The regular monthly meeting of the Gallatin Airport Authority was held November 8, 2018 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, Scott Humphrey, Deputy 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 October 11, 2018**

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

   **MOTION:** Mr. Switzer moved approval of the minutes of the meeting held October 11, 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. **Central Valley Fire Project Update – Bryan Tate**

   Mr. Tate said things are going well on the project. They are finishing the interior and exterior wood framing next week. The masonry is done. A lot of mechanical, electrical and plumbing rough-in is being done presently. They are inside the building and that will be the object of their attention through the winter as planned.

   They are due to occupy the building in May. There is no reason to believe that won’t happen.
They did coordinate with the airport to create a water and sewer main extension for services to the airport. That work is done. The last piece is to place the generator that will be back-up to the fire station and the airport’s fuel farm.

Mr. Mathis asked where the generator will be placed. Mr. Tate said it will be placed immediately adjacent to where it is now. It will sit on a new pad. They have trenched in conduit. They are doing a few things to prepare the fuel farm buildings to tap into that generator.

Ms. Stelmak asked how many calls they anticipate responding to a day. Mr. Tate said he wasn’t able to answer that. He said he will have to get back to us.

Mr. Sprenger spoke on the sewer water maintenance design to serve that area. They built that in and did the tie-ins and we will pay for the extension of the mains. It is part of our ultimate plan to loop around and serve that entire area for future development. They have worked well with us on that. We will see a reimbursement to them for that. The primary purpose of the generators is for our shop building, snow barn and it can also support the fire station and fuel farm due to its capacity. This is part of a good partnership. Having them on the field will be a tremendous benefit.

Mr. Tate said he will plan to come back late winter with an update. Until then he is available to answer any questions.

4. Consider Audit Report

Mr. Sprenger introduced Matthew Cope. Mr. Cope thanked management. They are open to questions and helpful. Fiscal year 2018 was another successful audit. The
Comprehensive Annual Financial Report (CAFR) looks great. There is a lot of very informative information.

There were no new accounting policies during the year. There were no proposed or past adjustments. They issued an unmodified clean opinion on the basic financial statements. There were no instances of non-compliance noted.

Based on his experience with the engagement, it is apparent that management is always looking for ways to strengthen the control environment. After field work they were informed that we are looking to hire another administrative staff member. One of the areas will be accounting and that will allow us to segregate the controls even further. This will increase staff efficiency and provide a stronger control environment.

Mr. Lehrkind said kudos to Mr. Sprenger and staff on another great year and thanked them for all their hard work.

Mr. Kelleher said he got it last week and made some notes. He was blown away by the good quality of the report. It shows we are an outstanding fiscal operator.

Mr. Switzer said he agreed and that we are used to excellence. He spoke to the staff and said we know how much work this takes. It adds value to the community to make sure we do business correctly. He said there is some cool stuff in the book and he wants it on his bookshelf.

Ms. Stelmak said she would like to echo those comments. She thanked staff. The amount of skill that it takes to produce this kind of accounting is impressive. In addition to the accounting accuracy, the statistical information and achievements are so impressive.
Mr. Mathis concurred. He asked who gets a copy of this. Mr. Sprenger said they have to send it to the State. They send it to the county commissioners, board members and there are additional copies available. They also have to present one to the Chronicle. Mr. Watling said a copy is also sent to the FAA and the bond review board. It is also posted online for people to see.

Mr. Mathis asked how many are printed. Mr. Watling said they have 15 printed. There are extras if needed.

Mr. Sprenger thanked Mr. Watling and the audit team. Mr. Sprenger said the additional staff will happen sooner than later. The plan is to get someone in place for another staff member's maternity leave.

**MOTION:** Ms. Stelmak moved to approve the FY 2018 audit report. Mr. Mathis seconded the motion. All board members voted aye. The motion carried.

