

The regular monthly meeting of the Gallatin Airport Authority was held February 12, 2015 at 2:00 p.m. in the Airport Conference Room. Board members present were Kendall Switzer, Kevin Kelleher, Ted Mathis and Karen Stelmak. Carl Lehrkind was unable to attend the meeting. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Ops, Troy Watling, Assistant Director of Finance and Shannon Rocha, Recorder.

Mr. Kelleher, 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 specific agenda items when they are being discussed. He asked that they raise their hand, be recognized, go to the podium, state their full name and make their comments.

1. Review and approve minutes of regular meeting held January 8, 2015

Mr. Kelleher asked if everyone received their copy of the minutes and if they had any questions, corrections or additions. There were no questions, corrections or additions.

MOTION: Ms. Stelmak moved approval of the minutes. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

2. Public comment period

Mr. Kelleher welcomes public comments. There were none.

3. Consider proposals for terminal food, beverage and retail concession

Brian Sprenger, Airport Director, indicated there were two excellent proposals submitted. Both were good concessionaires and it was an interesting process.

Considering all the factors, the Selection Committee recommended Sharbert Enterprises. Ms. Stelmak echoed Mr. Sprenger's comments that both groups were impressive. Sharbert Enterprises stood out as they had proven themselves at the airport already and their proposal was more

favorable financially to the airport. Mr. Sprenger thanked both proposers for their time and indicated that both proposals were very thorough and impressive.

Mr. Kelleher thanked Mike Gierau from Jedediah's for stepping up and looking into the process.

MOTION: Mr. Mathis moved to select Sharbert Enterprises to operate terminal food, beverage and retail concessions in accordance with the information submitted during the January 8, 2015 board meeting. Ms. Stelmak seconded the motion. All board members voted aye and the proposal was approved.

Bert Hopeman, from Sharbert Enterprises, thanked the board for a good process. He thanked Mike Gierau from Jedediah's for competing and said that competition is always helpful. He thanked the board for their vote of confidence and gave his personal assurance to do the best job.

Mike Gierau said he appreciates the staff at the airport. He said everyone on their team put a lot into it because the airport deserved it. He thanked the board for allowing them to be a part of the process and hopes that when his term comes up in Jackson and Missoula they will put in a good word in for him.

4. Consider request by Mr. Brooks Martin to transfer his non-commercial land lease on hangar #56 to the Montana Chapter of the 99s

Brian Sprenger said Linda Marshall was present from the 99's. He spoke with Janine Nunes from the 99s that morning and she advised that they are planning to rent out hangar 56 and use the proceeds to establish a scholarship fund for women in aviation. The hope is that the hassle of doing that is outweighed by the benefits to women in aviation. If it doesn't work, they could end up selling the hangar. However, it is currently their intention to establish an income stream for a women's scholarship fund in Montana. They have nineteen members in the state and they are always looking to expand that.

The contract would be with the state organization and not the national organization. They went through a lot of hoops to accomplish that.

Linda Marshall, from the Montana Chapter of the 99s, came to the podium. She asked that Brooks Martin be thanked for all he's done. The 99s had international legal counsel make sure this proposal

was strictly for the Montana Chapter of the 99s. The proposition was approved by the legal team so they could proceed. They worked on this for four months. They wanted all their ducks in a row before they came to the board with this proposal. Instead of giving a small scholarship, she indicated they really want to mentor young women pilots to bring them up so they can have careers in aviation.

MOTION: Mr. Switzer moved to allow Brooks Martin to donate his hanger to the Montana Chapter of the 99s and Mr. Mathis seconded the motion. All board members voted aye and the proposal was approved. Mr. Kelleher congratulated Linda Marshall.

Linda Marshall said they are now looking for renters.

5. Consider Terminal Ramp expansion for deicing purposes

Brian Sprenger, Airport Director, said this has been discussed for several months. Mr. Sprenger displayed a map of the airport property. Several potential locations were evaluated, including several remote deicing locations. They have also considered filling in some of the islands near the terminal. They have evaluated current EPA regulations and how those will affect future needs of the airport. Considering EPA regulations, one of the best ways of mitigating deicing fluid is evaporation. That is essentially what is currently being done. Deice fluid goes into a trench and then to an evaporation pond just west of the terminal ramp area. However, any recommendation needs to provide for future collection and retention of deicing fluid. That has been planned into both deicing areas.

