

The regular monthly meeting of the Gallatin Airport Authority was held January 10, 2019 at 2:00 p.m. in the Airport Conference Room. Board members present were Carl Lehrkind, Kendall Switzer, Ted Mathis, Karen Stelmak and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Carl Lehrkind, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

1. Review and approve minutes of regular meeting held December 13, 2018

Mr. Lehrkind asked if everyone had received their copy of the minutes and if they had any corrections or additions.

MOTION: Mr. Mathis moved approval of the minutes of the meeting held December 13, 2018. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Notice – February Airport Board Meeting date changed to February 21, 2019

Notice was given that next month's meeting will be held February 21, 2019.

4. Consider issuing schedule I bid documents on the terminal concourse expansion project

Mr. Sprenger said after a very aggressive design schedule they are ready to put the first schedule out to bid. It is estimated to come in just under \$6.8 million. The primary portion is excavation and the frame of the building. Next month they will have the guaranteed maximum price if it is agreed to go out for bid. At that time there will also be

plans for covering the line of credit required during construction. All have had a chance to look at the project's monthly budget.

MOTION: Mr. Switzer moved to approve issuing schedule I bid documents on the terminal concourse expansion project. Mr. Mathis seconded the motion.

Mr. Lehrkind said this is more than doable and needs done. He extended commendation to staff and all involved.

All board members voted aye. The motion carried.

5. Consider scope of work for Master Plan update

Mr. Sprenger reported the budget has been carrying the start of the master plan for this year. Staff is looking to address the runway protection zones of our parallel runways. Various land acquisitions or trades are being considered. This is on a voluntary basis so we don't have to worry about imminent domain. Land owners may come to us offering to sell and we would like to have a more detailed plan to respond appropriately to those offers.

The crosswind runway needs attention. We have been carrying the ability to extend that runway in the budget for decades. We now have the parallel runway which provides much more capacity than the crosswind runway. So the question is: do we need the crosswind for more than what our current use is? Planning the extension of the crosswind runway impacts where we can build hangars. It is time to determine what the best use of that runway long term is and what our capabilities are. We have some limitations of how close the large hangars can be to the crosswind runway.

Forecasts are part of the master document. There will be public comment throughout the process and the ability for the public to participate. Staff is looking for approval to kick this program off. It is a one-year program from start to finish.

Mr. Switzer asked if they would receive updates along the way. Mr. Sprenger said yes, there will be updates on a monthly basis. There will be proposals for review. The proposals will have to go to the general public as well.

MOTION: Mr. Kelleher moved to approve the scope of work for the Master Plan update. Ms. Stelmak seconded the motion. All board members voted aye. The motion carried.

6. Consider infrastructure cost share for future hangar area development

Mr. Sprenger said there is a lot going on and there are limited resources. There are a number of people with the desire to develop on the airport. In the past, things we would put in were reimbursed over the long term through fees. The fees did not cover the full reimbursement. Two items in particular are sewer and water. To serve a new 200' x 200' hangar, a water line is going in at 240 linear feet. Some require more water capacity. In essence, it is one hook up. One \$4,000 hook up fee wasn't bad when we had 7-10 hookups in a short time period. We are not coming close to covering the cost for one hangar. There is cost involved in building taxiways. AIP grants provide 90% but those are allocated for the future. Our current hook up fee for water and sewer is \$4,000. Staff is suggesting keeping that for parcels that are 100 feet or less wide. Beyond that, staff is proposing \$100 per linear foot beyond the initial 100 feet. That is a 2/3 cost recovery. Staff believes this to be the minimum that would be adequate to pay for that.

Northwestern Energy has to put in transformers. Hangar owners did that as needed in the past. The transformers serve six or seven hangars but it is difficult to get everyone to work together. Staff has taken that responsibility on. Staff would like to formalize what they are doing by charging a \$1,500 transformer fee.

On taxiway access, staff is proposing a small fee to pay for the match portion of the taxi lane based on the width of the taxi lane. On the 35 foot wide taxi lane it would be a \$10/linear foot fee. The 50 foot wide taxi lane would be \$15/linear foot fee. These fees show that we need some participation to develop on the airport.

Mr. Mathis asked if we can justify using AIP funds on these General Aviation (GA) taxiways. Mr. Sprenger said yes and no. Yes, because we try to spread all of our funds toward both commercial and GA. No, in that there are limited resources and we have to make choices. It is apparent that we have already committed a lot of money to the GA runways. So now the focus is more on the commercial aviation side. That takes a lot of resources. It is a concern.

