

The regular monthly meeting of the Gallatin Airport Authority was held November 14, 2019 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.

Mr. Switzer presented an award to Mr. Sprenger in recognition of 20 years of airport service.

1. Review and approve minutes of regular meeting held October 10, 2019

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 10, 2019. 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, Audit Shareholder with Holmes and Turner presented the audit report for fiscal year 2019.

For the basic financials statements an unmodified opinion was issued which is a clean opinion. The compliance and internal control reports were also clean reports. There were no

challenge we are up against. People have been doing it for years. We will get pushback. We will need to be consistent in application.

The FAA guidelines allow us to be more specific. We checked with other airports around the country. Some specify what type and size of furniture and appliances can be inside the hangar. We feel this is an opportune time to be more specific. We would like to have these revisions prior to some of the hangar renewals.

We know there are issues now with aircraft maintenance based on code. Some of the larger hangars have code issues as codes have changed. Some may not be able to perform aircraft maintenance in the hangar based on code. Generally, we allow aircraft storage and maintenance in the hangar. There are many pieces to the puzzle. We are trying to make sure we inform our tenants of what is and is not allowed.

Ms. Stelmak said it is good to align with the FAA. Mr. Sprenger confirmed that what has been added to the leases is already in the rules and regulations. The lease also references the rules and regulations because those can change over time.

Mr. Mathis said he thinks the most recent revision is important. The old lease said that the hangar would be used for storage and maintenance of the aircraft and for no other purpose. The FAA guidelines have been relaxed. He sees many things going on that need to change. He recommends that we accept and modify the lease.

Mr. Lehrkind agreed and said the more places we include this language the more control staff has which is important.

Mr. Sprenger read the revision, "Lessee shall have the use of the aforesaid premises for the purpose of non-commercial storage and maintenance of aircraft and the premise

shall, at all times, be used primarily for aeronautical purposes. Any incidental use of the premises for non-aeronautical storage purposes shall not interfere with the aeronautical uses of the premises. Maintenance, repair, servicing or cleaning of non-aeronautical items or vehicles is prohibited, and the Authority shall have the right to prohibit any non-aeronautical uses of the premises. The Authority will enforce this provision consistent with FAA policy found at Federal Register, Volume 81, No. 115, p. 38909. Neither lessee nor its guests are permitted to sleep overnight in the hangar. Lessee shall have no right to use said premises for residential purposes, or as an apartment, or for any overnight accommodations unless such use shall be authorized by a subsequent rule or regulations of the Authority.

Mr. Switzer asked that we make sure the enforcement is equally applied.

MOTION: Mr. Mathis moved to amend the non-commercial hangar use policy and lease agreement to align with FAA guidance as proposed by legal counsel. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

5. Consider request by Eagle's Nest Condo Association to enter into a new 10-year non-commercial land lease on hangars 82-85

Mr. Sprenger reported that the hangars are in good condition and the rent is current. Staff recommends approval of the request.

MOTION: Ms. Stelmak moved to approve the request by Eagle's Nest Condo Association to enter into a new 10-year non-commercial land lease on hangars 82-85. Mr. Lehrkind seconded the motion. All board members voted aye. The motion carried.

6. Consider request by BC Storage Condominium Association to enter into a new 10-year non-commercial land lease on hangars 86-89

Mr. Sprenger said these hangars are in good condition. However, apron space between the hangars has gravel and it doesn't work well for plowing. We have advised them that we will not be plowing those areas because of it. We asked them to put in asphalt or concrete, but they chose not to during out last taxilane rehabilitoin. Due to the stipulation that we will not be plowing, they are receptive to removing the gravel. This is an opportune time to require that for the lease.

Ms. Stelmak asked if there is any problem with requiring asphalt or concrete. Mr. Sprenger said it is not a problem but there is a cost involved.

Mr. Mathis asked if it is staff's recommendation to require it be paved with asphalt or concrete. Mr. Sprenger said yes. Mr. Sprenger confirmed that would be required if they were building a new hangar.

MOTION: Mr. Mathis moved to approve the request by BC Storage Condominium Association to enter into a new 10-year non-commercial land lease on hangars 86-89 contingent upon the removal of gravel between the hangar aprons and replaced with asphalt or concrete. Ms. Stelmak seconded the motion. All board members voted aye. The motion carried.

7. Consider rate adjustment on various airport fees effective January 1, 2020

Mr. Sprenger said they have reviewed fees and charges. Staff is proposing 3 rate increases: fuel flowage fees, badging fees, and rent for the 5 small hangars the airport owns.

Staff is recommending increasing the fuel flowage fee from \$.06 to \$.08 per gallon for both Avgas and non-airline Jet A. The annual revenue impact from Jet A is \$65,000 and Avgas

is just under \$2,900. The bulk of the impact is on jet aircraft that is creating much of our need for infrastructure.

