

**MONTANA AERONAUTICS BOARD  
IN PERSON MEETING**

**Bridger Aerospace  
90 Aviation Ln  
Belgrade, MT  
Canadair Room**

**June 9, 2022**

**Aeronautics Board**

Bill Lepper, Board Chair  
Robb Bergeson  
Wade Cebulski  
Pam Chamberlain  
Tom Schoenleben  
Tim Robertson  
Tim Sheehy  
Greg Smith

**Department of Transportation**

Tim Conway, MDT Aeronautics  
Karen Speeg, MDT Aeronautics  
Charlena Toro, MDT Legal  
Hannah Woolsey, MDT Legal

**Public**

Chris Iverson

**CALL TO ORDER**

Chairperson Lepper called meeting to order at 10:00 a.m.  
Roll call to establish a quorum; eight Board members were present.

I want to thank Tim Sheehy for providing this meeting room and hopefully we will get a tour after the meeting if we have time. Tim Sheehy said unfortunately all of our cool toys are already out in the early fire season so there's not much to see but we'll show you what we've got.

Chairman Lepper acknowledged Karen Speeg for accepting the position of Bureau Chief. She is going to do a great job. Tim Conway introduced Charlena Toro, MDT Legal. Charlena is an MDT attorney. Hannah Wolsey, MDT Legal is on line.

**APPROVAL OF MINUTES**

Chairman Lepper asked if there were any corrections or additions to the meeting minutes of January 11, 2022, and January 12, 2022. Hearing none I'll entertain a motion to accept the January minutes as presented?

*Greg Smith made a motion to approve the January minutes as presented. Tom Schoenleben seconded the motion, which passed unanimously.*

**PUBLIC COMMENT**

Chairman Lepper asked for public comment. No public comment was given.

**FY22 GRANT/LOAN EXTENSIONS – Karen Speeg, Aeronautics Aviation Support Officer**

Broadus and Forsyth were the only two extensions requested. White Sulphur Springs does not need an extension because they received their contract and are good to go.

**Broadus**

Broadus requested an extension for a \$20,275 grant. Due to the increase in construction costs, the project was anticipating to include design and construction but they've broken into design and the construction phase to allow the sponsor to

accumulate more FAA dollars. They are expected to receive the grant prior to October 1, 2022. That is why they are requesting an extension for T-Hangers.

Q: The FAA is going to write the grant for the full amount or is it going to cost more? How are they covering their extra increased cost?

A: Karen Speeg said I have no idea. This is all they've provided for me. I know they received a \$20,275 grant from us and an application for all of the design engineering was supposed to be \$8,011. They actually requested \$81,000 from us and we only awarded \$20,000. So that probably covers the design portion.

Q: So the grant request letter says "to allow the sponsor to accumulate more FAA dollars and reduce the amount needed to borrow to complete the project." They aren't specific with respect to how they intend to get those FAA dollars.

Com: I guess we can assume they are short of money. I see no reason not to let them have the extension at this point. It's not like we're going to let somebody else have the money at this point.

Com: I think yes and no because if you grant the extension it will go all the way through next year.

Q: Could we do what we did last year and give the extension to a certain date?

A: Karen Speeg said we gave it through November 30<sup>th</sup>. That way we knew we had it for the board meeting.

A: Yes we could do that.

Q: It sounds like if they get their financing, they are going to get it by this fall. So if we give them until January 1<sup>st</sup> or December 31<sup>st</sup>, is their benefit one way or the other?

Com: We do our snapshot of what's available on December 1<sup>st</sup>, so if we went to November 30 that would be ideal so we can stay consistent with what's available considering the spreadsheet and all the things we have to do.

Com: (Wade Cebulski) I think there's going to be a ton of this. Our Lewistown project was 30% over and with the oil prices and what the engineers received in their budgets, were not even close. I think this is just the tip of the iceberg. We're seeing it everywhere with contractors, the engineers estimates are 30% low across the board and sometimes 50% low. So when they come back, I don't know what the intention is, if FAA comes through another year and stacks on two years, I don't know what the future holds for a lot of these places. They may come back to us next January wanting another 10% match per the extension on the extra million or million and a half. That's what we're seeing.

Q: Karen Speeg said I didn't think the FAA funded revenue generating projects.

A: They do for non-fed airports but not primaries.

Com: In a normal year I would say there's no chance they could get more money because the Feds already earmarked everything they have, but these last few years including this year are not normal. There's still unknown funding out there related to the Infrastructure Bill that's still waiting for funds to be announced which will have a trickle-down effect with FAA funding. So normally I don't think it would do much good to extend it to November 30

but it doesn't hurt anything like you were saying Wade, and there's a possibility FAA money may come through.

Com: We're seeing the FAA move non-primary around and suddenly find money, big money like a half a million dollars. They are moving it around and I think it is because some stuff is coming off the drawing board that was engineered and they can't get the funding.

Com: Another thing too that comes to mind is they asked for \$80,000 and we gave them \$20,000 so they're struggling for money now. If their project is costing way more then it means they're struggling even worse. So I'm leaning toward giving them until November 31<sup>st</sup>. If it's that high they are probably going to have to reapply anyway and hopefully get more money on the next go-around. That's my guess.

Com: That is probably why some of those projects are coming back for sure.

Com: We only give them 25% of their request so they were probably on the struggle anyway and then with the added costs, I'm sure that is the nail in the coffin.

***Robb Bergeson made a motion to grant an extension through November 30, 2022. Tim Sheehy seconded the motion, which passed unanimously.***

#### **Forsyth**

Karen Speeg said Forsyth requested an extension for a \$31,250 grant. They applied for T-hangers and fuel systems and the only thing they received a grant for was for repairing their fuel farm. They have the same thing, the rising cost for design and construction so they are trying to reduce the amount needed to borrow. They are still anticipating it by October 1<sup>st</sup> as well for the design agreement.

Com: Same problems, just a different project.

***Tim Sheehy made a motion to grant an extension through November 30, 2022. Tom Schoenleben seconded the motion, which passed unanimously.***

#### **White Sulphur Springs**

Karen Speeg said White Sulphur Springs is no longer requesting an extension. They received all their paperwork and we're processing the grant. They are receiving the money. They received \$40,000.

Q: So the money we give them is actually good until next June? They were worried about the money they got last fiscal year because they had to extend for that. It sounds like they got their grant and they're spending it.

A: Karen Speeg said it is no longer on the Agenda. There is no action necessary by the Board. Karen Speeg said these were the only three that had not received their grant or loan already that weren't covered by previous grants.

Com: Tim Conway said it is pretty typical to only get a few requests.

### **REVIEW GOVERNMENT FINANCIAL STATEMENT – Tim Conway, MDT**

Tim Conway said Kelly Garber is our new financial contact and she prepared this for us today. She is just getting up to speed with Aeronautics. This one is a little unusual – we won't normally do this. This one has the last fiscal year because at the last board meeting it was requested to look at the last fiscal year. Going forward I'll just concentrate on the current fiscal year unless there is a request to look at the last one.

I'll go through this with you (Attachment).

