

The regular monthly meeting of the Gallatin Airport Authority was held July 9, 2015 at 2:00 p.m. in the Airport Conference Room. Board members initially present were Carl Lehrkind, Kendall Switzer, Ted Mathis and Karen Stelmak. Kevin Kelleher arrived during agenda item number 6 due to traffic delays. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Ops, Troy Watling, Assistant Director of Finance, and Shannon Rocha, Recorder.

Ted Mathis, sitting in for 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 said there were a couple people signed up to do so. He asked that they raise their hand, be recognized, go to the podium, state their full name, and make their comments.

1. Open bids on deicing and commercial apron expansion

Mr. Sprenger called for additional bids for the airport improvement project. The first bid was from Dick Anderson Construction. Their Montana Contractor Registration number is 4391A. The addendum was acknowledged and the bid bond of 10% was attached. Kirk Hogan, Civil Manager, signed the bid proposal. Dick Anderson Construction bid \$1,931,194.00 for Schedule I.

The second bid was from Knife River of Belgrade. Their Montana Contractor Registration number is 10089. The addendum was acknowledged and the bid bond of 10% was attached. Dave Schmidt, General Manager, signed the bid proposal. Knife River of Belgrade bid \$1,974,219.00 for Schedule I.

The third bid was from Montana Civil Contractors of Belgrade. Their Montana Contractor Registration number is 155802. The addendum was acknowledged and the bid bond of 10% was attached. Robert Koch, President, signed the bid proposal. Montana Civil Contractors of Belgrade bid \$1,776,807.00 for Schedule I.

The fourth bid was from Williams Civil of Bozeman. Their Montana Contractor Registration number is 158949. The addendum was acknowledged and the bid bond of 10% was attached. Brian Peterson, Vice President, signed the bid proposal. Williams Civil of Bozeman bid \$1,900,000.00 for Schedule I.

Mr. Mathis and the board thanked all who bid.

MOTION: Mr. Switzer moved to take the bids under advisement and award the contract to the lowest qualified bidder. Mr. Lehrkind seconded the motion. All board members present voted aye and the motion was passed.

2. Review and approve minutes of regular meeting held June 11, 2015

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

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

3. Public comment period

Mr. Mathis 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.

Deb Short signed up to speak. She came to the podium. She is the Airport Manager for Karst Stage. She has noticed that due to the added tourists there is a problem with people parking in the bus lane. This is an area to be reserved for motor coaches and buses. It doesn't appear that the airport police are citing people or patrolling the area. She has had to go out there and ask people to move their RV's, boats, rental cars, etc. They are also parking in the fire lane. She has to watch out for her motor coaches and shuttles. She requested that the airport look into it and perhaps provide parking enforcement.

Mr. Mathis asked if she had visited with the airport director about the issue? Ms. Short replied that she had not. She was recently told by one of her employees and she just found out about the Board Meeting. Mr. Mathis thanked her for coming and asked her to speak with the airport director to resolve the issue.

Mr. Mathis asked if there were any other public comments not related to a specific agenda item. There were none.

4. Consider request by Gallatin Field Garages to construct one car condominium building

Mr. John Delzer has built three of these buildings. He was stuck in traffic and was not able to be there during this agenda item. The area had originally been designed for up to 8 buildings of similar design. There are landscaping requirements. The landscaping requirement is an upfront fee that reimburses the airport for landscaping that had previously been completed in that area. Mr. Sprenger and staff recommend approval of the request.

Mr. Switzer asked and Mr. Sprenger clarified that we would be leasing land to Gallatin Field Garages for construction.

Mr. Lehrkind asked what the timeframe would be. Mr. Sprenger responded the planned completion would be in the fall.

Ms. Stelmak commented that she sees this as consistent with the future use of the airport.

MOTION: Ms. Stelmak moved to approve the request by Gallatin Field Garages to construct one car condominium building. Mr. Switzer seconded the motion. All board members voted aye and the request was approved.

5. Consider request by Mr. Ivan Rosheim to enter into a new 10-year non-commercial land lease on Hangar #61

Mr. Sprenger pointed out the location of the hangar on the map. He indicated it is in good condition and the rent is current. Staff recommends approval of the request.

MOTION: Mr. Switzer moved to approve the request by Mr. Ivan Rosheim to enter into a new 10-year non-commercial land lease on Hangar #61 and Mr. Lehrkind seconded the motion. All board members voted aye and the request was approved. The motion carried unopposed.

6. Consider proposals to manage Pay Parking Lot

Mr. Sprenger said we received 2 proposals. From SP+ (SP), the former Standard Parking which is also our current vendor, and Republic Parking Services (Republic). Both companies were asked to speak. SP was asked to speak first.

