



# DULUTH AIRPORT AUTHORITY

## Duluth Airport Authority Meeting Minutes May 15, 2024

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

**DIRECTORS PRESENT:** Kim Maki  
Kevin O'Brien  
Michael Henderson  
Sandy Hoff

**DIRECTORS PARTICIPATING VIA ELECTRONIC MEANS:**  
Jeff Anderson

**DIRECTORS ABSENT:** Jason Crawford  
Elissa Hansen

**OTHERS PRESENT:** Tom Werner, DAA Executive Director  
Mark Papko, DAA Dir. of Operations  
Jana Kayser, DAA Dir. of Business Development  
Joelle Bodin, DAA Dir. of Finance and Administration  
Natalie Baker, DAA Dir. of Marketing and Communications  
Jenny Delnay, DAA Administrative Coordinator  
Eli Stayer, DAA Summer Intern

**OTHERS PARTICIPATING VIA ELECTRONIC MEANS:**  
Kathy Leon, DAA Confidential Bookkeeper  
Robb Enslin, Duluth City Attorney  
Don Monaco, Monaco Air Duluth  
Dante Tomassoni, Cirrus  
Paul Huston, HNTB

**CALL TO ORDER:** Dir. Maki called the DAA board meeting to order at 1:00 p.m. Dir. Maki noted that Dir. Anderson is attending virtually, and Dirs. Henderson, O'Brien and Hoff are in person. Dir. Maki welcomed Dir. Hoff to his first meeting. Dir. Hoff introduced himself and shared his excitement to be on the DAA Board.

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 presented year-to-date numbers. He shared that passenger numbers are linked to capacity. Load factors are still good, however down compared to previous months. United averaged over 90% load factors, Delta averaged in the mid-80%, and Sun Country was below 60%. Mr. Werner noted that he is meeting with Sun Country next week, so looks forward to hearing their reaction to how the season went and the possibility of routes returning next week. United's market share will grow over the summer as they are adding additional seats this summer.



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- Mr. Werner shared benchmarking comparisons for Q4-2023, using other airports in the region, including MSP, FAR, and ROC. He shared that the goal is to stay within \$100 of MSP's fares to avoid leakage, which is met for this quarter. Other regional markets are seeing similar fares.
- Mr. Werner shared that Delta is expected to meet their scope clause ceilings for regional jet flights per pilot union contracts this fall. This means that it would be harder for DLH to get additional flights if this cap is reached. Mr. Werner shared that American and United are also approaching similar ceilings.
- Mr. Werner shared that summer capacity is looking good, with United capacity up 37% over last year. There was a slight depression in last year's numbers, but that is expected to be reversed this year. Seat counts will be within 16% of 2019 levels and on par with 2017/2018 levels.
- Mr. Werner is attending the Jumpstart conference next week and will meet with 7 different airlines.
- Delta will be adding a fourth departure after July 7<sup>th</sup>. United is adding a 4<sup>th</sup> departure to support cruise days and August-October, which could be extended if successful.
- Mr. Werner reminded the board that the Denver Business case was reviewed at the last board meeting, including the cost and revenue structures. There will be more discussions on this over the summer to decide the outcome of this route.
- Dir. Maki inquired about the purpose of the scope clause ceilings and if it could be renegotiated.
  - Mr. Werner shared that the Pilot Unions want to limit the number of smaller jets in favor of larger jets associated with higher pay. He thought it unlikely it would be renegotiated.