**Fiscal Year 2021.** On the front page is the Loan Fund for FY 2021. I will go over Loan Payments received and Interest and then how many loans we issued in dollars and our cash balance. We do earn a little bit of interest on the money that is not loaned out to airports; it is invested through the state. You can see that line item and that is pretty straight forward. The Loan Fund is a revolving fund so it stays pretty stationary. We have about \$350,000 in authority each year to award. I'm trying to get that to match the available money in the Loan Fund.

The Grant Fund is similar. The Grant Fund Aviation Fuel Taxes received for the FY 21 Grant was \$1.8 million. That is the only source of revenue for the Grant Fund other than a little bit of interest. You can see what was awarded in 2021 was \$3.3 million. Indirect Costs are pretty significant – this year \$72,000-73,000. When you go through the Grant Cash Flow, the starting Cash Balance of \$1.8 million with an additional Fuel Tax Received of \$1.6 million, Investment Earnings of two thousand and then the Awards Distributed out of the \$3.3 million and the Cash Balance at the end of the State Fiscal Year was \$2.7 million.

Q: What are some of the things that make up Indirect Costs?

A: Indirect Costs is the overhead for the Department. It's an audited rate that the Department generates based on FHWA rules because that is the cognizant federal agency for MDT. Aeronautics rides on their shirttails a little bit. Usually it runs about 10% but the board might want to take a look at that. As you see on the next page, there are some big dollars there. There is a pretty good argument about what it costs to really distribute transit loans for this organization versus what we're going to be paying.

Q: That Indirect Cost goes directly to MDT?

A: It does. It goes to Administration not Aeronautics. It goes to the Administration of MDT.

Q: Aeronautics gets zero and it's an arbitrary number whether it is 10%, 13%, 11% or whatever. It's whatever they determine every year. That's what they get, correct?

A: That is correct. We do get services out of it. Charlena and Hannah are good examples of that. HR and those kinds of things that support us, so there is some logic to it. It's just when you start looking at the money that the board is granting at \$3 million, 10% of that is a lot of money that is not going to airports.

Q: Could that be something that might be on the Legislative hit list in the future to work out those numbers on Indirect Costs?

Q: Is that statutorily determined at the federal level or the state level?

A: (Tim Conway) It is at the state level. I don't know if we need a statutory change to be exempted from that or if there is some other avenue to exempt us. If the board were to ask I'd be happy to look into that.

Com: We can have a discussion about this. I think it needs to be looked into. I think it is wishful thinking that we could get rid of 100% of it. It might be feasible to maybe have some sort of negotiation to put part of it back in there.

Com: It seems like they were doing the job for \$30,000 and now its \$300,000.

Com: I'll bet next fiscal year it's going to be a lot more.

Tim Conway said we can keep going and come back to this discussion. Chairman Lepper said keep going. Next page is the Loan Fund for FY 2022 and it is laid out exactly the same way. (Attached). I won't go through it unless you have questions.

Q: We're giving loans to airports but what if they can't pay them back, do we have any recourse? Do we take it out of their future money?

A: We've never had a missed payment that I'm aware of.

Com: I think there is a rule that if they don't make their payments they are not eligible to reapply for another loan and grant, so there is some incentive. Unless they've changed it, they don't have late fees. It's not like the big hand at the bank reaches up to grab you but they can't reapply for any more funds if they are delinquent.

Q: Is that indefinite?

A: I don't know how the rule works but I'm guessing once they are caught up then they can reapply for money.

Com: It is real similar to the close out report, if they don't provide a close out report then then we won't allow them to receive any funds but it's never been an issue.

Com: All the years I was there we had some that were late but they always caught up with a reminder. It's never been a problem like Tim said.

Tim Conway said one thing I did want to mention is the Projected Loan Fund which is something new is a projection, a guesstimate. With the Loan Fund it is pretty reliable but with the Grant maybe not so much. That is what we are projecting as available. When you look at the Projected Cash Balance of \$800,000 on 11/30/22, we only have \$350,000 of authority to grant additional loans next year. I see that as a problem that I'm trying to fix and see if we can get that bumped up.

Q: How come it is gaining? Is it because people are not taking loans?

A: Interest.

Q: So that is a year's worth of interest that has created that bubble?

A: (Tim Conway) Yes. I think the total is the Cash Balance plus if everything were to be cashed in and paid back to us it would be in that range.

Tim Conway said there are two ways to go about getting an increase in the authority. One is to just ask for a number and that is what I'm planning to do. Two is to go to the Legislature and ask for a change in the statute to match the Grant Fund so if the money is in there, it can be awarded. The reason I'm recommending to not go that way is because it can open up a can of worms with the Legislature. If we go with a single request to go from \$350,000 to \$450,000 which is the target I'm aiming at, it is "Yes" or "No." But if you put it in Legislation, it opens up a can of worms. We learned that the hard way with the Courtesy Car last session, so I'm a little gun shy of making small requests to the Legislature.

Com: (Wade Cebulski) I'd imagine loans haven't been too attractive for the last few years because interest has been so low, but with interest going up I would imagine loans will start becoming a little more attractive than they have been for the last 10 years.

Com: They got 100% funding last year.

Com: And 95% on some of it this year. The BIL money is 95/5.

Com: I don't look for that to stay around much longer but who knows.

Q: Maybe that is why the balance is higher too.

A: I don't think so because it is more of an interest thing because \$350,000 in and \$350,000 out. I think it's all interest like Tim was alluding to.

Q: Historically they've not been real receptive with taking on loans. It's a great program to have available but like Wade said in the last 10 years there hasn't been a lot of use of it. I shouldn't say a lot of use of it, there hasn't been a lot of use but it's just not maxed out.

Com: (Wade Cebulski) A lot of loan money has been offered but it doesn't mean they'll take it. It wouldn't surprise me if 30-50% don't take it even though it's been offered but I think that is going to change in the near future.

Q: (Wade Cebulski) So what about indirect costs on loans?

A: (Tim Conway) Same thing. I don't know why it's not on the sheet but I assume it has to do with the laws.

Q: (Wade Cebulski) You can send me an email with the answer. I'm just kind of curious because we get indirect costs for everything.

A: (Tim Conway) Okay, sure. Good question.

Tim Conway said the last page is the Grant Fund. Again I won't go over the revenues and the cash flow but the Projected Starting Balance is \$4.4 million; an additional \$968,000 in Cash Revenue. Take out the \$3 million that was awarded for this coming fiscal year and Extensions and Indirect Costs of \$309,000, we're projecting on 11/30/22 which is the deadline for determining how much money you will have to award in January is about \$2 million. Keep in mind that is just a projection; it's tough because sometimes as we get closer folks want to rely on that but it varies. It is getting more reliable but I still like to caution on you. Any questions? Is this adequate for what you are expecting for financials? Is there anything you don't need to see on there or want to see on there?

Com: I like it.

A: (Tim Conway) Okay then we'll keep providing it.

Com: It is exactly what I was looking for.

A: (Tim Conway) Good.

Com: It is kind of nice to see it on paper.

A: (Tim Conway) Kelly did a good job with not getting too far into the weeds and keeping it detailed enough to make sense.

