

The regular monthly meeting of the Gallatin Airport Authority was held August 9, 2018 at 2:00 p.m. in the Airport Conference Room. Board members present were Carl Lehrkind, Kendall Switzer, Ted Mathis, Karen Stelmak and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Carl Lehrkind, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

**1. Review and approve minutes of regular meeting held July 12, 2018**

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

Mr. Sprenger said there was one edit. Page 12 on the motion for the election of officers should reflect that the second was made by Mr. Kelleher and not Ms. Stelmak.

Mr. Mathis pointed out 2 typos on page 11 to be corrected. Mr. Sprenger said they were clerical errors and they would be made.

**MOTION:** Ms. Stelmak moved approval of the minutes of the meeting held July 12, 2018 as amended. Mr. Switzer 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 Bert Mooney Airport to trade their 300 KVA generator for surplus 500 KVA generator**

Mr. Sprenger reported that when we did the generator project we incorporated all of the original generators. Once the conversion project was completed, 2 generators

became surplus. One is a 300 KVA that is covering the shop, fuel farm and is tied into Central Valley. The 500 KVA is remaining as surplus. Butte just completed their terminal building. They have a 300 KVA doing their airfield lighting but it is not sufficient to handle their terminal building also. They are looking for a 500 KVA. We don't currently have a need for our 500 KVA and we don't foresee a need for it in the future. Staff thinks it would be better to help Butte and do the trade instead of it just sitting here. We would still have a generator for future needs. Staff recommends approval of the request.

Ms. Stelmak asked if the condition of their generator is good and if this is an equitable trade. Mr. Sprenger said since this is a 500 KVA for a 300 KVA it is not quite equitable but theirs is in good condition. Theirs was stored and used indoors and ours was outdoors. Ours is a couple years newer.

Mr. Switzer asked if there is a cost differential between the two. Mr. Sprenger said if we were to hold onto it and sell it we would get some value out of it but then we would lose the generator. This way we still have one.

**MOTION:** Mr. Mathis moved to approve the request by Bert Mooney Airport to trade their 300 KVA generator for our surplus 500 KVA generator. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

#### **4. Report on terminal concourse expansion project**

Mr. Sprenger said we have a contract with Morrison Maierle to work on this terminal expansion project. Scott Bell introduced the team members with RS&H, Comma Q, Martel Construction, and Morrison Maierle. They have been working for 6 months going through the preliminary design and schematic.

Michael Spitzer with RS&H presented some preliminary designs. Mr. Spitzer said he worked on the first phase of the expansion ten years ago. This project is to expand the terminal to the west. This expansion includes 4 additional gates with an additional 64,000 square feet. There will be space for mechanical equipment below. There will be additional pavement and concrete to the west. The plan follows the same architecture as the existing building. They plan to keep the same kit of parts, materials and finishes. The project includes 5 new bridges since one bridge will be de-commissioned.

The intent is to make it look like it does now. The center portion has a big glass expanse to view the Bridger Mountains. Gate 8 will have a window and a view to the south. The new design allows light to come in from the west and southwest.

Mr. Switzer confirmed this would be keeping the same levels with baggage underneath and Mr. Sprenger confirmed that is correct.

Mr. Spitzer showed the ground floor and the second floor or main departure level. Security stays the same. The wall at the end of gate 8 was designed to be cut out for future expansion. For the next expansion, only gate 12 would need to be relocated. The larger concession area will be a more open space but the square footage is similar to the existing concession area. There will be new restrooms and a new kitchen area.

The downstairs space will be very utilitarian. Learning from the past, they are proposing to enclose the entire footprint of the new building. How to portion the space is still being decided. There will be ground equipment storage space. There will be a new sally port. Perishable goods will come through that area. Concessions above will require storage. There will be restrooms and an enclosed corridor.

Ms. Stelmak confirmed that gate 8 would be staying open during the construction. Mr. Sprenger said that is still the plan. Mr. Spitzer said they are looking at what to do with that space later. Right now it is set up to be a terrace.

