

The regular monthly meeting of the Gallatin Airport Authority was held March 8, 2012 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Steve Williamson, Kevin Kelleher, Carl Lehrkind and John McKenna. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director and Cherie Ferguson, Office Manager.

### **1. Review and approve minutes of regular meeting held February 9, 2012**

John McKenna asked if everyone received their copy of the minutes. Brian Sprenger said he had a correction on page 12. “250” and “400” needed to be reversed in the fourth paragraph.

Ted Mathis also recommended changing “across Dry Creek Road” to “west of Dry Creek Road” on page 3 in the second paragraph.

**MOTION:** Carl Lehrkind moved to approve the February 9, 2012 minutes with the mentioned changes. Kevin Kelleher seconded the motion and all Board members voted aye. The motion carried.

### **2. Public comment period**

Mr. McKenna said there was a name on the public comment signup sheet but there was a line drawn through it. He asked if anyone wanted to say anything for the good of the order and if an agenda item comes up that someone wants to comment on, they should feel free to do so. There were no public comments at this time.

### **3. Consider request by Combined Air Ventures LLC to construct a 186' x 100' commercial hangar on the east ramp**

Mr. Sprenger said the Board approved a request from Combined Air Ventures a few months ago but they weren't able to get everything finalized for the building within 90 days. He said they are back with a refined and more definite plan. He said Loren Poulsen

would speak to the Board. He also said Ben Walton of Summit Aviation is still involved with the hangar.

Mr. Poulsen, CFO for Combine Air Ventures, LLC, explained that they plan to build a back wall so they can eventually extend the building to 200'. At this time, the upper floor of the office would be for Combined Air Ventures (CAV) and the lower floor would be for the Summit Aviation flight school. Offices would be 36'x100' and the other 150'x100' would be for the hangar.

Mr. Sprenger said CAV is further along with their plans so they shouldn't have to come back to the Board in ninety days with another request.

Mr. Sprenger said that he is also working on a potential hangar that he hopes to bring to the Board next month and they may have to extend the ramp. Mr. Sprenger showed the location on a map.

**MOTION:** Mr. Mathis moved approval of the request and Mr. Williamson seconded the motion. All Board members voted aye and the motion carried.

#### **4. Consider Customs Facility user fee rates**

Mr. Sprenger said the Customs Facility is nearing completion. He said he doesn't have any confirmation when Customs will staff it, but we need to establish user fees so we are ready when Customs begins service. He said we don't want to overcharge and drive customers away but we do need to maximize revenues to cover as much of the operating costs as we can.

Mr. Williamson asked Mr. Sprenger if he had a worksheet showing how he arrived at these fees. He wants to see projected expenses and how we anticipate revenues based on the aircraft sizes and number of times they will use the Customs services. He said he

couldn't operate without the spreadsheet. Mr. Sprenger said he doesn't have the spreadsheet at the meeting but he will get copies to the Board.

Mr. Sprenger said Customs will cost \$150,000 per year and because we only expect 75% to 80% of that to be covered, we received commitments from the Yellowstone Association and Signature Flight Support to each pay one third of the annual fee not collected through the user fees, and they agreed to because they want Customs here for their customers. The Airport Authority would pay the final one third of the unpaid balance.

Mr. Sprenger said we will charge \$1,200 for the larger aircraft because most of their owners said they would pay that amount. Most of the owners of smaller aircraft who responded to the survey said they wouldn't pay \$1,200, so staff tried to set user fees based on aircraft weights to encourage them to use Customs here. He is willing to raise the fees if the Board wants him to. These recommended fees are higher than at any other airport.

Mr. Williamson wants the users to pay for the privilege of having Customs here and wants the fees set appropriately to do that. He does not want the Airport Authority to have to contribute any money for Customs.

Scott Humphrey said the cost for the first year is \$150,000 and we are projecting \$136,000 for future years. Mr. Williamson said we could estimate costs and revenues for three years. We might lose money the first year but by the third or fourth year we should be covering all the costs through the user fees.

Mr. Sprenger said he prepared the fee schedule on the projections he has presented before. He said we want to make sure this will be a successful endeavor. He said staff is very cautiously trying to come up with an equitable solution. It isn't known how many

users will come and we believe if we overcharge, they may go to other locations. He said our other two partners are aware of the \$1,200 fee and the 80% expectation. Our main goal is to make this work initially. He said staff can rework the fees and try to cover as much as possible if the Board wants them to.

