

The regular monthly meeting of the Gallatin Airport Authority was held November 10, 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, Paul Schneider, Assistant Airport Director-Ops, 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.

1. Review and approve minutes of the regular meeting held October 13, 2016

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

MOTION: Mr. Lehrkind moved approval of the minutes of the regular meeting held October 13, 2016. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Consider Audit Report

Sydni Tangaro of Holmes & Turner came to the podium to present the audit report for Fiscal Year 2016. She thanked management for all their assistance during the audit, especially Troy Watling.

Ms. Tangaro said our Comprehensive Annual Financial Report (CAFR) has been audited by Holmes & Turner. Some sections are not audited. Those are the introductory

section and the statistical section. Those sections are reviewed but no audit procedures are applied to them.

The independent audit report is on pages 17-19. It points out that management is responsible for preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Their responsibility is to express an opinion on the financial statements based on their audit. This year again they have an unmodified or clean opinion. An unmodified opinion can be obtained when there are proposed audit adjustments that management has reviewed and accepted and then posted. This year there were no proposed audit adjustments. That shows that the information we are looking at throughout the year is strong.

Page 14 contains the Government Finance Officers Association (GFOA) Certificate of Achievement for excellence in financial reporting from last year. There is also a note in the introductory section that we will be submitting for that award again this year.

One minor change for the financial statements this year was Governmental Accounting Standards Board (GASB) statement number 72 regarding fair value measurement and application. This really had no impact on our net position. The only investments we had were with the Statewide Transportation Improvement Program (STIP) and that was a minor \$119 adjustment from amortized cost and fair value.

Pages 21-29 & 51-54 contain required supplementary information. Holmes & Turner doesn't express an opinion on this information but they do review and make sure there is nothing that disagrees with the audited financial statements.

Supplementary information included in the CAFR are the Schedule of Expenditures of Federal Boards and a Schedule of Passenger Facility Charges (PFC) Collected and Expended. Those were subjected to the auditing procedures and are fairly stated in all material respects in relation to the basic financial statements.

In addition to proposing no audit adjustments there were also no pass adjustments. Pass adjustments would be items that the auditors thought should be adjusted but were not significant enough to propose an adjustment. None of those were found this year. It was a very clean audit.

Two additional reports Ms. Tangaro noted were the Report on Financial Reporting and on Compliance and other matters based on an audit of the financial statements in accordance with government auditing standards. There were no significant deficiencies noted and no instances of non-compliance which have a direct and material effect on the financial statement amounts.

One other report was on the compliance for each major program and on internal control over compliance under the uniform guidance. These are the new government standards that were previously called the cost circulars. Holmes & Turner presented an unmodified clean opinion on compliance that could have a direct and material effect on the major federal program. They did not report any significant deficiencies in internal control. They had no questioned cost reported in the schedule of findings of questioned cost.

On the report for compliance for PFC Collected and Used there were no non-compliance items noted in that report.

Ms. Tangaro congratulated the Airport Authority.

Ms. Tangaro reported a couple things to think about for the future as the airport grows. They recommend having an audit committee. The GFOA considers this a best practice. Then the initial review by the board could be shifted to a committee, even a financial committee could review on a monthly basis.

The other recommendation is formalizing a document that has all our financial policies and procedures. That document should then be reviewed annually for updates.

Mr. Kelleher asked who that booklet would be requested by; Ms. Tangaro said it could be used when there is a turnover in employees so they know all the policies and procedures. It could help if auditors or an oversight agency comes in.

Mr. Mathis asked if that is something that our in-house CPA could do. Mr. Sprenger said it definitely is and that Mr. Watling has done a lot of the work already.

The board thanked Ms. Tangaro and her staff. The board also thanked Mr. Sprenger and his staff. Mr. Sprenger said Mr. Watling has done a great job and has stepped up our financial reporting.

Mr. Mathis asked if we still send the audited financials to the state and do they charge us a fee. Mr. Watling said we do and last year the fee was just under \$1,000.

Ms. Stelmak commented that in addition to the impressive work being done by Mr. Watling and staff, when you read through the report it is telling us the effectiveness and the organization that it takes and it is truly impressive.

Mr. Switzer said we have some basic fundamental responsibilities besides providing quality and safe service, such as controls over how we utilize the resources that we have,

how they're applied, and how they're accounted for. He commended staff on a great job and mentioned that this is what makes an organization excellent.

Mr. Kelleher said it took him two nights to get through it but it is very educational. He commended the staff for doing to a good job.