Ms. Stelmak asked about the existing security area and if it will be sufficient. Mr. Sprenger said Mr. Humphrey is going through the process with TSA to have it expanded to 5 lanes. He said it is a bit of a guess because things are shifting more and more to pre-check which is speeding up that side of the process. We are watching it evolve to figure out additional checkpoint needs. There will be times when it will be tight with 5 lanes. Technology is also improving. We will have a 20-25% increase in capacity by the time this will be done.

Mr. Mathis asked if the employee area would be set up for screening. Mr. Sprenger said yes it will be.. Mr. Sprenger said that is part of the reason for the restrooms. So that employees don't have to exit security or go up into the concourse.

Mr. Spitzer said the receiving docks remain on the west end. Product that has to be taken airside is screened and locked. Mr. Lehrkind asked Bert if he had any concerns. Bert said it is a little less convenient but it works. There will be compromises.

Mr. Mathis said they saw an interesting concept in San Diego. They have a remote storage and screening area for goods and materials. All the delivery trucks that currently go in front of the terminal or into the parking lot could deliver some place else. That cut down San Diego's deliveries from 72 delivery trucks to 5. Those 5 trucks were secured and bonded so they could deliver airside. Mr. Mathis said we are a ways away from that now but it is an interesting concept.

Mr. Spitzer said there will be several roll up doors. One will be for ground equipment. Another area has 2 roll up doors for shipping and receiving of product. We will have a trash shoot that will go to a dumpster and that will be picked up from a truck. Right now it is a compactor that gets removed.

Mr. Spitzer showed a conceptual view of the center space of the expanded terminal. There is a large glass wall facing the Bridger Mountains. They have been talking with Bert about the concept of open concessions. The center space is planned to be a sort of living room with a fireplace. They are trying to maximize the seating. The intent is for it to be open and offer a different concept for concessions.

Mr. Lehrkind asked about the restroom size. Mr. Sprenger said they have added a lot of space for restrooms. Mr. Sprenger pointed out the locations on the design. There are also ways to add more later if needed. Mr. Spitzer said they currently have 1,800 square feet for restrooms. They are looking at having 2 entrances for each restroom so half can be cleaned at a time. That will expand it and get it closer to 2,000 square feet of restroom space. The terrace and current restroom changes are alternates.

Mr. Spitzer said they are looking at mechanical systems that would flank the great room so it doesn't cross through the space. Mr. Bell mentioned that the intent in the great room is for travelers to enjoy the concessions while still being able to view all the gates.

Mr. Mathis asked if they are planning to have some kind of shades on the south facing windows. Mr. Spitzer said they have talked about how they will treat the southern face of the building. There is an opportunity to bring the windows in and extend out the

roof. At this point it falls on the business model and how much glass we need on the sunny side.

Tony Martel with Martel Construction passed out packets with the drawings and numbers. Tony presented the cost models. One showed the cost of the project in 2010. It was a phased bidding process. That data along with an escalation factor was used to extrapolate the current projected cost per square foot. They are doing an engineering building at Montana State University which is \$313 per square foot. The new dining hall that is being built there is around \$400 per square foot. The base project, with an average of \$255 per square foot, makes a total of \$16.9 million. There are 3 alternates. One alternate remodels the existing restrooms across from Gate 7. Option 2 is a corridor for employee transition space for employee screening. Option 3 is the terrace level with equipment storage underneath.

They have increased the cost per square foot on the second level for glass and glazing. People want more natural light in their buildings. There is glazing they are doing on reflective glass that doesn't need shades.

Mr. Sprenger said they will be presenting the capital plan next month. It will have two options. One is to continue the acceleration and break ground as early as next spring. We will have to put in a line of credit that we would use. There would be interest charges associated with that option. We expect the interest would be less than or equal to the amount of the cost escalation of delaying the project. Financially the options are pretty close. The bigger question is our comfort level paying cash.

The other option is to delay and do the project one year later. We wouldn't have to borrow money and we would have more time to look at the changes in the valley and beyond. The financial ability is there but there are also enough signs that changes could be happening locally, regionally and nationally.

