

The regular monthly meeting of the Gallatin Airport Authority was held January 12, 2017 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, Troy Watling, Assistant Director of Finance, and Lisa Burgwin, Office Assistant.

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.

1. Review and approve minutes of regular meeting held December 8, 2016

Mr. Mathis 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 December 8, 2016. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Consider request by Eagle Mount to continue Digger Days at recently acquired airport land

Mr. Sprenger showed the location of the land trade that was completed about a month ago on the map. For the last five years, Eagle Mount has been holding an event called Digger Days in this location. Mr. Sprenger reported that he checked with the FAA and there were no issues. We are sympathetic to the fact that the land transfer has led to a

relatively short notice for the event. Mr. Sprenger suggested we make a determination for the short term and a change for the long term.

Mary Peterson, Executive Director of Eagle Mount, came to the podium. Digger Days raises significant funds for the charity. This will be the 7th annual event of its kind. They will make every effort to comply with any needs of the airport and FAA as they have done in the past.

Mr. Lehrkind commended Ms. Peterson and her team on always doing a great job with the event. Mr. Lehrkind asked Mr. Sprenger what our liability is now that we own the land. Mr. Sprenger said they have talked with Ms. Peterson about that issue. Eagle Mount would list the airport as an additional insured under the program. Mr. Lehrkind asked Ms. Peterson if she knew what the insurance coverage was for the event. Ms. Peterson did not know the specifications of the insurance policy.

Ms. Stelmak voiced the same concern for liability and insurance. If there is no issue with that she is very supportive of the event. Ms. Stelmak recommended reviewing approval of the event annually rather than a longer period of time due to the fact that we don't know what the future will hold.

Mr. Switzer commended Ms. Peterson on a great program. Mr. Switzer asked if the event requires any waivers from the FAA and Mr. Sprenger replied that it does not. Mr. Switzer asked Ms. Peterson what her challenges would be if the event was approved for one year versus three. Ms. Peterson replied that obviously they would prefer a longer period of time. They do have other locations they could consider but everyone has become familiar

with this location and attendees enjoy seeing the planes fly over. They would also be happy to include the airport as a sponsor and provide tickets.

Mr. Kelleher asked if our insurance company has given approval for this kind of activity. Mr. Sprenger said we would have to go to them with the event specifications, similar to an air show. We have not done that yet. Mr. Sprenger does not foresee it being an issue.

Mr. Switzer asked what the date is that Eagle Mount needs to know one way or the other. Ms. Peterson replied now. They would like to honor the commitment of their sponsors. Mr. Switzer suggested that this be reviewed earlier next year.

Mr. Mathis thanked Ms. Peterson for the offer of tickets and such but since we are a public entity we would be unable to accept them. Mr. Mathis said historically they have had problems approving events. This is somewhat different in that we have acquired it by accident and it is a non-profit event for an excellent cause.

MOTION: Ms. Stelmak moved to approve the request by Eagle Mount to continue Digger Days at the recently acquired airport land with adequate insurance confirmed for a period of one year. Mr. Lehrkind seconded the motion.

Discussion: Mr. Steve White, Gallatin County Commissioner, came to the podium. Mr. White expressed his appreciation for the event and its level of organization. He said there is always adequate emergency personnel at the event and feels this should help with liability and insurance issues.

Mr. Kelleher asked Ms. Peterson about the times the event would occur. Ms. Peterson said the event would run Saturday 9am-4pm. The evening before is the preview

and that is from 4-8pm on Friday. Mr. Kelleher suggested that this be discussed with the insurance company.

All board members voted aye. The motion carried.

4. Parking Garage Concept Presentation – Mr. Sprenger

Drawings were distributed. Mr. Sprenger referred to drawings on display as well. Current rental car ready and return stall locations were pointed out on the map for a total of 568 stalls.

Design Requirements – We would like a high level of service in all facets. We want it to be usable and accessible by our customers. The rental car companies would like areas to be secured by brand. They also want to co-locate ready and return stalls as they do at larger airports. Another requirement is a 9'6" clearance height to allow for the larger vehicles equipped with ski racks. No parking on the ramp will make detailing the location by level easier. An external ramp system will allow traffic to only enter the level they need without driving through other areas. A direct connection to the terminal is important so that pedestrians are not crossing lanes of traffic. Another requirement is to work within the existing constraints of the location while keeping in mind potential concourse expansion. We also want it to include rental car and pay parking to meet both service demands.