Mr. Mathis asked if the other partners are on board with these fees and Mr. Sprenger said he sent the fee schedule to the Yellowstone Club, Signature Flight Support and Arlin's and none of them made any comments.

Mr. Lehrkind asked how we compare to others. Great Falls, Kalispell, Butte and Helena are free and that has been one of the reasons it has been hard to get this going. Yakima WA, Scottsdale AZ and Eagle CO are user fee airports. The user fee would reduce the amount due and the hope is that each partner would only have to pay \$10,000 to \$15,000 the first year.

Mr. Williamson said he remembered the 80% as the worst case scenario. He didn't want to put any airport money to fund Customs but he felt backed into a corner because the partners were willing to front a lot of money. He believes it needs to be set up so it is self-sustaining and he would be surprised if our partners didn't want the costs all paid for with the user fees.

Mr. Sprenger said we have presented the same arguments to the partners and informed them there would be an initial deficit. Mr. Williamson doesn't want to have the rates set where there is a deficit year after year. He said it is harder to raise rates than set them correctly in the beginning. He said he needed to see the supporting documentation and spreadsheets that staff used to come up with their user fee rates with the anticipated

costs and best guess on revenues out to four years to see if costs will be expected to be covered by then.

Mr. Mathis asked if the Board needs to come to a decision at this meeting. He said he has reviewed the rates and tried to figure out what aircraft fall into which category and he sees the logic based on that. He is concerned how much user fees will generate and if we have to subsidize Customs, to what degree.

Mr. Lehrkind asked what we are hearing from Customs and Mr. Sprenger said we have to have approval for garbage disposal and the final punch list for the building. They still have to find a person but said they would probably provide a Customs agent from Helena until they have someone on permanent staff. Because of all the moving targets, Mr. Sprenger doesn't expect that Customs will begin here on March 19<sup>th</sup>, but we will have completed our obligation and will have to follow up with them to make sure they complete theirs.

Mr. Mathis said Customs would charge us fees to provide an agent from Helena and Mr. Sprenger said we would be saving money because they won't be here five days a week, but just for the required flights. Mr. Sprenger said the first year's fee of \$150,000 has been covered by the three partners. Mr. Williamson said the partners' participation is what has been forcing our hand and he is surprised that they have stepped up the way they have. He wants us to apply due diligence to make it work.

Mr. Sprenger said he brought this fee schedule to the Board because he is looking for direction from the Board. He wanted to know if they want staff to proceed with these rates or if they wanted the fees revised.

Mr. Lehrkind said he would like to hear what our partners think of the rates and if they think their customers will pay them.

Mr. Sprenger said our fees are on the high side and that we are fortunate we have a significant number of larger aircraft coming in. He doesn't have a feeling what would happen if we raised our top rate to \$1,600 because the survey was set at \$1,200.

Mr. Williamson said if the partners are so willing to have Customs here, he would like to go back to them; take back our one third of the cost split and have them split the costs 50/50 because we are providing the building, and paying the maintenance and operating costs of the facility.

Mr. McKenna said he thinks our partners are wonderful and he would like to see Customs be a success. He would like all the users on the field to join in because it will benefit all of us and encouraged staff to go back to Arlin's Aircraft Service and ask if they would participate now that we know the numbers. If this agenda item is continued at the next Board meeting, the Board members would like the partners to attend or send comments about the user fees and the possibility of Customs' expenses not being fully covered after the first year. Mr. McKenna said Customs doesn't mind charging us for everything so we have to be very mindful of expenses.

Mr. Mathis said he knows staff has done quite a lot of research on the fees. Our fees are still the highest in the land but we need to start someplace. If we raise the fees for smaller aircraft, they will land somewhere else. He believes the larger aircraft won't stop at Great Falls and he think it's a balancing act. He said he is comfortable with this schedule to begin with.

Mr. Kelleher said he likes both points of view. He is comfortable with the fee schedule but he also sees where Mr. Williamson is coming from.

Mr. McKenna asked if the Board would be willing to accept a preliminary, 30 or 60 day approval of the rates in case Customs is available on March 20<sup>th</sup>.

Mr. Williamson said he thinks we already set up 20% too low but he believes it is a great concept. Mr. Lehrkind said he would leave the rates where they are for now with the option of raising them later. Mr. Kelleher would leave these introductory prices at Bozeman for now contingent on receiving written guarantees from our partners that they support these fees. Mr. McKenna would like to have assurance that our very generous partners buy in on these rates and are willing to make up the difference.

