

The regular monthly meeting of the Gallatin Airport Authority was held November 12, 2020 at 2:00 p.m. in the Airport Conference Room. Board members present were Kendall Switzer, Karen Stelmak, Ted Mathis, Kevin Kelleher, and Carl Lehrkind. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Kendall Switzer, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

1. Review and approve minutes of regular meeting held October 8, 2020

Mr. Switzer asked if everyone had received their copy of the minutes and if they had any corrections or additions. There were none.

MOTION: Mr. Kelleher moved approval of the minutes of the meeting held October 8, 2020. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Consider Audit Report – Matt Cope

Mr. Cope thanked the staff for being accommodating during these times. They completed the audit almost entirely remotely. There are four audit reports. Each report issued unmodified opinions. There were no instances of non-compliance identified. There were no proposed adjustments. Mr. Cope said Mr. Watling does a good job of presenting complete and accurate information. There have been some new processes implemented for

an electronic environment but with proper segregation of duties. Overall, it was a successful audit.

Mr. Mathis asked if they looked at any of the tenants. They did not.

Mr. Lehrkind referred to page 15 which mentions an increased cost on enplaned passengers from \$2.57 to \$2.96. Mr. Lehrkind asked how much has been added due to the virus versus the decline in passengers. Mr. Sprenger said apples to apples, our cost is spread over a lower load factor. Mr. Sprenger said it was more the declining numbers than the increased costs due to COVID-19 procedures and precautions.

Ms. Stelmak thanked all involved with the audit and said the results were impressive, especially during these challenging times.

Mr. Sprenger said there was not a specific audit of individual concessionaires because we have an internal process to handle that.

Mr. Sprenger said the state requires the audit. Over the years they have combined the audit report and airport annual report.

Mr. Lehrkind asked what the audit costs. Mr. Watling confirmed it is about \$15,000. Mr. Lehrkind asked if there was any way to do a scaled back version every other year. There is not the option to do that in this case.

Ms. Stelmak said she loves getting the information and would not want to miss that for a year.

Mr. Kelleher mentioned the Customs charges referenced on page 53 and asked Mr. Cope's opinion on that. Mr. Cope said when they issue an opinion it means everything is materially correct. For the Customs account, a restricted account is required.

Mr. Switzer asked if anything stood out as a concern for the future. Mr. Cope said there was nothing as far as finances go. They focused on the internal control piece.

Mr. Sprenger said a lot of the automation was implemented later in the year. To expedite the submission of expenses for grants, processes had to be in place. The result was that the turnaround from submission to receiving grant funds is usually within 10 days. That is much better than others who do not have that automation and it takes a month to 45 days to receive the funds.

MOTION: Ms. Stelmak moved to approve the FY 2020 audit report. Mr. Mathis seconded the motion. Mr. Switzer thanked Mr. Cope and Mr. Watling for their hard work. All board members voted aye. The motion carried.

4. Consider request by Sharbert Enterprises, Inc. to extend the food/beverage and retail concession agreement two years

Mr. Sprenger said the last few months have been tough on concessions. We are fortunate that Sharbert Enterprises did not have to request an abatement of fees. They have experienced a substantial financial impact. They have requested an extension of their agreement.

Ms. Stelmak commended them for carrying through during this difficult time.

Doug Stock, CFO of Sharbert Enterprises, said they received CARES and EIDL funding. The EIDL is a loan that must be repaid. There are some qualifications for the CARES funding forgiveness that they have not yet met, but they plan to by December 31.

Mr. Lehrkind questioned the two-year extension versus one-year and if that was really necessary.

Mr. Stock said they do need two years. They are not at prior year numbers. They were at 60% for food and 88% for gift. That was 51% gift for November to date. They are grateful for where they are, but their forecast shows the need for a two-year extension.

