

The regular monthly meeting of the Gallatin Airport Authority was held June 8, 2023, at 2:00 p.m. in the Airport Conference Room. Board members present were Karen Stelmak, Ted Mathis, Kendall Switzer, Kevin Kelleher and Carl Lehrkind. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, and Troy Watling, Assistant Director - Finance.

Ms. Stelmak, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board and called the meeting to order.

1. Review and approve minutes of regular meeting held May 11, 2023

Ms. Stelmak 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 May 11, 2023. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Report on Airport Concessions – Doug Stock

Mr. Hopeman said he and his wife are thrilled to introduce Doug Stock as a stockholder for Sharbert Enterprises. Mr. Stock has been appointed as acting CEO of Sharbert Enterprises. Mr. Hopeman is in more of a consulting position.

Mr. Stock read a prepared statement. Mr. Stock said Sharbert Enterprises will be celebrating its 30-year anniversary this July. Mr. Stock said they have shown flexibility to manage many challenges including covid, enplanement growth, inflation, and a tight labor

market. Mr. Stock provided examples of some of the ways these challenges have impacted their business, how they have been successful managing them and plans for the future. They remain committed to continuing to provide excellent services to the flying public. They expect revenue to increase modestly this year over last. Mr. Stock explained some of their initiatives. A formal training process is continuing to develop to enhance frontline sales ability. They have hired a merchandising specialist experienced in packaging, buying, and merchandising. They have hired an executive chef who will be responsible for evaluating the quality, diversity, and presentation of their food. They are seeking to reduce checkout wait lines and speed up service. They are planning distinct identities for each store in an effort to encourage travelers to visit each store.

Mr. Stock continued they are collaborating with architects and designers to re-brand Taco Jet. A proposal to the board is expected in the coming months. The upcoming BZN Marketplace is another venture to spotlight locally produced food items. As for costs, they are implementing lean management techniques and reviewing processes in order to streamline. This year they are investing \$1.8 million in equipment, office space, and additional warehouse space designed for efficiency with the goal of reducing material handling hours by 50%. They are also working on improving labor scheduling and shifting staff between stores as demand changes.

Mr. Stock said they have produced one of the highest rates per enplanement in the industry. Mr. Stock attributes part of the success to the unique design of concessions here at BZN.

Mr. Stock concluded by explaining their goal is to thrive as a business and continue an excellent partnership with BZN.

Ms. Stelmak thanked Mr. Stock for a wonderful presentation. We understand their challenges and their creative commitment is impressive.

Mr. Mathis asked if the vision for the BZN Marketplace has changed based on changes in the market. Mr. Stock said plans have not changed; they feel the design is perfect for the developing environment.

4. Consider request by Summit Aviation to enter into a new 10-year non-commercial land lease on hangar 56

Mr. Sprenger said the hangar is in good condition. Staff recommends approval of the motion.

MOTION: Mr. Kelleher moved to approve the request by Summit Aviation to enter into a new 10-year non-commercial land lease on hangar 56. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

5. Consider request by Don Profota to enter into a new 10-year non-commercial land lease on hangar 60

Mr. Sprenger said the hangar is in good condition and staff recommends approval of the motion.

MOTION: Mr. Lehrkind moved to approve the request by Don Profota to enter into a new 10-year non-commercial land lease on hangar 60. Mr. Mathis seconded the motion and all board members voted aye. The motion carried.

6. Consider request by Bob and Linda Marshall to transfer their non-commercial land lease on hangar 59 to M&A Alaska, LLC

Mr. Sprenger said this request and the next indicate a trend of investors investing in hangars and then leasing them out. Staff expects this trend to continue. One reason is that the cost to build is so high. That will be a challenge as investors don't have the same focus as an aircraft owner. It will require a different level of interaction and oversight. Staff is aware of this and will be watching the situation closely. Ms. Stelmak said we need to continue to ensure that each hangar has an aircraft.

Mr. Mathis said they are seeing the demographics changing in the General Aviation (GA) area.

Mr. Switzer asked if the investment company is local. Mr. Sprenger confirmed that he is a local realtor.

Mr. Mathis said he has seen items being removed from this hangar to a smaller hangar and the items don't appear to be aviation related. Mr. Sprenger said that will have to be addressed. Mr. Sprenger said another development is there were a number of handshake deals for storing aircraft. That will probably be different with investors.

