The regular monthly meeting of the Gallatin Airport Authority was held October 8, 2015 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Carl Lehrkind, 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 - Finance, Chuck Rasnick, Maintenance Mgr., Rhett Boerger, Bldg. Maintenance Mgr., and Shannon Rocha, Recorder.

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. He understands people are busy and cannot stay for the entire meeting but are welcome to stay if they would like to.

1. Review and approve minutes of regular meeting held October 8, 2015

Mr. Mathis asked if everyone received their copy of the minutes and if they had any corrections or additions.

Mr. Sprenger had one correction. On page 9, second line down, the record shows mainland and that should be mainline.

MOTION: Mr. Lehrkind moved approval of the minutes of the meeting held October 8, 2015 as amended. Mr. Kelleher 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 Audit Report

Sydni Tangaro from Holmes and Turner was present and provided an overview of the results of the audit:

Ms. Tangaro thanked the management team for their time and effort, especially Troy Watling. It was a good and clean audit this year. They are presenting draft financial statements for a couple reasons. The first reason is Government Accounting Standards Board Statement number 68 (GASB 68) is required to be implemented this year. They just received the required information from MPERA (Montana Public Employee's Retirement Administration) for the audited pension schedules. The second reason is that the management of the Gallatin Airport Authority has decided to issue a Comprehensive Annual Financial Report (CAFR) this year. This is a great step forward and a significant improvement in the government financial reporting world.

The Authority plans to submit the CAFR through the Government Finance Officers Association (GFOA) award program. A CAFR is an annual financial report that includes a statistical section and an introductory section which includes a letter of transmittal of information that the Authority feels is important for its readers to have that is in addition to the financial statements. The GFOA award program provides a Certificate of Achievement of Excellence in financial reporting. The GFOA established this program in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of Generally Accepted Accounting Principles (GAAP), to prepare comprehensive annual reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. Once you submit your CAFR they review it.

Typically the first year entrants receive feedback comments. It is rare that a government gets a certificate the first year of submission. Once the submission is approved then the GFOA provides a certificate that can be included in the next CAFR.

Ms. Tangaro then reviewed the basic financial statements that they audit. Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP. The auditors' responsibility is to express an opinion on those financial statements based on the audit. This year's opinion is an unmodified or clean opinion.

The most significant change this year is GASB 68 & 71 in regards to the pension. The actuaries for MPERA have determined that the net outstanding unfunded liability for the state of Montana is $1.246 billion at June 30, 2014. As of June 30, 2014 the Airport Authority's share of that is $1.745 million. The prior period adjustment was $2.104 million and MPERA and their auditors calculated that. So it decreased over the one-year period, and is expected to decrease for at least a couple years. Contributions to the pension this year are paying for this year and to lower the unfunded liability.

In addition to the basic financial statements there is some required supplementary information in the report. The management discussion and analysis and the new pension schedules for GASB 68. The auditors do not express an opinion on the Required Supplementary Information (RSI).

Also included with the supplementary information are the schedule of expenditures of Federal awards for the single audit area and the schedule of passenger facility charges collected and expended. Those schedules are subjected to the auditing procedures performed for the basic financial statements. They do express an opinion that they are fairly stated in all material respects in relation to the basic financial statements.

The auditors did not have to propose any journal entries nor did they have any uncorrected journal entries. That is good news because it indicates that we are looking at good financial information on an ongoing basis.

There were 3 other reports in the financial statements. One is on the internal control over financial reporting and compliance in accordance with government auditing standards. There were no instances of non-compliance found and no significant deficiencies or material weaknesses were reported.

The next report is on the compliance for each major program on internal control over compliance for the Office of Management and Budget (OMB) Circular A-133, the single audit. The auditors have an unmodified clean opinion on compliance for the major programs for the types of compliance requirements that have a direct and material affect on the financial statements. There were no significant deficiencies or material weakness reported.

The final report is on compliance and internal control over Passenger Facility Charges (PFC). There were no compliance findings there as well.

Mr. Mathis asked about the GFOA certificate and of what benefit it is. Ms. Tangaro responded that it could help with the bond rating but primarily it lets others know that we are taking extra steps in financial reporting and indicates to our readers that we are reporting good information.

