



# DULUTH AIRPORT AUTHORITY

## Duluth Airport Authority Meeting Minutes August 20, 2024

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

**DIRECTORS PRESENT:** Kevin O'Brien, President  
Michael Henderson, Vice President  
Jeff Anderson, Secretary  
Elissa Hansen  
Jason Crawford  
Sandy Hoff  
Briana Johnson

**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  
Jenny Delnay, DAA Administrative Coordinator  
Geoff Heck, Aero Centers  
Don Monaco, Monaco Air Duluth  
Rob Missinne, Monaco Air Duluth  
Adinda Van Espen, SEH  
Shawn McMahan, SEH  
Kaci Nowicki, SEH

**OTHERS PARTICIPATING VIA ELECTRONIC MEANS:**

Robb Enslin, Duluth City Attorney  
Phillip Scott, EXP  
Joe Uhlhorn, H+U Construction  
Paul Huston, HNTB  
Matthew Stewart, SEH

**CALL TO ORDER:** Dir. O'Brien called the DAA board meeting to order at 8:00 a.m. Dir. O'Brien noted that Dir. Hansen will be a couple minutes late, but all other board members are present.

Dir. O'Brien 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 total year to date enplanements are down about 3% compared to last year, but overall is on a good trajectory for the year. The summer peak is starting a little earlier than last year, which aligns with pre-pandemic timing. Enplanements continue to be reliant on seats available on the market. United has added an additional frequency, which explains their increase in enplanements. Load factors remain strong, even with the additional capacity. Mr. Werner share projections through November, which show an increase in flights and seats of >10% for both Delta and United.



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- Revenue per available seat mile for both DLH to MSP and DLH to ORD are above the line of profitability. This does mean that fares are typically high, however it also means the airlines are making money, which will allow the seats to stay on the market.
- Premium products seem to be selling well across airlines, compared to lower-end products. Airlines have indicated recent struggles are due to excessive industry capacity but expect these issues to be resolved this fall.
- United added a 4<sup>th</sup> frequency to DLH starting August 1<sup>st</sup>. Delta and United are both within 2019 levels for July and August. Delta has been upgraded at least one flight per day to mainline over the summer. October seat capacity is up 45%.

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

- Planning:
  - New Air Traffic Control Tower (ATCT): Mr. Papko is currently working through 70% design and will be meeting soon to go over comments. He is currently on schedule to receive 100% design before Thanksgiving. Mr. Papko shared a current rendering of the Tower.
  - 2024 Air Spectacular Recap: The Canadian Snowbirds and Coast Guard performed on July 31<sup>st</sup>, and it all went well. The show was cut about 5-10 minutes short due to incoming weather, especially the wind. It was a unique perspective to have the airshow over the water instead of here at the airport. This was originally a contingency plan for Covid if the air show needed additional space.
  - The regular Air Show will return in 2025 with the Blue Angles over July 4<sup>th</sup>.
- Construction:
  - Taxiway A – Phase 3 Construction:
    - 60 Hour Closure Recap: This closure was needed to pour concrete right up to the edge of Runway 9/27. The last two phases of construction have also included a 60-hour closure, which has worked out well. There were no flight cancellations with the closure. There was some unexpected rain on Saturday night which caused some issues requiring some grinding in a few areas. Mr. Papko is looking to reopen Alpha soon, then work will continue on Charlie.
    - FedEx will be moving to the terminal ramp starting tomorrow for about the next two month, since the construction will block access to their building. They have been great to work with through this process.
    - Midfield Ramp Phase Two construction will start September 1<sup>st</sup>. This was bid concurrently with the next phase of Alpha, but the construction company was given the option to either do the work next summer or this fall and have opted to do it this fall, which would be the DAA's preference anyways. This is some of the oldest pavement on the airport and is where the Air Show is located. This is a state funded project and will also support the new ATCT by coordinating some airfield cabling that is needed in this area. This location is also where large military aircraft is parked.
  - Customs and Boarder Protection Federal Inspection Services Construction Update: This project is currently out to bid with a pre-bid meeting happening later today. Once bids are received, it will be brought before the board to decide if the DAA should move forward with this project or not.
- Sky Harbor: Mr. Papko shared that the punch list for the new buildings is being finalized, but only a few minor items working through now.