Mr. Switzer said this trend will most likely not change and asked Mr. Sprenger if he thinks our current structure can handle this. Mr. Sprenger said that will be part of the discussion with the focus group for the northside development. The input of the board and the committee will help in that regard.

MOTION: Mr. Switzer moved to approve the request by Bob and Linda Marshall to transfer their non-commercial land lease on hangar 59 to M&A Alaska, LLC. Mr. Mathis seconded the motion and all board members voted aye. The motion carried.

7. Consider request by James Allen Albright to transfer their non-commercial land lease on hangar 66 to M&A Alaska, LLC

Mr. Sprenger said this is one of the most problematic hangars in our history. The builder wanted to use this hangar as an apartment. There was a lawsuit to establish there are no residences at airports. It was influential in airports across the country.

MOTION: Mr. Mathis moved to approve the request by James Allen Albright to transfer their non-commercial land lease on hangar 66 to M&A Alaska, LLC. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

Mr. Lehrkind asked the average per square foot cost for a hangar. Mr. Scott Bell said a basic hangar insulated with a bathroom is about \$150-\$200/square foot.

8. Consider requiring airline kiosks in the ticket lobby to be wrapped in an airport approved color

Mr. Sprenger referred to the board memo and some images of airport kiosks throughout time. Delta's current kiosk is a stark contrast to the surroundings. Jet Blue is similar but not as noticeable. Each airline has developed their own design. There is talk from Alaska and Jet Blue about adjusting theirs. It will be a continuing issue. We have explored the possibility of wrapping the kiosks. The airlines had some concerns such as what their condition would be after removal of the wrap. That we don't know. Delta doesn't want us to cover or adjust their branding. Some airports have a common kiosk where you can choose which airline system to access but they are very expensive. The cost for the wrap is estimated at \$500 per kiosk so close to \$10,000 for 20 kiosks.

Mr. Switzer said kiosks are now branding machines and he can understand where the airlines are coming from. We don't want to diminish the appearance of our airport.

Mr. Lehrkind said customers will be looking for kiosks and wrapping could make that more complicated for travelers. Also, will we spend all this money only to have them changed out in a couple of years. Mr. Lehrkind doesn't think it is detracting from the building and that the kiosks are fine as they are.

Ms. Stelmak said if you travel a lot, you know the kiosk you are looking for. If they all look the same, it becomes complicated. As long as the color schemes are not too ostentatious, they aren't a problem.

Mr. Kelleher asked about the impact on pedestrian traffic in the location. Mr. Sprenger said we have not had any issues. The lighting and materials of the kiosks are very different than what we have in the terminal. We are also seeing a shift in how the kiosks are being used and their use may be reduced.

Mr. Mathis said he is disappointed with the Delta kiosks. They look nice in Las Vegas but not here. Mr. Sprenger said we went back and forth with Delta, and they wouldn't budge. Mr. Mathis said considering how much we do for the airlines, it is disappointing that they couldn't be more accommodating in helping us maintain the motif of our building. Mr. Mathis is not in favor of spending \$10,000 to wrap them but he would like to see more options explored.

Mr. Switzer suggested a review process that we inform the airlines of in advance. Mr. Lehrkind responded that it could be difficult to get the airlines to change. Mr. Sprenger said maybe there are other options. They will discuss this with the architects and see if they have some ideas.

Mr. Switzer said he thinks it is important to communicate our intent. We can let the airlines know that if our intent is challenged, we are going to make changes. Our intent is that it looks like Montana, and it has the flavor and feel of a cabin in the mountains. This challenges our intent.

Mr. Mathis said staff has dropped the ball on this like the color of storage fuel tanks. Mr. Mathis added that the lighting in the bistro area is a downgrade. Mr. Mathis said he understands some of this has to do with availability of fixtures, but he urged staff to be careful.