Mr. Sprenger pointed out that over the years we have included a lot of that information under what would be called the management discussion and analysis portion of the audit. That portion is meant to be more minimal. In the comprehensive annual financial report it goes in the letter of the transmittal. Also, every year we are contacted by Moody's with 15-20 questions for clarifications of the audit. This year, those answers were included in advance.

Mr. Mathis said that in years past a managerial report had been included. He asked Mr. Sprenger if that would be in a separate report going forward. Mr. Sprenger said the letter of transmittal included what would normally be a re-cap of the year. This is quite lengthy and more than what the director's letter was in the past. We are still determining a balance between editorial and factual in the report.

Mr. Mathis said, that as a board member, he appreciates the editorial type report and if it needs to be split out separate from the audit, that would be valuable.

Mr. Switzer commended the staff on the results of the audit. Besides offering the ultimate public service, we are charged with doing it right. This demonstrates that is what we are doing.

Ms. Stelmak commented that it is commendable that with the transition of a key accounting position, Mr. Watling was able to step in seamlessly and have things so well done. That is a compliment to Mr. Watling and to the entire staff. The results of the audit also brought to her mind how well run this airport is and its outstanding financial performance. So not only was it a clean audit, but the content is really good too.

Mr. Kelleher expressed that this is the 3rd year in a row that we have had a perfect audit and that is commendable.

Mr. Sprenger thanked the staff and Ms. Tangaro and her staff.

MOTION: Ms. Stelmak moved to approve the fiscal year 2015 Audit Report. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

4. Consider Snow Removal Equipment Plan

Mr. Sprenger mentioned that Paul, Chuck and Rhett from the maintenance department were present to answer any questions. We have been carrying about $1 million in future AIP funding for snow removal equipment replacement. The last equipment we purchased was a broom in 2008. Before that, we purchased 2 Oshkosh plows in 2002. The average age of our equipment is 24.2 years. Our staff has done a great job at maintaining our equipment. We do have some equipment that needs to go away and some is just getting old. We looked at where we want to be in 10 years or so. In discussions, we determined we would need 4 plows, 3 for the runway and 1 for the road, 3 brooms, a blower, and 2 loaders. Further along in the plan there may be some adjustments.

Mobile 7 is a 1983 Ford and is our road plow. We are proposing to replace that with a P Series Oshkosh or equivalent with a 15-foot plow. We could get a dedicated road plow but it is nice to have an interchangeable plow for redundancy. Mr. Sprenger mentioned at the same time it is a bit of over kill but worth the redundancy.

Mobile 8 is a SMI with a 16-foot broom. It is one of our oldest pieces of equipment. We tend to be aggressive about brooming our runways. It makes a big difference and has been very successful. The SMI was a backup but it would be very effective to have 3 brooms at a time out there due to air carrier operations. So we are proposing to replace Mobile 8 with a new H Series or equivalent truck with a 20-foot broom.

Because of all the new ramp area, we have done a lot of exploration on loaders and plows for those loaders. Our 1976 Norland blower is supposed to be a back up but really isn't. We think it would be good to purchase a self-contained blower for the loader. Several other locations have purchased that. The cost of that is $180,000 instead of a dedicated $600,000 truck that is just for a back up. Later we plan to replace our blower with a full size one in the 5 year period.

AIP is probably the right funding mechanism right now. We've got about $1,000,030 in estimated cost for the equipment. On the loader, we are recommending either purchasing a used loader or leasing a loader. It is the one piece of equipment we can readily find on a lease. The cost is $25,000 per season for a piece of equipment that would be $300,000 plus to buy. That allows us to try it out, gives us time, and some costs can come out of our preventative maintenance needs.

There are also a couple of plows included in the plan. They are $65-75,000 each. The Max Pro blade gives us the ability to windrow plow or push plow. With all the ramps and such off the runway, not having to switch vehicles would be a benefit.

This is a significant investment so we want to make sure we go about it the best way possible.

Mr. Lehrkind asked if the numbers on the plan take into consideration the new runway. Mr. Sprenger said the main runway is our primary focus. During IFR operations, that main runway is sufficient for our needs. We have determined with the crosswind runway that if we don’t get over there in time, it ices and then it is really hard to clear. Operations will be similar with the parallel runway. In the snow removal process, it will not be a priority but we will be plowing longer to accomplish it.

