

The regular monthly meeting of the Gallatin Airport Authority was held October 13, 2022, at 2:00 p.m. in the Airport Conference Room. Board members present were Karen Stelmak, Ted Mathis, Kevin Kelleher, Carl Lehrkind, and Kendall Switzer. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, and Troy Watling, Assistant Director - Finance.

Ms. Stelmak, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board and called the meeting to order.

1. Review and approve minutes of regular meeting held September 8, 2022

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

MOTION: Mr. Lehrkind moved approval of the minutes of the meeting held September 8, 2022. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

Gary Buchanan, Executive Vice President of Million Air, said they are in the planning phase and presented some design images for the FBO Building. The fuel farm architecture plans are not ready for presentation yet. Montana Scales will be coming out Monday. Scott Hedglin with Architecture 118 presented some of the designs of the project. They will come back next month for the formal presentation. They are looking at a land lease adjustment. Mr. Mathis asked about the site line. Mr. Sprenger said a full review has not yet been completed.

3. East Terminal Expansion Update

Michael Spitzer with RS&H said they have been working with Morrison & Maierle and Martel Construction. They are in the middle of the schematic design phase and will be moving forward into design development.

Frank Gratton, Lead Design Architect, provided a glimpse into the project and process. Mr. Gratton displayed some hand sketches of the project. Part of the concourse second level provides a unique opportunity to view the northwest and the setting sun. There is an opportunity to bring the public up to that level. The hand sketches can be made into 3D models. Mr. Gratton reviewed some of the various features of the design. Public elevators and stairs. Access to the mezzanine level. View of the great hall interior. Mezzanine above. Food and beverage concessions.

Mr. Spitzer referred to the accelerated schedule to maximize grant fund usage. Mr. Bell explained some of the funding processes through the Bipartisan Infrastructure Law. The next application period is in about a year. We want to be ready for that to hopefully receive a discretionary grant.

4. Consider land acquisition priorities

Mr. Sprenger said we had another party on Timothy Lane approach us regarding a potential buy/sell. An appraisal would be the next step. It is within the area we are working on acquiring.

MOTION: Mr. Mathis moved to approve the Airport Director negotiating a buy-sell on the Robert and Nancy Weiman property and to bring to the Board for consideration, understanding the Board may or may not approve the negotiated buy-sell agreement. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

5. Consider two-year extension to Ground Transportation Agreement with Karst Stage

Mr. Sprenger said Karst Stage has a leased space based on a minimum annual guarantee which is \$50,000. We have not had any other interest. Staff recommends the extension.

Mr. Lehrkind asked if there is an increase with this extension. Mr. Sprenger said on the minimum there is not. Inside the terminal, the lease does have an annual increase.

MOTION: Mr. Switzer moved to approve two-year extension to Ground Transportation Agreement with Karst Stage. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

6. Consider land lease rate adjustment effective July 1, 2023

Mr. Sprenger said we re-established our land lease renegotiation time frames 6 years ago so they would all happen at the same time. Our next opportunity for a rate increase is July 1, 2023. We wanted to get it out early for review. We compared the rates at other airports in the state of Montana. With our current rates, we are the lowest of the major airports including Billings, Missoula, Great Falls, Helena, and Kalispell.

Staff is proposing the following increases:

Non-commercial rate from \$0.10/sq ft to \$0.12/sq ft

Commercial rate from \$0.12/sq ft to \$0.17/sq ft

Commercial Non-Aviation rate from \$0.35/sq ft to \$0.40/sq ft

For a comparison, Helena's non-commercial rate is \$0.16/sq ft and Missoula's is \$0.17/sq ft. For commercial rates, Helena is \$0.16/sq ft, Kalispell is \$0.43/sq ft, Missoula is \$0.17/sq ft, Great Falls is \$0.20/sq ft and \$0.29/sq ft for Billings. So, we are on the low side.

Our expenses are increasing. The needs and requests of our tenants are increasing. There are also inflationary pressures. Ms. Stelmak recused herself from the discussion.