## **AERONAUTICS UPDATE – Tim Conway, Aeronautics Division Administrator**

### **Staffing**

Tim Conway said I'll start out with staffing – again congratulations to Karen Speeg for being promoted to Bureau Chief for Airports and Airways. Marc McKee is now on variable employee status so he is still with us filling in some gaps. The Aviation Support Officer position is open and we're hoping to advertise that this week. Shannon Buswell, Aeronautics Program Coordinator, her last day was May 20. Stacey Gabrio, Aeronautics Administrative Assistant, her last day was June 3. Matt Amble, Aviation Program Manager, his last day will be the end of this month. That puts us down almost 50% of our Helena staffing positions, so we're short-handed to say the least.

Q: Do we have a reason for the mass exodus?

A: (Tim Conway) As best we can tell its pay. Both Shannon and Stacy went to DNRC for more pay. Matt Amble was a former Boeing employee and they hired him back for 50% more money and he can work from home. I don't know what you are seeing in your businesses but everybody I talked to is seeing the same thing with staff jumping ship for more money. Unfortunately, the state can't keep up as quickly as private industry on pay.

Com: They celebrated raising the fire fighter pay this year to \$15.50/hr. and you can make \$26/hr. at Burger King.

A: (Tim Conway) There you go. We're hitting that everywhere. Aeronautics sometimes gets a little lucky because we can entice folks who like flying. Other than that, we'll see how it goes.

Q: What are the employment options for MDT? Is there a contractor status or part time status that is available for seasonal? I have 80 pilots that work half the year and that could be some sort of a variable position.

A: (Tim Conway) With Aeronautics the flying is so minor, maybe 70 hours per year and our busy season is the same as yours, so we don't really look for pilots. They are kind of a secondary requirement of the job and it's not a primary thing we focus on. It's not like the Governor's pilot or MDT pilot; we use an airplane to get to work instead of a car. As far as different shifts, we do have the ability to vary a little bit there but unfortunately strategically the kind of work that's being done takes a lot of spool-up and so having somebody that's not there full time is not ideal.

Q: What is the process for hiring somebody? Does it take forever?

A: (Tim Conway) No. Actually, it used to but they've streamlined it pretty well. For instance, the Aviation Support Officer position. Karen Speeg was selected two weeks ago. Her previous position will be posted either today or tomorrow and it will stay posted for a minimum of two weeks. The rest of the selection process can be a little slow but usually within two-to-four weeks we're interviewing and have an idea of what's going on.

Q: Do these departures hobble you in getting regular and critical work done?

A: (Tim Conway) Oh yes absolutely.

Q: Are you going to have to delay programs or put off programs? What do you think?

A: (Tim Conway) We have no redundancy typically. We don't have a staff of four engineers where if one leaves the other three take over. Everybody has one job. Obviously, we have some overlap and obviously we can drop lower priority work.

Q: Can you tell at this point if you're going to need to drop or suspend a program or put something off? Is the next Aviation Conference on hold? What's the impact going to be? Is it too early to guess?

A: (Tim Conway) It's too early to guess but I've already put AOM on notice that just like last year we're in the same spot with Matt Amble's position last year. He wasn't on board yet, we had it advertised but weren't getting a lot of interest, so I put AOM on notice that (a) if we don't get somebody to fill his position this is going to go back on AOM to step up and do the planning for the conference. We'll help as much as we can but we're not going to be able to take on the lead roll like we have in the past. In the meantime, Matt Amble came on and everything was fine. So from that standpoint we're okay. This is also the time of year where Matt Lindberg would be planning his clinics. We're trying to implement the Search Pilot Clinic again; it hasn't been offered for a few years so we're trying to do that in August. I just asked him about it and he said I think we're still going to be able to do it but we're getting thin. Search and Rescue is another area where we have somebody on call 24/7. There's only four of us now that can do search including me. That further hampers folks and puts additional stress on staff because somebody has to give up their weekend and every holiday. Somebody is giving that up to stay within two hours of the airport and 24/7 phone coverage. Everybody knows that is part of the job.

Q: The Airport Inspections, is that normally done in the summer months?

A: (Karen Speeg) Prior to accepting this position I completed seven out of 39 inspections which isn't great for this time of year but I'm hoping as time allows to get out and do a few here and there and get a support officer in and trained to do that so they can finish them up by the end of the September.

Q: You sound a little bit reluctant.

A: (Karen Speeg) I think we can do it.

A: (Tim Conway) We were in this position once before and kicked some of them to the following year. It's not ideal but it's allowed. That is our backup plan.

Q: Do those inspections have to be done by an MDT employee?

A: (Time Conway) No. They could theoretically be contracted out but we take on a responsibility with that.

Q: I'll bet you if we tapped into the aviation community – but do they have to be certified?

A: (Tim Conway) They have to be certified.

Q: I understand that. If they offer a couple of classes per year, the fall class once the inspection season is over and then the spring class which happened in March so they are done for the year.

A: (Karen Speeg) There is one in August this year because they had so many people needing it.

A: (Tim Conway) It's a little bit complicated; it's just not like you can turn anybody loose on it.

Tim Conway said another place we are vulnerable is down at the West Yellowstone Airport because we have to have fire-fighting service for 15 minutes before and after the airline. The airline is now stretching the schedule from morning to evening plus delays so it's a vulnerability we have. I have requested FTE for a full-time employee down there to provide us options. If I can get that approved either borrowed from MDT which is what they are looking at or requested through the Legislature that would give some flexibility for perhaps a part-time person or something. We haven't quite figured it out exactly because we're fully staffed now and it's not an issue, but we need to be thinking along the lines of when we're down to two people how to cover those flights throughout the summer.

Q: Is there anything that we as a Board can do? As we talked about the Indirect Costs being up so high, it sounds like Aeronautics needs more money to potentially attract good, qualified employees. Is there anything this Board can do before the next Session? I don't know if it's working with Mac Long or to try to get some of those funds into your budget for recruiting and hiring the staff that you need to do a very critical job?

A: (Tim Conway) Good question. I think the short answer is probably not because the way that state government works is that you're classified into a position in the matrix and that is your pay. It would have to be an across-the-board increase. There is an avenue to go through pay exceptions, but it would probably have to be done more uniformly across the board. As far as advertising money and things like that, human resources can allocate money towards that and they already do that. Any little advertising extra that we're going to do, we just pad our budget; it's minor money only a few hundred bucks and it's not a big deal to go to national publications. I don't think we're unique and this problem is across state government and across MDT. So, for us to say we're unique and how are you going to fix it, I don't think we're there. I like the way you're thinking but especially right now we need to see, as these advertisements go out, what kind of a response we get. If we're not getting anybody, then we start looking at things like pay exception and that's internal MDT where I go before the administrative staff and the Director and ask them for a pay exception of two to three dollars an hour. It's hard to believe that really swings somebody but you know better than I do.

Com: It doesn't so we should explore options for contract assistance at least for the next six to twelve months until we can potentially solve the staffing issue. We're not going to solve the staffing issue fast.

