

The regular monthly meeting of the Gallatin Airport Authority was held January 11, 2018 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. Review and approve minutes of regular meeting held December 14, 2017

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. Kelleher moved approval of the minutes of the meeting held December 14, 2017. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Consider Audit Proposals

Mr. Sprenger said we received four audit proposals that were all relatively close in cost. They were from Rudd & Company, Holmes & Turner, Anderson ZurMuehlen (AZ), and Amatics. Staff evaluated all four of the proposals. Mr. Watling said they would all be capable. Of the two with the lowest cost, Holmes & Turner has experience with the airport. Rudd & Co was lower than Homes & Turner by about \$2,550. Rudd & Co doesn't have larger government experience or airport experience. It would require additional time to get them

up to speed. Holmes & Turner didn't have airport experience before working with us, but they did have large government experience. Staff's recommendation is to accept the proposal from Holmes & Turner. When you add in staff time to familiarize others with our specifics, the cost is about the same. Holmes & Turner would require less time educating. Either Rudd & Co or Holmes & Turner would be capable.

Ms. Stelmak acknowledged that she uses Holmes & Turner for her taxes.

Mr. Kelleher clarified with Mr. Sprenger that we have always had good audits. Mr. Sprenger said that is true and we have always had good audits even with the audit company prior to Holmes & Turner. The auditor's job is to look at how we're doing and if we are doing well, any auditor should be able to show that. Mr. Sprenger said that is due to Mr. Watling doing a great job.

Mr. Switzer asked Mr. Watling to address the difference in qualifications and experience and the difference in the timeline.

Mr. Watling said AZ is the strongest because of their governmental depth.

The remaining three are pretty equal. Holmes & Turner is pretty strong and has partners with governmental experience.

Holmes & Turner is very comfortable with our timeline. The others seem to be able to meet it but wouldn't commit to any specific dates because September is a busy month for governmental auditing. We might have to move some of the dates with the others.

Ms. Stelmak said she read each audit proposal. They were all impressive but there were also pluses and minuses on all of them. It is always nice to have great results, which is a complement to our staff. It is our responsibility to have a company that is thorough and

making sure we are doing things correctly. Holmes & Turner has done that for us in the past. In Ms. Stelmak's evaluation, Holmes & Turner is the best to handle our services in the future.

Mr. Mathis said what really makes the difference on the audit is our award winning CPA on staff. Historically our accountants have done a great deal of the audit. Mr. Mathis is familiar with one of the partners at Rudd & Co. This partner does the books and taxes for Mr. Mathis' subdivision. She is conscientious and sharp. Mr. Mathis feels comfortable saving \$2,500 and hiring Rudd & Co.

Ms. Stelmak said her only concern with Rudd & Co was that they have no airport experience and we would spend time getting them up to speed.

Mr. Lehrkind said it would cost more in airport time to bring them up to speed.

Mr. Mathis said he doesn't think it would cost anymore since we have a CPA on staff and will not require any overtime.

Mr. Lehrkind said it would take Mr. Watling away from other duties.

MOTION: Mr. Kelleher moved to accept the proposal by Holmes & Turner to provide audit services for FY 2018, 2019 and 2020. Ms. Stelmak seconded the motion. Mr. Kelleher, Mr. Switzer and Ms. Stelmak voted aye, Mr. Mathis voted opposed. The motion carried.

4. Consider Non-profit Organization Retail Operations Proposals

Mr. Sprenger reported we received a proposal from Yellowstone Forever. This is continuing what we already have. This equates to \$17,000 per year or \$46 per day. That equates to 6 cents per square foot per day. That is the same as what we charge the airlines, rental car companies, and TSA for rental space.

The concessions are quite a bit more.

This proposal is in line with other revenue sources. We included language that allows the airport to review the agreement and give one year's notice and the proposer has the same option. We may find other benefits in that space.

Staff recommends approval of the request.

