

The regular monthly meeting of the Gallatin Airport Authority was held July 10, 2014 at 2:00 p.m. in the Airport Conference Room. Board members present were Kevin Kelleher, Ted Mathis, Karen Stelmak and Carl Lehrkind. Kendall Switzer was unable to attend the meeting. Also present were Brian Sprenger, Airport Director, Paul Schneider, Assistant Airport Director-Ops and Cherie Ferguson, Office Manager.

Kevin Kelleher, Board Chair, welcomed everyone to the meeting. He said Bud Hall, long time general aviation pilot, passed away and that a service would be held at noon, July 11th at the Grace Bible church. There was one minute of silence observed in memory of Mr. Hall.

1. Review and approve minutes of regular meeting held June 12, 2014

Mr. Kelleher ascertained that everyone received their copy of the minutes and that no one had any corrections. There were none so he entertained a motion.

MOTION: Carl Lehrkind moved to approve the June 12, 2014 minutes as presented and Ted Mathis seconded the motion. All board members voted aye and the motion carried unopposed.

2. Public comment period

Mr. Kelleher said anyone was welcome to comment during a particular agenda item when it is being discussed. He asked that anyone wanting to comment raise their hand, be recognized, go to the podium and state their full name before making their comments.

There were no public comments at this time.

3. Election of officers

Brian Sprenger, Airport Director, said the current officers were Kevin Kelleher, Chair; Ted Mathis, Vice Chair; and Carl Lehrkind, Secretary. In the past, the board has generally elected the same officers for a second year, but it is optional.

Karen Stelmak said she had talked to Kendall Switzer and he was in agreement with keeping the same officers.

MOTION: Ms. Stelmak moved to approve the following officers for the coming fiscal year, Chair, Kevin Kelleher; Vice Chair, Ted Mathis; and Secretary, Carl Lehrkind. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried and we will have the same officers for the next year.

4. Report on Audit Review Process – Sydni Tangaro

Mr. Sprenger said prior to the audit every year, the auditors come in and give us a preview of the audit process. Mr. Sprenger introduced Sydni Tangaro, Bill Hebron and Mattie Miller. Ms. Tangaro thanked the board for allowing them to come and make their entrance conference for the June 30, 2014 audit and handed the board members an agenda for the audit. She said Holmes and Turner have a three-year audit contract and this is year two of the three-year contract. Mr. Hebron is the audit partner and has been with Holmes and Turner for many years. Ms. Tangaro is the audit manager this year. She is new to Holmes and Turner but has eighteen years experience with airport authorities. Rosie Barndt worked on the audit last year and is the technical reviewer. She was unable to attend the meeting. Ms. Miller is a staff member who will be assisting with the field work.

Ms. Tangaro said she and Ms. Miller would start the interim field work on July 30th for three days and complete the field work the week of August 25th. After that, they will finalize their work and present a draft audit report and have an exit interview with

management in October. They will issue their financial statements by October 31st and present the audit to the board at the November 13th meeting. Ms. Tangaro said they would perform a single audit of the federal grants in addition to the basic financial statements. The Passenger Facility Charges (PFC) and insurance are not part of the basic financial statements but the auditors will review them and include them in the financial report.

Ms. Tangaro said there would be an open line of communication between the auditors, board members, and management. Internal control is a big key to their audit and they welcome any questions or suggestions from the board if they feel there is a need to make any changes to improve internal control. They also welcome any accounting questions regarding what is presented in the audit report and asked the board members to feel free to call at any time. She thanked the board and they thanked her.

5. Update on Gallatin College Aviation Program – Ryan Haskins

Mr. Haskins said he is the Aviation Director for Gallatin College, which offers one- and two-year programs. The college started in 2005 with the aviation program. There were thirteen students in 2005 and four that graduated in 2007. In 2013, there were over fifty students and eighteen graduates in the aviation program. The college estimates that over one thousand students will be taking just their math and writing courses this fall. They had over eighty graduates this year in their workforce programs. They have seen substantial growth.