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

- Airshow: Mr. Papko shared that it is Airshow week, with prep starting on Monday. There have been additional challenges with it being early this year. The "Green Lot" will not be utilized this year due to standing water, which will pose a challenge for public access, but does allow for Runway 3/21 to remain open. The Thunderbirds Advance Team arrives tomorrow and TFRs are in place for Friday, Saturday and Sunday. An invitation to attend has been extended to DAA Staff and Directors.
- Air Traffic Control Tower Update: 35% design review has been completed. There will be work with the zoning committee coming soon.
  - Building 100 demolition has taken place as an enabling project for the ATCT. This contract was approved, signed, and the building has come down since the last board meeting. There were some items found in the sub-soil and one component tested positive for asbestos, but less complications than expected. Some of these items were taken care of and others were carefully documented to be addressed when the Tower work starts. This will also help H+U's cost estimates for their GMP for the project. Overall, Mr. Papko noted that the Building 100 demolition project went well and there was great communication with the contractors.
- Taxiway A Phase 3 construction is starting Monday/Tuesday next week, after the airshow is completed on Sunday, with planes leaving Monday-Wednesday. There will be impacts to both Runways 3/21 and 9/27 at different points throughout the summer. It is a large project to undertake. Starting in August, FedEx aircraft will park at the terminal as access to their building will be limited. They have been understanding of this project as they see the long-term benefits. This project will also remediate a "Hot Spot" as



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identified by the FAA as a non-standard intersection due to the awkward geometry in the area. This will lead to increased safety.

- Sky Harbor Update: The soft opening of the Terminal will be on May 29<sup>th</sup>, in time for the May Flying Event, with about 40-50 CESNAs flying in. There are contingency plans for parking options for these aircraft. The DLH Operations Team will be there to support Mr. Durfee during this time. Planning has been happening for the last 12 months and it should be a good event.
  - Construction on the Terminal and SRE are both going well. Mr. Papko will be doing a punch list walkthrough in the next weeks.

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

- Summer Intern Introduction – Ms. Kayser welcomes Mr. Eli Strayer as the DAA intern who is from Tennessee and started on Monday. Ms. Kayser is excited to have him. This internship is spread throughout all departments to get a well-rounded experience.
  - Mr. Strayer shared that he is excited to learn more about the airport, each department and the city this summer.
- Airport Economic Development Summit Save the Date – These have been sent out to all Board Members. This Summit is for DAA partners and other airports to understand the complexities of building on an airport. Ms. Kayser noted that sharing this information can lead to better development in the future. This is being done in partnership with MnDOT and registration will be coming soon.
- LSC Lease Renewal – Ms. Kayser shared that the lease for Hangar 103 expires next summer and LSC asked about the renewal. Ms. Kayser shared that there are still 5 years left on the debt service for this building. LSC had requested a reduction in rent, but Ms. Kayser has responded that this reduction cannot happen until the debt service is completed. The details of the renewed lease are still being worked through, but may include addressing safety issues regarding snow at the entrance and removing a part of the building from the lease that is not being utilized.
- NBDA Project Update – Ms. Kayser shared that LifeLink was the only responder to the RFP for this area. The Kickoff meeting for this project is scheduled for June 6<sup>th</sup>. Ms. Kayser is excited to start this project and welcome a new tenant to the airfield.
- Cirrus Expansion Update – Ms. Kayser shared they are designing a new Hush House on the west side of their campus and she is working through the details with them. This area is not currently under their lease, but is part of the Guard's lease. The Guard will permit the area to the DAA, who will lease it to Cirrus. This may not result in additional revenue, but it will be beneficial to Cirrus.
  - Mr. Werner noted that this is the best way to help Cirrus build towards expansion.
  - Mr. Papko noted that this will not impact the FAA Part 157 noise exposure maps or contour lines.
- FBO Acquisition Due Diligence – Ms. Kayser has been working with Mr. Monaco to clean up the FBO agreement and reduce the number of amendments, which have been added over the years. They are working towards having a clean contract that will be easy to transfer to a new FBO owner. She is hoping to bring this revised contract before the board in June.
  - Mr. Werner shared that he is exploring if the DAA could purchase the FBO. This is currently under review with legal counsel.
- Dir. Hoff asked if LSC's request for a reduction in rent was due to programming issues.
  - Ms. Kayser stated that they have expressed concerns about maintaining a building that they do not own, as the current lease has them responsible for



maintenance. She noted that their program is strong and growing, however many educational institutions are currently struggling.