Mr. Switzer said it seems like the pricing models are changing rapidly. He asked if it makes sense to set a number or is there a mechanism by which we can re-coup the actual cost. Mr. Sprenger said one of the challenges is the cost will happen in advance for a portion of the development but not necessarily all of the development. We can come back when there are significant changes and look at it again. We can also put in an escalation clause. Several agreed the escalation clause would be good.

Mr. Lehrkind asked if the first hangar absorbs the cost then what about the later hangars. Mr. Sprenger said particularly on the linear footage it correlates to what we are

actually applying it to. It is half of the 10% and the other half is applied to the hangar owner on the other side of the taxiway. We are advance funding. It might be a year or 5 years before we receive the funding. There will be a risk but we are trying to offset some of that with these proposals.

Mr. Mathis said he likes being able to charge reasonable rates and charges to the GA community. He is concerned that we have worked hard to keep our rental rates down and wonders if those rates cover the costs. We are fortunate to get substantial AIP funding. He said he would like to make sure that hangar builders are paying their fair share as we move forward.

MOTION: Ms. Stelmak moved to approve the infrastructure cost share for future hangar area development as proposed by staff including review and the addition of an escalation clause that makes sense for the current expenses. Mr. Switzer seconded the motion. All board members voted aye. The motion carried.

7. Consider request by Brookhart Aero, LLC to transfer the non-commercial land lease on hangar #93 to Meridian M500 Management LLC

Mr. Sprenger showed the location of the hangar. Staff recommends approval of the request.

MOTION: Mr. Switzer moved to approve the request by Brookhart Aero, LLC to transfer the non-commercial land lease on hangar #93 to Meridian M500 Management LLC. Mr. Mathis asked the type of aircraft to be housed in the hangar. Mr. Sprenger said they understand it is a Meridian. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

8. Consider request by Cross Harbor Capital Partners to construct a 180' X 220' non-commercial hangar on future taxi-lane "Y" with a one-year option for a second 220' x 180' non-commercial hangar

Mr. Sprenger showed the location for proposed development. This is the development mentioned on the master plan. Because of the surfaces we are protecting at this point staff recommends approving the second location first. That gives staff time to work with the engineers on some of the details there. These are large hangars. They are for storage only so they don't need through-the-fence access. They don't need office space. The location works well for this purpose. We have been designing that area for larger aircraft.

In this case they are asking for an option. We have never really done that before. Staff doesn't feel comfortable offering the option for more than a year. We can review it then. If they aren't ready and someone else is, we need the resources. Staff recommends they pay the land lease rate for that option for the year up front. That shows their commitment.

Ms. Stelmak confirmed with Mr. Sprenger this would be for storage of aircraft.

Mr. Lehrkind asked if the master plan comes back and this doesn't work there, has there been discussion on another location. Mr. Sprenger showed a multi-use area that can be developed as needed. The height of the hangar is the challenge. Mark Maierle said they are planning for 35'. Others have typically been smaller. We are seeing much larger hangars.

MOTION: Mr. Kelleher moved to approve the request by Cross Harbor Capital Partners to construct a 180' X 220' non-commercial hangar on future taxi-lane "Y" with a

one-year option for a second 220' x 180' non-commercial hangar. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

9. Consider request by Pacific Commerce, Inc. to transfer the non-commercial land lease on hangar #EV9 to North Fork Place, LLC

Mr. Sprenger said this hangar is in good condition. It was completed 1.5 years ago. Mr. Roberts has sold his aircraft and sees an opportunity to sell this hangar. Mr. Roberts is in the process of acquiring another aircraft in a few months. North Fork Place has a Kodiak aircraft. Staff recommends approval of the transfer. Mr. Mathis confirmed with Mr. Sprenger the potential purchaser has the Kodiak.

MOTION: Ms. Stelmak moved to approve the request by Pacific Commerce, Inc. to transfer the non-commercial land lease on hangar #EV9 to North Fork Place, LLC. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

10. Consider request by Mr. Gary Roberts to construct a 70' x 70' non-commercial hangar on taxiway "V"

Mr. Sprenger said this is the follow up with Mr. Roberts. He will have an aircraft in about 9 months. He would like to construct this hangar. The location has the capability for a 70' x 70' hangar. It will be 70' wide for sure but may only be 60' deep. The hangar he is selling was 70' x 60'. Mr. Roberts has the plans for that. He is looking at the cost for the additional 10 feet.

