



DULUTH AIRPORT AUTHORITY

Duluth Airport Authority

Meeting Minutes

October 15, 2024

MEETING LOCATION: Amatuzio Conference Room, Duluth International Airport

DIRECTORS PRESENT: Michael Henderson, Vice President
Elissa Hansen
Jason Crawford
Michael Henderson
Sandy Hoff
Briana Johnson

DIRECTORS PARTICIPATING VIA ELECTRONIC MEANS:
Jeff Anderson, Secretary

DIRECTORS ABSENT: Kevin O'Brien, President

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 Finance Technician
Aimee Bone, DAA Administrative Coordinator
Ryan Welch, DAA Airside Manager
Rob Missinne, Monaco Air Duluth
Shawn McMahan, SEH
Kaci Nowicki, SEH
Tiffany Werner

OTHERS PARTICIPATING VIA ELECTRONIC MEANS:
Kathy Leon, DAA Confidential Bookkeeper
Robb Enslin, Duluth City Attorney
James Gibson, Cirrus
Dante Tomassoni, Cirrus
Horeya Czaplewski, EXP
Paul Huston, HNTB
Don Monaco, Monaco Air Duluth
Eric Monson, Lake Superior Helicopters
Phillip Scott

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

Dir. Henderson 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, enplanements up 3% compared to 2023, crested in August. Numbers for this time of year would have been a little bit higher pre-pandemic, but a steady climb post 2021. September enplanements up 31%, Delta passengers up 26%, and United passengers up 32% compared to last year. All in all, a steady year and end of year should be finishing in positive year single digits. Regarding load factors, high 80s for both airlines and high usership.
- The capacity of total seats has come off the peak a little bit, but United is holding strong, without a significant dip, and better than previous years. Delta is up 29% for the month, United up 35% compared to last year. Year to date, Delta seat count is up 4%, and United is up 14%. United had a lot of ground to make up compared to pre-pandemic, more so than Delta. While the data shows an increase in September, year to date is modest.
- Mr. Werner shared that labor and fuel tie up more than half of the costs for airlines, airport costs (the amount that the airlines pay the airports) smaller of total percentage, other ownership costs also make up a small percentage. It's a matter of finding what can be done to control costs and attract new airlines to DLH, and much is out of the airport's control. Labor as a total operating percentage of the three main carriers at DLH (Delta, United, and Sun Country) makes up 28-32% of the total costs. With renegotiation of labor contracts post pandemic, some pilot wages have gone up significantly (45% at Sun Country, 40% at United, and 34% at Delta), notably with a new wave of pilots post pandemic after the wave of retirements. Jet fuel has come down a bit, but the conflict in the Middle East and post-election may affect this. Fuel is a big factor for air traffic with the geographic location of DLH, but very competitive with area markets. Airport costs are up almost 15% as an industry due to inflation and hire labor costs, etc. DLH wants to remain competitive, but at some point needs to pare costs and pass those along to entities that operate at DLH in a responsible way and far below the 15% industry increase. Two new EAS contracts (serving Muskegon, MI to ORD and Eau Claire, WI to ORD) have caught the DAA's attention because they have doubled since the last contract period (3-5 years). EAS is a federal government subsidy program that buys up unused seats so that smaller markets (such as the aforementioned) can have a limited air service. There are various markets nationwide that have EAS programs and those are just two mentioned. It's an expensive program. Delta is downgauging its MN EAS routes (airports include International Falls, Bemidji, and Brainerd) from a CRJ-700 aircraft (76 seats) to a CJR-550 aircraft (50 seats) beginning in November 2024. The EAS markets are pleased with this change because it becomes a dual-class product; they gain a couple of first-class seats in the new configuration as well as other Delta product lines such as economy plus and economy seating, but the reconfiguration doesn't change the cost structure to operate the aircraft. Stripping down the CRJ-700 configuration to the new CRJ-500 layout still costs the same amount to fly based on weight. DLH enjoys success in attracting customers from those markets, but DLH thinks we can serve them well without the government subsidy.
- Delta and United will start their 3-times daily frequencies on October 26th and will likely stay the same for the remainder of the year.
- Mr. Werner then shared that that there are upcoming scheduled airline meetings-Breeze on the 21st, United on the 28th, SkyWest on the 30th and still trying to work out a scheduled date with Delta. The meetings provide updates that pertain to each airline;



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with United and SkyWest, it's really about Denver and previewing next year's capacity. The meeting with Breeze Airways is an ongoing focus on how to attract them to this market and hopefully launch a couple of routes in the next couple of years. All in all, in pretty good shape for air service.