Mr. Mathis said that in most every other case in the terminal we receive additional revenue from the tenants and we won't from this one. \$46.58 per day doesn't pay for the heat, lights, parking, and use of the restrooms. He will be interested to see how many people a day use that facility. It is seldom attended. He is very comfortable with renewing it for 3 years with the understanding that we can give them a year's notice.

Mr. Switzer said it is important that we continually look at what goes in that space and what is a fair price. As time goes on, more people tell him that when they come back to this airport, they feel like they are home. Yellowstone Park is part of that. Our airport is an experience for the region and is glad Yellowstone Forever would like to add to that experience.

Ms. Stelmak agreed. She said the fact that it is not a lot, we are generating some revenue. This is promoting one of our greatest draws to the area. They do a nice job. Their hours of operation are a concern for her. There are times the terminal is quite busy and they are not open. Ms. Stelmak asked if we could insist they be open at certain times.

Mr. Sprenger said we do have agreed hours and they are adjustable and reviewable. The challenge with anything outside of security is that people want to get out of the airport. Revenue indicates we are serving a need, but it is a lesser need compared to inside security.

We have found that Yellowstone Forever does more business on the outbound traffic which is mostly the rental car traffic passing through. If they were inside security, their sales would be a lot more. Mr. Sprenger has seen it busy and times when no one is there. It is not a huge revenue generator. It is the cumulative effect and the impact we provide to the inbound passengers like Mr. Switzer said.

MOTION: Mr. Mathis moved to accept the proposal by Yellowstone Forever to operate a non-profit organization retail operation. Mr. Switzer seconded the motion. All board members voted aye. The motion carried.

5. Consider the Gallatin Airport Authority funding one full-time tower controller

Mr. Sprenger said we are all aware of the background here. It is frustrating that we have to consider the Airport Authority paying for this. Looking at the traffic growth, it is apparent that we have to start the program. We received proposals from Serco for a half hour before and after which we could probably adjust to one hour before or after, but not both. The hour before and after would require them to increase their staff and they would not propose that. They also proposed one full time person which would allow them to extend the hours from 5:00 a.m. until 1:00 a.m. and additional time each day where there would be 2 controllers on duty.

We have not received an agreement yet. Before any agreement could be signed, we would have to address how those hours would be distributed throughout the day. There is a potential for abuse and we would have to review that. Staff does recommend we approve one full time person and extend the day one additional hour at the beginning and end of the day. There will be times we will have no operations. There will also be times like over

Christmas, where we had operations in the morning before 6 and after midnight most of which were during snow removal operations. Everything went fine but one more set of eyes and ears is important.

The funding would be included in the airline rates and charges. The airlines pay for approximately 54% of our airfield budget. This would be included in there. The other 46% is in our general operating cost. That is how we did it before. There has been some discussion to have the airlines pay for this in full. That would be an 8% straight increase in cost for the airlines over the year. That doesn't account for other increases. Staff does recommend funding one full time tower controller.

Mr. Mathis asked if we increased the cost to the airlines by 8% would we still have the lowest fees in the Northwest. Mr. Sprenger said we would have the lowest airport fees for Montana and for airports of our size in the region.

Mr. Switzer said it is unsatisfactory that we have to do this and he is not happy about it. We have no choice because we are in a dynamic environment with the mountainous terrain and the weather. We have to make it a safe environment not just for what is planned but for the unexpected. Mr. Switzer fully supports the one hour but he is not voting for Serco.

Mr. Sprenger received a call from the airport director in Helena. Their automated weather system (ASOS) has been out of service. The challenge is that their tower closes at 10pm and it is a Federal tower. The tower controllers generally provide weather reporting when the tower is open. The Federal tower was not willing to stay open. They had an aircraft divert back to Denver because of this. This shows two things. First, there is

frustration with the FAA in general. Second, if we had problems with ASOS here, we would be covered for more hours with the additional controller.

Ms. Stelmak agrees that this is a frustrating situation. Our primary responsibility is safety. Another concern is that the extra hours we are paying for should not be freeing them up. That should be written well into the contract.

