

The regular monthly meeting of the Gallatin Airport Authority was held January 9, 2014 at 2:00 p.m. in the Airport Conference Room. Board members present were Kevin Kelleher, Ted Mathis, Carl Lehrkind, Karen Stelmak and Kendall Switzer. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Operations and Cherie Ferguson, Office Manager.

Kevin Kelleher, Board Chair, welcomed everyone to the meeting and said anyone wishing to make public comments could list their name and topic on the signup sheet. No one had listed their name on the signup sheet. Mr. Kelleher said members of the public are also welcome to comment on the agenda items during the course of the meeting and he asked that they raise their hand, be recognized, go to the podium and introduce themselves before making their comments.

1. Review and approve minutes of regular meeting held December 12, 2013

Mr. Kelleher asked if everyone received their copy of the minutes. Brian Sprenger, Airport Director, said staff had made a couple of corrections since the board members received their draft copies, and the revisions were in today's handout.

MOTION: Ted Mathis moved approval of the minutes. Carl Lehrkind seconded the motion and all board members voted aye. The motion carried.

2. Public comment period

Mr. Kelleher invited anyone to speak who wanted to share their comment. There were no public comments at this time.

3. Consider request by Heart of the Valley Animal Shelter to place a bronze dog statue at the checkpoint for donations.

Mr. Sprenger said Phil Rogers, Executive Director of the Heart of the Valley Animal Shelter, asked if we would consider placing a bronze statue at the passenger screening

checkpoint for donations for the Heart of the Valley Animal shelter. Staff was very hesitant until they saw the quality of the artwork and thought it might be a nice addition to the airport. Mr. Sprenger said they also recognize that it could open the door for others seeking donations. Staff's recommendation, if the board approved the request, would be for a year-to-year basis, so if there were other entities that wanted to have a donation location at the checkpoint, the board could consider them as well. Mr. Sprenger said it would also have to be something of high quality and the board could possibly use the same criteria as they do for the artwork in the terminal building. Mr. Sprenger said solicitation is not allowed within 20 feet of the checkpoint so it would have to be in front of the queuing area.

Mr. Rogers and Kathryn Hohmann, Development Director, brought in "Jake", the statue of a dog, that they wanted the board to consider. Mr. Rogers said Amber Jean is the artist. "Jake" has been at the animal shelter in front of his office and receives many hugs from little children. He and Ms. Hohmann think the statue would fit in very well at the airport.

Mr. Rogers said that the Heart of the Valley Animal Shelter (HOV) is an independent animal shelter and does not receive any national funding, and is not part of any national organization. He said they cover an area from here to West Yellowstone, the Gallatin and the Madison counties. They have animal contracts with several cities and towns in the area, along with Gallatin County. HOV is an open door shelter and does not euthanize animals to make space for more animals. He said they help about 2,500 animals per year.

Mr. Rogers said it would mean a great deal to them to be able to have "Jake" at the airport and he believes it would be a good match. Mr. Lehrkind thanked Mr. Rogers for bringing in such a beautiful piece and asked how people would know where their funds would be going. Ms. Hohmann said they would have a plaque that would say where the

contributions would be going and a little about the HOV. Mr. Lehrkind also asked Mr. Rogers to help them understand how this would be the last nonprofit that asked to have something at the airport. He said he was on the fence.

Mr. Rogers says there are over 300 nonprofits in the area, but most are different because they don't have a building to operate. He also believes the HOV represents the community. The other organizations would also have to have something similar to match the decor and the quality of the artwork at the airport. He said he would prefer to have "Jake" at the airport for two years.

Mr. Sprenger said his recommendation is to only allow one per year and if any others were interested, they would have to meet the artwork criteria and come to the board for approval.

Mr. Mathis welcomed Commissioner White to the meeting and asked him what the County does. Commissioner White said they have exhibits on the first floor of the courthouse but they don't allow collections for anything because of liability. He doesn't think that the County Commissioners would approve something like this, but this is a different kind of building. He doesn't necessarily think that means that this board shouldn't approve it. He said the county provides the opportunity to have free magazines but no newspapers, and there also is a pop machine in the courthouse.