Mr. Lehrkind also asked if the additional roads would be an issue. Mr. Sprenger responded that Airway Blvd is no longer our responsibility. We do have the ability to use our contractor that does the parking lot for the roads as needed. The contractor can also plow the roads while he is driving in and has in the past.

Ms. Stelmak commented that with additional ramp space, the bigger plows make sense. She clarified that the loader lease would be $25,000 for the season and $300,000 new. Mr. Sprenger said it was about $380,000 new. Ms. Stelmak said she likes the idea of the lease, but that would be a 14-year pay back and our equipment is averaging 24 years. So she asked if it would be better to buy it in the long run than lease it. Mr. Sprenger said it might be better to buy used. With used equipment we can lease to buy and apply a portion of the lease payments toward purchase if we like it.

Mr. Sprenger said we have 3 so-called buckets for funding. We have AIP funding, which is 90% reimbursable. We have our internal funding and our operational budget. There are some benefits to spreading our spending out through those different areas. We want to make sure we are using the right funding mechanisms. Leasing equipment resolves storing and maintaining equipment. This is new for us so we will watch it closely and determine which way works the best.

Mr. Kelleher asked if we would buy the blower that would attach to the loader. Mr. Sprenger said yes and that would restrict the type of loader we could use with it once it is adapted to fit.

Mr. Lehrkind asked what do other airports that are larger than ours do with their equipment. Mr. Sprenger said it varies by airport. For the most part, others purchase newer and recycle their equipment out quicker. Some, like Denver, contract out a significant part of their snow removal so the equipment is not theirs. We have always owned and maintained our own equipment. Our 2 main brooms last year averaged 180 hours over the winter. Our plows averaged 207 hours. Our 2002 plows have 2,600 hours over the last 13 years. Our newest broom has 1,395 hours. Our broom that was purchased in 2000 has 2,500 hours on it.

MOTION: Ms. Switzer moved to approve the Snow Removal Equipment Plan. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

During the discussion portion, Mr. Mathis said attaching a 15-foot plow on an Oshkosh P series is like driving a thumbtack with a sledgehammer. He hopes that if they decide to do that, that they retain one of the 20-foot plows as well. He sees logic to having a back up but feels it may be too much. He also said the hours and miles on the vehicles are more important information than the age because it shows the quality of maintenance that is being performed. He likes the idea of a detachable blower for the loader. Other airports are leasing and he thinks it makes sense. Right now there are some good buys on purchasing and leasing equipment. He thinks that the plan is well put together and he is in favor of it.

5. Consider Request by Mr. Klein Gilhousen to transfer his non-commercial lease on hangar #95 to Pine Butte, LLC

Mr. Sprenger showed the location of the hangar on the map. Mr. Sprenger reported that Mr. Gilhousen is requesting a transfer of the lease from him personally to his LLC held with his wife Karen. The hangar is in good condition and the rent is current. Staff recommends approval.

MOTION: Mr. Kelleher moved to approve the request by Mr. Klein Gilhousen to transfer his non-commercial lease on hangar #95 to Pine Butte, LLC. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

Mr. Mathis noted something with this request that should be required for future lease transfers. He recommended that the board request a list of aircraft that will be stored in the hangar to make sure the hangar would continue to be used for aviation purposes.

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

Total operations for October 2015 versus 2014 were down 1.6 percent at 8,153 versus 8,282. That puts our rolling twelve-month operations just under 81,000. Corporate landings were down at 139 versus 159. Enplaned passengers for October were up 11% at 39,497 versus 35,572. Just for reference, in 2010 we were boarding 27,852 passengers so that is a 32 percent increase in 5 years. Twelve-month enplanements stand at 505,426. Deplaned passengers were up 10.9 percent at 36,500 versus 32,904. Airline landings are down 9.6 percent. Our load factor is at 87.6 percent versus 83.2 percent for October of 2014. Total gallons dispensed were down 4.4% in September at 644,681 versus 674,241.

Mr. Humphrey also reported that he and Brian along with a consultant from the Boyd group will be traveling Tuesday morning to Dallas to meet with American Airlines.

Billings has been in the press recently for actively pursuing airlines with guarantees. The press has couched Bozeman as more of a leisure market than we really are. Mr. Humphrey passed out a draft of what they will be talking about with American Airlines. If you look at what we have put together, we out board every airport in the state 11 months out of the year. Our shoulder season is increasing almost as much as our summer season. November is the only month we don't out board Billings and that gap is closing. Next year we will probably out board all other airports in the state 12 months out of the year. Our business markets and shoulder seasons are good. We are the best of both worlds, business and leisure.