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

- Airport Economic Development Summit Recap: The Summit was held following the Board Meeting last month. It had a good turnout and Ms. Kayser expressed her appreciation for everyone who attended. There was lots of good feedback received and had several spinoff meetings following the summit.
- Life Link Hangar Project Update: Ms. Kayser continues to work on this hangar and SEH is working through the floorplan. She is working on developing more refined numbers and what funds would be non-AIG eligible.
- Cirrus Hush-House and Fuel Calibration Facility Location Update: Ms. Kayser has been working on this for several months with Cirrus. They are now looking at a single building for both the Hush House and Fuel Calibration Facility. They are looking at the old Hangar 101 pad. Ms. Kayser continues to work with them on the best placement.
  - Dir. Hoff asked how large this building would be.
    - Ms. Kayser stated approximately 60x135. It would not cover the whole 101 pad, so it would leave room for additional future development on this site.
- Farewell to our summer intern Eli Strayer: Ms. Kayser shared she had a great summer with Eli. He got a lot of exposure to all of the different departments of the DAA. He also took his CM exam, which he passed. He went back to finish his schooling. She is very excited for Eli to continue down his career path.
- Dir. Henderson expressed how well the Summit went. He noted it was great to see so many community members there and expressed his appreciation to Ms. Kayser for putting it together.
- Dir. O'Brien expressed his kudos for giving Eli a high level of experience with his internship.

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

- Administrative Coordinator Position Update: Ms. Bodin is working on hiring for this position. Yesterday, it was verbally accepted by one of the candidates. She is hoping to introduce her at the Board Retreat.
- 2nd Quarter 2024 Financial Update: Ms. Bodin shared that there is a positive variance of \$220,000 for Quarter 2, with operating revenue at 106% of budget and expenses at 98% of budget. Parking continues to perform above expectations. As a reminder, the DAA budgeted to utilize \$683,000 in cash reserved for 2024.
  - Per policy, the minimum cash balance needs to be at least \$2.9 million. Currently, there is \$2.5 million in cash, but there is a balance on grants receivable of over \$7 million. There is also a line of credit from the city of \$2 million if needed. The Finance team continues to work expeditiously to close our grants, which is why the annual CIP plan approved helps with that.
  - Dir. Hansen arrived at 8:27am.
  - Ms. Bodin shared other finance areas to pay attention to, including non-aeronautical revenue, Sun County fees, Hangar rents, the loss of TSA LEO reimbursement, sand/deicing and long-term liabilities.
  - Mr. Werner shared that the cash balance isn't considered a problem at the moment but is something to keep an eye on moving forward. He noted that the DAA has recently done a lot of expensive pavement projects recently plus the complex design of the tower. He shared that leveraging the line of credit is a possibility before the end of the year, which would be brought before the board. It has been a number of years since the DAA has had to draw on the line of credit.
- Dir. Hoff inquired about the public communication process if the line of credit is used.



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- Mr. Werner noted that public communication is always managed. He noted it would be important to remind the public of the self-sustaining nature of the airport. This would not be a bail out by the city in any way. It would merely be cash flowing the grants that are owed to the DAA by Federal or State agencies while waiting for the bureaucratic process to be worked through.
- Ms. Bodin shared that PR has not been an issue with utilizing the line of credit in previous years. If the line of credit is utilized, it will be paid back as soon as grants are received.
- Dir. Henderson asked what the interest rate is on the line of credit.
  - Ms. Bodin shared it is around 2%.

**E. Marketing/Communications:** Mr. Werner provided an update on the following:

- Natalie's Return Update: Ms. Baker will return this coming Monday but will be working a hybrid schedule due to childcare issues. She will be at the board retreat.
- Mr. Werner shared that the Sky Harbor Terminal naming event is being planned for some time in September. The façade and vestibule signage will be installed either this week or next week but are still waiting on the plaque. It may coincide with the September Board Meeting which will take place at Sky Harbor.

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

- ATCT Advocacy Update: Mr. Werner shared that advocacy work has continued. He recently did a tour of the Tower with Commissioner Harala from St. Louis County and Matt Baumgartner, President/CEO of Duluth Chamber of Commerce. Mr. Werner and Dir. Anderson have hosted other tours throughout the summer. Mr. Werner is currently seeking a letter of support from Grand Rapids Chamber as well to provide as broad of support as possible. There is currently a \$58 million grant application into the federal government. Decisions should be made before the elections, likely in October. There is still an additional round of funding as well. The Congressional delegation staff have been working to align priority lists within the FAA to be positioned as well as possible for these grant rounds.
- Mr. Werner is working with Cirrus and Dir. Anderson on an airport property tax exemption bill, which would provide a property tax exception if have a manufacturing function. Similar bills already exist for community populations of less than 50,000, but Mr. Werner is looking to expand this to include communities like Duluth, Rochester and St. Cloud.

