



DULUTH AIRPORT AUTHORITY

Duluth Airport Authority Board Retreat Meeting Minutes October 3, 2025

MEETING LOCATION: Sheraton Duluth Hotel, Split Rock Room

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

OTHERS PRESENT: Tom Werner, DAA Executive Director
Ryan Welch, DAA Dir. of Operations, Planning, and Construction
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
Mike Bown, SEH
Shawn McMahan, SEH
Kaci Nowicki, SEH
Ann Glumac, Glumac Executive Enterprise

CALL TO ORDER: Dir. Henderson called the DAA board meeting to order at 10:00 a.m. Dir. Henderson encouraged directors to ask any questions they may have to encourage discussion on these topics.

Mr. Tom Werner provided an overview of the agenda and stated that today will have a heavy focus on Air Service, which will be important as the board makes future decisions regarding pursuit of another low-cost carrier in the DLH market.

Mr. Werner invited Mr. Mike Bown to speak on **Air Service Review:**

- Mr. Bown noted that his presentation will be briefer than in years past.
- Key Industry Trends, How They'll Impact Duluth, and Best Air Service Growth Options:
 - Mr. Bown shared that in general, the industry is favoring larger markets and strong demand from higher end consumers, while lower end is struggling a bit. For example, Delta's main cabin revenues are flat, but their premium offerings are strong. Similar with United. Mid-range carriers such as Southwest are not doing as well, and lower end carriers, such as Spirit, Allegiant, Sun Country, and Frontier, are struggling as was mentioned. In terms of day-to-day, Mr. Bown shared that he doesn't see a lot of growth and suggested that carriers such as Delta will have revenue growth by offering additional higher end options, such as more Comfort and First-Class cabin options. The average domestic plane has 132 seats. Mr. Bown also shared that industry capacity growth has slowed considerably, but the United and Breeze Airways have both had considerable



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growth, which is predicted to continue into the future. Mr. Bown also shared that aircraft are getting larger.

- Mr. Werner shared that with less flight connections on airlines such as Delta for DLH, it leads consumers to make other airline choices. It underlines importance of strategically support Delta in the market. Mr. Bown doesn't see a lot of growth at airports such as MSP, but adding products like comfort and first classes and charging higher fares can help.
- Dir. Henderson asked how Allegiant Air is performing compared to carriers like Sun Country. Mr. Bown explained that while Allegiant has historically grown significantly, 2025 is unique following pilot shortages in the prior two years. With the potential exit of Spirit Airlines, other low-cost carriers may move to fill any resulting market gaps. When asked whether undergrowth is driven by operating costs or seat demand, Mr. Bown noted it is a combination of both, citing rising pilot and operating costs and the need for larger aircraft to maintain profitability.
- Mr. Bown shared graphics outlining factors impacting Delta's future capacity growth, including MSP growing below the systemwide 2–3% annual rate, slower domestic growth compared to international, increased focus on premium and higher-yield travel, and infrastructure constraints at major U.S. airports with limited room for expansion.
- Mr. Werner noted that Delta's growing premium sales align less with Duluth's market, which tends to favor lower-cost travel. Duluth's median household income is approximately 15–25% lower than comparable regional markets, creating economic barriers to growth that should be communicated to policymakers. Duluth's aging population is also not being replenished in the workforce, in addition to other factors including issues with available childcare and housing.
- Mr. Bown added that DLH's proximity to MSP will remain a challenge due to greater service options nearby, as well as competition from nearby federally subsidized EAS markets. He recommended targeting Breeze Airways, noting its rapid A220 fleet expansion and aircraft size better suited for smaller markets like DLH, along with competitive fares and multiple cabin options. Mr. Bown also shared that Breeze has a solid on-time performance average in comparison to other carriers such as JetBlue, United, and Alaska, and their averages are well ahead of other ultra low-cost carriers. Other strong Breeze statistics include 99.8% completion factor, mishandled bags are low at .27 per hundred and notably was ranked a top 5 "Best U.S. Airline" in Travel + Leisure's World's Best. Another noteworthy aspect is low price points to attract travelers.
- Mr. Bown shared a graphic showing a route from DLH to Las Vegas with weekly passenger and average round trip fare data, and Phoenix as well. Other mentionable markets include Fort Myers, Tampa-St. Petersburg, the North/South Carolina. Although LAS visitor levels overall are down a bit, Breeze shared that their numbers remain strong.
- State of Business & Leisure Travel
- Mr. Bown also shared that Breeze has interest in the DLH market and 2027 or 2028 a more likely timeline. It is projected that with Spirit's issues, there will be an increase in demand for Breeze. It will also require a financial support package. There is a \$2.3 million package including a SCASD (Small Community Air Service Development grant of \$1 million and the Chamber Foundation is targeting a \$500,000 package). DLH will also need a letter of support from Breeze to get the SCASD shifted from Denver service to one of the targeted routes.
- In closing, Mr. Bown shared that industry growth and particularly Delta will be limiting capacity growth to 2-3% annually going forward. This will limit DLH's air service options. Mr. Bown shared that Breeze is probably the best option for DLH to grow air service; they are adding a new aircraft every month through 228 and they are familiar with DLH. If new routes with DLH and Breeze were successful (for example, routes to Denver and Cancun), Breeze would likely look at adding further new service at DLH. Including the SCASD and Chamber Foundation