Mr. Switzer asked about the positioning of the hangar and its proximity to the taxiway. Mr. Sprenger said it would be on the same hangar line. The only difference is how close he gets to the utilities on the back side.

MOTION: Mr. Mathis moved to approve the request by Mr. Gary Roberts to construct up to a 70' x 70' non-commercial hangar on taxiway "V". Mr. Switzer seconded the motion. All board members voted aye. The motion carried.

11. Consider final approval of Bridger Aerospace exterior design of Hangar SE1 office addition

Scott Hedglin with Architecture 118 confirmed the board had received their packet. He said their intent with the hangar 1 addition was to use the same or similar materials and colors as what is currently on hangar 1 and similar to what has been approved for their second hangar project. At the same time they would like to present an attractive entry into the airport property on the East Side.

Parking is planned to be increased substantially. They are proposing lighting, a couple monument signs, and a flagpole.

Mr. Mathis said he drove past their hangar today. There were vehicles parked on Aviation Lane. It is evident there is not enough vehicle parking for the existing hangars. He asked what assurance we have that their planned parking will fit their needs.

Ryan Rigard with Architecture 118 said they are proposing to wrap the parking from the north side around that hangar and bring it down to the south side of hangar 2. A count was made of the proposed parking spots plus the current ones, and they arrived at 109 parking spots. Mr. Mathis asked how many more employees they anticipate. They anticipate 135 employees. Many are pilots who commute here by plane and do not have vehicles.

Mr. Switzer asked Scott Bell, Morrison Maierle, if they have a formula for parking spot numbers. Mr. Bell said not off the top of his head. They use a manual. Mr. Bell said he doesn't think they have a lot of visitors at this facility.

Tim Sheehy, owner of Bridger Aerospace, said the pilots will be picked up by a company vehicle. The reason for the vehicles on the curb is because they have work crews there currently doing renovations. They have 25 pilots and will grow to 60 over the next 4 years. 135 employees include the 60 pilots. 80-90 employees will be head counted here.

Mr. Mathis asked if staff is comfortable with these numbers. Throughout the summer he has seen cars parked on the ramp side. Mr. Sprenger said based on the information they understand at the moment they believe there is adequate parking. There is also space for potential parking that we could ask them to develop if needed. There is a well building there with the city of Belgrade. There is some land. We would have to deal with storm water retention, but there is ability to expand that area and potentially incorporate that in the lease for additional parking.

Mr. Hedglin said they could also expand to the west near the third hangar for parking since that hangar would only be for maintenance. Mr. Sprenger said there are additional areas. Parking is something that we will have to address each time.

Mr. Lehrkind asked if the colors and materials fit in the scope required by the airport. Mr. Sprenger said yes they are pre-approved. The only concern is the bare wood. We have talked with them about potentially using composite. Mr. Hedglin said at this point they are planning to use timbers to support the overhanging roof which should protect much of that wood. Mr. Hedglin said he understands the maintenance concern but thinks

allowing the wood is appropriate in this application. Ms. Stelmak also has concerns with the exposed wood. It is difficult to keep up. She suggests the wood look but with another material.

Mr. Lehrkind asked if there are specifics in the standards for exposed wood. Mr. Sprenger said we don't currently allow exposed wood. A few have been developed without our knowledge. Even on the terminal building we have some and have had to maintain and sand and stain. Mr. Hedglin said they have an aluminum product with a wood-look finish they can clad the structural element in. Mr. Sprenger would approve the color to ensure it matches the approved color scheme.

MOTION: Ms. Stelmak moved to approve the request by Bridger Aerospace to add an 18,000 square foot office addition to Hangar SE1 with all exterior components being approved by staff. Mr. Switzer seconded the motion. All board members voted aye. The motion carried.

12. Consider request by Bridger Aerospace to option three parcels one-year for future expansion

Mr. Sprenger showed the location on the map. Bridger Aerospace would like to protect the option to build in this location in the future. In addition, Bridger Aerospace has asked for a fourth hangar location and helicopter operation. Mr. Sprenger showed the locations and said staff agrees they would work well in those locations. Staff is not comfortable with anything more than a year.