We looked at 8 different options including helix, camelback, single thread, and double thread. Due to certain constraints, several options were ruled out. We have determined a proposed garage with 791 stalls. That will be 705 stalls for rentals and 86 stalls for pay parking on 3 levels. Mr. Sprenger used the diagrams to explain the flow of traffic.

A meeting with the rental car companies was held. They are generally in favor of the program. The proposed design is actually 2 buildings with column supports. They asked that we open that area up to avoid people hitting the columns. They asked that the walkway between brands be brought to the outside of the parking structure mostly so the full span is 60 feet so they can park perpendicularly and have the capability of 5 to 6 lanes of straight in parking. The external walkway gives them the most flexibility. They are also very interested in having it separated by brand.

Overall, the challenge is that we started off with a budget of \$16 million and as we get into the details the cost has increased. One of the cost differences is covering the 3rd floor. One option is a roof. The other is to have an uncovered 4th floor for parking. It is \$3 million to put the roof on and \$6 million to have an uncovered 4th floor which adds 270 stalls. Then there would be an option in the future to put a roof on the 4th floor. Eventually we will be looking at a dedicated pay parking garage and the 86 stalls will become rental car stalls. Mr. Sprenger detailed some various expansion possibilities that could increase the number of stalls from 791 to almost 1,400. That compares to New Orleans' size. It is also 40% the size of Las Vegas' parking structure. It will be a while before we get to that point.

The terminal transition area has a couple options. One would be a heated main floor with 3 high-speed, gurney sized elevators to accommodate luggage, skis, carts, etc. We looked at escalators and there was a constraint on size and the fact that these passengers would have all their luggage, not just their carry on items. The other option would be to come off the main floor, come into the elevators on one side, and exit into the garage itself. That is a dollar question to consider. Heated space increases the cost. Heat is a

consideration since it is a waiting area and the temperature in the garage will be the same as outdoors.

We estimate that the proposed garage with the 4th floor and a heated transition area would be \$25 million. It would be around \$22 million without the 4th floor. The customer facility charge (CFC) that would be collected on this is estimated at \$3 per customer on the capital side. That would generate approximately \$1.5 million per year to be applied toward this project. That would be sufficient to pay the project off in 30 years with today's rental car market.

We can accommodate most of the \$25 million by delaying the payoff of our bonds by one year. We also have a terminal expansion planned in the next 3 to 4 years. That could be shifted or adjusted. We have a baggage system improvement in the plan for \$5 million. We have some ideas to improve the baggage system that we currently have through personnel. The biggest delay on our baggage system now is that the airline personnel don't take the baggage off the belt and it stops. That is a personnel issue. We could also borrow short term or put this out for private investment. The rental car companies said they would also be willing to increase the CFC to \$3.50 per customer which would help but we also want to be aware of the cost to the passenger. \$3.50 is the capital portion of the CFC and there is an additional \$0.75 for future and current operation and maintenance. That would be the highest CFC in the state but slightly less than the average nationwide.

Mr. Sprenger detailed more on the flow of traffic. The location is beneficial because we do not have to re-do the de-ice storage area. We have talked about moving Wings Way south to give us more space for development. That has been figured into this even though it

doesn't have to be done now. There is also the allocation for a paid parking lot with 280 stalls for overflow.

Mr. Mark Maierle added that another option to reduce the cost is to reduce the square footage. But if we reduce that now and then want to add it later it will come at a premium price of 2 to 3 times more.

Walker Parking Consultants is being used and they have done the garages in Las Vegas, New Orleans and MSU.

Mr. Switzer asked about the possibility of parking on the west end of the terminal. Mr. Sprenger said that is in the CIP budget at year seven or so and will depend on the growth rate.

Mr. Switzer asked about the timeline. Mr. Sprenger said it is estimated to be a 14-18 month project and that may be an option within the bid process. Lengthening the schedule could be a way to reduce the budget.

Mr. Switzer asked about flexibility and if the need arose could areas be changed from rental car to paid parking. Mr. Sprenger said if we had to we could.

Ms. Stelmak asked how many premium parking stalls we have currently. Mr. Sprenger said we have about 300 and we don't fill that even during the peak season.

