

The regular monthly meeting of the Gallatin Airport Authority was held August 14, 2014 at 2:00 p.m. in the Airport Conference Room. Board members present were Kevin Kelleher, Ted Mathis, Carl Lehrkind and Karen Stelmak. Kendall Switzer was unable to attend the meeting. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Ops and Cherie Ferguson, Office Manager.

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 agenda items when they are being discussed.

1. Review and approve minutes of regular meeting held July 10, 2014

Mr. Kelleher asked if everyone received their copy of the minutes and if they had any questions, corrections or additions. Karen Stelmak said the November meeting would be held on the 13th rather than the 6th and asked for that change in the auditor's presentation on page 3.

MOTION: Ted Mathis moved approval of the minutes as amended. Karen Stelmak seconded the motion and all board members voted aye. The motion carried.

2. Public comment period

Mr. Kelleher said anyone wanting to comment during a particular agenda item could do so by raising their hand, being recognized, going to the podium and introducing themselves before making their comments.

Brian Sprenger, Airport Director, said the first person to speak would be Don Seifert. Mr. Seifert said he was running as a candidate for the Gallatin County Commission. He said he worked at the airport from 1978-1988. Frank Wolcott was the Airport Manager when Mr. Seifert started working the line department at Sunbird Aviation and Ted Mathis was the Airport Manager when Mr. Seifert left in 1988. Mr. Seifert said the airport has changed a lot over the

years. He remembered when one turbo prop a month flew in and when it was a big deal if a jet flew in. He recently came out on President's Day was just amazed. He said by 8 a.m. there are about 800 available seats on the commercial side and that is pretty phenomenal. The airport is a big economic driver for the valley, Big Sky, and all of southwest Montana and all of that is because of the work the board and their predecessors have done. Mr. Seifert said he would be happy to meet with any of the board members if they have questions. He just wanted to introduce himself and he thanked the board for their time.

Mr. Sprenger said Bruce Youngs, the Program Manager from CSSI FirstLine, was present and would speak to the board. CSSI FirstLine is the private company that will take over screening at the checkpoint.

Mr. Youngs said the airport will be transitioning from federal screening to a private screening company through the Screening Partnership Program. He is the Program Manager for the entire western part of the state with the contract representing CSSI FirstLine. He said they are on track for the September 1st transition. He said it would be a combined force for a short time because there were some problems getting some of the agents through the vetting process. Mr. Youngs said there would be some different shoulder patches and maybe bigger smiles, but not much else would be noticeable.

Mr. Mathis asked what percentage CSSI FirstLine would hire of the local folks currently working for TSA and Mr. Youngs said he believes there are 26 incumbents. They will hire up to about 45 employees. That number will fluctuate some due to seasonal travelers. Ms. Stelmak said she understands the safety of the people traveling through is of foremost importance but we all represent our community and our airport, and she is hoping that the organization will have a culture of treating customers in a friendly fashion while maintaining the safest environment possible. She said the last impact for the airport that our guests will

have will be his staff. Mr. Youngs said he is hoping they will have a better impression of this airport than they have ever had. He said he has a very different management attitude and philosophy than what is in place. He thinks the board will find this a refreshing change. He said that is their goal and they hope to have it working at four a.m. on September 1st.

Carl Lehrkind asked where his office would be and Mr. Youngs said it would be here. He will be traveling part time to West Yellowstone, Butte and Kalispell. He said the major part of his time will be here and Ashley Hunter, the Deputy Program Manager, will be on site all the time. He encouraged the board members to contact him for any questions or comments. The board thanked Mr. Youngs.

3. Consider acquisition of a portion of Parcel 55 on the Airport Layout Plan

Mr. Sprenger showed the location of the parcel on the Airport Layout Plan (ALP). He said this parcel has been on the Master Plan (MP) for possible acquisition. The property would allow for the potential extension of Runway 03/21 along with the relocation of roads to accommodate the extension. There were two pieces of property that had been on the ALP for about ten years and we purchased the other piece of land earlier this year. The owner would like to retain the portion of the land where the house is and would offer us the first right of refusal on that. The appraised value of the ten acres of land, plus \$5,000 for the first right of refusal, is \$163,948.10. The money has been budgeted. Mr. Lehrkind asked if they are asking the appraisal price and Mr. Sprenger said they are. Mr. Kelleher said he thinks it is appropriate and he is in favor of acquiring the property.