Mr. Kelleher agrees. His concern is an incident in those late hours. How prepared are we and where does that leave the airport as far as liability?

There are airports all over the country that operate when their tower is closed but there are procedures in place for this situation. We feel that we are at the threshold where we should have these hours covered with air traffic control.

Our airport and our board have always been probably the most proactive in regards to air traffic control safety in the world and at least in the U.S. which should be an FAA function. Mr. Mathis had the tower built and brought radar to the valley and radar display to the tower. We had to go to the FAA to put in approach control. We had to create departure procedures that wouldn't conflict with arrival procedures. These were investments by the airport staff and board. We have had the wherewithal to do that within the budget. Some airports don't have the funding. We have stepped up and done it in the name of safety even when it should have been done by the FAA.

Mr. Lehrkind agreed that we shouldn't have to pay for this but we do need it. Mr. Lehrkind asked if we expect many more flights outside of the proposed hours. Mr. Sprenger said not for the regular schedule, possibly some around certain holidays. Late flights will happen.

Mr. Lehrkind asked if there are any concerns that this will hurt us in the long run as we try to get the FAA to expand this. Mr. Sprenger said the opposite could be said. If we get 4 operations per hour over a 3 month average, they will fund it. Without having someone in the tower, we have to manually track that. All we need is 3 months of that average. We don't want to give excess hope. Our numbers don't justify that.

Mr. Lehrkind said \$140,000 seems high. Mr. Sprenger said the Federal Air Traffic Controller average salary is \$180,000. The alternative is higher.

Mr. Kelleher said with the airport growing and public health and safety concerns, where do you see operations like Bridger Aerospace, Yellowstone Club, the multiple helicopter operations, and the charters fitting in? Would that help with the FAA?

Mr. Sprenger said we were down .9% for tower operations for the year. That .9% probably would be the equivalent of what we would have had 12am-1am. Some is that shift, but overall traffic levels are not increasing. We will see in the springtime what happens with the new runway and Summit Aviation. We are seeing increases in peak times and IFR operations. Total operations were 5,000 to 6,000 less than our peak. That is why we have a hard time convincing the FAA. The operations we do have are high profile. That part is increasing. Between the hours of 1:00 a.m. and 5:00 a.m., we could look at extending that, but we have several hours during the day when we have one controller on duty. There are a lot more operations during those hours where we could benefit from having a tower controller and a ground controller. There is a lot of coordination going on. It is a balancing act.

Mr. Sprenger said a good example was on December 26th we had a snow storm. The whole day we were just above the minimums. We had 173 IFR operations that day while plowing. It was the single highest day of IFR operations and it was in the middle of a snow storm. Greg at the tower acknowledged those days are a challenge.

MOTION: Ms. Stelmak moved to accept the proposal by Serco to provide one additional full-time tower controller to be funded by the Gallatin Airport Authority and include the cost of this position in the airline rates and charges formulas. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

6. Report on Runway 12/30 Rehabilitation Project – Mark Maierle

Mr. Maierle said we will advertise for bids next week and then open for bids at the next board meeting. This project has a \$6 million budget. A discretionary grant accounts for \$3 million and the remainder will be made up of 2018 entitlements.

We have rescheduled airlines so the bids require the work schedule is 12:30pm to midnight. The project duration has roughly 50% contingency. We skipped 6-7 days due to rain last time. Every day we will meet with the contractor and make a decision based on weather.

Mr. Mathis asked if they will be milling. Mr. Maierle said not much of the surface will be removed. They will be putting down a paving fabric beneath the asphalt which mitigates cracking. They used the material on the General Aviation apron and it has performed well. It reduces maintenance. The overlay will be 2.5 to 3 inches variable. This project is more a rehabilitation than strengthening. It is 15 year old pavement.

Mr. Switzer asked if this will buy us another 15 years and Mr. Maierle said yes.

We are also re-cabling the lights with new wire and transformers at the same time. The resistance readings on the wires are showing they have reached their life. We will also have pavement temperature sensors coming in at the end. They will allow us to better predict de-icing chemicals.