He said that he believes it would be difficult to only have one donation exhibit. There are a lot of very strong, solid, good nonprofits in the area and he doesn't know how the board could provide an equal opportunity. He said the board would have to consider if approving some nonprofits might be controversial.

Mr. Kelleher said the warming shelter for human beings is struggling and there is always a need to feed people. He knows this is a very dog friendly town but has concerns

about having a collection for an animal shelter at the airport but not a people shelter. Karen Stelmak said she has concerns about how to decide next year. She said this has great merit and asked how to decide a greater merit.

Mr. Mathis said he and his wife contribute to the HOV every year and he doesn't take this request lightly. He said Mr. Rogers and Ms. Hohmann took initiative to approach us because we didn't put out a request for proposals. Mr. Mathis wanted to know how we can be fair to others; plus we are a public agency and we have to be cognizant of that as well.

Kendall Switzer said he also contributes to the shelter. He wanted to know if the statue could be in the airport to make people aware of the shelter but not allow donations. He asked what our legal counsel thought. Mr. Sprenger said he hadn't talked to legal counsel. Mr. Switzer asked if the board would like Mr. Sprenger to talk to our attorney and have him develop a policy.

The board and Mr. Sprenger discussed doing nothing, or possibly putting out a request for proposals. Mr. Kelleher said for him it isn't a win-win situation. He is concerned about the airport's public image.

Mr. Mathis said his recommendation was to thank them and wish them well. The board thanked Mr. Rogers and Ms. Hohmann for their hard work in the valley. Mr. Rogers said he was disappointed but he understood. He thanked the board for the opportunity. He said they pride themselves on taking initiative and being leaders, and he invited the board to visit the shelter. Ms. Holmann thanked the board members who opened their hearts and minds to a shelter animal.

MOTION: There was no motion for agenda item 3.

4. Continue consideration of replacing two airline gate counters with airport standard gate counters

Mr. Sprenger said one of these counters belongs to Delta but the other, while coming from Delta, we do not believe is on their books. These two gate counters were not replaced during the terminal expansion project and the Authority has not invested any money in them. Delta doesn't want any changes made to their counter. They prefer to go with the airport branding or upgrade to the new Delta gate counters as they come on board. Local Delta staff's preference would be airport branded counters.

Mr. Sprenger went back to the contractor and asked if they could reduce their price and they reduced it by \$3,000. Mr. Sprenger said staff has worked hard to standardize the airport and their recommendation is to continue with the theme even though it is a lot of money. He said most airports struggle with airline and rental car areas and since Delta is willing, it would be nice to have their backwall and counters match as well. It would be easier to move airlines around if the need arose.

We could have asked the airlines to bring in their own counters during construction but we chose to standardize. We chose, at the time, not to do anything with these counters and the backwall because we were running short on money. He said it saves money to have the airlines provide their own backwalls and counters but airlines come and go and change themes. Delta believed we had a good product and still believes we do and that is why they are asking us to replace their counter. We have the ability within our contracts to put any airline at any gate and would never stop an airline from using a gate with another airline's branding. Mr. Sprenger said this isn't a necessary change but it comes down to aesthetics. Staff recognizes it is difficult to spend money on an aesthetic issue. The cost to change the two counters is \$31,000 and the cost to change the backwall is \$5,000.

Mr. Lehrkind asked if we could replace gate three this year and maybe replace gate two next year because it isn't as noticeably different from the others. Mr. Sprenger said it is

possible but his concern is that with time materials change and at some point we might not be able to get materials that match.

Ms. Stelmak said we made a commitment to the airport in the quality of our furnishings and fixtures and made a strong statement in expanding this airport. Delta is asking us to remove their logo and allow us to standardize, and in her opinion, upgrade an existing eyesore. She believes it improves the airport and provides consistency and allows the flexibility to easily use the gates interchangeably. Ms. Stelmak said she would be very supportive of the request.