Mr. Sprenger said that at best, we would be close to breaking even for General Aviation (GA). Historically it has been very subsidized.

Mr. Lehrkind asked about how the increases were determined. Mr. Sprenger said they weighed the impacts on the tenants. We looked at our expenses to the best of our ability. We looked at other airports in the state. Anyone who has invested in buildings on the airport has seen increased valuation on their buildings. They pay property taxes on the building. None of the tax revenue comes to the airport.

Mr. Mathis said it is evident that our rates have been low over the years. There was a time we were thrilled to have a new hangar built. That isn't the case anymore. Our costs are going up. We recently added a stipend for our air traffic controllers of \$100,000/year which is what the rate increase equivalent is. As an example, Mr. Mathis indicated the daily rental rate for Million Air, the smallest FBO lot, is \$8.65/day increasing to \$10.90/day. Mr. Mathis said that needs adjustment. We want to continue to make it a good deal, but we must recover our costs. Mr. Mathis suggested the rates be an average of other airports in the state. The average commercial rate would be \$0.22/sq ft and \$0.21/sq ft for non-commercial.

Mr. Switzer said things are getting more expensive rapidly for everyone. We want to make it user friendly for general aviation. Our model should mirror the environment that we're in. It is not going to get any better in 3 years. Considering all the services we provide, we do it well and to be the least expensive, that is surprising. We are lucky to have a large

volume of traffic and commercial aviation to be able to float these costs. That may not always be the case.

Mr. Mathis asked if we could entertain a laddered rate over 3 years. Mr. Humphrey didn't think we had the option. Mr. Sprenger suggested we table the discussion, talk to legal and then come back with an answer next month.

MOTION: Mr. Switzer moved that we table the consideration of land lease rate adjustments and review the options for an annual adjustment of rates. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

7. Consider request by Dave and Shelly Williams to extend their occupancy at 1551 Tubb Rd an additional 6 months

Mr. Sprenger said we purchased the property in December 2019. Mr. & Mrs. Williams requested 3 years to continue to use the property. They are building at another location. The construction is taking longer than expected. Staff is not opposed to another 6 months. The one concern is the precedent that it sets for others with the same clause. It should include a valuation to set it apart. We recently established a monthly rent amount for another property. We feel that would be adequate in this situation. It would be for a maximum of 6 months.

Mr. Williams said they sold December 31, 2019. The Covid-19 pandemic then occurred. Mr. Williams said many businesses were bailed out but individuals were not. There was no precedence for that. Their building has been delayed by 1.5 years. They will continue to heat and maintain the airport's property. They are looking for somewhere to store their things. 6 months would help them. They have had supply chain issues.

Mr. Switzer asked if they are building. Mr. Williams said he is the builder and confirmed that they would only need 6 more months. The biggest challenge is materials and supply.

Ms. Stelmak asked if the uniqueness of the Covid-19 pandemic could set this apart from creating a precedent.

Mr. Sprenger said this is one of only a couple that were purchased before COVID. It could be a consideration. If there is an exception, we want to explain why, so we don't open ourselves up for others. We will get questions. We have had to be firm on a lot of them.

Mr. Kelleher asked if it would be prudent to have legal look at this. Mr. Sprenger said legal would have to be involved for an extension with or without rent.

Mr. Lehrkind asked Mr. Williams if the rent is an acceptable option for them. Mr. Williams said it would depend on how much the rent was.

MOTION: Mr. Lehrkind moved approval of the request by Dave and Shelly Williams to extend their occupancy at 1551 Tubb Rd at the rental rate specified by staff for a maximum of 6 months no exceptions. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

8. Consider request by James & James, LLC to transfer the non-commercial land lease on hangar 164 to Centerline Holdings, LLC and Centerline Holdings, LLC to construct a 600 square foot addition to hangar 164

Mr. Sprenger said the hangar is in good condition. The hangar built was a 60' x 50' even though all the documents show a 60' x 60'. Staff recommends approval of both requests.