MOTION: Mr. Kelleher moved approval of the FY 2016 audit report. Ms. Stelmak seconded the motion and all board members voted aye. The motion carried.

4. Consider donation of Mobile 7 and Mobile 8 to Gallatin County Road and Bridge Department

Mr. Sprenger reported that we have almost \$900,000 going out to MB Companies for the acquisition of our new broom truck and plow truck. That makes a couple of our vehicles surplus. The county has expressed interest in acquiring those. The donation is absolutely permissible within state law. Staff recommends the donation.

Mr. Mathis gave a little background on the equipment. Mobile 7 was acquired when they went out for bids in 1982. The successful bidder was the Ford dealership in Billings. They were the first trucks not bought from Kamp Implement in a long time. The maintenance guys were huge International fans to the point that they said they would not drive the Ford. But once they got a chance to operate it they thought it was pretty nice. It served us well for many years.

The other truck started out as a crash truck at Miramar Naval Air Station in California. They obtained the truck and the broom head surplus and staff revamped the truck. We had about \$30,000 invested in it and it served us for 20 years. We are fortunate to always have a great maintenance staff to do that kind of work. Mr. Mathis thinks if we donate them to the county they will get a lot of good out of them.

Ms. Stelmak commented that the vehicle's history, the amount of use they have given us, and that staff has been able to keep them up is wonderful. It is excellent that we are able to now donate them for further use.

MOTION: Mr. Switzer moved to approve the donation of Mobile 7 and Mobile 8 to the Gallatin County Road and Bridge Department. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

5. Consider revision of Ground Transportation fees to a per departing trip basis

Mr. Sprenger reminded everyone that Uber started in Southwest Montana earlier this year. We have been working with Uber to find a way to incorporate them into the fee structure. Most other airports charge for ground transportation based on a per trip basis rather than a per passenger basis. Originally, our per passenger fee was one of the first in the country. It was innovative and controversial. As time has gone on it has been adopted at other airports but the companies can track based on the trip basis easier than the passenger basis.

We talked with Karst Stage which is our largest ground transportation company. They said the trip charge is similar to how the entrance into Yellowstone National Park is charged being based on the size of the commercial vehicle. We looked at those numbers and if we brought it to approximately 10% of what Yellowstone National Park charges it is about the equivalent of what we have been getting in general revenue. We broke it down to the same four levels that Yellowstone National Park (YNP) uses. We are trying to match closely to the vehicles being used. We wanted to be able to incorporate the smaller taxi/Uber vehicles as well as the tour buses.

We talked to Karst about their load factor. We did some evaluations of what the revenues would be. Most of our revenue from the ground transportation is from the minimum annual guarantee from Karst. So we are talking about a \$25,000 portion that is right now on a per passenger basis that we would be converting over to the per trip basis.

We think the impact on the revenue will be relatively neutral but it is difficult to say exactly. We did increase the rate on the low end from \$1.50 per passenger to \$2.00 per trip. Uber has negotiated with Spokane for \$0.50 per trip arrival and departure so \$1.00 total. We felt it made sense to keep it on the outgoing basis which is also how YNP charges.

We did take this to Greater Valley Taxi. Mr. Vanderpan, owner of Greater Valley Taxi, felt comfortable with this rate structure. It is a challenge to record each passenger versus the per trip basis. Mr. Vanderpan indicated that Uber has increased the taxi market by about 20% in the valley. Mr. Vanderpan estimated that they are getting a negative impact by about 20%. Mr. Vanderpan said he is able to more consistently provide the service level so he doesn't have to increase taxis during peak time periods. There are still some issues to be addressed by the state legislature. Taxis are very restricted and Uber is less restricted.

Staff's recommendation is a per departing trip basis as follows:

Commercial Sedan (1-6 seats)	\$2.00/departing trip
Commercial Van (7-15 seats)	\$12.00/departing trip
Commercial Mini Bus (16-25 seats)	\$20.00/departing trip
Commercial Motor Coach (26 seats or more)	\$30.00/departing trip

This should be equitable for each of the various ground transportation entities that are operating out of the airport. It should be revenue neutral at this point. We have about 10 agreements with individual Uber drivers. We are capturing some of the revenue but

there is inconsistency in service with some passengers being picked up at the curb versus in the parking lot.

Mr. Mathis asked if these fees pertain to hotel and motel shuttles. Mr. Sprenger said no. Hotel shuttles are under a transportation permit fee which is \$25 per month.

Ms. Stelmak asked if we have any idea what the average passenger pick up is for a taxi. Mr. Sprenger said it is between 1.25 and 1.75 passengers per trip.

