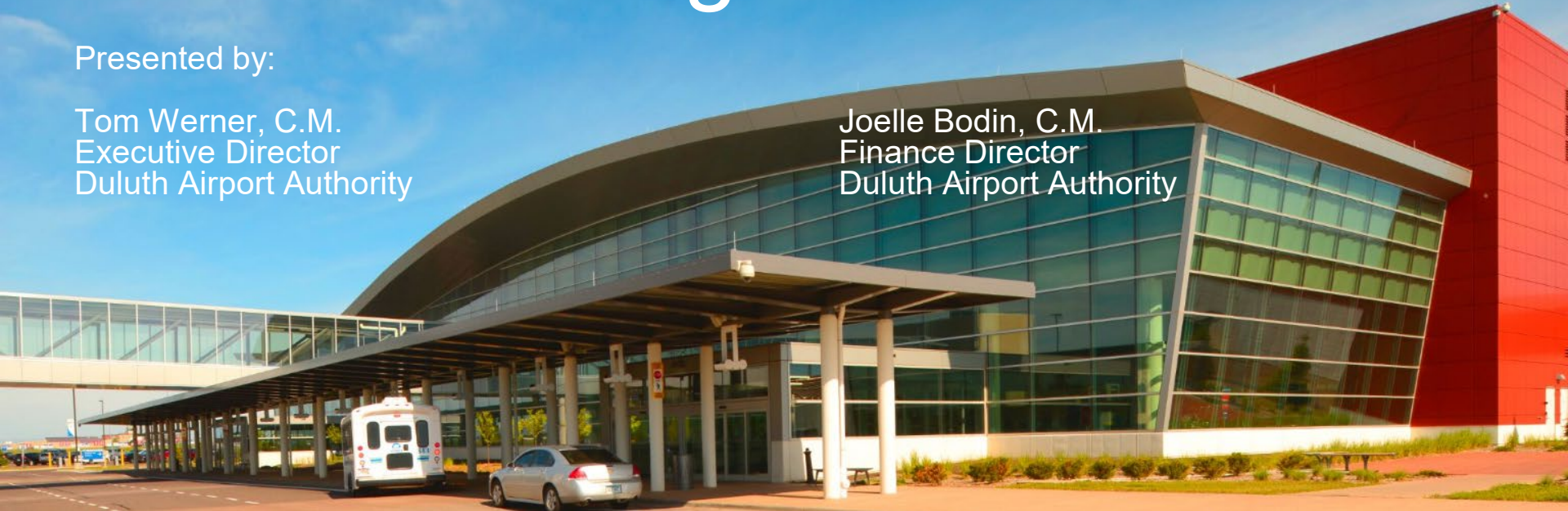


Duluth Airport Authority Fiscal Year 2023 Budget Presentation

Presented by:

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Executive Director
Duluth Airport Authority

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Finance Director
Duluth Airport Authority



Agenda

- 2023 Annual Budget Summary
- Current State of Air Service
- Future Air Service Initiatives
- 2023 Capital Projects

2023 Annual Budget Summary

Financial Row	Prepared Annual Budget 2023
Ordinary Income/Expense	
Income	
Total - Non-Aeronautical Revenue	\$2,950,799
Total - Non-Passenger Aeronautical Revenue	\$1,643,775
Total - Passenger Airline Aeronautical Revenue	\$1,321,416
Total - Income	\$5,915,990
Gross Profit	\$5,915,990
Expense	
Miscellaneous Expenses	\$71,436
Total - Personnel Compensation & Benefits	\$2,909,323
Total - Services and Charges	\$2,266,993
Total - Supplies	\$768,676
Total - Expense	\$6,016,427
Net Ordinary Income	(\$100,437)
Other Income and Expenses	
Other Income	
Total - Capital Contributions	\$0
Total - Non-Operating Revenue	\$496,209
Total - Other Income	\$496,209
Other Expense	
Total - Non-Operating Expense	\$221,964
Total - Other Expense	\$221,964
Net Other Income	\$274,245
Net Income Exclusive of Project Expenses, Depreciation & Amortization	\$173,808
Projects/Grants	
Capital Contributions	
Contributed Capital	
Other	\$1,000,000
Total - Contributed Capital	\$1,000,000
Grants	
Federal Grants	\$15,696,840
State Grant	\$1,242,630
Total - Grants	\$16,939,470
Total - Capital Contributions	\$17,939,470
Total - Projects/Grants	\$17,939,470
Capital Improvement Costs	\$19,490,000
Loan Principal	\$930,000
CFC's Reserved for Approved Projects	\$16,788
Coverage for Hangar 103 Amortization	\$75,000
PFCs To be Collected In the Future	(\$959,734)
Cash Reserves	\$1,438,776
Positive (Negative) Budget Variance	(\$0)
Depreciation & Amortization	
Amortization Expense	(\$295,650)
Depreciation	(\$9,711,990)
Total - Depreciation & Amortization	(\$10,007,639)
Net Income	\$8,105,638

