



# DULUTH AIRPORT AUTHORITY

## 2026 DRAFT BUDGET ASSUMPTIONS

### MAJOR TAKE AWAYS:

- DAA staff budgeted for nearly a \$45k budget surplus in 2025.
- Operating revenues are budgeted to be an all-time high. This is a 5% increase over the 2025 budget.
- Passenger related concession revenue was estimated based on similar activity to 2025 making considerations for loss of Sun Country passenger concession revenue. Other revenues were determined based on current activity and contracted rates.
- Removed TSA LEO reimbursement from budget and will consider this a positive variance if return to the program is achieved.
- Non-Aeronautical revenue increases are expected to continue 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 budgeted at 2% over the 2025 budget.
- DAA staff worked diligently to achieve a relatively flat budget by considering deferred maintenance, etc. where possible and increasing rates where necessary to overcome the \$100k TSA LEO award loss for 2025 as well as additional \$140k in increased costs and significant local shares for grants in 2026.
- DAA staff continues to work to support the master plan as well as our strategic plan initiatives.
- Our annual debt service in 2026 for all long-term debt is \$1,078,181.
- Airline negotiations with a new rate structure are anticipated in the future which may include adjustments to airline rate methodology and require additional board approvals.

### OPERATING REVENUE:

#### **Non-Aeronautical Revenue:**

- Concession projections were determined by estimating similar service to 2025 less Sun Country service and using 2023-2025 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 2025 trend data.
- Actual income assumed per individual rental/lease contracts.
- Fuel flowage and landing fee concessions are expected to increase 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 2025 for Delta and United and no return of Sun Country service.

### OPERATING EXPENSES:

#### **Central Services/City Admin Fee:**

- The city has provided the budget fee of \$143,200 for city services in 2026 which is an increase of \$9,100 or nearly 7% more than 2025.

#### **Personnel Compensation & Benefits:**

- Assumed retention of one maintenance staff which was hired in a temporary role to support the DAA with military leaves and deployments. This is in an effort to support the staffing adjustments recommended by the organizational assessment completed in early 2024.
- Assumed estimated 5% adjustment to wages after step increases for all CBA & Management employees.
- Assumed 7.5% increase in health insurance premiums and 1.5% Dental as approved by the JPE.
- Retiree insurance premiums adjusted for current retiree cost. This was a substantial decrease due to retirees entering the over 65 bracket.
- Work comp insurance premiums based on current experience.

#### **Utilities:**

- Assumed similar usage to last 12 months with 3% adjustment.
- Storm Water: Budgeted for fees based on 2025 experience. Working for exempt status.

**Professional Services:**

- Increase in professional services to support legal services agreement.
  - This are continues to grow as expertise in airport law is necessary.
  - Additional projects outside of current scopes would add to this.
- Contract Security: RFP'd in 2025 and adjusted to proposed pricing.

**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 budgeted to decrease.
- Departments worked to reduce any “discretionary” spending and right size their budgets based on current experience.
- Contract cost updates were included based on most recent RFP results.
- Communications & Technology: Contractual costs updated to include replacement of cameras.
  - Includes CBP Recurring Expenses of \$22k

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

**Duluth International Capital Projects with Local Share:**

- Fuel Farm Relocations & Improvements: Estimated \$983k local share. (\$522k reserves, \$460k CFC)
- \$150k in building improvements identified for terminal upgrades/hangar 103 canopy.
- \$22k potential local share for some taxi lane development.

**SKY HARBOR:**

**Sky Harbor Revenues:** Reviewed trends and averages from previous three years placing emphasis on most recent year.

- Land/Field Rent: Based on 2025-2026 actual leases.
- Concessions: Estimated based on similar activity to 2025.
- Av Gas Sales: Projected to be decrease for similar to 2025 activity.
- Hangar Rental: Based on current rental agreements, increase with adjusted pricing.
- State Aid M&O: Adjusted to match current state contract agreement.

**Sky Harbor Expenses:** Based on trends and averages from last three years placing emphasis on most recent year.

- Costs of Goods Sold: Budgeted for a slight decrease to be closer to 2025 actual with reduced pricing.
- Expenses for buildings were adjusted to be closer to actual cost.

**Sky Harbor Capital Projects with Local Share:**

- Fuel Farm Relocations & Improvements: Estimated \$181k local share.

**DEBT SERVICE:**

- Our annual debt service for 2025 for all our long-term debt is \$1,078,181.
- 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.
- Future debt service capacity: Could be gained after the December 2027 payoff of the parking structure loan.