SP passed out handouts to the board members of their slides they would refer to during the presentation. Pam Brown, Senior Vice President of Airport Service introduced herself and gave her background. She has been in airports for 20 years. Part of her experience has been managing airport parking contracts. Before becoming SP+ a couple

years ago, Standard has been in airports for 60 years. They have a significant number of large and small airports and many in this region. They are familiar with airports of our size and scale.

They recognize the challenge in this region of maintaining a stable workforce. Julie, Airport Manager, has done an outstanding job. She is a member of the community. The benefits that the company offers their employees help with recruiting as well. Ms. Brown said they have a team of 40 people dedicated solely to the airports. They provide audit, revenue control, and customer service. Their main duty is to protect the airport's revenue; to properly account for it and make sure the airport is getting everything they are entitled to including PCI compliance and credit card security.

SP offered to revamp our parking services webpage at no charge. They would assist in maintaining it. They can offer a reservation system at no charge to the airport. They could include a rate calculator to compare parking areas and a clear and easy map to work with.

Reserve parking is something they can offer that has proven to be very popular at a number of airports. People are willing to pay a premium for this service, anywhere from \$3-\$5 a day. They do flexible signage so if there are only a handful of reservations for the day, they flip the sign and adjust the number of spaces for the general public. They have a friendly reminder service. If someone parks in the wrong area, their license plate is recorded and a letter goes out to them. This is all offered at no cost to the airport.

An amenity they would like to add is vehicle heater blocks, which they understand would involve an approval process. That would be a valuable addition people are willing to pay for. SP has offered a marketing and promotional budget of \$10,000. This is to be spent

at the airport's discretion. Ms. Brown described a sweepstakes they could offer that would be well within the budget.

Jason Finch Senior Vice President with SP spoke next. He described revenue to be the most important part the RFP. The proposers were asked to bid a percentage of the revenue on prescribed thresholds set by the airport. There was a marginal difference at a cursory glance. Mr. Finch said the difference is seen in how the 2 proposers have proposed gross revenue. Our competitor has included any credit card discounts in gross revenues. SP pays rent on the first dollar of all revenue they collect. About 82% of all revenue collected is from a debit or credit card. Their credit card fees are 2.6%. Essentially each of their competitor's thresholds should be reduced by 2.1% to be an accurate comparison. He indicated that this is an important distinguishing factor.

Using the most recent 12 months of reported revenue to the airport SP has collected 2.7 million dollars. They have used a conservative 5% growth factor in revenue. At the end of 5 years there is a delta of \$346,000 that SP+ would return to the airport more than their competitor. They have not factored in any rate increases. That was not provisioned on the RFP. If rate increases do occur within the next 5 years, which is likely, the difference grows.

Revenue has historically always increased. Over the last 5 years revenue has gone up an average of 16% per year.

Mr. Finch said the two largest expenses are labor and liability insurance. Promotions West will be used for uniforms. Promotions West has a marketing side of the business. The airport could use the \$10,000 marketing budget there if desired. SP is happy to use local community resources.

Mr. Finch thanked the board for their time and consideration of their proposal. He believes they have put together a financially superior offer.

Mr. Mathis and the board thanked SP+ for their presentation.

Chris Howley, Executive Vice President of Republic Parking Services came to the podium. Bob Lionheart, Chief Operating Officer of their airport division was with him. They passed out handouts to the board members of their slides they would refer to during the presentation. Mr. Howley started the presentation by speaking to their background as a company. Republic has been providing parking and shuttle services to airports since 1966. They are the largest operator of small and midsize airports in the country. He said their proposal shows their extensive customer service initiative and the added service they plan to offer in the process. They manage parking at airports in Missoula and Great Falls.

Bob Lionheart spoke next and said they recognize that customer service is extremely important. Their recruitment and training of staff takes that into consideration. Recruitment training is provided first to managers. They have several methods of employee training. They have video training, online training, and frequent webinars. Their online training has 15 different components that all employees complete.

Mr. Lionheart said that revenue controls are also extremely important. They follow strict auditing procedures. Their managers audit every day and every shift. All reports are communicated back to their home office in Chattanooga where internal auditing is performed by their auditing staff. Their auditing staff visits the airport at least once a year to perform an audit. Their regional manager and operations team from Seattle comes out quarterly.

Mr. Lionheart indicated that customer and client services are also important. They try to be as flexible as they possibly can. In reference to the public comment about the ground transportation issue, they have several airports where they put additional staff on the front curb to promote safety and security. They can also assist with luggage cart management, valet, taxi starter services, and sky cab services. They recognize the need to provide multiple services beyond parking.