In January we will come with more information and will ask the board to allow us to go to bid. February would be the first bid package. There would be 2 bid packages to meet the accelerated schedule and be done by 2020. If we don't like the bids we can stop. If we accept them, we would begin construction. May would be the remaining bid at 65-75% of the total project cost. If something catastrophic happens in May we would have the building framed and could leave it there.

Mr. Sprenger reported on some of our current passenger numbers. Last year 67% of our additional seats were filled. In June we filled 40% of our additional seats. In July we will fill about 60% of our additional seats. The load factor has come down. If we go back and find similar numbers, and say the airlines will do the same as they did then, we would see an 8 to 10% decrease in seats next July. We would see flat passenger traffic next summer and then growth after that. That is what happened in 2014 and 2015.

There are a lot of factors but staff will probably recommend continuing on an accelerated path. The big decisions will be in January and February which will give us a better feeling for passenger projections. That way we are going full speed in case we really need it.

Mr. Sprenger emphasized that we have a great team on this project. One of the reasons why it isn't \$350-\$400 per square foot is because we are tagging onto many of the

systems that were planned in the previous expansion. We have some of the same team with some new additions.

Mr. Lehrkind asked Tony for a ballpark of how much build costs are going up each year in Bozeman. Tony said it is hard to say but 4.7% approximately. The time of the year really matters too. The early bid process in January and February is important. Tony said this discussion reminds him of their meeting for the previous expansion. It is prudent to keep gathering data until you have a good reason not to go forward.

Mr. Switzer asked when do we max the terminal out. Mr. Sprenger said we have some systems in place to assist. Baggage claim is currently maxed out for short periods of time. That is where the follow up project comes in. Technology has changed a lot and may be able to help on the ticket counter side. Denver is taking out about 30-40% of their ticket counter space because the dynamics there have changed so dramatically. We have a high bag to passenger ratio so we are not quite there. When the Delta counter is well run they can get a lot of people through there very quickly. We believe there is still capacity at the ticket counter. This project can be accommodated within the existing counter.

Mr. Switzer confirmed that future expansions are being considered along with this one. Mr. Sprenger said we have a little more capacity in the mechanical and electrical but not much beyond this next expansion. Mr. Spitzer said his recollection was 14 gates and now we would be at 12 so really only capacity for 2 more with the existing systems.

Mr. Kelleher asked about the outside perimeter and if they envision difficulties with snow removal and storage. Mr. Sprenger said this new design would improve efficiency in snow removal because of equipment storage locations. There is still discussion of what



portion really needs to be concrete. The ramp is separate in the capital plan. One bridge can be used for two gates which would lower the cost of the project. Terminal seating is not in this budget. We are hoping to get TSA money for the baggage handling. But we do have the funding in the budget if we don't get it from TSA.

Mr. Kelleher asked about lighting. Mr. Sprenger said they are going to put in LED everywhere they can.

Mr. Switzer thanked everyone for their hard work. He said he likes the design but no one ever likes the budget.

Mr. Sprenger confirmed for Ms. Stelmak that we currently have airlines sharing gates.

Mr. Mathis said there are still some efficiencies to be made. \$30,000 check-in counters are not required. He said those are some things to look at as we go along.

##### **5. Report on preliminary FY 2018 operating and concession statistics**

Mr. Sprenger reported that tower operations for 2018 were up 1.8%. Corporate landings were up 19.4%. Total available seats increased 12.2%. Passenger enplanements increased 9.5%. Our enplanements per departure increased by 2 to 90. The size of aircraft increased from 105 to 109.

Overall concession revenue was up 16.6%. Revenue per enplanement was up 7% to \$12.77 per passenger. Total concessions surpassed the \$8 million mark for 2018.

The full reconciliation on customs has been done. We were showing an \$18,000 loss but when reconciled it went down to \$12,950. That is the lowest we have seen to this point. We are getting close to breaking even but we are not there yet. Mr. Mathis asked if Billings

is doing customs. Mr. Sprenger said no they are not, they have not found partners to pay for it.

