

The regular monthly meeting of the Gallatin Airport Authority was held January 12, 2023, at 2:00 p.m. in the Airport Conference Room. Board members present were Karen Stelmak, Ted Mathis, Kevin Kelleher, Carl Lehrkind, and Kendall Switzer. 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 December 8, 2022

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. Lehrkind moved approval of the minutes of the meeting held December 8, 2022. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

2. Public Comment Period

There were no public comments.

3. Consider real estate transfer agreement with Robert L. and Nancy F. Weiman for the purchase of property located at 1320 Timothy Lane, Belgrade, Montana

Mr. Sprenger said the Weimans would like the 3-year provision to stay on the property. Staff recommends approval of the request. Legal has reviewed the agreement.

MOTION: Mr. Switzer moved to approve real estate transfer agreement with Robert L. and Nancy F. Weiman for the purchase of property located at 1320 Timothy Lane, Belgrade, Montana. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

4. Consider revising term thresholds for new aviation land leases

Mr. Sprenger said due to increased building prices, there is a request to revise the term thresholds.

Current lease thresholds at BZN:

- Hangars less than 10,000 square feet have a 10- year term with a 10-year option.
- Hangars 10,000 s.f – 79,999 s.f. have a 20-year term with a 10-year option
- Hangars 80,000 s.f. and above have a 25-year term with a 15-year option

Staff surveyed the lease terms of other airports in Montana. All have variations based on investment. Mr. Sprenger reviewed some of the other Montana airports' terms.

Proposed lease thresholds:

- Hangars less than 10,000 square feet, proposed 20- year term with a 10-year option.
- Hangars 10,000 s.f – 34,999 s.f., proposed 25-year term with a 10-year option
- Hangars 35,000 s.f. and above, proposed 30-year term with a 10-year option

The proposed lease thresholds provide more flexibility for the increased cost of building hangars. The average price for a basic hangar is \$100-125 per square foot. Larger hangars without parking are north of \$200 per square foot.

Mr. Mathis confirmed these thresholds are strictly for new construction. Mr. Sprenger confirmed these thresholds are for new construction. We already have some provisions where leases can be extended, but those are excluded from this proposal.

Mr. Lehrkind would like to know the reasoning behind a 40-year term. Mr. Sprenger said the party who suggested it has a large project going on with a large investment.

Staff recommends approval of the request.

Mr. Switzer said Summit and Ridgeline will be on the north end and asked will this new threshold address Mr. Sperry's needs. Mr. Sprenger said yes, this was reviewed to meet the need for current projects. This proposal is more in line with the projects we have going.

Carl Shuman asked if these terms lock in the lease payment. Mr. Sprenger said the lease payment is adjusted every three years.

MOTION: Mr. Switzer moved to approve revising the term thresholds for new aviation land leases as proposed by staff. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

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

Mr. Humphrey reported 7,457 total tower operations for December which was down 1.6%. Rolling 12-month operations were 111,062 operations. There were 30 Custom clearances in December 2022 versus 12 in 2021. Total enplaned passengers were 84,594 which is 6.6% above last year. Between the cold spell and the Southwest reset, we lost 57 flights and 11,000 seats through cancellations. We are down about 4% from where we thought we would be. Rolling 12-month enplanements were 1,135,681 which is a new record. Deplaned passengers were up 4.3% at 89,576 passengers. Airline landings were down 11.3% at 660 versus 857. The load factor for December was 78.3%. Delta's load factor was 88.2%. American's load factor was 83.7%. United's load factor was 80%. Southwest's load factor was 62.2% with all the issues they had. Total gallons dispensed for November were up 84.9%.

Last week we had a half day of fog along with the FAA outage yesterday which caused disruptions. We have 7.5% more seats this January. We expect to end up 6-8% better than

last January. It is a little early to look at spring / early summer but we expect moderate growth. It doesn't look like we will have double digit growth this year.

Ms. Stelmak commented that the numbers are incredible considering the extreme cold and fog.

Mr. Switzer asked about a trigger load factor for airlines to consider larger aircraft. Mr. Humphrey said he has heard that in the high 80's, you can't find a seat 2 weeks before departure. We are starting to get back into those load factors. That will probably prompt airlines to increase capacity.

Mr. Switzer asked how we are positioned with gates if our growth model continues. Mr. Sprenger said for gates we are positioned well. We could add 3 additional gates during the terminal project. We have seen increase in aircraft size. We are also seeing 15% fewer flights. Our growth has been based on significantly larger aircraft, a higher percentage of seats fill but 15% fewer flights. We expect increased frequency over time. By March we will have a better feel on where things will go for the rest of the year.

6. Report on CY 2022 Airline Traffic Results – Brian Sprenger

Mr. Sprenger presented some more in-depth numbers with on screen charts. We shattered the passenger record. A chart showed the progression from 2018 to 2022 in passengers. COVID impacted 2020 but the trend line was a very predictable line. We were already trending up during COVID. Another reason the growth rate will grow more slowly now is because there are only a couple of smaller airlines we don't have, there are fewer non-stop destinations that are large enough for service since we have service to our top 20

destinations. As population and lodging grows, we can grow. We are now a primary airport for the state. That can change and we should be cautious.

The next chart displayed tower operations. There was a steady trend until 2021. We had a dip this year because airlines are flying fewer aircraft. That will gravitate up again. It is also contingent on flight schools and weather.