**MOTION:** Mr. Lehrkind moved to accept staff's recommendation with a 60 day trial period, and in that time, for Brian and staff to come back with all those things that they've asked for – the analysis and statement from our partners – and that gives time for Customs to open and us to have something in place to accept aircraft, and it still gives us time to see if the numbers work. Mr. Kelleher seconded the motion. Mr. Sprenger recommended not to exceed 30 days and Mr. Kelleher suggested an introductory rather than trial period. Mr. McKenna said their intention is to get it done in 30 days and didn't feel it was necessary to change the motion to introductory. No one objected so the motion was brought to a vote. Ted Mathis, Carl Lehrkind and Kevin Kelleher voted aye and Steve Williamson voted nay. The motion carried.

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

Mr. Humphrey reported that February enplanements were up 4.2% and even without the extra day we would have been up a half point so this February was better than

February 2011. Enplanements for the first two months of the year are about 1% better than the same period last year. Mr. Humphrey reported that we had 4% more seats than last February. Airline landings were up 2.8% and corporate landings were down 14.7%. Load factors were 86.6% compared to 86.3% for February 2011. Allegiant Air's load factors were down because they had two diversions to BZN. They deplaned passengers but didn't enplane any.

Mr. Humphrey reported that we are just under 5% better for March versus last March with a 4% seat increase. We will have 6% more seats in the market for the next three months.

Mr. Mathis asked if we have a sixth controller yet and Mr. Sprenger said we do. Also, Randall Lyons will retire in the next month or two and his replacement has been hired.

Mr. McKenna thanked Mr. Sprenger, Mr. Humphrey and staff for their efforts for the Montana Aviation Conference. He said he received many compliments on it and the event at the airport.

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

Mr. Sprenger reported that Mr. Mathis had organized a new section of the history of Gallatin Field that is in the loft area and it is just fabulous!

Mr. Sprenger also reported that we have one remaining issue on the terminal expansion that Martel Construction is working on. The access control system will be replaced because it didn't meet performance standards. We are holding the retainage until the system is up and running.



Mr. Sprenger also reported that our website traffic was up 30% year over year and searches involving airports serving Yellowstone National Park were up over 300%. The name change is bringing more traffic, at least to the website.

Five years ago, 93% of our traffic went to or through Salt Lake City, Minneapolis/St. Paul, Denver or Seattle. Now the top five hubs are Denver, Minneapolis/St. Paul, Salt Lake City, Seattle and Chicago. They account for 87% of our outgoing traffic and 13% is spread to other airports. Salt Lake City accounts for 17%; five years ago it was 30% and ten years ago it was 50%.

Mr. Sprenger said the trend by the Boyd Group shows that from January to May two years ago, the number of 50 seat airplanes flying out of BZN was down about 300 aircraft and the number of aircraft with 99 seats or more has increased by over 300. Two years ago we were at 65 seats and now we are at 76 seats per departure. Regional jets (RJs) will be less and less predominant in the air system. We will have 492 larger flights for the first five months compared to 130 two years ago.

Mr. Sprenger invited any interested Board members to inspect the \$392,000 Customs Facility remodel.

Mr. Lehrkind asked if anything had been resolved with the lighting issue that Mr. Mathis brought up at the last Board meeting and Mr. Sprenger said Prugh and Lenon Architects would pay for the equipment upgrade and we would pay the cost of labor, which is estimated at \$5,000.00.

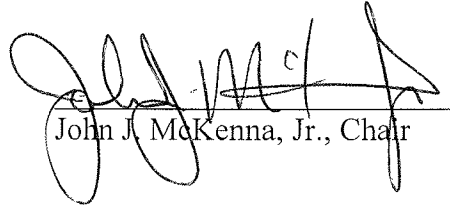
#### **7. Consider bills and approve for payment**

The thirteenth agenda item was to consider the bills and approve for payment. The Board members and Mr. Sprenger reviewed and discussed the bills.

**MOTION:** Mr. Williamson moved to pay the bills and Mr. Mathis seconded the motion. The motion carried with all Board members voting aye.

**8. Adjourn**

The meeting was adjourned at 3:20 p.m.



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John J. McKenna, Jr., Chair