

The regular monthly meeting of the Gallatin Airport Authority was held November 13, 2014 at 2:00 p.m. in the Airport Conference Room. Board members present were Kevin Kelleher, Ted Mathis, Kendall Switzer and Karen Stelmak. Carl Lehrkind 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 monthly meeting of the Gallatin Airport Authority and said on November 22nd, the Airport Authority will be celebrating its forty-second birthday. In 1972, the Gallatin County Commission wisely created the Airport Authority. He said that is summed up in the audit report that would be discussed later.

Mr. Kelleher said members of the public are welcome to comment on agenda items when they are being discussed by raising their hand, being recognized, going to the podium and introducing themselves before making their comments. He welcomed and congratulated Don Seifert, who has been elected to be a County Commissioner.

### **1. Review and approve minutes of regular meeting held October 9, 2014**

Brian Sprenger, Airport Director, said there were two corrections on page 12 and apologized that staff hadn't noticed them. One was the spelling of runway "breaking", which should have been "braking" and two lines below that, "incidence" should have been "incident."

**MOTION:** Ted Mathis moved approval of the minutes as amended. Kendall Switzer seconded the motion and all board members voted aye. The motion carried.

### **2. Public comment period**

Mr. Kelleher said no one had signed up to make a public comment but could do so by standing up and being recognized.

Don Seifert introduced himself and thanked the board for their work for the county and southwest Montana. He said they have made it a world-class airport and the improvements they are working on will only make it better. He said his door will always be open after he takes office as a county commissioner. He thanked the board for their time and for all they work they do. The board members congratulated him.

### **3. Consider Audit Report**

Mr. Sprenger said Sydni Tangaro from Holmes and Turner was here and would go over the audit report. Ms. Tangaro introduced herself as the audit manager for Holmes and Turner and said Maddie Miller, who also worked on the audit, was present. She said they had two deliverables the board received before the meeting; one is the bound copy of the audit report, and the second one is the Independent Auditors Report. Holmes & Turner also prepared the Data Collection form, which had been submitted electronically. Her presentation summarizes all three deliverables. Pages 1-3 are the Auditor's Report on the Financial Statement. It is an unmodified opinion, which means a clean opinion. They did not have any limitations and staff gave them full access to all the records and information. She thanked Mr. Sprenger, Scott Humphrey, Cherie Ferguson and staff for their help during the audit. There were no material variations from generally accepted accounting principles (GAAP).

Ms. Tangaro said the Statement of Net Position was on page 18 of the audit report. True cash increased approximately \$3 million. Grants receivable decreased \$2 million and capital assets increased by \$5.9 million. Capital assets increases were land \$1.5 million, new access road \$1.8 million, commercial apron expansion \$1.4 million, pay parking expansion

\$700,000, and other equipment and improvements were \$500,000. The accounts payable are up \$1 million for capital projects in progress. Net position increased \$3 million.

Ms. Tangaro said the Statement of Revenues, Expenses and Changes in Net Position were on page 18 of the audit report. It has been reorganized to match internal management grouping and reporting. The report shows the operating income before and after depreciation, and the rental car facility income and expense and custom expense are now recorded in the non-operating portion of the statements. The net increase in financial position was about \$450,000, to \$3,093,278, which is mainly due to an increase in operating income from concession rate increases and increased activity overall.

In the non-operating portion of the statements, there was less money contributed to Gallatin County for the I-90 Interchange. Last year there were payments of \$1.8 million, this year there were only \$85,354.

Ms. Tangaro said there were significant accounting changes related to GASB 65, Items Previously Reported as Assets And Liabilities, regarding implementation for bond issuance costs. The prior year adjustment of \$260,452 was a reduction in net assets for fiscal year 2013. That will no longer be capitalized.

Ms. Tangaro said the Statement of Cash Flows was on pages 20-23 of the audit report. Cash from operating activities was \$4.5 million; cash from noncapital financing was down \$1.8 million for the Interchange; \$4.5 million more was expended for capital assets, and we received \$500,000 more from grants, PFC and CFC funding. In 2013 we cashed out the CDs and there was no cash from investing this year. Ms. Tangaro also reviewed journal entries. They recommended the \$260,452 for GASB 65 and retainage payable of \$83,000 for construction in progress. Staff accepted the recommendations, so the entries were recorded.