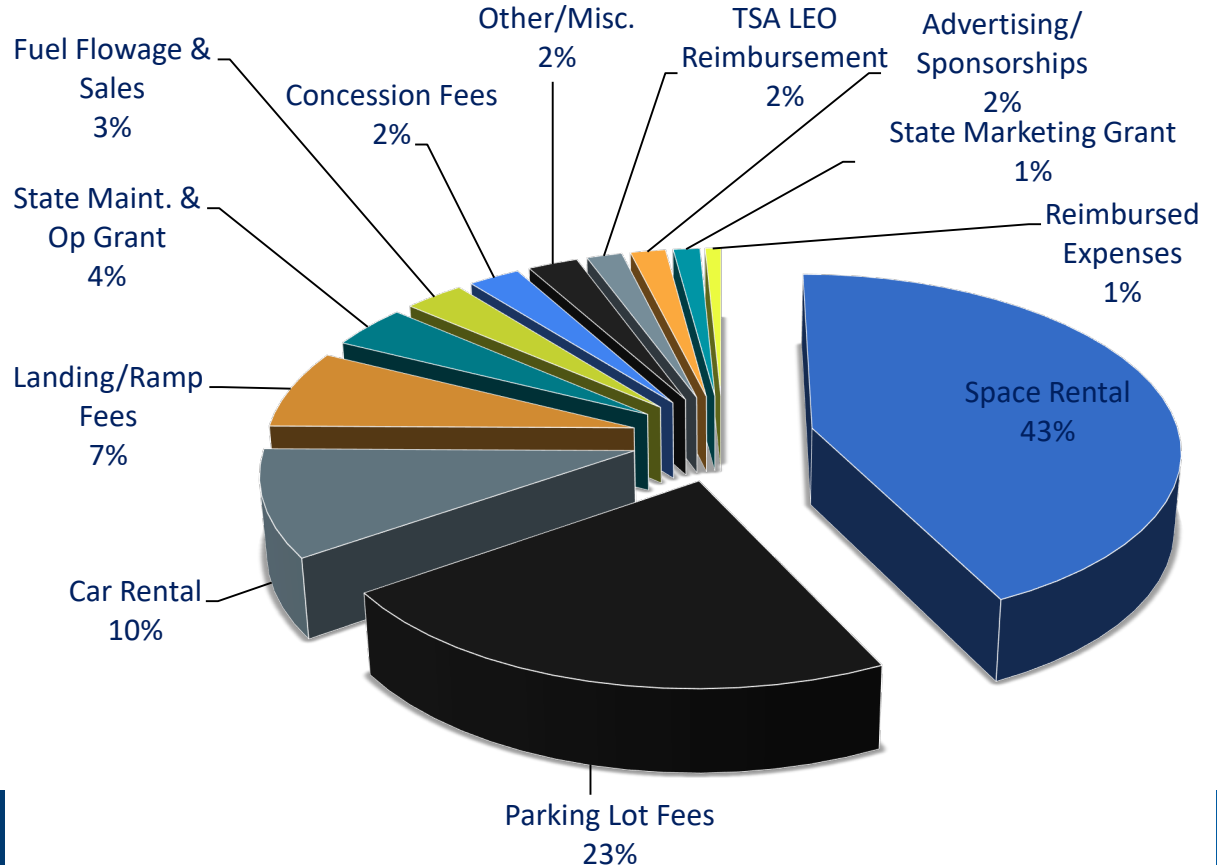
MAJOR TAKE AWAYS:

- Operating revenues have not fully recovered to pre-pandemic levels.
- Operating expenses are estimated to have increased by 10% due to the increases in fuel and repairs and maintenance costs, utilities, contracted services and personnel wages and benefits.
- We continue to support the master plan as well as our strategic plan initiatives.
- 5% rate increase to Signatory Airline rates has been proposed and nearly all other rates are being updated by CPI as well.
- Passenger related concession revenue was estimated based on similar activity to 2022. Other revenues were determined based on current activity and contracted rates.
- Our annual debt service in 2022 for all long-term debt is \$1,071,963.
- Strategy to utilize \$1.4M cash reserves has been identified to provide the local share of funding opportunities and support operations in 2023.

Budgeted Revenues

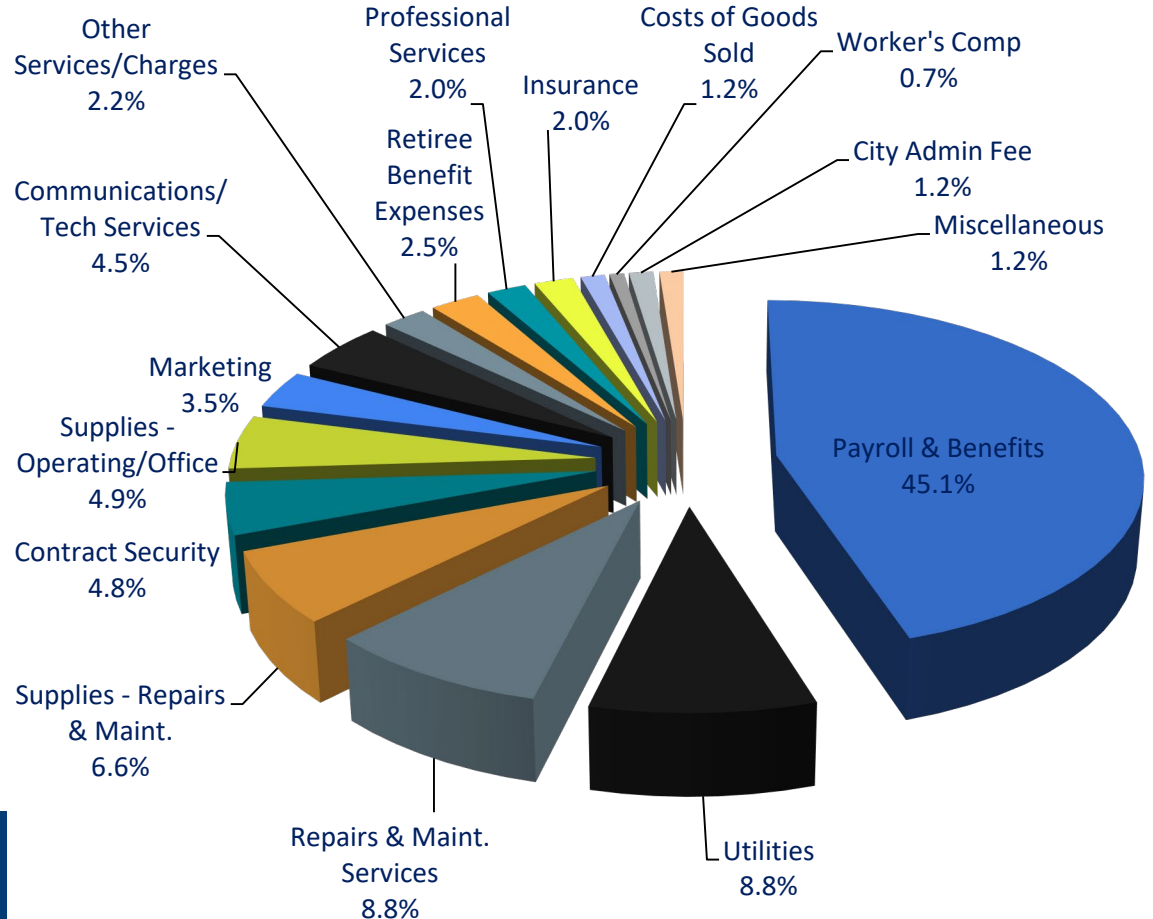
Space Rental	\$2,440,182
Parking Lot Fees	\$1,288,749
Car Rental	\$560,078
Landing/Ramp Fees	\$410,162
State Maint. & Op Grant	\$224,920
Fuel Flowage & Sales	\$171,144
Concession Fees	\$147,380
Other/Misc.	\$142,380
TSA LEO Reimbursement	\$100,700
Advertising/ Sponsorships	\$99,800
State Marketing Grant	\$75,538
Reimbursed Expenses	\$44,684