Tim Conway said we don't know if we are or not. We have a temporary employee that we brought back that is helping us through. That's a big help. Stacey's position is being advertised with a few applicants that look promising. We may be able to pull a couple of these positions in. Matt Amble's position and Karen Speeg's previous position are both really unknowns at this point – what is the market going to bare for those. These entry level, Program Coordinator and Administrative type positions, but I think we're going to be okay. I'm not in a panic mode yet, I'm just keeping you advised because we don't meet that often.

Q: Is this across the board with all the state agencies right now?

A: It is except for one agency which is Livestock Agents. The fire department and the police department are feeling the same thing.

Karen Speeg said Kelly Garber emailed us with Loan IBC costs and there are none. There are no costs for administering that.

Tim Conway said if things start getting crucial I'd be happy to come back and talk to you about creative solutions.

Com: (Wade Cebulski) One thing on the airport inspections, you used to be able to give them back to GCR and they would contract them out if you didn't want to hold them over. The FAA never deals directly with anybody, so GCR is the engineering firm that runs the Airport Inspection Program. That used to be something they offered especially if you're getting backed up and it doesn't look like you're going to get it done next year either. I don't know if they still offer that. They usually get retired inspectors from different states.

Q: How about inspectors in the same state?

Q: You're still certified aren't you Wade?

A: (Wade Cebulski) Yes I am. I'm just saying that is how they picked their pool. I know the guy from Michigan and he went up and did all of Alaska's inspections which was four years behind. I know they had options. They would just hire somebody who was willing and certified and most of those were retired state inspectors.

Q: Does Aeronautics get paid for the inspections?

A: (Tim Conway) Yes GCR pays \$650 per airport. It actually is a positive cash flow for us. We lose on some airports up in the East because of travel time but overall the program is a positive. If things go really well, you can get three or four per day done. That's the inspection part and then you have another day entering the data. So in two days you can generate \$2,400. It is not just the inspections but it's a good opportunity for Aeronautics to get out and meet with the Airport Managers. So we really like the program and we like doing it but if we can't provide it then we'll have to look at other options.

Com: It is time for them to pay more; it's been \$650 for over ten years.

Com: (Karen Speeg) With gas prices being as high as they are it needs to go up.

## **Audits**

### *Aeronautics - Legislative Audit Division (LAD)*

There is a Legislative Audit Division audit going on right now. There are two objectives to that.

Objective #1: Has the Aeronautics Division and Board of Aeronautics established internal controls to ensure the objectives of their major activities, including the Airport Grants and Loans Program, are met in an effective and strategic way?

We're going to discuss this item further in the Agenda so I'm going to skip that one for now.

Objective #2: Are there feasible options for the State of Montana to no longer operate Yellowstone Airport?

That is currently underway so I don't have anything to report. That is the status of that audit. We'll talk about the first objective later in this meeting. The second objective is being investigated by the auditors now.

Q: That is not their final?

A: (Tim Conway) No I gave you what they are investigating. What we are going to talk about later in the meeting is a Draft Finding of the first objective but they are still working on the second objective.

*Grant and Loan Fund*

FY 22 Internal Audit: Hot Springs – nothing to report.

FY 22 Internal Audit: Glendive – nothing to report

I'm just letting you know those audits are supposed to be underway and I haven't heard anything on them.

*West Yellowstone PFC Audit (ending 6/30/22)*

There were three findings on that audit:

Recommendation #1 – We recommend the department utilize the existing procedures designed to accurately accrue PFC revenues during the fiscal year-end process.

Response – learning curve following the absence of a financial contract

This is going to be a theme you'll see in these responses. When Effie Benoit left in 2020 we had about a year where MDT was trying to cover all of our financial needs and some things slipped through the cracks. Some of these finer points of the PFC Audit is one of the results of that.

Recommendation #2 – We recommend the department utilize the existing procedures designed to recognize PFC deposits in a timely manner.

Response – learning curve following the absence of a financial contract

Recommendation #3 – We recommend the Airport adjust the year-end accrual estimate to reflect the actual PFC revenues received.

Response – The Airport is unable to adjust the year-end accrual estimate due to the state's fiscal year-end policies and deadlines. These adjustments are reflected in the following fiscal year.

That last finding comes up with almost every one of these audits. It's one of those things where the state has its rules for fiscal year end and the auditors don't like it and they report on it and we give them the same answer every time.

The first two are relatively minor. I have to do a following procedures but in the big picture there are no problems it's just they recognize there was a procedure not being followed with the new people doing it.

**Airports and Airways – Karen Speeg, MDT Aeronautics**

*5010 Season*

We already talked about this.

*Webcams*

Bozeman Airport has recently been added and Bozeman Pass.

Butte, West Yellowstone, and Superior have recently been installed and they are actually on the test site right now and should go live in the next couple of weeks.

Missoula has been down; there has been some technical issues with the internet. They had to move them and Derek's is working to get them back up. They have been down for a couple of months now.

Lincoln. We installed "say weather" in Lincoln. It's kind of a test program to test out the weather system. It operates in the Unicom Traffic Advisory, and you just click the Mic three times if you want wind advisory and four times for a full weather advisory. It only gives the altitude if the DA is over 1,000 feet above ground. If you get over there, try it out and let us know what you think. It's not up on the website yet because there's been a problem with getting that set up. Derek is working on that as well. We will send it out when we have it.

#### *FY 22 Courtesy Car Grants*

We awarded four. Three of them have accepted the grants and have new cars now. For Deer Lodge, Laurel and Lincoln and Conrad still has one outstanding. If they get us a Bill of Sale before the end of the month, they can get reimbursed for up to \$5,000. If not it just goes back into the pot. We're waiting on them.

#### *FY 23 Courtesy Car Grants*

Fiscal Year 23 Courtesy Car Grants just closed. There's seven applications and we're supposed to meet next week and determine who to award those to. There will be four awards total.

#### *5010 Season Airport Inspections*

5010 is already covered. I've completed seven of those so far and I'll try to complete them as I can. This year is all the eastern reports and they're not close, so I'll have to go way out east to complete them. I'll try to tie them into state airport visits because we all visit all the state airports twice a year for maintenance and change windsocks and take cones and replace cones and check everything out.

Next Friday we're actually going to Del Bonita, there's a work session in cooperation with Canada to fill gopher holes and meet and have a little BBQ. I know the Director and Deputy Director are going. Mac went with us last year and that was really fun. He helped a lot

East Poplar – we're trying to nail down a date for the East Poplar Airport. We have an Earth Day thing with the high school kids. We did it for Earth Day last year but this year the weather didn't work out so they are trying to nail down a date next week to bring up some high school kids and help us fill some holes up there. Of course, we take gopher bombs and try to mitigate those as best we can. They were wanting to do next Friday but we have the work session so we're trying to get it moved to Thursday.

#### *State Airports*

Augusta – we have a little fencing problem. There are some cattle out in the runway from the adjoining ranch. We're trying to get up there to figure out how to replace some fencing at least temporarily to keep the cattle off the runway.

#### *Browning Fencing Project*

Browning – for the grant you awarded last year, we've been working hard on getting a bid together for that and with staffing issues it's been a little challenging. That should be going out here shortly.

Q: Didn't the Tribe take that airport back? Was it Browning?