Mr. Haskins said between September 1, 2013 and November 1, 2013, the flight school had over 4,000 operations at the airport and expects to have 18,500 to 19,000 operations per year. Summit Aviation, their flight training provider, employs over twenty flight instructors and Mr. Haskins has five adjunct instructors in the aviation program at Gallatin College. Between 2009 and 2014, there has been a 93% to 94% increase in

enrollments. Mr. Haskins has projected there will be over seventy students in the aviation program by 2015. He said there are fifty to fifty-five students enrolled this year and about 30% of them are veterans, which is fairly low for aviation programs around the country.

Mr. Haskins said the FAA has issued new required hour and certificate minimums for Part 121 Operators because of a crash near Buffalo in 2009. New hires for air transports will need to meet the new Air Transport Pilot (ATP) training requirements. Graduates of two and four year aviation programs can apply for a Reduced Air Transport Pilot (RATP) certificate. Mr. Haskins said the effects of the new requirements are unknown, and whether the impact would be short or long term.

Mr. Haskins said the college is hoping to bring costs down by forming partnerships with companies that provide simulator services. He said the school tries to inform their prospective students about the requirements. Some of their students are not interested in being air transport pilots and the ATP minimums will have less of an effect on them.

Ms. Stelmak asked Mr. Haskins what he projects for future aviation enrollments and Mr. Haskins said their goal for the program has always been fifty, which works with the fleet size at the flight school and classroom size on campus. They have met and exceeded that number but he believes enrollments will level off with the new hiring rules. The college wants to make sure the prospective students are getting the right information. He thinks their enrollments will stay between fifty and sixty. He doesn't believe there will be a major change as they don't have many veterans and they aren't counting on them for the program to succeed.

Summit Aviation, one of the college's flight training partners, was awarded the Aircraft Owners and Pilots Association (AOPA) Top Flight School in the Nation award in

2012 and was in the top ten in 2013. One of the graduates of this program who works at Summit Aviation was recognized as one of the top twelve certified flight instructors in the nation. Mr. Haskins said the college and flight school partnership is earning and developing their reputation as being a quality flight training program.

Mr. Haskins said the college also formed a strategic partnership with the College of Business on the Montana State University's (MSU) campus where fifty-four of their sixty credits can be transferred to the business program and gives the students nearly two years towards a Bachelor's degree. There are about ten students currently using that partnership who have graduated with an aviation degree and are working part time as flight instructors and working toward their Bachelor's degree in business. Students can pick any degree at MSU, but business has greater transferability with their aviation program.

Mr. Mathis said he spoke to an instructor at the University of North Dakota who said about sixty percent of their students are foreign and asked Mr. Haskins if they have explored any foreign partnerships or training scenarios. Mr. Haskins said they have not, but they have focused nationally for the aviation program. MSU is standing behind them. Mr. Haskins works closely with their admissions department. He has MSU's aviation representatives, who travel nationwide, come out to the airport every year to give them information about Gallatin College and the aviation program. Mr. Haskins said they need representatives to answer the questions of prospective students as to what kinds of airplanes are used for training and how much it costs to attend the aviation program. Mr. Haskins said their costs are about forty to fifty percent lower than at a four- to five-year institution.

MSU has an office of international studies but there is red tape involved to bring in a foreign student, especially with the TSA. It would take a long-term commitment for a

foreign student to attend because it takes time to go through the background check and meet all the requirements. Mr. Haskins said the flight school is approved to train foreign students. Not every flight school in the nation is. China and Southeast Asia are markets that utilize students trained in the United States. Southeast Asia is starting to see one to two percent growth in air travel to India alone. Pilots are needed in the US and around the world. US pilots are a high commodity.

Mr. Kelleher asked how the relationship between the college students and the tower was when they had over 4,000 tower operations last fall. Mr. Haskins said it varies but was generally positive. He said Mitch Robison, the control tower manager, is very proactive working with the flight school and with him. At the beginning of the semester, the school uses an FAA simulator that can be made to look like it is at our airport. The tower has worked hard to maintain a connection with the students and Mr. Robison wants to keep the lines of communication open. He solicits feedback from the flight instructors as to what the controllers can do to help. Mr. Haskins said he wished there were more controllers.

