



DULUTH AIRPORT AUTHORITY

Duluth Airport Authority Meeting Minutes September 17, 2024

MEETING LOCATION: Sky Harbor Airport Hangar

DIRECTORS PRESENT: Kevin O'Brien, President
Michael Henderson, Vice President
Jason Crawford
Sandy Hoff
Briana Johnson

DIRECTORS ABSENT: Jeff Anderson, Secretary
Elissa Hansen

OTHERS PRESENT: Tom Werner, DAA Executive Director
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 Finance Technician
Aimee Bone, DAA Administrative Coordinator
Tristan Durfee, DAA Sky Harbor
Shawn McMahan, SEH
Kaci Nowicki, SEH
Rob Missinne, Monaco
Eric Monson, Lake Superior Helicopters

OTHERS PARTICIPATING VIA ELECTRONIC MEANS:
Mark Papko, DAA Dir. of Operations
Kathy Leon, DAA Confidential Bookkeeper
Don Monaco, Monaco Air Duluth
Paul Huston, HNTB
Matthew Stewart, SEH
Robb Enslin, Duluth City Attorney
Dante Tomassoni, Cirrus
Dexter Silvers, H+U Construction

CALL TO ORDER: Dir. O'Brien called the DAA board meeting to order at 8:00 a.m. Dir. O'Brien noted that Dirs. Hansen and Anderson were absent.

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 year-to-date enplanements are down 1% passengers, but overall in strong shape considering how DLH came out of spring break. Data projects a small peak in numbers, and possible positive growth report will be available next week. Delta passengers up 10%, figures show growth



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increasing year over year. Airline partners are increasing capacity. Load factors continue to be strong, with Delta at 80%, and United 83-84% (reached over 90% in recent months). Carriers are offering more seats and with fewer sold, but overall a good mix for August. Airline market share shows Delta's passenger market share is 61% versus United at 39%. Total seats Delta remains dominant at 59%, and United at 41%. The main takeaway is the incremental improvement year over year, month after month when comparing same period of the prior two years in the seat count. Mr. Werner expects next year's seat count for August trend to continue.

- Nothing to update on the national front, however the Boeing strike was announced after presentation was assembled and that may affect next year's aircraft deliveries but won't know for a while.
- Delta and United will start a three daily departure schedule on October 26th. Until then, will be able to report good capacity growth for September and October.
- Meeting confirmed with Breeze Airways scheduled for October 21st and trying to secure meetings with Delta, United. Sky West meeting schedule for October 30th to discuss Denver.
 - Mr. Hoff asked about 80% load factor and a common breaking point for profitability. Mr. Werner responded that the common break factor depends on fare price point and costs and sometimes they will operate at a bit of a loss at a drop period. Fares are still relatively high year after year. At last month's board meeting, Mr. Werner shared a graph of profitability for both carriers out of DLH which showed a promising trend of consistency.
 - Mr. Hoff then asked about possible air traffic increase for the North Shore, and Mr. Werner mentioned organizations such as Grandma's and Great Lakes Cruising as two examples. There have been discussions with the carriers about changing schedules and providing larger aircraft to accommodate their needs.

B. Operations/Construction/Planning: Mr. McMahon provided the following construction updates on behalf of Mr. Papko:

- Construction:
 - Taxiway A - Phase 3 Construction: Mr. McMahon shared that it was completed August 26, very impactful and shared images of completion, and said that the ATCT is excited to have their operations back.
 - Taxiway C-There is a robust amount of work being done, such as excavation to install storm lines and updating a city sanitary line underneath the taxiway. The city is reinforcing the sanitary line and combining efforts during this stage of the project. Currently staff are building up this section in order to have a stable base for eventual pavement, which will happen in the next month or so.
 - Future work includes Midfield Ramp Phase 2 construction which starts on September 23rd and is a MNDOT funded project. It's approximately a \$1 million total project cost, project bid with the Phase 5 work to happen next year, but due to contractor's availability and the way work is combined with Phase 5 and the impact of the area, able to get some early work done now in anticipation of the work to come next summer. The work will mostly be in the lower right-hand area of Phase 2 and include new concrete pavement, surface and subsurface drainage improvements, and pavement markings. Pilots in the area have been notified of different taxi routes, and it is expected to take about 45 days.
 - Mr. O'Brien asked if there are any expected cost savings since projects are hand in hand and Mr. McMahon responded that there is. The project was



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bid once before for as much as \$1.3 million and the rebid included Phase 5 and came in at about \$600,000, so substantial savings to combine the projects.