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funds, DLH has a \$2.3 million dollar package to support Breeze service, which will likely gain serious consideration.

Next, Mr. Werner shared the DAA's "Vision and Mission" followed by a summary presentation of the **Strategic Plan Recap** and accomplishments over the past five years:

- Strategy I: Infrastructure Renewal
 - Reconstruction of Alpha Taxiway
 - Taxiway A is reconstructed consistent with phasing outlined in Vision 2040 no later than 2030 (will be done three years early).
 - New Air Traffic Control Tower
 - A new air traffic control tower to be constructed with a sustainable funding model, meeting the needs of the FAA and airport users, no later than 2030.
 - Rehabilitation of Runway 3/21
 - Runway 3/21 is rehabilitated, preserving its current width and edge lighting is replaced, meeting the needs of stakeholders no later than 2025.
 - Taxiway C is realigned no later than 2024.
 - Possible General Aviation Ramp Expansion
 - Additional ranch hangars are constructed no later than 2023 behind the Monaco Air fuel farm.
 - Additional apron expansion is completed as a part of Phase 4 of the Taxiway A project.
 - The Hydrosolution building is demolished no later than 2024 to make way for general aviation hangar development.
 - The general aviation ramp and taxi lane is constructed as a part of ATC relocation phase 1 no later than 2025.
 - Terminal Ramp Expansion
 - The terminal ramp is expanded, meeting the needs of stakeholders, no later than 2025.

Mr. Werner then shared comparison diagrams of the pavement condition index from 2021 to 2025 and the stages of improvements made. MnDOT creates the index to measure and determine the health of the surface pavement. This also includes realignment on the runway surfaces that were needed. There has been \$102 million in federal grant funding awarded to support the Vision 2040 Master Plan infrastructure renewal since 2021.

- Strategic Plan Strategy I: Infrastructure Renewal Update
 - Taxiway Alpha Reconstruction
 - Phase 1-5 Complete (Phase 5 to be completed later this month).
 - Approximate cost of Phases 1-5 is \$44.5 million.
 - Phase 6 to start in 2026.
 - Phase 7 in 2027.
 - The project was originally planned in 9 phases, but due to an increase in FAA discretionary funding available, able to complete the project three years earlier than originally planned.
 - Rehabilitation of Runway 3/21
 - \$950,000 edge lighting replacement (completed in 2022).
 - Taxiway C realignment is 50% complete.
 - Taxiway C North to be done by 2030.



