

MISSOULA COUNTY AIRPORT AUTHORITY
Regular Board Meeting
December 26, 2017
1:30 pm, Airport Board Conference Room

THOSE PRESENT: Chair Paul Stafford
Vice Chair Shane Stack
Secretary/Treasurer Jeff Roth
Commissioner Dori Brownlow
Commissioner Larry Anderson
Commissioner Adriane Beck
Commissioner Matt Doucette
Alternate Commissioner Deb Poteet

STAFF: Director Cris Jensen
Financial Manager Teri Norcross
Administrative Manager Lynn Fagan
Accounting Clerk Rita Harris-Powers
Business Development Manager Dan Neuman

OTHERS: Gregory Wood, Retired (American Airlines Employee)
Steve Conway, Martel Construction, Inc.

Chair Paul Stafford called the meeting to order and advised everyone that the meeting was being recorded.

Motion: Commissioner Larry Anderson moved to seat Alternate Commissioner Deb Poteet.

Second: Vice Chair Shane Stack

Vote: Motion passed unanimously

AGENDA

Motion: Commissioner Dori Brownlow moved to approve the Agenda as presented.

Second: Vice Chair Shane Stack

Vote: Motion Passed unanimously

Public Comment Period: None

MINUTES

Motion: Secretary/Treasurer Jeff Roth moved to approve the minutes of the Regular Board meeting dated November 28, 2017 as presented.

Second: Alternate Commissioner Deb Poteet

Vote: Motion Passed Unanimously

CLAIMS FOR PAYMENT

Finance Manager Teri Norcross stated that the larger expenses for the month have been explained in the Claims for Payment summary, and that the credit card expenses have been itemized to add some detail to the payments being made. Commissioner Larry Anderson asked about the nature of the larger miscellaneous expense that was included in the credit card information, and Teri explained that amount was to pay for office equipment and office supplies.

Motion: Secretary/Treasurer Jeff Roth moved to approve the claims for payment as presented.

Second: Commissioner Dori Brownlow

Vote: Motion Passed Unanimously

FINANCIAL REPORT

Finance Manager Teri Norcross started by mentioning the success of MCAA's holiday music programming, and welcomed suggestions of other musicians that might like to come and play for next year's holiday season.

Teri then explained that the income statement shows some credit balances for items such as consultant fees that she backed out of expenses and moved to prepaid expenses on the balance sheet since MCAA will receive a reimbursement from the State Petro Fund next month. The Quick Turn Around (QTA) rental car maintenance expense also has a small credit balance due to reimbursed payments of utility costs for that project.

Teri then mentioned the prospect of using investment funds to pay off some debts, as was discussed in the most recent Finance Committee Meeting. One of the investments that MCAA currently has is at a fairly low interest rate, so efforts will be made to move those funds to an account with a better return. That change will be brought to the Board Chair, the Chair of the Finance Committee, and Director Cris Jensen for approval or for a committee meeting request.

Secretary/Treasurer Jeff Roth brought attention to the last line on the income statement which shows that operating revenues over expenditures are up considerably for the year-to-date. The actual year-to-date revenues over expenditures show approximately \$360,000 over the budgeted amount, so Jeff asked Teri if she could explain how that came to be. Teri responded that it was due in large part to increases in revenue from air carrier activity; an area that was treated conservatively when budgeting for the year since it was unclear at the time whether Frontier would continue its seasonal service at the airport. She went on to explain that operating expenditures are close to budget for the year, so snow removal operations may put expenses over budget by next month.

Commissioner Matt Doucette joined the meeting while Teri was presenting the financial report. Matt asked about the nature of the payment to Boyd Group for marketing from the Claims for Payment, and Director Cris Jensen explained that Boyd Group helped to put together the presentation and report that was brought to American Airlines.

Administrative Manager Lynn Fagan then brought it to the Board's attention that since Commissioner Matt Doucette came to be in attendance, the requirement for a full quorum was met without including alternates. She then suggested there should be a vote to unseat Alternate Commissioner Deb Poteet.

