

The regular monthly meeting of the Gallatin Airport Authority was held January 9, 2020 at 2:00 p.m. in the Airport Conference Room. Board members present were Kendall Switzer, Karen Stelmak, Carl Lehrkind, Kevin Kelleher and Ted Mathis. 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 December 12, 2019

Mr. Switzer asked if everyone had received their copy of the minutes and if they had any corrections or additions. Mr. Sprenger said there was one addition to be more specific on the lease language regarding the end of the lease for the Signature Flight fuel farm. Mr. Sprenger read the actual lease language:

“If the authority desires to continue to lease this plot for the existing use, a good faith effort will be made by the authority and the lessee to either extend this lease agreement or enter into a new agreement mutually acceptable to both parties within 90 days prior to the expiration of this agreement. If no agreement is reached, the lease shall be terminated. Upon termination of this agreement by the passage of time or otherwise, the authority shall have the option to require the removal of all structures, installations or improvements within 90 days after the expiration of the lease agreement at lessee’s expense. If the lessee fails to remove the structures, installations or improvements within 90 days, the authority shall have the option to take title to such structures, installations and improvements.”

MOTION: Mr. Mathis moved approval of the minutes of the meeting held December 12, 2019 as amended. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Consider proposals for up to five new passenger boarding bridges and two fixed tunnels

Mr. Mark Maierle said we received 3 proposals for Gates B3-B7 which were previously Gates 8-12. He clarified that these are proposals not bids. The proposals were received from JBT (provider of last 3 boarding bridges), Thyssenkrupp, and Aero Bridgeworks. Aero doesn't manufacture, they are a contractor, designer and gates planner and they install the gates.

A summary was previously provided for review. Aero's proposal was the lowest. It includes the 5 bridges, 2 tunnels, ground power units, and baggage conveyor belts. In the proposal we asked for some additional optional equipment: A jack stand for repairs, tow bar, and pre-conditioned airs (PC Airs) which are bridge mounted air units to provide heating and cooling to the planes. One airline expressed interest in that. The prices were reasonable amongst the 3 proposers, but we would discuss participation with the airlines.

Mr. Sprenger said the PC Air would eliminate equipment at the airport. We would expect the airline's investment as we have a meeting next month regarding passenger facility charges (PFC) and can discuss then. They would be for the new bridges. It is something users of the existing bridges would also want. They could relocate the equipment they have here to other locations.

Staff recommends accepting Aero Bridgeworks' proposal. Gates B4 and B5 would be delivered by July 1 and installed July 1. Gates B6 and B7 would be delivered November 1 and installed. Gate B3 would be delivered next spring. Delivery and installation of the 5 spans over the next year.

Mr. Sprenger said they initially had concerns over using a new company, but they have the delivery positions from JBT for over 100 bridges. They do many of the bridge installations throughout the country. They appear to be a reputable firm. Their positions helped us in terms of delivery times.

Ms. Stelmak said that was reassuring to hear as she had the same concern.

Mr. Sprenger said these are the same manufacturer of the current bridges.

Mr. Mathis said he is in favor of the purchase of the PC Airs but wants to make sure the airlines pay for not only the units, but also the maintenance and electricity.

Mr. Sprenger said we would use PFC's, so it is a pass-through charge through the airline tickets. We have an operational charge for use of the bridge for every flight. We would have to review the charge for that for the change in equipment.

Ms. Stelmak asked if repairs and utilities were covered.

Mr. Sprenger said we are not profiting off it. Our income from passenger boarding bridges is about \$120,000/year. He doesn't have a good idea of how much electricity is covered by that since they are not separately metered.

Mr. Switzer asked what we do with the old bridges. Mr. Sprenger said Aero will remove them from the site and clarified that only 1 bridge is being removed, a bridge that is no longer manufactured. 4 of the 5 bridges are new positions so they are not replacements.

MOTION: Mr. Lehrkind moved to accept the recommendation and award a contract to the lowest qualified bidder. Ms. Stelmak seconded the motion. All board members voted aye. The motion carried.