Mr. Lehrkind asked how Uber transportation is going. Mr. Sprenger said that it has improved over the last month or so. Uber is still a smaller part of the market. Mr. Sprenger heard a customer comment they couldn't get an Uber and were happy the taxi was available. In general, the expectation is that Uber is going to be there and it is a service level people are expecting. Mr. Lehrkind says he has heard nothing but good things on the passenger side.

Mr. Mathis said he is amazed that more taxi companies haven't sued. Mr. Mathis mentioned that a taxi company out of Livingston has filed suit against the state.

MOTION: Ms. Stelmak moved to approve the revision of Ground Transportation fees to a departing trip basis under the proposed fee schedule. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

Mr. Sprenger said most of the other major airports in the state are waiting for our lead on this. Missoula will probably follow up and Kalispell and Billings are looking at it closely as well.

Mr. Lehrkind asked if we get a check directly from Uber. Mr. Sprenger said we will. AAEE offers a program where they geotag the vehicles coming in to the airport so it is

automated. That is an option. It is 7% of the revenue. We are questioning the effectiveness and the need at our airport. It would be an option if we feel things are not being reported accurately. Mr. Lehrkind said hopefully the report from Uber will be detailed enough that we can do an analysis to determine its accuracy. Ms. Stelmak commented that the per trip fee basis will help in that regard.

Mr. Mathis said tour buses come from other areas without letting us know. Mr. Sprenger agreed that we have to monitor that on a regular basis.

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

Mr. Humphrey reminded the board that we have a lot of construction on taxiway Alpha. Our total operations for October 2016 versus 2015 were down 27.1 percent. That is mainly general aviation and it is nothing to be concerned about. Rolling twelve-month operations are at 76,182 down 6.2% for the year but we have had a lot of construction and issues taxiing. Corporate landings are up 5 percent at 146 versus 139. Revenue enplanements were up 6.8 percent at 42,181 versus 39,497. United was up 29.1% in enplanements mainly due to the equipment size. United is still running the air buses in the shoulder season. Right now we are at 548,971 for twelve-month enplanements. Deplaned passengers are up 7.4 percent 39,189 versus 36,500. Airline landings are down 2.5% at 434 versus 445 due to the up gauge in mainline equipment. Load factor for October is 89.8 percent. That is on 2,300 more seats in the market. Fuel dispensed for September was up 18.4 percent 763 versus 644.

November is essentially flat in seats. We will probably end up 3-5% above last November.

There was a press release that American is adding May service. United is looking at adding a Baggage Service Office (BSO) and training room here. That is good news for us.

7. Airport Director's Report – Brian Sprenger

Mr. Sprenger followed up on Mr. Humphrey's report. Delta had 14% less seats, mostly due to the loss of Seattle, but they boarded more people than last year this month. Alaska doesn't have a competitor to Seattle and so they boarded more people. United is doing great. The big change we are seeing is Frontier reduced from 4 flights to 3 and they said to expect their schedule to be the same next year. That load factor is a harbinger of what to expect next year.

The Cook gravel pit transaction is almost done. Closing documents are all done. There are a couple tax items to clear up and that should all be complete Monday.

The state has finally signed off on the entry signage. Now we are waiting on contractors to get the base in.

Construction Projects – We are grooving the taxiway. The dirt work on the runway is nearly complete. They have laid 10,000 feet of electrical lighting conduit. The work on the conduit for the parking is being done. If the weather cooperates they are hoping to pave the parking as early as next week.

The Christmas Party is scheduled for December 8th at 5pm.

Mr. Sprenger is taking annual leave November 15-22, 2016.

Mr. Kelleher asked about the bus. Mr. Sprenger said during the budget cycle they looked at acquiring a bus for emergencies for around \$20,000-\$30,000. We talked to Karst and are still getting the details. We may be able to lease a bus from them for \$1,000. We

are not sure what the lease term would be. It would be available as needed for emergencies and we would put it on our insurance. Dan Martin was very helpful. There are a couple things they would have to do to the bus to get it ready for our use. Mr. Kelleher asked where it would be stored. Mr. Sprenger said it would be stored in the old terminal lot. We would put it into a maintenance routine to make sure it will start. Ms. Stelmak clarified that we would have access to it in an emergency. Mr. Sprenger said yes.

8. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

Mr. Mathis complemented Morrison-Maierle for all their great work.

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

9. Adjourn

The meeting was adjourned at 2:44 p.m.



Ted Mathis, Chairman