

The regular monthly meeting of the Gallatin Airport Authority was held May 14, 2015 at 2:00 p.m. in the Airport Conference Room. Board members present were Carl Lehrkind, Kevin Kelleher, Kendall Switzer, Ted Mathis and Karen Stelmak. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Ops, Troy Watling, Assistant Director of Finance, Cherie Ferguson, Office Manager, and Shannon Rocha, Recorder.

Kevin Kelleher, 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. He asked that they raise their hand, be recognized, go to the podium, state their full name and make their comments.

1. Review and approve minutes of regular meeting held April 9, 2015

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

There were 2 items to be corrected. Agenda item number 2 towards the bottom of the first page should read hangars instead of hangers. Also on agenda item number 2, instead of review Sievert Construction it should say add Sievert Construction to their list as the airport does not approve or disapprove contractors but they do keep a list of those who have expressed interest in building hangars that they distribute to potential hangar builders.

MOTION: Mr. Lehrkind moved approval of the minutes and Ms. Stelmak seconded the motion and all board members voted aye. The motion carried unopposed.

2. Public comment period

There were none.

3. Consider request by Bozeman and Belgrade Chambers of Commerce, Bozeman Tourism Business Improvement District and Yellowstone Country to partner and expand services at the airport information counter

Bozeman and Belgrade Chambers of Commerce and Yellowstone Country have covered time at the airport information counter over the past year. They now have additional funding since adding the Bozeman Tourism Business Improvement District. They have \$32,000 to apply towards covering the information counter. That leaves a shortage of \$16,000 to cover the counter 8 hours a day, 365 days a year. The partners have asked that the airport cover the remaining \$16,000 to provide coverage every day of the year. They are also proposing kiosks at the information counter. There could be some benefits to having the kiosks. A potential conflict would be advertising that is already in the baggage claim areas. Those are the two parts to the proposal. Authority staff recommends approval of the staffing support. The airport staff does not suggest one way or the other on the kiosks. There is potential for advertising issues. Also, with the prevalence of smart devices, there may not be a need for kiosks.

Mr. Lehrkind clarified request for staffing support and the request for the installation of kiosks are independent requests.

Ms. Stelmak asked if the kiosks would take the place of the phone banks. Mr. Sprenger clarified it would not replace the phone banks. The phone bank's use is limited to companies that provide shuttle service to and from the airport. Their need has diminished over the years.

Ms. Stelmak asked if they would charge a fee to be represented on the kiosk. Mr. Sprenger replied that we are not sure at this point.

Ms. Stelmak recommended possibly offering existing advertisers the option to advertise at the kiosks. Mr. Sprenger indicated that we do have the option and they would most likely consider that.

Ms. Stelmak asked if we had been provided with the hours they would be staffing the counter. Mr. Sprenger commented that the proposed hours would be scheduled based on major arrival times. Primarily those hours would be the middle part of the day, 10am-3pm, and the 9pm-12am timeframe. Those times may pose problems for staffing but the partners feel they can overcome that problem. Ms. Stelmak commented that if they are going to cover those times, she believes it is an absolutely terrific addition to the airport as it will be promoting our community and giving people flying in more information, so she is therefore very supportive of it.

Mr. Mathis read a statement he had prepared:

"We have always worked closely with the area chambers of commerce and other tourism promotion agencies. These partnerships have been invaluable in the past and continue to be very important to the flying public. However, we have also always been very guarded when it comes to using public funds to promote the private business sector.

"I believe that having a staffed information counter in our terminal can be a valuable service and an appropriate use of public funds provided that the people staffing the counter are well versed in the operation and services provided at the airport. In addition to tourism information, they should be trained so they can answer questions about where the restrooms are located,

lost and found, taxi and bus service, general aviation facilities, hours of operation, etc. Only then can we justify this expenditure, in my opinion.

“In regard to the requested computer information kiosks and printers, our beautiful information counter wasn’t designed for such an installation. It’s already crowded, and its location next to our busiest bag claim makes further expansion there unwise if not prohibitive. If the kiosks are programmed to provide hotel, restaurant and other area business information, they’d be in direct competition to our existing teleboard and other advertising concessions which generate significant revenue for the airport. We should also consider that most travelers today have a miniature kiosk of their own. It’s called a smartphone.

“For these reasons, I am in favor of the cost sharing with our partners to staff the information counter but I am opposed to installing their computer kiosks at the counter or elsewhere in the terminal.”