Staff recommends increasing initial SIDA badge fees from \$50 to \$65. Historically the renewal has been \$0, and staff recommends increasing it to \$50 which is more in line with our cost. On the AOA badges, staff recommends maintaining the initial badge fee of \$25 and adding an annual renewal fee of \$20 which is also in line with our cost.

Staff recommends the airport owned hangar rent increase from \$150 per month to \$200 per month.

Mr. Lehrkind says the increases look good.

Ms. Stelmak said these put us in line with other airports in the area.

Mr. Switzer said it is still a pretty good deal and covering the cost is important.

MOTION: Mr. Lehrkind moved to approve increasing the fuel flowage fee, badging fees and small hangar rent as proposed by staff effective January 1, 2020. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

8. Master Plan Update – Fuel Farms, Deicing, Terminal Ground Transportation – Scott Bell

Mr. Bell reviewed the two proposed locations for the fuel farm. One is a new location and the other is an expansion of the existing location. A matrix was distributed outlining the advantages of the two options. Since the last meeting they have met with Arlin's and Yellowstone Jet Center (YJC) and discussed the options.

Mr. Sprenger reviewed advantages of each location. One priority for both entities was to not be co-located so their operations would not interfere with each other. Some challenges are based on time determined by distance, gates, fuel availability, and proximity to the

airlines. Those become critical here because we have multiple large aircraft in short amounts of time.

Both should be relatively equal in investment. The cost to the airport for fencing on the west side is significantly less than the east side. In order to bring the east side into the fence, we would have to create another road for fire station access. That is a \$120,000 cost. The west side has additional cost in the future. The plan pushes the fuel out further to maintain a spot for de-icing tanks as the concourse moves to the east. There is a limited cost to us now to plan for that. A second road is shown but not required. There is more infrastructure cost to the airport on the east side primarily due to the fencing and additional road.

There is a difference in land rent possibilities. The west side is considered for aviation use. On the east side, this area could be for fuel, it could also be commercially available for example rental car storage which would create more revenue opportunity.

There are some concerns over aesthetics on the west side. From an airport standpoint, the west side is not really seen. We can do some landscaping to help but these will be 30 feet tall tanks and it will be years before trees will cover them.

Mr. Sprenger presented some of the various impacts and advantages of each location development. Ms. Stelmak asked about safety and Mr. Sprenger said there are no safety differences between the two locations.

Staff's recommendation is to move to the west side for the YJC fuel farm. YJC will come next month with a specific request. Then we will need to make a decision. The west side is a long-term location and expandable. There is some ability to make the tanks look nicer with

paint. We have a huge tank directly south of the airport, the water tower. We look at it everyday and we have grown used to it. The west side would provide a location for deicing when needed after terminal expansion.

Kent Foster with YJC came to the podium. Mr. Lehrkind asked him about timing. Mr. Foster said they would like it next year but more likely it will be in 2021. Mr. Foster clarified that the map shows 6 tanks, but they would start with 3. It will remain to be seen if those additional 3 will be needed. They are mindful of aesthetics. They are not opposed to community involvement for painting the tanks. Capacity and time are the reasons for this farm. This is a huge investment which is needed to keep this airport going.

Mr. Lehrkind asked about airport involvement. Mr. Sprenger said the portion we would be responsible for is just where the deicing would go. The rest would be up to YJC. Mr. Lehrkind asked if it is possible to start tree growth sooner than later. Mr. Sprenger said yes, we have done that before.

Ms. Stelmak likes that we are being proactive on the deicing.

Mr. Mathis said that any expense we incur expanding for deicing facilities must be built into the airline's rate base to be paid back. Mr. Sprenger said our options include incorporating into Passenger Facility Charges (PFC) or the airline rate base.

Mr. Mathis asked about where the fence would go on the east side. Mr. Sprenger showed the locations on the map. Arlin's will stay where it is.

Mr. Mathis asked if others have been talked to about fuel farm planning because there are large fuel delivery trucks for some helicopter operations. Mr. Sprenger said they haven't talked to them recently, but they can. Mr. Mathis agrees the west side makes sense.

Mr. Kelleher asked if the fuel operations can go underground. Mr. Sprenger said this area could accommodate that, but it is unlikely to happen due to cost. Mr. Foster said he would love a hydrant system, but the cost is prohibitive.

Mr. Mathis asked if other airports use PFC's to cover deicing facilities. Mr. Sprenger said yes.

Mr. Switzer said the west side development makes sense.