Mr. Hopeman said they are borrowing money to pay money that they borrow. They lost considerably more than the PPP loan amount. They have applied for another loan from the state. They are tight until next summer when they must pay the airport. They are not going to be back on their feet in two years, but they will be financially stable. Of course, that is subject to change. They hope to get another good-sized loan to feel financially comfortable. They have delayed all capital expenditures. Opening another restaurant gives them more capacity, but it costs a lot of money. The sales are split between two staffs. Mr. Hopeman said he came to Mr. Sprenger well before last year and said they would need help getting the new restaurant open.

Mr. Lehrkind said he understands because his clients in the food and beverage industry are hurting.

Mr. Hopeman said he is thankful for the continued support from the airport.

Mr. Switzer commended Mr. Hopeman and his team. We would like to make this work and keep their customer service and high quality of service. We hope to provide an environment where they can recover.

Mr. Sprenger said despite the challenges, they are opening a new restaurant and gift shop. The airport pays for the infrastructure, but they still have a lot of capital expenditures. We have worked together, and we think this will help them get through this pandemic.

MOTION: Mr. Lehrkind moved to approve the request by Sharbert Enterprises, Inc. to extend the food/beverage and retail concession agreement two years. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

Mr. Hopeman said the food has been well received at Ross Peak. When they designed the restaurant, Mr. Sprenger suggested putting a pizza oven in. They had misgivings about that. Mr. Hopeman spoke with the restaurant manager recently and pizza is their most popular item on the menu.

5. Consider request by Reef Parking to modify and extend the pay parking concession agreement by one year

Mr. Sprenger said this request is like the previous agenda item. The agreement in place heavily favors the parking company. No one anticipated what has occurred this year. That brought to light the need to negotiate a solution. Parking has been impacted.

We offered paying approximately what we paid last year with a cost of living increase minus savings they have had over the last few months; that would be the cap for this year. That worked for them. But with the financial position they are in, they have asked for 6 months to pay the remainder. If we had continued, we would have had to pay a substantial amount up front.

We will pay them a monthly fee to operate the parking lot and get them out of the minimum annual guarantee. They asked for a one-year extension. They are trying to borrow money and need a contract for the loan.. The monthly management fee contract would start October 2020.

Mr. Mathis said it makes sense. Management contracts like this are common.

MOTION: Mr. Mathis moved to approve the request by Reef Parking to modify and extend the pay parking concession agreement one year. Mr. Lehrkind seconded the motion. All board members voted aye. The motion carried.

6. Consider request by Aaron Aafedt to construct a 70' x 70' non-commercial hangar on taxilane "SY"

Mr. Sprenger said this is the last piece of property on the taxilane. This individual has a couple aircraft.

MOTION: Mr. Lehrkind moved to approve the request by Aaron Aafedt to construct a 70' x 70' non-commercial hangar on taxilane "SY". Ms. Stelmak seconded the motion. All board members voted aye. The motion carried.

7. Consider request by RML Rentals, LLC to transfer the non-commercial land lease on hangar #70 to ACW, LLC.

Mr. Sprenger acknowledged the letter sounded more like a statement than a request. They tried to change that but were unable to for a couple reasons. Staff recommends approval of the request.

MOTION: Ms. Stelmak moved to approve the request by RML Rentals, LLC to transfer the non-commercial land lease on hangar #70 to ACW, LLC. Mr. Kelleher seconded the motion. Mr. Lehrkind asked who would be painting the door. Mr. Sprenger said he would follow up on getting the door painted. All board members voted aye. The motion carried.

8. Report on passenger boardings and flight operations – Scott Humphrey

Mr. Humphrey said tower operations for October were up 15.5%. Total operations for the year are up 5.4%. Rolling 12-month operations were 102,305 which is 400 above our last record which was last month. Corporate landings were up 3.6% at 345 versus 333 and up

3.2% for the year. Total revenue enplanements were 36,654 versus 53,582 which is 68.4% of last year. For 12 months we are at 490,728 enplanements. Total deplanements were 33,259 versus 50,285 which is 66.1% of last year. Airline landings were down 2.4% at 534 versus 547. Airline load factor was 58.6% versus 87% last year. American's load factor was 73.5%. United's load factor was 64.9%. Delta and Alaska still have caps on passengers for social distancing. Fuel dispensed in September was down 20%. We had 4 Customs clearances in October which is 2 more than October of last year.