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

- Audit Update – Ms. Bodin shared that the audit is almost complete. She received the draft financials yesterday and will complete the written component. The auditors requested information from the attorneys, which is standard, and then will conduct and audit exit conference soon.
- Quarter 1 Financial Update – Ms. Bodin shared that the financials are currently at a positive variance of the budget of \$115,000. Operating revenue is at 104% of budget, with Parking at 113% of budget. Expenses are at 95% of budget. As a reminder, 2024 budget was approved to use \$683,000 from cash reserves.
  - Ms. Bodin shared that it is DAA policy to maintain a minimum cash balance of 180 operating days of cash on hand. Currently, this is at 185 days, largely due to Grants Receivable. She will be closely monitoring this throughout construction season.
  - Net parking revenue is up 29% over 2022, with the only change to customer pricing being the increase in ramp parking. DAA is collecting \$6.57 per passenger in 2024, compared to \$4.85 in 2022.
  - There are some changes to other fees, including collecting all fees from Sun Country for the first time this year, CFCs from car rentals being collected for every day instead of the first four days, and the loss of TSA LEO reimbursement starting this month.

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

- Ranch Hangar Ribbon Cutting Recap – Ms. Baker shared that there were over 50 people in attendance at this event. She thanked Dir. Maki and Mr. Werner for speaking at the event. Overall, the event went well and received great media coverage.
- Sky Harbor will have an Art Show June 15-30 with 12 pieces on display and a small event on June 15<sup>th</sup> 1-3pm. Sky Harbor Ribbon Cutting will take place on July 10<sup>th</sup>, likely in the afternoon.
  - Dir. Maki asked if the artist had reached out to Sky Harbor to set up the Art Show.
    - Ms. Baker confirmed that was correct. The studio is called Dock 5 and is located on Park Point, so the artist was excited about the new spaces. She is finishing a current show at Split Rock then will transition to Sky Harbor.
- Ms. Baker shared 1Q24 and 4Q23 Marketing Metrics.
  - There was an additional campaign for the Fort Myers route with the \$12,000 left to spend through the end of January to introduce Sun Country as a new airline. Ms. Baker shared examples of social posts.
  - Later campaigns continued to bolster support for Sun Country, plus Delta and United, and were tailored to both leisure and business travelers.
  - Click through rates were about double industry standards with Women ages 35-44 and 45-55 being the most active. Ms. Baker noted that it was good to confirm that the target audiences were the ones the ads were reaching. More conversations will happen about how to capture those who drive to MSP.
  - Duluth and Superior accounted for 50% of impressions.
  - There was a 33% increase in website impressions, likely due to the Sun Country giveaway, but also lots from organic searches. Ms. Baker is working on a website refresh to make it more intuitive and will share more data once completed.



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

- HF5157 & SF5242 DLH ATCT Bill – There is a bonding bill in both house and senate, which is positioned as best it can. There may be impacts from unrelated politics.
- Congressionally Directed Spending Request – Mr. Werner shared DAA was targeting \$22 million for the tower. Unfortunately, there was not a qualifying program that the tower was eligible for. Mr. Werner has been communicating this disappointment with multiple legislatures in Washington. Mr. Werner is looking to tap into AIP as part of the \$42 million request this fall.
- EPA Adds PFAS as Hazardous Substance Under CERCLA – Mr. Werner shared that airports and other facilities could be held liable for contamination to drinking water. The EPA has included a provision of being able to have discretion for how to enforce this liability, including airports under this provision. The Federal Government has specified what products must be used when providing fire fighting services for aircraft. This is currently a moving target and Mr. Werner will continue to update.
- Law Enforcement Reimbursement (LEO) Program Unfunded – This program is typically around \$100,000 annually, and will be short around \$60,000 as this program did not make it into the funding package this year. Mr. Werner is working with trade organizations and congressional delegates to hopefully get reinstated for 2025.
- The House passed FAA reauthorization this morning and it will go to the president's desk. Mr. Werner will share some of the good new programs next month.

