

The regular monthly meeting of the Gallatin Airport Authority was held June 9, 2022, 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, Troy Watling, Assistant Director - Finance, and Shannon Rocha, Recorder.

Karen Stelmak, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board.

1. Open Bids on 2022 Parking Lot Improvements Project

Mr. Sprenger called for additional bids.

The first bid was from Treasure State Inc. Montana Contractor registration number 157069. The bid bond was attached, and the addendums were acknowledged. The bid was signed by Barrett Haugan President. The total bid price for Schedule 1 was \$6,832,398.13. The total bid price for Schedule 1 - Deductive Alternate 1 was \$38,000. The total bid price for Schedule 2 was \$3,134,950.07. The total bid price for Schedule 2 - Deductive Alternate 1 was \$17,665.00.

The second bid was from Duneman Construction Inc. Montana Contractor registration number 151842. The bid bond was attached, and the addendums were acknowledged. The bid was signed by Keith Duneman, President. Bids were not submitted by Duneman for Schedule 1 or Schedule 1 - Deductive Alternate 1. The total bid price for Schedule 2 was \$2,987,375.00. The total bid price for Schedule 2 - Deductive Alternate 1 was \$35,330.00.

The third bid was from Knife River Belgrade. Montana Contactor registration number 10089. The bid bond was attached, and the addendums were acknowledged. The bid was signed by Leo Zwemke, Vice President and General Manager. Bids were not submitted by Knife River Belgrade for Schedule 1 or Schedule 1 - Deductive Alternate 1. The total bid price for Schedule 2 was \$2,518,453.20. The total bid price for Schedule 2 - Deductive Alternate 1 was \$17,665.00.

Mr. Sprenger clarified that the bids can be awarded by schedule.

MOTION: Mr. Switzer moved to take the bids under advisement and award a contract to the lowest qualified bidder assuming it falls under budget. Mr. Kelleher seconded the motion and all board members voted aye. The motion carried.

2. Review and approve minutes of regular meeting held May 12, 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. Mathis moved approval of the minutes of the meeting held May 12, 2022. Mr. Switzer seconded the motion and all board members voted aye. The motion carried.

3. Public Comment Period

Doug Chapman said he wanted to address communication regarding decisions the board made recently. Mr. Chapman explained his take on a conversation regarding General Aviation (GA) expenses and revenue at the March 2022 meeting, indicating that Mr. Mathis was engaging a conversation regarding collecting more revenue from GA. Mr. Chapman asked how much the airport received from property taxes paid by hangar owners to the county. Mr.

Sprenger responded zero dollars and directed Mr. Chapman to speak with Gallatin County regarding the uses for those taxes. Mr. Chapman said he is interested in the airport receiving part of the property taxes paid on his hangar rather than the other airport fees and expenses. Mr. Chapman next raised the issue of the increased landing fees and minimum weights approved at the April 2022 board meeting. Mr. Chapman feels this change effects his business more than any other local company since his aircraft is in the weight class included in the change. Mr. Chapman said he flies to many other airports, and he only knows of one other airport that charges a landing fee below 12,000 lbs. Mr. Chapman also said the increase of 50% on the fee is dramatic. Mr. Chapman questioned the comparison of rates to resort airports. Mr. Chapman detailed some rates and charges at other airports he had researched. Mr. Chapman said many jobs are created by aircraft registered in Gallatin County such as Bridger Aerospace. Mr. Chapman ended by saying we have a great airport, and he appreciates what we have. Mr. Chapman urged the board to approach decisions like this with more transparency and research in the future.

4. Consider request to extend the On-Airport Rental Car Concession two years as allowed by contract

Mr. Sprenger said have the ability to extend from a 5-year term to a 7-year term. Considering the projects going on and the fact that there is not a lot of change in rental car operators, staff recommends approval of the request with a couple considerations. We are anticipating the approval of the parking lot expansion project and they would have to include their rental rate in the agreement to pay for the additional parking. Additionally, we will be adjusting the rental counters walls between a couple of the rental car companies based on market share. That is at their expense.