Jet Aviation has agreed to pick up our portion of the Custom's subsidy starting Jul 1, 2021. Last year each partner paid \$8,800.

Michael Thomas was presented as the new Delta station manager coming from Atlanta. Mr. Thomas confirmed he has worked in Minneapolis and North Dakota.

We are at 57% of last November. With MSU releasing before Thanksgiving, we should see numbers increase toward the end of the month and expect to end up in the 70% range. Vacation rentals are 92% booked for Big Sky for the Thanksgiving Holiday.

Mr. Lehrkind asked if we have heard anything from the airlines. Mr. Sprenger said the seats we see in the market are encouraging. We are continuing to see more flights. Frontier has added a flight.

Mr. Thomas said Delta is cautiously optimistic about the Mountain West market including Bozeman. The bookings for the Atlanta market look strong at least for the early part of the holiday season. That is a seasonal schedule in the system through March. They are relatively pleased with the performance. There may be reduction mid-week. There is discussion of expanding the Los Angeles service by a couple weeks. Places like Bozeman are

punching above their weight relative to the rest of the country. Seat caps will remain in place until at least January 6. It should taper off during the first quarter although there is not a formal plan for that yet.

Mr. Mathis mentioned that Southwest is negotiating with Boeing to buy 40 aircraft. Mr. Sprenger said we do talk with Southwest. Nothing imminent, but we are pleased they talk with us.

9. Airport Director's Report – Brian Sprenger

Mr. Sprenger presented some charts. On a national level, air travel is 35% of normal. Local originating traffic is recovering better than the national average. Another chart showed Montana cities compared to key metro cities. We are still trending better than our projections. We expect to be in the 70% range for November. December is projected to be about 80% of normal. This is based on a continued recovery which is suspect with the resurgence.

Mr. Sprenger said we were fortunate that we projected what we did. We did not understand how strong the inbound leisure traffic would be. Concession revenue continues to be about 60% of normal. Parking in October was 120% of last year. Retail ties closer to inbound leisure. Food and beverage are better than the national average but still about 60% of normal. Overnight cars are slightly increasing. Rental car transaction days were 105% in October. Bozeman enplanements were 68% of normal. Inbound leisure is pretty much gone for November and we do not expect to see much until December.

The Governor held a press conference today. Mr. Sprenger paraphrased him saying there aren't the protections for unemployment and business assistance that we saw early on

so additional restrictions have a large impact. It is a fine line. We can see the dilemma of the state.

The revenue from Northwestern Energy will increase with their advertising on the new charging stations.

Mr. Sprenger toured the baggage system in Salt Lake City. It indicated that we could operate the conveyor system and include skis without a separate system which will save us about \$5 million.

We have an approval for a loan payment of \$211,000 as an electronic transfer.

Mr. Sprenger asked that those who park in the employee lot overnight use the further lot. We do not have overnight parking in the employee lot in the winter to expedite snow removal. If you need a card for the parking lot, we can get you one.

There will be a terminal tour after the meeting.

Mr. Sprenger was congratulated for being elected as the President of the Northwest Chapter of AAAE.

Mr. Switzer said with COVID-19, the demands keep changing. He thanked Mr. Sprenger and staff for their hard work and agility in responding.

Mr. Sprenger said he will be taking additional time off for Thanksgiving.

10. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger. Cash flow is matching close to what they projected. All the major projects are starting to be completed.

Ms. Stelmak asked about the fence repairs. Mr. Sprenger said those are generally along Tubb Road and Airport Road where someone loses control and drives through the

perimeter fence. We must respond and repair the fence. Most times we know who was responsible and can bill their insurance.

Mr. Sprenger said an aircraft was taxiing down one of the back lanes and they clipped a hangar and flipped the airplane into a portable restroom. Unfortunately, the aircraft was totaled.

MOTION: Mr. Mathis moved to pay the bills and Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

11. Adjourn

The meeting was adjourned at 3:05 p.m.



Karen Stelmak, Board Vice-Chairman