

The regular monthly meeting of the Gallatin Airport Authority was held May 9, 2019 at 2:00 p.m. in the Airport Conference Room. Board members present were Carl Lehrkind, Kendall Switzer, Ted Mathis, Karen Stelmak and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Carl Lehrkind, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

1. Open Bids on Terminal Apron Project

Mr. Sprenger asked for additional bids. Mark Maierle assisted with the bids.

There were 4 bids:

The first bid was from Montana Civil Contractors Inc. of Belgrade, Montana. Their Montana Contractor Registration number is 155802. The addendums were acknowledged and the bid bond was attached. Montana Civil Contractors Inc. bid:

\$4,307,129.00 for Schedule I – Commercial Apron Expansion

The second bid was from Duneman Construction of Bozeman, Montana. Their Montana Contractor Registration number is 151842. The addendums were acknowledged and the bid bond was attached. Duneman bid:

\$3,786,712.30 for Schedule I – Commercial Apron Expansion

The third bid was from Knife River Belgrade of Belgrade, Montana. Their Montana Contractor Registration number is 10089. The addendums were acknowledged and the bid bond was attached. Knife River Belgrade bid:

\$3,797,730.75 for Schedule I – Commercial Apron Expansion

The fourth bid was from Treasure State Inc. of Belgrade, Montana. Their Montana Contractor Registration number is 157069. The addendums were acknowledged and the bid bond was attached. Treasure State Inc. bid:

\$3,761,541.38 for Schedule I – Commercial Apron Expansion

Mr. Lehrkind thanked everyone for the bids.

MOTION: Ms. Switzer moved to take the bids under advisement and award a contract to the lowest qualified bidder. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

2. Review and approve minutes of regular meeting held April 11, 2019

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

MOTION: Mr. Mathis moved approval of the minutes of the meeting held April 11, 2019. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

3. Public Comment Period

There were no public comments.

4. Consider Guaranteed Maximum Price (GMP) – Schedule II of the Concourse Expansion Project

Mr. Sprenger said we received a guaranteed maximum price from Martel Construction. Anthony Martel came to the podium. Board members were distributed a bid summary. Mr. Martel said there were 6 allowances:

- Site signage package
- Flight information display (

- PA system (extension of the existing system)
- Painting package – will be re-bid since only one bid was received.
- Control contractors
- Roofing – will be re-bid since only one bid was received.

Martel plans to come back with better numbers. The alternate was the bathroom remodel. Mr. Sprenger said they were considering doubling the restroom capacity. The bid came in at \$202,000 which we think is more than what we need. There are bathrooms up the hall and down the concourse. We don't think that is money well spent. The other alternate is the terrace area between gate 7 and 8. It makes sense to consider enclosing that area which we can accomplish for \$166,000. It is an unfinished space that could be used for a revenue generator in the future. Staff recommends accepting that alternate. The exit lane is a separate budget item. Overall the total is \$20,552,652 excluding the exit lane. That is \$500,000 more than we had budgeted. \$166,000 is for enclosing the terrace. We think we can regain a significant portion of the overage.

Ms. Stelmak confirmed that we gain a financial benefit by enclosing the terrace now rather than later. Mr. Martel said that is correct.

Mr. Kelleher said he is ok with the GMP.

Mr. Sprenger said the worst case was \$1.5 million over, so this process does work well. Martel made sure we aren't doubling up on anything or missing anything.

MOTION: Mr. Kelleher moved to approve the Guaranteed Maximum Price submitted by Martel Construction on Schedule II of the Concourse Expansion Project. Mr. Switzer seconded the motion. All board members voted aye. The motion carried.

5. Consider request by Mr. Scott Bell and Mrs. Patricia A. Bell to enter into a new 10-year non-commercial land lease on hangar #81

Mr. Sprenger reported the hangar is in good condition and the rent is current. Mr. Bell takes excellent care of the area. Staff recommends approval of the request.

MOTION: Ms. Stelmak moved to approve the request by Mr. Scott Bell and Mrs. Patricia A. Bell to enter into a new 10-year non-commercial land lease on hangar #81. Mr. Switzer seconded the motion. All board members voted aye. The motion carried.

6. Continue consideration of request by Islands, LLC/Summit Aviation, Inc. to construct a 120' X 100' commercial hangar in the location of the former Airport House

Mr. Sprenger said there are two parts to this. Originally Summit Aviation was going to work through Islands, LLC as the owner. That has changed. This is under the Summit banner now. The purpose is for Summit's charter operation.