MOTION: Mr. Lehrkind moved to approve the acquisition of the portion of Parcel 55 on the Airport Layout Plan and Mr. Mathis seconded the motion. All board members voted aye and it was a unanimous decision to purchase the property.

4. Consider request by Dr. James L. Booth to enter into a new non-commercial lease on hangar #58

Mr. Sprenger showed the board the location of the hangar and said it is in good condition and the rent is current. Mr. Booth owns a Faust PA-12 and a Cessna 180.

MOTION: Ms. Stelmak moved to approve the request by Dr. James L. Booth to enter into a new ten-year non-commercial lease on hangar #58. Mr. Lehrkind seconded the motion and all board members voted aye. It was a unanimous decision.

5. Consider request by Verizon Wireless to construct a 60' cell tower near the airport shop building

Mr. Sprenger said the cell tower would be next to the old Alamo National carwash building and showed the location on a map. He said Verizon is ready to request the lease to begin construction subject to approval by the FAA. They offered a regular type cell tower or a faux pine tree tower. He said the lease would match our general aviation leases and other leases.

Ms. Stelmak said she is highly in favor of the cell tower and thinks the pine tree would be advantageous. Verizon's typical leases include a 2% annual increase and she would recommend wording in the lease for a 2% annual increase or the Consumer Price Index (CPI) increase, whichever is greater. Mr. Sprenger said we can negotiate with them on that basis.

Mr. Lehrkind asked if there have been issues with the cell phone coverage at the airport and Mr. Sprenger said our terminal building itself impacts cell phone coverage. He said we have had comments about cell phone coverage, especially in the concourse area.

Kent Foster, General Manager of Yellowstone Jetcenter by Signature Flight Support, said there definitely are problems and that it is just the nature of the airport environment. Ms. Stelmak said she thinks it would be good because people could use their Verizon hot spots.

Mr. Mathis asked how much revenue it would generate and Mr. Sprenger said approximately \$12,000 a year.

MOTION: Mr. Mathis moved to approve the request by Verizon Wireless to construct a 60' faux pine tree cell tower near the airport shop building subject to approval by the Federal Aviation Administration and hopefully Brian can work out a deal to match the CPI. Ms. Stelmak seconded the motion and all board members voted aye.

6. Consider request by Baxter Enterprises, LLC to transfer their non-commercial lease on hangar #116 to Brask T-4 Ranch LLC

Mr. Kelleher said he had a relationship with the buyers of this hangar as their representative. The buyer is Brask T-4 Ranch LLC.

Mr. Sprenger said last month the board approved a request by Baxter Enterprises to form a condominium association for hangar #116. Brask T-4 does not want to make it a condominium. Mr. Sprenger said D.J. Brask owns a TBM, the hangar is in good condition and the rent is current and he recommended approval of the request.

MOTION: Mr. Lehrkind moved to approve the request by Baxter Enterprises, LLC to transfer their non-commercial lease on hangar #116 to Brask T-4 Ranch LLC and Mr. Mathis seconded the motion. All board members voted aye and it was a unanimous decision to approve the request.

7. Consider proposals for Passenger Luggage Carts

Mr. Sprenger said we allocated \$125,000 in the fiscal year 2015 budget to purchase passenger luggage carts. Currently, we pay Smarte Carte \$12,000 per year to lease carts. We collect the money and maintain the carts. Because of the distance to the rental cars, we are at a point where we need an additional dispenser and additional carts. The carts we have at the airport are no longer in production. We could probably find some used ones, and possibly a

dispenser, but it would probably increase our lease payment. At the very least, we would have to pay \$12,000 indefinitely. We have had these carts for about twenty years.

Mr. Sprenger and staff looked for other options. Smarte Carte is only interested in leasing or running a concession and our airport is too small for a concession. Thompson Contract representing Wanzl of Germany is the only company we could find that is producing carts for airports.

Mr. Sprenger said the proposal of \$127,004.46 came in \$2,004.46 over budget, mainly due to shipping costs. He said initially costs would be more but we could get sixty carts and a third dispenser. We currently have thirty-seven carts and two dispensers. All revenues would be ours and staff estimated a ten-year payback at current levels. Customers would be able to use debit and credit cards, as well as cash, so that might increase revenues.

