The regular monthly meeting of the Gallatin Airport Authority was held July 11, 2019 at 2:00 p.m. in the Airport Conference Room. Board members present were Kendall Switzer, Ted Mathis, and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Mr. Switzer acted as Board Chair due to Carl Lehrkind’s absence.

1. **Review and approve minutes of regular meeting held June 13, 2019**

   Mr. Switzer asked if everyone had received their copy of the minutes and if they had any corrections or additions. There were none.

   **MOTION:** Mr. Kelleher moved approval of the minutes of the meeting held June 13, 2019. Mr. Mathis seconded the motion and all board members voted aye. The motion carried.

2. **Public Comment Period**

   There were no public comments.

3. **Consider Resolution 2019-01 approving the issuance of bonds**

   Mr. Sprenger said we had a public hearing at 1:00 pm this afternoon on the proposed issuance of airport revenue bonds. There were only three attendees, Brian Sprenger, Scott Bell and Scott Humphrey.

   **MOTION:** Ms. Mathis moved to approve Resolution 2019-01 approving the Issuance of Airport Revenue and Refunding Bonds in an Aggregate Principle Amount not to exceed $12,250,000 to Finance a Portion of the Costs Expanding the Airport Terminal and Refund
Outstanding Bonds of the Authority. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

4. Consider Resolution 2019-02 authorizing the issuance and setting forth the terms of a series of bonds and a taxable subordinate lien obligation

Mr. Sprenger said this is the second resolution to establish financing and pay off existing bonds.

Mr. Switzer commended staff on accomplishing this.

**MOTION:** Mr. Kelleher moved to approve Resolution 2019-02 authorizing the issuance of and Prescribing Terms and Conditions for $12,250,000 Airport Revenue and Refunding Bonds, Series 2019, to Finance Certain Improvements to the Bozeman Yellowstone International Airport and Refund the Authority’s Outstanding Airport Revenue Bonds, Series 2009 (PFC Supported); Authorizing the Issuance of and Prescribing Terms and Conditions for a Taxable Subordinate Obligation Evidencing a Line of Credit; and Creating Special Funds and Accounts and Pledging Certain Revenues as Security for Such Obligations. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

Mr. Sprenger mentioned this will go to the County Commission on July 23 for their final approval. We should be closing on the refinancing on July 28th and finalizing on the 31st.

5. Consider real estate transfer agreement and subsequent short term lease agreement with Mr. Michael R. Peterson for the purchase of property located at 1278 Timothy Lane, Belgrade, MT

Mr. Sprenger reported that we have been negotiating with 3 property owners. All 3 properties are in the same area. Mr. Sprenger showed the locations on the map. The appraised value of the property being discussed is $280,000. Staff is recommending an
administrative settlement of an additional $5,000. We will lease the property back to the previous owners for up to 14 months. At that time they will vacate the property.

The other property negotiations are continuing. One party has some distractions and the other party expected a higher appraised value. Staff will continue working on it.

**MOTION:** Mr. Mathis moved to approve the real estate transfer agreement and subsequent short term lease agreement with Mr. Michael R. Peterson for the purchase of property located at 1278 Timothy Lane, Belgrade, MT. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.


Mr. Cope, Audit Shareholder at Holmes & Turner, presented the audit scope and timing. The scope will include obtaining an understanding of the entity and its environment including internal controls. The staff will remain the same but to keep the materials fresh they will rotate the assigned pieces of the engagement. There are a couple new accounting standards this year that affect governmental entities. They do not expect these to have an effect on the financial statements.

The audit timing will be similar to last year. Field work dates will be September 16-20. The exit with management will be sometime in October. They will present the financial statements and report at the November board meeting.

Mr. Switzer mentioned that in years past they have picked a couple items to focus on. Mr. Sprenger said occasionally they will do something specific for maybe a concessionaire. If there is anything specific to our books the board could specify that. Mr. Switzer said we have some big transactions in the coming year or two and we should make sure there are enough
checks on those. Mr. Sprenger said we have a lot of eyes on those and they will be reviewing all of those transactions as well, particularly Passenger Facility Charge (PFC) and Airport Improvement Program (AIP) backed transactions which generate additional scrutiny.

7. Report on Airport Concessions – Bert Hopeman

Mr. Hopeman of Sharbert Enterprises came to the podium. Packets were distributed to the board members. Mr. Hopeman said wage rates in the area have risen fast. They have a labor intensive business. They decided they would raise pay rates to hire the best people and be fully staffed. This has worked well. They have strengthened their management team. They have a new CFO, someone who handles all the gift stores and a second buyer. They have the best team of associates that they have had in years and are close to being fully staffed. They decided to try to capitalize on the growth of the airport instead of skimping on salaries and wages. They feel they are in good position for the summer and the airport’s future growth and expansion.

Mr. Hopeman said they had an amazing contract year last year. Sales in gift, food and beverage concession increased 23.1%. Enplanements were up 17.1% so sales were 5% better than enplanements. Some of the increase is due to inflation and price increases which he estimates to be 2%. The revenue to the airport was $1.452 million. When they started it was around $300,000 to $400,000. The revenue to the airport is up 23.4%. As long as economy holds he doesn’t see this changing.

They are doing a lot of training in sales and customer service. They attribute some of the growth to that. The revenue growth is covering the higher wages.
Mr. Hopeman referred to some sales numbers in the handout. The 2014-2015 year is the baseline. It included unadjusted concession sales, sales adjusted for inflation, and what expected sales would be with just tracking enplanements. The difference between actual revenue to the airport and revenue had sales just tracked enplanements was a difference of about $750,000.

Mr. Hopeman said he doesn’t know if concession revenue at other airports tends to track enplanements. He did look at our airport and the years before Sharbert Enterprises took over the restaurant. During those years the revenue seemed to track enplanements. He is planning to do more research on that.