MOTION: Mr. Lehrkind moved to approve staff continuing to evaluate the kiosk and other issues that arise of similar nature and report back with solutions. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

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

There were 10,202 total tower operations for May, which was up 26.2%. Rolling 12-month operations were 117,643 operations. Corporate landings over 9,000 lbs. were 454, and 398 of those were above 12,500 which is up 27.2% from last year. There were 10 custom clearances in May 2023 versus 7 in May 2022 which is 42.9% better, and for the calendar year we are up 25% for customs clearances at 109 versus 87. Total revenue enplanements were 83,166 versus 79,383 which is up 4.8% for the month and up 5.8% for the year. Rolling 12-month enplanements were 1,160,429 which is a new record. Deplaned passengers were up 5% at 90,085 versus 85,762 passengers. Airline landings were down 3.6% at 667 versus 692. Overall load factor was 82% versus 78.6% last year. American had a 92.8% load factor. Allegiant had almost an 80% load factor. United had an 85.7% load factor. Southwest is

coming back up again with a 80.4% load factor. Fuel dispensed for April was up 2.3% at 1,102,259 gallons.

For June, we expect to come in with an 85% load factor, so we are expecting to end up 3-4% better than last year. Avelo starts on the 28th.

Mr. Lehrkind commented that he met with a customer in Big Sky who is projecting 25% less visits next year due to Europe opening up.

Mr. Mathis said he saw a Cessna 408 here with FedEx operated by Empire Airlines. Mr. Humphrey said he wasn't aware and hasn't seen that type in the past. Mr. Mathis said FedEx ordered 50 of them to start with.

10. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that we don't get passenger numbers from private jets. Our estimate, based on new data, is that the passenger numbers using private jets are about 1% of those using commercial airlines. That equates to 15,000 passengers per year or about 2 passengers per plane.

May overnight cars were 104% of last year and parking revenue was 117% of last year. Food and beverage was 108% of last year and retail was 102% of last year.

Mr. Sprenger was at the AAAE conference over the weekend. We were invited to participate in a portion of the conference for the top 100 airports. 38 of the top 100 airports were there including CEO's and Airport Directors. The most significant challenge is staffing. Project cost escalation is another challenge. Another challenge is regulatory unfunded mandates. Succession planning was discussed. During our annual table top exercise with 35-40 participants, only 6 had been there 2 years ago. There is a lot of turn over which is an

underlying concern. We don't have the institutional knowledge we used to rely on. There was news on the debt ceiling limit. There were discussions on the FAA transitioning from AFFF to F3, a firefighting foam. There were discussions on revenue diversion. There are more questions on what is not aviation-related and what are grey areas.

All of the contract towers are challenged by staffing. The FAA is hiring whoever they can because they are short. Phoenix/Mesa said they might have a controller fully certified for a few months and then they get picked up by the FAA. There is also an upcoming contract rebid for contract towers. This year they are adding a 4th contractor. Liability insurance was discussed. There was some discussion on a potential pilot program to transition from Federal to Contract and vice versa.

There was a session on the TSA. Employee screening is an unfunded mandate taking the forefront across the country. We have designed into our terminal some factors that may mitigate the impact to the employee screening. Still, we don't think this is something the TSA should put on airports. This should be a federal responsibility and they should be paying for it.

Cyber security is another topic. Some budget items approved last month were particularly related to cyber security. We hope to do everything we can to stay ahead. Bob has done an excellent job of protecting us.

The board packet shows a potential street sweeper. Because we would be using our own money, we could use the Sourcewell program. Scott Bell explained that Sourcewell is a company that bids equipment for public entities. It is legal in Montana. We are running it past the FAA to see if they would participate. Since this is local money and it is a legal option,

Sourcewell allows the process to move quicker. Mr. Sprenger said we have already programmed the funds. It will be in the \$340,000 range. We are working toward that.

Mr. Sprenger said the packet also shows another budget item which is continuous friction measuring equipment. The less expensive equipment we have is a challenge as some are only good for winter operations. This equipment would provide much better and more consistent values. It would reduce the time on the runway by about 50%. Another advantage is a significant reduction in chemical use. \$106,000 was included in the budget for that equipment.

The Request for Proposals (RFP) for the parking lot will go out next month.

The Tower RSAT meeting will be held June 14th 5-7pm.

11. 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. Lehrkind seconded the motion.

All board members voted aye. The motion carried.

12. Adjourn

The meeting was adjourned at 3:15 p.m.



Karen Stelmak, Board Chairperson