

The regular monthly meeting of the Gallatin Airport Authority was held March 9, 2017 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Carl Lehrkind, Kendall Switzer, Karen Stelmak and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director of Finance, and Shannon Rocha, Recorder.

Ted Mathis, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board and said members of the public are welcome to comment on a specific agenda item when it is being discussed. There is a sign in sheet if anyone would like to talk during the public comment period.

1. Review and approve minutes of regular meeting held February 9, 2017

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

MOTION: Mr. Kelleher moved approval of the minutes of the meeting held February 9, 2017. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

Mr. Kelleher reported that last week was the Montana Aviation Conference in Billings. Our Chairman, Mr. Ted Mathis, was honored with the Wright Brothers Master Pilot Award. Mr. Kelleher read the proclamation to explain the award as follows: The Wright Brothers Master Pilot Award is the most prestigious award the FAA issues to pilots certified under Title 14 of the Code of Federal Regulations (14 CFR) part 61. This award is named after the Wright Brothers, the first U.S. pilots, to recognize individuals who have exhibited

professionalism, skill, and aviation expertise for at least 50 years while piloting aircraft as “Master Pilots”. Less than 60 pilots in Montana and less than 4,000 pilots in the U.S. have ever been awarded this prestigious award. On March 3, 2017 at the Montana State Aviation Conference, the Wright Brothers Master Pilot Award was presented to Gallatin Airport Authority Board Chair, Ted Mathis, in recognition of his contributions to building and maintaining the safest aviation system in the world, through practicing and promoting safe aircraft flight operation for 50 years.

Mr. Kelleher went on to say that Mr. Mathis flew solo for the first time at the age of 16. Mr. Mathis was awarded his private pilot certificate at the age of 17 and at 18 became the youngest commercial pilot and flight instructor in the U.S.

Ms. Stelmak and Mr. Kelleher were present at the conference when Mr. Mathis was given the award. They agreed the award should be mentioned at the board meeting and kept in the archives. The board congratulated Mr. Mathis.

Ms. Stelmak added that she views Mr. Mathis’ contribution to general aviation in our area as impressive as the award. His contributions have been outstanding, commendable and greatly appreciated. Ms. Stelmak said Mr. Mathis was very humble about receiving the award.

Mr. Mathis said he has been fortunate to fly for 50 years without an accident or an FAA revocation.

3. Consider FY 2018 Airport Capital Improvement Plan (non-AIP)

Mr. Sprenger sent out a re-cap of the plan ahead of the meeting but reported on some highlights:

Under building improvements, we would like to add a 20-foot overhead door on the southwest corner of the shop building to provide access to the equipment in that area (\$45,000). The door will assist with getting equipment in and out during snow removal events. The LED lighting retro fit is set to continue (\$50,000) So the building portion of the budget would be \$95,000.

Inside projects would include replacement of the exit lane equipment and sensors that are currently 15 years old. The current equipment has worked extremely well, but they no longer make the sensors that we have. When we opened the new section of the terminal we had a new exit lane made by the same company that did not perform to spec. We replaced it with the original equipment. Unfortunately they are not in production anymore, so without any to replace them, we are on borrowed time (\$150,000).

Mr. Mathis asked what they would be replaced with. Mr. Sprenger said there are some similar products made by a different manufacturer. We will be looking at those and some of the doorway systems that are available. We haven't made any decisions yet, we just wanted to include it in the budget. We would present the options when the time comes. The exit lane is a very big part of the experience at the airport.

We are at the 5 year mark on the terminal. We also have server replacements and a phone system replacement to look at (\$68,000).

The hydraulic broom head for Mobile 9 has been problematic. Having three brooms has been very beneficial. This is our oldest broom so we need to do some maintenance on it. Hopefully it will be less than the budgeted amount (\$50,000).

The budget also includes a vehicle replacement for the Maintenance Department (\$35,000).

There are some smaller pieces such as a radio and IT items including a Toughbook computer. Computers don't come with serial ports anymore and many of our systems require them (\$22,000).

Jetway 1 is getting a lot more use so we want to look at adding a carry-on bag conveyor there at the request of American Airlines. We may put it off depending on our bridge replacement evaluation. It is a 40 year old bridge. If we get a conveyor it will need to work on a potential new bridge (\$20,000).