Mr. Switzer commented that he agrees with Mr. Mathis’ comments. As a public entity we need to provide a public service. It is important to partner with these agencies to have someone there to answer general questions about the airport or about the community. We have to be very careful about how we go about allowing commercial enterprises to promote their organization over others. It has to be fair. It has to be balanced. From Mr. Switzer’s perspective, the counter we have now is a collage of pamphlets that is confusing. It is great that it is there but it would be nice if anyone could ask questions and get answers right then instead of being bombarded with an abundance of

pamphlets. Mr. Switzer agrees with other comments that partnering to staff the counter would be a good idea but we should be very careful in how we go forward regarding the kiosks.

Mr. Lehrkind recommended that the board approve a year-to-year approval instead of a perpetual contract. So that as the airport's needs and its customer's needs change, the proposal could be reconsidered. Mr. Lehrkind recommended a one-year agreement with unlimited extension.

Mr. Sprenger thinks the chambers would be agreeable to the board reviewing this agreement on an annual basis. Funding is always going to be a potential concern and there may come a time when they don't have the funding, so he is confident they would like to review it on an annual basis as well.

Mr. Kelleher commented that his feelings on the kiosk are similar to Mr. Mathis' and Mr. Switzer's. He is not wild about the kiosks but likes the idea of the cooperation with the chamber.

MOTION: Mr. Mathis moved to approve the request by Bozeman and Belgrade Chambers of Commerce, Bozeman Tourism Business Improvement District and Yellowstone Country to partner on the airport information counter, to staff it on a year-to-year basis with an annual review by the Airport Authority and Mr. Lehrkind seconded the motion. Ms. Stelmak confirmed that nothing in regards to the kiosk was mentioned and she seconded the motion. All board members voted aye and the request was approved.

4. Consider request by Rocky Mountain Rotors to construct a 200' x 200' commercial hangar and a 120' x 100' commercial hangar on the east ramp

Mr. Sprenger commented that Mark Taylor was present. Mr. Sprenger showed a map of the area. One hangar for Rocky Mountain Rotors was approved last month. This is a request for a second hangar of equal size to the first and a third hangar of smaller size, 120' x 100'. These are primarily storage hangars and for Rocky Mountain Rotors' operations.

Mr. Mark Taylor came to the podium and agreed to answer any questions. He clarified that the hangar with the wing doors comes out to 240' but the actual hangar width is 200'. They would like to start construction immediately after approval by the board.

MOTION: Mr. Switzer moved to approve the request by Rocky Mountain Rotors to construct a 200' x 200' commercial hangar and a 120' x 100' commercial hangar on the east ramp and Mr. Mathis seconded the motion. All board members voted aye and the request was approved.

5. Consider request by ACW, LLC to enter into a new ten-year non-commercial land lease on hangar #68

Mr. Sprenger directed attention to a map. Last month we entered into some leases on the same ramp that needs rehabilitation. Hangar 68 is in good shape and the rent is current. The need in the future will be the rehabilitation of the ramp that will need completed soon.

Mr. Sprenger clarified that the rehabilitation of the ramp is outlined in their lease agreement so it is the lessee's responsibility and doesn't have to be clarified in the motion. Mr. Sprenger has not received any feedback from hangar owners on the ramp rehabilitation.

MOTION: Ms. Stelmak moved to approve the request by ACW, LLC to enter into a new ten-year non-commercial land lease on hangar #68 and Mr. Switzer seconded the motion.

All board members voted aye and the request was approved. The motion carried unopposed.

6. Consider insurance proposals

Mr. Sprenger said they put out a request for proposals for insurance brokerage services. The process was done differently this year based on challenges experienced in the past. This was partially at the request of some of the insurance brokers. Some companies were locked out of the process in the past. Instead of a bid basis, this has been done on a proposal basis. We are evaluating based on the professional qualifications of the responding firms. We received proposals from 3 different companies. They are Payne West, First West, and Central Insurance. Over the years we have had relationships with all 3 of these companies. All 3 have done a good job for us in different ways. They have covered various aspects of the coverage over the years.

We have concluded that there is a tremendous benefit of having one firm that represents the airport's insurance needs. There are times where there are overlaps in coverage. To avoid competition or conflict, we recommend going to a single brokerage firm to represent the airport's insurance needs. We evaluated all 3 brokerage firms. They were all very good. We have narrowed it down to Payne West and First West as the top 2. They currently each have one of our major coverages, property as well as liability. When we evaluated it we looked into the references. This enlightened us to the fact that Payne West insures all of the other airports in Montana. That was something we did not know prior to this process. Payne West is well respected by the other airports. The other airports said that Payne West's size has been to the airports' advantage numerous times. The Billings airport

had problems with their insurance carrier providing coverage. Payne West was successful in getting it resolved in the airport's favor. We believe both Payne West and First West would do a very good job. However, we believe that Payne West's breadth of knowledge on the coverage at other airports would provide additional benefits that we have not had in the past. Our recommendation at this time is Payne West.