Chris Howley reviewed the financial information of the proposal. They have offered a minimum annual guarantee of 2 million dollars per year. Mr. Howley commented that this is significantly greater than their competitor, a \$900,000 difference in the first year.

Mr. Howley said that at one airport that Republic has taken over, they have averaged a 10% percent increase in revenue for every year over the last five years. He said they would love to be here at the Bozeman Airport. He said these are significant numbers and they will be paying us much more than their competitor.

Mr. Howley said they would maximize our annual net revenue. He said their training uses the best practices. They would like to introduce new technology including ADI for frequent users and monthly reservations for customers who would like that. He said the technology is available and being used in this region. Mr. Howley said if Republic is selected it would be a smooth transition. They included a chart to show that. Regional staff would work with the existing team, select new staff as needed, and work through the transition.

Mr. Howley said the proposal speaks for itself and thanked the Board for their time. He asked if there were questions from the board.

Mr. Lehrkind asked Mr. Sprenger if he had any contact with the airport staff in Great Falls and Missoula about Republic. Mr. Sprenger replied they had and Missoula is very happy with the service Republic has provided them. There was no specific discussion with either airport on revenue.

Mr. Switzer asked about what the projection is for 5 years. He imagines there may be a parking garage by then. He sees the field changing and asked Mr. Sprenger what he thought each company's responsiveness to that change would be.

Mr. Sprenger commented that he believes both companies will do well. He said as we get further along we will have a better idea. The parking garage will be an additional rate structure and is not expected to require additional manpower other than auditing procedures. He reiterated that both would do fine.

Mr. Sprenger then said he had some questions. He mentioned to SP that their proposal didn't specifically outline staffing timeframes.

SP replied that they would provide additional coverage. There would be a second staff member during peak hours. They would increase to 24-hour coverage. After all the flights arrive the booth is closed. Their staff would work on license plate inventory during that time to recover revenue.

Mr. Sprenger asked Republic if their financials deducted credit card fees. Republic responded by saying the definition of gross revenue was not included in the RFP. They used the standard definition that credit card fees would be deducted from gross revenue.

SP+ responded that the numbers don't show that Republic accounted for credit card fees in their calculations of gross revenue.

Republic said they would be happy to do the analysis for the board.

Mr. Sprenger asked Mr. Humphrey if he knew what the definition of gross income was for the RFP. Mr. Humphrey responded that we would need time for additional research.

Mr. Sprenger said from the proposals and the discussion there are two concerns. One concern is the credit card fees. The other is that there appears to be some adjustments on the staffing levels. Those are two key items in the analysis. Both are excellent firms and it comes down to those two factors. Due to the variations in standards between the statements of each he was not comfortable making a recommendation at that time. He said we don't have enough definition. Mr. Sprenger said their recommendation would be to take it back, get further information and definition, and bring it back to the board in August.

Mr. Sprenger said the focus would be put on the credit card fees and the staffing levels. He said the best plan is to define parameters based on hours of staffing and discuss credit card fees with relation to revenue calculations. Mr. Sprenger did not anticipate these issues. He said the term gross revenue needs to be further defined. Mr. Sprenger indicated that this is why the proposals were requested in advance of the September time frame. SP's contract ends the end of August.

Mr. Switzer said we want to address how each company will service the airport based on expected expansion. We will need more staffing. Customer service is important. He knows it would be a projection.

Mr. Sprenger commented that one thing that has changed dramatically is the size of aircraft coming into the airport. Staffing the parking lot for a 50 passenger aircraft is much different than a 150 passenger aircraft. Each RFP brings the opportunity to learn more and improve the process.

Ms. Stelmak commented that she agrees that the hours of staffing and supervision is critical. She has been in line where there are three lanes filled six cars deep. Leaving the parking area is the last impression the airport gets to make. She said including the definition of what their financial calculations will be is very important.

Mr. Switzer asked what the impact of the parking garage would be.

Mr. Sprenger replied the parking structure would positively impact our revenue. At least a portion of passengers will pay a higher premium for that type of parking. There will be a low cost in management of the structure. The largest cost will be an investment for construction.

Mr. Mathis asked if both companies could come back in August with another proposal.

SP+ replied that would be challenging because of the sealed bid process. Proposers should clarify the numbers they put on the table so the airport can identify gaps in the proposals. They would like the airport to provide them with more information on what they are looking for.

Mr. Sprenger clarified that this was not a sealed bid process. That is one of the fortunate things in asking to see the calculations so that discrepancies can be identified.