Mr. Switzer said, looking at trends, it seems the traveling public is using Sharbert’s services more and more and asked why. Mr. Hopeman said when the economy improved they put higher priced items in the gift store which people are buying.

Les Gunderson, Manager, said they drop ship art. That was a big part of increased sales last year. They also added a 3rd register upstairs and kept it manned all year. The training in customer service and staffing had an impact. It also helped that the restaurant was fully staffed all year last year.

Mr. Switzer asked how the numbers track enplanements between concession and food sales. Mr. Hopeman said the numbers are close but concessions saw a little higher increase in revenue compared to food.

Mr. Mathis said he hears local travelers say they like to get to the airport early enough to eat at the restaurant before they board the plane. That is quite a compliment.
Mr. Hopeman said the restaurant is half their business and they have had only one serious complaint all year. It was a legitimate complaint. They terminated the employee involved and worked with the customer.

Mr. Hopeman explained that another page of the handout compared revenue to other airports including Salt Lake, Minneapolis, Denver, Seattle and Missoula. Bozeman is the highest.

Mr. Sprenger asked how many employees they have. Mr. Hopeman said they have about 140 employees total. They have a very strong HR effort and it has paid off. They are constantly looking for people. The swing in enplanements and balancing employees is a trick.

Mr. Switzer thanked Mr. Hopeman for the services he and his staff provide.

8. **Master Plan Update — Scott Bell**

Mr. Bell passed out Chapter One of the Master Plan which will ultimately be seven chapters. Chapter one is called the Inventory Chapter and is just under 80 pages. It begins with a history of the airport and the changes between this master plan and the last. They added a lot more in the history section. This is just a draft. If it is too wordy it can be edited.

The last master plan was completed in 2008. There are 3 pages of projects the airport has completed since 2008. The work we are completing this year is also included. There is a little over $155 million in improvements in the last 12 years.

The balance of the chapter shows what we have for runways, taxiways, terminal buildings and square footages. It discusses approaches and some of the progress since the last master plan like the Big Sky approach.

It also includes what we have done with property acquisitions and zoning.
Mr. Bell asked the board members to take it, read it and write comments. There is time to make changes.

The next chapter is forecasting which is 80-85% done. There is a good chance they will have copies by the next meeting. They envision chapters three and four to take longer. He anticipates looking at individual features for presentations at the board meeting.

Mr. Switzer thanked Mr. Bell.

9. Election of Officers

Current Officers:

Chair – Carl Lehrkind IV

Vice Chair – Kendall Switzer

Secretary – Karen Stelmak

Mr. Sprenger said this is the second year of the existing officer term. In the past the officer positions rotate after the two year term.

**MOTION:** Mr. Mathis moved to approve the following slate of officers for the coming fiscal year:

Chair – Kendall Switzer

Vice Chair – Karen Stelmak

Secretary – Kevin Kelleher

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

10. Report on passenger boardings and flight operations – Scott Humphrey
Tower operations for June 2019 versus 2018 were up 14.3% at 8,637 versus 7,554. That puts our rolling twelve-month operations at 96,405. Corporate landings were up 73.8% at 438 versus 252. Total enplanements were up 23.6% at 77,552 versus 62,736. That puts us at 744,316 enplanements for the year. Total deplanements were 86,659 versus 72,258 which are up 19.9%. Airline landings were up 7.9% at 820 versus 760. Airline load factor was at 70.2% last June and this June we were at 78%. Fuel dispensed for May was up 54.4%.

We have 3,000 additional seats in the market for this July. Last July’s load factor was 77%. Mr. Humphrey expects us to see 13-15% growth for July.

11. Airport Director’s Report – Brian Sprenger

Mr. Sprenger said we had 500 less passengers in June of this year than our all-time record set last July. So, we will exceed that this July and/or August.

We are seeing some winter flight schedule movement. American Airlines has upgraded their Chicago service from one day per week to daily. Alaska Airlines is adding a 4th flight to Seattle 4 days per week in January.

Belgrade News had article on our master plan and said we hadn’t done one since the 1970’s. We sent a correction indicating we completed one is 1993 and again in 2008.

We will be installing parking equipment in the parking garage Monday for the paid parking section. As soon as that is installed and checked we will open that portion up.

Steel is beginning to arrive for the concourse. We should start seeing that go up late next week and then increase the following week. So far Martell has negotiated and re-bid changes that will save us $444,000. We hope to see more savings based on some a lowances,
We received word from the FAA that we can chart the turf runway by designating it as 11G and 29G. The “G” desgnate is normally glider but in our case it will be grass. The FAA is working to see if they can institute “T” for turf. Mr. Mathis asked if we can wait on signage until we determine “G” or “T.” Mr. Sprenger said we will try to figure out how to do that.

We are getting some of the pay parking lot back that was used by the rental cars during the parking garage construction. We are going to use this opportunity to re-orient it. We don’t have to change the lighting. The newer section is oriented more south and it makes a huge difference for snow removal. It is also easier to find available spaces. We will probably add some curbs and a sidewalk to get to the walkway to terminal.

Mr. Mathis asked the Hertz station manager to comment on the parking garage operations. He said the parking garage is awesome. He said it is cold in there now, but it will be nice to not have to remove snow or have passengers drag their luggage through snow. It will take some getting used to. The biggest challenge is getting drivers to slow down. They are glad to have it as they move forward.

Mr. Sprenger said Central Valley Fire is now open at their new fire station. Saturday July 20th at 10am is their opening ceremony. Invitations will go out to board members.

12. 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. Mathis seconded the motion.

All board members voted aye and the motion carried unopposed.

13. Adjourn

The meeting was adjourned at 3:00 p.m.
Kendall Switzer, Interim Board Chair