

The regular monthly meeting of the Gallatin Airport Authority was held January 14, 2016 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Carl Lehrkind, Kendall Switzer, Karen Stelmak and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Troy Watling, Assistant Director of Finance, and Shannon Rocha, Recorder.

Ted Mathis, 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 a specific agenda item when it is being discussed. There is a sign in sheet if anyone would like to talk during the public comment period.

1. Review and approve minutes of regular meeting held December 10, 2015

Mr. Mathis asked if everyone received their copy of the minutes and if they had any corrections or additions. There were several changes:

- On the last line of page 9. Unfortunately should be changed to fortunately.
- The 4th line down on page 12 says given presentations to airports, it should just say they have given presentations.
- Page 1 and page 3 say Mr. Mathis wanted to mention, but should say he did mention.

MOTION: Mr. Kelleher moved approval of the minutes of the meeting held December 10, 2015 as amended. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

Mr. Mathis said no one was signed up but invited anyone to comment if they wanted to. There were no public comments.

3. Consider request by Gallatin Field Garages to construct two car condominium buildings.

Mr. Sprenger reported that we had one car condo approved at the July 2015 board meeting for Gallatin Field Garages. We had asked that they resolve car condo 13 before they start construction on the new one and that has now been resolved.

They would now like to build 2 buildings. Since the time frame has almost expired on the first approval, we are bringing both buildings to the board. John Delzer and Tony Delzer were present to answer any questions. Mr. Mathis asked John Delzer if he had anything he wanted to talk to the board about. Mr Delzer said that their target date is probably April 2016 depending on weather.

MOTION: Ms. Stelmak moved to approve the request by Gallatin Field Garages to construct two car condominium buildings. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

4. Consider community financial match of the Small Community Air Service Grant and air service agreement.

Mr. Sprenger reported that we will be signing an agreement with American Airlines to have revenue guarantees along with required advertising and marketing dollars. We are doing this because there is a Federal Small Community Air Service Grant involved. The public record will reflect that there are no airport authority dollars involved in the revenue guarantee match or the advertising and marketing dollars. We also acknowledge the community participation from our partners: Big Sky, Yellowstone Club, Spanish Peaks,

Moonlight Basin, Bozeman Chamber of Commerce, Yellowstone Country, and the Tourism Business Improvement District. We have finalized the agreements with those entities. In conjunction with that, we will have to sign our agreement with American Airlines in conjunction with the Small Community Air Service Grant.

Mr. Lehrkind asked Mr. Sprenger what the length of the contract is. Mr. Sprenger reported that it is a 2 year agreement.

Ms. Stelmak asked for clarification on point 3 of the agreement where it talks about minimum revenue requirement. She asked if that was a monthly calculation. Mr. Sprenger said it would be reconciled monthly. We expect there to be months, like July and August, where it will be a slam dunk. However, other months may be different and we may see some guarantees paid out at those times.

MOTION: Mr. Kelleher moved to approve the community financial match of the Small Community Air Service Grant and the air service agreement. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

Mr. Mathis thanked all our partners.

5. Report on Snow Removal Equipment Replacement Project – Mark Maierle

Mr. Sprenger noted that we put out ads in the newspaper for bids and that we would like to establish a precedent going forward to discuss those ads with the board before they are published. We are still finalizing some specifics on this one but our goal is to keep the board informed in advance of the bid.

Mr. Mathis noted that we did approve these purchases already. Mr. Sprenger agreed but added that this should help keep the information current for the board members.

Mark Maierle reported that the bid will include the purchase of a 20 foot runway broom to replace the 1981 SMI. The bid will also include the purchase of a snow plow with a 14 foot plow with the capability of carrying a 20 foot plow. This will replace the 1983 Ford truck with the 12 foot plow. We are paying with local money, but it is on the capital improvement plan and will be reimbursed with AIP funding in 2020.

Mr. Mathis commented that as he understands it, discretion is limited in purchasing if you are using federal money.

