

The regular monthly meeting of the Gallatin Airport Authority was held October 8, 2020 at 2:00 p.m. in the Airport Conference Room. Board members present were Kendall Switzer, Karen Stelmak, Ted Mathis, Kevin Kelleher, and Carl Lehrkind. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Kendall Switzer, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

1. Review and approve minutes of the regular meeting held September 10, 2020

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

MOTION: Mr. Lehrkind moved approval of the minutes of the meeting held September 10, 2020. 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 Go Rentals to operate an on-airport car rental concession

Mr. Sprenger said a Request for Proposals (RFP) for car rental concessions was created several years ago. We agreed to award up to 5 Concession Agreements and received 4 proposals. Subsequent to those being awarded, there was a consolidation in the industry. We currently have 4 agreements with 3 entities due to one buying out another. That leaves one opening. We have discussed this with legal counsel who agrees that is the case.

We discussed the opportunity with all of our other off-airport rental companies and none are interested in coming on the airport at this time.

We have received a proposal from Go Rentals that was provided in advance of this meeting for review. The proposal meets the requirements of the RFP. Go Rentals' preference is to operate only out of the Fixed Base Operator (FBO) since that is their business model. That will require an on-airport agreement. Our current concessionaires have different opinions on whether Go Rentals should be required to operate in the terminal as well. Two entities, Enterprise/Alamo/National and Avis/Budget would prefer that they not operate in the terminal. Hertz (Overland West) would prefer that they be required to operate in the terminal.

After review with legal counsel and a number of support letters from the general and business aviation community, staff believes the added competition would be beneficial to the airport. It would provide more choices for our customers. Since 2 of the 3 on-airport concessionaires prefer they not operate in the terminal, staff's recommendation is to offer Go Rentals an on-airport concession agreement but not with a terminal location. That would require Go Rentals to pay the minimum annual guarantee, the standard 10% concession fee, collect the customer facility charge, and the term of the agreement would match the existing rental car company agreement term. Staff recommends not allocating them space to operate in the terminal since it is space we understand other car rental companies are interested in using. Mr. Sprenger confirmed for Ms. Stelmak that the term would be pro-rated, so it would be for 2 years instead of the original 5 years until the next RFP is issued.

Kaye Gitibin and his brother Kavous Gitibin, the founders of Go Rentals, were present. Mr. Kaye Gitibin said they are an aviation and hospitality company that happens to rent cars. Their business model is very different than other car rental companies. They focus on being the first impression when their guest comes to the city and their last impression when they leave. They offer quality vehicles that have been hand-picked for this market. They have a five-star rating with Forbes. They are excited about Bozeman. Part of their service is to have the car on the ramp upon arrival, whatever time that is. They have a concierge team to service guests. Their general aviation partners from across the country have told them that throughout the season there have not been enough cars available in Bozeman. Their presence will increase the level of service.

Mr. Kavous Gitibin said they started the company 25 years ago with 7 cars. They are proud of their team and ready to deal with the demand of general aviation.

Mr. Switzer asked their preferred option. Mr. Kavous Gitibin said their specialty is to operate only from the FBO, but they are willing to operate from the counter inside the terminal as well if that is required.

Steve Jones with Hertz thanked airport management for their support of the rental car industry and for their partnership. They just finished the third year of a 5-year agreement. All companies bid to get into the airport. The timing of this proposal is alarming. He would prefer to see new competitors entertained in 2 years. In the 30 plus years he's been in the industry, they have never experienced what they have this past year. They were down 95% in April. In 2 years, he is hopeful they will have 2019 travel levels back. He understands the airport has the right to let another concessionaire come on. He doesn't recall ever having an

airport exercise that right and have another come on mid-contract, unless it was a competitor who went out of business or a change of ownership. Bozeman is lucky to be stronger in deplanements, but they are still hurting. He asked the board consider those who made the investment and went through the bid process and keep the same players through the end of the contract term.

Mr. Mathis asked Steve if he has reached out to our new FBO to provide vehicles for them. Steve said they provide vehicles to all of the FBO's. They try to take care of every customer on the private side and the commercial. Trying to forecast and plan for that is challenging in this climate.