Republic also said this was not a sealed bid. They have been involved in best and final offers before and it is not a problem at all. They can also clarify their numbers.

Ms. Stelmak asked Republic about the impact of that on their timing. Would they be able to staff that quickly?

Republic said yes they would. They said there is probably hold over language in their contract with SP+. Republic said we would have the opportunity to use that provision. Republic commented that they went out on a limb for the \$2 million dollar minimum annual guarantee.

SP+ replied by saying that in order for that \$2 million dollars to come into play, dooms day would have to happen. Revenues would have to drop off. That is not a reality. SP+ said they have protection language in their contract that should dooms day occur, they would renegotiate their contract.

Mr. Lehrkind interjected and said we have heard enough from both companies.

Mr. Kelleher said it was exciting to be part of a board where we have people fighting for our business. We are trying to move in an appropriate direction and handle the growth. He thanked them for their time and said he looks forward to seeing them in August.

No motion was entertained. This agenda item will be moved to the agenda for the August board meeting.

7. Report on Audit Review Process – Sydni Tangaro

Sydni Tangaro with Holmes and Turner came to the podium. She said Bill Hebron would be doing quality control review. Rosie Barnt is their Audit Manager. They may bring on additional staff as needed. They are planning one week of fieldwork, as this is easier for

airport staff. They will perform their final work by September 14th. October 2nd they will provide draft financials. It will take 2 weeks to do complete management discussions and analysis. November 12th they will present the financial statements.

Their planned scope and timing is in the letter they provided. The scope and timing is the same as last year's.

Ms. Tangaro commented on GASB Statement Number 68, which is effective for this audit. It has to do with pensions. The financial impact of this statement is still not completely understood. It requires unfunded liability to be booked on every governmental financial statement. She said they are happy with how the state of Montana has approached this. Legislative auditors are working on PERS and pensions and then will determine their impact. She said the firm is not ready to determine whether the financials will be comparative or single year. They may only do a single year, as they don't have audit schedules for the prior year. If comparative financials are presented, they may have a reclassification footnote.

Other than that they are not anticipating any significant changes.

The board thanked Ms. Tangaro for her presentation.

8. Election of Officers

Mr. Sprenger said it is that time of year again to elect officers. He listed the current slate of officers. The current officers have been in their positions for 2 years now. Generally after 2 years we have seen a new election. This is done in July after the county commission has selected their board member for the year. Mr. Mathis has been selected by the county

commission to serve for the next 5 years. Mr. Sprenger spoke of the traditional rotation should the board like to follow it.

Ms. Stelmak thanked Mr. Kelleher for his years of service and for doing a terrific job.

MOTION: Ms. Stelmak moved to approve Ted Mathis as Board Chair, Carl Lehrkind as Vice Chair and Kendall Switzer as Secretary. Carl Lehrkind seconded the motion. All board members voted aye and the request was approved. The motion carried unopposed.

Mr. Kelleher thanked all of the board for helping him through the 2 years. He said they have the makeup of an outstanding board. He cannot think of a better Chair than Ted Mathis. Mr. Kelleher said Mr. Mathis has been of tremendous assistance to him.

Ms. Stelmak thanked Mr. Kelleher for his excellent work. Mr. Kelleher responded that it was a great honor and he appreciates everyone's help.

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

Mr. Humphrey reported that June tower operations were up 21.2%. Rolling twelve-month aircraft operations were 79,732. Corporate landings were up 2.4%. Total revenue enplanements for June were up 2.9%. Rolling twelve-month enplanements were 499,977. Deplaned passengers are down 1.2%. Airline landings were down 10.6%, 565 vs. 632. Our load factor is up significantly, 82.9% versus 73.4%. Fuel dispensed for May was down 10.1%.

For the next couple months we are 2.5-3% below July. In July 2014 our load factor was 79%, August 82% and September 83.2%. We will probably be one or two percent down. We are down Atlanta seats. We are seeing more seats being added in the fall, so this should be a momentary speed bump.

Mr. Sprenger reported that load factors would need to be 91% in July and 92% in August to match last year's enplanements. The airlines put in too much capacity last year. They are trying to get back to their 2013 load factors. This is our 19th consecutive record breaking month.

Mr. Humphrey said they have reached out to American Airlines. American Airlines has asked that we come back and discuss the possibilities in the summer of 2016.

There were no questions. The board thanked Mr. Humphrey and Mr. Sprenger for the report.

10. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that he and Ms. Stelmak met With Chris Kraus, a local representative of a hotel real estate and research company. Mr. Kraus is cautious about the idea for an airport hotel for a few reasons. Some of the factors are the distance to the interstate, competition, and the size of our airport. However, Mr. Kraus has optimism as well. Things that work here may not work in other locations. We have asked for him to propose a feasibility study.. This would be an evaluation of sites either by the frontage road or the terminal building. It would also consider the current and future market demands, sizing, concept branding, amenities, and food service. The study would also forecast for daily occupancy rates and estimated operating costs. Development costs and a summary report would be brought to the board that could be interjected into the RFQ process. This should provide suitable information for land lease discussions and franchise agreements. The proposal would be in the \$10,000-\$15,000 range. It is the staff's recommendation to at least bring the proposal for the board's consideration. The study would provide information

that staff would be unable to answer and they feel it would be beneficial for the board to have it.

Mr. Lehrkind asked what the big picture was; are we talking 5 years or 2 years?

Mr. Sprenger responded that based on their discussion with Mr. Kraus, he doesn't know if it is something that would work now. It could but Mr. Kraus is very cautious. Having the right brand is extremely important. Not all brands are currently available. Many brands are locked up in our region. The distance to the interstate would have to be considered. Also to consider is how much traffic the airport and interstate would produce seasonally. How much of the Big Sky travelers would love to stay here after a late night arrival or for an early departure? Another part that is unknown is how many people from Billings, Helena, and Missoula come down the day before. There would be a competitive advantage having a hotel closer to the airport. We could be the first to construct it before say, Knife River, but we would also be further from the interstate.

Ms. Stelmak commented that if this is part of our future, she recommends getting a feasibility study. We are fortunate to have a local person to provide that study for us. She highly recommends it.

Mr. Kelleher said he goes along with it as well. He said we might be undervaluing the people who will come down and stay at the airport for those early morning flights. He got stopped on Highway 191 for 1.5 hours. The indicators he has seen in Big Sky are good. They could be down from their room and over to the airport in no time.

Mr. Mathis said he senses from the discussion that we might be a little pre-mature.

Mr. Sprenger commented that at first Mr. Kraus was very hesitant. But, as the discussion continued, he said there were some points that could generate interest. Mr. Sprenger said 40% of passengers arrive after 10 p.m. and 40% leave before 8 am. That is an important factor. We are more of a regional airport. People are coming from other areas. Mr. Kraus was more open to the idea toward the end of the discussion.

Ms. Stelmak said the goal is not a yes or no answer. But the goal is to get the details to determine if anything is obvious.

Mr. Mathis asked if the timing for it was now.

Mr. Sprenger replied that it doesn't happen in a day. They would have the study and then an RFP. Since the interchange is now open this would be the obvious time to start the process.

Mr. Lehrkind said since we have a hotel expert on the board we should go with her recommendations.

Mr. Sprenger said they could bring back the proposal next month. They would like to perform their due diligence. They are not trying to rush this by any means.

Mr. Sprenger reported that the land swap appraisal should be complete in the next couple weeks.

Mr. Sprenger asked Scott Bell about the Environment Assessment. Scott reported that a week and half ago, they had a telephone conversation with ADO and regional. It appears they are making efforts to meet our original deadline.

Mr. Sprenger reported that the FAA has a session with law enforcement here on July 22. The session is specifically regarding unmanned aircraft systems. He wanted to bring that

to the board's attention. The hours are 9am -11am and it is geared toward law enforcement agencies. If they receive a report of a drone, they have to use local law enforcement to address the issue.

Mr. Mathis sent a memo regarding the conference he attended to the board members prior to the meeting. Mr. Mathis commented that it was another good one. Mr. Sprenger had tasked him with looking at current issues. Something that is pending is the purchase of snow removal equipment and docking and charging stations in boarding areas. The docking and charging stations are something that we are off and running on. From what he learned at the conference it looks like everything we are doing makes sense. He said he appreciated the opportunity to attend.

Everyone commented on how well written Mr. Mathis' report was.

Mr. Sprenger reported that the interchange is open and running. There were some signage issues that have been resolved. He said additional signage down at the intersection might not be required. He believes we have good airport signage now.

Mr. Mathis said he thinks that our idea of a monument sign on the flat area is needed, but agrees we don't need anything down by the intersection.

Ms. Stelmak said she thinks that we get used to these roads but strangers need a couple signs to confirm where they should turn. She thinks that additional signage would be money well spent.

Mr. Sprenger said he would come back with proposals.

11. 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. Switzer seconded the motion. All board members voted aye and the motion carried unopposed.

Mr. Kelleher said he wished to provide a tremendous thank you to staff and the county commission for re-appointing Ted to the board.

John Delzer was informed his request was approved.

12. Adjourn

The meeting was adjourned at 3:43 p.m.

Kevin Kelleher, Chair