

The regular monthly meeting of the Gallatin Airport Authority was held December 10, 2015 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Kendall Switzer, Karen Stelmak and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Ops, Troy Watling, Assistant Director of Finance, and Denise McCarthy, Recorder. Carl Lehrkind was not present.

Ted Mathis, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board and said members of the public are welcome to comment on a specific agenda item when it is being discussed. There is a sign in sheet if anyone would like to talk during the public comment period. Mr. Mathis mentioned that the airport had lost two champions of the airport in the past month, Ashley Branning (Former Airport Board member) and Harvey Ratty (Local Artist). Mr. Mathis said a few words regarding their character and contributions to the airport.

#### **1. Review and approve minutes of regular meeting held November 12, 2015**

Mr. Mathis asked if everyone 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 November 12, 2015. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

#### **2. Public Comment Period**

Mr. Mathis said no one was signed up but invited anyone to comment if they wanted to. There were no public comments.

**3. Consider request by Kevin Kundert and Mickey Lessley to enter into a new 10-year non-commercial land lease on hangar 49.**

Mr. Sprenger showed the location of hangar 49 on the map. He reported that the hangar is in good condition and the rent is current. Staff recommends approval of the new lease.

Mr. Kelleher asked how old the hangar is. Mr. Sprenger said he guesses it's about 30 years old and asked Mr. Mathis if he knew. Mr. Mathis replied he didn't think it to be quite that old but didn't remember. Ms. Stelmak asked if it's in good shape and Mr. Sprenger confirmed it's in good shape, the same general shape as most of the hangars.

**MOTION:** Ms. Stelmak moved to approve the request by Kevin Kundert and Mickey Lessley to enter into a new 10-year non-commercial land lease on hangar 49. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

**4. Report on passenger boarding and flight operations – Scott Humphrey**

Total operations for November 2015 versus 2014 were essentially flat at 5,167 versus 5,152. That puts our rolling twelve-month enplanements at just under 81,000. Corporate landings were identical at 146 versus 146. Enplaned passengers for November were up 13.7 percent at 29,813 versus 26,232. Twelve-month enplanements stand at 509,007. Deplaned passengers were up 13.9 percent. Airline landings are down 3.5 percent at 382 versus 396. We had 3,700 additional seats in the market. Our airline load factor is at 83.1 percent versus 81.5 percent in November 2014. Fuel dispensed in October was 430,986 gallons versus 424,000 gallons the previous year.

Looking forward into November, we don't yet have the enplaned bookings for the holiday flights that are coming up. Right now we're sitting at just about 3 percent better

than we were last December. Mr. Humphrey is projecting we'll end up at about 5 percent better.

December 19th is really when we start seeing all the holiday additions for the Christmas season. We'll have Houston back daily on December 19th. Newark comes back Saturday/Sunday on that same weekend. Delta brings back Atlanta on that weekend doing the daily double through the New Year's holiday. We'll also see the return of LAX and San Francisco. Portland returns December 17th and it runs through the holiday season. So we have a lot of additional flights that are not accounted for in the projections quite yet. Looking forward through March, it looks like January will have about 4,361 more seats than last year, 4,000 more seats in February and about 2,400 more in March. That is about an average of 10% more seats December through March. As we have mentioned before, Frontier will be going seasonal after the holidays. Mr. Sprenger has been in contact with them and as of right now, they assure us they will return in May.

Mr. Mathis asked if there are any questions for Mr. Humphrey on his report. Mr. Mathis mentioned that he doubts very many airport administrations have the kind of information that Mr. Humphrey and Mr. Sprenger put together and he doubts that very many airport boards get the kind of information that we do. Mr. Sprenger and Mr. Humphrey do a great job on keeping on top of that and he thinks that's one of the reasons we provide the great airline service that we do. He thanked both Mr. Sprenger and Mr. Humphrey.

##### **5. Airport Director's Report – Brian Sprenger**

Mr. Sprenger reported that the Screening Partnership Program has completely transitioned and he thinks they have 49 staff members which is where they wanted to be at this point. The bad news is that a lot of the staff is new so that's going to decrease some of the efficiency. We hope they will offset each other but we also know that staffing throughout the terminal is an issue. The airlines have expressed some troubles especially over the holiday period. Bozeman has a low unemployment rate and when we go from the November volume to peak volume in late December it's a big challenge.

