week to discuss market growth. He noted that they are down to two flights per day, which is typical, since the pandemic, of this time of year. His meeting with Avelo has not yet been scheduled.
- Mr. Werner shared that his recent meeting with Delta referenced that they were very excited about the future of air service in Duluth. They are looking to add regular mainline flights approximately in the next 18 months, which will increase seats and the level of service offered at DLH. There were also concerns about the engine shortage.
- Mr. Werner noted that Mike Bown has helped with our air service development in the past, however, he has made a change in employer from Landrum & Brown to SEH and as such DAA will be terminating L&B's contract. A new professional services agreement with SEH will be coming before the board soon.

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

- **New Air Traffic Control Tower (ATCT) Update:** Mr. Papko shared that the predesign work order that was approved by the board a few months ago is nearly done. Mr. Papko was happy with the progress and pace of this project.
- **Taxiway A Phase 2 + 4 Update:** Mr. Papko pointed out that there is no longer active construction on the taxiway now. It was opened late last week, which was a couple weeks behind the initial estimate, but overall was a successful project. He was excited that two phases of this project were completed in a single year. Ms. Sedin from the FAA noted in a recent Tenant Meeting that this was one of the easiest construction projects they have been a part of.
- **Sky Harbor Terminal and Snow Removal Building Updates:**
  - **Terminal Building:** Concrete is in the ground now and the majority of excavation is done. A de-watering system was installed due to the high-water table. At its peak, it was pumping out 500 gallons per minute. The Tribal monitoring of the excavation went well. There is still some scope left to monitor, but the work is mostly completed. Nothing of significance was found. Mr. Papko noted that the Tribe and Duluth Archology have been great to work with.
  - **Snow Removal Building:** This building is projected to stand up in the spring. Excavating work is being done this week with concrete poured next month.
  - Mr. Papko noted that completion dates remain unchanged from the original plans.



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- Dir O'Brien asked if there is a significant cost overrun due to the dewatering.
  - Mr. Papko shared that there was some dewatering built into the original plans. There has been a 90/10 split of the cost with the contractor, with the DAA paying the 10%. Therefore, there is not a significant cost expected.
- Dir. O'Brien asked if there is an expectation of the same amount of dewatering needed for the SRE Building?
  - Mr. Papko clarified that the dewatering system was installed at both sites simultaneously.

### C. **Business/Property Development:** Ms. Kayser provided an update on the following:

- Official notice has been sent to Hermantown Hydraulics with the date they need to vacate their building. This occurred by phone call, email, and certified mail. The letter was included in the packet.
- Minnesota Power Project continues to move with multiple stakeholder meetings. The City of Rice Lake is working on the EDA grant, which is due by December 1<sup>st</sup>.
- Ranch Hangar project: Ms. Kayser shared photos she took on Sunday of the site where the building erection has started. There was an updated schedule sent out at the end of last week, so the completion date has been pushed to the end of January or early February. Once the completion date is finalized, then Ms. Kayser will work through lease for the new hangar. She did not want to sign a lease with a perspective party until there was a firm move-in date.
- New Car Rental Contract Updates: These contracts expire at the end of the year. Ms. Kayser is in the final negotiations of fine details. These contracts will be presented to the board in December.

