

The regular monthly meeting of the Gallatin Airport Authority was held May 12, 2022, at 2:00 p.m. in the Airport Conference Room. Board members present were Karen Stelmak, Ted Mathis, Carl Lehrkind, and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, and Troy Watling, Assistant Director - Finance.

Ms. Stelmak, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

1. Review and approve minutes of regular meeting held April 14, 2022

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

There was one addition regarding the landing fee increase to add more clarification: "The board reviewed the landing fee rates of 8 area airports. The average landing fee of 5 similar resort airports averaged \$4.49."

MOTION: Mr. Mathis moved approval of the minutes of the meeting held April 14, 2022, as amended. 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 Mr. Terry Giovanini to construct a 12' x 42' addition to hangar 61

Mr. Sprenger said we reviewed a modification to add square footage to the back of the hangar. We understand the need to extend it. Engineers have reviewed it and staff recommends approval.

MOTION: Mr. Lehrkind moved to approve the request by Mr. Terry Giovanini to construct a 12' x 42' addition to hangar 61. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

Mr. Mathis said our contract engineer put in several hours on this review. He did not recommend charging this time. But this is becoming a more common situation and the airport is picking up the tab. In this case, engineering fees were about the same as the annual rent. Mr. Mathis recommended that in the future, engineering costs be passed on. Mr. Sprenger said they would get back to the board on that. Staff feels it is appropriate.

4. Report on East Terminal Expansion Project

Mr. Sprenger said that the Master Plan takes us to 20 gates. We currently have 12 gates. With this expansion, we spent a lot of time in the oldest part of the terminal. We looked at needed improvements to baggage claim, circulation, rental car circulation and how we drop bags from the airlines to improve efficiency. Also, space for administration was reviewed. We also looked at right sizing our gates and the need for additional concessions.

Mr. Sprenger referred to various diagrams. The project will have to be phased. The basement level was reviewed. We tasked the engineers and architects to look at vertical circulation and determine the need for elevators. Rental cars and baggage claim were moved. When we go into construction, we feel we can go down to 2 baggage carousels, for a short period of time, to avoid moving the rental cars twice.

Baggage claim adjustments were reviewed for phasing during construction. Mr. Sprenger pointed out where the major adjustments would be on the first floor. Baggage drop ability would increase.

On the second floor, we would move a portion out and maintain some gates. The initial purpose would be to get certain gates done. When complete, we would be back to 12 gates, after being down to 10 for a period of time.

Ms. Stelmak asked what the time period would be with reduced gates. Mr. Sprenger estimates 20-24 months. Maybe closer to 20 months in the gate area. The future construction would include an outbound baggage drop from the rental car area which should help forestall ticket counter expansion.

We are currently maxing out our security checkpoint. We can add 2 lanes, but for ultimate build out we need 10 lanes total. The design includes the capability for overflow to be diverted when needed.

A 3rd floor is being considered for administration including a board room, training room, and administrative areas. That would put administration out of the "high rent district". There is an unassigned area that could be a club area, public viewing, airline offices, concession offices, etc.

Phase 2 includes adding 3 more gates easily. Various downstairs areas were reviewed including a possible Customs and immigration section. In our region, there is a desire for people to get to Yellowstone worldwide. We would need a number of flights to make it work. Staffing is the issue with adding Customs.

The hard part right now is trying to determine the cost of the expansion. The last expansion was \$325/sq ft. This expansion could be \$600-\$700/sq ft. It would be just over \$100 million total at \$600/sq ft for the first phase.

With approval by June, we could have schematic design done by the end of this Fall. It would be another year before we could bid the project, so Fall of 2023. That would mean the start of construction in Spring of 2024 and completion in the Spring of 2026 for Phase 1B. Phase 1C would be another 2 years due to working around many active areas. If we use our current cash flows and various other funding sources, we believe we could cash flow the project up to \$130 million if 2028 was the goal. If the numbers are above \$130 million, we would have to borrow maybe for a year. If the numbers are under, we could consider Phase 2 simultaneously.

The concession area design is bigger because it serves 7 gates. Our current west end is designed to serve 4 gates. We will move past that eventually. We tried hard to maintain the fireplace and stairway. There were several challenges that Mr. Sprenger explained. Mr. Bell did everything he could to keep it, but the impact was too great.

Architects should be at next month's meeting. The schematic design will move us toward commitment.

Mr. Mathis asked if thought has been given to a second terminal. Mr. Sprenger said that was reviewed when we did the master plan. We would lose efficiency at security, the ticket counter, baggage, etc. Rental cars would be one of the biggest challenges. Other airports that have created a separate terminal are trying to get away from it due to inefficiencies of services. It did not save us money and it created inefficiencies.

Ms. Stelmak asked how disruptive the first phase will be. We lose one bag claim. Rental cars are compacted, but we gain queuing area that we don't have now. There will be an impact on administration. We will find a way to make it work. On the upper level, it will

operate much the same with 2 less gates. Non-daily flights can squeeze in elsewhere. There will be access to the new gates during some parts of the construction.

Mr. Bell showed the lines on the phasing and the areas we are keeping. He explained the designs to limit disruption.

Mr. Lehrkind asked about how we expect the timing of the expansion to coincide with air traffic increases. Mr. Sprenger said we are seeing a disconnect from use of gates and size of planes. On the departure side this summer we will have 12-14 less departures than last summer. We will handle the same number of people with 14 less flights per day because of aircraft capacity and load factor. If things continue as we project, we should be ok to get back to the 12 gates by 2026.