**G. Presentations/Tours/Travel Recap:** Mr. Werner provided an update on the following:

- Minnesota Council of Airports Conference – Mr. Werner shared that DAA Senior Staff attended this great conference. Most of the public airports across the state attended. Mr. Werner noted that it was good to hear what was going on around the state.

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

- Organizational Roadmap 2030 – Mr. Werner shared that several months ago, he had presented brief results of the Organizational Study for the Operations Department. That led to a Compensation Study for the entire organization. The objective was to ensure staffing levels align to accomplish the mission of the DAA, to attract and retain talent and to maintain a healthy culture and work/life balance.
- Operations Department Organizational Study:
  - ADK Executive Searched performed this study focused on workload and staffing in Operations, Maintenance, and Capital Improvement Projects.
  - Recommendations from this study included:
    - Complete a Salary Study (this has already been completed)
    - Reduce or eliminate over hires/temporary employees
    - Employ Asset Management software on landside, similar to what is already done on airside.
    - Separate Airport Operations oversight from planning and construction, possibly by creating a separate Director of Planning and Construction position.
    - Finance/HR staffing alignment. There is currently a vacant position in the Finance Department, so utilizing this vacancy to best meet the current needs and build redundancies into this department.



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- The Current organizational chart was shared. There are 23 FTEs, with the Finance Technician position currently vacant. Currently, DAA is transitioning to full time staff and reducing temp/over hire positions.
- Compensation Study:
  - ADK Executive Search also completed the Compensation Study for all existing and proposed positions. It included 9 airports similar in size and climate plus other public entities and included Cost of Living adjustments.
  - Overall, entry level positions aligned with the comparison group. However, senior staff positions were under compensated. Most positions' salary scales were out of alignment with the comparison group (either the top of the scale, bottom of the scale, or both).
  - Since the Union represents most employees, Mr. Werner shared they are still working on how to adjust those scales. The managers are non-union, so it is easier to adjust their scales.
- Organizational Roadmap:
  - Mr. Werner shared financials looking forward with the anticipated growth of revenue, predicted expenses, and operating debt service. He also reviewed the Capital Improvement plan and Asset Management plan. Per the reviewed financials, Mr. Werner shared that the projections show the DAA has the capacity to make smart changes in the staffing.
  - Dir. Hoff inquired how the potential FBO acquisition fit into the plans and if it could be operated as a for profit business.
    - Mr. Werner shared that is not reflected in the shared plans. If that happens, it should hopefully boost financials, but hard to say until a formal business plan is written.
  - The Study recommended implementing scale adjustments to match the findings. Most positions would see a change in some level of their scale. Senior Staff have received salary adjustments retractive to January 1<sup>st</sup>.
  - Mr. Werner shared his desired end state, to include:
    - Separate Operations Director and Planning and Construction Director
    - Temporary employees are eliminated and replaced by permanent maintenance employees added to facilities, airfield and fleet management.
    - Technology is used to assist with asset management for workflow efficiency and tracking.
    - Financial Department is fully staffed.
    - Pay scales are competitive based on the findings of the study. (Additional work will need to be done with the union to achieve this).
- Mr. Werner stated that this work has been tasked to him per his contract. There is no board approval needed to move forward with these recommendations, but he is open to comments or advice from board members. Mr. Papko will be taking the lead on the majority of the phasing plan, as it is mostly affecting his department.
- 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 April 16, 2024 Meeting Minutes
  - Dir. Maki entertained questions or a motion.



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- Motion: Dir. O'Brien
- Second: Dir. Henderson
- Abstain: None
- Result: This resolution was adopted unanimously by roll call.

### III. \*DAA CASH DISBURSEMENTS

- A. Operating Check Registers #9-11 of 2024; Operating ACH Payment Register #9-11 of 2024; Construction ACH Register #6 of 2024; Construction ACH Pay.gov Register #1 of 2024.

