DULUTH AIRPORT AUTHORITY

2025 DRAFT BUDGET ASSUMPTIONS

MAJOR TAKE AWAYS:

- DAA staff has budgeted for a $105k budget surplus in 2025.
- Operating revenues are budgeted to be an all-time high. This is an 14% increase over the 2024 budget and 2023 actual experience.
- Passenger related concession revenue was estimated based on similar activity to 2024. Other revenues were determined based on current activity and contracted rates.
- TSA LEO reimbursement was budgeted resume. If we do not receive this award our budgeted is flat.
- Non-Aeronautical revenue increases are expected due to rate adjustments to landing fee and fuel flowage fees.
- A 10% rate increase to the Signatory Airline rental rate has been proposed as well as 6% to the landing fee rate.
- Operating expenses are 4% over the 2024 budget and 10% over 2023 actual.
- DAA staff worked diligently to cut budgets where possible and increase rates where necessary to overcome the $684k deficit budgeted for 2024 as well as additional $276k in increased costs for 2025.
- We continue to work to support the master plan as well as our strategic plan initiatives.
- Our annual debt service in 2025 for all long-term debt is $1,078,271.
- Airline negotiations with a new rate structure are anticipated, which may affect the final budget for November approval.

OPERATING REVENUE:

Non-Aeronautical Revenue:

- Concession projections were determined estimating similar passengers to 2024 and using 2022-2024 trend data. Concession revenues were not budgeted as conservatively as in previous years as we have continued to outpace our budget.
- Actual income assumed per individual rental/lease contracts.

Non-Passenger Aeronautical Revenue:

- Landing Fees and concessions were projected reviewing three-year averages with more weight placed on 2023-2024 trend data.
- Actual income assumed per individual rental/lease contracts.
- Fuel flowage and landing fee concessions are expected to increase substantially due to the proposed rates and charges adjustments.

Passenger Airline Aeronautical Revenue:

- Proposed 6% adjustment to landing fee rate and 10% to the terminal rental rate as rates were held flat during COVID while the airport expected significant increases in supply costs and contract pricing.
- Assumed similar service to 2024.
- Included Sun Country activity and revenue based on their return service.

OPERATING EXPENSES:

Central Services/City Admin Fee:

- The city has provided the budget fee of $133,200 for city services in 2025 which is an increase of $55,250 or 70% more than 2024.

Personnel Compensation & Benefits:

- Assumed one additional airside maintenance staff is hired. This is in an effort to support the staffing adjustments recommended by the organizational assessment completed in early 2024.
- Assumed actual wages after step increases for all CBA & Management employees.
- Assumed 1% increase in health insurance premiums as approved by the JPE.
- Retiree insurance premiums adjusted for current retiree cost.
- Work comp insurance premiums based on current experience.

Utilities:

- Assumed similar usage to last year.
- Increased natural gas to be more in line with 2022-2023 as the 2023-2024 winter was mild.
- Storm Water: Budgeted for fees based on 2024 experience. Working for exempt status.

Professional Services:

- Increase in professional services to support legal services agreement. Other professional services budgets were reduced to during budget cuts for 2025.
- Contract Security: Continues to increase per the contract. This increased by 58k or 21% in 2023. This line item is being review for accuracy.

Travel/Training:

- Each department projected actual travel and training.

Supplies & Services:

- Operating and repair and maintenance supplies to support maintenance initiatives has been evaluated. As airfield pavement and equipment have been improved, some costs have been estimated to decrease.
- Departments worked to reduce any "discretionary spending where possible" as contract increases over the past few years have been substantial.
- Increased cost of contractual services anticipated.
- Communications & Technology: Contractual costs increased by 33% over 2023 actual.
    - Addition of CBP Recurring Expenses of $14,800.
- Janitorial: We saw an increase in the cost by over $23,000 within the last year or nearly 10%.
- HVAC was RFP'd in 2025 with a new contract budgeted close to $40k more than previous years. This is a 30% increase in cost.

All Other: Based on current year as well as historical trends and estimates.

<u>SKY HARBOR:</u>

Sky Harbor Revenues: Reviewed trends and averages from previous three years

- Land/Field Rent: Based on 2024-2025 actual leases.
- Concessions: Estimated based on current and expected continued activity
- Av Gas Sales: Projected to be an increase from 2023-2024.
- Hangar Rental: Based on current rental agreements.
- State Aid M&O: Assumed same as 2023-2024 state fiscal year.

Sky Harbor Expenses: Based on trends and averages from last three years.

- Costs of Goods Sold: Budgeted for an increased to support budgeted sales.
- 2025 will be a year of learning what operational costs for two new buildings will be versus one old facility.

<u>DEBT SERVICE:</u>

- Our annual debt service for 2025 for all our long-term debt is $1,078,271.
- We currently have three loans from the City which were funded with a GO Bond issuance.
    - The first was for terminal/parking structure expenses and has a payback to the city using PFCs, CFCs and DAA operating dollars.
        - This was a 15-year loan, which goes through 2026.
        - This bond was refunded in 2021 and the general revenue share was paid off, leaving only the PFC and CFC portion left to pay.
    - The second was to fund our parking structure and has a payback using parking lot revenues.
        - This is a 15-year loan, which goes through 2027.
    - The third loan funded renovations to LSC's Center for Advanced Aviation. Rent revenues pay the annual debt service plus 5% over levy.
        - This is a 15-year loan, which goes through 2030.