- Customs and Border Protection Federal Inspection Services Construction Update: Mr. McMahon stated that for DLH to accept international commercial arrivals, its Federal Inspections Services (operated by Customs Border Protection) need to be up to standard. An audit is underway to determine what needs to be done to stay up to compliance with the FAA. Updates needed mostly include security related items. The estimated cost for the project is \$800,000 and will include security enhancements, a camera system installation, facility standardization, and signage improvements. The project bid will be opened on Thursday, September 19th at 2 PM and Mr. Papko will give a presentation in October to follow up. Funding is not available but if the facility gets up to standard, then CBP will provide X-ray machines.

- Mr. Henderson asked what the deadline is on the audit and Mr. McMahon responded that there really isn't one. There is a history of facilities being built for standards, then standards change over time, continuously chasing that, and that's the risk for a project.

- Planning:

- New Air Traffic Control Tower (ATCT) Update: Mr. McMahon stated recently completed 70% design with FAA and other stakeholders. Incorporating their ideas into the design and moving in the 100% stage in the next month or so, waiting on funding packages from the state legislature and FAA announcements.

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

- Hangar inspections were conducted on September 9th with Mr. Graves and Mr. Snell. Overall, the inspections went well. There were ten hangars that made it difficult to determine if the aircraft were active and operational. Ms. Kayser sent emails to them and asked them to provide a copy of their annual inspection per their hangar agreement and there were also several unkept hangars. One had significant non-aeronautical items and will perform quick follow-ups for ones that had no aircraft, since they could currently be out on flight elsewhere. She has received two annuals so far and will keep staff informed of any further action that needs to take place. Ms. Kayser will reinspect 30 days after to see if the hangars are cleaned up.
- Life Link Hangar Project Update: Ms. Kayser stated that SEH has been working on the design of the facility and on the funding side to determine eligibility with the Federal AIG and MNDOT. Targeting spring 2025 construction start on the facility. Once know more about the ineligibility piece and what the financial structure is going to look like, Ms. Kayser will work on the lease agreement for Life Link.
- Minnesota Power Stebner Rd Project Update: Ms. Kayser stated that this project is moving at a slower pace but had a meeting with the Army Corps of Engineers, City of Rice Lake, and the Arrowhead Regional Development Commission to work out logistics with the wetland permitting and environmental processes.
- Airport Intersection Control Study Brief: Ms. Kayser stated that it is a partnership with the City of Duluth and St. Louis County for the intersection at the airport entrance. A consultant firm named Alliance has been hired from the Twin Cities. A roundabout is being discussed to prevent wrong way traffic. Study will be completed next year.
 - Mr. Werner stated that if a roundabout is the solution for the interaction, additional signage to accompany it may also help with the traffic flow.



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- Ms. Kayser also added that there is a local EAA meeting on Thursday, 9/19, at 7PM.

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

- **Administrative Coordinator Introduction:** Ms. Bodin introduced Aimee Bone as the new Administrative Coordinator.
- **Budget Update:** Ms. Bodin stated that she is spending the next two weeks finalizing assumptions and rates that will be presented at the October board meeting in a draft form, and that will give members a couple of weeks to provide feedback and ask questions.
 - Mr. Werner added that the budget preparation is a tremendous opportunity for stakeholders to provide feedback and engage with the board members. It's intentionally a public process so that the public also understands what budgeting implications are.

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

- **Sky Harbor Naming Event:** Ms. Baker stated that interior and exterior lettering has been installed that was approved earlier this year, still waiting on approval for the bronze plaque to be installed later in October to celebrate accomplishments and naming.
- **In-Terminal Advertising Availability:** Ms. Baker stated that there are a few product shifts. There is now space above baggage carousel two, above the entrance to the exit corridor is available, as well as the wall of the exit corridor. Ms. Baker is working on sponsorship packages to get these spaces filled with new sponsors and advertisers.

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

- **ATCT Advocacy Update:** Mr. Werner stated that last week DAA hosted Commissioner Annie Harlem on a tour of the building, as well as the SEH legislative team to also provide advocacy. Mr. Werner also stated that he and Mr. Anderson are working on a couple more passages to achieve local funding, more on that in the future.
- **Airport Property Tax Exemption Bill:** Mr. Werner stated that this initiative was driven by Cirrus in the past, in recent weeks worked with St. Cloud and Rochester airports also to make an airport property tax exemption. Mr. Werner stated that he, Mr. Anderson, and Mr. Dante Tomassoni traveled to those communities to talk about the bill, it was received well, and they are putting together new bill language, which they hope to reintroduce to this session.