Mr. Mathis asked if the rental car parking lot can be added to the CFC and Mr. Sprenger said no, this would be a direct fee to them for the lease.

MOTION: Mr. Switzer moved to approve request to extend the On-Airport Rental Car Concession two years as allowed by contract and add the appropriate rental rate for the new rental car storage area into their lease agreements. Mr. Mathis seconded the motion and all board members voted aye. The motion carried.

5. Consider request by Summit Aviation to enter into an operating agreement to operate a Part 145 Repair Station

Mr. Sprenger said maintenance technicians are hard to come by and they operate a fairly significant fleet. This would help offset some of the cost.

Ben Walton with Summit Aviation was available to answer questions. Mr. Mathis asked how many mechanics they anticipate on their staff. They hope to eventually have 4 to 5. As a repair station, the mechanics can oversee the work of other staff with procedures to maintain safety.

Mr. Lehrkind asked about the impact on other airport businesses. Mr. Sprenger said there is more repair work than mechanics.

MOTION: Mr. Lehrkind moved to approve the request by Summit Aviation to enter into an operating agreement to operate a Part 145 Repair Station. Mr. Kelleher seconded the motion. The motion carried.

6. Consider request by Arlin's Aircraft Service to transfer the non-commercial land lease on hangars 15-19 and 23-27 to Meridian M500 Management LLC

It was agreed to consider this and item 7 simultaneously.

Mr. Sprenger said we had a request in May 2021 to extend the agreement for 2 years to allow Arlin's time to determine plans for the hangar. This hangar is in poor condition. Mr. Sprenger showed the location of the hangar. Arlin's is proposing to transfer the lease to Meridian M500 Management LLC. Meridian would like to construct 2 hangars eventually, but only 1 for now. Mr. Sprenger explained some of the impact on the adjacent taxi lanes. Staff recommends approval of the request. Restrooms are being proposed in the new hangar. That will be a significant cost for them.

Mark Maierle explained how the sewer would be accessed. There has been preliminary research done and it looks like it should work. Mr. Lehrkind confirmed they have plans to deal with any drainage issues.

Mr. Sprenger said several aircraft there have found other locations. The cost of hangars is going up. It is a challenge as aircraft get bigger. Our aircraft growth is in the larger aircraft. If we could, we would love to be able to pick up all the smaller hangars and move them to the northside. That is not possible. But over a long period of time, you could see redevelopment on the southside. If the authority believes that is important, the authority would have to participate, there would not be private interest. It would be a bigger discussion on how to address those changes in the industry.

Mr. Mathis said this means 12 GA hangars go away. Mr. Mathis thinks it is possible to repair the hangar and continue to provide hangar space for light GA aircraft. That is what that area was designed for. Approving these requests would be changing the use of that area as approved in the master plan. Mr. Mathis said he understands the logic. Mr. Mathis said we

can expect to see other hangars in that area go away as people want to build large corporate hangars in their place. Mr. Mathis is disappointed to see that happen.

Mr. Switzer said progress is tough and asked about moving the lighter GA to the northside. Mr. Sprenger said to make that work, the airport would have to build hangars and subsidize it. We have not been in the business of hangars. Some airports are. This would have to be an airport investment.

Mr. Switzer said it makes sense to segment the airport. Mr. Sprenger said yes, but our long-term plan is to make both runways very capable. We want to make sure we are operating an efficient airport. There are a lot of things in motion to create more capability. The northside is out of the main path. Mr. Switzer suggested the change could be for the better. Mr. Mathis said it would have to be in the long run because some of those hangars have 10-year leases. Unless others come along and replace them with larger hangars.

Mr. Mathis said Meridian will pay an annual rent of \$2,048 or \$5.61/day to house their corporate jets here.

Mr. Lehrkind asked how many aircraft are in the hangars being replaced. Mr. Sprenger said either 4 or 5. Arlins has evaluated options, and this is the most obtainable and profitable.

Ms. Stelmak asked about impact on the aircraft in this area of the airport. Mr. Sprenger said it is a narrow taxiway. Any time there is a difference in types of aircraft there is an impact. There could be some impact. Most of the time there will not be.