4. Master Plan Update – Scott Bell

Thumb drives with updated chapters were distributed to board members. Mr. Bell reviewed some of the updates. These chapters are currently at the FAA being reviewed.

Mr. Bell reviewed the Passenger Facility Charge (PFC) application. That has been submitted to the FAA and they have received comments back. We are ready to notify the airlines. The notification to the airlines will go out at least 30 days and no greater than 45 days prior to the consultation meeting. That meeting is scheduled for February 19th at 1pm. After the meeting, the airlines are given at least 30 days to respond with an approval or recommended changes and we have 2 weeks to respond. Then the formal application goes to the FAA in Helena and it will go through their review process. The PFC application should be approved by July 1.

Cost estimates were reviewed. The terminal building expansion currently under constructions is estimated to cost \$23.5 million. We anticipate 2 years of AIP entitlements which amounts to an estimated \$7 million. Some portions of the expansion are not fundable under AIP or PFC. That makes the local share an estimated \$3.3 million. The PFC portion is \$13.2 million.

The second project in the application is the integrated in line baggage system. The cost is estimated to be \$29.2 million. We anticipate a grant for the design phase from the TSA

in the next 2-3 months. We anticipate \$10.8 million from the TSA and the remaining balance of \$18.4 is PFC fundable.

The third and final project in the application is the passenger loading bridges and the accessories that accompany them. The application has \$4 million for the total cost which is 100% PFC fundable.

The application has an overall 10-year plan of PFC collection for a total cost of \$56.8 million. The PFC application is for \$35.7 million. That is a conservative estimate considering the planned increase in seats.

Mr. Bell reviewed some of the work that has been done for the north side expansion including an apron on 11/29. Chuck from the FAA met with us and said to move forward we must complete a sub portion of the master plan. That required pausing work on the master plan and writing up a 10-page report. The study reviewed a few alternatives which aren't very viable. North side development makes the most sense. The study has been submitted, reviewed and approved by the FAA. To keep the project on schedule, we had to complete an environmental survey. Until this morning we didn't have a cultural resource survey. Thanks to the weather that was able to be completed this morning.

Mr. Switzer said we appreciate all the effort especially considering this work has been done throughout the holiday season.

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

Tower operations for December were up 13.5%. Rolling 12-month operations were 97,867. Corporate landings were up 28% at 557 versus 435 which is 35% better for the calendar year. Total revenue enplanements were up 15% at 64,711 versus 56,283. All the

airlines except for United were up double digits in enplanements. United drew about 4,000 seats out of the December market because they had a 68% load factor December 2018. That boosted their load factor this year to 81.5%. For 12 months we are at 785,706 total enplanements. Total deplanements were up 16.4% at 71,200 versus 61,189 which is 17.4% better for the year. Airline landings were down slightly at 729 versus 735 but up 12.2% for the year. Airline load factor was 81.2%. October fuel dispensed was down 3.6%.

For January we have 11,000 more seats. We should be up at least into 10% to 14% growth in enplanements.

There will be an announcement next Tuesday or Wednesday for new service.

Mr. Mathis asked how the red eye to Atlanta performed. Mr. Humphrey said he hasn't seen the numbers but if it did anything like it did last year, it did well. He will get the numbers.

Mr. Switzer asked about Jetblue and if they are still happy here. Mr. Humphrey said they are very happy. Last December they started the service and it has grown significantly.

6. Report on CY 2019 Airline Traffic Results – Brian Sprenger

Mr. Sprenger presented a recap of the press release sent out. We handled 1,573,860 passengers in 2019 through the terminal. That is an increase of 231,517 passengers which is a 17.3% increase. Of the 231,000, we only had a 233,000 increase in seats. We filled 99% of the seats we added. The tower handled an all-time calendar year record of 97,867 aircraft operations which is 8.1% more. Business aviation operations increased 35%. We had 233,000 added seats. Right now, for the first 9 months of 2020, we are projecting 300,000 added seats. That includes next week's announcements.

Ms. Stelmak asked how staffing is going at the tower. Mr. Sprenger said our tower manager did retire. Staffing is tighter than what we'd like.