At the end of the project we will expand the commercial apron for gates 1 through 5. It will be done in 3 different phases doing up to 2 gates at a time.

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

Total operations for December 2017 versus 2016 were up 2.5% at 5,026 versus 4,902. That puts our rolling twelve-month operations at 76,223. Corporate landings were up 21.6% at 439 versus 361. Total enplanements were up 3.6% at 46,431 versus 44,805. That puts our twelve-month rolling enplanements at 600,000. Total deplanements were up 3% at 50,770 versus 49,289. Airline landings were down 3.2% percent at 572 versus 591. Airline load factors were up 1.6%. Fuel dispensed for November was up 18.2% at 585,290 gallons versus 494,980. We are up 9% in seats for January.

8. Report on CY 2017 Airline Traffic Results – Brian Sprenger

Mr. Sprenger reported that we were 463 passengers short of 1.2 million because of one fog day. That was about 92,000 more passengers than last year. That is the single largest increase in our history. Not the largest increase percentage but the largest net new passenger increase.

We had 76,223 tower operations which is .9% down. Some of that has transferred to after hours and general aviation is down. Corporate landings were up 12.7%. Overall it was an incredible year.

We are seeing some significant signs for next year. United has announced daily service to Newark June 7-September 4. That is a 275% increase in just the summer seats. They are very bullish on our market. Our summer schedule, June-September, is up 10.9% in available seats. Available seats in July are now up to 95,475 and continue to increase.

We are continuing discussions with Jet Blue and Allegiant about new markets. We are always happy to talk with them.

For May we are looking at a 15% seat reduction for those construction days but a 5% impact for the entire month. Alaska has announced a second daily Portland flight that they will start the day after we stop runway construction.

Mr. Switzer said the demand signal from the airlines is huge. The team that makes this happen is our team. Mr. Switzer commended staff on another phenomenal year. Mr. Switzer asked how the staffing is going and is there enough support to meet the demand. Mr. Sprenger said we are continually evaluating that. We want to be right sized. No one likes to lay off people. We want to be at the right level and grow with the airport. The team is developing. We will continue to do a lot of education over the next year. We lost institutional knowledge and have replaced it with youthful enthusiasm.

Mr. Mathis asked how many more staff members we have now than we had one year ago. Mr. Sprenger said we have four additional staff members including an intern we didn't have last year.

9. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that we had 1,910 cars overnight on December 24th which is 200 more than any previous night. We filled both overfill lots. We created a second when it

was apparent that we needed it. We were out there directing people in the lot. One person drove from Hardin in a snow storm because it saved him \$300. Someone also drove from Missoula to fly to Denver and save \$400. Before Christmas we have more vacationers coming than people who want to leave. That leaves more open seats outbound. That is only good when you pick the right day and flight. That only works around Christmas. During spring break, we will send people to Missoula and Billings because our seats will be full.

Northwestern Energy would like to do some advertising. We have a number of power strips at the gates. They would like them to say brought to you by NW Energy. We could put something on the wall or something by the charging station. They are relatively small. Mr. Sprenger showed a visual. We have these charging stations at Gates 4-7. At \$100 per month per station that is almost \$5,000/year. It is something to get input on.

Mr. Mathis said he would like to see a schematic that shows what it would actually look like.

Mr. Lehrkind suggested we get back to them and see what they have in mind.

Ms. Stelmak asked if this is just for signage or for more stations. Mr. Sprenger said they would also sign up for more stations. Ms. Stelmak asked if they would fund the additional stations. Mr. Sprenger said they looked into that and we looked at what we could do from a revenue standpoint. Ms. Stelmak said people are looking for places to plug in so we could use more stations. Mr. Sprenger said, going back to the experience discussion, we get comments that we don't have advertising everywhere. There will be more info to come.

We have the TSA pre-check mobile enrollment event next week and it is all full. They are trying to add another week.

10. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

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

11. Adjourn

The meeting was adjourned at 3:12 p.m.



Carl Lehrkind, Chairman