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

- NSR

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

- DAA Board Retreat, September 4th, at the Sheraton Hotel, Split Rock Room: Mr. Werner shared that lunch will be at 11:30am and the actual meeting will start at 12:30pm. The primary focus will be on Air Service Development with a presentation from Mr. Mike Bown. It will include both current initiatives being investigated with Breeze Airways and potential Denver Service. It will also include the annual update on the strategic plan, which will be closing out this year. There will be a new plan exercise that Mr. Werner will be starting with the board next year.



- Dir. O'Brien 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 July 16, 2024 Meeting Minutes

- Dir. O'Brien entertained questions or a motion.
  - Motion: Dir. Anderson
  - Second: Dir. Hoff
  - Abstain: None
  - Result: This resolution was adopted unanimously.

**III. \*DAA CASH DISBURSEMENTS**

- A. Operating Check Registers #19-21; Operating ACH Payment Register #20-23; Construction ACH Register #10.

**IV. \*CORRESPONDENCE**

- A. DLH Construction Notice
- July 12, 2024
  - July 19, 2024
  - July 29, 2024: Runway 9/27 Closure THIS WEEKEND
  - August 1, 2024: Taxiway A – Phase 3 Reconstruction Update
- B. July 2024: Letter from International 180/185 Club.
- C. July 2024: The Breeze of Park Point.
- D. July 2024: Airport of the Month – Duluth – DLH. Minnesota Flyer.
- E. July 10, 2024: Sky Harbor Airport hosts ribbon-cutting ceremony for new \$2.6 million terminal. Northern News Now.
- F. July 10, 2024: Sky Harbor Airport opens new terminal for pilots and passengers. WDIO.
- G. July 11, 2024: Sky Harbor Airport Soars to New Heights Opening New Terminal. Fox21.
- H. July 14, 2024: Sky Harbor Airport unveils new \$2.66 million terminal. Duluth News Tribune.
- I. July 16, 2024: Annual Certification Inspection Closeout. Federal Aviation Administration.
- J. July 19, 2024: DLH urges passengers to check flight status amid delays due to global IT outage. Northern News Now.
- K. July 21, 2024: July 19-22, 2024 operation, An update to Delta customers from CEO Ed Bastain. Delta News Hub.
- L. July 23, 2024: Duluth International Airport experiencing minimal issues following global tech outage. Northern News Now.
- M. July 25, 2024: Reconstruction of Rice Lake Road to boost city's growth. Northern News Now.
- N. July 29, 2024: Letter to President Joseph Biden re: Duluth ATC Tower.
- O. July 29, 2024: Explore the Great Outdoors with Kids in Duluth, Minnesota. Chicago Parent.
- P. August 10, 2024: Discovery Flights takes off over the Iron Range. Northern News Now.

**V. OPPORTUNITY FOR PERSONS TO BE HEARD**

- A. Mr. Don Monaco signed up to speak regarding the FBO Sale/Transition:
- Mr. Monaco shared that since the last meeting, a letter of intent has been signed with Aero Centers and due diligence is well underway. A side event of this transition was a desire to clean up the language in the operator agreement and lease with the DAA. Mr. Monaco expressed his appreciation for Ms. Kayser and Ms. Bodin for working through that language. There were 14 amendments to the original agreement, which has taken



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a couple months to work through and get right, but now it is much cleaner. There were several changes to the agreement which are beneficial to both the DAA and the new FBO. Mr. Monaco introduced the President and COO of Aero Centers, Geoff Heck.

- Mr. Heck introduced himself and shared that Aero Centers has 7 FBOs around the country. He joined Aero Centers 9 months ago and was previously with Signature Aviation. He has a lot of FBO experience and also a lot of familial connections to Duluth. He is looking forward to being here in Duluth more.
- Mr. Werner noted that he had a great conversation with Mr. Monaco and Mr. Heck last week and will look forward to talking about Aero Center's business more in a couple of meetings and is excited about what they are bringing to the table.
- Dir. O'Brien noted that he is looking forward to getting to know Mr. Heck and Aero Centers more and to learn more about their plan for the business.

### VI. OLD BUSINESS

- A. None.

### VII. NEW BUSINESS

A. Resolution to Approve the Updated 2024 Rates and Charges Schedule for DLH.

- Ms. Bodin shared that with updating the FBO Operator Agreement, there was a need to add some items to the Rates and Charges instead of inside the agreement. There is an added disclaimer in the landing fee section for future changes and an added aircraft definitions to align with the FBO agreement. As usual, the 2025 changes to the Rates and Charges will be presented in draft form in October and the final in November for board approval.
- Dir. O'Brien entertained questions or a motion.
  - Motion: Dir. Hansen
  - Second: Dir. Crawford
  - Abstain: None
  - Result: This resolution was adopted unanimously.

