

The regular monthly meeting of the Gallatin Airport Authority was held March 12, 2020 at 2:00 p.m. in the Airport Conference Room. Board members present were Kendall Switzer, Carl Lehrkind, Karen Stelmak, and Ted Mathis. Kevin Kelleher was connected by phone due to the COVID-19 risk. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Kendall Switzer, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

1. Review and approve minutes of regular meeting held February 13, 2020

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 January 9, 2020. 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 request by Mr. Evert Wierda to construct a 60' x 242' non-commercial four hangar complex between taxilane "V" and "W"

Mr. Sprenger said Mr. Wierda was present to answer any questions. This was an option that was requested last year. The primary change is from standard T-unit hangars to a 4-unit complex to accommodate larger aircraft.

Mr. Wierda came to the podium. Mr. Mathis asked Mr. Wierda if he has been able to sell any of the existing hangars. Mr. Wierda said some are spoken for but they cannot take

any money until the business is set up. There are currently no prospects for the hangars yet to be built.

Ms. Stelmak asked about the aircraft to be stored. Mr. Wierda said they should accommodate fairly large corporate aircraft. He sees the demand moving in that direction around here.

Mr. Lehrkind asked Mr. Wierda if he expects the units to be sold soon after completion. Mr. Wierda hopes so but they haven't studied the market too much.

MOTION: Mr. Stelmak moved to approve the request by Mr. Evert Wierda to construct a 60' x 242' non-commercial four hangar complex between taxilane "V" and "W" and convert option into a conventional non-commercial hangar ground lease. Mr. Lehrkind seconded the motion. All board members voted aye. The motion carried.

4. Consider request by Mr. Evert Wierda to construct a 62' x 80' non-commercial hangar between taxilane "V" and "W"

Mr. Sprenger said this is a similar situation to the previous request. This is the last in that row. Mr. Wierda said this is primarily a hangar for personal use for himself and a couple friends. They would like to have a hangar for the Commemorative Air Force (CAF) eventually. Mr. Mathis asked about the doors and Mr. Wierda said it will have 2 doors.

Mr. Lehrkind asked about their aircraft. Mr. Wierda said they have 3 aircraft. The CAF aircraft would make a 4th.

MOTION: Mr. Lehrkind moved to approve the request by Mr. Evert Wierda to construct a 62' x 80' non-commercial hangar between taxilane "V" and "W". Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

5. Consider request by Bridger Aerospace/AVT to construct 31,255 square foot aviation related building east of Airport Road

Mr. Sprenger said Bridger Aerospace has been working on this project with the City of Belgrade. There is some more work to do with the FAA. At this time, they are seeking at least a preliminary approval to move forward in obtaining financing.

Mr. Tim Sheehy presented the plans for review. They are still working on determining some of the utilities like septic and city water. The FAA filings have been done. They are moving into final design plans. The plan is to move operations there that don't require taxiway access such as a flight simulator, parts storage and manufacturing for the sensor systems. The buildings are planned to match what they have now. They have landscaping plans as well.

Ms. Stelmak expressed concerns about security in and out of the gate. Mr. Sheehy said they plan to badge all their employees and have access control remain the same. They are considering an employee tunnel under the road for employee safety.

Mr. Lehrkind asked about the timeframe. Mr. Sheehy said they are hoping to break ground as soon as possible. They plan to start the project with cash and then get financing. Mr. Lehrkind asked about the next project. Mr. Sheehy said that would be Hangar 3, a long skinny building. Some of the building's purpose is to bring part of their fleet home. It will also be for maintenance and upgrades.

Mr. Mathis asked where we are at regarding a lease for the property east of Airport Road. Mr. Sprenger said they are comfortable in drafting a lease. It would be contingent on approvals from the City of Belgrade and the FAA. It is not currently part of our master plan.

The height isn't a problem. Mr. Lehrkind asked how long the FAA process is. Mr. Bell said they talked to the FAA about it. They are saying a month or two.

MOTION: Mr. Mathis moved to approve the request by Bridger Aerospace/AVT to construct a 31,255 square foot aviation related building east of Airport Road. Ms. Stelmak seconded the motion. All board members voted aye. The motion carried.

6. Consider request by Bridger Solutions International, LLC to sublease hangar SE2 to Bridger Air Tanker, LLC a wholly owned subsidiary

Mr. Sprenger said all leases that request subleases require board approval. Mr. Sprenger asked Mr. Sheehy how many companies does he own. Mr. Sheehy estimated 12 to 14 businesses. Each certificate they have requires a different entity even though they are all the same business overall.

MOTION: Mr. Lehrkind moved to approve the request by Bridger Solutions International, LLC to sublease hangar SE2 to Bridger Air Tanker, LLC a wholly owned subsidiary. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

Mr. Mathis asked about the Kodiaks. Mr. Sheehy said they have acquired 4. That could grow. They are also looking at next generation aircraft.