A universal spare, regulator and controls for the airfield lighting system are also included. That is a redundancy in the event of a lightning strike so the system can be returned to operation quickly (\$19,000). Ms. Stelmak mentioned that she appreciates the redundancy as it is an important life safety aspect.

Another piece of equipment that may be purchased is a Tenant 6100 Riding Sweeper. It is a riding vacuum. Billings has one. It is still being evaluated. The advantage is that it has no cords and can cover a larger distance in the timeframe (\$15,000).

There is a line item included for 'various safety equipment' but nothing specific at this time (\$15,000). Also included in the budget is a repeater, a secondary radio frequency (\$6,000).

A print shop laminator is also included in the budget. It is a large piece of equipment for printing large signs such as street signs. The lamination protects them from UV damage and abrasion and makes the signs last longer (\$6,000).

A piece of equipment is included for utility locating. In the past we have relied on Morrison-Maierle for locating utilities but they are busy using theirs at various locations (\$6,000).

The equipment total is \$412,000.

There are some costs associated with the acquired land clean-up and fencing. The gravel pit and such will have some fencing needs. Clean-up money is always included just in case. Mr. Mathis asked if the neighbors will share in the fencing costs. Mr. Sprenger said we will be talking with them about it. Overall we have \$61,112 budgeted for acquired land clean-up and fencing.

The total comes to \$568,112 for all 3 categories.

Mr. Lehrkind asked about the LED lighting. Mr. Sprenger said it is close to being completed but other portions may be added.

MOTION: Ms. Stelmak moved to approve the FY 2018 Airport Capital Improvement Plan (non-AIP). Mr. Lehrkind seconded the motion. All board members voted aye. The motion carried.

4. Presentation of CY 2017 Airport Traffic Forecast

Based on our current projections we expect to see a 6% increase this year. That growth would take us to a little over 587,000 passengers.

In 2016 we were up 42,557 passengers which was the highest net increase of any single year. We overshot our projection by about 12,500 passengers.

The main reason for the positive increase in 2016 was American Airlines' service to Dallas, United's expanded service, and Alaska's expanded service to Portland. Seattle

service by Delta was part of the increase last year, but that service has backed off this year. But that will be more than off-set by a strong increase by American to Dallas-Ft. Worth. We will see a second Dallas-Ft. Worth flight from July 5 to Aug 22nd. That will be part of a 167% increase in Dallas-Ft. Worth seats.

Seasonal service to Chicago by American and expanded United service creates 37% more seats in that market. Portland service has 49% more seats with additional flights and operating days.

We had a 15% decrease in Seattle because of Delta backing off.

Another chart was included to give an idea of how we can project where we are going. We utilize a lot of data. For example, we had a strong fall in 2016 which would indicate an increase in seats for fall 2017. The chart includes what the average cost per mile is to fly out of each city. It shows Bozeman having high load factors and increased airline revenue. The cost per mile decreased very little from 19.7 cents to 19 cents which is still exceptional. That kind of performance generally means an increase in seats the following year.

Missoula was 93% full in the third quarter of 2015 which is an exceptional load factor. Their yield was good but then the airlines dumped in seats. They increased 28,000 seats the following year. The load factor and the cost per mile decreased. They carried 14,000 more passengers and didn't make a dime more. You can tell why they have fewer seats this summer than last year.

Billings was even in seats between 2015 and 2016. This year they have an increase. That increase is primarily because of American Airlines adding service there. American did

that because Billings has a good yield and they also looked at our success. When American announced their service to Bozeman no one really decreased their service to Bozeman. In the Billings market, American added 9% seats and the other carriers reduced 6% of their seats.

5. Report on Taxiway Rehabilitation Project Phase II – Mark Maierle

Mr. Mark Maierle presented drawings for the project. They are calling it Phase 2 of the taxiway rehabilitation project. It will finish off Alpha and Alpha 1. They are also re-paving runway 3/21 which will also be grooved. Taxiway Alpha will be grooved. The grooves are making a big difference on ice and snow. In addition they are going all the way through the back hangars to the end of taxiway Hotel and re-paving. In general it is a 2.5 inch overlay.