Tyler Delaney from First West and Tyler Holland from Payne West were present.

Tyler Delaney, an agent with First West, came to the podium. He is 1 of 11 shareholders at First West. They are a consultative agency and take pride in doing what is best for their client. They are not so much a sales organization as a consultative agency. They have one location, by design, to concentrate on the local community. They have been doing that for 42 years. Value-added service is a big topic. They can go head to head with anyone with respect to value-added service. In his opinion, what counts is an agent who will drop everything at any time to handle an issue properly and swiftly. Not getting complacent during the renewal process is another important item. He is currently the airport's agent. He handles our Directors and Officers Liability, Crime, Auto, Equipment, Law Enforcement Liability, and Aviation Liability. Law Enforcement Liability is not an easy coverage to procure for a new law enforcement entity. He recalled the start of our own security or law enforcement. He brought a relatively unbelievably reasonable quote for that and doesn't think it has gone up much since. Mr. Delaney has been handling our Aviation Liability for 17 years. He said he has never been beat for quotes. He feels he has been providing the best coverage in the market at the most favorable terms. He said his point was that he has 17 years of experience with our most technical coverage. There are agents out there that are

insuring airports but no one has written and grown for 17 years with this one except for him. He said we essentially have to fire someone today. Before we make that final decision he hopes we will remember that there is no substitute for experience. He is proud to be our agent and hopes we would strongly consider allowing him to stay on and offered to address any questions.

Mr. Lehrkind asked Mr. Sprenger besides the extra airport experience that Payne West brings, what were some of the other things he and staff looked at in comparing the 2 insurance brokers.

Mr. Sprenger responded by saying that we looked at the management structure, size and breadth as a company, and locality. All 3 have offices in Bozeman. Central Insurance and First West are based out of Bozeman. Payne West is based in Missoula. Those aspects were evaluated. We looked long and hard with regard to changing brokers. Mr. Delaney was correct in the coverages they provide currently. However, we have Payne West for Worker's Compensation, Health, and Property. We have experience with both companies. It was a tough call. Like Mr. Delaney said, if we choose to go with one company, we will have to fire one of them. We have grown a lot. Having a better understanding of what is going on at other airports will be beneficial. We have not had a claim in over 3 years. That means that we don't have a lot of claims experience. A company that has experience with other airports indicates the company has experience handling their claims. It is an experience level on the airport side we had to account for in the evaluation.

Mr. Switzer requested to hear from Payne West on why we should choose them.

Tyler Holland of Payne West came to the podium. He is our current agent for property and has been for 3 years. They have handled our Worker's Compensation insurance for over 15 years. They have managed our Health and Employee Benefits for at least 12 years. Payne West is a Montana-based company. Their corporate office is in Missoula but they have been in Bozeman since 1996. They are the largest, fastest growing agency in Montana and the region. They have national resources but are also a locally held company. They are employee owned. They have partners and shareholders. With regards to the aviation insurance, it helps to have insurance in one place since there will be overlap in coverage when a claim occurs. As far as experience goes, First West has handled parts of the airport's insurance for long periods of time but Payne West has handled insurance for airports across Montana for many years. He said they have the experience come claim time. He said things do pop up and they have the service, experience, knowledge and resources to handle anything that could come up. Mr. Holland has an office in Bozeman and has been here for 12 years. He is a graduate of MSU. They have had no problems in procuring coverage for their airport clients.

Mr. Mathis commented that Payne West does a lot of advertising for Grizzly athletics and asked if there is any way they can change that. He mentioned that he was kidding.

Mr. Holland replied that he is a 3rd generation Bobcat and that is an interesting topic. They support athletic teams in all the towns they are in, including the Bobcats.

Mr. Kelleher asked if there was an incident Mr. Holland could talk about that Payne West handled for another airport.

Mr. Holland replied he could speak briefly about one incident without getting too detailed. It was a western Montana airport that had a problem with pushback and liability issues. He mentioned the importance of contract review. He said we only currently have \$30 million in aviation liability and other airports are currently at \$100 million. The airport client had a problem with pushback where there was some damage caused to a plane. There were some issues in the language of the policies about who was responsible for the damage. Payne West's claims team was involved and they were able to resolve the issue to the benefit of the airport. That was one off the top of his head because it was a substantial claim.

