

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

Kevin Kelleher, 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 the agenda items when they are being discussed.

1. Review and approve minutes of regular meeting held September 11, 2014

Mr. Kelleher confirmed that everyone received their copy of the minutes and that they did not have any questions, corrections or additions.

MOTION: Carl Lehrkind moved to approve the minutes of the meeting held September 11, 2014. Ted Mathis seconded the motion and said Cherie Ferguson did a great job on the minutes. All board members voted aye and the motion carried unopposed.

2. Public comment period

Mr. Kelleher said anyone wanting to comment during a particular agenda item could do so by raising their hand, being recognized, going to the podium and introducing themselves before making their comments.

There were no public comments at this time.

3. Review of five & ten year Capital Improvement Plan priorities

Brian Sprenger, Airport Director said that he hoped the board had a chance to review the draft he sent them. He said there was no action necessary and he is hoping the board will give him some feedback.

Mr. Sprenger said this is a \$72 million plan for the next ten years. The operating income is conservatively set as static throughout the period. The projection includes paying off the bonds at the ten-year call date. He and the engineers tried to spread the budgets out evenly over the years so staff and the airport wouldn't be overwhelmed. Also, they wanted to maintain cash balances and reserves for the "what ifs" but at the same time make sure we are reinvesting in the airport in a proactive way as the airport grows.

Mr. Sprenger said our fiscal year-end is June 30 and the federal fiscal year-end is October 31 so it is challenging to mesh everything together. Our projects are assigned to the fiscal year in which they are anticipated to begin. The projects for FY 2016 are the parking garage design and construction of the deice apron. The deice apron was moved from FY 2017 to FY 2016 since last year's projection because of concerns about doing the parallel runway in FY 2016. The FAA is taking longer than anticipated to approve the Environmental Assessment (EA) for the new runway and the FAA said most of the discretionary money for Montana/Idaho airports would be going to Sun Valley to bring that airport up to FAA standards. Consequently, Mr. Sprenger and engineering have moved the new runway back one year and replaced it with the deicing apron. If the EA moves faster than expected and the FAA finds additional discretionary money, the board would have the flexibility to adjust these two projects in December before the final Capital Improvement Plan (CIP) is sent to the FAA. Mr. Sprenger said it is unfortunate we have to be impacted by other airports.

The projects for FY 2017 are to construct a paved Runway 11/29, expand the parking lot, design the east parking garage year one and acquire snow removal equipment (SRE). The projects for FY 2018 are to rehabilitate the main taxiway system and construct the east parking garage. The project for FY 2019 is to rehabilitate the main runway.

Mr. Sprenger said we switched the rehabilitation of the main runway and the main taxiway system since last December's CIP based on the recommendation of our engineers.

The projects for FY 2020 are to construct the northside taxiway, construct the northside apron and infrastructure and pay off the bonds. General aviation (GA) improvements are scheduled for FY 2021 and the terminal concourse expansion year and Runway 12 secondary exit taxiway, east ramp expansion and Runway 30 MALSR are scheduled for FY 2022. The terminal concourse expansion year two and acquisition of snow removal equipment (SRE) and an Aircraft Rescue and Firefighting (ARFF) truck are scheduled for FY 2023. The projects for FY 2024 are to construct the south parking garage year one and high speed exit taxiway and the projects for FY 2025 are construction of the south parking garage year two and rehabilitation of the general aviation aprons.

The FY 2020 projects are in the general aviation area and may include Wings Way improvements in the Fixed Base Operator (FBO) area, back hangar taxiway rehabilitation and GA ramp rehabilitation. Mr. Sprenger said projected funding for the projects includes \$32 million of Airport Improvement Program (AIP) Entitlement funds based on current levels, \$4.8 million of AIP Discretionary funds, \$10 million from the Passenger Facility Charges (PFC) program, \$9 million from our Customer Facility Charges (CFC) program, \$16 million of the Airport Authority's funds. Mr. Sprenger said we should be able to pay off the bonds, still do other projects and have contingencies for "what ifs".