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

- NSR

H. **Other:**

- Mr. Werner introduced and invited Mr. Eric Monson to give an update on Lake Superior Helicopters (LSH) and Sky Harbor Operations.
 - Mr. Monson discussed the operations partnership with Lake Superior Helicopters and Sky Harbor from past two years and how it has developed and grown and shared a visual presentation to accompany his discussion.
 - LSH offers local tours Friday-Sunday with a range of options in price and duration as well as varying tour routes. One of the primary missions of the company has always been to provide a positive experience in aviation for individuals and it has been fun offering that through the partnership with Sky Harbor. LSH offers eight different helicopter tours, which are at very affordable entry level price points,



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starting at \$39. Mr. Monson discussed options for flight path and areas that customers can visit. In addition to a great and fun experience with those touring in the helicopter, LSH is aware of the impact for those on the ground in the communities that the helicopters are flying over to minimize disruption.

- LSH has invested in better AVSB tracking for aircraft and have installed it at a couple of test sites. Mr. Monson said they wanted to do this for a couple of reasons: to address noise sensitive areas, and to be able to track the activity and data in case there are any concerns. Mr. Monson said that most operators fly at an altitude of about 300-500 feet, and they fly at a minimum of 1000 feet which cuts the noise factor in half. Mr. Monson also mentioned that LSH flies over the base of the industrial areas such the shipping and port terminal so customers can see those key areas, which customers are interested in seeing.
- Mr. Monson showed an example of a 5-star review from a recent couple. LSH frequently receives 5-star reviews, and Mr. Monson stated that they have already had about seventy-five in 2024.
- Lake Superior Helicopters has a team of 9 full time pilots, all of whom rotate in the helicopter tour operations at Sky Harbor. The pilots enjoy the interactions with the customers and giving them a positive and fun experience in aviation.
- Mr. Monson said that LSH may be operating tours this winter to fly over Bentleyville and have done so from DLH successfully and can do it from Sky harbor at a discounted price since it's geographically closer.
- The number of tour customers so far for 2024 is about 1,600. Since going into business, the company has given 10,173 tours as of last Thursday, 9/12/24.
- Mr. Hoff asked Mr. Monson about the strategies to drive traffic this summer and looking ahead to Bentleyville?
 - Mr. Monson mentioned that LSH partners with Bentleyville. They have a presence on Bentleyville's website, which is the main driver of traffic to LSH (about 90% of customer base during that time). LSH also donates 10% of everything they receive back to Bentleyville. Aside from that, they also having visibility in Canal Park and recruiting staff to help with that; they have a robust social media campaign for a strong online presence and print media as well. The helicopter tours become one of the most enjoyable weekends for customers when they visit the area.
- Mr. Werner asked Mr. Monson where he sees LSH's growth trajectory?
 - Mr. Monson responded that that is a work in progress, and while there are associated costs to having operations at Sky Harbor, and for operations overall, the DAA has been fantastic to help keep those costs down. Mr. Monson stated that they are seeing consistent growth year after year, especially during fall color season. The growth is exciting, and they hope to stay at Sky Harbor for years to come.
- Mr. Hoff asked Mr. Monson if it is easier to find customers at DLH or Sky Harbor?
 - Mr. Monson replied that people prefer to drive to Sky Harbor. The experience of driving over the iconic Lift Bridge, and generally less traffic than going up to DLH. While they are at Sky Harbor, they can do other activities in the area such as the going to the beach and gazing at the lake. The enjoyable experience of the scenic air ride out of Sky Harbor starts when they drive through Canal Park.
- Mr. O'Brien asked Mr. Monson what his number one challenge on the business side for growth on tourism and business model is.