Mr. Mathis said as a side note, the taxiways near there are the last 3 to be plowed in the wintertime. Maybe the priority will be moved up.

MOTION: Mr. Lehrkind moved to approve the request by Arlin's Aircraft Service to transfer the non-commercial land lease on hangars 15-19 and 23-27 to Meridian M500 Management LLC and approve the request by Meridian M500 Management LLC to construct a new 120' X 60' non-commercial hangar in the location of hangars 15-19 and 23-27. Mr. Switzer seconded the motion. 2 board members were in favor and 2 were opposed. Ms. Stelmak voted aye, and the motion carried.

There was a discussion with Mr. Chapman about the waiting list for hangars on the northside and the various sizes proposed.

7. Consider request by Meridian M500 Management LLC to construct a new 120' X 60' non-commercial hangar in the location of hangars 15-19 and 23-27

This item was considered simultaneously with item 6 above.

8. Report on Airport Concessions – Bert Hopeman

Mr. Hopeman reported progress in the past year and plans for next year. 20 years ago Sharbert took over and remodeled the gift shop. Eight years later they started serving food. Mr. Hopeman said it has been an amazing journey and they are grateful for the opportunity to serve here at the airport. Mr. Hopeman discussed some of the challenges created by the pandemic and also the rebound in business recently.

Mr. Hopeman said they are focused on 4 important goals:

Their first goal is to strengthen the uniqueness of their concessions. The second goal has been to sell their gifts and food at local prices. Their third goal is to provide the airport with the best possible return on investment. Their fourth goal is to be a low maintenance, hassle free partner.

Their sales are increasing at rate greater than inflation and the airport is receiving one of the highest per enplanement revenue. This past fiscal year resulted in revenue to the airport of \$2.5 million or \$2.26 per enplanement, which is up from \$1.2 million 5 years ago.

Holding the line on pricing has been hard but, in general, they have kept prices in line with local pricing.

They are investing \$1.25 million this year to expand their warehouse and offices. Pay rates have been increased and programs for training to improve efficiency have been implemented. They have 3 big projects to be completed: 2 additional stores and convert the bistro into a full-service restaurant.

Mr. Hopeman explained the shared vision of Sharbert Enterprises and the airport and they have worked together to accomplish it.

Ms. Stelmak said we are proud to have them provide the concessions and thanked them for their hard work.

9. Report on East Terminal Expansion Project

Michael Spitzer, Vice President of RS&H, presented. They have been working with the airport for 15 years. Mr. Spitzer explained the need for the expansion, including some congested areas within the terminal.

Mr. Spitzer reviewed the areas that will be relocated such as the board room, administration areas, and storage space. Hold rooms upstairs will be expanded. Baggage claim will eventually be quadrupled. Mr. Spitzer reviewed the bag drop on the air side, the concession area, and loading dock.

The architecture will be the same as what we have today. The expansion includes a second security checkpoint when needed. Administration, board room, mezzanine, mechanical and other areas are planned for a third level. The third floor is phased.

Mr. Spitzer reviewed the phasing images and details. Car rental space will be relocated. That frees up space on the eastern side of the building with less impact on passengers. Enough space to build a large portion of the project. Mr. Sprenger said they recently have considered keeping the rental car counters where they are during phasing but adjust their office space for a short period of time. That could alleviate the bigger concern of baggage claim area.

Mr. Sprenger explained that at the end of Phase 1B, gates, rental cars, baggage claim, and concessions are improved but it doesn't give us the best pathways. We could still stop at that point and have a fully useable terminal and then be set up for the future.

Mr. Spitzer explained adding additional lanes for TSA and how the bag drop will work. The floor heights are difficult and require removing and remodeling about 16,000 sq ft on the lower level and 17,000 on the upper level in order to create a level connection on the second floor between the parking garage and the 2011 addition.