\$5,705,717



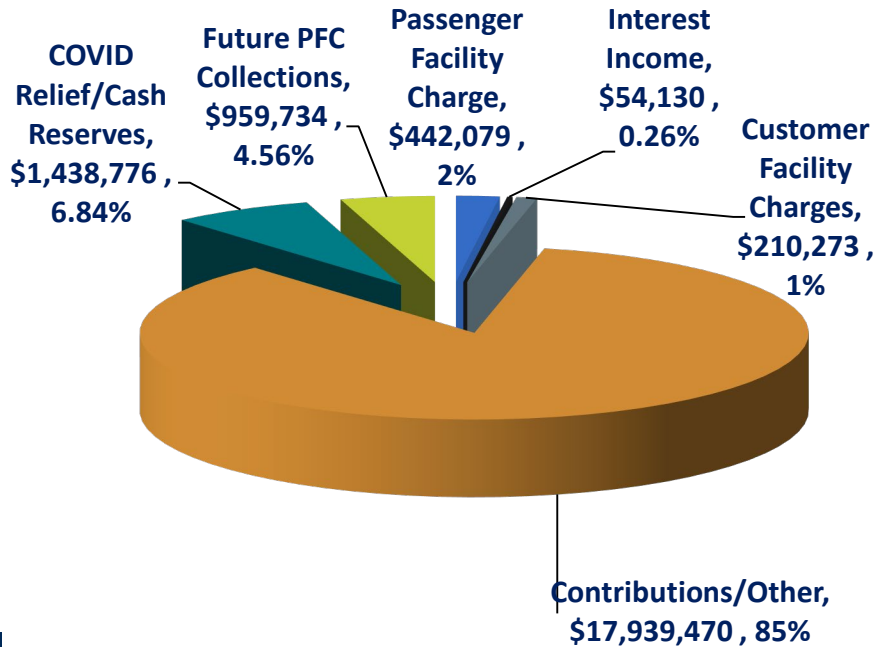
Budgeted Expenses

Payroll & Benefits	\$2,714,155
Utilities	\$526,585
Repairs & Maint. Services	\$527,937
Supplies - Repairs & Maint.	\$398,700
Contract Security	\$286,000
Supplies - Operating/Office	\$297,476
Marketing	\$209,111
Communications/Tech Services	\$272,710
Other Services/Charges	\$134,550
Retiree Benefit Expenses	\$151,167
Professional Services	\$119,000
Insurance	\$117,900
Costs of Goods Sold	\$72,500
Worker's Comp	\$44,000
City Admin Fee	\$73,200
Miscellaneous	\$71,436
	\$6,016,427