Mike Lucero of Hertz said a lot of high-profile customers come into the FBO's and they have never not provided a car to them. They use a booking system called Flight Ridge and they provide cars for them all the time. His opinion is that a new on-airport concession should have to operate the same way they do and not allow them to cherry pick the high-profile customers.

Steve said the staffing requirement to staff the counter 45 minutes before the first flight and 45 minutes after the last flight costs money. They just want an equal playing field.

Mr. Lehrkind said we are lucky compared to some of the other cities. He asked what percentage of their business is done out of the FBO's. Steve estimated 25-30%. Mr. Lehrkind asked if there was another competitor, what kind of drop they would anticipate. Steve said it is hard to say and there are customers who are loyal to the brand. Mr. Lehrkind raised the concern that due to flight schedules, some wait over an hour for a car and there isn't a lot of social distancing happening.

Barbara Lam-Hales from Hertz said she is responsible for training. Their plan was to move many of their preferred customers to the parking garage, to meet them there and hand off keys. They had to cut staffing but at some point, they would like to have those lanes shorter, so preferred customers could bypass the counter.

Eric Schonhoff with Enterprise said he agreed with what Steve said. In late March early April they hired a lot of people. Then they had to downsize. They also plan to automate their aisle. The Emerald Aisle is for preferred customers. They would like to put up gates and secured lots for that as the market grows. It is costly to add that staff and security for that.

Mr. Schonhoff thanked staff for being easy and fair to work with. Enterprise has been ranked #1 on JD Powers as a rental car provider. They would prefer to wait until a new contract year. Some terms of the agreement previously mentioned were clarified such as the minimum annual guarantee and the customer facility charge.

Rex Leipheimer, operator of the local Avis/Budget, spoke next. He thanked airport staff. He said corporate sent a letter regarding this matter. Pre-covid they had an agreement to expand their counters to deal with line issues. They are working out of half of the space of their other competitors. Space is a big issue. His first concern is that he will be left trying to do twice as much work in half the space. He said FBO's have big accounts and they don't get sold out status. Fleet is not an issue for them. He feels like this change is being made in the middle of the game. He understands we have the legal ability to do that but it is tough to swallow.

Mr. Lehrkind asked Mr. Leipheimer what would help him be the most efficient. Mr. Leipheimer said it would be seasonal space. Covid and seasonality are the current challenges.

Mr. Mathis asked Mr. Leipheimer if they would work with people out in the garage for checking in and out. Mr. Leipheimer said yes, they have that capability and they have cut the lines down.

Mr. Kelleher said he keeps an eye on the Covid numbers. There is a surge in our own area currently. He asked Mr. Leipheimer how his business would be affected by another shut down. Mr. Leipheimer said it is like managing a yo-yo. They can't stop or start fast enough. They had fleet but not the staff. Mr. Leipheimer asked they be allowed to finish the contract and then see what the landscape looks like.

Kent Foster with the Yellowstone Jet Center said he is now dealing with a car share program where people are renting out their personal cars. He is, as a tenant, trying to navigate the rules. The world is changing and that should be considered. Mr. Switzer thanked him for his comment and said we have to be able to talk about these things and see if we are honoring all of our agreements.

Mr. Sprenger said they understand the issue with Go Rentals coming in mid contract. There were also buy outs and consolidations mid contract. That goes both ways. The Covid environment is a concern. We offered more space in the terminal to the car rental companies. All declined that space except Enterprise who stepped up and said they would take it. The market is constantly changing. Go Rentals is already competing for this business in the market. They have an off-airport agreement already. They are struggling like we are struggling. All of our rental car charges are based on volume which benefits the rental company.

Mr. Switzer said our charge is to serve the public and see that everyone gets the best service. Our contracts do not prevent us from allowing competition. Mr. Sprenger said in this case we anticipated it and included it in the language of the agreement.

Ms. Stelmak said we want to be fair to our tenants. We have done that by looking into this legally. The contract does allow for the mid-term entry. We feel badly that they have had bad numbers, but we have to look at what is best for our customers too. Looking at the growth of the FBO's, this is a good halfway point since Go Rentals would be less competitive not at the counter, but being held to the same revenue requirements.

Cassandra Dohle with Jet Aviation said over the last few years they haven't been able to accommodate their customers with rental cars the way they did in the past. They have been referring people to Uber because prices are too high for the crew or there are none available. It is an area of frustration so they would like to see more options.