5. **Consider request by Big Sky Aero to transfer their non-commercial land lease on hangars EU 1-5 to Marshall Hangar**

Mr. Sprenger said this is paperwork clear up. The Marshalls are in the process of selling their interest. They built this hangar several years ago. They made it into condominiums but the lease we hold and the association they have it under are two different entities. The title company has figured that out. This is to correct the ownership to the LLC.

**MOTION:** Mr. Switzer moved to approve the request by Big Sky Aero to transfer their non-commercial land lease on hangars EU 1-5 to Marshall Hangar. Mr. Mathis seconded the motion.
Mr. Lehrkind confirmed the hangar is all up to date and there are no issues or work needed. Mr. Sprenger said no.

Mr. Mathis asked what type of aircraft is in each hangar. Mr. Sprenger said Rocky Mountain Rotors has a Cessna Citation on the west side. One of the Marshall hangars is going to be a Yellowstone Club owner with a Cessna Citation and another small jet. Mr. Sprenger said he is not sure on the other two hangars but we can get that information.

All board members voted aye. The motion carried.

6. Report on Rebranding Copper Horse On-the-fly location – Bert Hopeman

Mr. Hopeman, owner of Sharbert Enterprises, Inc. came to the podium.

Mr. Hopeman said they did much better with hiring this past summer and year. They recognized hiring was a weakness the year prior. They were full on the gift end which helped their sales, but they were still down a little at the restaurant. Their main struggle is finding servers, baristas, and people for On-The-Fly. They raised wages 5 to 10% depending on the position. They expect a similar increase this coming year. We promoted someone who has been phenomenal at Human Resources. She is doing a great job at finding people. He is very proud of the quality of the staff.

Due to growth, they are increasing managerial staff and accounting. They have to hire another person in purchasing. Wage increases are putting pressure on the profit line but the growth offsets it some.

They have had two phenomenal years much of which he attributes to the airport. The airport revenue August to July 2018 to 2017 went up 18.1%. The previous year was up 16.1%. This is much faster than just airport growth. Some of the increase is due to inflation.
Using a 2% inflation rate over the last 5 years they are still 3.66% ahead per year on average above enplanements. He attributes that to the staff and the high quality food and products, not to himself.

High results bring high revenue to the airport. From the last FAA report, July 2016 to 2017, the dollars per enplanement were $1.81. That is the same as Seattle and more than Salt Lake, Minneapolis and Denver. In those large airports, the concessionaire pays for the build out. This is crudely worth about $0.35 per enplanement which comes to $1.46. That is still more than Salt Lake, 9% less than Denver, 20% less than Minneapolis and 24% less than Seattle. It is 43% more than Missoula and 92% more than Billings.

Mr. Hopeman continued that the On-The-Fly restaurant is underutilized. Passengers think it is a to-go portion of the restaurant. Passengers have asked why there is only one restaurant. Because of this they want to re-brand to differentiate it from the Copper Horse and identify it as a fast food restaurant. That way it will be unmistakable that the airport has 2 restaurants. When the addition is done it will have 3 restaurants. They consulted a graphic designer who specializes in branding and have also consulted their marketing team. It has been 6 months trying to come up with an answer. Mr. Hopeman congratulated the airport on being branded really well as the gateway to Yellowstone National Park, skiing, and outdoor adventures.

A statistic sheet was passed out and a picture of the new logo. They did an informal survey. Mr. Hopeman read some comments from the passengers: "catches eyes" "like taco" "fun" "whimsical" "catchy" "more noticeable" to name a few.
Mr. Hopeman said the comments support their internal survey and the comments from marketers and designers. It means the airport does have a fast food restaurant. People don’t see it as fast food so they don’t use it. The objective was to brand it for what it is. They want to maintain that it is local, not a big chain. There will be signage about being fresh and bought local.

Mr. Lehrkind said he has eaten at the restaurant and the staff is doing a good job. The customer service has improved.