Mr. Lehrkind asked if we had contacted any other airports that use these carts and if they are well constructed. Mr. Sprenger said we contacted the Milwaukee airport. Scott Humphrey, Deputy Airport Director, said he couldn't find anyone who had issues. The units are manufactured in Europe. Mr. Mathis asked if they considered purchasing any spares and Mr. Sprenger said they didn't at this time. Thompson Contract has a distribution center for parts located in Islip, NY so we could get some from there and they wouldn't have to be shipped from overseas.

Mr. Kelleher asked about the warranty and Mr. Sprenger said it was a three year warranty. Mr. Humphrey said he believes it is a full warranty but he will check.

MOTION: Ms. Stelmak moved to approve the proposal from Thompson Contract in the amount of \$127,004.46 and Mr. Mathis seconded the motion. Mr. Lehrkind asked how we could get out of the lease with Smarte Carte and Mr. Sprenger said we have to give them notice and it would work within the timeframe for the new carts. Mr. Kelleher asked when we would

receive the carts and Mr. Humphrey said in November, about sixteen weeks from now. All board members voted aye and it was a unanimous decision to approve the request.

8. Consider proposal to connect Service Drive with the terminal loop road

Mr. Sprenger said when we open up Service Drive, we need to be able to move snow plows, emergency vehicles and our own airport vehicles from the terminal loop to other roads as well as to the new gate into the air operations area west of the terminal so we don't have to go all the way around. We can do that through the parking lot, but that area is constrained for large equipment and emergency vehicles. We had planned this connection at a future date. Because we got good unit prices on our bid for the project this summer, we believe it may be better to create this connection now. We could then close the other entrance to discourage people from using the loop road to sneak in and park in the employee parking lot. It would also protect pedestrians crossing to the terminal. Mr. Sprenger said the estimate would be about \$43,000, including contingencies. Mr. Sprenger said the price is pretty good.

Mr. Kelleher asked where the employees park now and Mr. Sprenger said west of the terminal. Commuters and over nighters park in the south parking lot. The rental car companies have grown due to volume and have expanded into about four lanes of the south employee lot. Eventually, the plan is to move all employee parking to the west lot. Mr. Lehrkind asked how much room there would be between the snow plows and vehicles in the parking lot if we chose not to put in the connection now. Paul Schneider, Assistant Director of Operations, said about 5' on either end. Mr. Kelleher asked Mr. Schneider if he thinks it is a public safety issue and Mr. Schneider said he believes it would be. He said it would also be safer and more efficient for vendors to use the connection for deliveries. Ms. Stelmak said constructing the connection now would decrease congestion, make it safer for the public and be more economical as part of the summer project.

MOTION: Ms. Stelmak moved to approve constructing a connection between Service Drive and the terminal loop road. Mr. Lehrkind seconded the motion and all board members voted aye.

9. Report on preliminary FY 2014 operating and concession statistics

Mr. Sprenger said the board usually gets these statistics through the audit process but he thought it would be a good idea to give the board a snapshot of how the year went. He said tower operations of 78,482 for FY2014 were up 2.1% over 76,837 for FY2013. Corporate landings of 2,849 were up 9.3%.

Available seats for air carriers were up 3.9% to 534,764 for FY2014. Total air carrier departures of 6,244 for FY2014 were down 2.1% from 6,379 for the prior year. There were 86 available seats per departure for FY2014, which was up 6.2% from 81 available seats per departure for FY2013.

Passenger enplanements were up 4.1% with a 2.1% decrease in departures. The number of enplanements per departure increased by 6.2% and went from 69 for FY2013 to 73 for FY2014. Overall load factors were up .2% to 85.4%. Delta's share of the market was 41%, United's was 33%, Alaska's was 11.6%, Frontier's was 8% and Allegiant's was 6.4%. Frontier's share of the market dropped from 10.85% to 7.96%, but their load factor went from 80.7% to 88.1%. Overall, all the load factors are good.

Rental car revenue was up 16.2%, food and beverage revenue was up 14.2% and gift shop revenue was up 10.8% for FY2014 as compared to FY2013. Ground transportation revenue was up 18.9% and parking lot revenue was up 16.1%. Overall, concession fees of \$5,073,121 were up 15.7%. Rental car days for Customer Facility Charges (CFC) for the rental car facility were up 4.7% and the average rental car daily rate was up 10.9%.

Mr. Sprenger said total concession revenue per enplanement increased from \$9.96 per passenger to \$11.08, which is an 11.3% increase with a 4% increase in available seats in the market.