Mr. Lehrkind asked Mr. Sprenger if this was a one-year proposal. Mr. Sprenger responded that it is a proposal for up to 5 years.

Ms. Stelmak commented that both First West and Payne West have provided terrific service to our airport in the past. She does think there is a strong advantage to having one company handle all of our insurance. Also the fact that Payne West covers all the other airports and that they have that experience is a strong reason to choose them.

Mr. Mathis has dealt with First West for 17 years. He can't think of an issue they haven't handled professionally. He thanked Mr. Delaney and his group for the work in the past.

MOTION: Mr. Mathis moved to approve the selection of Payne West to provide Insurance Brokerage Services for Property, Aviation Liability, Directors/Officers, Law Enforcement, Commercial, Crime, and Auto/Commercial Vehicle insurance coverage. Ms.

Stelmak seconded the motion. All board members voted aye and the request was approved.

The motion carried unopposed.

7. Consider preliminary budget for fiscal year 2016

Mr. Sprenger had the opportunity to meet with each member of the board individually prior to the board meeting to discuss the budget. Operating revenues are expected to increase to \$7.5 million which is up nearly 7%. Operating expenditures are expected to increase to \$4.48 million which is just over a 5% increase. \$14.5 million has been included for capital improvement which includes the parallel runway and taxi-way system, the de-icing, expansion at the terminal ramp, the east ramp, parking structure design and land acquisition should opportunities occur there. Overall it is a \$20 million budget and it is the largest budget so far, including the terminal expansion, and it is mostly due to timing. It is a very aggressive capital improvement budget. It is highly unlikely we will accomplish all of these improvements during the year. However, the budget does allow us to accomplish all those improvements and would require us to dip into our capital improvement fund by about \$3.5 million. That would reduce our cash on hand but it is well within the previously established parameters.

Mr. Switzer said he knew that he and the rest of the board spent a good amount of time reviewing the budget. He commended Mr. Sprenger and the rest of the staff on their hard work. They have executed it well in the past. It does not happen easily. It is never going to be a perfect budget, but it is a great shot at where they want to go and what they want to do. They did a good job preparing the budget.

Mr. Kelleher liked meeting individually to discuss the budget and believes it should be a procedure they follow in the future. It helps streamline the understanding of a budget of this magnitude. He also agreed it was well prepared.

Ms. Stelmak agreed that the budget was extremely well prepared. It is going to be a very busy year. She thinks the revenues are enviable and the expense control is commendable. She thinks that it is very impressive how they plan to operate for the next year.

Mr. Mathis said he spent a lot of time with Mr. Sprenger reviewing the budget. He looked at the budget well. He believes it is a good document. It is a very ambitious capital improvement plan but he thinks we can handle it and agrees the budget looks good.

Mr. Sprenger commented that Mr. Humphrey put a lot of time into it. He also thanked Mr. Watling and all of his staff for a great job and thanked them for their effort.

MOTION: Mr. Switzer moved to approve the fiscal year 2016 Gallatin Airport Authority Budget as proposed by staff and Mr. Mathis seconded the motion. All board members voted aye and the request was approved. The motion carried unopposed.

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

Mr. Humphrey reported that tower operations in April were down 20.7% due to general aviation. He is not worried about that. He looked at a historical weather report comparing April 2014 with April 2015 and we had 4 times as many days with measurable precipitation, especially on April 15th when we had almost 9 inches of snow, which shut down flight schools for a number of days. Fair weather is coming our way. The rolling twelve-month aircraft operations stand at 79,308. Corporate landings were down 1.8%, 114

versus 144 in 2014. Total revenue enplanements were up 16.1%, 31,325 versus 26,909. Rolling twelve month enplanements are at 496,425. We are 7,173 passengers short of 1 million through the terminal. Right now we are at 992,827. If the seats come back as it looks like they will for the fall, we are on track to hit that 1 million mark by the end of the year. Deplaned passengers are up 14.1%, 28,897 versus 25,337. Airline landings are up 4.8%, 396 versus 378 for 2014. Airline load factors are down 2.3% on a 19% increase in seats for the month of April. Fuel dispensed in March is down 6%, 695,000 gallons versus 739,000 gallons. Going forward we are about 3.5% below the May average. We knew that. We are about 3% down in seats for May. We may end up 1-2% below last year's average or flat. June is up 5,600 seats. For the summer schedule we have Atlanta back June 6 with Saturday, Sunday, and Wednesday service. Los Angeles with Delta is back June 6 on Saturday only. LaGuardia with Delta starts back June 22 on Saturday only. Houston with United starts again June 6 on Saturday and Sunday. Portland with SkyWest will be starting daily on June 7.