A: (Karen Speeg) No that was Babb. That one is no longer and airport.

*Lincoln Airport*

We are working on snow removal, requiring some snow removal equipment and the design portion of a building.

*Dell*

I wasn't able to update on Dell because Marc has been working on giving that over to the tenant to maintain and redo the runway. I'm not sure where that project is yet; I'm supposed to meet with him this afternoon.

Tim Conway said I can share on Dell. There is a local landowner that has a Falcon 7X that files in there and is interested in paying to repave the runway if we will give him the rights for any lease revenues on the airport. We're seriously looking at that. It's a 20-year agreement and anybody that would be a through-the-fence and try to get around paying him the lease amount, would need a through-the-fence agreement with us on the rest of the property and we'd funnel all that money to him for the future maintenance of the airport. He'd be responsible for future maintenance.

It would be a great deal for the flying public. It would remain a public airfield and that is one of the requirements. We would still do week mitigation, windsocks, and I think they are currently doing snow plowing. Those are still in the negotiation part but probably just continue on the way it is with them doing the pavement maintenance and us doing the rest – paying for the lights and things like that.

Com: I'll say for the record that I think that's a great deal and a great model and we should embrace and accept so that we can continue to improve local airports if there are people who want to do it. My only comment is we need to make sure who the counter party is. The last thing we need is the state to get egg on their face if this person ends up being a drug dealer or whatever. So, I think we should do a character assessment of the county party. All things being equal, it should like great deal.

Q: Are they only going to plow when he is coming in?

A: (Tim Conway) No we already have the plowing part in place. The airport took care of it themselves but the last renegotiation section says the county finally stepped up. They took enough pressure about the tax base so the county stepped up and also took over half of the week mitigation. So, I believe it is the county. Needless to say that is unusual for us; we've never done that before.

Q: Does he carry any liability insurance naming the state additionally insured? Anything like that?

A: (Tim Conway) He is not going to operate it. That is what we're working through. In exchange for him repaving the runway, he is going to get a pretty prime piece of real estate that if anybody wants to come in and put in a Hanger, which nobody has done in the last several years, but if he can get some of his buddies to put a hanger in there, then he would receive the rent from that. We would still retain ownership of that property and everything else would be the same. The lease agreements would have to be developed in accordance with protecting MDT and whatever legal recommends to allow this to happen.

- Q: So just exclusive use rental lease of the land surrounding the airport and the state still operates it? He is just going to have a lease on the property and the only reason you can do it is because you're not using federal funds to improve the airport? You couldn't do this on a federally funded airport? If you get federal funding can you do it?
- A: (Tim Conway) I don't see why you couldn't because it is like a gift. If somebody wanted to come in and pave the Lewistown Airport and paid for it and said we want to lease this area or get revenue from these leased areas, I don't know why the Feds would have any problem with that. But maybe they do – it's a good question.
- Com: Everything I've ever dealt with the Feds on involved strings on strings on strings.
- A: (Tim Conway) It's a non-Fed airport.
- Com: It's a heck of deal for the state because he is probably looking at a couple of million bucks to repave it.
- Com: The reason the federal issue came to mind was West Yellowstone. We've talked offline on where that goes long term. It's a big bite out of your budget to manage that. What if you had a party that came in and wanted to lease West Yellowstone and contract the whole thing out?
- A: (Tim Conway) That's part of what the auditor is looking into – all those options. Give it to the city, the county, a third party, partnership with a third party, close it down, keep it the way it is. Those are all the options being looked at.
- Q: What about other airport locations that have minimal use – Augusta is one. Has there been any consideration of closing that one? You're talking less than 10 operations a year. Another one is up at Coutts. It's kind of a traffic hazard thing anyway and has minimal use. What's the thought process in closing it? I know it doesn't cost much money but you're still visiting it twice a year. When I was doing airports Coutts was getting two operations a year. I know you've got blanket insurance that doesn't cost much money but if you're still visiting them twice a year and it has less than 10 operations a year, I just don't see where it makes much sense to continue doing that. It's just like Babb
- A: (Tim Conway) Historically it's been viewed that the cost is very minor, maybe \$600/year for insurance, then a windsock, and a couple of trips there which are usually joined in with different trips. The purpose it serves for fire-fighting and an emergency landing strip, both of which are pretty rare in reality, but it exists and so we've kept them open. If the Board wants to recommend us to look at it or have us reach out to the constituents through the newsletter or MPA, we can.
- Com: Those airstrips are in no-man's land. So basically, Canada does not participate at all and yet they get the same benefit. Maybe that's an avenue to help. When you're having two or three operations a year, I don't see where ... especially the one at Coutts. There is nothing out there. What's Poplar getting for border crossings – 10? It seems like there's better places to spend your money.
- Com: It would be interesting to have the Board weigh in on that. It's a really minor time thing for us so it doesn't even hit my radar.

Com: My only concern with doing it is your economic argument which is totally valid. Once you close an airport, it never comes back. You don't make new airports anymore. You're never going to make a new airport ever again. So, I think it is a decision we should talk about and consider. There are actions with reversible effects and actions with irreversible effects, and that would be an action with an irreversible effect because once those things shut down it is highly unlikely we'd ever get them to come back without a private benefactor stepping in. The GA community might care.

### **Safety and Education – Tim Conway**

#### *Clinics*

Tim Conway said clinics completed in the last six months were the Winter Survival Clinic, the Flight Instructor Refresher Clinic (FIRC), the Inspection Authorization Seminar, and STEM Activities for Youth.

Clinics planned in the next six months are ACE Academy, Search Pilot Clinic, Teacher Workshop, and Youth Aviation Art Contest.

#### *Direction Finding (DF) Equipment*

I'll keep you updated on that. We've been working with TrueNorth Rescue (TNR) to develop an IOS application for both the iPhone and iPad. That's been slow. It's our only avenue and we seem to be the only entity that is working towards this including CAP who is still using outdated little elpers that have not been manufactured for year.

We're working with this company to develop a product that is digital, sensitive, portable, and compatible with smart devices. Topographical maps have been developed to plot the location of ELT signals for faster location. It's moving through beta testing with the company. We've had some setbacks here. This is literally a one-man show out of California. He had some programmer out of India working on the software but he got COVID and passed away so they had nobody developing this. Yet they were still asking us for money. We didn't give him any more money until he had another solution. Now we've worked through all that. This is a little in the uncomfortable zone and I've taken it up the ladder to make sure the Director's office is fine with it. It is the only avenue we have right now. We're expecting a device by July 1<sup>st</sup>.

We've had three versions so we've seen things that have promise and seem to be working. It's pretty cool what they are trying to do and it looks very promising. We're into it about \$15,000 right now. We have three iPhones and three devices none of which are functional because it is in development but we are getting assurance that it is moving forward. It's pretty interesting if it actually goes forward and turns out to be what it's supposed to be. I imagine it will catch on with a lot of areas internationally. This is tracking a 406 signal and a 1215 both for ELTs.

Q: Are there other states interested in this but Civil Air Patrol doesn't have any interest in it?