Mr. Kelleher asked if he had any thoughts about the new parallel runway and Mr. Haskins said at peak times it would be beneficial. There are times when the airspace is full and they have to wait outside the airspace. Sometimes the flight instructors go to other local airports to get out of the congestion. Mr. Haskins said it is a very busy air space at times and that is good for the students because they won't be intimidated when they go to Billings, Boise or Seattle. Situational awareness has improved significantly with the addition of radar and the Big Sky Approach. He said the parallel runway would help significantly during peak times.

Mr. Sprenger asked how the high school dual enrollment program was doing. Mr. Haskins said they started an outreach program this year where juniors and seniors in high school could take their prep pilot ground school training and receive college credit at a significantly reduced rate. They had an overwhelmingly positive response. He opened up one prep pilot ground school course for five students and bumped it up to seven. At the open house in May, they anticipated ten to fifteen interested people, including students and family members. They had forty. The seven spots are full. He is thrilled to offer the opportunity to high school students to experience aviation in high school for a minimum cost and for them to receive credits for high school and college. They can apply the credits if they come into the Gallatin College Aviation Program. It would greatly benefit the students if they enrolled in the aviation and the business programs.

Mr. Mathis asked if they offer helicopter training and Mr. Kelleher asked if they plan to do any rotor wing training. Mr. Haskins said they don't and he doesn't anticipate adding it within the next year or two. He doesn't have any training so MSU would have to bring in someone to manage that side of it. Costs are extremely high for rotorcraft. There is some interest from prospective students but most are interested in fixed wing training. He is not opposed to it for the future but there are a lot of bridges to be crossed before it would happen.

Mr. Kelleher said the Big Sky Airport at Ennis is attracting a considerable amount of helicopter traffic from Bozeman and into the Yellowstone Club. One of the Madison County Commissioners said they are considering making it a heliport base of operations. Mr. Kelleher would hate to see us miss an opportunity to go into rotorcraft. Mr. Haskins said it might be worth putting together a study. He has spoken to colleagues at other institutions

and said he has been given mixed results for feedback. The demand hasn't been there but maybe that is changing.

Ben Walton, owner of Summit Aviation, said they have been having about one foreign student sign up per week lately. They have a couple who are working on their ATP and there is a big push for the ATP. Mr. Walton believes that will continue. He said Summit can provide the new ATP training and believes it will bring in more foreign students. They are working on an agreement where students can do the ground school training here and do their ATP training on simulators in Florida or Las Vegas. In exchange, students from overseas will be sent here for ground school training.

The board thanked Mr. Haskins and Mr. Walton.

6. Consider request by Arlin's Aircraft Service Inc., to enter into a new 10 year commercial lease on the Self-Fuel Island

Mr. Sprenger said the rent is current and that Arlin's has been doing a great job of maintaining the self-fuel island. He recommended approval of the request. Mr. Mathis asked how much revenue it generates for the airport and Mr. Sprenger said he thinks it is in the range of about \$1,000 per year. Mr. Kelleher said Arlin's does a good job of managing it.

MOTION: Mr. Mathis moved to approve the request by Arlin's Aircraft Service, Inc. to enter into a new 10-year commercial lease on the self-fuel island. Mr. Lehrkind seconded the motion and all board members voted aye.

7. Consider request by Arlin's Aircraft Service Inc., to transfer the lease on hangar #7 to ACW LLC and enter into a new ten-year commercial lease

Mr. Sprenger said Arlin's has been converting several of their non-FBO hangars to the ACW LLC name and believes this would be an opportune time to switch this hangar to

the LLC. The hangar is in good condition and the rent is current. Mr. Sprenger recommended approval of the request.

MOTION: Mr. Lehrkind moved to approve Arlin's request to transfer the lease on hangar #7 to ACW LLC and enter into a new ten-year commercial lease. Mr. Mathis seconded the motion. All board members voted aye and the request was approved without opposition.