Ms. Tangaro said the auditor's report on internal control over financial reporting and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards were on pages 41-42 of the audit report. They did not note any significant deficiencies in internal control or instances of noncompliance that would have a direct and material effect on the determination of financial statement amounts.

Their report on compliance for each major program and on internal control over compliance required by OMB Circular A-133 was on pages 43-44. They performed a Single Audit for FY 2014. The auditors gave an unmodified (Clean) opinion on compliance with types of compliance requirements that could have a direct and material effect on its major federal program. They did not note any significant deficiencies in internal control. The schedule of Findings and Questioned Costs are on page 45. We were not a low-risk auditee this year because the auditors didn't perform a Single Audit in FY 2013. The Schedule of Expenditures of Federal Awards is on page 46.

Mr. Kelleher said he was very impressed with the work the auditor and staff put into the audit report and that it was very well done. Ms. Tangaro thanked the board.

Mr. Sprenger thanked staff, especially Cherie Ferguson and Scott Humphrey and commended them for another year of a clean audit. Karen Stelmak said the Director's Report on page 7, showing that the airport generates almost \$500 million in economic impact every year for the local economy and the fact that the Gallatin Airport Authority has not received local tax dollars for over 25 years, along with the financials, is very impressive. Mr. Switzer said this is no small thing with the scope and scale of what we do and he wanted Mr. Sprenger to thank staff for all they do, along with all Mr. Sprenger does. He said we are a shining star in the State of Montana and this is how to do business. Mr. Mathis said he echoed the other board members' remarks and always appreciates the good work.

Mr. Kelleher said there is a lot of work and it speaks highly of our staff. He said it is interesting to see how well the airport has been run over the decades and he thinks it goes back to being an airport authority and being able to make decisions that aren't heaped upon the county commissioners.

**MOTION:** Ms. Stelmak moved to approve the 2014 Audit Report and Mr. Mathis seconded the motion. All board members voted aye and the audit was approved unanimously.

#### **4. Report on passenger boardings and flight operations – Scott Humphrey**

Mr. Humphrey reported that October was a phenomenal month. Tower operations were up 5.7% to 8,282. Rolling twelve-month operations were 79,899. Corporate landings were 159 versus 151 for October 2013. Enplaned passengers were up 19.3%, from 29,821 for October 2013 to 35,572 this October. This was with an additional 10,000 seats in the market.

Rolling twelve-month enplanements were 475,921. Deplanements of 32,904 were up 18.4% from 27,793 for last October. We are about 8% above in enplanements and deplanements for the year. Airline landings were up 16.9%, 492 versus 421 for September 2013 due in part to Alaska's additional Seattle service. The overall load factor for the month was 83.8% versus 92.5% last October. Fuel dispensed for September was 672,063 gallons, which was up 14.5%. Calendar year fuel dispensed was up 14.4%.

Mr. Humphrey reported that he expects we will have about 484,000 enplanements for the year, which is about 8% better than last year.

Mr. Sprenger and he will be in Dallas to meet with American Airlines December 18<sup>th</sup> and 19<sup>th</sup>. He said Daryl Schliem and Kevin Hinkle will be going with them, along with a representative from Boyd Aviation to tell our story.

Mr. Kelleher asked his opinion of Boyd Aviation and Mr. Humphrey said they are realistic and understand our market. They believe it could be a good market for American Airlines.

Ms. Stelmak said we have more passengers but our load factors are down and asked if Mr. Humphrey has heard anything from the airlines about any of them reducing service. Mr. Humphrey said the load factor is gravitating toward the mid 80s, but we are not seeing any discounts. He said he hasn't heard any complaints.

The board thanked Mr. Humphrey for his report.

#### **5. Airport Director's Report – Brian Sprenger**

Mr. Sprenger reported that we are still watching Frontier. They have an excellent load factor here. They have increased seats through the end of the year but at the beginning of next year, there will be a lack of connections through Denver. Frontier is a big part of our success and if that changes, it is a concern. We have been cautious with American Airlines but after the first of the year, Frontier will no longer connect to Dallas. He said it is probably a good time to consider the American Airlines' service and the grant is a big part of that.

Mr. Sprenger reported that CSSI Firstline would take over 100% of the screening operations on Monday, November 17<sup>th</sup> due to the Screening Partnership Program.

Mr. Sprenger reported that we expect to close on the Mary Brents' property very soon. Purchasing that property was on the list when Mr. Mathis was the Airport Director.