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

- Sky Harbor Concessionaire Audit Completion: This has now been completed with the help of Mr. Martin. There was a summary included in the Board Packet. Ms. Bodin noted that there were some minor findings, but they were remedied. There were areas of improvements noted on both ends. Going forward, DAA will be requesting some of the backup documentation throughout the year instead of waiting for an audit. Ms. Bodin is working to standardize rates across all operators and will consider including those rates in the Rates and Charges sheet in the future.
- Staff Compensation Survey Update: This was kicked off last week with ADK completing the study. It is expected to be completed in 12-14 weeks. It will look at all current positions within DAA and the proposed positions in the Org Study.
  - Mr. Werner noted that he would like to get this study done quickly. He has received the Organization Study and will work to present an implementation plan to the Board in Quarter One that incorporates both Studies.
- Staffing Update: DAA is currently hiring for a 12-month position in maintenance to cover a medical leave, and recently received a resignation from the Finance Technician.
- Quarter 3 Financial Update: Ms. Bodin presented an overview of the finances noting a variance of \$3.4 million from the budget, with Revenue at 113% of budget and Expenses at 98% of budget. The Covid relief funding was fully utilized in 2023 and went to offset expenses that were already paid.
  - Ms. Bodin noted that the minimum cash balance required per DAA policy is \$2.8 million, but currently have \$7.4 million. She stated that cash reserves should stay high with the aggressive construction schedule in order to pay contractors before being reimbursed by grants.



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- In meeting with Dir. Henderson, Ms. Bodin noted a desire to hear success stories, so will be highlighting positives from the budget moving forward. Ms. Bodin noted that Parking has been a huge success in 2023. Net Parking revenue is up \$300,000 from 2022, which has already covered the needed equipment investment of \$231,000.
- Other revenues to watch include CFCs from Rental Car Agreements, which are repaying the DAA for the car rental portions of the terminal from 10 years ago, Hangar and Land Lease rents with the new development projects, and tie downs from Sky Harbor, which are higher than the last seven years due to increased ease of payment and price adjustments. Sky Harbor manager has worked to streamline this process.
- Dir O'Brien noted his appreciation for the report, and especially for the success in parking. He inquired about the cash reserves and the amount of investment or liquidity required for those funds.
  - Ms. Bodin shared that these funds are part of the City of Duluth pooled cash, which is conservatively invested. It earned 4.66% interest in September. She noted that the DAA does not have direct control over the investment since it is combined with the City.
- Mr. Werner noted that non-aeronautical is the best option for growth. The Aeronautical side is volatile, so sustainable growth needs to be from non-aeronautical ventures.

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

- SCASD (Small Community Air Service Development grant) Update Letter to Stakeholders: This letter will provide an update on the Denver service to those who have pledged support. It will aim to inform them of the constraints of the industry and the progress.

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

- Invitation to Governor Walz to Tour to ATCT: Dir. Anderson and Mr. Werner had a good meeting the Governor's staff and invited Governor Walz to tour the Tower. Mr. Werner noted that he hoped the Tower to be included on the Governor's list of capital projects in the next session.
- State PFAS Transition Workgroup Meeting Recap: Airports met with MNDOT, MPCA and others to kickoff this meeting to scope the work for the group. Mr. Werner noted that only one of over 500 airports has made the transition thus far. The 148<sup>th</sup> is leading the efforts here in Duluth.
- City Council Authorizes the DAA to execute State and Federal Grants in 2024: Mr. Werner noted that this is done every year and will update on approval status next month, but is not expecting any issues. This allows the DAA to keep pace with the FAA for grant turnaround requirements.
- Operations Study: This study was made available via a paper copy. It reflects the brief presented at the Strategic planning session. This will be used to create a phased plan which will likely be presented in Quarter One for how to implement their suggestions in conjunction with the Compensation Study.