Ms. Stelmak said she feels very strongly about the parallel runway and would like to move up the timeframe of the second paved runway. She said it would be better for the tower staff and would improve safety. Mr. Mathis said he had exactly the same opinion and he doesn't want it pushed back a year. Mr. Sprenger said they have continued working on the runway but wanted the board to be aware of the challenges.

Mr. Kelleher asked where we are on the environmental assessment (EA) for the parallel runway and Scott Bell, airport engineer, said letters were sent out this week to public agencies. There had been a delay from the FAA because we moved the runway north by 35 feet to protect the turf runway and we had to change the airport layout plan (ALP) narrative. The discretionary funding for next year would probably not be there but we might still get \$5 million of discretionary funding for the parallel taxiway rehabilitation or the main runway rehabilitation.

Mr. Mathis asked if we could move both the parallel runway and deicing system along on the same project list and maintain the discretionary funding for the deicing apron. Mr. Sprenger said he doesn't think we could get discretionary for the deicing apron because he thinks it is an even lower priority than the parallel runway. We have used up all of our airport improvement program (AIP) entitlements. We will go to the FAA for funding for the runway and taxiway rehabilitation and may get more discretionary funding because we have used up all the AIP entitlements on the parallel runway. There are no guarantees that we would get any discretionary funding but we don't want to give up on it. Mr. Bell said we were hoping to start construction on the parallel runway next summer but have pushed it back to the summer of 2017 due to funding. He said we can push both projects simultaneously. Mr. Bell said he doesn't expect any problems on the EA. He will make modifications to the plans based on the comments from public agencies. Mr. Bell said he and Mr. Sprenger will push the FAA hard when they are sent the runway plans for review. He said the FAA is becoming more cautious in the review process than they have been in the past.

Mr. Sprenger said we would like to accept bids on it in March or April but we may have to put it out for bid in June or July. It would not be completed by the end of the year but it would push it up by half a year.

Mr. Mathis asked Mr. Sprenger why the design of the deicing apron has cost so much if he and the engineers are still concentrating on having it near the terminal. He also asked if they would accommodate general aviation (GA) on that pad.

Mr. Sprenger said he thinks it would be usable for GA but it would not preclude them from using the facility at the GA ramp. We are the only airport in the country where the deicing runoff does not go into streams and at some point the EPA may still require us to mitigate deicing runoff. Because of that, some of the additional design costs take that into consideration. Mr. Sprenger said they are still considering having it closer to the terminal because the further away it is, the more expensive it is for the airlines. Mr. Mathis said we have two deice pads already and asked if there was any possibility of using them. Mr. Sprenger said he has not looked at the deice apron since the last meeting but wanted to put this on the schedule. He and engineering will get more data and send proposals to the board. Mr. Mathis said the implementation of approach control has made a big difference and he believes using the existing pads is certainly something to consider. Mr. Sprenger said they would consider them as an option.

Mr. Lehrkind asked how the priorities would change if aviation travel turned for the worse and Mr. Sprenger said the runway and taxiway rehabilitations would have to be done in good times or bad. The board and Mr. Sprenger discussed the projects and Mr. Lehrkind asked if the three things that have to be done are the rehabilitation of the taxiway, main runway and pay off the bonds, and Mr. Sprenger said yes.

Mr. Sprenger confirmed that he and the engineers will push forward with the parallel runway and also work on getting a better definition of what they would propose on the deicing apron concurrently and would send it to the board members for their comments.

Mr. Kelleher said it was a good synopsis and thanked Mr. Sprenger.

4. Terminal Concession Request for Proposals Discussion

Mr. Sprenger said Scott Humphrey did a lot of work on the RFP. Mr. Humphrey said this is a request for proposals (RFP), not a bid. We are looking for the company we believe will provide the best service rather than just focusing on revenue.