A: (Tim Conway) We haven't been able to drum up any interest from Civil Air Patrol. They just rely on the Beckers mostly and don't really focus on the ground search and are still using little elpers. That is our understanding. Other states – there's only three other states that have primary search and rescue responsibility. All the other states have turned it over to Civil Air Patrol. We've looked at that in the past and there are reasons why we don't do that.

Com: You have to pay them and least that is how it used to be.

A: (Tim Conway) That's one reason. Their response time, their ability to respond and Montana has always felt more comfortable having Aeronautics do it. But it's a huge expense to our program admittedly. We have a plane dedicated to that.

Q: Are you going to own this technology?

A: (Tim Conway) No. That is one of the avenues we checked on to see if we could purchase part of the company and be a shareholder since we're funding all the research and development. That is not allowed under state statute. So the only thing we could do is to kind of piece-meal this thing along because there is nobody else that is interested in funding this.

Q: So we're not going to own the technology but we're going to pay to do all of it?

A: (Tim Conway) We're going to pay part of the development, yes. We're into it \$15,000 so it's not a huge investment. It is interesting. If you're trying to do a start-up business, there's your opportunity. There is international interest in it.

### *Aircraft/Pilot Registration*

FY22 year to date we've got 4,944 aircraft registered for a total of \$989,983. We've got 2,072 pilots registered for a total of \$22,980. For comparison last year we had 5,139 aircraft and 1,931 pilots. So our aircraft registrations have actually decreased but our revenues have gone up and our pilot registrations have increased over last year and the previous year.

Com: So every pilot registered owns at least two airplanes. It seems like we're missing a big chunk still.

A: (Tim Conway) It's not a one-to-one for sure.

Com: Most of the pilots I know around here have multiple aircraft.

A: (Tim Conway) We get a number of aircraft that are registered from out of state for tax benefits. We don't turn anybody down.

### **West Yellowstone**

#### *Terminal*

The terminal at West Yellowstone we're still moving along on that. That is being hit by significant cost increases but we think we have a funding solution. We're hoping to get some BIL terminal money specific and we're hoping to get some discretionary money. With those two things we think we can bridge the gap and get over the hump. Its touch and go almost constantly on the terminal with what information is coming in and costs going up.

Com: There was an announcement yesterday on that bill money and West Yellowstone got \$2.6.

A: (Tim Conway) No that was AIP money. The BIL terminal money is still out. There was an article yesterday that said the BIL terminal money is going to be announced very soon.

Com: There was something on the news that named three airports.

A: (Tim Conway) That's the typical AIP money. Then they just announced five or six more from eastern Montana.

Com: When grants are awarded they kind of dole it out as political pay: "Look we got you money."

### **Other**

Other things going on at West Yellowstone – we're still working with the private developer to develop hangers similar to Dell where they would pave part of the taxiway and have the ability to develop hangers there and have a first right of refusal on future development sites.

The Winter Operation Narrative Report is underway. That is an investigation by Morrison-Maierle to look into the feasibility of operating the airport in the winter months. We're hoping to have some sort of a break-point decision by December 2022. Not whether it's a for-sure go but whether it looks like it might be feasible to continue looking into it. That's going a little slower than we hoped but Morrison-Maierle is our consultant on the terminal and along with other work they have, we've agreed to let that slip a little bit.

### *Statewide Enplanements*

This year we're up 48%. Year over 2019 which is the base year we compare to we're still up statewide 11% with the busiest airports at Bozeman, Billings, and Missoula.

### *EAS*

The Pilot shortage has reduced the schedule for Cape Air. They do have it worked out between the towns. Essential Air Service communities served by Cape are met and they've figured out a way to reduce the schedule so that everybody was equally unhappy and happy at the same time. Nobody's happy so it's a good solution.

The pilot shortage is weighing on multiple sectors. I know Pam has reduced enplanements. We have reduced enplanement at West, and I just talked about EAS. I don't think it's hitting Bozeman but it's hitting across the board. I've been working with Senator Tester's office hammering on two things – one is falling on deaf ears and that's reducing the 1,500-hour rule. That isn't gaining any traction politically these days. The other temporary solution I've hit with them is to increase the retirement age. It's a band-aid and might buy us a couple of years and then we'll be in the same boat but it might buy us a couple of years. We're still working on that.

Com: I did read an article this morning that there is a bill as of today to increase the age from 65 to 67. That is in place. Plus, there is another bill pushing for 750 hours for minimum flight for airlines. That is what it used to be before the Colvey crash when they upped it to 1,500. It wasn't 1,500 until 2009. They are looking at 750. So the 65 to 67 looks like a done deal but the 1,500 to 750 has a way to go.

Q: I missed that so Tester has a bill?

A: I don't think it has anything to do with John Tester. It is working its way through the House now to remove the required age of 65 for airlines and move it to 67. Another bill to reduce the minimum hours from 1,500 to 750.

### **Carroll College Senior Design Project**

We've finished up with some senior design students at Carroll College to design the RV Park at West Yellowstone. We started that when we thought we were going to

have more money than we knew what to do with but that's changed significantly so I don't know where that's going to go. The students did a great job. This is our third or fourth partnership with Carroll College seniors. The idea was to take some of the property south of the terminal in the trees and develop an RV park that we would use for employee housing and government housing to kind of get our foot in the door with FAA. It would be revenue generating. Then we would expand it out to the public to where we can use that for revenue generation at the airport.

### **Density Altitude Posters**

If you saw the last newsletter we are rolling out density altitude posters at all the airports along with our partners at MPA and AOPA. We're trying to get them to all of the public airports including the back county strips. It is specific to that airport where it gives the density altitude at different temperatures to try and curb some of the accidents we've had lately where density altitude is a factor.

### **Loan and Grant Board Meeting**

The Loan and Grant Meeting is scheduled for January 17-18 at 12:00 in Helena.

Q: (Tim Sheehy) Were you going to go back to the audit at all? I have a couple of things I wanted to bring up with the Board. I had questions on the audit regarding the previous Board not our Board. This is the preliminary findings so this is not public record because the final is the public record item. In the preliminary recommendations there were three bullet points for the Board of Aeronautics:

- Some inconsistencies; minutes don't always reflect decision rationale.
- Lack of consistent decision transparency and ability to understand decisions and their strategic nature.
- Other states: scoring process as initial basis, then discretion; weight federally funded projects; tie awards to state CIP.

I called Chelsea to get her feeling about these things and she said they may not end up in the final report. The one item that she hit on pretty hard was the scoring process. She seemed to feel like Aeronautics does a good job in putting the spreadsheet together and prioritizing the projects, but she felt it needed to go a step further. Once it's in the hands of the Board then the Board should have a kind of a scoring process. Then we use our discretion to make the decisions. Just and FYI, she sent me the three states that have a system in place. If you'd like me to go ahead and contact these states and see if they will share their processes with us.

Q: What do the statutes or the Administrative Rules around the statutes say about the process? What is required of this Board?

A: When we got the ruling when we had our meeting in January we were told this Board can do whatever it wants.

Q: (Tim Sheehy) That is why I'm asking the question. There is a set of rules somewhere that somebody came up with and there's a statute that those rules were based off of – what does it say this Board's discretion is? I'm just trying to understand that when an Auditor works on that, they should be looking at the statutory requirements of this Board.