Mr. Switzer asked who would plow the 4th floor and how. Scott Bell explained that the 4th floor could be closed during the winter or only be plowed during the Christmas peak. Another option is putting in a 20x20 square snow melt that the snow is pushed on to. Another option is front end loaders that pitch it over the roof, but it is a struggle to determine which corner you throw it over with it being so close to the terminal. Mr.

Sprenger said that the bulk of the rental car traffic is in the summer. There are a few holiday peaks in the winter. So the need for the 4th level is reduced during the winter. There are more options for ground level parking in the summer. Mr. Bell explained how adding a 4th floor at a later date would interrupt use of the 3rd floor. Mr. Sprenger said the 4th floor with a roof is the tallest that would be allowed due to tower restrictions.

Mr. Switzer commented that he thinks we are reaching a point in our expansion that we need to think vertical instead of horizontal. He also mentioned the cost per stall metric and how viable it is considering vertical and horizontal growth.

Mr. Kelleher said it was a good plan and likes the cell phone lot to avoid congestion at the curb.

Ms. Stelmak agreed that the cell phone lot was a good idea so people could pull over and wait. Ms. Stelmak said that even though the numbers are daunting it is prudent to consider the 4th floor instead of doing it later.

Mr. Sprenger clarified how the CFC works. It is charged for each day on top of the 10% concession fee and the 4% the state takes. Mr. Lehrkind asked about the possibility of raising the CFC and/or looking at other ways to reduce the 30 year time frame. Mr. Sprenger discussed the opportunity to sell annual parking passes. There are other revenue opportunities that have not yet been fully explored. Mr. Lehrkind also stated he would like to see a timeline for pay-back with growth considered along with other revenue opportunities.

Ms. Stelmak said the 30-year payback is daunting and would also like to see it reduced. She would like to see the annual operating budget for the parking garage.

Mr. Mathis clarified that we are not asking the rental car companies to share any of the cost. Mr. Sprenger said that is correct. Mr. Mathis is concerned that the rental companies are not backing the bonds in any way. If they have problems in the future how do we pay that off if that CFC isn't there.

Mr. Mathis asked for clarification on the portion the CFC covers. Mr. Sprenger said at this point the CFC would pay for 90% of the garage. The paid parking would account for the other 10%. That is until the garage is all rental stalls and then it would be an additional cost under the CFC. Mr. Mathis asked if consideration was given to more square footage horizontally. Mr. Sprenger said they have looked at it and detailed the difference in cost. You can do it but the challenge is that the passenger has to go such a long distance. Mr. Mathis asked if the off airport rental car companies collect the CFC. Mr. Sprenger said they do not. But we have all the major brands in the terminal. Scott Bell said there are airports where the rental car companies finance the parking garage and collect the CFC and basically pay themselves. Mr. Mathis expressed concerns that the rental car companies have no financial investment in the garage. Mr. Sprenger said the rental companies are contributing over \$3 million of our revenue per year on the concession fee. When you add in the CFC it is about \$5 million per year. The rental car revenue is always passed through from the customer. There are some areas that we can charge. We charge the rental car companies rent for their space. We would not be able to charge them for stalls but for the ground lease for areas that are exclusively theirs. That would be one of the areas that is a revenue possibility. We could clarify that the lease be paid through the company rather than

through the CFC. That is something we have been talking about which would be about \$30,000 per year. That is small but there are a lot of pieces that all contribute.

Ms. Stelmak mentioned that any opportunity that there might be to have the rental companies contribute to the financing of this should be investigated. We do need to acknowledge that they are a huge revenue generating source for us and this would help keep customers happy. She does hope we can investigate the elevator issue further and the option of an escalator. They have considered that and additional shafts in expectation of a greater need for elevators.

Mr. Switzer asked what would be the ideal timeframe. Mr. Sprenger said the plan is to bring back more detailed cost and revenue estimates for next month's meeting. Best timeframe to start construction would be the end of this summer. We want to minimize the summer season impact. We will need to finalize the design and then bid early in the summer.

Mr. Kelleher asked about the size of the individual stalls. Mr. Sprenger said they are 9' wide and 18' deep.