B. Resolution to Approve the Updated 2024 Rates and Charges Schedule for DYT.

- Ms. Bodin shared that with the Maintenance Operator at Sky Harbor no longer leasing the float storage space, DAA will now be charging aircraft operators directly for use of the float storage space. This schedule includes an added fee for float storage. Ms. Bodin noted that there was a review done with other airports and the fees listed are based on those rates and the value of the space. She recommended approval.
- Dir. O'Brien entertained questions or a motion.
  - Motion: Dir. Hoff
  - Second: Dir. Henderson
  - Abstain: None
  - Result: This resolution was adopted unanimously.

C. Resolution to Approve the Amended and Restated Operator Agreement between the Duluth Airport Authority and Monaco Air Duluth, LLC.

- Ms. Kayser shared that Mr. Monaco already spoke on this operator agreement earlier. First, she wanted to thank Mr. Monaco for being willing to work through this agreement to clean it up. The agreement was difficult to follow with the 14 amendments. Those amendments were incorporated into the agreement, then she and Mr. Monaco worked



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through the entire agreement to clean up the language to increase clarity. This updated agreement is beneficial to the DAA and allows for Aero Centers to clearly understand the language in the agreement. One of the items included in this process was a lease boundary survey done by SEH to clarify accurate square footage. Two items were left out of this agreement: Hangar 106 and the Line Shack. These were separated since the longevity of both items is unclear. This would allow for more flexibility in the future development of these areas. The updated agreement also removes any violations of grant assurances. Mr. Kayser noted that Mr. Monaco was phenomenal to work with through this process. She is excited to finally have an easy to understand agreement to move forward with.

- Dir. O'Brien entertained questions or a motion.
  - Motion: Dir. Crawford
  - Second: Dir. Johnson
  - Abstain: None
  - Result: This resolution was adopted unanimously.

### D. Resolution to Approve the Space Lease Agreement between the Duluth Airport Authority and Monaco Air Duluth, LLC.

- Ms. Kayser shared as noted earlier, these two items were removed from the FOB Operator agreement, Hangar 106 and the Line Shack. This is a three-year term.
- Dir. O'Brien entertained questions or a motion.
  - Motion: Dir. Hoff
  - Second: Dir. Anderson
  - Abstain: None
  - Result: This resolution was adopted unanimously.

### E. Resolution to Approve the Peer to Peer Car Sharing Agreement between the Duluth Airport Authority and TURO Inc.

- Ms. Kayser shared that Turo is a peer-to-peer car sharing app. For example, a customer could leave their vehicle at DLH, then someone else would rent it and pick it up directly via the app. Previously, there has not been an agreement in place. If Turo was operating at DLH, DAA was not aware of it. Ms. Kayser worked with her contacts at MSP to review their contract with Turo and solicit advice on how to proceed. Ms. Kayser was very impressed with how easy Turo has been to work with throughout this process. Turo is requesting to use the standard parking lot and not have designated spaces, which can pose a potential security threat. Ms. Kayser was able to compare this contract to Turo's other contracts with similarly sized airports. Turo cars will pay the standard parking lot fees. The DAA will receive an additional 10% revenue for any transaction that occurs at DLH. Attended vehicle exchanges will happen in the Commercial Lane, but no vehicles will be left there unattended. Ms. Kayser is unaware of how much Turo activity has previously been happening at DLH.
- Ms. Kayser shared that there have been some questions and concerns raised from the Rental Car Agencies. They asked if the Rental Car MAGs would be recalculated based on Turo income and if Turo would have to pay the same fees the Rental Car Agencies pay. Ms. Kayser has clarified with them that Turo does not impact their MAGs, nor do they pay the same fees, since they do not rent space in the terminal nor have designed parking spaces. This peer-to-peer car sharing is a different business model from car rental companies. Turo is paying standard parking lot fees plus a concession. The only



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adjustment to rental car MAGs would be if there was a new Rental Car Agency in the terminal.

