DULUTH AIRPORT AUTHORITY

2027 DRAFT BUDGET ASSUMPTIONS

MAJOR TAKEAWAYS:

- DAA staff budgeted for a small surplus in 2027 after amortization of project expenses.
- Operating revenues are budgeted at an all-time high, representing a 9.5% increase over the 2026 budget.
- Passenger-related concession revenue projections are based on 2026 activity, adjusted for the return of Sun Country passenger service. Other revenues were determined based on current activity and contracted rates.
- TSA LEO revenue was added to the budget for the upcoming year. Revenue was assumed to continue through the entirety of 2027.
- Non-Passenger Aeronautical revenue is expected to continue increasing, driven in part by Lifelink rents and the return of the TSA LEO reimbursement program.
- Proposed rate increases include 10% for the Signatory Airline terminal rate and 6% for landing fees.
- Operating expenses less amortization and depreciation are budgeted at 8.9% over the 2026 budget.
- Operating expenses include a governance study for $150,000.
- DAA staff worked to maintain a relatively flat budget by considering deferred maintenance where possible and increasing rates where necessary.
- DAA staff continue to support the master plan as well as our strategic plan initiatives.
- Annual debt service in 2027 for all long-term debt is $586,096 after the final payments are made in 2026 for the terminal.

OPERATING REVENUE:

Non-Aeronautical Revenue:

- Concession revenue projections are based on 2026 activity, adjusted for the return of Sun Country service and informed by 2024-2026 trends. Projections are less conservative than in previous years because actual revenues have consistently exceeded budget.
- Parking revenue is budgeted to increase $150k over prior year budget based on 2026 activity.
- Rental and lease revenue is based on individual contracts.
    - Landline was removed from the budget for 2027.
    - WLSSD, Minnesota Power, and Lifelink were added to the budget.

Non-Passenger Aeronautical Revenue:

- Landing Fees and concession revenues were projected using three-year averages, with greater emphasis on 2026 trends.
- Rental and lease revenue is based on individual contracts.
- Fuel flowage fees and landing fee concession revenues are expected to increase due to proposed rates and charges adjustments.

Passenger Airline Aeronautical Revenue:

- Proposed rate adjustments include a 6% increase in landing fees and a 10% increase in terminal rental rates to address rising operating costs and contract pricing.
- Assumed similar service to 2026 for Delta and United and estimated the impact of the return of Sun Country service.

OPERATING EXPENSES:

Central Services/City Admin Fee:

- The City budgeted $160,900 for city services utilized by the DAA in 2027, an increase of $17,700, or approximately 12.4% over 2026.

Personnel Compensation & Benefits:

- Assumed addition of one maintenance staff.
- Included a 5% adjustment (2.5 wage adjustment + 2.5% market adjustment) to wages after step increases for all CBA employees as negotiated and approved in the CBA. Included a 2.5% adjustment to management employees.
- Assumed 9% increase in health insurance premiums and 2% Dental as approved by the JPE.
- Retiree insurance premiums adjusted for current retiree cost and the addition of one retiree.
- 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 2026 experience.

Professional Services:

- Increase in professional services to support a governance study in 2027.
- Contract Security: contract rate increased.

Travel/Training:

- Each department projected actual travel and training.

Supplies & Services:

- Evaluated general operating, repair, and maintenance supplies to support maintenance initiatives. As airfield pavement and equipment have improved, supplies budgets have decreased.
- Departments reduced discretionary spending and right-sized budgets based on current experience.
- Increased fuel costs resulted in an increase of just over $100k from prior year budget.
- Contract cost updates were included based on most recent RFP results.
- Communications and technology costs reflect increases in core contractual agreements.

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

Duluth International Capital Projects with Local Share:

- General Aviation Taxi Lane and Infrastructure Rehabilitation: Estimated $427,500 in local share.

SKY HARBOR:

Sky Harbor Revenues: Revenue projections are based on three-year trends and averages, with greater emphasis on recent activity.

- Land/Field Rent: Based on 2025-2026 actual leases.
- Concessions: Estimated based on similar activity to 2026.
- Aviation Gas Sales: Projected to decrease based on 2026 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: Expense projections are based on three-year trends and averages, with greater emphasis on recent activity.

- Expenses for buildings were adjusted to be closer to actual cost.
- Storm Water: Budgeted for fees based on 2026 experience. We anticipate a 90% reduction as we receive exempt status-estimated to be July of 2027.

Sky Harbor Capital Projects with Local Share:

- Stormwater Treatment and Dry Hydrant Hangar Development: Estimated $77k local share.

DEBT SERVICE:

- Annual debt service for 2027 for all our long-term debt is $586,096.26.
- We will have two remaining loans from the City which were funded with a GO Bond issuance.
    - The first was to fund our parking structure and have a payback using parking lot revenues.
        - This is a 15-year loan, which goes through 2027.
    - The second 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.