Ms. Stelmak commented that when she is going through TSA the new people have been friendly and efficient. She has been pleasantly impressed with their service. Mr. Sprenger mentioned it was good to hear and that he has been hearing the same thing in general.

Mr. Sprenger next reported on the environmental assessment. He quoted from the FAA document. The document has been thoroughly reviewed and they are coordinating their final response. Their rationale is that the FAA has encountered situations at airports where construction of a secondary runway took place and faced legal challenges due to the lack of a defensible content within the planning and environmental assessment used to support the project. They are working very closely with the regional environmental planning and legal experts to tie everything together to ensure that the end product will clearly describe the situation in a defensible manner. The (FAA) believe they are just about there. They're planning to take the very end product and re-write the last parts to how they think it should be. We will make those changes, assuming that we agree with all of them, so

they can approve everything and we can move forward. They indicated we would have it by now but we don't.

TSA Pre-check enrollment is here at the airport January 18-22. Right now anyone wanting to enroll in Pre-check has to go over to Butte, that's where their enrollment center is. To have an enrollment office here is certainly beneficial. Unfortunately it's just for a short time. However, Senator Daines' staff asked for comments on how enrollment can work in the new act, the TSA Pre-check Expansion Act. They asked for our suggestions. As an airport we do fingerprinting and background checks. If they want to pay us the \$85 we will take care of it and that way we can provide that service to our customers and not require them to drive to Butte or apply only during the special enrollment period. They took that and went back and got bipartisan support and at this point the act states: "The administrator will consider leveraging the existing resources and abilities of airports to conduct fingerprint and background checks to expedite identity verification for the Pre-check Program." That is a good thing for our customers and it's utilizing a process that is probably a lot cheaper than contracting out another company. Hopefully it's something that can be achieved. Ultimately it's better for us to get as many people through the Pre-check process as we can because that is a much less invasive and quicker process. The TSA will have done the background check on these people to make sure that they're trustworthy.

Mr. Sprenger presented a PowerPoint presentation. We do these chicken dinner circuit presentations and realized the board doesn't often get to see it. Staff thought it would be nice to see what we're telling everybody about the airport.

Mr. Sprenger reported that one of the things we start out each presentation with is why we have been successful. It really comes down to a few key points. A few of those are geography and our community demographics with Bozeman and MSU. We have Yellowstone National Park for the summer and Big Sky for the winter. We are an airline aviation friendly airport with our fees, leases and facilities. We have partnered with various entities to promote the airport and be goodwill ambassadors in ways that don't cost us anything but make us a vital part of the community.

Mr. Sprenger showed a slide containing a comparison of the Montana airports from 1978-2015. Across the bottom is a yellow line where we were at compared to the other airports in 1978. At that time, Missoula, Great Falls and Helena were larger. We were just a little bit bigger than Butte and Kalispell. If you look at where we are now, you can see the drastic and consistent change we've had over that period. A lot of our success is based on the success of the community. If you look at the total passengers between 2010 and 2015, we're up 47% in passengers. It's not just our local passengers or our tourist passengers, it's both. Parking revenue is up 121% which indicates increased local passengers. While it's not directly correlated to our passenger volume, we know that if the parking lot does better, we're handling a lot more local passengers. The same is true with the rental cars which is an indicator of tourism traffic. Rental car revenue is up 73%. Interestingly Big Sky ski resort is up the exact same percentage as our enplanements, 47%. Yellowstone Park visitation is up over 10 for the period. Montana state enrollment is up 20%, they now have over 15,000 students. The Bozeman population is up 12% and Gallatin County is up 9%. Equally important, the unemployment rate is down 66% in the Gallatin Valley from 2010. We're just