Mr. Sprenger reported that we have excess millings and would like the board to discuss what they would like them used for. He said there are enough millings to connect a path to the terminal area with the trail system. That usage of them makes the most sense long term. He said they could also be used in conjunction with landscaping next year but there aren't enough to do both. He said they are currently in a couple of locations and the

contractor would move them once at no charge. The contractor needs a decision fairly soon so they can clean up the construction site. Mr. Switzer said he would like bicycle access to the airport. Ms. Stelmak said she would like to see them used for future development.

Scott Bell, airport engineer, said it would depend on how many employees would ride their bikes on Service Road. Mr. Sprenger said there could be about 8' of old runway if we wanted to do both. Mr. Mathis said he would like to give it some thought.

Mr. Sprenger said we had hoped to get the Interchange project done so we could open the intersection but we can't until we have a traffic light there and that won't happen until the full project is complete. The highway department had concerns because they could not chip seal the road and there might not be enough traction with the slope. We could probably do the landscaping this spring before the road opens. Mr. Sprenger said the highway department and the City of Belgrade don't want to open Service Drive until the project is complete. Mr. Sprenger said we should be able to get through the winter with relatively few challenges.

The board, Mr. Sprenger and Mr. Bell discussed some of the connecting roads.

Mr. Sprenger said the highway department would probably request bids in April or May next year to finish Jackrabbit Lane to Four Corners in 2016. Mr. Mathis said there is a lot of traffic using Cruiser Lane since Broadway has been closed, and he asked that we encourage the highway department to put in turn lanes there.

Ms. Stelmak said we need to remember the Interchange will still be ahead of schedule. Mr. Kelleher said we probably need to consider having additional bike racks at the terminal.

Mr. Bell gave an update on the Environmental Assessment. He has received comments back from the agencies and is waiting for review by the FAA. He believes we

should be able to have a public meeting around the first of the year. Mr. Sprenger said they are pushing the parallel runway forward as a priority.

Mr. Sprenger said he has met with Ron Lindroth with the Central Valley Fire District (CVFD). Having a location at the airport would be beneficial to them for access to the road systems and would benefit us too. Next month Mr. Sprenger will come to the board with a concept. He said we would have to charge CVFD fair market rates. Mr. Mathis said several years ago, a committee was appointed to provide advice to the CVFD and the number one recommendation of the committee was to have ambulance service in the Belgrade area. Mr. Mathis urged staff and all other concerned parties to relocate the ambulance service.

Mr. Sprenger said the restaurant and retail concession pre-proposal meeting will be held in the Bridger Room Tuesday, December 2<sup>nd</sup> at 2:00 p.m. He believes there will be interest from outside the state. Bert Hopeman, the current concessionaire, is interested.

Mr. Sprenger said he would be attending an Airport Cooperative Research Program (ACRP) / National Academy of Science meeting and would be leaving December 3<sup>rd</sup> in the early afternoon and returning about noon on December 5<sup>th</sup>.

Mr. Sprenger informed the board the airport Christmas party would be held December 15<sup>th</sup> at 6:00 p.m.

He reminded the board that he and Mr. Humphrey would meet with American Airlines December 19<sup>th</sup> in Dallas. He said he would be taking annual leave from January 12<sup>th</sup> through the 16<sup>th</sup>.

Mr. Sprenger said there would be a tower/Runway Safety Action Team (RSAT) meeting January 21<sup>st</sup> at 7:00 p.m.

Mr. Sprenger said the 2016 Northwest American Association of Airport Executive (NWAAAE) Conference is tentatively set for August 31 – September 2, 2016 at Big Sky.




**6. Consider bills and approve for payment**

The sixth agenda item was to consider the bills and approve for payment. The board members and Mr. Sprenger reviewed and discussed the bills. Mr. Sprenger said there is a bill from Bison Ford for the new pickup truck, which would be airport ready and have a plow and sander, bills for Hoj Engineering and Pacific Steel for a dew bridge conveyor to replace the carry-on baggage hoist, a bill from Security Solution for Gate 18 access control and Workpointe for terminal seating. Those are for some of the major capital project bills. Mr. Sprenger also pointed out some operations/maintenance bills. He also said there was a bill from US Bank for our bond interest payment.

**MOTION:** Mr. Switzer moved to pay the bills and Mr. Mathis seconded the motion. All board members voted aye and the motion carried unopposed.

**7. Adjourn**

The meeting was adjourned at 2:59 p.m.



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Kevin Kelleher, Chair