Motion: Secretary/Treasurer Jeff Roth moved to unseat Alternate Commissioner Deb Poteet.

Second: Commissioner Dori Brownlow

Vote: Motion Passed Unanimously.

Motion: Commissioner Larry Anderson moved to approve the financial report as presented.

Second: Commissioner Matt Doucette

Vote: Motion Passed Unanimously

DIRECTOR'S REPORT

Director Cris Jensen began by explaining that MCAA staff has been actively engaged in snow removal operations through the holiday weekend with zero interrupted flights, adding that overflow parking is currently being used by holiday travelers. Cris went on to state that more inclement weather is on the horizon, so staff are expecting long days ahead before getting through this weather pattern. He then mentioned as a note for Vice Chair Shane Stack that as Shane will be taking over as Board Chair beginning in January, he will need to work out committee assignments with other Board members for next year.

Cris' air service update included the news that American Airlines has officially announced its daily service to Dallas and summer seasonal service to Chicago, both to begin in June 2018. He credited Deputy Director Brian Ellestad for persistently leading the charge for adding air service to Missoula. United Airlines has also announced its daily summer seasonal service to Los Angeles to begin in June. Cris added that the current projection for seat capacity by the end of the year shows an increase of approximately 10% over last year, with a total seat capacity of over 500,000 for the first time in MCAA history. Chair Paul Stafford then asked about MCAA's status as a small-hub airport, and Cris responded that MCAA is still considered to be a non-hub airport, though the designation is beginning to approach an upgraded status. With a small-hub airport designation, entitlement revenues will increase as passenger numbers increase, though moving from a non-hub airport to a small-hub airport may affect MCAA's eligibility to receive Federal Aviation Administration (FAA) funding in the future. Paul asked if that could affect funding for the terminal project and Cris responded that by the time the terminal project meets completion, MCAA will likely be a small-hub airport; however, since MCAA began the terminal project as a non-hub airport, it will be treated as a non-hub airport for the duration of the project for FAA funding purposes.

Cris then presented Chair Paul Stafford with a few parting gifts as Paul's tenure as Board Chair will be ending at the end of the year. Cris spoke highly of Paul's involvement as a member of the MCAA Board of Directors over the last 12 years, and highlighted a few fond memories of times that Paul went above and beyond what was expected of him for the good of improving the

airport. Paul then expressed his gratitude at being able to serve the airport for so many years, adding that it has been fun for him being a part of so many great accomplishments.

Commissioner Larry Anderson asked if Bozeman's airport has had to pay out any funds from their Minimum Revenue Guarantee (MRG) since American Airlines has started service there, and Cris responded that they have paid approximately \$9,000, adding that this was due to American Airlines upgrading their aircraft to a higher seat capacity that they had trouble filling. Larry asked if MCAA raised all of the necessary local matching funds for its MRG with American Airlines, and Cris explained that the Missoula Economic Partnership (MEP) is responsible for raising the local matching funds for MCAA's MRG, adding that Beth Burman Frazee of Windfall has raised well over half of the total. Chair Paul Stafford asked when the funds would need to be in place, and Cris responded that the total of the matching funds will need to be in place by August 2018, but no payments will be necessary until October 2018 at the earliest. Larry then asked about the frequency of any necessary payments, and Cris explained that there will be a monthly reconciliation process which will include ancillary revenue in addition to ticket revenue, so payments will be on a monthly basis.

LEGAL REPORT

Administrative Manager Lynn Fagan stated that she attended five interviews for the open Board Commissioner position and received word on December 22, 2017 that CPA Pat Boyle had been appointed. Commissioner Larry Anderson asked if Pat Boyle is a pilot, and Lynn answered that he is not, but MCAA staff is glad to have him on board since his financial background will be beneficial with regard to the terminal project.