Ben Walton of Summit Aviation came to the podium. Mr. Mathis asked what they anticipate for operations at that location. Mr. Walton said they currently have 27 aircraft between the flight school and charter; 7 are turbine aircraft. This hangar will hold about 4 of those aircraft at the most at one time. The charter operation is staffed from 3am to midnight and there would be offices there for that.

Mr. Lehrkind asked about parking. At most there will be 3 people in the building at one time. Some cars may be there longer if on a long trip. Mr. Sprenger said they have about 20-21 parking spots. Mr. Mathis said it looks like there is room for adding more parking later if needed.

MOTION: Mr. Switzer moved to approve the request by Islands, LLC/Summit Aviation, Inc. to construct a 120' X 100' commercial hangar in the location of the former

Airport House. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

7. Consider request by Wide Open Skies Aviation, LLC to construct a 160' x 70' non-commercial hangar on taxiway "V"

Mr. Sprenger showed the location on the map. He pointed out the existing hangars, those under construction and those with approvals that are not yet under construction. We are running out of space. Taking into account next month's request, there is nothing left.

Mr. Schwerin and his wife would like 2 parcels to create one large hangar. They have a beautiful hangar now. Sarah Schwerin was present to answer questions. There were no questions.

MOTION: Ms. Stelmak moved to approve the request by Wide Open Skies Aviation, LLC to construct a 160' x 70' non-commercial hangar on taxiway "V". Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

8. Consider request by BZN Hangars to transfer the non-commercial land lease on hangars 103-112 to The Association of BZN Unit Hangars

Mr. Sprenger said this is reflecting a change in the name. Mr. Rob Blake is divesting some of his hangars. They are refining the name to the condominium documents they have. The hangar is in good shape and staff recommends approval of the request.

Mr. Sprenger confirmed for Ms. Stelmak that the association officers become our contacts for the hangar and confirmed that the hangar is in good shape.

MOTION: Mr. Mathis moved to approve the request by BZN Hangars to transfer the non-commercial land lease on hangars 103-112 to The Association of BZN Unit Hangars. Mr. Switzer seconded the motion. All board members voted aye. The motion carried.

9. Consider space design for Blackford RV location inside terminal

Mr. Sprenger said this was considered about 6 months ago. Blackford RV needs space to work with their customers. We asked them to come back with a design that could be easily removed if the venture was not successful. They submitted a design and are asking for approval.

Mr. Lehrkind confirmed it was a glass enclosure. Mr. Sprenger said yes and that it will be non-operational during the winter so we ask they open it for seating during the winter.

Mr. Stelmak said she is impressed with what they are doing inside. She asked for the parking location for the vehicles. Mr. Sprenger showed the location on the map and said they have designated the 1st row of what is currently the return lot for rental vehicles. That area should work well. Ms. Stelmak asked if drivers will be able to maneuver in that space. Mr. Sprenger said yes. There are two lanes and it is all oversize. It should not be a problem.

Mr. Lehrkind asked if we have heard any numbers regarding reservations. Mr. Humphrey said he just spoke with Jonathan of Blackford RV. Jonathan told him they are slowly gaining traction but are not concerned about it.

MOTION: Mr. Switzer moved to approve the space design for Blackford RV location inside terminal. Ms. Stelmak seconded the motion.

Mr. Mathis asked Mr. Sprenger when it will be constructed and by whom. Mr. Sprenger said an architectural firm designed it but they haven't determined who would construct it yet. Construction would begin shortly after approval. It will not be constructed by airport staff.

All board members voted aye. The motion carried.

10. Master Plan Update – Scott Bell

Mr. Bell said there was a large paper in the packet. Most master plans can take as long as 18 months but we would like to complete it in 12 months. It is made up of 6 to 7 chapters. It has to get FAA approval throughout the process. We intend to set up a small planning committee that will meet 3-4 times throughout the year. They plan to present at each board meeting throughout the process. Mr. Bell suggested the planning committee contain airport staff, a couple board members, Jason Karp with the City of Belgrade, someone from Gallatin County, Mr. Walton from Summit Aviation and Greg Steffen, the tower manager.

One of the key elements to address in the plan is possibly relocating Airport Road due to FAA criteria for the Runway Protection Zone.

There will also be individual meetings with the airlines, FBOs, tenants, etc.

Mr. Switzer asked if the board is the final approval authority. Mr. Bell said yes. Mr. Switzer said normally someone from the approval authority is not a part of the committee. He suggested a couple board members be present at the meeting as part of an advisory board but not members of the committee.