a participant in the overall success of the entire community. It's not just seasonal growth either. This is shown through each individual quarter. In 2015 versus 2010, we're up 40%. If you look at each one of those quarters, the growth is about equal. It's not just the tourism season, the busy summer season or the busy winter season. We actually see the strongest growth in the 2nd and 4th quarters. You see in the 1st quarter we had 122,000 passengers and the 2nd and 4th quarter are pretty comparable to that now. They weren't that comparable back in 2010, there was still quite a bit of difference. This really shows the story of what's happened here compared to the rest of the country. Another slide shows year ended July 2010 versus year ended September 2015. It shows the regional rank 1 through 11 and then behind that it shows the national rank. You can see in 2010 we were the 11th busiest airport in the region and 136th in the country. We're now 8th in the region and we bumped up 19 spots to 117th in the country. That's incredible. There are only a couple of airports that have shown strength that way. The majority of those airports that have seen that growth have been low cost carrier airports where Allegiant started flying into, Mesa, Arizona for example. If you take a look at the region you can see we had a 44% increase in passengers over that period as of July. Looking at other airports in our region, Spokane and Boise have been flat. Colorado Springs is down 32%. Eugene has done well. Billings' growth has been more moderate.

Mr. Sprenger presented another slide that shows the passenger enplanements compared to the population. The population of Boise and Spokane is in excess of about 200,000. That is not including their catchment area but just the city itself. Colorado Springs is well over 400,000. Then you see this little place called Bozeman, we're under 50,000 in

population, and yet we're now enplaning more than airports in Eugene and Billings which serve much larger populations. One of the things we have focused on over the past years in our presentations is surpassing Billings but now we're well past them. We're now looking at the next level of airports and comparing ourselves to those rather than looking back and resting on our laurels. We're looking at the next 3 airports in the region which are Colorado Springs, Boise and Spokane. When we look at those airports, the figures are pretty interesting. If you look at the passenger enplanement level, Spokane and Boise are at 1.5 million and we're at about 500,000. That is about 3 times more passengers than us. But, when you look at airline revenue, which is really the part that brings airlines to our community, we have grown about the same amount on a much lower base than Spokane and Boise. Our total airline revenue now is about \$200 million. The airports that are 3 times our size in passengers are not 3 times our size in revenue. This is one of the reasons why we're getting additional services. Per passenger, airlines are seeing more revenue at Bozeman than they are at airports like Spokane and Boise. The ticket cost per mile is used as a comparison to show how competitive we are in the price of the ticket. We use the ticket cost per mile because we're always going to be at a disadvantage with distance. If we have to fly all the way to the East coast, we'll have to fly a lot further than somebody that lives in Denver or Minneapolis. The average cost per mile has increased at all of four airports. But at our airport, the cost increase has been moderate in comparison to Colorado Springs and about the same as Boise and Spokane. But, when you look at the difference in cost, there is not much of a difference, we are little more expensive than Spokane but less than Boise and Colorado Springs.



Another comparison is of our airline routes between 2000 and 2015. Many of the routes are seasonal but we've added 11 new non-stop destinations over the period. We now compare our service to the next 3 largest airports in our region. There are some dynamics that each region has. We all have service to Seattle, Denver and Salt Lake City. In Boise they have services to Reno, Spokane, Sacramento and all 3 of the Bay Area airports. That is mainly because they are closely tied to those communities. We're not tied to those areas like Boise is. Neither is Spokane. If you look at the East Coast service, only Bozeman and Colorado Springs have non-stops to the east coast. We have bigger ties to the east coast.

Mr. Sprenger presented a slide with the top outbound and inbound markets. Denver is the top outbound and inbound. With Frontier reducing their influence in the market we could see some change there. Of our top 10, Washington DC is the only destination we don't have non-stop service to. Our top outbound international destination is Cancun Mexico. The people that are coming here are coming from London, Tokyo, Frankfurt and elsewhere. The next slide showed a comparison for available seats in the 3rd quarter 2014 and 3<sup>rd</sup> quarter 2007 for Bozeman versus the US in general. Our enplanements are up 46% but the enplanements across the country are down. Departures are down across the country and we're only up 1%. We haven't added flights so all of the additional passengers are because of bigger planes. The average size of an aircraft has increased from 69 seats per aircraft to 98. It does show that the domestic airline traffic has matured through all of the airline consolidation but we have fortunately been one of the few growing markets on a

nationwide basis. As we all know, with fewer airlines, we have a lot less opportunity and a lot less competition going forward.