Based on Bert Hopeman's comments over the last six months, Mr. Humphrey said we are asking for a proposal for the gift shop and restaurant together. Traditionally we have asked for two separate proposals, and we did that last time, but we accepted a combined proposal. Now we would prefer them together because it seems to work for our seasonal and even daily cyclic passenger traffic. The operator can draw from a slower concession to staff one that is busier at that time. The concessions have different opening and operating hours. We are looking at a seven year proposal.

Mr. Humphrey said we would like to keep the market concept in place. It seems to be good for our customers. At the last meeting, the board approved having a food-to-go in the space next to the restaurant. In the past, the Authority has purchased most of the equipment for the food concessions except for those items that are specific to the vendor's operation. Mr. Humphrey said we would like to continue that because it is easier to put out an RFP and facilitates changing concessionaires if the Authority owns the equipment. The contract would start June 1st next year. Mr. Humphrey said he would adjust the RFP based on the comments the board sent him. He would like to get the RFP out soon and would adjust the schedule as needed.

After receiving proposals, staff and a board committee would evaluate the proposals and score them based on which one they believe would provide the best amenities and best revenue to the airport. After that, the committee would bring their recommendation to the full board for approval.

Ms. Stelmak asked how we would distribute the RFP and Mr. Humphrey said six entities have expressed an interest, including Mr. Hopeman. We would send it to those entities; advertise in the local papers and on the website for the American Association of Airport Executives (AAAE).

Ms. Stelmak said she thinks it is critical that we offer a joint proposal. It allows for more flexibility and provides better customer service. Mr. Kelleher and Mr. Mathis agreed.

Mr. Lehrkind said it was very well written. We want to generate income for the airport and take care of our customers. He thinks Mr. Humphrey did a great job.

Mr. Humphrey said Ms. Stelmak has volunteered to be on the committee and would appreciate it if another board member would volunteer.

MOTION: Mr. Mathis moved that we issue a terminal concession Request for Proposals and Ms. Stelmak seconded the motion. Mr. Humphrey asked how the board felt about advertising nationally and Ms. Stelmak said she believes it would be good but we want local branding. Mr. Humphrey said he would make that clear in the pre-proposal meeting. Mr. Mathis said a number of vendors throughout the country participate in the AAAE and he believes we should give them an opportunity. He said he has seen a lot of national companies go to great lengths to provide local branding and hire local people. Mr. Kelleher asked when the RFP would go out and Mr. Humphrey said October 13th. We should get the sealed RFPs by the January 8, 2015 meeting. We would like to have the concessionaire approved at the February 12, 2015 meeting so the vendor would have time to transition and

have something in the vacant space next to the restaurant for the new hot grab-and-go for the summer traffic. All board members voted aye and the motion carried unopposed.

5. Report on cost saving initiatives results – Paul Schneider

Mr. Schneider said we have seen very good cost savings results from the various initiatives that have been implemented. The initiatives are: Western States Contracting Alliance (WSCA), ground water heat exchanger cooling at the east end of the terminal, the load shed project, lighting (including programming / scheduling, controls and fixture replacement, as well as HVAC efficiencies.

Mr. Schneider said we have been using WSCA since February 2014 and have seen a total savings in products purchased of \$5,387, an average of \$630 per month. In addition to the savings in products purchased, we have saved shipping costs as we don't have to pay shipping under the contract. There was no cost to implement this program.

Mr. Schneider said we are seeing an average savings of \$4,088 per month for the ground water heat exchanger cooling system, or \$18,895 per cooling season. The system is only used during the cooling season. The load shed project included installing three electric power meters to monitor usage and manipulate loads in real time to reduce monthly demand charges. The monthly savings due to reduced demand are \$685 and the savings due to reduced consumption are about \$200 per month, bringing the estimated total monthly savings to \$885 per month.

Adjusting the lighting schedules to reduce or eliminate lighting when possible based on occupancy and available daylight has conserved \$1,015 per year for ramp lighting. In the bag make up area, motion sensors have made it possible to save \$9,085 per year. The astronomical clock that controls the parking lot lighting has resulted in saving of \$758 per year.