Mr. Mathis asked for an operations update from Mr. Sheehy.

Tim Sheehy, owner of Bridger Aerospace and Ascent Vision, presented an update. He said their current facility is not adequate in size and scope. There has been a delay in

Hangar 2 design. There will be five 100' wing span aircraft by 2022 and they are in negotiations for a 6th similar aircraft. The 4th hangar would house the 6th aircraft and possible future expansion of that fleet. They anticipate their need for 415's to grow beyond the current order of 5 and likely beyond 6. Ultimately they are planning for a fleet of 10 CL-415's to be housed at the airport.

The helicopter operation is something they are looking at effective this year. They have negotiations underway to buy Australian military SA-60 aircraft and convert those into bucket firefighting aircraft. The hangar for this type of helicopter would have a low roof. The helicopters don't require a large amount of vertical space.

They are more than willing to pay for the leases up front and pay their fair share for utilities. Hangar 3 will likely be their Part-145 repair station. They should have their certificate shortly. It has to be separated into a different building.

Mr. Mathis said he noticed they have an air tractor. Mr. Sheehy said yes they have a single engine tanker. It drops smaller loads on the fires than the larger aircraft. Mr. Mathis asked Mr. Sheehy if they anticipate adding more of those. Mr. Sheehy said they will likely add a second to the fleet. They are evaluating rolling out 4 of them on floats. He has to decide between helicopter expansion and fire boss expansion.

Mr. Mathis asked if the CL-415's are converted or brand new. Mr. Sheehy said the first 5 they are receiving are CL-215's. They are stripped down to the metal frame and their flight control systems, the automations are replaced and they add larger tanks and put turbine engines on them. They are positioned to be the launch customer for the CL-515.

Mr. Mathis asked if they anticipate a need for a tanker base to fill the aircraft to operate here or to use for training. Mr. Sheehy said they submitted a proposal for a tanker base in Bozeman. There is currently one in Helena and one in West Yellowstone. They are both a little stretched and considering consolidating here in Bozeman. It would not be on the field here because they need direct flight line access. This is very preliminary. They would want it right next to the runway. With the rate of expansion at this airport it is probably not a reality here.

MOTION: Mr. Switzer moved to approve the request by Bridger Aerospace to option three parcels one-year for future expansion. Mr. Kelleher seconded the motion. All board members voted aye. The motion carried.

13. Consider Land Acquisition Priorities

Mr. Sprenger said this is technically agenda item 11 from the mail out. They have appraisals on two pieces of property. Staff expects a buy-sell proposal next month for a property. Staff has been contacted about another property. Without going through the master plan, staff has determined an area that should be considered a higher priority for land acquisition. Staff recommends getting an appraisal and coming back with a proposed buy-sell for consideration.

The other property is owned by Sharon Lodge. We have an easement on part of her property. But it doesn't allow us to put in a road. There is a remnant piece from previous acquisitions. We could trade that and that would complete the protection for the potential of bringing in a road through there. This is another reason why the master plan is very

appropriate right now. This would be essentially a land trade and re-alignment of common boundaries. Staff recommends moving forward with that. Sharon Lodge appears interested.

Mr. Bell brought up the power line project with Northwest Energy (NW Energy). Mr. Sprenger said we have been working with NW Energy to relocate lines to another location to extend the distance from the end of the runway to the powerline. It helps extend our clear zones. Mr. Bell said it is currently under construction and NW Energy is covering the complete cost. There is a portion where the line goes underground. That was originally at cost to the airport but since we did some surveying they said they would cover the cost.

Mr. Kelleher asked Mr. Sprenger if the transaction with Sharon Lodge would just be real estate with no development. Mr. Sprenger confirmed we are just exchanging real estate. Sharon Lodge might develop on her property. We would just be maintaining clear zones on our portions. Mr. Bell said Sharon Lodge has mainly commercial development planned for that area.

Mr. Switzer asked if we execute the swap, will there be building restrictions for Sharon Lodge. Mr. Sprenger said they would be similar to what we had already asked for in the area. Mr. Bell said it would include an aviation easement.