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

Tower operations for July 2018 versus 2017 were up 14.5%. That puts our rolling twelve-month average at 79,521. Corporate landings were up 2.5% at 447 versus 436. We haven't received the United mainline numbers yet so those were estimated based off of last year's numbers which may be a little low. Enplaned passengers were up 10%. Total deplanements were up 10.7%. Airline landings were up 15% percent. Airline load factor was down 3% but we were up 17% in seats.

Mr. Humphrey said when you hit an 85% load factor and try to book your travel within 6 weeks, your ticket is either too expensive or your seat isn't there on the flight you want. So you are essentially full at 85%.

Fuel dispensed for June was up 32.3%. That is primarily due to larger aircraft which are pulling more fuel.

We are up about 9.9% in seats for August. Mr. Humphrey projects we will end up 8 to 9% better in August.

Mr. Lehrkind asked where are we with the fuel needs. Mr. Sprenger said Yellowstone Jet Center has made some improvements. With some staff being out it has been put off a little for now.

#### **7. Airport Director's Report – Brian Sprenger**

Mr. Sprenger reported that July was the busiest tower month to date by about 320 operations. 110 of those operations were from the additional hours. We are averaging 3.5

operations over a 2-hour period and we need to be about 4 over a 1-hour period. We are watching it. It seems that Horizon always gets in at 11:58pm or after 1am.

Mr. Sprenger showed a picture of Frontier at Gate 1, American at Gates 2 and 3 and a broken plane on the remote pad. American's Gate is Gate 1. We had to have American operate out of United and Delta's gates. It was fortunate they weren't using them at the time. It worked out. This is one of the reasons we are looking at options for shared use. Frontier operates 3 flights a week. Allegiant operates between 4 and 5 flights a week. Jet Blue will be coming in with 2 flights a week. Between the open positions that are not covered by our other mainline carriers, we have 6 check-in positions available for those 3 airlines. They all operate large aircraft. They need the capability to check in a lot of people at one time but when done they're done. Jet Blue is bullish on the market. They will be leasing office space. They will have people working here even with only 2 flights a week. We don't have enough current ticket counters. A new shared-use system is a portal PC that connects to the individual airlines. That is one part but you have boarding pass printers, bag tag printers and all that type of equipment. When it is their equipment they are responsible for it. When it is ours we have to figure out ways for them to pay for it over time. We are fortunate that we will have the same contractor working for all 3 airlines. We think they will assist us. We will be having some meetings in the next week. This is also something at the gates we would eventually look at.

Parking Garage – They are pouring the last pour on the third level tonight. Then 7 pours for the fourth level over 7 weeks. That will be about the end of September. Then

work will begin on the ramp and connector building. There is a lot of money going to that project this month.

We have a large reimbursement this month. We were awarded our AIP entitlement grant for a little over \$3.4 million. That will almost pay for this month's installment on the parking garage.

Mr. Sprenger will be meeting with Jet Blue next week primarily to talk to them about New York, JFK and Boston and to find out what they are seeing regarding Long Beach. Their operations people believe they will work toward more service to Long Beach and they did mention the East Coast. Mr. Mathis asked if we are using The Boyd Group or any other consultants on this work. Mr. Sprenger said we have used their data but we aren't using them for this particular case with Jet Blue.

Mr. Mathis said government should only do for the people what they can't do for themselves. He said he has that attitude with the airport and the tenants of the airport. We have learned lessons over the years. One has to do with the car washes. He said we have situations where our staff has to leave their duties like snow plowing and fix a car wash. He is concerned about us operating ticketing equipment. He cautioned that if there is a way around it he would recommend it.

Mr. Sprenger said the car wash pays for additional people that we use for snow plowing as well so there is some cross utilization there. We are hopeful that we would have a contract with the company providing the service so we aren't the ones actually doing it. We may have to contract with our IT for that as well but it won't be our staff.

#### **8. Consider bills and approve for payment**

The bills were reviewed and detailed by Mr. Sprenger.

With a combination of equipment and bandwidth, we have turned the corner on Wi-Fi in the terminal. An IT staff member from the Jackson Wyoming airport flew through here and contacted us to see what they need to do to get theirs to our level.

**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 3:31 p.m.

  
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Carl Lehrkind, Chairman