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

- NSR



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

- Airport Sponsorship Transfer and Duluth City Code Chapter 4 Update: Mr. Werner shared that discussions have been happening between the City of Duluth and Legal Council about how to move forward with this. The Sponsor is responsible for grant assurance requirements and compliance with regulations. Currently, City of Duluth is the Sole Sponsor with DAA as a proxy for enforcement. If the City is amenable, this may change to DAA as the Sponsor. Mr. Werner noted that he is working with Mr. Enslin on the best course moving forward.
- Mr. Werner invited Mr. Mike Magni, President of Monaco Air, to present an update on Monaco Air Services.
  - Mr. Magni expressed his appreciation for being invited to present. Monaco is the Fixed Base Operator (FBO) at DLH.
  - Monaco was established in November of 2005 with the mission to “create a world class FBO with second-to-none customer service that exceeds every expectation”. Mr. Magni emphasized that customer service experience is their core.
  - Monaco operates 24/7 and has never closed. They currently employ 30+ professionals. Mr. Magni highly values the relationships with the Airport and the other Tenants and recognized that to be successful, all entities must work together.
  - Monaco has three main lines of Operations:
    - Airline/Charter/Cargo: includes fueling, de-icing, and first line maintenance. Mr. Magni noted that de-icing is likely the most challenging process they provide with lots of work to service equipment and proper training.
    - VIP/Private Air Travel/International Tech-stops: There was a new customer facility built in 2017 to focus on this VIP status. Duluth is ideally geographically situated for global travelers to refuel and clear customs. Monaco advertises that they can do a quick turn with customs and refueling in 20 minutes.
    - Military Support: This is the fastest area of growth currently as they have started doing the same refueling services they do for general aviation now for the military too. They also do large-scale training exercises, which can bring 50-100 people in for about 2 weeks, impacting the local economy beyond the airport. This included this summer when there were the 18 T-6 planes here for a month. Recently have entered a partnership with Camp Ripley since they have the gravel Assault Strip needed for qualifications, but don't have overnight accommodations.
    - Other operations include cold weather testing, aircraft ice testing programs, and cruise ship handlings.
  - Mr. Magni appreciated what the airport does to support their business, including the Cat D AARF, 10,000-foot runway, and no PPR requirements.
  - Mr. Magni noted that their biggest challenge is the size of aircraft. Intercontinental aircraft continues to increase, with a 30% larger wingspan than in 2005. A potential solution would be to expand the Monaco ramp to the north to continue to be able to accommodate these aircraft.
  - Looking to the future, Mr. Magni shared that the industry is looking at Advanced Air Mobility and automated air transportation systems, which will eventually impact all areas of air travel.



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- 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 October 17, 2023 Meeting Minutes
  - Motion: Dir. O'Brien
  - Second: Dir. Henderson
  - Abstain: None
  - Result: This resolution was adopted unanimously

### III. **\*DAA CASH DISBURSEMENTS**

- A. Operating Check Register Sheets #27-30 of 2023; Operating ACH Payment Register #30-34 of 2023; Construction ACH Register #09 of 2023.

### IV. **\*CORRESPONDENCE**

- A. DLH Construction Newsletter:
  - i. Dated October 13, 2023.
  - ii. Dated October 20, 2023.
  - iii. Dated October 27, 2023.
  - iv. Dated November 3, 2023.
  - v. Dated November 10, 2023.
- B. DYT Construction Newsletter:
  - i. Dated October 13, 2023.
  - ii. Dated October 20, 2023.
  - iii. Dated November 3, 2023.
- C. October 2023: Celebrating Process. Duluth Chamber Xpress.
- D. October 17, 2023: Direct Duluth to Florida Air Service To Return. KTCO.
- E. October 22, 2023: DLH: Direct Flights To Phoenix Not Returning, But Nonstop To Fort Myers Will. Fox21.
- F. October 22, 2023: Sun Country flights from Duluth to Fort Myers returning in 2024. Duluth News Tribune.
- G. October 23, 2023: Sun Country's Duluth to Fort Myers flights set to resume. WDIO.
- H. October 24, 2023: Direct flights from DLH to Fort Myers returns this winter. Northern News Now.
- I. October 24, 2023: Duluth Airport Prepares for Fort Myers Return, Control Tower Replacement. Fox21.
- J. November 1, 2023: October 2023 Monaco Air Foundation Report.
- K. November 1, 2023: Hermantown Hydraulics notice of termination of lease.
- L. November 3, 2023: DLH ATCT Project Update letter to Senator Hauschild.
- M. November 3, 2023: DLH ATCT Project Update letter to Representative Kozlowski.
- N. November 3, 2023: DLH ATCT Project Update letter to Senator McEwen.
- O. November 3, 2023: DLH ATCT Project Update letter to Representative Olson.
- P. November 3, 2023: DLH ATCT Project Update letter to Representative Zeleznikar.
- Q. November 8, 2023: American Airlines Dangles \$250,000 Bonuses to Poach FedEx and UPS Pilots. WSJ.
- R. November 8, 2023: Notice of Environmental Assessment. Construction of an Airport-owned Air Traffic Control Tower and Enabling Projects.