8. Consider request by Baxter Enterprises to form a condominium association for hangar #116

Mr. Sprenger said Dean Hatten would like to create a condominium association. Our lease would still be with Baxter Enterprises, but the condominium association would allow the hangar to be split into two units. The hangar has two doors. Mr. Sprenger recommended approval of the request.

Mr. Kelleher asked Mr. Sprenger where the hangar was located and if it had public access. Mr. Sprenger showed the location on a map and said it has public access. Mr. Mathis asked if it would decrease the possibility of it being used as a commercial hangar if it were split. Mr. Sprenger said it could go either way, depending on the need. He said at some point the board might want to consider changing hangars with commercial access and non-commercial leases to commercial leases. That would not affect this lease request for Baxter Enterprises. Commercial hangar rates are 10¢ per square foot per year and non-commercial hangar rates are 8.5¢ per square foot per year.

Mr. Kelleher asked how access to the airfield side is controlled and Mr. Sprenger said the owners are responsible to control access. That is part of the lease agreement and staff has addressed that with each of the hangar owners who have hangars with public access. The TSA does spot checks.

MOTION: Ms. Stelmak moved to approve the request by Baxter Enterprises to form a condominium association for hangar #116 and Mr. Lehrkind seconded the motion. All board members voted aye and the request was approved.

9. Report on passenger boardings and flight operations – Brian Sprenger

Mr. Sprenger reported that tower operations of 6,074 were up 5.8% over June 2013. Year-to-date tower operations were up 10% over the same period last year. Rolling twelve-month tower operations were 78,482. Corporate landings of 168 were up 8.4% and year-to-date corporate landings were up 16.7%. Revenue enplanements were up 12.3% to 44,121 and rolling twelve-month enplanements were 457,716. Deplanements of 51,282 were up by 15.9% from June 2013. Airline load factors were down 11.0%, from 84.4% to 73.4%. Mr. Sprenger said we have to get people in before we can them out. June inbound is generally higher and September outbound is typically higher. For June 2014, our average load factor in and out was 79.5%. Last year was an exceptional year and it was 91.9%, which was part of the reason we got all the extra seats this year. June 2012 was 76.9%, 2011 was 80.2%, and 2010 was 75.2%. 30% of the passengers arriving or departing last June were on mainline aircraft versus 56% this June. May fuel dispensed was up 3.0% and year to date was up 0.7%.

Ms. Stelmak asked if there was anything we could do to help the tower staff because they are so busy and because the FAA has hired away some of our controllers over the years. Since they are their own entity, there isn't anything we can do to increase the number of controllers or change their situation. Mr. Sprenger said some controllers think this is a retirement tower but it isn't. We have a mix from flight schools, airlines, general aviation and corporate aircraft and that is not typical for most airports.

Mr. Kelleher said he saw Mitch Robison, our control tower manager at the last pilots' meeting and some of the younger pilots were there. Mr. Kelleher said things have gone more smoothly with the tower since Mr. Robison had the opportunity to talk to them. Mr. Sprenger said about fifty to sixty people were there and that Mr. Robison is a great asset. Mr. Sprenger is concerned about losing him. Our airport faces several challenges and Mr. Robison is constantly working with the controllers. The tower is understaffed, overworked, and the airspace is very busy. Mr. Sprenger said there is a lot of pushback from bureaucracy to make changes at our tower because our airport is an exception to the rule. Other airports have different issues.

10. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the advertising campaign has been paying off and we are seeing quite a few passengers pass through security two hours early and we haven't seen much congestion at the checkpoint.

Mr. Sprenger reported that our parking concession revenue for 2014 was up and this is the first time it went over \$2 million. The food and beverage, and gift concessions were up significantly. The rental car concessions did well.

Scott Bell, airport engineer, gave an update on the Interchange project. Mr. Sprenger said the worst of the impact will be around mid September so it is timing out about right. Mr. Kelleher asked if the interchange will be usable by Thanksgiving and Mr. Bell said he thinks it will be usable by the winter shutdown. The paving will be done or will be close. He said this was supposed to be a two-year project, but it might be closer to a one-year project. He said Knife River has been great to work with.

