

The regular monthly meeting of the Gallatin Airport Authority was held July 9, 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 June 11, 2020

Mr. Switzer asked if everyone had received their copy of the minutes and if they had any corrections or additions.

There were 2 corrections:

On page 4 on the second to last line, the correct term is complimented and the same correction on page 5 the fourth line down should read complimentary not complementary.

MOTION: Mr. Mathis moved approval of the minutes of the meeting held June 11, 2020 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. Report on Audit Review Process – Matt Cope

Mr. Sprenger said we were awarded the Certificate of Achievement for Excellence in Financial Reporting for the 5th year in a row. Special thanks to Troy and staff.

Mr. Cope said he is the audit shareholder at Holmes & Turner. They have been engaged to issue a report and opinion on the basic financial statements. It is a risk based audit.

The timing will be similar to last year. It should be completed by October and presented in November. There will be some differences due to Covid. It will be a mostly remote audit. If there is confidential information they will schedule a time to come out and limit personal contact. They will perform video conference interviews. They will take a look at different processes that may have occurred in response to Covid. As an essential employer, there weren't too many adjustments.

Mr. Switzer asked if we have any specific areas we are requesting be reviewed. There is nothing at this time. Mr. Switzer said something we have had to do is change some processes and procedures. We may have to continue those changes or implement more in the future. If there is anything that could be done better we would like to know.

Ms. Stelmak thanked staff. We don't have to worry about accuracy. Mr. Mathis asked if the fees would be lower since they don't have to come out as much. Mr. Cope said unfortunately they will not be as they have all the same areas to cover.

4. Receive Art Proposals for the terminal additions

Mr. Sprenger said Lisa has been working on this for several months. She is home with her child so she is joining via Zoom. Lisa thanked staff, artists and all who participated. We had participation by 32 artists. Staff identified 15 locations where art would be appropriate. We don't have to fill all those locations.

If anyone is interested in joining a subcommittee to review proposals, that would be helpful. The philosophy in reviewing the art is, and has been, that it be compatible with the architectural style of the building, represent a sense of the region, be realistic and representational of western scenes and activities with particular emphasis on wildlife and outdoor topics such as skiing, fishing, aviation and other activities prevalent in the area. A video was presented with a sampling of some of the art and proposed locations.

After the video, artists were given the opportunity to give a brief presentation regarding their art proposal. Presentations were heard from Jake Heckman, Brett Potter, Michele Corriel, Robert Osborn, Shannon Wade, Adair Peck, Tracie Spence, Ann Justin and Caroline Price.

Mr. Sprenger thanked all the artists for their submissions. Ms. Stelmak and Mr. Switzer expressed interest in participating in the subcommittee.

5. Consider request by Mr. Edward Kronfuss to enter into a new 10-year non-commercial land lease on hangar #92

Mr. Sprenger said the hangar is in good condition, the rent is current and staff recommends approval of the request.

MOTION: Mr. Lehrkind moved to approve the request by Mr. Edward Kronfuss to enter into a new 10-year non-commercial land lease on hangar #92. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

6. Consider request by David G. Sullivan, dba Zanus Corporation to transfer the non-commercial land lease on hangar #70 to RML Rentals, LLC.

Mr. Sprenger said Mr. Sullivan has passed away. It took some time but all the paperwork is now in order. The hangar is in good condition but staff recommends the

pedestrian door be repainted. The rent is current and staff recommends approval of the request.

MOTION: Ms. Stelmak moved to approve the request by David G. Sullivan, dba Zanus Corporation to transfer the non-commercial land lease on hangar #70 to RML Rentals, LLC. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

7. Consider request by Brask T-4 Ranch, LLC to construct three 120' x 125' commercial hangars

Mr. Sprenger pointed out the proposed location on the map. It is just off of Airport Road. This would include extending the ramp. They would also be required to meet commercial standards such as office space, restrooms and parking. They would need to complete the roadway to each hangar. The hangars have been designed to fit some of the largest corporate jets but remain within the fire suppression category without foam. It is a unique design.