David Boyd, manager of Pogreba Field, said he has run a flight department out of the Bozeman airport for 15 years. He said he is speaking as a client of the rental car companies. He and his colleagues travel extensively. He has many memberships with many rental car companies and has also used Go Rentals. He said Go has always provided an excellent service. Their cars are of high quality and are clean. As a corporate pilot, they are great at providing the car planeside and on time. He related a couple bad experiences he had with a local car rental company. He has never had a bad experience with Go. He is a strong supporter of them coming to the airport.

Mr. Lucero said he believes that if they do allow Go Rentals to be an on-airport concession, they should have to operate the same way he does which includes opening 45

minutes before the first flight, staying 45 minutes after the arrival of the last flight, have the same overhead, and operate the same way. To allow anything different would be breaching the contract.

Mr. Sprenger again clarified that 2 of the 3 companies would prefer Go Rentals not operate in the terminal. Mr. Sprenger confirmed that from a legal standpoint, we can allow them to operate only from the FBO.

Hannah France, who has worked for YC for 6 years in the travel department, said they have had great and not so great experiences with the current rental car companies. She is in support of Go Rentals bringing competition.

Trent Gardner, our legal counsel, spoke to address the question regarding the contract. Mr. Gardner said the contract does not contain any requirement that the next concessionaire have the exact same terms as the previous. The concession granted by this agreement is not an exclusive concession, we have the right to grant up to 5 agreements, and any other or future non-exclusive on-airport concession for car rentals shall not be on terms or conditions more favorable than those granted to the concessionaire herein. Obviously, there are differences of opinion among the concessionaires.

Mr. Switzer said we appreciate all the rental car companies. Covid has hurt everyone. This could get better or worse. Our charge is to provide a fair and balanced playing field, and that includes competition and providing the best for the traveling public.

Mr. Sprenger confirmed for Mr. Lehrkind that Go Rentals has its own facilities. It is our understanding they are not interested in using the mechanical car wash. The Customer Facility Charge (CFC) covers use of the car wash and parking garage. There could be an

allocation for space in the parking garage. We have significant excess space from certain companies in the parking garage. We don't know if they want use of the parking garage, but if they are paying the CFC, they could use it. We estimate based on their proposal they may have the need for less than 10 stalls, which is relatively insignificant compared to the 1,000 available for rental cars.

Mr. Lehrkind suggested we provide more space for the current rental concessionaires. Mr. Sprenger said they each received additional office space with the parking garage. Covid did put a halt to some ideas. Electronic check-in is an option. We have the space to accommodate that. We have a master plan that shows the next phase completely changing the rental car and baggage claim area.

Mr. Switzer noted that we spent more time discussing this than a \$26 million airport expansion because we care.

MOTION: Ms. Stelmak moved to approve the request by Go Rentals to operate an on-airport rental concession at the fixed base operator. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

4. Consider request by Arlin's Aircraft Service to construct a 75' x 20' addition to hangar 117

Mr. Sprenger said Arlin's is constrained for space. Staff recommends approval of the request with the requirement that they expedite the cleanup of their hangar areas, including former hangar areas.

Ms. Stelmak said Arlin's has always been a good neighbor. She doesn't see this being a problem.

MOTION: Mr. Lehrkind moved to approve the request by Arlin's Aircraft Service to construct a 75' x 20' addition to hangar 117. Ms. Stelmak seconded the motion. All board members voted aye. The motion carried.

5. Consider request by Sharbert Enterprises, Inc. and Yellowstone Forever for Sharbert Enterprises to operate the Yellowstone Forever concession located inside the terminal

Mr. Sprenger said this has been moved forward due to Covid but has been in discussions for a while. It makes sense for them to consolidate into one area. It also allows Yellowstone Forever items to be moved into the secured area. Staff recommends approval of the request.

MOTION: Mr. Mathis moved to approve the request by Sharbert Enterprises, Inc. and Yellowstone Forever for Sharbert Enterprises to operate the Yellowstone Forever concession located inside the terminal. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

6. Consider real estate transfer agreement and subsequent short term lease agreement with Ronald and Mary Nicol for the purchase of property located at 1372 Timothy Lane, Belgrade, MT

Mr. Sprenger said we got an appraisal for this property. It was within the expected range. Previous transactions have included a 1.8% administrative fee. They would like to continue to utilize the property for up to 3 years. The FY 2021 cash flow forecast was included in the board packet and shows the financial impact of this.

