

Exhibit A



DULUTH INTERNATIONAL AIRPORT

Closer to everywhere.

Duluth Airport Authority 2016 Final Budget

OPERATING REVENUE

TOWER BUILDING

Space Rental	\$185,090
Utility Sales	1,000
Total	186,090

TERMINAL BUILDING

Office/Space Rental/Loading Bridges	836,887
Conference Room Rental	5,000
Marketing Grant	60,000
Utility Sales	8,000
Terminal Utility Grants	0
Advertising Revenue	12,000
Sponsorship- Anchor Agreements	90,000
Lease Concessions	1,100
Restaurant/Gift Concessions	57,780
Business Services Center	0
Vending Machines	3,700
Auto Rent Commission	450,000
Permits/Reimbursements/Misc	78,760
Total	1,603,227

PARKING LOT/ROADWAYS

Parking Lot Receipts - Republic	1,191,902
Other Parking Revenues	107,859
Total	1,299,762

LAND, FIELD, RUNWAYS, ETC.

Rent	412,388
Plowing Services	10,000
Utility Sales	15,000
TSA Fees Law Enforcement	86,870
State Aid Duluth Airport M&O	168,569
Landing & Ramp Fees	300,000
Passenger Terminal Fees	0
Fuel Flowage Fee	85,000
Concession Fees	5,000
Total	1,082,827

SKY HARBOR

Apartment & Land & Field Rentals	37,090
Rent/Land&Field Rental/Tiedowns/Float Storage	3,000
Fuel/Misc Sales	81,000
State Aid Sky Harbor M&O	20,285
Concession Fees	1,100
Total	142,475

OTHER LAND & BUILDINGS

Hangar Rental	206,557
Hangar-Utility Sales	25,000
LSC Rent	405,308
Total	636,865

TOTAL OPERATING REVENUE	4,951,245
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OPERATING EXPENSES

Exhibit A

Payroll - 22	1,387,753
Employee Taxes & Benefits	518,490
Utilities	536,432
Repairs, Maintenance, & Cleaning	689,801
Security	186,879
Operating Supplies	278,324
Insurance	68,000
Marketing/Advertising	85,000
Professional Services	152,025
Customer Service	5,500
Administrative Fee - City	50,000
Travel/Training	28,350
Cost of Goods Sold	65,000
TOTAL OPERATING EXPENSES	4,051,554

OPERATING INCOME (LOSS)	899,691
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NON-OPERATING REVENUE

* Customer Facility Charge	255,988
* Passenger Facility Charge	506,163
Interest Income	5,000
Contributions/Grants	21,064,145
TOTAL NON-OPERATING REVENUE	21,831,296

NON-OPERATING EXPENSES

Other Non Operating Expenses	0
Gain/Loss-Fixed Asset	0
Interest Expense	422,723
Capital Improvements Costs	21,144,383
TOTAL NON-OPERATING EXPENSES	21,567,106

Net Income (Loss) Before Depreciation &	1,163,881
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OTHER NON-OPERATING CASH ACTIVITY

Loan Principal	920,421.00
OPEB Contribution	65,000.00
CFC Not Eligible for Use	64,407.00
Coverage for Hangar 103 Amortization	75,000.00
INCOME/(LOSS) - Not including Dep/Amort	39,053.00

NON-CASH ACTIVITY

DEPRECIATION	8,333,501.00
AMORTIZATION	222,549.00
NET OPEB OBLIGATION	103,463.00
NET INCOME (LOSS)	(7,456,579.00)

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2016 Budget Assumptions

MAJOR TAKE AWAYS

- This budget takes in to consideration the effects of the loss of Allegiant service, although we continue to see increased charter services.
- The DAA's long-term commitments including debt service payments and contracts make it difficult to cut cost quickly.
- The revenue side of this budget is conservative. The majority of revenues are based on known trends with the reduction of Allegiant as well as the stable known revenue sources. The revenue does take in to consideration additional rental of space by Cirrus in 311 and updated parking rates per the "2016 Proposed Rates & Charges Addendum".
- The expense side of the budget is very aggressive. We are forced to decrease our operating costs to be within the parameters of our conservative revenue estimates.

OPERATING REVENUE

Tower:

- Decrease in revenue due to LSC's move to Hangar 103. We are working on other possibilities to fill space.

Terminal

- Fairly stable in most categories with decreases in the areas that were indirectly associated with the loss of Allegiant travelers.

Parking Lot/Roadways:

- Increased parking rates to make up lost parking revenues due to lost Allegiant passengers. Projections based on 85% of 2013 transaction history at increased rates per "2016 Proposed Rates & Charges Addendum".

Land, Field, Runways

- Decrease overall in this area based on current flight schedules. Losses are associated with fuel flowage as well as per turn and landing fees.

Other Land and Buildings:

- Increase in this area due to the agreement with LSC for the Center for Advanced Aviation. A significant portion of these revenues will go to pay the associated debt service payments.

OPERATING EXPENSES

Salaries & Wages

- Assumed Actual 2016 Wages after Step Increases
- \$110,000 allocated for temp wages across all departments

Benefits

- Assumed a 4% decrease in health benefit costs due to approved rate decreases. No adjustment to dental rates.
- Added worker's comp insurance to this area as a personnel benefit

Utilities

- Assumed significant decrease in utility payments as buildings continue to be filled and utilities stabilize in the terminal. Efficiencies in the tower should help also to reduce these costs.

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Professional Services

- Evaluated and determined necessary services for 2016.

Customer Service:

- Includes Thanks Again operating costs and prepaid comps.

City Admin Fee:

- Assumed an increase on current annual fee of about 4k, based on conversations from city personnel and city department use audit.

Travel/Training:

- Estimated potential travel & training opportunities.

SKY HARBOR:

Sky Harbor Revenues: Trends and averages from previous three years

- Land/Field Rent: Trends & 2015 actuals
- Concessions: Estimated based on current activity
- Av Gas Sales: Projected to be similar to current and previous year sales.
- Hangar Rental: Based on current rent.
- State Aid M&O: Based on current grant – possibility for a slight increase base on MnDot participation

Sky Harbor Expenses: Based on trends and averages from previous three years

- COGS: Aviation gas cost is around 80% of the total sales
- Fuel Sales at Sky Harbor – based current and expected activity.

LONG-TERM LIABILITIES:

- We currently have two loans associated with the terminal and parking garage projects.
 - The first has a payback to the city using PFCs, CFCs and DAA operating dollars to fund. Just over 50% of our current annual collections of PFCs and CFCs are used to pay this debt services, leaving less than 50% for our upcoming projects. This goes through 2026.
 - The second has a payback using our parking lot revenues to fund. At EOY we must use our parking revenues, less expenses, deduct \$800,000 which is dedicated to previous airport operations. What's left is used to pay our debt service and then 80% will be deposited in to a contingency fund at the city to make future payments if necessary. This goes through 2027.
 - We have approved a loan agreement with the City of Duluth for the bonds issuance associated with the \$2.85M renovations to hangar 103 for LSC's Center for Advanced Aviation. This is a 15 year loan which goes through 2030. Rent revenues will pay the annual debt service plus 5% over levy.
- We have our DEDA MIF Loan of \$26,666.64 per year in to 2021 to remedy soil conditions.
- We have our NCA Payment of \$75,000 per year in to 2019 to buyout previous FBO.
- Our expected annual debt service for 2016 for all of our long-term debts is over \$1.3M.