Ms. Stelmak said she is through the airport a lot. The staff at the shops is so polite. The service is exemplary. Mr. Hopeman said he will let the staff know.

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

Tower operations for October 2018 versus 2017 were up 39.5%. Local and itinerate traffic was up tremendously. That puts our rolling twelve-month operations at 86,466 setting a record. Corporate landings were up 27.3% at 233 versus 183. Total enplanements were up 9.4 % at 48,761 verses 44,571 driven mostly by United and Frontier. Total deplanements were up 9.7% at 45,366 versus 41,358. Airline landings were up 14.6% percent at 540 versus 471. Airline load factor was at 87.4% versus 86.2% from the previous year with just under 8% more seats. Fuel dispensed for September was up 6.4% at 763,466 versus 717,589.

Looking at November Mr. Humphrey estimates we will end up 10 to 12 percent better if everything holds.

Mr. Lehrkind asked if he has a feel for the holidays. Mr. Humphrey said it is still a little early and Thanksgiving is not a big holiday travel time for us but with the additional
seats in the market he thinks we will do well. He said it is hard to tell for Christmas. We will have additional seats and JetBlue here this time next month. Southern California is on sale. He expects double digit growth in November and December.

Mr. Mathis said he heard that the Yellowstone Jet Center is not selling Avgas. Mr. Sprenger said he reached out to them but didn’t hear back.

8. Airport Director’s Report – Brian Sprenger

Mr. Sprenger reported that seats are up 28.3% December through May at 92,907 seats. That is almost the equivalent of adding another July into a year and this is only a half year. Seats are up in every single market. Detroit is now our 17th and newest market. That was a surprise from Delta even though it is only 5 Saturdays in March.

Mr. Sprenger said he has mentioned concern about next summer. In July last year we had 102,000 seats. With a couple expected additions, we will be at 100,000 seats for July 2019. We thought there would be 10% less seats but it looks like we will be close to where we were. We will have the capacity for an 8-10% increase in passengers in the summer.

The fares to Southern California are low. We are concerned that there is too much emphasis in Southern California with four airlines serving that market.

The Jet Blue plans are coming together. The ticket counter sign is up. Their inaugural flight is right after next month’s board meeting. The departure time is at 5 o’clock. It appears that Lieutenant Governor Cooney will be coming down for the inauguration.

We had the Presidential visit last weekend. Mr. Sprenger extended a huge thank you to all of our staff. The visit went well. Our staff did an exemplary job! We consulted with Missoula on their visit. We looked at how we handled Obama’s visit 9 years ago. This visit
was similar with the exception of less protesters at President Trump’s visit. We had to expand the parking because they did not limit the number of people who got tickets. The first 5,000 got in and everyone else was outside.

Mr. Sprenger was in the tower and Mr. Humphrey was on the terminal ramp. They did ramp freezes. Between all the airline operations they had, every flight arrived or departed within the on-time parameters established by the FAA which is 14 minutes or less. One flight had airline related issues but they made up time on the way to Dallas and landed on time.

We were pleased to get people into the parking very well. There was almost no impact on Frontage Road before the departures. The City of Bozeman helped and Montana State University (MSU) loaned signs to us on 7th and 19th Avenues to push the event traffic to Frontage Road and airline traffic to the interstate. Frontage Road flowed well. The emptying took more time. Mr. Sprenger thanked Bozeman and MSU for helping us.

We are trying to estimate how much that event cost us. We are looking at about $5,000 in materials. We estimate the staffing cost $5,000 to $6,000 in overtime. We are going to attempt to bill the Republican Party. Missoula County and City did that as well. We will follow suit. Since it was a campaign purpose, hopefully we can get paid. They did pay directly for some things.

The parking garage is coming along. They are working on the roof. The connector building is up to 4th floor where they are trying to get it enclosed. They are trying to beat winter.
The terminal apron project is complete. We are waiting for the final cure and will stripe it tomorrow and open on Monday.