Ms. Stelmak asked if Delta was going to Seattle. Mr. Humphrey replied yes, Delta will be flying to Seattle starting August 1st. We currently have 4 daily non-stops to Seattle. Also SkyWest under Alaska is adding service to Portland June 7. They traditionally continue that until the end of August but this year they have extended service until the end of October. Two years ago in September and October, we had 2 flights a day to the Pacific Northwest. This year we will have 5 daily flights to the Pacific Northwest. SkyWest will be flying into Bozeman on behalf of United, Delta and Alaska. Another change is that United has extended their mainline service into late October. They are going to be operating the mainline service 2 times daily until the 24th of October. We are seeing bigger airplanes but fewer flights.

Mr. Kelleher asked if there were any load factor expectations for the Portland flight. Mr. Humphrey replied that he would have to double-check but he believed they were running like the rest of the Seattle flights, in the 80-90% range. He wouldn't expect it to be any less.

9. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the road out in front of the airport is very close to opening. We are hearing mid-June from Knife River.

He and Mr. Humphrey attended the Allegiant Air Conference in Las Vegas. They were enlightened on a couple things. What we are seeing with Alaska and Delta and the Pacific Northwest is affecting the Allegiant Air service to Phoenix and Las Vegas. They are seeing those routes underperform throughout Montana. This is primarily because Delta and Alaska have made more competitive fares to Las Vegas through Seattle or Salt Lake. You can get a comparable fare 7 days a week instead of the Sunday and Thursday flights through Allegiant. That is part of the reason why Las Vegas has expanded inbound. It is certainly going to benefit us. Our concern is whether or not there is enough demand in the market for all the airlines. We love to see the competition but we don't want to see someone win. Allegiant is not looking at expanding in the west. All their expansion is in the eastern part of the country. They have 108 stations. We ranked 31 on the good side for cost. This offset some of their struggles they may be having right now. Allegiant said the same things to all the Montana airports about the Alaska and Delta issues.

We are getting an appraisal for a potential land swap on the east side of the airport. We will hopefully have those results in before the end of the month.

We are starting to see interest in airport land for purposes other than aviation. This interest is being shown by hotels, retail, and convenience stores. It is a very base interest. Next month we would like to discuss how to address those. Our initial thoughts are instead of doing standard land leases, it would be better to go to a request for proposal basis. This would allow for open access. We could put out the word that we would like to lease a particular area of land, say for a hotel, and then all the hotels can have a chance. That would allow a review process for proposal. It will compete against downtown. There will be benefits. We would like to allow anyone the opportunity.

It is something we could just wait on as well. We will have a more formal discussion on this next month, but we wanted to mention it. As the interchange is getting closer to opening, people are noticing the potential. Even retail would like the visibility to visitors that the airport location would afford. There are probably a limited number of retail opportunities, but that is something we should be ahead of the curve on.

One of our administrative assistants, Meggie Moeller, will be leaving us. Her husband received a job opportunity out of state. We will be looking for another person to fill that position. She has done a great job for us so it is a sad thing to see her resignation.

Mr. Mathis asked if we have heard anything new from Central Valley Fire. Mr. Sprenger responded by saying that we have talked to them. They are pushing some of their initiatives back to 2017. They are still interested but not really in a rush to move forward. There is not as much pressure to lock in if they choose the north side. We should have some additional discussion in the next 6 months.

Mr. Kelleher asked if there is a ribbon cutting for the interchange and the vendors that have been associated with it. Mr. Sprenger said he will do some research into that. The board agrees that is a great idea. Mr. Mathis commented that there were some who were instrumental in the interchange project who have since passed away; that is how long it has been going on. Mr. Sprenger said he recalls discussion on acknowledging Pat Abelin's contributions particularly on one of the bridges. Ms. Abelin was very influential in the beginning and it probably would not have happened without her support. Mr. Sprenger hopes we will hear something by the June 11 board meeting.

10. Consider bills and approve for payment

The tenth agenda item was to consider the bills and approve them for payment. The board members and Mr. Sprenger reviewed and discussed the bills.

Mr. Mathis commented that the Taxiway Alpha paint striping is not our best effort. The response was that part of the problem is that the asphalt has some uneven areas. It also requires skill. Maintenance agrees it needs work. We will be trying some different things to get that corrected.

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

11. Adjourn

The meeting was adjourned at 3:03 p.m.


Kevin Kelleher, Chair