**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 Mark Papko in the Amount of \$2500 in Accordance with Operating Policy #5.

- Mr. Werner recognized Mr. Papko for his tremendous work. Typically, there has only been one construction project per season, but with Mr. Papko's dedication, there have been more. Mr. Werner noted that the DAA is working to update existing infrastructure to meet future demands and Mr. Papko has been a tremendous asset in that work. Mr. Werner wholeheartedly recommended approval.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. Anderson
  - Second: Dir. Hansen
  - Abstain: None
  - Result: This resolution was adopted unanimously.

- B. Resolution to Approve the 2024 Capital Improvement Plan for Duluth International Airport and Sky Harbor Airport

- Mr. Papko stated this was presented in draft form last month, but this is slightly more refined. Mr. Papko noted that funding for the Air Traffic Control Tower will be decided in Quarter 1. He noted that although Sky Harbor is listed in this CIP, that is wrapping up the Terminal and SRE Building projects, not new projects. Mr. Papko clarified that the Board approving this CIP allows for staff to move quickly throughout the year as grants become available. Individual Construction Contracts and Work Orders are still individually approved by the Board, as has been standard practice for DAA.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. O'Brien
  - Second: Dir. Markham
  - Abstain: None
  - Result: This resolution was adopted unanimously.

- Dirs. Anderson, Markham and O'Brien left the room at 9:24am. Dir. O'Brien returned at 9:26am.

- C. Resolution to Approve Work Order 2023 – 2 between the Duluth Airport Authority and EXP, Inc. for the Design of a New Air Traffic Control Tower.

- Mr. Papko shared that this is the final design work order for the Air Traffic Control Tower. EXP will also help onboard a CMAR, engage the stakeholders and public coordination plans. Mr. Papko invited Ms. Czaplewski to speak more about EXP's role and introduce the team.
- Ms. Horeya Czaplewski introduced Ms. Alzira Maldona Protsishin, Mr. Jeffrey Jakalski, and Mr. Phillip Scott. Ms. Czaplewski shared EXP's scope and services for this project.



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EXP will be providing architecture, structural engineering, mechanical, electrical, plumbing, security and telecommunications engineering.

- Public Outreach is also included in design, so EXP will interface with the community and stakeholders to ensure they are aware of updates and to solicit feedback.
- Ms. Czaplewski noted that the project schedule is extremely aggressive due to the FAA requirements, so the schedule will be updated as needed throughout the project.
- The project also includes Concept Design, Construction Document with review periods, and assistance with federal/state grants.
- Mr. Papko noted that there was an RFP process before selecting EXP, however there are limited comparable services since only five or six Towers are built each year across the country. Mr. Papko recommended approval.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. Henderson
  - Second: Dir. Crawford.
  - Abstain: None
  - Result: This resolution was adopted unanimously by all present Directors.

### D. Resolution to Approve Work Order 2023 – 17 between the Duluth Airport Authority and Short Elliot Hendrickson, Inc. for the Design/Demolition of Hermantown Hydraulics.

- Mr. Papko shared that Hermantown Hydraulics has been selected as the site for the ATCT. This property has been slated for demolition and redesign for some time and the lease to Hermantown Hydraulics has been month to month since 2003. SEH has done much of the background research previously with their development of the master plan. Mr. Papko Recommended approval.
- Dir O'Brien asked if the \$89,000 price listed included overseeing the full demolition.
  - Mr. Papko clarified that this is for the design of the demolition. There are regulated materials in the building that will need to be considered during demolition (i.e., asbestos, lead). This design will greatly reduce actual demolition costs.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. Crawford
  - Second: Dir. O'Brien
  - Abstain: None
  - Result: This resolution was adopted unanimously by all present Directors.