The advantage of a centralized location is less dilution from other water sources. When you spread it out to several locations, the cost effectiveness of retaining and recycling it diminishes substantially. The recommendation is to not create a remote location from the terminal. The proposed location is relatively close to the terminal. Remote locations would require push back, taxi, shut down and restart, so there would have to be another cycle on at least one engine. It would also require additional distance and time for airline and airport employees and also extra time to return to the terminal should the truck tanks need refilled. Therefore, the two far end locations have been dismissed.

The terminal ramp is relatively shallow and there is not space for an aircraft to pull into that gate while another aircraft is pushed off the gate for deicing operations.

We have looked at what we can do to expand the ramp. Category C-IV aircraft require a safety area for the taxiway to the service road. We have looked at paving over the entire island, but paving only to the safety area has several benefits including snow storage off the islands, keeping aircraft tails below Part 77 surfaces and a demarcation line. Because of high turnover, there are a lot of new people on the ramp. If the islands were completely paved, any safety area line could be covered by snow leaving no visible visual demarcation line.

The downside is that even with the partial paving of the islands, there is not enough depth for the largest aircraft serving BZN to taxi between similar sized aircraft. Generally, the problem is when one of the larger aircraft pushes back and a similar-sized aircraft is trying to get into the same gate. We have considered different scenarios to accommodate that scenario but partial paving of the islands should accommodate 90% of current operations at a cost of about \$1.6-\$1.7 million. The original budget was \$3.4 million.

We also want to consider providing a secondary entrance to the ramp (west end). On a weekly basis, we have aircraft waiting on taxiway A for entry to the commercial ramp. Paving a west entrance to the ramp would also allow for a remote hold area. This option would cost an additional \$1.2 million.

Constructing both options would eat up most of the budget. Mr. Sprenger suggests we bid out partially paving the islands as primary and then get an alternate bid for paving the west ramp entrance.

On a side note, the airport may need to expand the east ramp for about \$1.2 million. This may play into whether we can afford to pave the west ramp entrance.

Finally, we will need to resolve the issue of deicing tanks. The challenge is that we plan to design a parking garage where trucks currently come through the perimeter fence to refill the tanks with fluid near Gate 1. We are looking at how the parking garage expansion will affect this process.

Ms. Stelmak mentioned that she likes utilizing the north and the east islands for the remote deicing for efficiency of cost and time for the airlines. She likes that if you push back you still have mobility.

Mr. Mathis agrees but has two concerns; it will decrease snow storage space for the ramp, which will require additional work and equipment. Also, there is the potential hazard of jet blast on taxiway A that would require communication with the tower and ground control to avoid.

Mr. Sprenger responded that it would not be much different from what is already happening now. It is common to have aircraft waiting. The tower is very cognizant of avoiding jet blast in those areas. They are aware of the need to minimize power ups while other aircraft are taxiing.

Mr. Mathis said it was common for an aircraft to get out and have to pull off into the east or west pad to wait and be deiced. Mr. Sprenger reassured the board that there would still be the ability to deice from that location, even though it has only occurred once in the last year and a half. Approach control has really sped things up and hold times have been greatly reduced.

Mr. Switzer agrees that this is a well-researched option. He asked if we had considered filling in the far left side. Mr. Sprenger responded that that area contains the injection well for the groundwater heat exchange. It has potential in the future. For now, it would have a lot of added cost without a lot of added value.

Mr. Kelleher thinks it's a good plan. There is potential to gain more space further down the road; which is a good solution as we move further west.

MOTION: Mr. Mathis moved to approve the terminal ramp expansion for deicing purposes as proposed by staff. Mr. Switzer seconded the motion. All board members voted aye and the expansion was approved.

6. Consider FY 2016 Airport Capital Improvement Plan (non-AIP)

All board members received proposed capital improvements. Mr. Sprenger started the discussion with a few details. We currently have enough new generator capacity to power the terminal. We did not switch over the east part of the terminal because there was a cost to doing so during the terminal project, and we were not sure what to do with the existing generators at that time. We were also trying to maintain cash flow at a certain point. We are now at a point where we should bring it all into a main generator system. This will require a large amount of copper. Copper was originally estimated at \$60,000. Copper has come down in price and is currently \$10,000 less than the original estimate. We may need to make that purchase of the copper with this year's budget to lock in on that savings. This can be accommodated in the existing budget by shifting some of the landscaping projects.

Improvements are also needed for the older restrooms and countertops.