Mr. DJ Brask said they designed the hangars to nose in a G-750 with a 110' door. The office space on both sides makes it symmetrical. They have worked with the airport's engineers on the ramp. The ramp space allows an aircraft on the ramp and more space.

Mr. Mathis asked about utilities. Mr. Sprenger said those are part of the utilities we are finishing.

Mr. Switzer said it will look nice to have that area broken up visually with the new design.

MOTION: Mr. Kelleher moved to approve the request by Brask T-4 Ranch, LLC to construct three 120' x 125' commercial hangars. Ms. Stelmak seconded the motion. All board members voted aye. The motion carried.

8. Consider FY 2021 optional Capital Projects – Boarding Bridge B3 and Baggage System Upgrade Design

Mr. Sprenger said we had some optional projects in our budget. One of the two projects under consideration is the boarding bridge at B3. That would fill in the gap as we will be receiving B4 and B5 next week. All three would open up assuming we see continued growth. We are seeing some growth beyond original expectations and winter schedules relatively close to last winter. JetBlue is basically closing down their Long Beach focus city and replacing it with Los Angeles International. That is where they will be serving the Bozeman market from. We are seeing Boston and JFK starting up in August through the winter. We added Nashville this year and Sun Country. They are being compacted into the 11am-3pm timeframe. In the existing area A5, A4, A3, we are seeing the most use we have ever seen. We have a lot of traffic in an area of the airport with our smallest restrooms and gates while we are trying to socially distance.

The other project under consideration is the baggage system upgrade design. We have received the grant offer from the TSA which will pay for 40% to 45% of the design. By advancing this and moving forward, we could reduce future cost by taking advantage of the slower traffic and avoiding extra costs required by phasing the project. We do need to continue planning for the future.

Ms. Stelmak said she thinks it makes sense. We have the finances to do it. The critical thing is the peaks and valleys. Operations are in clustered time frames and areas and it makes sense to spread them out.

Mr. Mathis asked if there is any economy of scale with buying 3 bridges and if \$569,000 is a good price. Mr. Sprenger said this is the original bid price. We had stop ordered

it. This gets us continuous gates to the end of the building. We could look at the other 2 end bridges next year if things change drastically.

Mr. Switzer asked how long they will hold the price. Mark Maierle said until October for delivery in the spring.

Mr. Sprenger confirmed it is a good buy.

Mr. Lehrkind said August seats are at 71% and asked if those were bookings or an estimate. Mr. Sprenger said that is what airlines have loaded into their schedules at this point. Mr. Sprenger mentioned that 71% on seats doesn't equate to seats available for sale. Delta is only selling up to 65% capacity. Most other airlines are now selling to their full capacity. We are expecting August to exceed July which is edging on 45% of normal.

Mr. Sprenger confirmed the cost is \$1.2 million to just design the baggage system. We have reached the threshold of airport size that it is needed. The very preliminary design includes 4,000 linear feet of baggage belt. Mr. Lehrkind said he agrees we need this. He understands the distancing. He is concerned about spending this money. Mr. Lehrkind asked what the implications would be if we pushed this back a couple months. Mr. Sprenger said we would potentially lose the TSA funding. We could push the bridge purchase back, but then we will not be able to open concessions in that area.

We are tracking much better than we expected at this point. There is the risk of further restrictions from our state and others. We are getting more numbers. We are about 15% better than the national average. That is common in the mountain west area. If there are no restrictions on travel, we are seeing demand for our part of the country exceeding the general air travel across the country.

Mr. Switzer asked if we stayed where we are for a year or two, from a budget perspective, will we be ok. Mr. Sprenger said yes. With the Cares Act funding we should be good through 2 fiscal years. There is a strong push by congress to increase infrastructure spending and airports are part of that. Many of these things are reimbursable so they could be paid back and provide cash. If we get beyond 3 to 4 years and we haven't recovered, hopefully we will be making adjustments along the way.

Mr. Mathis asked if the AIP is at 100% so we have no match. Mr. Sprenger said yes so that is an additional \$400,000.

MOTION: Ms. Stelmak moved to approve the FY 2021 optional Capital Projects – Boarding Bridge B3 and Baggage System Upgrade Design as proposed by staff. Mr. Lehrkind seconded the motion. All board members voted aye. The motion carried.