7. Master Plan Update – Scott Bell

Mr. Bell distributed plans. They did some more fine tuning since the last presentation. Mr. Bell reviewed the east end first. Overall, it is a 20 gate configuration. It could go further west if needed. Mr. Sprenger said they allocated one gate for a much larger aircraft on the far right east side. They thought it would be a good potential since they are planning out 20 years. Some areas underneath the gate area is unassigned. It could be international if needed.

Mr. Bell reviewed the layout and various configurations of the baggage claim system. Around 800 linear feet for baggage claim is planned with a layout of 3 carousels. The plan shows the rental car counters moving slightly and adding queuing areas. Mr. Sprenger said especially during the peak times, the rental car lobby gets very congested; the plan includes a lobby for that. Pulling baggage claim back behind the column line leaves more transitional space. The baggage service offices are expanded in the plan. It has been in demand more due to the distance between baggage claim and the ticket counters. The baggage system would have 6 drop off points. There were many considerations that went into the baggage system. One of the stairways will go away to create more space for the baggage system. Mr. Lehrkind asked how much more space they are getting by pushing the rental offices back. Mr. Bell said it is about 30 feet.

Mr. Bell continued to the ticketing area. The plan shows space for additional counters and office space as needed. It shows carousels underneath that can be used for oversized baggage such as skis. The furthest area is unassigned underneath. It could be used as a fourth baggage carousel.

Mr. Sprenger said this is at master plan level. As we get to any parts of this, then we get to the details. Conceptually this works. Mr. Bell zoomed out to see how far west the plan goes.

Mr. Bell said he hopes to have all of chapter 3 ready to send out next month.

Ms. Stelmak asked how many levels the second parking garage would be. Mr. Bell said it would probably be similar to what we have now so 4 levels. Mr. Sprenger said they are looking at about 4,000 stalls. The vertical circulation works well for a lot of vehicles. The plans

for the positioning of the parking garage leave open space in front of the large terminal window.

Mr. Sprenger said rental car companies have expressed a need for oil change facilities. Mr. Sprenger showed a location that would work for that. That could change before next month. Next month's presentation will include parking and traffic flow.

Mr. Switzer asked if there were any lessons learned about the parking garage over winter. Mr. Sprenger said there is more icing because of the car washes. We use a minimal amount of a chemical because it is safer for concrete. It was about 10 gallons per run to take care of the ramps. Since then, he has talked to other airports and he has passed on the information. We are leading on some of this for airports our size and being a northern airport. Boise is looking at our garage for rental cars for their facility. Another interested airport is Sioux Falls, SD. We're glad we put the roof on. The top level would have been unusable otherwise. It was relatively inexpensive compared to the other concrete structure.

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

Tower operations for February were up 33.2%. Rolling 12-month operations were 100,463 which is another record. Corporate landings were down 3.3% at 732 versus 757. Enplaned passengers were up 17.6% at 71,075 versus 60,466. For 12 months we are at 804,945 total enplanements. Total deplanements were up 20.4% at 71,894 versus 59,734. Airline landings were up 26.3% at 802 versus 635. Airline load factor was down 2% with a triple digit increase in seats at 82.4% versus 84.8%. January fuel dispensed was up 23.7%.

For March we have 100,904 more seats. We may be level but Mr. Humphrey anticipates seeing traffic fall off after spring break.

9. Airport Director's Report – Brian Sprenger

Mr. Sprenger said we have been evaluating the impact of COVID-19 over the past few weeks. We are seeing relatively stable traffic through spring break. Airlines are comparing this to September 11 which is a sudden drop that is fear based. If that's true, long haul remote leisure destinations will perform above par. That can be stimulated by fares. Many are cancelling for their own reasons and those may be offset partially by people who are seeing deals. We are seeing \$49 fares to Denver, Seattle, and Portland. We are seeing fare stimulation to maintain traffic. Last week United announced they will be reducing flights domestically by 10%. So far we haven't seen impacts to the northwest leisure destinations. United had already reduced flights due to their own market changes. We will continue to monitor that.

Mr. Sprenger said they looked at 3 different scenarios for financial impact. For the first 6 months after 9/11 we were down an average of 7.5%. We also looked at a flat 50% down for 6 months and then 80% down for 2 months and then gradually bring it back up 10% per month until September which we are at 60% of normal. Hopefully the last scenario is the worst-case scenario.

Mr. Watling presented the financial impact reports and said there was a copy of everything in the packet. All series assume expenses would be 105% of 2019's actual and 105% of 2020's actual for personnel. For non-operating interest, which is our debt service, we assumed the actual which is \$211,000 that will come out in June. Capital in-flows are \$7.69 million from the AIP projects. Capital out-flows assumes the continuation of the parking garage, terminal expansion, master plan, east hangar area, west terminal apron, 2 boarding

bridges, the house purchase and miscellaneous capital projects. We assumed zero borrowing on the line of credit. Mr. Watling confirmed all our bonds are paid off.