Frank Gratton reviewed the overall architecture and design style. Mr. Gratton explained that their goal is to make the expansions seamless each time. With each expansion, we have greater opportunities. Views of the concourse were presented. The expansion includes a tall space. The mezzanine provides more space for other uses. Mr. Gratton presented an image of outdoor space which is something new at airports. It would have a higher railing but be open to the environment. Mr. Gratton explained some of the key styles

and features they have included in the design. The mezzanine and view lobby presents an opportunity for those who are not traveling, but are meeting and greeting arrivals, to experience the beauty of the airport.

Mr. Sprenger added that the end goal is 2027 for Phase 1. That will be the 50th anniversary of the terminal. What they did 50 years ago has set in motion an iconic building. Someone had some good foresight to create a timeless feel. Not many can say that.

Elizabeth Growney walked through the preliminary schedule and sequencing of the phasing.

Travis Kabalin, Senior Project Manager and Vice President at Martell Construction presented next. The expansion includes 175,000 square feet of new construction. The current market for new construction is about \$600 per square foot. Demolition is about \$60 per square foot. Remodeling is about \$193 per square foot. The construction part of Phase 1ABC of the expansion is estimated to cost \$117 million. Phase 2 is estimated at \$29 million.

Mr. Sprenger said the financial plan was sent out. Based on what we know, we believe we can accomplish this expansion project with limited to no borrowing of funds. Time helps us. We have saved grant money. There is some bi-partisan infrastructure funding included which we may or may not receive. At each step we have the opportunity to move forward or slow the project down. Staff recommends pushing forward now.

Mr. Lehrkind agreed to march ahead and confirmed that if we stopped before Phase 2, we could save \$30 million if needed. Mr. Switzer supports the project and really likes the vision. Ms. Stelmak agreed and acknowledged the importance of keeping with the atmosphere.

MOTION: Mr. Mathis moved to approve staff and design team moving the East Terminal Expansion Project into Schematic Design. Mr. Lehrkind seconded the motion and all board members voted aye. The motion carried.

10. Air Traffic Control Update

Mr. Sprenger said the last week has been a lot of work. We had our fifth controller on Monday of last week. On Tuesday one of our existing controllers resigned. Mr. Sprenger has elevated this to get some response from Serco. It has worked to at least get a discussion with them about how we can assist. We want to participate in the solution. We have legal looking at options from other airports. We hope to have something soon. Mr. Sprenger asked for permission to accelerate our support as needed. Ms. Stelmak said we support whatever Mr. Sprenger needs to do to make this happen.

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

Total operations for May were down less than 1% at 8,085 versus 8,162 operations last May. The 12 month rolling operations were at 115,843. Corporate landings were up 11.8% at 313 versus 280. Revenue enplanements were up 25.5% from last year at 79,383 versus 63,263 enplanements. That puts the past 12 months passengers at 1,123,000. Deplanements were up 24.8% at 85,762 versus 68,705 deplanements. Airline landings were down 15.7% 692 versus 821 landings. Load factor was 81.9% for the airport. Fuel dispensed for April was up 22.6%.

June will be interesting. We had 175,000 seats last June and 135,000 seats this June. We are estimating a 86-88% load factor for June. Some days are oversold in mid to late July. September has seats being added.

12. Airport Director's Report – Brian Sprenger

Mr. Sprenger said April and May revenue numbers are way above previous years.

The terminal overlay has been completed. The dirt work has been completed for the terminal apron expansion. The north apron begins concrete paving next week. It has been announced that our grant has been approved for the commercial apron.

The tower RSAT meeting is Tuesday next week.

We are exploring Class C airspace.

Mr. Sprenger was at the AAAE annual conference. Mr. Sprenger represented the airport at a separate part of the conference for the leadership of the top 100 airports. It was the first time we have crossed that threshold. There were some high-level speakers including some congressmen. Mr. Sprenger reviewed some of the issues and challenges that were discussed at the conference. Staffing has been the number one issue. The organizations we work with here, have been much more responsive to the staffing shortage.

13. Consider bills and approve for payment

The bills were reviewed and detailed by Mr. Sprenger.

MOTION: Mr. Lehrkind moved to pay the bills and Mr. Mathis seconded the motion.

All board members voted aye. The motion carried.

14. Adjourn

The meeting was adjourned at 4:10 p.m.



Karen Stelmak, Board Chair