- Dir. Crawford asked if it was the individual car owner who pays the concession fee or Turo as a company.
  - Ms. Kayser clarified that it was the company who paid the concession fee, just like Uber and Lyft do.
- Dir. Hoff asked how DLH will track the revenue.
  - Ms. Kayser stated that it would be based off Turo's reports. Their app will indicate if a transaction happens at DLH. They do not use a geofence like Uber/Lyft, but they do check into messages between car owners and customers for accuracy checks.
- Ms. Bodin clarified that this is a one-year agreement.
  - Ms. Kayser added that this is also what MSP did with Turo. The one year allows the DAA to better understand the business model and then make any changes to the agreement after one year. Ms. Kayser has already incorporated the changes that MSP requested after their initial year into this agreement.
- Dir. Hoff clarified that the vehicles will likely stay parked off site until someone books it in the app, so parking fees would be minimal.
  - Ms. Kayser confirmed that. While this agreement is not expected to provide a large amount of revenue, it would be "easy money" per say.
  - Mr. Werner noted that it also "levels the playing field" so that all vehicle rental/sharing companies are paying concession fees and with the limited options in the area, it is important to explore all options.
- Dir. O'Brien entertained questions or a motion.
  - Motion: Dir. Henderson
  - Second: Dir. Hansen
  - Abstain: None
  - Result: This resolution was adopted unanimously.

### F. Resolution to Approve Standard Space Lease between the United States of America Department of Transportation Federal Aviation Administration and Duluth Airport Authority.

- Ms. Kayser shared this is a lease for the current tower. The current lease expires on September 30<sup>th</sup>. This is a 10-year lease and includes an annual rent increases. This lease not required water and radon testing to be done by the DAA. The Water testing has been completed and the radon testing is scheduled to be done this winter. There was concern about the building condition, but language was included that the current building is grandfathered in and will not be expected to meet updated federal building standards. This lease is a new version of the FAA's lease template, but much of the language is the same. The FAA is responsible for the electricity bill and their janitorial needs. Ms. Kayser recommends approval.
- Dir. Hoff asked for clarification on the rent increase and if it was for a set amount.
  - Ms. Kayser confirmed that it is a flat amount every month.
- Dir. O'Brien entertained questions or a motion.
  - Motion: Dir. Crawford
  - Second: Dir. Henderson.
  - Abstain: None
  - Result: This resolution was adopted unanimously.





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- G. Resolution to Approve the Assignment of a Food, Beverage, Retail Concession, and Lease Agreement Between the Duluth Airport Authority and Oakwells Commuter Rail LLC to Tailwinds Hospitality Inc. effective August 27, 2024.
- Ms. Kayser shared the current Restaurant Operator, Oakwells, is selling to Tailwinds. This would assign Oakwell's lease to Tailwinds.
  - Dir. O'Brien entertained questions or a motion.
    - Motion: Dir. Hoff
    - Second: Dir. Anderson
    - Abstain: None
    - Result: This resolution was adopted unanimously.
- H. Resolution to Approve the Lot 8 Land Lease Agreement between the Duluth Airport Authority and Yellow Dog Aviation, LLC.
- Ms. Kayser shared that Sky Harbor's Lot 8 is the only current lot that does not have a hangar built on it. There were previous leases signed for past tenants to build a hangar, but they have all been terminated. With the recent construction at Sky Harbor, there is a clearer understanding of the construction needs and the requirements from the City for items like fire walls. This tenant has hangars in other places and recently bought a home on Park Point, so is very interested in having a hangar at Sky Harbor. This is a 20-year term that includes two additional 5-year extensions. It includes requirements to provide plans by April 2025 and construction completed by December 2025.
  - Dir. O'Brien entertained questions or a motion.
    - Motion: Dir. Hensen
    - Second: Dir. Johnson
    - Abstain: None
    - Result: This resolution was adopted unanimously.
- I. Resolution to Approve Work Order 2024-11 between Short Elliot Hendrickson, Inc and the Duluth Airport Authority for the Design of Midfield Ramp – Phase 3.
- Mr. Papko shared this next phase for Midfield Ramp. This is the first phase that will start to get into the potentially fuel contaminated soils based on previous use of the area. This resolution is to do the design of the project as laid out in SEH's 5-year master agreement. 30% of this will be covered by local PFC dollars. This type of project does not complete well for federal funding, so will be leveraging state funding for this. Mr. Papko recommended approval.
  - Dir. O'Brien entertained questions or a motion.
    - Motion: Dir. Hoff
    - Second: Dir. Johnson
    - Abstain: Dir. Anderson
    - Result: This resolution was adopted unanimously by all voting members.
- J. \*June 2024 Financial Reports
- K. \*August 2024 Accounts Receivable
- L. \*July 2024 Airline Statistics, Landline Statistics

### VIII. DIRECTOR'S REPORTS

- A. Dir. Henderson expressed his appreciation to Mr. Monaco and Mr. Heck for being here today. He is looking forward to hearing more about Mr. Heck's vision for the company. He also



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expressed his appreciation to Ms. Kayser and Ms. Bodin for working through the agreement with Mr. Monaco.

**ADJOURN:** The meeting was adjourned at 9:06 a.m.

Respectfully submitted,

Jenny Delnay  
Administrative Coordinator

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