Mr. Watling presented slides and charts to summarize and compare the various potential financial impacts. Overall, we are in good shape even with a hard hit on revenue.

Mr. Switzer asked about any big red flags. Mr. Watling said the timing of the revenue is always unknown. We have huge receivables sometimes at the end of a month and it comes in over the next few days or so. The same thing with AIP project payments.

Ms. Stelmak said there is an opportunity to cut back on expenses if we need to. Mr. Watling agreed and said this will be closely monitored as we move forward.

Mr. Sprenger said they discussed adjusting staffing. We aren't hiring right now. We are being cautious. We will be looking at our crash fire rescue index over the next month. We are currently Index C but it appears that in April, we could go to Index B which reduces the requirement. The May schedule shows us back at index C. What if we have people required to be in quarantine? That is being evaluated. We are trying to be rational and keep people employed. This has to be continually re-evaluated. We are proposing much more radical changes than the numbers indicate. We are probably one of the best situated airports in the country. We have twice as much revenue as expenses. We don't want to cut projects that are AIP and will be careful about starting projects that are non-AIP.

Mr. Humphrey said they have been in contact with all airline managers and some corporate personnel. Delta has announced a 10-15% decrease in capacity domestically. Their local manager says they are doing a complete review and should release a list of cuts by March 22. United announced a 20% reduction in domestic flights. We haven't heard from

new cases of the virus start to plateau. He thinks the short term, like May, will be the worst. He is concerned by reports he is hearing about a 60-70% drop in bookings. He hopes as we get more information, and this gets more contained we will see that go back up.

Ms. Stelmak asked for a weekly email update on changes. Mr. Humphrey said they will and said we are somewhat insulated due to the leisure market. Business traffic is drying up. Ms. Stelmak said people may consider Montana as a safe place to go.

Mr. Mathis asked if there had been any research done on the corporate aircraft travel. Mr. Humphrey said they haven't yet. There hasn't been a drop. We might see more of it with business traffic avoiding the public.

Mr. Kelleher asked if we have heard anything on the AAAE conference. Mr. Sprenger said they have not. Since it is about 60 days out, they are probably holding out. He thinks there is a less than 50% chance that it will happen. Mr. Kelleher said if anyone else is interested in going they can take his spot.

Mr. Mathis asked about updates from Big Sky. Mr. Kelleher said there was a huge drop over the last weekend. Mr. Lehrkind said a client mentioned he had never seen LAX so empty.

Mr. Switzer redirected back to Mr. Humphrey's question about rates and charges. Everyone agreed it makes sense to wait until things improve. Mr. Sprenger said we had already talked with them about increases. We will see where this goes.

AIP projects are being continued. For non-AIP projects, we are prioritizing those that we can do if we have reduced traffic. We want to keep our people busy. We will continue to evaluate that. We prefer not to make dramatic staffing changes. They will update weekly on passenger traffic.

If in person staffing needs to be reduced, our cloud-based software could assist with that. Some staff physically needs to be here. Cross training would be beneficial. We are more concerned about an extreme situation and we will have to evaluate that as it occurs. This is uncharted territory.

Mr. Lehrkind said staff does a good job of cleaning and asked if efforts have been increased. Mr. Sprenger said they are focusing on additional surface cleaning. Hand sanitizers are in the terminal. Panic factor has reduced the supply and it is on backorder. Airlines are wiping down their kiosks more regularly and more attention is being given to the aircraft overnight. We are doing what we can. Hopefully the general public is doing their share as well.

Mr. Sprenger said he has not received word from Serco on the manager.

Mr. Switzer asked about legislation. Mr. Sprenger said he spoke with Senator Daines' staff. They expect the Department of Transportation to be working through some of that. They haven't had any response yet.

10. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

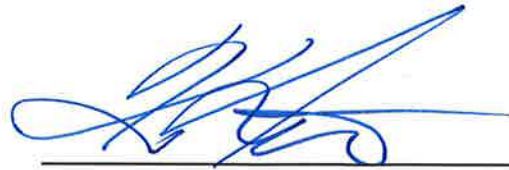
MOTION: Mr. Lehrkind moved to pay the bills and Ms. Stelmak seconded the motion.

Mr. Mathis asked about a charge for water rights. Mr. Sprenger said this group is evaluating and consolidating their water rights. As they become more and more important, we want to make sure we don't lose our water rights.

All board members voted aye and the motion carried unopposed.

11. Adjourn

The meeting was adjourned at 3:29 p.m.



Kendall Switzer, Chairman