- Mr. Werner also noted a recent aircraft air emergency. There was a possible loss of one of the aircraft's engines but that is not confirmed. The aircraft left DLH, had mechanical failure at about 18 minutes and returned. Staff and emergency partners did a tremendous job and had the airfield back up and running after about 50 minutes. Mr. Welch had to pull back construction during that time to allow extra space, and Mr. Papko happened to be on that aircraft. Everyone deplaned and no injuries were reported, and Mr. Werner stated that the DAA was very happy with the response.
- Mr. Hoff asked Mr. Papko how the experience was from a passenger perspective, and Mr. Papko stated everything went smoothly and also noted that due to it being a commercial airliner, the airport brought in mutual aid on standby, which resulted in increased media attention. Mr. Papko said it was good to see how flawless the response was from a passenger standpoint.

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

- Planning:
 - New Air Traffic Control Tower (ATCT) Update 100% designs, will spend next couple of weeks going through the plan sets, will meet with the larger design and FAA teams, revision and issue for bid just after Thanksgiving. Will be completely wrapped up with the design by end of the year, funding phase to unfold.
- Construction:
 - Taxiway A – Phase 3 Construction, just finished paving, will spend the next two weeks painting and lights to be open for winter season. The nice weather recently has helped, paving looks good, and has passed tests, tenants have been patient during the process of one of most highly impacted areas on the airspace.
 - Midfield ramp Phase Two-started pouring concrete and shaping up to be open November 1st, had to do some hand pours due to space on the ramp for equipment.
 - 148th Fighter Wing deployment is back stateside. Arriving at DLH were two 747s, a 777 full of passengers, and two C-17s. Mr. Welch and his team did a fabulous job managing these large incoming aircraft and making adjustments on the fly; parking the large aircraft at DLH is not an easy feat.
 - Mr. Papko shared that he intended to talk about how to resolve and reconstruct and become a fully certified FIS facility. In checking with Customs and Border Patrol (CBP), concessions were made by them in evaluating the price of being able to do so and they agreed to look at ways to lower costs. DLH will go back to them and get with the construction-design team and see what needs to be done. The total project cost right now is about \$750,000 to get fully compliant. Part of the process is identifying what the compliance team needs, also noting that the business case isn't quite there yet. It is important to identify what can be accomplished on the lower cost side to get up and running knowing that DLH has smaller generative numbers versus a facility such as MSP. Mr. Papko shared that the goal is to have that identified by November or December and come to the board with a follow-up.
- Sky Harbor:



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- Mr. Papko shared that the new Sky Harbor Airport Terminal has reached substantial completion, with a couple of minor punch list items remaining and the facility has entered the one-year warranty period for both buildings. The new space is great, especially considering that the project was budgeted for a facility with future numbers that aren't easily predictable. The facility not only gained space but hopefully some efficiencies as well.
 - Mr. Werner mentioned the new facilities landside employee, Mr. Isaiah Chiles.
 - Mr. Papko said that Mr. Chiles is a local guy, really excited to start career opportunity, has an electrician background, has a passion for aviation, and will start a one-year probationary period. Mr. Papko also mentioned that there is a new position posted in keeping up with increased operations numbers and need. Mr. Papko referenced the data that in the last month, a record setting 17,000 aircraft operations occurred at DLH, the pace of this airport is not slowing down, and reacting with assurance of adequate staff. Winter and conditions are the driving force for needing these extra individuals, but also needed from a summer construction aspect. Excited that the job market and employee traction is turning more in DLH's favor, encouraging on the landside and a new posting on website for airside position.
 - Mr. Werner added that the adjustments to salaries this year is a direct tie to roadmap 2030 plan, so it's the beginning stages of that. Mr. Papko and Mr. Werner continue to work through a more detailed plan for what the looks like for the next few years.
 - Mr. Henderson asked if the increased air traffic is commercial or tenants on the airfield, other types of aircraft?
 - Papko said that we will get breakdowns in the next couple of months, but many are local operations such as Lake Superior College, Lake Superior Helicopters, Monaco Air, Cirrus, etc. All are seeing an increase in operations. Additionally, some of the flight schools located in nearby areas such as Cloquet and Superior come to use the DLH facility to practice approaches, interact with the ATCT to get those experiences and then return to their respective airports.

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

- LifeLink III Project Update: received updated pricing late last week from SEH and will look closely at that this week. Ms. Kayser and Mr. Werner are meeting with LifeLink's philanthropic team on October 25th to discuss options for further funding that won't be eligible according to the FAA for AIG funding.