Mr. Mathis said he certainly would agree that the backwall should be changed and standardized. He said the counters are in beautiful condition and are a higher quality than what we would be replacing them with. He was disappointed that the minutes from last month did not accurately reflect that the board requested Mr. Sprenger to look at other modification options rather than talk to Delta. Mr. Mathis said he thinks we could modify the existing counters with nice vinyl wrap or look at other modifications, similar to what is used for semis, that has the same coloring as the other counters and they would serve for years. He doesn't believe Delta would pull their counters because we put a nice vinyl wrap on them and modified the backwall. Mr. Mathis would prefer to modify the counters and use the remaining money for other projects.

Mr. Mathis said the counters are about 150' away from the other counters so you don't see them at the same time. He said if they were modified so they matched the motif of the building and the other counters, they would still stand pretty much alone and not be so noticeable.

Mr. Switzer said he believes we want a consistent theme and that it would be nice to do something non-airline specific. He asked if there is a way to try the vinyl modification

and not spend so much and see if it would work. Mr. Sprenger said the counter at gate two is not an issue but Delta owns the counter at gate three and they don't want us to modify it.

Mr. Mathis asked if Mr. Sprenger was specific about how we would modify it and Mr. Sprenger said we were. Delta has also indicated they are not willing to help pay for the upgrade either. If we retain the counter, they would ask us to replace it with their new theme and Mr. Sprenger said he would prefer not to do that. When we did the terminal expansion project, we paid for the other gates and we have not spent any money for these counters to date.

Mr. Kelleher asked if we would be able to replicate the gates if we added more terminal space, and Mr. Sprenger said it would depend how soon that would happen and what materials would be available. He agreed with Mr. Mathis that the difference may not be as noticeable because of distance between gates. This is why, when we were running short of funds, we didn't replace the counters when we did the terminal expansion. Delta came to us requesting that we replace the counters and backwall; we did not go to them. If we replace the counter, it is ours and we can control what happens with it.

Ms. Stelmak said we have deferred the expense and if we don't do something now, we are opening ourselves up to headaches in the future and also risk offending a friend of the airport. She believes we should be proactive and avoid future problems.

MOTION: Ms. Stelmak moved to replace two airline gate counters with airport standard gate counters and Mr. Switzer seconded the motion. Ms. Stelmak and Mr. Switzer voted aye and Mr. Mathis and Mr. Lehrkind voted nay. Mr. Kelleher said he agreed with Ms. Stelmak that it has been a deferred expense and he voted aye as the tie breaker. The motion passed by a majority vote of one.

5. Operational Cost Efficiency Initiatives – Paul Schneider

Paul Schneider, Assistant Airport Director – Operations, gave a presentation on steps the maintenance department has taken to control and when possible, reduce operation costs for the airport. They purchased a one-year supply of high use custodial items, installed controls to limit electrical and gas demand during peak periods, tied the heating system for the older part of the terminal into the new ground water heat exchange system, and purchased equipment to paint the runway so they could paint the runway instead of having an outside contractor do it. They also purchased equipment to recondition batteries, installed motion sensors to control the lighting in the bag bay area and installed sensors and closures to close the east bag bay garage doors. They recently registered with the state to allow us to receive contract pricing on goods and services. So far, they have found ways to save approximately \$77,000.00 annually.

Mr. Schneider also talked about some projects that have been completed and some they are planning to look into. He said Billings is the only airport we are comparable with in terminal size and number of operations. We have nineteen employees between our maintenance and custodial staff. Billings has thirty-nine comparable employees and fourteen of them are custodians. Our people are cross utilized and are very good at what they do.

Mr. Schneider would like the board to be assured that the maintenance staff is diligently looking for ways to control costs in all areas. They also want to ensure that the Authority is doing what is best for our tenants, employees, users of the airport and the airport itself. We are fortunate to have two outstanding Supervisors in Chuck Rasnick and Rhett Boerger, as well as a very competent, knowledgeable and experienced maintenance and custodial staff. Mr. Schneider thanked the board. They thanked him and staff for the great job they do. They thanked him for this terrific report and the terrific savings. Mr. Schneider said that our staff does an outstanding job for us and added that this is a great place to work.