A: (Tim Conway) She wanted to have the Board make decisions that are defensible.

Q: (Tim Sheehy) Against a statute?

A: (Tim Conway) Right.

Q: (Tim Sheehy) So what does the statute say we have to be defending against? Somewhere someone set up how this Board operates – it's a state statute or an Administrative Rule? What does that say? Is that her interpretation of that or is that her generalized interpretation as she audits state organizations? Where does that come from? I'm not objecting to that; I'm just trying to understand. Sometimes auditors are gods and they make up their rules based on their interpretation of those statutes and I'd like to know what those are. So, this Board has operated for decades under a set of statutes and rules and why suddenly now is it different? I'm just trying to understand that. Do we follow the auditor's recommendation or do we push back. I deal with auditors all the time and you often ask them "where did you get that from?"

A: (Tim Conway) An auditor always wants more precision. They are not decision makers, they are inspectors. So no matter what they look at, it's always we need more process. If everything was processable we wouldn't need people to make decisions.

Q: (Tim Sheehy) And their internal set of standards to which they audit change regularly. In financial audits they write their own set of standards. So they change annually. This does not change annually; this is statutory for the state. So what does it say we have to audit?

Com: We repeatedly asked MDT Legal at our January meeting about consistency and rules. What I heard at the January meeting seems to be quite a bit different than what I'm hearing in this Audit Report. It seems to be oil and vinegar.

Com: (Tim Sheehy) When I was first going through all these books trying to figure out this Board, somewhere I saw a statement that says it is required to have a written process for the loans and grants distributions. To date I've not seen any kind of a written process.

Q: Is it a process or work criteria?

A: It is a process.

Q: That is different from a work criteria.

A: (Tim Sheehy) Process is a very broad term. MDT staff recommends and the Board decides. That's a process. Its two steps which we've done. If the process requires 15 audible procedure steps then ... I think we do have a written process that we follow. We just need to identify what it is. At least it shows the majority of people feel that awards have been fair and proper and safe.

Com: I'm struggling with the words "lack of consistent decision transparency." I don't understand how it's not transparent. We sit in a room and it's open to the public and there's no closed sessions allowed.

Q: (Tim Sheehy) I don't want to get too deep into this right now until we see the actual final. All I was looking for is if the Board would be alright with me approaching these other states to see what kind of a process or procedure they do.

Com: But you're tipping your hat to agreeing with the finding. What I'm suggesting is that I'd like to go back to the auditor and say "based on what?" Show us

what you're auditing to. What's the standard you came up with that you're using to audit to? Show us where we have to be more transparent.

Com: (Tim Sheehy) That's all I'm suggesting. I've sat through a lot of audits and often you ask to be shown the audit regulation that says this so I can understand how you are supporting this. Why are you writing us up for this?

Q: How much power does the Legislative Audit Committee have with the Legislature? When she puts out these findings that says this is what I'm recommending and we say we don't agree. What is the next step for her? Does she go back to the Legislature?

A: She provides that to the Legislators and it's up to them to do anything further with it. She doesn't have any enforcement authority. I think she does a follow-up after a year to see if those have been implemented and then reports back to the Legislators. That's my understanding of it.

Com: One thing in reading this it strikes me that the auditor is auditing something that they've never audited before and I don't know if they fully grasp the whole concept of the loans and grants thing – the priority ratings and all that stuff. It seems there is something disconnected here.

Q: Which one in particular are you looking at?

A: In their findings, I'd be interested to know how many loans and grants processes they've audited before because it seems there is something missing.

Q: Are you talking about Recommendation #1 or are you looking further down.

A: On the scoring and prioritization, there are some inconsistencies. I'm struggling with that a little bit. How many auditors have audited a state agency that does loans and grants? This might be the first one they've ever seen so I don't know if they really grasp it. I'm struggling with it.

A: I don't know the answer to that. I'm guessing that this particular auditor had not done that before. She reports up the line too.

Q: Part of the reason is I think we have a pretty darn good system and it's been around for 40 years. I know this audit wasn't for us but past boards have asked Legal and consistency has always been a big part of loans and grants from the time I was asking for money over 20 years ago all the way through my career. This Board was very pointed in asking those questions about consistency and I thought she was very clear in her consistency speech. It doesn't seem like the Auditor and Legal are on the same page. We asked some very pointed questions and Valerie did a good job. When it's all said and done the board can do whatever it wants as long as you have good reasoning for.

A: There's the key – the defensible part of it. It may be CYA so we need to give it some thought. We're a new board and we don't have a lot of past experience.

Q: Is there anything in the handbook. I don't remember any specific directive as it relates to procedures.

A: The Administrative Rules, subchapter 4, Aeronautical Grants and Loans Program does step through how to apply for the loan and what the Board's responsibility is.

Q: Does it say anything about the board's responsibility? Again, the lack of transparency in public meetings, I don't understand that.

A: I would have to spend a little more time with it but I'm not seeing much.

Com: My thoughts are to wait until we get the final findings.

Com: (Tim Sheehy) I agree because that could change between now and then. It could disappear by then. We don't really know. My thought was at least I could be a little proactive in looking at how other states do it. We might learn something.

Com: It would be interesting to see what they have.

Com: (Tim Conway) The rules say: "The Board will hold an annual public grant and loan review meeting, notice of the meeting will be according to state law. The Board may allow for supporters to speak or provide for a presentation regarding applications during the meeting. The Board will review and discuss applications and vote on the disbursement of grant monies during the meeting. ... The Board may offer applicants amounts higher or lower than the amounts requested in the application. The Board may offer grants in place of loans and visa-versa."

Q: (Tim Sheehy) This goes back to what I said, I'm not sure the auditor has read that and understands that's the set of rules by which this Board has been assigned to play. Sometimes they apply public accounting gap principles that they've been taught but they don't really realize that's not what applies in this case. Sometimes you need to go back to the auditor and say "hey by the way, here are the Administrative Rules that apply to this Board and this finding may be in error. You may want to look at it and re-read these rules because this is not what applies to this board."

The second thing I would say as I re-read this in light of this discussion, I'm not so sure it just isn't their interpretation of when they read the minutes. That the minutes didn't give this auditor the information that he or she wanted.

Com: (Karen Speeg) She was at the last board meeting. She sat in the back and took notes.

Com: I actually talked to her.

Q: (Tim Sheehy) Does she not understand the latitude that this Board has been given statutorily? Maybe she is applying a different set of standards.

A: I don't think so.

A: (Charlena Toro) I think if we don't push back, historically in an audit if they give you the preliminary findings and you don't push back, they will end up in the final report. I always push back on everything they find and then try to get it removed.

Q: (Tim Sheehy) As a board member I'd like to know her criteria for that comment. Does she understand the statutory administrative findings on the statutory rules?