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

- The 2025 DLH Rates and Charges Schedule draft has been finalized. For the DLH rates and charges schedule, typically have tried to keep increases as low as possible, as of now recommending a tentative 10% rate adjustment, there might be some work on the rates and charges model. The model pulls in all airport revenues and expenses and allocates them by budget category such as the terminal and airfield, etc. The 10% rate adjustment for the airlines is \$28.24, the calculated rate from the model is \$55 per square foot, so that's how much our other revenue is subsidized to keep it at the \$28.24 rate. The model does not calculate the non-airline terminal rental rate, that is adjusted



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by CPI annually with fee at 3.5% increase (\$45.11). The aircraft landing fee is 6% adjustment for aircraft landing fee, but the model suggests a \$12.00 landing fee recommended, but that would not be viewed favorably. Our signatory is calculated at \$2.45 and non-signatory is 125% of that (\$3.06). The category "All Other Aircraft" replaces the one previously referred to as "Transient," because it wasn't an FAA category. Our signatory carriers have an obligation and a commitment to us, so that is why they have a lower landing fee. The terminal per use fee has been calculated and is currently just charged to our charter operators at a non-signatory rate. The international arrivals fee is TBD for the future and refers to the FIS facility that Mr. Papko briefed on earlier in the meeting-it's not currently being utilized so those rates could be changed in the future. Ms. Bodin met with Mr. Monaco last week on the aircraft parking rates and there was a 6% increase. In the future, we may consider changing the parking rates based on aircraft size versus weight.

- Ms. Bodin shared that some analysis on the fuel flowage fee has been done over the past few years and rates have been low in that area. Rates have been adjusted to 8.3 cents, which is similar to what other operators are at who provide fuel flowage fees. DLH is right in the middle, as other operators range from 4 cents on the low end all the way up to 12 cents at some airports.
- Parking lot fees are being adjusted on an hourly rate up to a daily max, will result in some additional revenue to the airport as well.
 - Mr. Werner mentioned that our catchment area for passenger traffic is a radius that is much larger than 60 miles and capturing much of northeast Minnesota, and the airports to the north of DLH don't charge for parking. It's a balancing act. MSP charges a fee that is appropriate for a major metropolitan area. Where does DLH fit in with that-there is some method to keeping around 50% of MSP's cost and is noteworthy to mention that MSP also charges a peak rate. In terms of what is appropriate for DLH's fees, finding a happy medium was imperative.
 - Ms. Bodin stated that in a comparison based off MSP rates posted, DLH haven't been adjusted in 8 years. The only exception is that an adjustment was made once there was technology to get tiered rental pricing on the parking ramp and hope to dial in a bit more with new technology.
 - CPI adjustment of 3% for corporate parking. In the commercial vehicle lane, charging per trip fees instead of just the flat permit fee. The per trip fee is \$1.50 to match what Ubers and Lyfts pay us.
 - There are a couple of changes to badging rates, mostly to our construction contract badges.
- Ms. Bodin then shared that the Draft 2025 DYT Rates and Charges didn't have many updates. She noted a disclaimer for the float storage area about invoicing for that service. Essentially the same rates.
- Draft 2025 Annual Budget-as of now, budgeting a \$105,000 surplus, and this takes into account the aforementioned rate adjustments. DLH's operating revenues are budgeted to be at an all-time high. There is a 14% increase over the 2024 budget and data from 2023. The passenger-related concession revenue is based off 2024 numbers. 2024 was budgeted for a deficit, and how to overcome deficit and balance with increased costs that are natural to the operations. The TSA LEO reimbursement that we are not receiving right now was budgeted to resume, and our budget is flat if we don't receive it. Our non-aeronautical revenues are expected to increase due to rate adjustments. A 10% increase to signatory rental rate and 6% landing fee rate. Operating expenses are 4% over the 2024 budget and 10% over 2023 actual data. The DAA staff has worked to



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cut budgets where possible and increase rates where necessary to overcome a budgeted \$684,000 deficit for 2024 and additional \$276,000 in 2025 increased costs.