### IV. \*CORRESPONDENCE

- A. DLH Building 100 Demolition Construction Notice
  - i. April 18, 2024
  - ii. May 6, 2024
- B. April 15, 2024: DYT Construction Newsletter.
- C. April 10, 2024: Duluth Airport Authority Displays Plans for New Air Traffic Control Tower. Fox21Online.
- D. April 10, 2024: Duluth International Airport showcases Air Traffic Control Tower replacement plans. WDIO.
- E. April 11, 2024: Duluth Airport leaders shares latest plans for multi-million dollar project. Northern News Now.
- F. April 11, 2024: Duluth airport to replace traffic control tower – the third-oldest in US. Duluth News Tribune.
- G. April 18, 2024: Reinstate Law Enforcement (LEO) Reimbursement Program Funding. Letter to Congressman Pete Stauber.
- H. April 29, 2024: Airport Alert: Lawmakers Reach Agreement on Final FAA Bill. AAE Federal Affairs Email.

### V. OPPORTUNITY FOR PERSONS TO BE HEARD

- A. None.

### VI. OLD BUSINESS

- A. None.

### VII. NEW BUSINESS

- A. Resolution to Approve Task Order #2 of the Decomm Aviation Consulting Master Services Agreement for Fixed Based Operator Acquisition Consulting Services
  - Mr. Werner shared that he has been talking with board members regarding the potential acquisition and potential benefits of the DAA acquiring an FBO. Mr. Werner advised that this resolution would bring in expertise from someone who has worked with airports acquiring FBOs before. He pointed out that there is already a Master Agreement with Mr. DeCoster, which this would fall under. The total amount of fees are unknown, but the rates are listed. Mr. Werner recommended approval.
  - Dir. Maki entertained questions or a motion.
    - Motion: Dir. Henderson
    - Second: Dir. O'Brien
    - Abstain: None
    - Result: This resolution was adopted unanimously by roll call.



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- B. Resolution to Accept and Award State Grant Agreement for the 2024 Mower and Attachments Acquisition at the Sky Harbor Airport and Seaplane Base, in the amount of \$280,330.00.
- Mr. Papko shared that this is a new Grant. Last year, after the DAA budget was passed, the State of MN came out with a competitive equipment program. It has been a long time since the airport has gotten equipment from the state. Airports can apply for up to \$200,000 for equipment. The DAA applied for a new tractor for Sky Harbor, which could be used for both snow removal and mowing at DYT and DLH. The local match for this grant would be \$84,000 with state funding at \$196,000. Without this grant, equipment would be 100% locally funded. It is unlikely to receive any federal funding for this type of equipment. Mr. Papko recommended approval.
  - Dir. Maki entertained questions or a motion.
    - Motion: Dir. Henderson
    - Second: Dir. Anderson
    - Abstain: None
    - Result: This resolution was adopted unanimously by roll call.
- C. Resolution to Accept and Award State Grant Agreement for the 2024 Terminal Plow/Sander at the Duluth International Airport, in the amount not to exceed \$153,988.61.
- Mr. Papko shared that the above grant program had a second round that DAA was eligible to apply for. This piece of equipment was in the first draft of the DAA's 2024 budget but did not make the final budget. Mr. Papko was notified the DAA would be receiving this grant about two weeks ago, so was not able to get updated/finalized numbers, but he is estimating the final number to be closer to \$100,000 but will not exceed the amount listed in the resolution. This would be replacing a 2005 truck and is needed equipment.
  - Dir. Maki entertained questions or a motion.
    - Motion: Dir. O'Brien
    - Second: Dir. Hoff
    - Abstain: None
      - Dir. Maki expressed her gratitude to Mr. Papko for being on the ball and being able to take new opportunities as they arise.
    - Result: This resolution was adopted unanimously by roll call.
- D. Resolution to Accept and Award the Contract for the Acquisition of Snow Removal Equipment – Wheel Loader at the Duluth International Airport (DLH) between the Duluth Airport Authority and Zeigler Inc. Contingent on an Approved Buy American Waiver in the amount of 829,295.00.
- Mr. Papko shared this is being procured with federal entitlement funds. As a reminder, the DAA receives around \$1.6-1.7 million each year from the FAA. This is typically used for matching funds for taxiway projects. The last couple of years, the DAA has been looking to use these funds for higher priority items, such as snow removal equipment. This additional equipment is partially due to the recent additional impervious surfaces that have been added to the airfield. There was an RFP process completed for this equipment. It initially came in around \$688,000 but has been increased to \$829,000 with the additional pieces needed, which the FAA understands. This is on the CIP plan.
    - Dir. O'Brien asked if there was an existing loader the DAA could sell.
      - Mr. Papko shared that there is a "snowball effect" with this equipment. Pieces will be moved around from airside to landside and eventually there will be something that leaves, but not sure what yet.