Mr. Mathis asked Mr. Bell about the parallel runway and Mr. Bell said they have sent three draft chapters of Parallel Runway Environmental Assessment to the FAA, the introduction, purpose and need, and preferred alternatives. It took about a month of Mr. Sprenger's and Mr. Bell's time to show the FAA that all the planning was done. The public hearing will probably be late this summer. Mr. Sprenger said he would send the three draft chapters to the board next week.

The board thanked Mr. Bell.

Mr. Sprenger said we have received the historic Montana map. He and staff looked at several locations and one place it would fit would be behind the security checkpoint. Because of the other artwork and rockwork outside security, it would be difficult to find a wall space that is big enough. Mr. Mathis said he would like it to be where the arriving passengers can see it. Mr. Kelleher and Ms. Stelmak agreed. Mr. Sprenger and staff will look for other locations for the board to consider.

Mr. Sprenger asked the board to consider the Health Reimbursement Agreement (HRA) that was put in place to lower healthcare costs for families and the Airport Authority. Mr. Sprenger said he would have signed it but the board needs to approve it as required by the new healthcare laws. Mr. Mathis asked if it needed to be done this month and Mr. Sprenger said he doesn't know but it was already added to the health insurance program. Mr. Mathis asked if other public agencies are using HRAs and Mr. Sprenger said several are and it seems to be one of the more common ways to keep costs affordable. A higher deductible can be tailored for each company. Mr. Sprenger said we kept the same out of pocket maximums as before. Our insurance premium increased about forty percent.

Mr. Mathis asked if it is one-year commitment and Mr. Sprenger said it could be. Ms. Stelmak said we would be ahead even if employees used 50% to 100% of the full amount. Mr. Sprenger said the likelihood is low for using the full amount. He said we got a double whammy because our employees are generally healthy and generally older. The new healthcare plan doesn't take that into account. Next year, the increase should be mitigated because we made the change. He said all the employees were provided a copy of plan.

MOTION: Mr. Mathis moved approval of the resolution and Mr. Lehrkind seconded the motion. All board members voted aye.

Mr. Sprenger reported that the fencing near Belgrade will begin next week. He also reported that some Campervan North America and Cruise America RVs were parked in the rental car return. They were told they could use taxis for their customers or they need to sign operating agreements at the airport. They are not rental cars and should not be parked in the rental car spaces.

Mr. Sprenger reported that Jim Allbright was doing aircraft maintenance in his hangar and knows he was in violation of his non-commercial hangar lease agreement.

Mr. Sprenger also reported that Clint Lohman and Arlin's were having a financial disagreement with Gregg Fuller and he doesn't know how that will affect Sunbird Aviation.

Mr. Sprenger reported that he would be on annual leave next Monday through Thursday and Mr. Humphrey would be here if the board needed anything.

The board thanked Mr. Sprenger for his report.

11. Consider bills and approve for payment

The eleventh agenda item was to consider the bills and approve for payment. Mr. Sprenger commented on the checks to Municipal Emergency Services for the Self-Contained

Breathing Apparatuses (SCBAs), Conover Commercial Services for the fencing near Belgrade, Smith Manufacturing for the paint planer, Guardian for dental and vision insurance, Rehn and Associates for sick leave payout to Voluntary Employees Beneficiary Association Plan (VEBA), the Chronicle, KBZK-TV and Eagle Communications for advertising to notify the public about arriving early, Door Tech for terminal overhead door sections that were back charged to Worldwide Flight Services, First West and Payne West for insurance renewals, N/S Corporation for gearbox and motor replacement in carwash bays one and three, Platt Electric for terminal ballasts and lamps, and Ultramax for ammunition for the Public Safety Officers to recertify. The board members and Mr. Sprenger reviewed and discussed the remaining bills.

MOTION: Ms. Stelmak moved to approve the bills and Mr. Lehrkind seconded the motion. All board members voted aye and the motion carried unopposed.

12. Adjourn

The meeting was adjourned at 3:30 p.m.



Kevin Kelleher, Chair