- Ms. Bodin said that the DAA continues to work to support the master plan and strategic plan initiatives, and that the annual debt service in 2025 for all long-term debt is \$1,078,271.00. Airline negotiations are upcoming and will discuss rate structure and how we came up with those numbers. That could affect what comes up for November approval as well.
- Contract security continues to increase; \$58,000 (or 21%) in 2023, some adjustments are being made and does need to be RFP'd in 2025. Also increases in communications & technology of 33% over 2023 actual. CBP/FIS estimated additional costs of \$14,800.00. Janitorial costs increased by \$23,000 (nearly 10%) over the past year. HVAC was RFP'd in 2025 with new contract budgeted nearly \$40,000.00 more than previous years, with a 30% increase in costs. Budget cuts and adjustments are being made. Those areas include potential deferred maintenance include landside pavement on Grinden Drive, jet bridges, and several other smaller possibilities.
 - Mr. Papko added they don't have 30% increase baked in, can't do much with one response when put out bid offers, times when they have to go out for RFP submissions. Only got one response for Contract Security and HVAC and not a lot to work with there.
 - Ms. Bodin added that she is always happy to go into more detail about the data she presented.
 - Mr. Werner reminded everyone that we intentionally present the budget and rates/charges in open book fashion, which gives stakeholders and board members time to digest the information and discuss prior to asking for approval, and in preparation with our briefing with the city council in December. While we are showing improvement coming out of the pandemic, 50% of DLH's operating revenue comes from passenger spending such as parking, restaurant, etc. DLH needs folks to commit to flying local; going into next year's strategic plan will encourage the board to advise how the DAA can further accomplish this as it is incredibly important to create new revenue and activity at the airport.

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

- The Duluth International Airport Economic Impact Study is underway with the survey being sent to stakeholders, last one completed in 2019, looking at what areas of growth, jobs, etc.
- Sky Harbor Naming Event naming terminal building after Robert R. Gilruth, who was involved in the NASA space program, landing someone on the moon, and working on the Apollo missions. The ceremony will take place on October 24th at 2 pm, and it will be a community focused event.
- Our Customer Survey will be working to gain better insight into DLH travelers, learning how to market them better as well. Will be entering into a data refresh in 2025, so data that is received from the customer survey will be able to guide that work as well.

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

- ATCT Advocacy Update-Mr. Jeff Anderson and Mr. Werner have been working on multiple initiatives, and recently had a virtual meeting with Senator Sandy Pappas, Chair of the Senate Capital Investment Committee, regarding \$14 million in funding. Currently waiting for next round of ATP grants, submitted application back in July for federal funding, announcing before November election, closing in on funding gap, will



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provide overall update and have one more grant cycle left, \$3-4 million to cover, will update as hear more.

- The State Air Carrier Incentive Program Policy is getting a little bit of traction, limited fundraising capacity, very early ages of this study, will invest \$3-5 million with other airports in conjunction with this, presenting to MNDOT, and may eventually turn into legislation over the next couple of years.

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

- Mr. Werner attended AAAE National Airports Conference and a lot of discussion about recent cyber-attacks, including the one at Seattle airport, SeaTac. Air mobility is getting a lot of attention, and electrification not sure how will affect regional areas like DLH, good to at least talk about it regarding infrastructure, etc.

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

- Kaplan and Kirsch has signed a professional contract to augment legal work that Mr. Enslin does, as he has a substantial amount of other responsibilities with the city so we are enlisting Kaplan and Kirsch for additional legal assistance.
- Local Air Service Action Committee (LASAC)-directors from all 9 commercial service airports work together to provide better service around the state, success with moving the needle with the congressional delegation and the FAA with several initiations throughout the years. Mr. Werner was asked to chair the committee back in 2018 after the longtime mayor of International Falls, Bob Anderson passed away. Mr. Werner announced that he won't be seeking another term as chair, proud of the work the group continues to do.

- Dir. Henderson 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 September 17, 2024 Meeting Minutes

- Dir. Henderson entertained questions or a motion.
 - Motion: Dir. Crawford
 - Second: Dir. Anderson
 - Abstain: None
 - Result: This resolution was adopted unanimously by roll call.

III. *DAA CASH DISBURSEMENTS

A. Operating Check Register Sheets #24-25 of 2024; Operating ACH Payment Registers #25-26 of 2024; Construction ACH Registers #12-13 of 2024.

IV. *CORRESPONDENCE

A. September 13, 2024: DLH Construction Newsletter.

September 20, 2024: DLH Construction Newsletter.

September 27, 2024: DLH Construction Newsletter.

October 4, 2024: DLH Construction Newsletter

B. September 13, 2024: The Duluth Airport Authority Receives Grant of Over \$10 Million. WDIO.com.

C. September 22, 2024: Sun Country Flights from Duluth to Fort Myers Returning in 2025. DNT.



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- D. September 22, 2024: Direct Flights from Duluth to Fort Myers Back by Popular Demand. WDIO.com.
- E. October 8, 2024: Letter to Tenants Regarding Impact Study. DAA.