9. Consider Master Plan recommendation for future development of Runway 3-21 as a visual, daytime only crosswind runway to serve up to B-II small aircraft

Mr. Sprenger noted that this was a key item in the Master Plan process. We have hangar development contingent on this decision.

Mr. Bell said this was presented to the public. It is non-AIP fundable. Previous plans had protected for the possibility of a non-precision approach on that runway. Staff recommends it be daytime only, visual and for small aircraft. It allows space for a large hangar. We must provide a letter to the FAA for the change. The FAA will review the proposed location for the hangar.

Mr. Mathis said this makes sense. This would work out well for all.

Mr. Switzer asked how the public meeting went. Mr. Bell said there were no negative comments.

Ms. Stelmak said she agrees and it is critical to keep it.

MOTION: Mr. Mathis moved to approve the 2020 Master Plan recommendation for future development of Runway 3-21 as a visual, daytime only crosswind runway to serve up to B-II small aircraft. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

10. Election of officers

Current Officers:

Chair – Kendall Switzer
Vice Chair – Karen Stelmak
Secretary – Kevin Kelleher

Mr. Sprenger said this coming year is the second year of a two-year cycle so traditionally the slate would remain the same but could be changed.

MOTION: Mr. Mathis moved to approve that the current officers remain in their positions for another one-year term. Mr. Lehrkind seconded the motion. All board members voted aye. The motion carried.

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

Mr. Humphrey said tower operations for June were up .2% at 8,658 versus 8,637. Rolling 12-month operations were 95,985. Corporate landings were 455. Total revenue enplanements were down 77.8%. For 12 months we are at 624,562 total enplanements. Total deplanements were down 77.1%. Airline landings were down 63% at 303 versus 820. Airline load factor was 54% on 31,819 seats. May fuel was down 76.8% but still needs to be verified.

There were 4 Customs clearances in June versus 12 in June last year.

Delta is the only carrier limiting capacity to 65%. The middle seat will not be sold until at least August. July should be 45% to 50% of last year. August looks to be about the same.

JetBlue moved to LAX. They have struggled with the City of Long Beach. They wanted to add Customs and Border Protection for a Mexico service. The community denied that about 3 years ago. They have also been struggling with curfews imposed on them. We will have 3 carriers to LAX.

12. Airport Director's Report – Brian Sprenger

Mr. Sprenger displayed a presentation on the screen. May was 10.8% of last year. June was a little better. Nashville was added as a brand new market. Sun Country became a new airline here. Numbers were down but there were some positives. We have seen interest that we weren't sure we would see. July added Delta to Minneapolis and United added back San Francisco and Los Angeles. JetBlue from Boston starts July 1. They are limiting capacity to 95 seats. We will probably be 43% to 49% of normal. In August we add JetBlue from JFK. United will return to Newark and Houston for a couple of weekend flights. We will be back to 17 of the 20 markets we expected. Atlanta is back on the schedule this winter. Next summer will be New York/La Guardia and Philadelphia on American. Long Beach will go away and shift to LA. Interestingly JetBlue stopped service to Los Angeles from Portland and Sacramento but not Bozeman. In August we could be 50% to 55% of normal. We are not back to normal but further along. This is based on available seats for sale today on all of our carriers.

A chart of TSA checkpoints on a national basis was presented. Ours tracks to overnight car counts. We have a steady amount of cars. We are happy to see this happening on the overnight parking because it indicates we are building traffic locally.

Mr. Lehrkind asked about concessions. Mr. Sprenger said it is tracking similarly at 45% to 50%.

Another chart compared worst case scenario projections to actual. We will not adjust September numbers. There are indications it is a good time for those who don't have kids to travel. There is also the possibility of resurgence. Airlines have not projected into their schedules for that period of the year. There is evidence some airlines are backing off on expansion in September. They may do it in other areas and not here but we don't know.

General aviation traffic has returned to normal levels.

Mr. Sprenger reported we closed on the Morrow property.