We have been carrying about a \$3 million budget to complete phase II. It is made up of discretionary, entitlement funds and local matches. We are in line for about \$1.9 million in discretionary funding. The plan is to open bids at the April board meeting. We have a provision to hold the bids based on the federal funding on the discretionary. We are working with the FAA on a discretionary grant. If successful we would start in May. Or we could slide into the July time frame and still complete before winter.

Mr. Sprenger reported that the work behind the hangars is problematic. The various hangar owners have maintained their ramps to varying degrees. There are some areas that absolutely have to be re-done. Some hangar needs were addressed during their renewals. We would like to encourage hangar owners to take advantage of our unit pricing.

With the federal funding we can pave no closer than 27' of individual hangars. Our proposal is that we would do the taxiways but not go into the approaches unless there were contributions from the hangar owners. We cannot use federal funding for that in any way. We would offer hangar owners the unit pricing. There are some areas where we need to fill in the gap. There are areas that have landscaping rock that should be concrete. Obviously we may have hangar owners who will not take us up on this. Some ramps absolutely need to be done before their hangar renewal. We are planning to send a letter indicating that if they choose not to use our pricing, they would have to have their ramps rehabilitated prior to any future renewals. We want to be fair but also let them know these are their responsibilities. Not making the improvements would jeopardize their leasehold.

Mr. Lehrkind clarified that we are paying a significantly lower fee and that we would allow the hangar owners to take advantage of that pricing. Mr. Sprenger confirmed that would be the case.

We could say that we would not be able to plow areas that are not rehabilitated. Ms. Stelmak mentioned that there will be a GA pilots meeting in April and maybe that would be a good time to bring this issue up. Mr. Sprenger said once they get a concurrence they will. Ms. Stelmak asked if we would have a formal way to provide notice of when the paving will be done. Mr. Sprenger said they would notify those affected in advance. The paving goes quickly and should only be a day or two of impact. A lot of the hangar areas have multiple access points.

Mr. Mathis noted that two of our board members have hangars and have concrete ramps in front of them so they are not asking for any paving for their hangars. Mr. Mathis

also recognized those who have put in concrete that will last longer. Mr. Mathis is in favor of repairing areas that need it, but not in favor of paving at our expense areas that are leased. We should be reimbursed for the leased areas. Everybody should pay their fair share.

Mr. Switzer said he realizes each ramp varies in size but wanted to know what the cost is. Mr. Sprenger said it is \$1.50 / sq. ft. for asphalt and concrete is close to \$4/sq. ft. They are still refining those numbers to make sure they are correct. Overall it is the best pricing anyone is going to get. The challenge is everyone has their own interpretation of the condition of their asphalt.

Mr. Lehrkind asked how many of the hangars that need the pavement addressed are up for lease in the next couple years. Mr. Sprenger reported that all are within a 10 year time frame.

Mr. Switzer said that based on safety and snow removal operation there is a minimum standard to be achieved so he agrees with them paying for their areas.

Mr. Kelleher asked how we determine the leased area. There are a few nuances but in general the lease line goes up to the taxiway.

Ms. Stelmak said her opinion is that as long as we are consistent and we communicate well we are not asking too much. Everyone agreed and Mr. Sprenger said they will proceed as directed.

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

Mr. Humphrey said to keep in mind that this year we were one day shorter in February than last year. Total tower operations for February 2017 versus 2016 were down

8%. That puts our rolling twelve-month operations at 76,636. Corporate landings were up 27.7% at 465 versus 364. We had a big President's Day weekend last month. Total enplanements were up 3.8%. Rolling twelve month enplanements were 557,811. Total deplanements were up 4.3% at 44,020 versus 42,192. Airline landings were up 502 versus 501 which is a .02% percent increase. Airline load factors dropped about half a percentage point 83.1% versus 83.7%. We did have 5% more seats in the market than last February. Fuel dispensed for January was up 2% at 933,000 versus 790,000. Airline fuel was down a little bit. Prices dropped a year ago and they are starting to come back up.

Right now we have about 5% more seats this March than last. Right now we should see about a 4% increase in March.

7. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the meeting with Southwest went extremely well but to not get our hopes up. They met with one representative the night before at dinner. The next day they met with three of Southwest's network people. In the past we have gotten one person in a cubicle. This time we had a conference room and someone on a computer checking our numbers. When we said that we are one of the few places in the last six years where airfares have gone up and traffic has gone up their representative checked it and confirmed that was true. At the end of the meeting they said this is all great but how do you explain it. We have been trying to explain it for years. It is not easy to explain how this market has continued to develop. We are continuing to gather information. They were very forthright and said they are already planning next year's flights and there is no chance of that. They said they have fleet and other various constraints. They said in the 2019-2020

timeframe they might be in a position to look at markets like ours.. They are very intrigued by the unique Bozeman market. Ultimately if we continue to see that growth we may be a market they are willing to consider. It was a positive meeting all around.

United Airlines has added a third mainline flight to Denver starting this summer. Their 5pm flight to Denver is currently showing as an A319. Right now that is an indefinite schedule change but we expect that it may change over time especially in the shoulder season. United continues to aggressively pursue our market. We believe that unless Delta changes direction, United will be the largest carrier in our market by the end of the year.

A report on the economic impact of airports was included in the board packet. The Montana Department of Transportation did an economic impact study of all the airports in Montana. Bozeman's impact on its community is by far the largest in Montana with over \$700 million annually. We will have to rely on their methodology but at least the comparison is reliable. The report says that our airport is responsible for 7,000 jobs. Ten years ago the Montana Aeronautics did a similar study and we were at about half that. So that makes sense as we have doubled in that time frame.

Passenger Facility Charges (PFC) were mentioned last month. The following day Mr. Sprenger received a call from Tom Lynch. Mr. Lynch previously worked for Senator Baucus. Mr. Lynch is a lobbyist now. He said we need to have a lobbyist in Bozeman. For \$4,300 per month we could have a lobbyist. That is just for our reference if we ever decided we needed representation. Ideally AAE would be covering our interests. This PFC issue is a different one. We have been effective in getting our word to Senator Daines and Senator Tester. In Montana we have direct access to our Senators. In Mr. Sprenger's dealings with the small

community air service committee, the smaller airports are starting to show their voice with AAAE. Some moderating is happening but AAAE still wants to remove the cap. The incoming chair is 100% against removal of the cap. We created a power point to show the impact of removing the cap. While there are a lot of hypothetical numbers, it does show a potential negative economic impact on the community of \$24 million if the cap were removed. That is the word we are trying to get out there. The small community group is including that presentation in their recommendations.

The focus of the small community air service committee has been on the pilot shortage, pilot training, and adjusting the hour requirements. They have also been talking about essential air service. There are caps on the cost of essential air service.

We have a lot of surplus taxiway lights. Butte uses the same lights that we have. Mr. Sprenger and staff wanted to see if there was any opposition to providing some of them to Butte. There haven't been any other requests. Mr. Bell said he doesn't see any harm. Mr. Mathis suggested putting a note in the aeronautics newsletter. Mr. Mathis said if Butte can make use of some of them that is fine too.

A pilot meeting is scheduled for April 12, 2017.

Customs and Border Patrol is going to offer a global entry enrollment which is like pre-check for international travelers. There will be one in Great Falls and one here in Bozeman. It will be held March 30 & 31st 10am – 6 pm.

Mr. Sprenger presented a quick recap of all the projects currently going on.

Mr. Mathis asked about a new rental car operation that is similar to Uber. Mr. Sprenger said yes it is called Turo. There are four people in the area that are renting their

cars. Some of them have mentioned coming out to the airport to rent their car. They are a very small operation for now. The concern is how we handle it if it catches on. There are talks of people leaving their car at the airport for others to use while they're gone. We are watching Turo and determining how to address it.

Mr. Sprenger was thanked for the update.

Mr. Mathis mentioned that three board members attended the state aviation conference in Billings. It was the 33rd conference and it was excellent. Mr. Mathis was able to visit with a number of local pilots and tenants. They were also able to take a tour of Billings Aviation's brand new hangar and Mr. Mathis passed around a picture.

Ms. Stelmak thought that it was impressive that one of our local pilots, Mike Vivion, conducted a session at the conference. Mr. Vivion's session was extremely well attended. Mr. Mathis said the conference also had a great presentation by Frank Borman who is always fascinating to listen to.

8. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

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

9. Adjourn

The meeting was adjourned at 3:10 p.m.

Ted Mathis, Chairman