Mr. Sprenger said they are comfortable doing whatever the board directs. Mr. Switzer said it is important to be involved but also important to remember our role. Mr. Lehrkind said he understands Mr. Switzer's concerns, but it is a planning document not an approval document which makes a difference.

Mr. Mathis said he is comfortable with a monthly update and being able to provide input then. He would be happy to be a part of the committee but just as happy to have more industry participation. Ms. Stelmak said she agrees. She suggested an overview in the board packet ahead of each board meeting for review.

Mr. Mathis said when a committee gets too big it becomes a problem. He suggested keeping the committee small so they can have special meetings with the parties involved. Mr. Kelleher agreed and suggested having board members rotate on the committee.

Mr. Sprenger said the meetings could be an open invitation to any board members who would like to attend. These will be discussions based on things we have been talking about for years. As we go through this master plan, we are refining what has been our master plan since the early 1970's. That has given us the direction for the last 50 years. We are fortunate to have board members with so much knowledge and experience that we would like to draw on. Members would not have to be formal participants until the board meetings.

Mr. Bell asked if there is anyone who should be added to the list. Mr. Kelleher said the smaller the group the better. Ms. Stelmak said less is more. Mr. Bell agreed.

11. Consider preliminary budget for fiscal year 2020

Mr. Sprenger said he spoke with each board member about the budget. The number one concern was the conservativeness in the revenue forecasts. Which he thinks is a good thing after today's bid opening.

Overall, we expect operating revenue to be \$13.2 million. Based on boardings it will probably be about \$1 million more than that if all goes well. Operating expenses are

budgeted at \$6.85 million. The contribution to the capital fund is \$6.4 million based in operating. That includes all expected income from grants, entitlements, etc. for a total income of \$25.3 million.

The budget includes many projects and potential land acquisition. It looks like one acquisition may go through and it looks like two will not. The next phase of baggage system planning is on the budget if we receive a grant. Non-AIP projects have been limited due to cash flow.

Total expenditures for the year are budgeted at \$37.2 million. We expect to need about \$12 million from our capital improvement fund. Right now, our projection for cash on hand at the end of this fiscal year is \$13.1 million. We do anticipate utilizing the line of credit this year. We have \$6.5 million on the line of credit to accommodate any unforeseen expenses. We will have to be very watchful of the timing of expenditures and revenues. That is why we came in conservative on revenue.

Mr. Mathis thinks the budget is well done. He has two concerns. He firmly believes the airlines are not paying their fair share. He understands we need to treat them well, but if you compare our fees to other airports of this size, we are low. We need to make that adjustment in future years. He knows Mr. Sprenger will go to the airlines to get their contribution for the new baggage system.

Mr. Mathis said the other area of concern is our user fees, particularly the gate cards and security costs. As a general aviation (GA) pilot he gets a brand new key card every year. He thinks he should be paying for that. The rates will go up next year which might help some. Not just on the GA side but also contractors and engineers.

Mr. Mathis said he is in favor of approving the budget.

Mr. Lehrkind asked about our fees compared to other airports. Mr. Sprenger said the average for airports our size is in the \$5-7 per passenger range and we are just under \$3. Mr. Lehrkind said he would like to see those numbers.

Mr. Sprenger said staff agrees with Mr. Mathis on the security costs. We cover our cost on the gate card at first, but there are additional requirements. The cards are expensive. We have a reservation and appointment system with cost.

Mr. Switzer said he is surprised because most entities do charge for security cards. He is in favor of charging for that. Mr. Switzer said he is also interested in seeing user fee comparisons.

Mr. Kelleher said that with the double digit increases we are seeing, we should be able to get that fair share from the airlines.

Mr. Sprenger said we are among the lowest in almost all facets and that contributes to our growth, but it also leads to an increase to capital expenditures. With the baggage system it will be very important to have airline participation. TSA only covers 50% of the cost. We are working with TSA to get assurance of their participation.

Ms. Stelmak said the budget is very impressive but would like to focus on the operating revenue expenses and income. For the budget to actual for last year, we exceeded the expected revenue by over \$2 million. This year we have only budgeted to exceed last year's actual revenue by \$157,000. She understands the need to be conservative but thinks we are being unrealistically conservative considering the growth we

are achieving. We are showing that our expenses will increase by \$374,000. She suggested looking into increasing those revenue numbers.