Meeting rooms upstairs and terminal seating are second priorities. There are some benefits and costs to these improvements. There have been a lot of requests for the boardroom with all the meetings that are needed by the various airport entities. We currently don't have space to accommodate the need. We looked at transitioning the old terminal restaurant area into one meeting space dividable into three meeting rooms with sectional dividers. This is being recommended as it would be beneficial, but is not a requirement. This would be one of the improvements that could be delayed if necessary. We plan to charge for the meeting rooms to recover at least some the additional cost.

Additional terminal seating is needed due to larger aircraft servicing the BZN airport. Delta has requested more seating. Even though more seating was recently purchased, it would be beneficial to buy a little more. There is the possibility of factoring in the additional seating into the rate base.

There is a vehicle replacement plan; we are looking at replacing two vehicles. We would also like to replace the copy machine, which is currently 10 years old.

Jetway cab heaters are an additional expense and while this is a second priority, there are some benefits to installing them. We have one bridge that would benefit from a conveyor and we now have the experience to build fairly inexpensively. Delta has invested in cab heaters for the two bridges they lease from us. We could offset that by providing a conveyer for them and providing cab heaters for United and Horizon. The other bridges don't have the use currently to justify cab heaters.

Ms. Stelmak said she sees the additional terminal seating as a very high priority in the airport. She would also like to see electricity added to the seating area to provide connectivity. She would like to see seating and electricity treated as a priority due to customer satisfaction, as that is their last and first experience in our city.

Mr. Switzer agreed with Ms. Stelmak in moving additional seating to a priority, mentioning that it shouldn't be a huge cost.

Mr. Sprenger mentioned we are looking at bringing electricity to the seating areas as an in-house project indicating we have the capability to create a nice product and cut costs instead of investing in a pre-fabricated option that could cost \$6,000- \$8,000 per unit.

Mr. Kelleher commented that the electricity in the seating areas helps alleviate discontentment over delays. The staff has been innovative with things like this in the past and he encouraged Mr. Sprenger to forge ahead with this project.

Twenty thousand dollars has been earmarked for clean-up of the newly acquired property. We have also put out a Request for Proposal (RFP) for agricultural use on the property. One part of the RFP was to ask for what the proposers could include in the clean up themselves as far as taking over the property and using it for agricultural purposes. Obviously, this would reduce the income on that property while at the same time reduce out of pocket expense. So the \$20,000 is there to use for clean up that doesn't happen through the RFP process.

One of the smaller buildings is believed to contain asbestos. We are currently not aware of any other hazardous materials on the property. That cleanup has been included in part of the RFP to be considered.

MOTION: Ms. Stelmak moved to approve the proposed non-AIP fiscal year 2016 capital plan with the emphasis and priority on the items discussed. Mr. Switzer seconded the motion. All board members voted aye and the expansion was approved.

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

Mr. Humphrey reported that January tower operations were down 8.1% to 6,197 versus 6,745. Rolling twelve-month aircraft operations were 80,174. Corporate landings were down slightly, 334 versus 341 for January 2014. Enplaned passengers for January were up 10.9% to 39,215 versus 35,359. That was with 10.6% more seats than we had last January. Rolling twelve-month enplanements were 486,988. Revenue deplanements were up 10.1% from 37,784 versus 34,311. Airline landings were up 5%, 506 versus 482. Airline load factors were up slightly, 84.8% versus 84.6%. Allegiant Air's load factor was 90.6% for January. Frontier's load factor was 92.1% even after losing many connections. There were 750,000 gallons of fuel dispensed in December, which was up 22%. In February, we are looking at 8.6% better enplanement numbers than last February. That is on 8% more seats so we should come out in the 8-9% range. Presidents Day weekend is shaping up to be as good as last year's.

Summer looks to be out of the picture for American Airlines. Winter season of 2015/2016 may be a possibility, but service will more likely start the summer of 2016, so we will keep the conversations open and keep pushing forward.

Mr. Watling, Assistant Director of Finance, and Mr. Humphrey spent a couple of days in Miami at the Southeast Chapter of the AAAE Finance and Administration Conference. There was a huge amount of information provided as many airports are facing the same issues we are.

Mr. Humphrey highlighted a few points from the conference. The head of the FAA's Airports Division kicked off the conference, their main point was one that we have heard from our ADO; spend your entitlement money in the year that it is entitled and do not count on discretionary money being available because your project may not rate high enough in the discretionary process.

There was a good presentation on activating your emergency response plan. St Louis and New Orleans airports were the two airports discussed. The question was how you get your insurance policy to cover expenses up front without using your reserves.