Mr. Maierle said they have been in close communication with the suppliers to make sure they can meet the required specifications due to the use of federal dollars. Mr. Mathis asked if that was a problem. Mr. Maierle said no and that both vendors are capable suppliers. Mr. Kelleher asked how many bids they are anticipating. Mark said two for sure and maybe a third.

The board thanked Mr. Maierle. Paul Schneider was present as well for questions. There were none.

6. Report on passenger boarding and flight operations – Scott Humphrey

Total operations for December 2015 versus 2014 were down 7.3% at 5,345 versus 5,767. We did lose one and a half days in December due to fog. That puts our rolling twelve-month enplanements at 80,559. Corporate landings were up 8.2% at 316 versus 292. Revenue enplanements were 41,857 which is 6.9% better than December 2014. So we

ended the year at 511,723 for enplanements. Total deplanements were up 7.6% at 46,118 versus 42,863. Airline landings were down 3.1 percent at 568 versus 586. For the load factor, we were at 77,500 in December 2015 and 78,600 in December 2014, but we had almost 9% more seats in the market in December 2015. Fuel dispensed in November was up 10.1% at 363,357 gallons versus 330,088 gallons.

For January 2016 we are standing at 6.2% better for enplanements. We expect to end up in 5-7% better for January.

Looking forward into the summer, just between United and Delta in July on a Saturday, we have over 1,000 seats between 1 p.m. and 2:30 p.m. So we are expecting a very busy summer.

Mr. Lerkhind asked Mr. Humphrey if he has noticed anything as far as 2016 seat trends; does it look like the airlines are adding more or pulling back. Mr. Humphrey replied that we have the seat reduction from Frontier. But, the bulk of those seats have been taken up by United. Looking forward into the spring and summer we are single to double digit up in some of the months. So overall we are not losing anything.

7. Report on CY 2015 Airline Traffic Results – Brian Sprenger

Mr. Sprenger reported that it was a very busy year. We were up 5.6% overall in passengers. For the first calendar year ever we surpassed the 1 million passenger mark with 1,021,155 passengers. We expect that to be surpassed in 2016. Right now we have 20,000 more seats projected for 2016 than we projected at this same time in 2015 and that is without including American Airlines. There may be adjustments from other airlines due to American Airlines coming into the market here. We don't think it will be negative. Generally

it stimulates interest in other carriers. We will be watching Houston carefully. That is because United offers service to Houston so that may be competitive. We should know that effect in the next month or so.

Regarding the control tower, we were down .2% at 80,559. We have also seen more after-hours operations in 2015 than we have ever seen before. That is starting to become a concern. We are seeing 1-3 airline operations regularly after midnight. For snow removal operations, that is not the best time to be without the tower. We are going to do some more tallying to get better numbers for the after-hours operations. We know the after-hours operations have been significant. Last night had 3-4 operations around the 4 a.m. timeframe. Unfortunately we are also seeing the airlines extending their schedules. We are seeing 5:50 a.m. departures and 12:30 a.m. arrivals. United Airlines had scheduled arrivals after 2 a.m. over the holidays.

We had a good year with Delta and their additional service to Seattle and Alaska's service to Portland is continuing to expand. Delta is our busiest carrier, but United is continuing to perform well also. Alaska is our fastest growing carrier percentage wise.

It will be interesting to see the impact of Dallas on the market. Currently, fares are good to the West Coast and Pacific Northwest; we hope this leads to success for the carrier as well, but that remains to be seen.

Steve White came to the podium from the audience. He was representing Gallatin County Commission. He congratulated the board, Mr. Sprenger and his staff on the exceptional news of reaching the 1 million passenger mark in 2015. They recognize that in the middle of reaching the 1 million mark, the staff was also dealing with the new

interchange, the facility expansion and some TSA issues. Mr. White expressed that the commission feels very confident with the board and the management of the airport. The board thanked Mr. White for coming.

Mr. Mathis thanked everyone for their efforts with American Airlines.

8. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the Environmental Assessment (EA) is at the regional level. We are hoping to get it to the next phase soon. They said they were pleased with the adjustments that had been made and they were comfortable with where it is at.

Ms. Stelmak asked if we have any idea of when we might hear from them next. Mr. Maierle said that during their last communication the FAA was aware that the EA needs priority review. We should see it back in the next few weeks.

Mr. Sprenger reminded everyone that TSA pre-check enrollment is this coming week. They have close to 300 enrollees currently. They have added time slots to accommodate everyone. They will be doing a public relations event on Monday to let the community know it is available.

We have had some conversations regarding the Cook gravel pit. One of our concerns was the gravel pit permit through the Department of Environment Quality (DEQ) and we have come up with a solution for that. We have spoken with the DEQ and feel comfortable that we can transfer that and we wouldn't have the liability due to the reclamation that has been done already. That would allow us additional time to fill it in. According to the DEQ, that will not be an issue and they were extremely helpful during the process.

Mr. Mathis asked if they did sampling to make sure there are no surprises buried in that area. Mr. Sprenger said they have test wells there that they have been monitoring. We have had discussions with JTL who is managing the pit. It has been more of an open dump. That has been a challenge because they have had to pull things out. So they have been monitoring it very closely to avoid that. If everything goes right, they would still manage the dumping there but it would be a closed pit meaning that approved people would be dumping. That is only if we choose to continue to allow dumping. We think there is value in continuing to build that up. It is a little under the level for worst case potential ground water but well above any observed ground water. They have done a lot of fill in the last few years. We hope to have something to the board in the next few months for the transfer.

We have scheduled a pilot meeting with the tower. It will be held February 11th at 7 pm. There will also be a runway safety action team meeting for the tower and a taxi-way project discussion. We scheduled the meeting after the board meeting because next month we will be coming to the board with the information on the taxi-way project.

Mr. Sprenger congratulated Troy Watling on passing his certified member exam for the American Association of Airport Executives (AAAE). Mr. Sprenger commented that was very commendable and we are proud of his achievement.

Mr. Sprenger reported on Uber. He said it is probably coming in the not too distant future. The San Francisco Cab Company declared bankruptcy this last week. With a free market there is always going to be positive and negative impacts. Our biggest concern and challenge is to ensure that Uber drivers and taxi drivers receive equal treatment at the airport. At this point some state laws may favor Uber drivers at the penalty of airports.

There are some indications that they cannot be taxed or be assessed fees. We currently have a \$1.50 charge per departing passenger for all ground transportation. That would be a concern if Uber drivers are not required to pay that fee. There are also some indications that Uber might pay the fee voluntarily but we haven't had any discussions with them yet. We brought this up with some other airports in the state and for the most part other airports charge a permit fee to operate at the airport. We have done per-passenger fees to distribute airport costs. We receive about \$60-70,000 in income from ground transportation. A large portion of that is a minimum annual guarantee from Karst Stage for operating and having an office inside the terminal. We have about 25-30,000 passengers per year using ground transportation. So we are watching that closely. Ground transportation, particularly taxi service, is one of the main complaints we hear. So we want to make sure it is fair for all and fosters competition.

Mr. Sprenger reported that he will be taking annual leave January 26 to February 1. Mr. Humphrey will be here in his absence.

Ms. Stelmak asked Mr. Sprenger if he would be able to provide an update at the next meeting on customs. Mr. Sprenger said yes. We had 129 this calendar year and 113 in the last calendar year. One every 3 days is the average for the year.

9. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

Mr. Sprenger reported that we received \$31,000 in Worker's Compensation dividends.

Mr. Sprenger also reported that the maintenance staff has done an excellent job on the runway. We have had great braking action reports throughout the period.

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

10. Adjourn

The meeting was adjourned at 2:50 p.m.

A handwritten signature in cursive script that reads "Ted Mathis". The signature is written in black ink and is positioned above a horizontal line.

Ted Mathis, Chair