MOTION: Mr. Switzer moved to approve the Airport Director negotiating a buy-sell on the Mike and Kathy Peterson property and a land swap with Sharon Lodge, and to bring to the Board for consideration, understanding the Board may or may not approve the negotiated buy-sell and/or land swap. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

14. Consider parking rate Premium Covered Parking in Parking Garage

Mr. Sprenger said with the garage getting closer to completion we hope to park cars there soon. There will be 100 stalls in the pay parking area. This will be an experiment for us. It is limited parking which puts it at a high premium. Staff recommends an \$18 daily rate. That compares to \$12/day in the short-term lot and \$9/day in the long-term lot. Most other airports in the country have a large parking garage as their typical parking not their exception. Ms. Stelmak asked if there would be any weekly rate or long term discounted option. Mr. Sprenger said that it would be just a daily rate.

MOTION: Ms. Stelmak moved to approve the parking rate Premium Covered Parking in Parking Garage as proposed by staff. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

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

Tower operations for December 2018 versus 2017 were up 40.4% at 7,058 versus 5,026. Military operations are up 627%. That puts our rolling twelve-month operations at 90,508. Corporate landings were down slightly just under 1% at 435 versus 439 but still up 23% for the year. Total enplanements were up 21.2% at 56,283 versus 46,431. That puts us just under 671,000 enplanements for the year which is 70,562 more than last year. Total deplanements were up 20.56% at 61,189 versus 50,770. Airline landings were up 26.2% at 722 versus 572. Airline load factor was down 5% at 75.66% versus 80.64% from previous year. The JetBlue overall load factor was 57%. November gallons pumped were up 2.1%.

We have 28% more seats in the January market. We are expecting double digit growth for January.

Mr. Lehrkind asked if there has been any feedback from JetBlue. Mr. Sprenger said it is still a little too soon for any feedback from JetBlue.

16. Report on CY 2018 Airline Traffic Results – Brian Sprenger

Mr. Sprenger reported that 1,342,290 passengers passed through the airport just on the airline side last year which is up 11.9%. The total passenger increase was 142,753. The prior record was 92,000 last year. That is a difference of 50,000 more passengers than any other growth year. That is the fastest percentage growth year in 25 years.

Tower operations were 90,502 which are up 18.7% over last year. It is an all-time record and also the first time we surpassed Billings. The corporate jet operations were up 23% at 8,792 operations. Jet fuel is more than 50% of commercial.

United Airlines took over the number one position at the airport for the first time since 2008.

In the last 5 years we have added 457,000 more passengers putting us up 34%. That gives us pause for concern for our infrastructure.

17. Airport Director's Report – Brian Sprenger

Mr. Sprenger said the total cost for the presidential visit was \$6,575.85 in supplies and \$10,360 in labor. We will attempt to recover that.

Legislature has several bills potentially impacting airports. Aviation fuel tax is one of the areas. Montana Department of Aeronautics is struggling. They are looking for ways to fund that. The other part is the funding for the grant program for the smaller airports. The airlines pay for the bulk of the aviation fuel taxes in the state. We have some concerns that if the responsibility falls on airlines it could have negative consequences for air service. As

you add cost to the airlines, they can shift aircraft wherever so if they are less profitable in a particular market, they can move the aircraft.

We are watching the bills closely. The larger airports are concerned with the airline tax. We agree that smaller airports should participate. But funding is harder. AIP grants require a 10% match. In the smaller airports we feel 5% from state sources and 5% from local sources is more achievable. We want to make sure we reduce the burden for the aviation tax users. We have great support at our airport.

There is a bill being proposed to offer free parking for disabled veterans. While we are very supportive of all our disabled veterans we are concerned about this because if it continues in the same direction, anyone with a reason could end up with free parking. Building the parking lot is expensive. As we build more parking spots, they are going up at \$30,000 per spot. We understand that the disabled veterans have given a substantial part of their livelihood so it is a tough situation.

Mr. Lehrkind asked Mr. Sprenger to expand on night landings. Mr. Sprenger said we are nowhere near justifying the after-hours coverage we added with the FAA. We are keeping close to 1 to 2 operations in the evening. The morning is performing better at closer to 2 to 3.

Mr. Switzer asked that Mr. Sprenger let staff know what a great job they are doing. It is busy. Some employees' work may have doubled or tripled. The board recognizes what a great job everyone is doing.

18. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

Mr. Mathis asked about the new voice switch in the tower. Mr. Sprenger advised that we will be installing the voice switch in March to avoid President's Day traffic.

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

19. Adjourn

The meeting was adjourned at 3:27 p.m.



Carl Lehrkind, Chairman