Customs landings increased from 110 to 120 for the fiscal year, up 9.1%. Customs revenue increased 11.6% and expenses dropped 7.2%. This year was the second year and there was an expected decrease in the rate. The customs deficit was reduced by 38.6%, from \$55,561 to \$34,133. The three partners - Yellowstone Development, Signature Flight Support and Gallatin Airport Authority - contribute equally to the deficit.

Mr. Mathis asked how the \$11.08 per enplanement compared to other airports and Mr. Sprenger said it compares very favorably. Our rental car revenue is one of the highest, but our parking revenue is lower than most other airports. More rental car usage decreases the need for parking. Our food and beverage revenue and gift shop revenue is among the highest in the nation. One of the differences is that we paid for and own all the equipment and we don't ask the lessees to amortize those investments.

Ms. Stelmak asked how our load factors compared to Montana airports and Mr. Sprenger said the FY is higher. Mr. Humphrey's report will show it lower for July.

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

Mr. Humphrey reported that July tower operations of 7,491 were up .3% from 7,466 for July 2013. Air carrier operations were up 24.6% and air taxi operations were down 24.7%. Air taxis have 61 seats and air carriers have 76 seats and above. Rolling twelve-month operations were 78,506. Corporate landings were down 4.8%; 296 versus 311 last July. Enplaned passengers of 61,516 were up 8.7% and rolling twelve-month enplanements were 462,633. Year-to-date enplanements were up 7.8% from the same period last year. Deplanements of 63,333 were up 8.1% from 58,609. Airline landings were up 1.1%; 764

versus 756 for July 2013. . The overall load factor for July was 79.1%. This is down 11.2% from last July, but there were 24% more available seats in the market. United had 28.4% more seats in the market and Delta had 20% more seats in the market.

Fuel dispensed for June was up 18.3% over last June.

Mr. Humphrey said we are winding down for the summer with Allegiant Air ending their Phoenix/Mesa (IWA) service on August 10th. It will resume on October 3rd. Alaska Airlines' service to Portland (PDX) ends on August 23rd. United ended their Wednesday New York/Newark (EWR) service on August 13th and will end their Houston (IAH) service on August 17th and their weekend New York/Newark (EWR) service on August 30th. Delta's Atlanta (ATL) service and service to LaGuardia (LGA) will end on September 27th. Classes at Montana State University start August 25th.

Mr. Humphrey said August will be about even. There are 20% more seats in the market than last August. If we maintain the same load factor of 80%, we may do 2.5% to 4% better than last August.

Mr. Kelleher thanked Mr. Humphrey. Mr. Mathis said there were 61,516 passengers boarded in July. He remembers when that was a very good year.

11. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that there were 8.7% more passengers in July but food and beverage sales were up 27.9%. He said some of that is the increase in passengers, part of it is getting the passengers here early, and part of it is the restaurant staff serving the passengers quickly and serving more people. Bert Hopeman, owner of Sharbert Enterprises, which operates the gift shop and food and beverage concessions, said it is pretty obvious that there is a capacity problem at the restaurant. It maxes out about every Thursday, Saturday and Sunday during the morning and noon hour rush. He said it happened in the winter as well as summer

months. Mr. Sprenger said staff would be working with Mr. Hopeman to accommodate the greater number of people. Mr. Hopeman said the volume of product they put out in July was up about 100% over last July and that caused a major problem. The restaurant and kitchen was not designed for this kind of volume. Mr. Sprenger said the food and beverage and gift sales during July came to almost \$600,000. Mr. Hopeman's employees have served a lot of customers. Mr. Sprenger said this has been one of the best summers we have seen with getting people through security, the concessions; a number of different ways. There have been some hiccups but not many.

Ms. Stelmak said she arrived the other night at 11:30 and, due to delays, there were several hundred passengers waiting in the baggage area. Everything was in perfect condition and the restrooms were immaculately clean. She said it was so impressive when you have so many people and it was extremely nice. She wanted to compliment Mr. Sprenger and his staff.

Mr. Sprenger reminded the board members that there would be a pilot meeting at the airport fire station, Thursday, September 4th, at 7:00 p.m.

He said we would have the full scale emergency drill on Saturday, September 20th.

The newsletter would be sent out early next week.