MOTION: Ms. Stelmak moved to approve real estate transfer agreement and subsequent short-term lease agreement with Ronald and Mary Nicol for the purchase of property located at 1372 Timothy Lane, Belgrade, MT. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

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

Mr. Humphrey said total operations for September were up 23.3%. General Aviation was up 18.1%, itinerant GA was up 32.2% and military operations up 91%. Rolling 12-month operations were 101,057, which is 500 more operations than we were pre-covid. Total revenue enplanements were 43,995 which are 64.4% of last year. For 12 months we are at 507,817 enplanements. Total deplanements were 66.5% of last year. Airline landings were up 1.6% at 628 versus 618. Airline load factor was 58.6%, down 31.2% from last September. Fuel dispensed in August was down 20.4%.

We are anticipating enplanements at 70% of last year's October numbers. We don't have the Customs info yet.

Ms. Stelmak said when you hear how other airports are doing, 60% and 70% of normal is good. Mr. Humphrey said we are twice the national average. November is up in terms of seats. Depending on what happens with ski resorts, we may have a robust season.

8. Airport Director's Report – Brian Sprenger

Mr. Sprenger said his best guess is close to 80% of normal for November. November is traditionally a slow month, so 80% of normal is still slow.

JetBlue has extended their Los Angeles service to year-round even though it is not daily. They have loaded JFK and Boston in May for a start. There is an anticipation of early travel in the Spring based on the late Fall travel. Sun Country loaded their schedule for next year and has doubled their flights.

The terminal project reconciliation has almost been finalized and it came in approximately \$140,000 less than budget. The final total is at \$20,337,000.

For the July-Sept period we are 32% down in revenue. It is 18% down over 2 years. Personnel benefits and taxes for the current year were down 1%. Total expenses are down 12.7% for the quarter and up 2% over a 2-year period. Mr. Switzer said since we are hitting those numbers, he proposes picking up the personnel pay package increase. We have been through a lot of transitions. Staff responded and has made everything a success.

Ms. Stelmak said this pay increase would be a cost of living increase only, not a merit increase. Mr. Switzer recommends starting that now, in the October pay period. Mr. Mathis asked the amount and Mr. Sprenger said it is about \$6,500 more a month. Mr. Mathis said they agreed if they hit the 75% mark, they would. Mr. Sprenger said based on projections that could be hit in October. If so, the increases would have been effective January 1.

Mr. Lehrkind and Mr. Kelleher agreed with Mr. Switzer. Mr. Mathis also agreed it is time and mentioned he is not as concerned for this coming year as he is for the next. However, the increase is deserved.

Mr. Switzer asked Mr. Sprenger to convey thanks and appreciation to staff. We will readjust down the road if necessary.

Mr. Sprenger said the Holiday gas station at Yellowstone Plaza is under construction. Even Hotels is expected to start construction in the Spring. Deuces Steakhouse and Belgrade Liquor are delayed for various reasons. Mr. Sprenger foresees the gas station opening sometime mid-winter at the latest.

Staffing continues to be an issue for the Control Tower. We said if we hit 3 months of good numbers, we would talk with Serco and the FAA. Mr. Sprenger heard from Serco that they are evaluating it. We are seeing significant increases in numbers. Julie Webb did an

evaluation using Serco's format, and we are busier earlier and later in the day which requires additional covered hours. September 30 was our busiest day with 649 operations.

The terminal expansion event is planned for today at 4:30. There is time for each board member to speak. Tour groups of 10 will be taken through the terminal.

Ms. Stelmak asked about TSA pre-check dates. Mr. Sprenger said it is planned for a week in January and a week in June. He knows it is the week of MLK Day in January and the first full week in June. This is the 5th year, so if you got it the first year, you will need to renew this year. That is part of the reason it is set up for January. Sign up isn't available until the first week in December.

9. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

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

All board members voted aye. The motion carried.

10. Adjourn

The meeting was adjourned at 3:39 p.m.



Kendall Switzer, Board Chair