Mr. Kelleher asked how many landings we have after midnight. Mr. Sprenger said not a lot. That is the challenge. Over the 12-month FAA evaluated period, the evening arrivals averaged 1 arrival per day between 12am and 1am. Morning departures were closer to 2. We are still substantially less than required.

Mr. Switzer acknowledged the growth challenges and asked he thank staff. Mr. Sprenger said they saw those challenges over the holidays. We still overflowed our parking. It was less than we have in years past. Our revenue in the parking lot just for December was up \$120,000 over the last year. We thought we would have a grace year, but we did not. Interestingly, the peak night at the parking garage was 71 to 72 vehicles out of the 94 stalls. We filled everything else up and overfilled. The day of the week the holiday falls on changes things drastically. Because it was a Wednesday holiday, we peaked for about a week. We may see some adjustment there. We will be looking at what we can do next year to increase the capture rate of overnight parking.

Mr. Lehrkind asked where the overflow parking was. Mr. Sprenger said they were parked to the west in employee parking. That overflowed a little as well, but it worked out.

Mr. Kelleher said the nonstop daily to Atlanta will be good. He asked what the impact on parking will be considering we may have traffic from other parts of the state for that flight. Mr. Sprenger said the impact will be hard to tell. The primary change will be during the months we didn't offer that flight previously which are times when we generally have more spaces available.

Mr. Mathis asked about numbers for services like Uber and Lyft. Mr. Sprenger said we are seeing them increase as well. Uber rates are about the same as what one would pay for parking at the airport, which is probably by design. We think they are capturing a slightly higher percentage of the growth than the parking lot. It is sporadic. We were up 35% in December income, but we don't have the Uber and Lyft numbers yet. Parking is generally tracking just lower than our passenger growth rate. Uber and Lyft are tracking higher. Parking was \$4.4 million in revenue for the year. Uber and Lyft have the ability to forestall our need for additional parking, but it isn't doing so enough. Mr. Mathis said the drivers park at the old terminal lot and use the building facilities and asked if they are paying for that. Mr. Sprenger said they are not paying for the parking and use of the building. They are queuing up there instead of taking up parking spaces on this side. We allow use of the restrooms during business hours. It is a public facility. It is amazing how many of those people will sit and wait all day long for a fare. We prefer they use the facility instead of other options.

Ms. Stelmak said the cleanliness of restrooms and facilities at the airport over the holidays were amazing especially considering the vast amount of people traveling through. She commended Burt Hopeman on food services. She heard several nice comments about food facilities. She extended her compliments to everyone.

7. BZN 2020 Airport Presentation

Mr. Sprenger said presentations are made throughout the year and they try to update them at least every year. They are open to suggestions on the presentation. There is a lot to say. It is easy for the presentation to take an hour or more.

Mr. Sprenger said the focus in the beginning of the presentation is that good times don't always last. In 1999 Delta announced they were cancelling the 5:30 pm flight to Bozeman. That was a shock to the community. It was a big moment and it changed the community's interest in the airport. Groups came together to form a task force. A chart compares the peak day in 1999 versus today. There has been a 5-fold increase over that timeframe. A chart of passengers over the last 10 years compared to other Montana airports shows we are the busiest and fastest growing airport in Montana. We are also the fastest growing in the Northwest region.

A chart compares rankings in the region and country in 2008 versus 2019. We may surpass Colorado Springs by the end of the year. Bozeman is the 7th fastest growing airport since 2000 of all the airports that handle .05% or more of US passengers. The airports ranked above us are primarily one airline airports and in warm climate areas. A pie chart indicates that 75% of all Bozeman traffic is non-tourism. 10.7% of traffic is winter and summer tourism. Mr. Sprenger gave some insight into how those numbers are calculated. We know that 39.4% of traffic originates in Southwest Montana based on booking addresses. We look at rental car days in the summer and skier days at Big Sky.

A chart shows service increases and new air service announcements since July 1, 2019. Mr. Sprenger said there aren't a lot more communities we can look at right now for non-stop service. A chart lists our top 25 markets out of Bozeman that account for 63% of our market. Denver is our number 1 market. We have non-stop service to our top 12 markets. Phoenix is a possibility with American. Washington DC and Baltimore are fragmented airport areas. The

other possibility is San Jose and there is no dominant airline there. For air service goals, we are looking at Boston, New York, San Diego, Phoenix, Charlotte and Nashville.