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- Mr. Monson replied that they have a diverse business plan overall, to include helicopter tour operations in New Orleans, flight training at DLH, helicopter inspection of power lines, pipelines, depends on which branch of the business for challenges. Right now, their biggest challenge is the need for mechanics. Mechanics start with LSH to build experience, then become in demand for other companies. It takes a long time to find the right person. They had a new pilot start a couple of weeks ago and have another one starting soon. LSH also partners with Lake Superior College for mechanics interns currently and they are seeing some success with that. Through their training and evaluations, they can determine if they are good candidates to bring on board. Currently they are short several mechanics.
- Mr. Werner stated that he was happy to hear that LSH partners with Lake Superior College and utilize the talent pipeline. Trying to retain that talent is incredibly important. Mr. Werner then asked Mr. Monson what else the students who come out of the Lake Superior College program need for accreditation in order to be an effective mechanic for LSH?
- Mr. Monson responded that it's based on what they want to with the company; are they specifically interested in helicopters? If not, it's not going to work out. Most of the students coming out of LSC have their credits from a licensing standpoint and have everything they need to get to work on an aircraft, but don't have experience. It has helped to bring them on as interns to help build that experience. LSH works with students for 6-12 months before their completion of the program at LSC and then LSH sends them to the manufacturer's school at Robinson Helicopters (the primary aircraft that LSH flies) in California for a two-week course so they acquire additional training and experience, following a probationary period.
- Mr. Werner asked if the mechanics that they have on staff are primarily taking care of LSH's helicopters and or if they do maintenance on any other aircraft?
 - Mr. Monson said that is the current situation but that a component of their growth is branching out but finding adequate number of mechanics has been their biggest challenge.
- Mr. Hoff stated kudos to Mr. Monson, he's created a great success story for aviation in our local community. Mr. Hoff was taking flight instruction about 15 years ago, and the idea came up to create a company and congratulations on growing the company and success
 - Mr. Monson stated that it was on 1/1/09 that they started operating. 30-35 people on payroll right now, with a goal is to create 100 jobs that didn't exist prior.
- Mr. Werner thanked Mr. Monson for taking the time to give the presentation and for choosing to do business with Sky Harbor and that partnerships like the one with Lake Superior Helicopter are crucial to help fulfill the DAA's business model vision. Mr. Monson appreciated this sentiment.
- Dir. O'Brien thanked everyone for their reviews and moved to item II of the agenda.

II. APPROVAL OF PREVIOUS MEETING MINUTES:

- A. Approval of August 20, 2024 Board Meeting Minutes
 - Dir. O'Brien entertained questions or a motion.
 - Motion: Dir. Henderson
 - Second: Dir. Johnson



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- Abstain: None
- Result: This resolution was adopted unanimously.

B. Approval of September 4, 2024 Board Retreat Minutes

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

III. *DAA CASH DISBURSEMENTS & OTHER CONSENT AGENDA ITEMS AS INDICATED BY *:

A. Operating Check Registers #22-23; Operating ACH Payment Register #24; Construction ACH Register #11.

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

IV. *CORRESPONDENCE

A. DLH Construction Notice

- i. August 16, 2024
- ii. August 23, 2024
- iii. September 2, 2024
- iv. September 6, 2024

B. August 13, 2024: Letter from Saint Louis County.

C. August 21, 2024: Inside One of the Most Profitable U.S. Airlines You Haven't Heard of. Skift.

D. September 2024: Tailwind Concessions Acquires Oakwells, Resulting in the Combination of Two Specialized Regional Airport Concessionaires.

E. September 4, 2024: Duluth Industry Leaders Lay Out How to Navigate Changing Tourism Trends. Northern News Now.

V. OPPORTUNITY FOR PERSONS TO BE HEARD

- A. None.

VI. OLD BUSINESS

- A. None.

VII. NEW BUSINESS

A. Resolution to Approve the Duluth Airport Authority's Title VI Plan.

- Ms. Bodin shared FAA placed emphasis on airports having Title VI plan for federal awards etc. for non-discrimination, goal was before year end and is ready for approval. Updates to websites, RFP, trickle-down effect and have been made.
- Dir. O'Brien entertained questions or a motion.
 - Motion: Dir. Hoff
 - Second: Dir. Henderson
 - Abstain: None
 - Result: This resolution was adopted unanimously.



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- B. Resolution to Approve Amendment One for the Peer to Peer Car Sharing Agreement between the Duluth Airport Authority and TURO Inc.
- Ms. Kayser shared we brought this agreement to you just last month, TURO said it took a while to get Duluth in system. This amendment moves the start date of the agreement from August to October,
 - Dir. O'Brien entertained questions or a motion.
 - Motion: Dir. Crawford
 - Second: Dir. Johnson
 - Abstain: None
 - Result: This resolution was adopted unanimously.
- C. Resolution to Resolution to Approve Terminal Office Space Lease Agreement between the Duluth Airport Authority and Short Elliot Hendrickson, Inc.
- Ms. Kayser shared basic renewal agreement that SEH has had for many years, for their office space that they lease in the terminal.
 - Dir. O'Brien entertained questions or a motion.
 - Motion: Dir. Henderson
 - Second: Dir. Hoff
 - Abstain: None
 - Result: This resolution was adopted unanimously.
- D. *July 2024 Financial Reports
E. *September 2024 Accounts Receivable
F. *August 2024 Airline Statistics, Landline Statistics

VIII. DIRECTOR'S REPORTS

- A. Dir. O'Brien thanked Mr. Durfee for hosting the Board at Sky Harbor.

ADJOURN: The meeting was adjourned at 8:47 a.m.

Respectfully submitted,

Aimee Bone
Administrative Coordinator

Approved: _____
DAA Executive Director