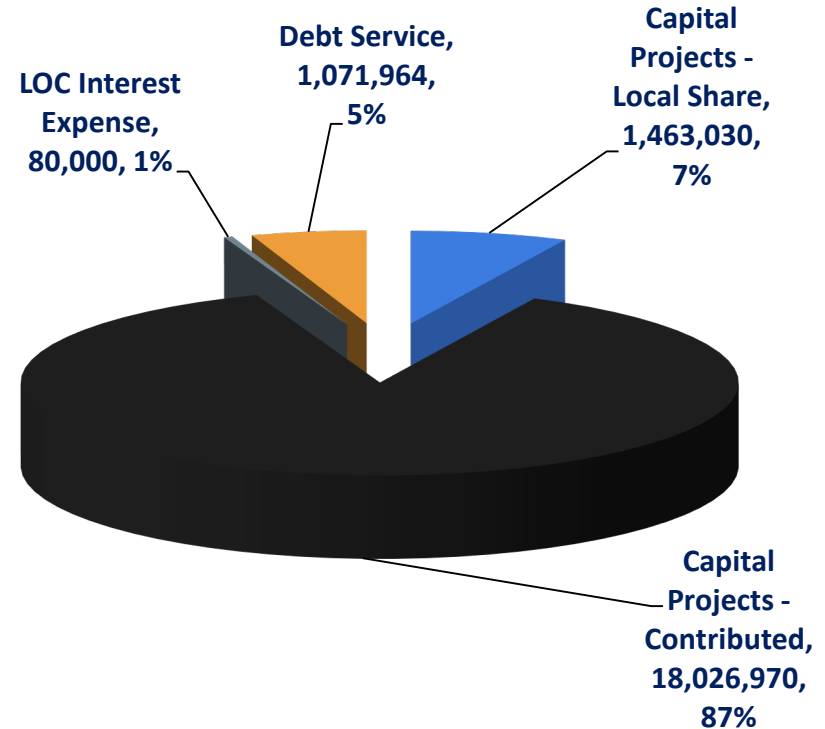


Non-Operating & Capital

Non-Operating Revenues, Future PFC Collections & Grant Contributions: \$21,044,462

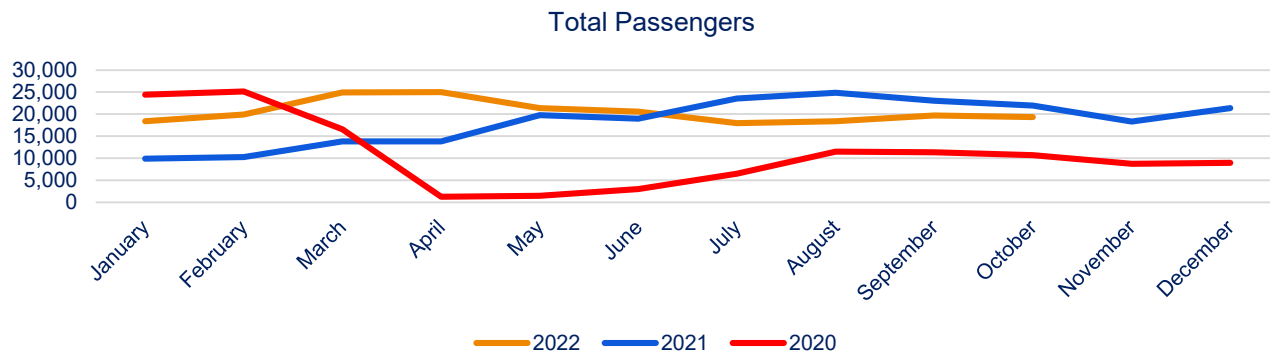


Non-Operating Expenses & Capital Costs: \$20,641,964





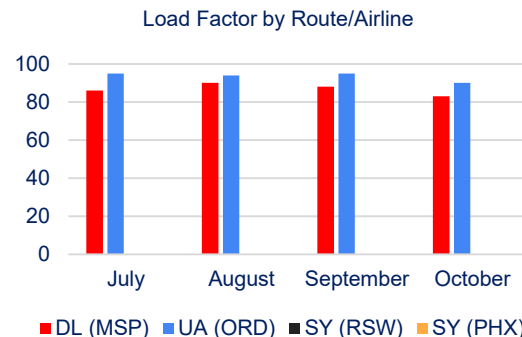
STATE of AIR SERVICE



Monthly Average Available Seats per Year (all airlines)

2019	2020	2021	2022
16,567	10,091	12,192	12,291

- 2022 26% decrease in available seats on average compared to 2019
- Lack of available pilots/crews has constrained capacity



GLIDEPATH TO RECOVERY

- Return of Business Travel
- Sustained Strong Leisure Travel
- Airline Fleets and Crews
 - Outlook for the airline and commercial pilots
 - 18,100 openings for each of the next 10 yrs
 - According to the Bureau of Labor Statistics

324 (76%) of U.S. airports lost service
— average loss was 31% of their flights

257 airports lost more than 10%

161 airports lost more than one-quarter

112 airports lost more than one-third

60 airports lost half or more

20 airports lost three-quarters or more

14 airports lost all scheduled,
commercial passenger air service

2019 vs. 2022 Air Service



Source: OAG Published Schedules October Q2019 vs. October 2022 (Analysis excludes Alaska)