### E. Resolution to Approve Amendment #1 to Work Order 2023-10 between Short Elliot Hendrickson, Inc. and the Duluth Airport Authority for the Design and Construction Administration of the Hangar 1 Rehabilitation – (Phase 1) at the Sky Harbor Airport.

- Mr. Papko shared that since the Sky Harbor hangar is attached to the GA terminal building, it is difficult to separate these projects. FAA became aware of the condition of the hangar and has stated that instead of only replacing some components, need to rehab the entire structure to reset the usable life of the building. Mr. Papko noted that this will be done in two phases. Phase one will replace the vapor barrier, insulation and interior liner panels, since the siding is already off the building. Phase two will include the hangar door and mechanical systems.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. Hansen
  - Second: Dir. Henderson





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- Abstain: None
- Result: This resolution was adopted unanimously by all present Directors.

### F. Resolution to Approve the Third Amendment to Operator Agreement and Office Space Lease Agreement by and Between Duluth Airport Authority and Lake Superior Helicopters.

- Ms. Kayser stated that Lake Superior Helicopters' lease is in the current Tower and set to expire at the end of the year. Due to the upcoming Tower projects and proposed demolition of the current tower, this Resolution is seeking to add language for a month-to-month provision. All other terms of the contract remain the same. The Rate increases annually by CPI.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. O'Brien
  - Second: Dir. Henderson
  - Abstain: None
  - Result: This resolution was adopted unanimously by all present Directors.

### G. Resolution to Approve the 2024 Rates and Charges Addendum for DLH.

- Ms. Bodin reviewed changes in the Rates and Charges, including the airline rates increased by 6% per consultant recommendation, increased aircraft parking fees and fuel flowage by CIP, and increased hangar rental rates with the addition of tiers. She noted the tiers are still TBD and will come before the board at a later date. In discussion with Monaco, there has been the addition of the international arrival for FBO to eliminate confusion.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. Henderson
  - Second: Dir. Crawford
  - Abstain: None
  - Result: This resolution was adopted unanimously by all present Directors.

### H. Resolution to Approve the 2024 Rates and Charges Addendum for DYT.

- Ms. Bodin noted that this Rates and Charges Addendum has an added per vehicle rate, added operation agreement disclaimer to establish agreement, and an added QR code for ease of payment. Ms. Bodin recommended approval.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. Crawford
  - Second: Dir. Hansen
  - Abstain: None
  - Result: This resolution was adopted unanimously by all present Directors.

### I. Resolution to Approve the Duluth Airport Authority 2024 Annual Budget.

- Ms. Bodin noted that there were not many changes in this budget compared to the draft brought to the Board last month. She did meet with Dir. Henderson and went over the budget in detail. Ms. Bodin reminded the Board that this budget does use \$684,000 in cash reserves.
- Dir. Henderson stated that he had a great meeting with Ms. Bodin and was impressed with the due diligence by all DAA staff in looking for ways to increase revenue across all line items. Dir. Henderson commended Ms. Bodin for her great work on this budget.
- Dir. Maki entertained questions or a motion
  - Motion: Dir. Crawford



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- Second: Dir. O'Brien
- Abstain: None
- Result: This resolution was adopted unanimously by all present Directors.

- J. \*September 2023 Financial Reports
- K. \*November 2023 Accounts Receivable
- L. \*October 2023 Airline Statistics, Landline Statistics

### VIII. DIRECTOR'S REPORTS

- A. None

**ADJOURN:** The meeting was adjourned at 9:50 a.m.

Respectfully submitted,

Jenny Delnay  
Administrative Coordinator

Approved: \_\_\_\_\_  
DAA Executive Director