Mr. Sprenger added that we have a good case. Missoula has stated they are riding on our coat tails. They feel if it works in Bozeman it will eventually work in Missoula. Billings is a business market and a very different market than us. We are more seven days a week and they are more Monday-Friday. 5 years ago we were the weaker market but not anymore. It will be interesting to see what American does. We also have the opportunity to talk to them this time on an informal basis, which we hope is a good sign.

Mr. Kelleher asked Mr. Humphery when Frontier was going seasonal. Mr. Humphery responded that happens January 3rd 2016. That will be their last flight until May.

Mr. Lehrkind asked how long service would continue after May. Mr. Sprenger said Frontier is still determining that. We think it will be similar to what they have done in Missoula, which is May through New Year's. Winter season is the weakest of the seasons between Bozeman and Denver.

6. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that Morrison-Maierle received an award for the East Belgrade interchange. Scott Bell from Morrison-Maierle came to the podium. They submitted the East Belgrade interchange as well as all the access roads to the terminal as one project to the American Counsel of Engineering Companies (ACEC). There are 10 different disciplines. This project was submitted under the transportation discipline. Morrison-Maierle, Gallatin County, Montana Department of Transportation, Gallatin Airport Authority, and the City of Belgrade were selected for the award in the transportation category. We were also selected for the grand award for engineering excellence for the state of Montana. So the project will be entered on the national level as well. On behalf of the board of directors, Scott presented the plaque to us for the transportation category and has another one coming for the grand prize.

Mr. Sprenger reported on the Hotel Feasibility Study. It remains apparent that there will be a significant increase in area hotels in the not too distant future. The airport has some disadvantages due to Belgrade not having enough retail and food and beverage options to make it a destination. There is some potential for airline crews but also a lot of restriction and it is low yielding. The anticipated return would be 3% versus the 20% needed to entice private investors. The study has good information so when we have people come to us about establishing a hotel here we can pass that information on and we feel comfortable that we should not be going out for an RFP for this. It is also important to note the revenue potential for the airport versus the risk. The revenue potential is fairly minimal.

We have the luxury to say no to small non-airport revenue. Chris Kraus has offered to come and answer any questions as well.

Mr. Lehrkind thinks this was money well spent.

Mr. Switzer agrees and says there were a lot of things in the report that he hadn't thought about previously. Those details have armed us to take a better look in the future.

Mr. Kelleher thinks it is data we can use down the road.

Ms. Stelmak agrees it was good we did the report and mentioned that since the results were so clear it makes the right path clear as well.

Mr. Sprenger reported on the Screening Partnership Program. The new contractor has assumed the morning shift for a couple weeks now. They are still working on training staff to cover the afternoon shift. They feel confident they are prepared for Christmas, which is what they are focused on before they complete the entire transition.

Mr. Sprenger said he has spoken with each board member about being asked to be on the community advisory board for US Bank. There is a lot of information from the banking industry there and keeping an eye out is of benefit to the airport board. There is no liability or legal implication since it is not a bank board but a community advisory board. Unless there is any hesitation from our board, he will say yes.

Mr. Lehrkind commented that he thinks it is a great opportunity and congratulated Mr. Sprenger on being asked. Mr. Sprenger reported that our flight check is scheduled for Monday. It has taken 1.5 months longer than expected. We have had no impact on our air carrier service. It is instrumentation that we don't like being without but we are almost there.

We are still ironing out details on the land swap particularly on the gravel pit. Scott has a meeting next week. They are determining what the elevations are and their effect on the reclamation for the Department of Environmental Quality. That is one of the main questions for us. To make sure there is no liability there that would impair us. Hopefully that is one of the last things that we will need to do.

Scott reported on the Environmental Assessment. He said it left Helena one month ago and went to what the FAA calls their other lines of business. It has been with them for almost a month. They will have an internal FAA meeting Monday and then we will get their comments. Provided it goes through their other lines of business, we will be ready to start holding public meetings here at the airport. The goal is still to start moving dirt in the spring.

The Airport Christmas party is scheduled for Thursday 12/3 at 6pm.

7. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

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

8. Adjourn

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

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Ted Mathis, Chair