Lynn then discussed the agreement American Airlines sent to MCAA that included a confidentiality clause to cover all items including the MRG. MCAA cannot legally adhere to the confidentiality clause as a government entity, so Lynn sent changes back to American Airlines' legal department and just heard back this morning that they have agreed to the proposed changes. Lynn went on to explain that the agreement will likely be presented to the Board in January, though Deputy Director Brian Ellestad has expressed some concern that MCAA will not be able to spend marketing funds until that agreement has been approved. As a result, a special Board meeting will likely be scheduled in the coming weeks to approve the agreement.

Commissioner Larry Anderson asked if the budgeted consultant expenditures included MEP and Windfall fees in connection to the MRG with American Airlines, and Director Cris Jensen confirmed that is correct, adding that MCAA budgeted approximately \$20,000 for that expense. Larry asked if payment will be held back until the local matching funds have been raised in totality, and Finance Manager Teri Norcross responded that MCAA paid the total bill up front. Cris then added that MEP did sign a contract stating that if they fall short of meeting the local matching funds goal, the deficit will come out of their own budget. Lynn then mentioned that when the MRG is presented to the Board, they will also receive a copy of the MEP contract for reference.

COMMITTEE UPDATES

Executive Committee: Met December 26, 2017 to discuss Board agenda

Finance Committee: Met December 18, 2017 to receive staff presentation on pacing changes for terminal project.

Business Development: No Activity
Contract & Lease Committee: No Activity
Facility & Operations Committee: Met December 18, 2017 to receive staff presentation on
pacing changes for terminal project.
Marketing Committee: No Activity
General Aviation Committee: No Activity
Legislative Committee: No Activity

UNFINISHED BUSINESS:

Morrison-Maierle Task Order No. 10 to the Master Agreement for Professional Engineering Services with Morrison-Maierle

This Task Order will be for the Final Design and Bidding Services for Phase IA of the New Passenger Terminal Building and matters related thereto. The major elements of this project will include a 3-lane Transportation Security Administration (TSA) checkpoint at the center of the existing terminal lobby, relocation of the hold room revolving door exits, modifications to Jedediah's that will create a new secured hold room, relocation of the secured gift shop from the second floor, and relocation of the access control and security servers in the security wing of the existing terminal to the basement. The Task Order is for design only, but will be taken through bidding services. After bids have been opened and vetted with the general contractor, a Guaranteed Maximum Price (GMP) will be presented to the Board for award. At that time, Morrison-Maierle will present another Task Order for Construction Management Services.

Director Cris Jensen explained that MCAA staff has had some concern over a number of variables regarding the timing of funding the terminal project. As a result, staff would like to recommend that the security checkpoint relocation occur as originally planned, but that more time be taken before moving ahead with the rest of the project. MCAA staff believes that taking more time for design is the correct and conservative way to approach the terminal project moving forward.

Commissioner Larry Anderson asked if any recent Congressional actions have resolved specific staff concerns, and Cris responded that one of the staff concerns have been resolved. There was concern about Private Activity Bonds (PAB) possibly being eliminated which would have also eliminated a tax exempt source of funding for MCAA. However, the tax bill that was recently passed did not eliminate PABs. Currently, the FAA is authorized through January 19, 2018.

Motion: Commissioner Larry Anderson moved to approve Task Order No. 10 with Morrison-Maierle in the amount of \$153,500 contingent on the completion of an Independent Fee Estimate (IFE).

Second: Commissioner Matt Doucette

Vote: Motion Passed Unanimously

Director Cris Jensen mentioned that the specific wording of "to be contingent on an IFE..." in Task Order No. 10 was used to ensure that Morrison-Maierle's pricing is in line with the market, and is consistently used when working toward agreements with engineering firms.

INFORMATION/DISCUSSION ITEMS

Commissioner Larry Anderson asked if any responses to the Request for Proposals (RFP) from public relations firms have been received, and Administrative Manager Lynn Fagan answered that the RFP will not be published until the first week of January.

There being no further business the meeting was adjourned.