Mr. Kelleher asked about emergency services and earthquake standards. Mark Maierle said this will be a Seismic Zone C. It will be certified. We will probably have to do asbestos mitigation in some locations.

Mr. Lehrkind asked where the location is for the next planned parking garage. Mr. Sprenger showed the location.

Mr. Mathis asked what other airports did a separate building. Mr. Sprenger mentioned several airports that built a separate terminal and various challenges they are experiencing as a result.

5. Consider preliminary budget for fiscal year 2023

Mr. Sprenger said he spoke with each board member in advance of the meeting. The budget includes \$24 million in revenues which is up 103% compared to the last 12-month period through March.

On the expense side we included the additional staff and wage increases. Compared to the Fiscal Year 2022 budget we are about 118% higher.

The capital budget is \$55 million. It includes all of the projects on our Capital Improvement Plan. We believe we will be able to complete a lot of them, but some will cross over in the next fiscal year due to timing. It does include the participation from Signature Flight Support on the east ramp expansion.

We expect cash on hand to increase by \$4.5 million, primarily because of the CRRSAA grant reimbursements which have allowed us to stay cash positive in a capital-intensive year.

We have some non-AIP capital projects such as terminal carpet, plows, buckets, and a very expensive rotary mower. We did a lot of analysis on mowing. The new mower requires $\frac{3}{4}$ less person for a payback in 5 years. We are doing a lot more mowing now than we did in the past.

Another addition is a runway friction tester. We have to do more research. We may wait a season to purchase it, but we put it in the budget.

Mr. Mathis said he didn't see a street sweeper in the budget. Mr. Sprenger said we are trying to bid that out. Due to timing, it will be under next year's budget.

Mr. Mathis asked if there is an option to lease the mower. Mr. Sprenger said if we could find one, we would. It has been hit or miss trying to find a loader to lease. Mr. Sprenger discussed some insights gained at the Snow Symposium. Each airport they spoke to said the front mounted brooms are the best despite many airports moving to combined units and chemicals.

MOTION: Mr. Mathis moved to approve the preliminary budget for fiscal year 2023.

Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

6. Air Traffic Control Update

Mr. Sprenger said the person they had hoped to have on staff decided they couldn't afford to move here. They have someone else lined up. Serco is offering hiring bonuses. We have contacted Serco to offer assistance twice and have not received a response. We are taking it to the FAA. A regional FAA representative will do what she can to help. We also asked what we need to do to potentially move to Class C airspace. It is not a fast process. There is much less opposition to that from GA pilots than in the past. Early indications from the FAA indicate that less opposition will help. The FAA is public relations oriented.

Mr. Sprenger said he gave a specific dollar amount for our financial assistance to Serco and there was still no response. There is a tower meeting scheduled for June 14th at 6pm.

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

Mr. Humphrey reported 7,986 total tower operations for April which was down 21%. Rolling 12-month operations were 115,920 operations. Enplaned passengers were up 41.4% at 71,578 passengers. For 12-month enplanements we had 1,107,153 enplanements. Deplaned passengers were 68,453 versus 47,812 which is up 43.2%. Airline landings were up 8.2% at 688 versus 636. The system load factor was at 78.6% versus 67.6%. American, Delta and United are all above 85% load factor. Total gallons dispensed for March was up 12.3%. We had 12 Customs clearances last month compared to 4 the same month last year.

The first 14 days of May are 17% better than last year. We expect a 20% increase for May.

Mr. Lehrkind said he is surprised by Southwest's numbers because he expected them to be higher by now. Mr. Humphrey said Southwest is flying the same aircraft without the ability to adjust seasonally. If they aren't concerned about it, we are good.

8. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported we are in the middle of the airport certification with the FAA. The night inspection went pretty well. We are still following up with the rest of it. We talked to them about processes and improvements in the tower. They are interested in helping us through the growth with things like helping us find funding. We have the feasibility study for the MALSR, the RVR, and VOR relocation. They are working on that now. If we put in a MALSR, Runway 30 would get down to a half mile for approach minimums. The addition of the RVR was also discussed.

April rental car traffic was 125% of 2021. Parking was 184% of 2019, the previous record. Food and beverage was 152% of 2021. Retail was 171% of 2021. Meanwhile national passenger traffic is still 90.5% of 2019 levels. June-August will be flat on passenger levels. Turo has become a huge part of our revenue. We estimate revenue in one year will be over \$1 million. Mr. Sprenger was concerned about our on airport rental car rates a couple weeks ago. We have seen rates drop from \$260/day to \$160/day.

Terminal overlay is running 2 weeks late primarily due to oil availability and a wet spring.

Mr. Sprenger presented photos of some of the current projects. The last hangar on Aviation Lane is under construction. In all of the Southeast side, which is 60 acres of land we leased post COVID, we only have 3 hangars that either haven't started or haven't completed

construction. Most of the SY taxiway hangars are complete which is the area where we had hangar owner invest in the infrastructure to build. Photos of various other projects and property acquisitions were presented.

Next month we open bids on the parking lot project. The bid announcement will be in the paper next Wednesday. Regarding the baggage system, they are saying the first carousel can be used by the end of September, maybe earlier.

Mr. Mathis asked how many are on the waiting list for hangars. Mr. Humphrey said there are 34 and some are asking for multiple hangars. Mr. Humphrey said most want to build new buildings vs rent. Mr. Mathis said that is an indication that the rent should be increased.

9. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

MOTION: Mr. Kelleher 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 3:33 p.m.



Karen Stelmak, Board Chair