Mr. Sprenger said a little over \$100,000 for the deicing is not impossible to add into rates and charges. Mr. Mathis asked about the airlines paying for tanks and pumps in the future. Mr. Sprenger said we can address that with the airlines. There is merit for them to have one large tank for type 1.

Mr. Sprenger said ground transportation is becoming a bigger issue at the airport. A long-term solution was planned 10 years ago to a degree. There is a sidewalk on the parking lot side which is the entire length of the terminal. It could become our second curb away from the terminal area. It can be controlled which is an advantage. There is also potential for a second parking garage if ever needed. We are still watching what ground transportation does to parking. Uber and Lyft are growing slightly faster than parking. Regarding parking, we can build up or we can build out. If we go out, it will become a shuttle type system. We are fortunate to have the land. Shuttles have an operational cost. The other side is building up with an additional parking garage.

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

Mr. Humphrey started by saying October brought in below zero temperatures at the end and beginning of the month. It was the second coldest October we have had on record.

Tower operations for October 2019 versus 2018 were down 13.5% but we are still up 8.4% for the year. Our rolling twelve-month operations were at 96,928. Corporate landings were up 42.9% at 333 versus 233. Revenue enplanements were up 10.5% at 53,743 versus 48,628. For 12 months we are at 777,596 total enplanements. Total deplanements were up 11.2% at 50,285 versus 45,234. Airline landings were up slightly at 1.3% percent with 547 versus 540. With 10% more seats in the market, airline load factor was up slightly from 87.1% to 87.4%. Fuel for September was up 17.3% at 895,000 versus 763,000 gallons pumped.

This month has 3,100 more seats in the market. Our load factor was 83.9% last November so we are expecting to come in around 86%-87%.

10. Airport Director's Report – Brian Sprenger

Mr. Sprenger said we are up almost 15% in seats for the year and up 17%-18% in total passengers. In the first 9 months of 2020 our seat projection is up 15%. About 55%-60% of those seats are to Seattle. We will see how that market develops. The potential for growth is similar to this year if we fill those seats.

The parking garage is essentially complete except for a roof item because we have had some ponding. Sletten hasn't asked for payment. Parking in the garage in August averaged 8.5 cars overnight, September was 11, October is over 20, and November to date is averaging 30. With an average of 30 vehicles per night the annual revenue is about \$65,000 based on the difference in rate. There is a correlation to the weather.

The terminal expansion is on track. There have been no changes in the guaranteed maximum price. They are halfway down on the roof and working on enclosing it from east to west.

There are three variations on gate numbering to consider. There is time to discuss this before it is set. Staff suggests scenario number 2 be eliminated. That is our best guess at the number of gates that could go to the west. We shouldn't guess how many will go in that direction. Another option is to continue as we are. That doesn't account for when we move to the east as we will have to renumber. The other option is concourse A to the right and B to the left when exiting the screening checkpoint. Staff is split between those options. We will have to give architects direction.

Ms. Stelmak said since we may extend, the A and B makes sense. Everyone agreed.

Mr. Switzer likes that the split is seen as soon as you come out of security.

Sun Country announced service. They talked with Missoula and Kalispell but did not add service there. Minneapolis is one of our top markets. 6 of our top ten markets (Seattle, Los Angeles, Denver, Chicago, New York, and Minneapolis) now have multiple carriers. That indicates airlines are willing to compete in the same market here in Bozeman. That is a threshold we didn't anticipate at this time.

It appears that Gallatin Flying Service may change hands. We are talking with the title company. They are aware of what needs to be completed. There will be additional code review. This just transpired in the last week.

The supplemental grant for the ramp is still pending.

Mr. Mathis asked about Sun Country and if we anticipate connecting traffic in Minneapolis. Mr. Sprenger said it is possible, but there will be scheduling limitations. Fares are \$89 each way. It provides another access. We are seeing incredible fares in certain markets such as \$50 round trip to Denver this weekend and \$64 each way to Seattle.

11. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

The boarding bridge purchases will be spread out. We anticipate needing 2 gates in the summer, probably May or June for gates 9 and 10. Gate 8 is in the location where the gap will be for an airline gate to be assigned in the future.

There have been discussions with Mr. Hopeman and staff regarding concessions and the new restaurant. Due to timing and staffing, concessions will probably not be open at the same time as the first two gates.

Mr. Mathis asked if we do our own parking striping. Mr. Sprenger said we do some painting where appropriate but, in this case, it was too large of an area.

MOTION: Ms. Stelmak moved to pay the bills and Mr. Mathis seconded the motion. All board members voted aye and the motion carried unopposed.

12. Adjourn

The meeting was adjourned at 3:32 p.m.

A handwritten signature in black ink, appearing to read 'K Switzer', written over a horizontal line.

Kendall Switzer, Chairman