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

Mr. Humphrey reported there were six more Instrument Flight Rules (IFR) days this December than last December. On the eighth of December it was -29° and the press wasn't out to report on it but we still operated anyway. He said there were 4,166 tower operations, which is down 21.3% from December 2012, mainly due to local general aviation (GA) being down partly because of the bad weather. Rolling twelve-month aircraft operations were 74,952. Corporate landings were 300 versus 257 last December, which was up 16.7%. Corporate landings for the year were up 3.9%. Total revenue enplanements were up 7.1% and rolling twelve-month enplanements were 442,684. Deplanements of 37,942 were up 7.6% from 32,254 from the prior December. Airline landings were down 2.2%. The airline load factor for the month was 84.4% versus 79.9% last December. The overall load factor for the year was 87.5%. Mr. Humphrey said that is 4% better than we have ever done and that is phenomenal. He said we have just not had the seats going out of here.

Fuel dispensed in November was down 10.1%, 325,201 versus 361,610, mainly due to the weather and our airlines being slightly down. Mr. Humphrey believes January enplanements will be about 5% to 10% better than last January. He said we have about 5% more seats in the market than last January.

Mr. Humphrey said, on average, ticket prices have gone up about 10% in the last 10 years but fuel prices have doubled in that time frame. He also added that people chose to park in the unpaved area in overflow parking during the holidays even though premium parking was only 70% full. Mr. Keller thanked Mr. Humphrey for his report.

7. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that Bozeman (BZN) had a record number of passengers in 2013 and beat Billings (BIL) by about 50,000 passengers last year.

He said we have talked to American Airlines and now the shuffle is with their planning groups, so they asked us to wait until they have some things worked out.

Mr. Sprenger said the Institute of Tourism Research from the University of Montana recently put out a report and estimated that the nonresident travelers flying into Bozeman spent \$272 million annually. That was based upon 310,000 nonresident passengers in 2012. 300,000 nonresident travelers flying into Billings spent \$140 million in 2012. These are airline passengers and not corporate jet passengers.

Mr. Sprenger said the new Federal Aviation Regulations Part 117 rules, regarding crew rest changes that the airlines have to meet, have been implemented. It is having an impact, particularly on irregular operations. The airlines are not highlighting it but it was a major reason for so many cancelations. Some of it was poor planning, and part of it was that the changes came at a challenging weather time of year. The airlines asked for a waiver but the FAA denied their request. Mr. Sprenger said most rules come about because of abuses. Because of the new rules, we will be impacted this summer with the Newark (EWR) service. Last summer, the same flight crew could fly from EWR to BZN and back again but because of the new rules, they will have to fly from EWR to BZN and then to Denver (DEN).

Mr. Sprenger reported that we have received the Gerovac appraisal. We are still waiting for the appraisal from her appraiser. If the two appraisals are within 10%, then we would pay the average between the two. If not, then those two appraisers would choose a third appraiser who would then choose the appraised value.

Mr. Sprenger said Mark Duffy of Central Copters started a new helicopter training company called Helipro Aviation. They started advertising before they had an operating agreement with us. Mr. Sprenger said we brought it to their attention and it will be on the February agenda.

Mr. Kelleher asked if Mr. Schneider had anything to do with helicopter flights. He said there have been six or more flights a day up the canyon and he has tried to communicate with them when he has been flying but they haven't responded. He said it would be nice if they used communication on 122.8. Mr. Schneider said he doesn't have anything to do with them, but the airport will host a pilot Runway Safety Action Team (RSAT) meeting the evening of January 22nd and that might be a good time to discuss it.

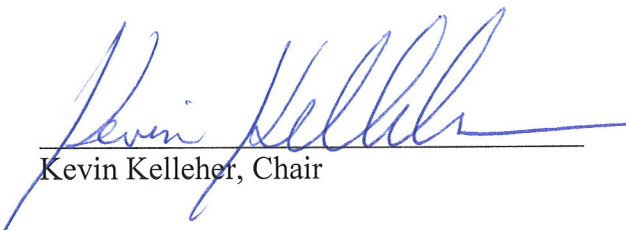
8. Consider bills and approve for payment

The eighth agenda item was to consider the bills and approve for payment. The Board members and Mr. Sprenger reviewed and discussed the bills.

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

9. Adjourn

The meeting was adjourned at 3:34 p.m.



Kevin Kelleher, Chair