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

Total operations for December 2016 versus 2015 were down 8.3% at 4,902 versus 5,345. That puts our rolling twelve-month operations at 76,902. Corporate landings were up 14.2%. Enplanements were up 7% at 44,805 versus 41,457. We ended the year with 554,034 enplaned passengers. That is up about 8% for the year and 3% better than our 5-year average. Total deplanements were up 6.9%. Airline landings were up 4% percent at 591 versus 568. We ended the year with 6,426 airline operations, which is up 3.5%. We had

4.6% more seats in December and the load factor still went up 1.6%. We ended the year with an 85.1% load factor. Fuel dispensed for November was up 25%.

Right now we are looking flat for January. We do have 5% more seats in the market and the information we get from TSA is a little slow. Mr. Humphrey's guess is that we will end up 3-5% better in January with the additional seats.

American announced Chicago service for the summer. American is still extremely happy with the winter season. They want to see how the winter season finishes for Dallas before they consider winter service for Chicago.

Mr. Lehrkind asked Mr. Humphrey if they ever track average ticket prices. Mr. Humphrey said they will look at it from time to time but they don't track it per say because they are changing so often. Mr. Lehrkind said it is hard to find a deal. That is what keeps the airlines interested in our market right now.

6. Report on CY 2016 Airline Traffic Results – Brian Sprenger

Mr. Sprenger reported that our growth in 2016 was 8.4% and we surpassed 1.1 million passengers. Every year in March we do a passenger projection. Last year we projected 5.9% growth and a high growth rate of 6.9% so the actual results surpassed our projections rather significantly. A lot of that was due to load factor. For example during the Oct-Dec timeframe we were up about 1.5% in seats but up 7% in passengers. That means we will probably see more seats next year.

We now account for about 29% of all air travelers flying into or out of Montana. That compares to about 20% 15 years ago. Our growth just since 2010 is 52%. There is a chart in the board packet to show growth since 1972. This last year our total enplaned passenger

growth was the highest ever at about 42,000 passengers. That was the highest single year total growth.

Overall we are expecting the passenger traffic to continue to grow. In March we will have a projection for this year. It is still early to say but we feel comfortable there will be growth with the Chicago service being added.

Overall 1,107,168 passengers passed through the terminal in 2016. For comparison, if you took Billings' numbers, they would have to increase 30% to be at our numbers. Billings was happy to announce non-stop service to Dallas. They are very aware that getting Dallas service was because of our success. Their service is year round partly because in the Billings market that is what works. Our revenue guarantees will be significantly less than what Billings will see. We added May this year. Mr. Sprenger thinks we will be year round before too long. We will also be cautious with our community partners. We want steady growth. To a certain extent revenue guarantees are manipulating the market. Hopefully they are looking long term and we are conscientious about that as well.

Mr. Kelleher asked about American into Billings and if the ticket price is similar to those in Bozeman. Mr. Sprenger responded that what they saw initially was that our one-way cost was higher than Billings and our round-trip cost was lower. Mr. Kelleher asked if they had daily service. Mr. Sprenger responded yes it is daily service. Ours is seasonal and Billings is year-round. Our aircraft is about double the size of Billings' in the season.

Ms. Stelmak said we certainly lead the way in growth. But the growth in Kalispell, Helena and Missoula is encouraging because that is a stronger and wider market to draw from.

7. Airport Director's Report – Brian Sprenger

We closed on the Thompson land.

We are still working with Central Valley but the holidays have slowed things down.

Mr. Humphrey reported on news from American Airlines service.

As of this coming November we will have been an airport for 75 years. We are starting to bring that up in our press releases throughout the year. We anticipate we will have at least some kind of celebration just before November. It also is our 70th year of airline service. We will celebrate that anniversary in 5 years.

Mr. Kelleher asked if he anticipates any drastic changes by the FAA or TSA due to what happened in Florida. Mr. Sprenger said not from the TSA. There is the possibility congress could get involved or try to. While this individual flew into Ft. Lauderdale and got his baggage at baggage claim it could have easily been a person driving their car and taking it to a school, events center, or store. In essence the calmer heads out there understand that the risk of a lone wolf type situation is a challenge. But that doesn't mean that congress won't come in and request a review of certain things.

8. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

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

9. Adjourn

The meeting was adjourned at 4:00 p.m.



Ted Mathis

Ted Mathis, Chairman