The 5 carriers we do have illustrates that there are not a lot of other airlines out there. The slide showed the entire lower 48 airline systems in the US. There are 5 airlines currently serving Bozeman. Three airlines are niche carriers that are not looking at areas like Montana. The remaining two are the ones we hope to someday see, Southwest and American. We have to grow into the right size for Southwest Airlines. That leaves American Airlines and that is why we have been talking with them.

It doesn't mean we don't have challenges. The next slide shows some challenges with the change in Frontier's business model. It is making it more difficult for them to serve the small markets. We're fortunate to still have them even if it is on a seasonal basis. Denver traffic alone is not sufficient in the winter period for them to fill the airplane on the fares they require to make money. Like Mr. Humphrey mentioned earlier, we're about even on seats depending on the period you look at. United's increase in seats has offset most of the decreases with Frontier. This report is including the Frontier seats we expect to see in May. Between January 5th and May 31st we expect seats to Denver to be up slightly compared to last year around that same period. In 2012 Frontier was flying from Bozeman to Denver and trying to connect people to cities throughout the country. Today their whole focus at Bozeman is only the Denver market.

The Pacific Northwest is our fastest growing region right now. Alaska is our fastest growing airline with 59% growth over the past 3 years and now we have Delta in the market as well. Overall we've had about a 100% increase in seats to the Seattle/Portland area in

the past 3 years. That growth always leads to a little bit of concern regarding its sustainability. So far indications show that while the yield has come down, the increased passengers have offset decrease in yield. As long as that occurs, we will continue to see that level of increase but it is a very competitive environment and we're watching that closely.

Regarding Dallas/Ft. Worth, Mr. Sprenger reported that we had a good meeting with American Airlines last month and we should hear back from them in the next month or so.

Mr. Sprenger next reported on airport development. We have a Capital Plan of \$10 million per year over the next ten years to pay off bonds and complete a lot of projects including asphalt, parking garages, and land acquisition.

Mr. Sprenger reported on The Gallatin College's growth and how it has impacted our operations. They are about 15% of our total operations and they have 14 aircraft. That has generated a need for a paved parallel runway.

The airport creates over \$400 million in economic impact annually. It has 30 employers and over 700 employees. He also provided a breakdown of where the employment is. The top 3 are the airlines, ground transportation and parking.

The board thanked Mr. Sprenger for his presentation. Ms. Stelmak asked what kind of questions he gets when he gives these presentations. Mr. Sprenger said we try to answer Dallas and Southwest questions as they always come up. We get questions on fares. We get questions on general aviation and the flight school because people are often just learning of their importance to our airport. Almost all of the comments and questions are positive, even the ones on Fares. We give advice on where to find the best fares. Currently,

the California bay area is one of our best deals and fares up to the Pacific Northwest are very good. The overall impression is that all fares are high but there are pockets where they're extremely reasonable.

Kevin Kelleher has been to 4 of these presentations in the last 2 years. He gets a lot of feedback about how informative the presentations are.

## **6. Consider bills and approve for payment**

The bills were reviewed and detailed by Mr. Sprenger.

Ms. Stelmak asked about the Chamber of Commerce booth and if it has been helpful to people flying in and out. Mr. Sprenger said they answer a lot of questions. People on inbound flights gravitate there when they get in. He has received good comments on it. Mr. Humphrey commented that from the Chamber of Commerce's prospective, they had a 6 fold increase on the information they have passed along there compared to their other location. The main focus is to get people who are traveling to Big Sky and Yellowstone National Park to take an excursion into Bozeman and Belgrade. From what we are seeing and hearing that seems to be working. Mr. Sprenger said they handle a lot of general airport questions. Overall it's going well.

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

Mr. Kelleher wanted to commend all involved on the comprehensive annual financial report. If anyone has ever been critical, this should answer their questions and show that we are doing a great job.

## **7. Adjourn**

The meeting was adjourned at 2:50 p.m.

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Ted Mathis, Chair