A chart lists the year when each airline started at BZN. Delta started in 1947, Alaska in 1990, and United in 2000. Once United entered the market, we had consistent service to Denver which allowed us to compete within the state. In 2008 we got Frontier and Allegiant. That was the first time we had parity with Billings. That is when the acceleration of growth compared to Billings started. Mr. Sprenger said everyone asks about Southwest. Southwest would need the 737-max issue to be resolved before they could even consider BZN. Mr. Sprenger presented some research into when we could expect to have Southwest indicating that these are our opinions which may be very different than Southwest's. Southwest serves all the top 80 markets in the country except for Anchorage. There are 13 markets where we think there is opportunity for Southwest based on revenue numbers and passengers. We removed markets that are within 100 miles of a market already served by Southwest. Mr. Sprenger detailed numerous reasons that leaves Anchorage, Fresno and Bozeman for possible service. They are getting 13 more gates in Denver. We think Fresno and Bozeman make the most sense.

A long shot service would be WestJet to Calgary. Spirit mostly serves large to medium markets. Air Canada is possible to Calgary. Hawaiian is not likely.

The presentation indicates that tower operations are up 42% since 2009 and 29% since the opening of runway 11/29. We have 2 world class Fixed Base Operators. We have a vibrant general aviation community and flight schools. We have over 350 based aircraft and 200 hangars. There are 6 million pounds of cargo in and out of BZN through FedEx and UPS.

There are also other major operators at the airport such as Life Flight, Bridger Aerospace, Rocky Mountain Rotors, Central Copters and US Customs.

Mr. Kelleher asked about what the forecast is for customs. Mr. Sprenger said we are at an equilibrium. Customs is not growing and not shrinking.

The presentation continues that we have 37 entities that employ a little more than 1,000 employees. The airport has an estimated direct/indirect revenue impact of \$1 billion. An annual financial report is presented. Rental car revenue is the biggest, then parking, then other terminal concessions and then airlines. General Aviation is 6% of the revenue. We have a total operating revenue of \$14 million. \$16.7 million in annual capital investment. There is \$0 in state/local taxes. If you don't use it, you aren't paying for it. We have a \$100 million six-year capital improvement plan.

Mr. Switzer asked how much is financed through bonds. Sprenger said none is financed through bonds now. We will be paying off bank debt. Everything is planned through cash flow. A review of all the projects for 2020 is presented.

Mr. Sprenger said the reactions are always extremely positive. These opportunities to educate the community are beneficial. People are interested.

Mr. Kelleher asked about a presentation up at Big Sky indicating they need to know the difference about tourism and local traffic. Mr. Sprenger said that is in the presentation to give a more correct understanding of what is happening. Our success is thanks to MSU, the Bozeman community, the tech sector and things like the Yellowstone Club which generate the economy. Mr. Kelleher said he will approach Big Sky about a presentation.

8. Airport Director's Report – Brian Sprenger

Mr. Sprenger said in 2 years we will potentially increase over 30% in passengers. That is significantly higher than we expected. Staffing needs will be reviewed in the budget. It is highly likely we will see red eye departures this summer which extends the use of the terminal through a longer period of the day. That may mean hiring earlier and hiring more than what what was initially planned.

Our screening contractor ASM has taken over for Trinity Technology. Menzies is on track for taking over the United operation from Sky West. That looks to be going well.

The new exit lane is currently being installed.

Mr. Sprenger and Mr. Kelleher went to the title company to close on the Brents and Williams properties.

We are issuing a call for art early next week. We anticipate an art selection process at the May meeting. We wanted to have the new addition relatively finished in order to visualize the locations of the art.

9. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

MOTION: Ms. Stelmak moved to pay the bills and Mr. Kelleher seconded the motion.

All board members voted aye and the motion carried unopposed.

10. Adjourn

The meeting was adjourned at 3:25 p.m.



Kendall Switzer, Chairman