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- Dir. Maki asked for explanation on the Buy American Waiver contingency.
    - Mr. Papko shared that per FAA regulations, it needs to be certified that the equipment is 100% American made or complete a waiver for any components not from America. This is completed on all federally funded items, but typically is completed before being presented to the board.
  - Dir. Maki entertained questions or a motion.
    - Motion: Dir. Hoff
    - Second: Dir. O'Brien
    - Abstain: None
    - Result: This resolution was adopted unanimously by roll call.
- E. Resolution to Approve Amendment No. 1 to Work Order KACC 2023-01 between Duluth Airport Authority and Kraus Anderson Construction Company.
- Ms. Kayser shared that this is a basic amendment to reimburse Kraus Anderson for the permits with the City of Duluth for the Ranch Hangar project, per the DAA request for them to handle these permits.
  - Dir. Maki entertained questions or a motion.
    - Motion: Dir. Henderson
    - Second: Dir. Hoff
    - Abstain: None
    - Result: This resolution was adopted unanimously by roll call.
- F. Resolution Authorizing an Agreement to Insure Certain Duluth Airport Authority Property and Equipment Under the City of Duluth's Property and Boiler Insurance Policies.
- Ms. Bodin shared this is a renewal of the Insurance policies. The Insurance Companies remain the same, with the only changes being price and updating exhibits to match the new properties, including the Ranch Hangars and Sky Harbor buildings.
  - Dir. Maki entertained questions or a motion.
    - Motion: Dir. Hoff
    - Second: Dir. Henderson
    - Abstain: None
    - Result: This resolution was adopted unanimously by roll call.
- G. Resolution Authorizing an Amended Annual Salary Compensation of \$172,614 for Thomas J. Werner, Executive Director, to be Effective Retroactively as of January 1, 2024.
- Dir. Maki shared that in December each year, the board reviews the compensation of the Executive Director. There have been questions the last couple years about if Mr. Werner's compensation was in line with similar positions. The Compensation Study confirmed that his current salary is not in line with market competition. This adjustment would bring it to the 50<sup>th</sup> percentile of the compensation study.
  - Dir. O'Brien noted that he, Dir. Henderson and Dir. Anderson were tasked to review other Executive Director's salary at similar airports and agreed that this amount was in line with what they found as well.
  - Dir. Maki noted that this will be retroactive to January 1<sup>st</sup>, to stay consistent with what Mr. Werner has done with other staff who have received adjustments.
  - Dir. Maki made the motion.
    - Second: Dir. Obrien
    - Abstain: None



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- Result: This resolution was adopted unanimously by roll call.

- H. \*March 2024 Financial Reports
- I. \*May 2024 Accounts Receivable
- J. \*April 2024 Airline Statistics, Landline Statistics

### VIII. DIRECTOR'S REPORTS

- A. Mr. Werner reminded the board that next month will include the election of new officers.

**ADJOURN:** A motion to adjourn was made by Dir. Henderson and seconded by Dir. O'Brien. The meeting was adjourned at 2:59 p.m.

Respectfully submitted,

Jenny Delnay  
Administrative Coordinator

Approved: \_\_\_\_\_

DAA Executive Director