Mr. Sprenger reported that Airway Boulevard and Service Drive would be paved at the end of next week. The contractor had to reset some beams on the railroad project. The tracks would be rerun the week of August 25th. Both lanes for I-90 are back in use. Next week Knife River will put in a temporary road on the north side of Frontage Road for both lanes of traffic. After the south side of Frontage Road is complete, they will route traffic onto a temporary road south of Frontage Road. Travelers should expect some delays.

Mr. Sprenger reported that addresses on the general aviation side of the airport would change from Gallatin Field Road to Wings Way on September 15th. The numbers will remain the same.

County Commissioner Steve White asked if the project is on schedule. Mark Maierle, airport engineer, said it is pretty close to being on schedule. Knife River will have to come back in the spring for the top soil and chip seal. The railroad bridge is a concern but if they get that done, we should be on schedule.

Mr. Lehrkind said the fence that was built near Belgrade turned out really nice. Mr. Sprenger asked what color it should be stained and Mr. Mathis said it should be stained weather gray so it is as inconspicuous as possible. The other board members concurred.

Mr. Sprenger said he mailed copies of the FAA Hangar Use Policy to the board. The FAA has issued a proposed policy for non aeronautical use of airport hangars. Mr. Sprenger said the FAA found all sorts of stuff in hangars and found some hangars were being used for non-aviation purposes. He said some good came out of that in that the FAA would allow some incidental use of hangars, similar to our policy. It needs to be aviation first but non aviation use is acceptable if it doesn't interfere with the aviation use of the hangar. It is allowable but not encouraged. There may be times hangars could be used for non aviation use, but we should charge Fair Market Value (FMV).

Ms. Stelmak asked Mr. Sprenger if he was able to confirm that all the hangars have aircraft in them and Mr. Sprenger said there are a few we still haven't been able to confirm. He said we could find out what aircraft are in hangars at renewal or lease time. He said we might also consider setting a policy that anyone who wants a gate pass would have to list the aircraft tail number on the form. He said we could also raise the rent for a hangar to FMV until it could be determined there was an aircraft in the hangar. Mr. Sprenger said all airports across

the country will have to deal with this. Non compliance jeopardizes the ability to get Airport Improvement Project (AIP) grants. Mr. Kelleher asked if the policies would be brought up at the pilot meeting and Mr. Sprenger said it would be a very opportune time to discuss the policy and tell the pilots why compliance is important and that it is not just the airport's policy.

Mr. Sprenger said Cris Jensen, Missoula International Airport Director, asked if he could nominate Mr. Sprenger to the Northwest American Association of Airport Executives (NWAAAE) board. Mr. Mathis said he thinks it is a good idea and it would be good for Mr. Sprenger to interact with this region. He does not think Mr. Sprenger should be involved at a national level. Mr. Sprenger agreed that it would be inappropriate for him to be involved at a national level. Mr. Kelleher and Mr. Lehrkind also believe it would be acceptable for Mr. Jensen to nominate Mr. Sprenger.

Ms. Stelmak asked if Mr. Sprenger would have a report on the savings from the Operational Cost Efficiency Initiatives Mr. Schneider had discussed at the January 2014 board meeting. Mr. Schneider said he had recently looked at the savings briefly and knew of \$4,860 we had saved since January through the Western States Contracting Alliance (WSCA). He doesn't know how much additional savings we have had because we don't pay shipping. He said Rhett Boerger, Building Maintenance Supervisor, and he had looked at the savings from the electrical and load shed project they have been working on and saw savings of \$2,591 from July 2013 versus July 2014. Mr. Schneider said that is the information he had today but he would put something more formal together.

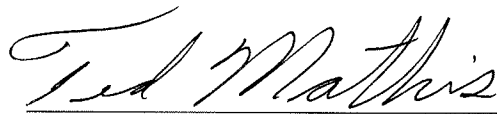
12. Consider bills and approve for payment

The twelfth agenda item was to consider the bills and approve for payment. Mr. Sprenger pointed out payments for capital projects and larger operating and maintenance costs. Mr. Sprenger answered other questions regarding the bills.

MOTION: Mr. Lehrkind moved to approve and pay the bills as presented and Ms. Stelmak seconded the motion. All board members voted aye. The bills will be paid.

13. Adjourn

The meeting was adjourned at 2.14 p.m.

A handwritten signature in cursive script that reads "Ted Mathis". The signature is written in black ink and is positioned above a horizontal line.

Ted Mathis, Vice Chair