RAA
Regional Airline Association

FUTURE AIR SERVICE INITIATIVES

Denver Focused Small Community Air Service Development Grant Campaign

- Attract a network carrier to provide service from DLH to a western hub (Denver)
- Revenue guarantee of \$1M for 1-2 flights per day
- Local share contributions \$343,500K
- Goal is to reduce fares westbound through sustainable competition



2023 Capital Projects

Alpha Taxiway Reconstruction

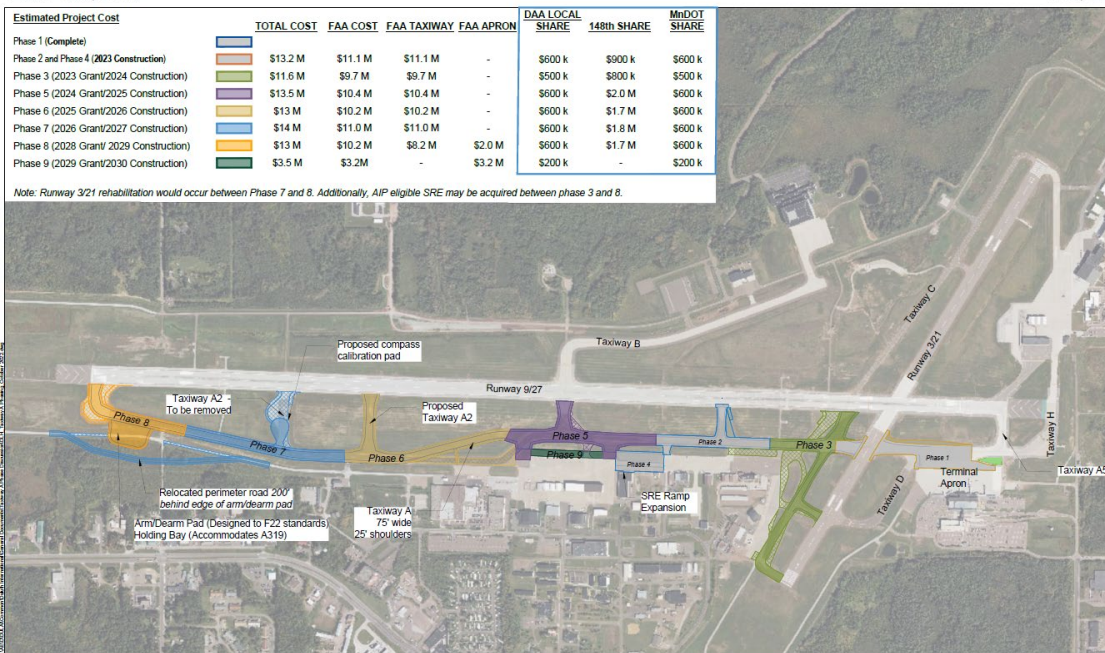
- \$80.9M Total Project Cost
- 9 Phases (based on the availability of funding)
- 2 Miles of Concrete



Airport Master Plan
Duluth International Airport
Duluth, Minnesota

Figure 1

Taxiway A Phasing
10/2022; DULAI



Air Traffic Control Tower



- Owned and Maintained by the DAA
 - 70 years old, constructed in the 1950's
 - 3rd oldest tower in the country
 - Line-of-sight issues
 - \$500K in life, health and safety improvements since 2015
- FAA Siting Study Completed in September
 - \$568K
- Infrastructure Investment and Jobs Act Included Funding Opportunity
 - Reconstruction of airport-owned air traffic control towers
 - 95% federal match
 - DAA will apply for federal grant August 2023
 - ≈ \$20M total project costs

Other 2023 Planned Projects

- Design - Air Traffic Control Tower
- Taxiway A Phase 2 and Phase 4 Construction
- Hangar 2 Demolition
- Hangar 101 Slab Removal
- New Ranch Hangar Construction (5)



2023 Sky Harbor Airport Planned Projects

- General Aviation Terminal Building Replacement
 - \$1.4M total project cost
- Snow Removal Equipment Storage Building Construction
 - \$800K total project cost

Future General Aviation Terminal Building



QUESTIONS