There was some discussion of ground transportation. How do airports deal with Uber and Lyft? They are both share ride entities that are taking away taxi business. The good news is Uber and Lyft seem willing to work with airports. Another discussion was hub reductions and consolidations at large and small public airports. Nashville and Memphis have experienced the hub reductions most recently. Memphis chose not to involve the community during the cuts. The bottom line was if you are losing air service, you need to get out into the community with narrative and solicit support rather than ignore the issues. Another discussion was held by bond underwriters. Rating agencies have two things they look at when considering consolidation at smaller hubs; proximity to a larger hub and historical enplanements. In both instances we are in very good shape.

Mr. Humphrey's take away was as small hub airports go, we're in great shape financially.

Mr. Watling commented that it was a great experience and nice to meet others in financial and administrative positions at other airports.

Mr. Mathis commented that it was very good they attended. The information spells out the benefit of being an airport authority. As an autonomous authority, we are protected from city and county disruptions and revenue diversions.

8. Airport Director's Report-Brian Sprenger

Seats are slowly coming into the market for the summer season. We are showing approximately 66,000 seats in the market for July. In comparison, we had 76,000 seats last July. Peak deplanements last year were 63,000. Therefore we will be able to accommodate what we did last year. There will be a more in-depth report at the next board meeting on projections for the year. Mr. Sprenger reported on potential locations for Central Valley Fire. Previous discussions centered around a commercial location on the airport property. This is not ideal due to commercial interest considerations. The fire department's response was they would like to be on the airport. However, as the location gets further from the interstate, they will need to look at alternate locations not on airport property. Each location on the property has its advantages and disadvantages. Some of these include commercial appeal, tree impact, proximity to Summit Air Ambulance, and utilities. A concern would be if there is anything aviation related that would take priority in each location. Everyone will be kept updated by Mr. Sprenger. Please let him know if you have any comments or concerns.

The airport is working with American Airlines for winter service. The airport's grant has the potential to go away if it is not started within one year. That is at least one incentive for American to consider winter service. We are not sure how the Department of Transportation would handle this as it would be an adjustment in the award from what we had prior. They may grant an extension or they may not.

The airport had a very good discussion with the city and county on road abandonment and relocations. The areas discussed were Baseline Road, Lagoon Road including the Ryan Glen and Meadowlark Ranch subdivisions and Tubb Road. The airport wanted to have a discussion to see if Baseline and Lagoon Roads could be abandoned since they lie totally within Airport property. The county was receptive as they have no invested interest in this area. The city; however, has a dilemma. They have approved both sub divisions but only one road comes through to feed both areas. The city is concerned that road will not provide enough capacity, so it is not in favor of abandoning Baseline or Lagoon roads. If the airport cannot get universal approval, we would need to consider alternatives. The airport could build a bypass road; however, there is not enough benefit right now.

The airport purchased the Brent's property to relocate Tubb Road to allow for the potential future expansion of the crosswind runway. The airport owns a corridor that could connect to Baseline

Road, allow for expansion of the runway and allow additional development on the future north ramp.

Mr. Mathis recommended when looking at the property, to consider the expense we just had for a new center pivot system on the former Sande property. That could impact the decision to put a road across that area.

Mr. Sprenger agreed and said that was part of the discussion. That is why we don't want to build a road at this time to allow for abandonment of Baseline and Lagoon Roads. He reiterated we are not in a hurry. We have also discussed having a pivot on the recently acquired property.

The Environmental Assessment on runway 11/29 is in the process of being formally submitted to the FAA.

Mr. Maierle, airport engineer with Morrison Maierle, commented that the engineering firm is working on the runway capacity discussion with the FAA in Helena. A written draft with capacity calculations has been submitted. Helena is waiting on an answer from the FAA in Washington, D.C. to approve the capacity calculations and then the engineers can submit the draft.

Mr. Sprenger said we have accounted for the full use of radar in the Master Plan. That expanded the capacity of the runway to potentially 199,000 operations. We have found that because we have a contracted Visual Flight Rules (VFR) tower and class D airspace, the Master Plan was making some assumptions that are not accurate. We discussed it with the FAA, and the FAA agreed to lower the annual service volume significantly. We have recalculated everything so it is now closer to 70,000-108,000 operations per-year based on recent peak hours. That should take care of any concerns with the FAA and move things along.

9. Consider bills and approve for payment

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

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

10. Adjourn

The meeting was adjourned at 3:26 p.m.



Kevin Kelleher, Board Chair