MOTION: Mr. Switzer moved approval of the request by James & James, LLC to transfer the non-commercial land lease on hangar 164 to Centerline Holdings, LLC and

Centerline Holdings, LLC to construct a 600 square foot addition to hangar 164 contingent upon painting of the hangar door brace and pedestrian door trim and review by staff of the siding color. Mr. Kelleher seconded the motion and all board members voted aye. Mr. Mathis asked about the lease transfer fee. Mr. Sprenger said it is \$300. Mr. Mathis asked about assurance that the siding matches. Mr. Sprenger said that will continue to be a problem with siding colors. We ask them to be as close as possible. Mr. Switzer asked if we have the option to review the colors. Mr. Mathis said some have chosen very different color siding that isn't close to a match. Mr. Mathis said the hangar door brace and the pedestrian door trim needs paint. Mr. Mathis pointed out that the current rent on that building is \$2.37/day. The motion carried.

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

Mr. Humphrey reported 10,542 total tower operations for September which was down 11.6%. Much of that is due to larger aircraft on the commercial side. Rolling 12-month operations were 110,126 operations. Corporate landings were 12,546 which is up 8.1%. There were 11 clearances in September versus 12 in 2021 so down 8.3% but up 102.9% year to date. Revenue enplanements were up 5.3% at 103,482 versus 98,287 passengers. Rolling 12-month enplanements were 1,116,862. Deplaned passengers were up 3.5% at 100,362 versus 96,975. Airline landings were down 23.9% at 817 versus 1,073 and down 13.8% for the year. The load factor was at 89.4% which is up 24.4%. American's load factor was 94%, Delta was 89.9% United 92.2% and Southwest 87.7%. Total gallons dispensed for August were up 15%.

We are 18% up for the first 15 days of October. We will probably drift down a few percentage points. Mr. Humphrey's best guess is in the 12-14% range.

10. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that September food and beverage was 126% of last year. Retail was 121% of last year. Overnight cars were 134% of last year. Parking revenue was 130% of last year. We are adding a lot of parking but if we have 130% at Christmas, we will use all the parking we just built. Capacity will limit it, but it is a concern.

We are now carrying a higher percentage of local passengers than we did before. Local means originating their trip here. That is a change. Historically we have been 38-40% are local passengers. 42-43% is now local originating travelers. We are relying less on tourism than we ever have before. Some of that is due to the increase in population. They moved here from somewhere else and are flying back to their family and businesses. There is a dynamic change. We are not as tourism based as we once were. 43% of all passengers entering the state by air are coming through Bozeman. From comparing license plates in the parking lot, 20% are from outside of what we would typically say is our county area.

Mr. Kelleher asked about the jet fuel situation. Mr. Sprenger invited Mr. Roger Woolsey, CEO of Million Air, to comment. Mr. Woolsey said plants are converting into heating oil. That will put a strain on gasoline and diesel. In the last 3 weeks we have seen a \$0.70 rise on Jet A and a \$0.90 on avgas. They expect that to continue through November with a 20% increase this week. Nationwide, we have the same logistical problems as before such as the trucking issues. As traveling increases over the holidays and the demand goes up, it can't take much more pressure. It is something they are all watching.

Mr. Mathis asked to see landing fees collected after the change in fees. Mr. Sprenger said it might be 25 pages long. It was decided the report would be emailed and a hard copy would be prepared upon request.

11. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

The baggage system is coming along. A tour will be arranged at least by December.

Mr. Mathis asked about hangar number revisions. Mr. Sprenger said they are working with Gallatin County Geographic Information System (GIS). Emergency Services uses GIS. We are working on getting the taxi lanes associated correctly. Then we will have a GIS address as well as a hangar address. It has turned into a more complicated process. There has been a lot of staff changes in County GIS.

Mr. Kelleher said he has heard talk about certain entities buying the West Yellowstone Airport. Mr. Sprenger said they have not had any indications of that. If that was the case, they would not be eligible for federal grants. The state is looking at how best to handle.

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

All board members voted aye. The motion carried.

12. Adjourn

The meeting was adjourned at 3:26 p.m.



Karen Stelmak, Board Chair