Mr. Sprenger said he has had the same discussion with Mr. Lehrkind. We take these numbers and put them into our cash flow. That determines what we can afford for projects. If we add in too much, there is the temptation to complete more projects. Then there is not enough cushion for the unpredictable changes. We chose to have that one place for that cushion on the revenue side. If we come in exceptionally higher, we are in great shape. Two thirds of our budget is projects and once they are started they are difficult to stop. We are being intentionally conservative on the operating revenue for the unexpected. Two of our projects are coming in significantly over budget. The other option is to reduce the number of projects. We have set \$2 million cash on hand as a cushion. We can change that to \$4 million cash on hand. We are open to trying different ways. We have previously been more liberal on the expense side in years past. That was a problem last year. We thought there couldn't be two bad snow years in a row and there were.

Ms. Stelmak said she feels more comfortable budgeting as close to actual as possible. She suggested adding a line item for contingencies to be less conservative on the revenue.

Mr. Switzer said he agrees but this is being used as a programmatic spending tool. Either way you want to spend less than you make. If the revenue is dictating what we spend, we need to keep that low and if we generate more, that is great. He has seen it go the other way at other companies and then their debt increases. But actual versus actual is a valid point.

Mr. Lehrkind said he thinks Mr. Sprenger and staff have done an excellent job on expenses. There are always contingencies which could be a line item. He agrees with the revenue point that Ms. Stelmak brought up. To be up so much more in expenses than revenue doesn't look good. He would rather see them flat. His recommendation is to pass it as is but adjust those numbers going forward.

Mr. Mathis said he agrees.

Mr. Kelleher referred to the previous recession. He is comfortable with the conservative revenue numbers. He agrees with Mr. Mathis on fees for GA.

Ms. Stelmak said she is advocating making revenue more realistic. She is not advocating spending more but creating a more realistic budget.

Mr. Sprenger said the bottom line is that the difference is investment in capital. That \$6.4 million is where we feel comfortable. If that changes from \$6.4 to \$7.4 he would have to adjust that difference somewhere else.

Mr. Mathis said the budget is a guide. We have the ability to move dollars from one area to another as needed as long as we don't exceed that number at the bottom. He agrees that having the revenue and expense numbers closer together is a good thing.

Ms. Stelmak reiterated that she would like the revenue numbers to be more realistic and Mr. Sprenger said he has noted that.

MOTION: Mr. Mathis moved to approve the FY 2020 Gallatin Airport Authority Budget as proposed by staff. Mr. Switzer seconded the motion. Four members voted in favor and Ms. Stelmak voted opposed. The motion carried.

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

Total operations for April 2019 versus 2018 were up 10.1%. That puts our rolling twelve-month operations at 93,466 which is another record. Corporate landings were up 80.8% at 367 versus 203. Revenue enplanements were up 18.6% at 46,114 versus 38,893. For 12 months we are at 715,801 enplanements. Total deplanements were up 22.9% at 43,878 versus 35,711. Airline landings were up 35.8% percent 603 versus 444. Airline load factor was down 5.9% with 27% more seats. March fuel gallons pumped were up 14.2%.

We had runway construction last May. We are anticipating being in the 20-24% growth range compared to last year.

Mr. Sprenger directed attention to air carrier operations for April which were 50% up and 46.9% up for the year. Some of that is a shift from air taxi because we are seeing less 50-seat RJs. That is a significant increase. Air carrier operations account for 18% of our total operations. That is significantly more than what we have seen in the past. Once we get through May, we will be in more moderate growth rates.

Mr. Switzer asked how our operations department is doing with this growth. Mr. Sprenger said we have been making continual adjustments. The challenge is the concurrent number of small and large projects we are handling. The normal day to day increases in passengers is being accommodated. We have been playing catch up. It is a phenomenal time to be at this airport. We are making it, but like everywhere in this valley, some days are better than others.

13. Airport Director's Report – Brian Sprenger

We received the accounting excellence award for the fourth year in a row. Mr. Sprenger commended Troy Watling.

The current Delta ground handling company was not awarded the new bid. US Aviation is the new ground handler. We have some concerns about this change. Their contract does not include de-icing. Delta is going through a process to consolidate contractors. Hopefully they can get it figured out. They are changing contractors within a month.

The Tower Meeting will be 5/29 at 5pm.

Parking Garage – We are still anticipating opening the connector building June 1. We anticipate moving rental cars into the garage later that month. We have competing projects. There are not enough electricians. At this point the contractor is saying the dates are still good.

Mr. Lehrkind said the Central Valley Fire building is beautiful.

14. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

Mr. Sprenger said we are justifying use of water rights.

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

All board members voted aye and the motion carried unopposed.

15. Adjourn

The meeting was adjourned at 3:39 p.m.



Carl Lehrkind, Chairman