V. OPPORTUNITY FOR PERSONS TO BE HEARD

- A. Mr. Don Monaco virtually spoke regarding the Monaco Air sales process and the termination of the AERO agreement. Mr. Monaco mentioned that there is a new buyer interested and moving towards a possible December 2024 closing. At one of the remaining 2024 DAA meetings, Mr. Monaco said he would like time to introduce the buyer and pass some resolutions that allow Monaco to transfer the various operator agreements, terminal use agreements, and other leases to the buyer as well as an estoppel agreement. discuss details. Mr. Monaco will be sharing more info with Mr. Werner as he knows it and is excited about the new buyer's vision for the business and partnership with DLH.

VI. OLD BUSINESS

- A. None.

VII. NEW BUSINESS

- A. Resolution to Approve the Write-Off of an Accounts Receivable Balance of \$1,526.68 for Hermantown Hydraulics Per Operating Policy #23.
 - Ms. Bodin shared that policy #23 asks for approval for anything over \$1500.00. This resolution applies to two invoices and a partial invoice remaining for Hermantown Hydraulics. Debt is not collectable at this time, phone lines disconnected, outside credit collection attempt. The credit services company informed DAA that it is very unlikely that the credit will be collected in the future.
 - Dir. Henderson entertained questions or a motion.
 - Motion: Dir. Hoff
 - Second: Dir. Johnson
 - Abstain: None
 - Result: This resolution was adopted unanimously by roll call.
- B. Resolution to Approve Memorandum of Understanding Between the Duluth Airport Authority and the Federal Aviation Administration.
 - Ms. Kayser shared that the resolution is to memorialize that we are working with the FAA on exploration of the recommended site 6 for a new ATCT.
 - Dir. Henderson entertained questions or a motion.
 - Motion: Dir. Hansen
 - Second: Dir. Crawford
 - Abstain: None
 - Result: This resolution was adopted unanimously by roll call.
- C. Resolution to Approve Revocable Right of Entry Permit between the Duluth Airport Authority and the Federal Aviation Administration.
 - Ms. Kayser shared that this document goes along with memorandum of understanding- FAA to request access to the premises of construction site for the new ATCT at no cost for 36 months.
 - Dir. Henderson entertained questions or a motion.
 - Motion: Dir. Johnson



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- Second: Dir. Hansen
- Abstain: None
- Result: This resolution was adopted unanimously by roll call.

D. Resolution to Approve the Installation of Luminary Art by Leonarda Boughton.

- Ms. Baker shared that she was approached a couple of months ago by Ms. Boughton to install art throughout the skywalk to the parking garage. Ms. Boughton has been exhibiting work in galleries and museums around the country and beyond. The installation would include colorful pieces to place within the glass panels of the skywalk, as well motion sensor activated to play a sound while walking through the skywalk. There is no financial for DAA, and the artist will be utilizing a grant, and plans would be to begin installation in December. Ms. Baker shared images and renderings submitted by Ms. Boughton and described the soothing and relaxing sounds that are activated by the motion sensor.
- Ms. Kayser confirmed that patrons would still be able to see out skywalk windows, and Ms. Baker confirmed that to be the case and that the artwork will either be on one or both sides of the skyway, depending on the grant size that is awarded.
- Mr. Hoff asked what the lifespan of the art installment is, and Ms. Baker responded that it is one year, and the artist wants the right to remove the pieces should she wish to install them elsewhere. The expected duration of the art at DLH is December 2024-December 2025.
- Ms. Johnson asked if DLH has any current policies about art installations? Ms. Baker said that DLH does not have any current policies regarding art. Mr. Werner added that DLH does have one that guides what type of art broadly and that the board will have final say on the approval. For example, we have two statues on the second floor and there are agreements that basically dictate the who/what/where/why of maintenance, etc. The DAA will provide access for the community to display art but not to be financially liable for and won't maintain it.
- Dir. Henderson entertained questions or a motion.
 - Motion: Dir. Hoff
 - Second: Dir. Hansen
 - Abstain: None
 - Result: This resolution was adopted unanimously by roll call.

E. *August 2024 Financial Reports

F. *October 2024 Accounts Receivable

G. *September 2024 Airline Statistics, Landline Statistics

VIII. DIRECTOR'S REPORTS

- A. Dir. Henderson thanked Ms. Delnay for organizing the Airport Board Orientation Training and said it was very informative and helpful.
- B. Dir. Henderson also stated that Director O'Brien is going to do a review of the board attendance policy.
- C. In closing, Dir. Henderson thanked Mr. Werner for 25 years of service.

ADJOURN: The meeting was adjourned at 9:08 a.m.



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Respectfully submitted,

Aimee Bone
Administrative Coordinator

Tom
Werner

Digitally signed by
Tom Werner
Date: 2024.11.05
07:17:44 -06'00'

Approved: _____

DAA Executive Director