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- General Aviation Ramp Expansion
 - Phases 1-3 Complete.
 - Approximately \$2 million so far in these phases (the midfield ramp pavement is being replaced in sections).
 - Additional phases to be added as funding is available. MnDOT has been a tremendous grant partner because this project doesn't compete well for federal discretionary funding.
- Terminal Ramp Expansion
 - Completed in 2021.
 - \$1.2 million dollar project cost.
- Air Traffic Control Tower Project
 - Building 101 was demolished in 2024.
 - The ATCT siting study was completed in 2022.
 - Building design was completed in 2024.
 - \$72 million dollar project, with the breakdown as follows: \$37 million in federal funding, \$17.5 million in state funding, \$1.4 million in local funding with a remainder of approximately \$16 million yet to be funded, but another federal grant application is pending and another \$4 million state bond request during this session to help make up for the gap. It's more cost-effective to build the tower in one phase than break it up into several, and the DAA will continue to pursue funding to get to the projected \$72 million overall cost.
- Sky Harbor Airport
 - The Robert R. Gilruth Terminal Building:
 - Completed in a very quick turnaround time (project start August 2023 and completion July 2024).
 - The terminal was a \$2.68 million dollar project funded with an Infrastructure Investment and Jobs Act (IIJA) Grant and the public is very happy with the structure.
 - Snow Removal Equipment (SRE) Equipment Facility:
 - This project started in September 2023 and was completed in 2024.
 - The cost was \$1.4 also funded with the IIJA Grant.
 - Added to Sky Harbor's ability to generate revenue by removing the snow removal equipment from the hangar and having space available for leased aircraft and storage.
 - Overall, about \$8 million in grant funding has been awarded to Sky Harbor infrastructure renewal since 2021, and many of the grants had no local share.
- Strategy II: Support Economic Development
 - Position Blighted/Underperforming Property for Redevelopment
 - Mr. Werner shared a graphic with buildings on the airfield that have been demolished to prepare for development, the site of the new ATCT, and future demolition areas. All part of the Master Plan that was adopted about five years ago.
 - Hangar 101 is demolished, one of the oldest hangars on the property, and the site is ready for redevelopment no later than 2022. It will be the future site of the Cirrus Hush House.
 - DHL building is demolished no later than 2024.



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- Hydrosolutions building is demolished no later than 2024.
- A plan is developed to demolish the vacant hangar on the Midfield Ramp no later than 2025.
- Position Select Green Space for New Development
- Mr. Werner shared that diversifying revenue streams is important, especially after experiencing the pandemic. There are 173 acres that will never be tied to the airport, no aircraft operations but still able to develop for other purposes. Mr. Werner shared several high traffic areas that would be successful areas for development.
 - Secured a FAA land release for the Haines Road/Airport Road (Site 4) development area in 2022.
 - The Haines Road/Airport Road (Site 4) development area is marketable to developers no later than 2025.
 - Non-aeronautical development areas have commercial zoning no later than 2023.
- 5-Bay Ranch Hangar Project (2023-2024)
- LifeLink III Hanger Project (2025-2026)
- Strategy III: Strengthen the DAA's Cash Position
 - Strengthening Underperforming Revenue Streams
 - Revenues increase year over year.
 - Research and implement a new parking revenue management structure that differentiates between parking products including electric charging, covered, and uncovered no later than 2023.
 - Support restaurant upgrades and investments that result in increased product offerings, efficiency, and customer utilization no later than 2023.
 - Unrestricted cash average balance is -\$750,000 over the course of a year.
 - Adopt a cash balance policy in 2022.
 - 100% of office, hangar, and warehouse space is leased.
 - Pursue New Revenue
 - Revenues increase year over year.
 - Unrestricted cash average balance is \$750,000 over the course of a year.
 - Construct a quick turn facility (QTA) no later than 2023.
 - New ranch hangars are constructed and leased no later than 2023 behind the Monaco Air fuel farm.
 - Establish a peer-to-peer car rental concession and operating policy no later than 2022.
 - Adopt a cash balance policy in 2022.
 - Adopt Priority Based Budgeting
 - Improved financial processes and efficiencies with an emphasis on goal setting at all echelons. If a project doesn't support the DAA's mission or any of its strategies, then we don't need it. This approach has instilled a strong sense of financial discipline across the entire staff.
 - Unrestricted cash average balance is -\$750,000 over the course of a year.
 - Adopt a cash balance policy in 2022.
 - Several of these goals were completed.