Mr. Schneider said the total cost of the initiatives was \$88,588 and the estimated cost savings per year for all initiatives is \$48,741.

Mr. Schneider thanked Chuck Rasnick, Maintenance Supervisor, and Rhett Boerger, Building Maintenance Supervisor, and said they were instrumental in implementing the initiatives. He also thanked Jim Gunderson, airport electrician, and Larry Thompson, who installed and monitored the load shed system as well as changing the operational parameters. Mr. Schneider said our maintenance staff has done a phenomenal job in stepping up to complete these projects. Our maintenance crew is one of the finest he has had the pleasure to work with.

Mr. Mathis asked if we would be purchasing our new pickup and plow from WSCA and Mr. Sprenger said we were but unfortunately we couldn't get one locally. We were able to get one for about \$10,000 less than what we could have purchased locally. As a board member, Ms. Stelmak complimented Mr. Schneider and staff because they are aggressively looking for ways to save money and be more efficient. As a general aviation pilot, she thanked him for keeping costs down for users of the airport.

The other board members thanked Mr. Schneider and Mr. Kelleher said it was an impressive report.

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

Mr. Humphrey reported that September tower operations were up 8% to 7,478. Rolling twelve-month aircraft operations were 79,453. Corporate landings were 209 versus 211 for September 2013. Enplaned passengers for September were up 10.3% to 43,367, and made it another record-breaking month. He said the summer traffic from Los Angeles and Atlanta is now spilling into September for most Montana airports, including ours. Rolling twelve-month enplanements were 470,170. Deplanements of 39,644 were up 8.3% from

36,595 for last September. Airline landings were up 9.1%, 577 versus 529 for September 2013 due partially to Alaska Air's additional Seattle evening service. There were 23.6% more seats in the market than last September, which is good because you couldn't even buy a seat last September. The overall load factor for the month was 83.2%. Frontier's load factor was 96.2% to Denver. There were 1,084,989 gallons of fuel dispensed for August, which was up 30.3%. AvGas was down but Jet A and Jet A for the airlines was up. Mr. Humphrey said we have 30% more seats in the market for October because we were severely constricted last October. Ticket sales are up 18% for October. He said it will probably be another record breaking month and enplanements may be up 15% to 19% for October.

Mr. Humphrey said if enplanements continue on the same flight path they have since 2000, at the end of seven years we may have 700,000 enplanements for the seventh year. Even at the national average of 2.3% growth per year, we may see 680,000 enplanements for the seventh year. He said it may be an a busy seven years. There are no guarantees. Mr. Lehrkind asked about AvGas and Mr. Humphrey said we are seeing the flights coming back but not the fuel sales.

7. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that passengers passing through the terminal may reach 960,000 this year and we may reach 480,000 enplanements. He said for Christmas, we are seeing a 20% increase and January and February are up about 5%.

Mr. Sprenger said he spoke to Levon Johnson with Alaska Airlines at the Northwest American Association of Airport Executives (NWAAAE) meeting and they are pleased with their third daily flight to Seattle. That is about a 50% increase in seats for them in the off season. With a 40% increase in seats in September, their load factors were at 86%. Mr. Johnson didn't indicate any concerns.

Mr. Sprenger said we are continuing to see Frontier adjusting their connectivity.

While there are some positive additions such as Miami, we are also seeing a downside in lost markets like Indianapolis and Nashville. Mr. Sprenger said he isn't sure how it will play out.