Mr. Lehrkind asked if the National Guard is still taking temperatures and if they will be extending that. Mr. Sprenger said they are extending it on a month by month basis. With the increase in cases, there is a lot of pressure on the governor to do something. Governor Bullock reported yesterday that only 7% of cases are based on travel. If you could extrapolate that to air traffic versus driving, that would be 1%. There are a number of people who are concerned about people coming into Montana. At least at the airport there are measures in place. There are no measures on I-90. That gives a level of assurance to some of the local population.

Mr. Lehrkind said a salesman was in West Yellowstone and the line into Yellowstone National Park was 5 miles out of town and Gardiner was the same way. Tourists are packing in to small shops without masks and not socially distancing. It is only a matter of time until the small towns are affected.

Mr. Sprenger showed some planned 70' x 70' hangars. They have worked with Morrison Maierle. Our numbers to extend the taxiway and provide utilities equates to about \$20,000 per hangar. Right now we would generate \$6,700 so it would be an increase of \$13,000 to get full recovery. We would not move forward without at least 50% participation. We have 8 requests and a couple requests are multiples.

Mr. Mathis said full cost recovery is great but he is concerned about what hangars are being used for. He doesn't think staff is enforcing rules. Yesterday he saw an individual building a motorhome. Builders need to know this is for aviation use only.

Mr. Sprenger said it is a constant battle. We had guidance from the FAA that said if the majority of the use is for aircraft, they will not require us to do something. The key is to make sure there is an aircraft and the majority of the use is aviation related. When infractions are observed, we should be informed so we can address.

Ms. Stelmak confirmed we are enforcing that there is no overnight accommodation. Mr. Sprenger said we are. We have had badge abuse. We had a builder who handed their badge to a subcontractor. That builder has to deal with us and the TSA. We have the based aircraft list; 95-96% of hangars have aircraft. We are following up on the ones that may not.

Mr. Mathis said we talked about rules and regulations recently. We have rules and regulations about servicing vehicles. Mr. Mathis asked when the last time a letter was sent. Mr. Sprenger said it was about a year and a half ago. They have had verbal discussions that have resolved issues.

Ms. Stelmak said she is in support as long as they are participating. All indicated support of moving forward.

Mr. Kelleher suggested quarterly inspections of the hangars. Mr. Sprenger said this could be a good time to do that. We have over 200 hangars and that would be a significant use of staff's time. Mr. Sprenger said he is more comfortable with an annual inspection.

Ms. Stelmak said the badge abuse is a greater concern. She asked if all the gates have cameras. Mr. Sprenger said yes and every entrance is reported. We could look at trends by various cards. Ms. Stelmak said the east side would be an important area to watch.

Mr. Kelleher asked about garages. Mr. Sprenger said those are problematic for regular inspections because they are used at off hours. It would be very difficult to schedule an inspection of those.

Mr. Kelleher suggested quarterly mailers indicating periodic checks. Mr. Sprenger said they have done that already so they are on notice. Mr. Sprenger said we have more processes in place. They aren't perfect but they are there.

13. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

We rented a tractor to accomplish spraying. That creates a significant savings in staff time.

Roughly 80% of our water rights needed to be addressed. It was more than what we expected. We are getting close to being done. The full report will be presented when available.

Mr. Mathis asked if we were done with Serco payments. Mr. Sprenger said we have one more payment.

Customs was \$56,000. This was for over one quarter.

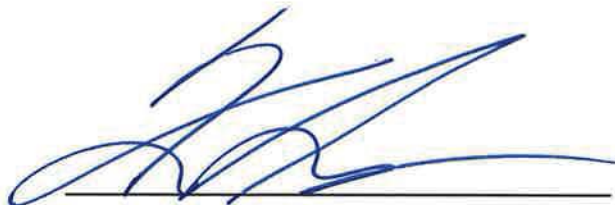
MOTION: Mr. Lehrkind moved to pay the bills and Mr. Kelleher seconded the motion.

All board members voted aye and the motion carried unopposed.

Ms. Stelmak asked about adding Customs numbers on the report. Mr. Sprenger said he will have it added.

14. Adjourn

The meeting was adjourned at 4:15 p.m.



Kendall Switzer, Board Chair