The next chart displayed business jet landings 12,500 and above. Growth is continuing. If you add in the business jets over 9,000, business jet landings will exceed our air carrier operations.

The next chart displayed Airport Authority Operating Revenue. On the expense side, we are below where we need to be. We are trying to get that appropriate for our size while not exceeding our abilities. Our expense target is 50% of operating revenue so the other 50% can be used for capital projects.

The next chart displayed Cash on hand, debt, grants, and capital project. Grants from COVID have offset some of our expenses. Debt has dropped some. Capital projects grants didn't cover half of the capital projects. Some AIP funding is delayed, and some projects are non-fundable. Some of the projects we would like to have expanded on even more, but we can't get the contractors and we have multiple projects being handled simultaneously. That is why the cash on hand has gone up. We are also preparing for the terminal project and infrastructure projects for the airfield.

The next chart displayed Rental Car Concessions Market Size which is now \$100 million. We collect a concession fee from that, which accounts for some increases in revenue. That is a number that we need to take to the state because it generates tax revenue for the

state. They should be educated because there is this prevailing idea that tourists don't pay taxes. Mr. Lehrkind asked for those numbers to use in speaking with legislators.

The next chart displayed Parking Lot Revenue which saw a significant increase. After the re-allocation of the parking lot, we are seeing a shift in the usage. Previously, the premium lot accounted for 20% of the lot, this year so far, it is 50%. The relocation of economy to the other side has led to this increase. There are some who will change. Mr. Mathis asked if the shift was due to the economy lot being full and Mr. Sprenger said not in this case. Over the holidays, when we did get full, the premium filled up slightly before the economy. If this continues, it will have a positive impact on revenue. It will be interesting to see. We are glad to have the parking lot mostly complete. We got most people out of town before the large impact from Southwest and weather but did overflow by about 300 cars.

Mr. Sprenger said we are looking at what we will need for next year. With the slower growth rate, we may do some short-term fixes. It was a 5-day period of overflow. We may get the overflow area graveled and ready for paving. There have been some comments expressing disappointment in the longer distance of the economy lot. We expected more negative comments than we got. Snow removal has been difficult and expensive.

Mr. Switzer asked for the long-term plan for parking. Mr. Sprenger said the intention is to add additional parking in the space to the south of the loop. There is enough space there for another 1,000 stalls. We have to time that with the parking garage because it will be expensive. Ride share cost has gone up due to the cost of fuel, and parking has been a more affordable option. Raising the rate can potentially lower demand. The general plan includes an additional parking garage within the next 5 years. Mr. Mathis asked if our existing covered

lot has been full. Mr. Sprenger said we were averaging 68 out of 93 in December. We are now averaging 82-83 out of 93 so pretty close to full. If you came in during the morning, the covered lot was showing as full. The change in the premium lot has pushed a few people over to covered.

The next chart displayed Concession Market Revenue for Retail increased from \$3 million to \$6.5 million. Food and beverage revenue increased from \$4 million to \$9 million.

7. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that December food and beverage was 120% of December 2021. Retail was 109% of December 2021. Overnight cars were 115% of December 2021. Parking revenue was 139% of December 2021. Rental cars were 96% of December 2021, mostly due to the weather.

Contract services for snow removal was significant. We are hauling snow and moving snow for the first time. Treasure state was helpful but we can't always count on them. We had equipment issues, one being a major repair on one of our loaders. We are moving a lot of snow on the new ramp and using a lot of de-icing materials. We are learning a lot. November & December contracted snow removal totaled \$145,000. On a per day event basis that works out to be \$8,500. Temperatures were closer to freezing so there was more chemical usage. We are looking at how best to handle that next year. Expenses have gone up.

From a staffing standpoint, we are just trying to keep our heads above water. We are starting to put more of an emphasis on things we have not been doing well as we could be. Training is one of those things. We have initiated an initial training which includes information such as the organizational structure of the airport, in addition to job duties across the

organization. We are taking people from different departments and getting them together for tours and understanding how departments overlap. We are adding more required training like Part 139. We are moving towards more computer-based training. That makes it more oriented toward the time they have that is available, so we don't have staff missing at times they are needed. This is increasing the level of competency.

Baggage handling is coming along well. We are roughly at the halfway point. The new system does require attention. We are working on some modifications. Straps are an issue, and we are working with the airlines on that. Also, the airlines understand we will be increasing costs to cover expenses on the new system. By the end of the fiscal year, we will know what those costs are. We anticipate needing additional personnel to staff the new system. We want to focus our highly skilled and in demand mechanical employees on areas where they are needed most.

The northside apron is 95% complete. There are some items to be completed in the spring. The commercial apron is also about 95% complete. The water line is 80% complete and sewer is about 90% complete. We still have to tie into Ryan Glen's lift station line.

Our fire truck should be delivered this Friday.

Mr. Mathis complemented staff on the new parking lot lighting. The new lighting is not as bright when viewed from the hills but is effectively bright when in the lot.

8. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

Janet Herring with Delta said they have received positive feedback for the bag drop by the parking garage. They are offering that service daily. This is reducing bags at the main counter which is good. Ms. Herring said they are happy with the project so far.

Mr. Sprenger said the feedback is important because the terminal project includes a bag drop on the second level for all airlines from the rental car customers. This is proof of concept and if it shows continued success, it will delay the need for a ticket counter expansion.

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

9. Adjourn

The meeting was adjourned at 3:01 p.m.



Karen Stelmak, Board Chair