Mr. Sprenger reported that all the sessions at the NWAAAE meeting were good, especially the one day session on emergency responses. Mr. Kelleher said it was very thorough and he learned about the challenges of responding quickly. We have a drill every three years and he asked if it would be worth doing more often. Mr. Sprenger said it is a balancing act preparing for the worst-case scenario that statistically won't happen. Mr. Sprenger said we could spend a lot of money to prepare for that, but there are a lot of things we spend money on to prevent accidents. Mr. Sprenger and the board discussed this topic briefly. Mr. Mathis said we have to determine which makes more sense, to put in a guard rail at a bad mountain curve or to park an ambulance down in the valley to pick up the people. He said, over the years, we have taken the guard rail approach by improvements to runway braking, radar, the control tower, approach control and a number of other things to keep from having an incident. He said the requirement for having a crash truck started in 1973 and since that time, there has never been an incident in Montana that has required a response with the crash truck. We still have to purchase these large crash trucks. He said he couldn't find one time in the last fifteen years where a response with one of these trucks has saved a single life. Usually the people got out of the aircraft on their own before the aircraft caught on fire or the crash was so catastrophic there were no survivors. He said having quick response vehicles like medical and ambulance make sense to him but not the huge crash trucks that we are required to buy.

Mr. Sprenger said it is necessary to focus on the people who are on the airfield and get them out of the area. Flight attendants get people off the aircraft within 90 seconds. We

have three minutes to respond. He said the first responder is often airport maintenance. Ms. Stelmak said the drills are huge and quite disruptive. We have the advantage of having a lack of turnover and consistency with our staff. Mr. Sprenger said the drill is a good opportunity for the community to get together so they could respond to a non-airport emergency as well as an airport emergency.

Mr. Sprenger reported the 2016 NWAAAE Conference will be held at Big Sky.

Mr. Bell said the interchange project is moving along and may be fully open this year, but that is weather dependent. Knife River is pouring concrete for the two roundabouts for the interchange and the roundabout just north of Northern Pacific. Then they will have to do a small amount of paving between them. Highway 205 (Frontage Road) is cut to grade and Knife River is putting in the underground infrastructure for the stop lights and storm drainage and will follow that with the curbing and gutters. He believes Frontage Road will be done and paved this year but hopefully the good weather will hold long enough for the interchange and Northern Pacific to be paved. Next week Knife River is scheduled to start making the tie in to Dry Creek, which will take about a week and a half.

Mr. Lehrkind asked if the Montana Department of Transportation (MDT) is keeping the money we hoped would be earmarked for highway 205 and Mr. Bell said Mr. Sprenger and he have met with the County Commissioners and the City of Belgrade. The Memorandum of Understanding between the entities says there has to be a final accounting at the end of the project and that would be a good time to discuss it with the MDT. The board thanked Mr. Bell.

Ms. Stelmak asked about electrical outlets in the seating area. Mr. Humphrey said the towers cost about \$14,000. Mr. Sprenger said we are looking at other options. We haven't had comments about not having enough outlets. Ms. Stelmak said she has seen people

around the perimeters so they plug in their devices. Mr. Sprenger said people are using the power bars at the gates. It is an issue that we will continue working on.

Matt Bauer said he heard Daryl Schleim, CEO of the Bozeman Area Chamber of Commerce, on the radio talking about Dallas service. Mr. Sprenger said we did get a Small Community Air Service Development Grant of \$750,000 to pursue Dallas service. We will be giving back about \$700,000 on our New York/Newark (EWR) grant. Mr. Sprenger said he thinks the grantees are looking for success stories in the grant program.

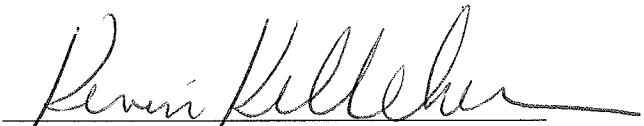
8. Consider bills and approve for payment

The eighth agenda item was to consider the bills and approve for payment. Mr. Sprenger said there were construction checks for Caliber Enterprises for reroofing the old Hertz building, Granite TCS and Video Sound and Service for the new gate fiber, access control, CCTV and camera replacement. He also pointed out some of the larger operations and maintenance checks.

MOTION: Following further review of the bills, Mr. Lehrkind made a motion to approve payment of the bills and Mr. Mathis seconded the motion. All board members voted aye and the motion carried unopposed.

9. Adjourn

The meeting was adjourned at 3:30 p.m.


Kevin Kelleher, Chair