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- Next, Mr. Werner showed a graphic with Revenue vs. Expense Comparison. Mr. Werner also showed a graphic that outlined a new development revenue outlook, including the ATCT, as well as a debt service schedule. There are several items that will be paid off within several years. Mr. Werner shared data about the net parking lot revenue from 2019-2025. This included a spike pre-covid, and the patterns post-pandemic.
 - Mr. Werner shared several goal items that were not completed as of yet. Those include the restaurant upgrade support, constructing a quick turn facility (QTA) no later than 2023, as well as having 100% of the office/hangar/warehouse space leased (about 99% of the space is under lease).
- Strategy IV: Strengthen/Grow Air Service
 - Add Daily Flights to a Western Hub on a Major Network Carrier
 - Daily flights to a western hub are launched no later than 2024.
 - Route is financially sustainable within the first two years.
 - Add a Low-Cost or Ultra-Low Cost Carrier to Fly Select Leisure Routes
 - Flights to select leisure destinations are launched seasonally no later than 2025.
 - DLH increases total passengers to 330,000 by 2025.
 - Grow passengers to maintain dual class product on 50% of flights from DLH.
 - Strengthen Customer Experience/Perception and Increase Air Service Marketing
 - Customer satisfaction with the “Above and Beyond” culture at DLH is above 90% according to customer surveys.
- Mr. Werner shared numbers of the effect that the pandemic had on these goals and have been on the road to recovery since. The numbers have been growing each year since the end of the pandemic.
 - Summertime peaks have increased over the past few years.
 - Year-end of 2024 showed total DLH passenger count of 278,427. This is an 11% decrease since pre-pandemic 2019, but an increase of 11% over 2023.
 - 2024 year-end seat capacity was 5% lower than 2019 and Delta was close to their 2019 seat levels. The seat declines compared to the pre-pandemic must also be considered partially due to United’s limited capacity and the loss of American Airlines in 2020.
 - Load factors in Q424 remain strong with Delta at 88% and United at 89%.
 - Total passengers numbers year by year 2005-2024 were shared as well, including dips post Great Recession and during the pandemic. Pre-pandemic monthly seat counts were at 16,000 and now at 14,500 monthly as of July. Mr. Werner also shared that historically, the numbers are stronger during eras when DLH has three carriers (not including Sun Country’s seasonal route).
- Mr. Werner shared current routes and future initiatives. As Mr. Bown also mentioned, DLH continues to target gaining additional route(s) in cities such as Denver, Las Vegas, Phoenix, or similar. Not daily routes, but several times a week and grow as able to. A low-cost option is important to consider in our region, with the support of the economic numbers of household income. Other important factors include support of the Duluth Chamber Foundation with the Community Incentive Partnership, repurposing the \$750,000 SCASD grant, and strengthen network carrier routes, including frequencies and seats, all of the pieces fitting into place.



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- Next Mr. Werner shared a recap of the Air Carrier Incentive Program and how it supports the initiatives discussed to encourage growth at DLH.
- Mr. Werner opened the floor for questions.
 - Dir. O'Brien asked if the Transportation Department is the entity that signs off on the SCASC transfer. Mr. Werner shared that there is a division at MnDOT that can approve it.
 - Dir. Hoff asked if the QTA would be owned by DAA and if a profit would be made. Mr. Werner shared that it would be owned by the DAA but not expected to make a large or sizeable profit. It would be strategically important and valuable to have an on-site place for the rental cars to utilize.
 - Dir. Hoff also asked if the DAA could build and develop a facility such as a hotel on the development land here. Mr. Werner shared that there is no regulation against it but would have its challenges and may require an additional management source. A possibility is that a developer could do so and have the DAA receive an ancillary concessionary benefit.

Dir. Henderson announced lunch break at 11:45 a.m. Meeting was resumed at 12:30 p.m.

- The meeting resumed at 12:30 p.m. with Ms. Ann Glumac hosting a Strategic Planning Session with the DAA staff and board members. The planning session consisted of applying data that was shared throughout the morning by Mr. Bown and Mr. Werner, and how the data will shape current and future goals in the strategic plan, how to apply it to the longer-term planning timeframe, and to determine what might be looked at differently or added to with the strategic plan. Based on what is discussed this afternoon, Ms. Glumac will prepare a report as a tool for the future. The next several hours were spent examining these aspects and discussing as a group with Ms. Glumac and Mr. Werner.

Ms. Glumac called for a break at 2:38 pm. Meeting was resumed at 2:50 p.m.

ADJOURN: The meeting was adjourned at 3:45 p.m.

Respectfully submitted,

Aimee Bone
Administrative Coordinator

Tom
Werner

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Tom Werner
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Approved: _____

DAA Executive Director