The screening checkpoint for the 5th lane has been delayed to occur right after Thanksgiving.

Mr. Sprenger showed an image of the concourse expansion on architectural design software. There will be a full presentation on the project next month. The shell of the building is complete and we are working on details on the inside. Next month we will have some interiors to look at. January is when we will have the request to go out for bid. We are working on the restaurant and bar area with Mr. Hopeman. It is a challenge to design kitchens and areas like that.

Mr. Sprenger will be taking annual leave November 23-30.

Mr. Mathis spoke regarding the Presidential visit. He said there should be a rule or policy regarding political events of this type. It is one thing to have just a Presidential visit. But when an event is strictly for the purpose to get someone elected, that is different. Mr. Mathis drafted a proposed policy as follows:

“Any person or organization planning to conduct a meeting or event on Airport Authority property that may impact regular airport operations, require staff time and or expenditure of airport authority funds, shall first obtain permission from the Airport Director and agree to reimburse the Authority for any expenditure of funds or staff time required to accommodate the event. Any person or organization planning such an event shall agree to limit the conduct of the event so as to not interfere with normal airport operations to the extent possible.”
Mr. Mathis said he understands that Secret Service operations cannot be avoided. But on lesser events we can’t be expected to provide that same type of service such as portable restrooms, trash receptacles, and parking which is outside the purview of the airport’s responsibility. He would like to see Mr. Sprenger be able to say ‘we would love to have you here, but we have these costs you will need to reimburse us for’. Mr. Mathis said this was just something to consider.

Mr. Switzer said he was surprised we don’t have a policy like this in place already. Mr. Mathis said we have never had this many visits before. He said this is just mid-term elections and to think about what will happen for the 2020 election. Mr. Switzer said regardless if it is political or not we will have to engage in something because people have a lot of requests. We would want to have some sort of policy that is applied fairly and requires we be reimbursed for the costs.

Mr. Mathis said we need to consider what our responsibilities are. Are we the correct entity to provide these services for an event like this? In some regards, if you want to do something right you do it yourself.

Mr. Lehrkind said he agrees there should be a policy. He said something else to consider was do we want to put Mr. Sprenger and the airport in the way of 5,000 Trump supporters. Mr. Mathis said he is not in favor of that at all. He said he is sure they pay at other airports for their services and we deserve the same consideration.

Ms. Stelmak agreed that we should have a policy. But, the exposure we got was quite phenomenal. She likes the idea of reimbursement and having procedures in place but we don’t want to dissuade people from having those types of events.
Mr. Kelleher recalled when Obama was here and the 747 took off for West Yellowstone the aircraft took out some distance take off signs. Mr. Sprenger said yes it took out four of them and they cost about $1,500 per sign. Mr. Sprenger said that being said, we won’t ever let a 747 operate out of here and not remove those signs.

Mr. Sprenger said an aircraft operation is our responsibility. He said he agrees with Mr. Mathis that this event wasn’t our responsibility. But we did step in to make sure we didn’t have a blemish. They had to arrange for the facility. We would like to be able to say yes you can have the event at the airport but you need the airport’s approval. Obama’s was a Town Hall. Anytime anymore the president goes anywhere they are campaigning. One of the reasons they wanted the event at the airport was because it reduces the amount of Secret Service work. There is no transport to another location. It saves them a lot of money and provides huge buildings that can accommodate a lot of people. He is enthusiastically supportive of having a policy in advance that we can inform our tenants of.

Mr. Mathis said he recently visited with the staff at Ridgeline. They are operating 5 aircraft and have 34 students looking to fly 3 to 4 times per week. They are saying their new building cannot come fast enough.

9. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

MOTION: Mr. Mathis moved to pay the bills and Mr. Kelleher seconded the motion.

All board members voted aye and the motion carried unopposed.

10. Adjourn

The meeting was adjourned at 3:02 p.m.
Carl Lehrkind, Chairman