Com: There is no way that she is going to do an audit without having some recommendations. If you take the last paragraph on the second page and read that, it's like we've got a solution looking for a problems. Okay we don't have

- any problems but let's have a solution anyway. They are going to have a recommendation no matter what.
- Com: Well it's kind of hard because this audit is a previous boards and not our board.
- Com: It's all relative through.
- Com: If you don't change as they operate as a board then the finding would still directly apply.
- Q: She would have to do a follow-up to see if this board is acting in the same manner as previous boards. How do we push back on this because we weren't there?
- A: I would say knowing that she went to the last board meeting, she still generated this recommendation with that information.
- A: (Tim Sheehy) It's going to cast some kind of light on us legislatively and that is what I'm worried about. Hey wait a minute, you're applying a principle that doesn't apply to this board potentially, where did you get that from? We don't like it because that's not the rules we're told we have to play by. So come up with the gap principle in writing that shows that this is the case and then we'll agree with it. Until then I wouldn't agree with this.
- Q: I have to lean on Tim. You're the ones that did all the meetings with Chelsea and conducted this audit. Is this something you would push back on? Is it something this board has to push back on? I'm not sure this was even supposed to be distributed.
- A: (Tim Conway) I told her that I was providing it to you and at your discretion you may distribute it to the board. So she knew that. With regard to pushing back – if the board wants me to question this, I'm happy to do it. She interviewed you as well Bill, you've had discussions with her.
- A: Just one or two times that was it.
- Com: I'd like to see Tim push back to say give us some criteria of how you came up with this, we're confused because we don't see that in the statutes or the Administrative Rules.
- Com: You could go down each one of these and say we're not doing this because ... or we are doing this because ...
- Q: Are we jumping the gun by not waiting for the final?
- A: I feel like we are.
- Q: You have to push back on the draft otherwise the final is determined. The recommendation on staff stuff I think we should push back on those too. The finding are okay but with the scope of increase of pilots and aircraft in the state in the past two years and staffing issues at the department, essentially this all comes down to workload; you don't have enough people to do this. These bullet points are all great and in a perfect world we would do them all but when you're at half-staff and the number of pilots in the state is increasing at the highest historical rate ever, the findings are probably accurate but are they in any way reasonable to expect to have those tasks be completed right now when you have essentially one or two members?

- Q: I don't know if you're going to go down each one of these but some of these like Aero Suite I don't understand. I see a newspaper headline that says "we gave \$700,000 to airports that were out of compliance." That's got a reporter written all over it. I don't even know what Aero Suite is. It says the staff doesn't like it. Do we need to actually address this? Is this a solution that needs fixing?
- A: In answer to your question I think the intent was for this board to really focus on #1. I provided all of them because I wanted you to be aware of them. I'm happy to discuss any of them or all of them. To your point Tim there is a staffing concern right now obviously and our ability to respond to this quickly would be limited but most of these are probably a best practices sort of thing that would be good for us to implement like the leasing policy.
- A: I think with respect to the conversation with the auditor, I think anecdotally if you go back to the 44 people who were participants in that survey and not one of them stated that they believed the board's decisions did not meet the needs of the Montana Aviation System. That is what this board is charged with. If not one respondent disagreed with that, frankly I don't know how any of these three items could be legitimate.
- A: I agree with Tim. I think it is appropriate and necessary to go back to the auditor prior to this being published to at least get some clarification as to where these findings came from and what exactly she is using to get to these conclusions.
- Com: I think what the push-back has to revolve around is the board has to make a final decision on a loan or grant based on the collective aviation experience of everyone on the board. That is why there is a Board of Aviation professionals. If you take every loan and grant scenario and stick it into a spreadsheet with automated scoring, it may look real good on paper but you're going to end up getting wonky results. Then you don't need a board. There is a very clear process and our focus was safety. Number one is safety – what in these loans and grants tie to safety of operation of aircraft. Yes, everyone want a new ramp and new T hanger and all sorts of stuff but what's going to prevent a plane from going off the runway or hitting an elk or killing somebody. Evaluating that is an airport paver, another FB owner, and a jet pilot and everyone else on the board – how can we bring that experience to bear and to assess what is the greatest safety risk of each loan and grant request and make that decision accordingly. You can't put a spreadsheet around that because every situation is different. We look at a picture of the runway and we see that the runway needs to be fixed. I think the process is clear and it's simple but it can't be quantified in a way that an auditor would typically be able to audit. I agree, I think we should push back and make it very clear that the decisions she says are not consistent in the transparency but the respondents seem to disagree with that. The decision of transparency simply walks back to safety as our core concern for every loan and grant we award.
- Com: For what it's worth I did invite Chelsea to attend this meeting and she declined because she didn't want it to be part of the public record.
- Com: (Tim Sheehy) The minutes are an easy give. We need to take better minutes and that's fair. That is something we can easily do. You have to give something to them and we can say minutes need to improve and we can decide on a better method for that. Lack of consistent decision transparency to understand decisions, I think that is the big one we seem to have an issue with. As you said it wouldn't hurt to ask other states but as Pam stated there is an indication there that we're accepting our process as faulty.

Com: I don't think we need to mess with that at this point. If it's forced upon us then we can.

Q: Am I correct in understanding there is no written process or procedure?

A: Just the Administrative Rule.

Com: (Tim Sheehy) That's not a process or procedure. Somewhere I read there is supposed to be a written process. I'll see if I can find that and get it to everybody.

Q: Do we need to make a motion to pursue the questions Aeronautics have?

Q: But do we have a process that is written somewhere?

A: Not that I've ever been able to see.

A: (Tim Conway) The Administrative Rules are the closest thing to a process that the board has.

Q: Do we know what the Administrative Rule says?

A: (Tim Conway) Yes I have it here. Generalizing it, it just steps through the steps for an airport sponsor to apply to the board, how the application is handled, what the deadlines are, how it steps through the process that I already read to you, the authority the Board has, then appeals, etc.

Q: So it sounds like we do have a fairly descriptive process right there.

A: (Tim Conway) I think we might be talking about semantics – it's Administrative Rules. There are rules here but Bill you don't think that is a process in your mind.

A: No it's not. I've got to find what I was looking at.

Com: I need some direction from the board if you want me to look into this. I defer to Charlena if we need a motion. I'm fine with you telling me that's what you want me to do.

Q: When is the final audit coming out?

A: (Tim Conway) We don't know. I assume they are going to complete Objective #2 and issue it was one complete record but I know that Legislative Audit considers their research and interaction on Objective #1 essentially done. I imagine these questionable things down here that are not quite findings, they are working through whether they are going to include those or not.

Com: I can't imagine that a motion is necessary. It is important and the board feels it is important for you to go back and have a visit with the auditor and try to find some documentation or reasoning behind Finding #1. Ideally a written response.

Com: (Tim Sheehy) I think we need to have a letter from the board that ... first of all any organization that pursues organization excellence wants outside feedback. We should welcome that. "Come in and look at our process and how we can do things better." I don't think we need to be overly defensive. Just say, "We appreciate the feedback of the auditing team and we want to

make MDT and the board a more functional organization, so we welcome the feedback. However our concerns and disagreement with the feedback provided by the Audit is X, Y, and Z.” I think number one develop and require some sort of scoring – well we have an extremely in-depth scoring process that is the responsibility of the professional staff to do. That’s scoring process is very proscriptive and very precise. It is the board’s role not to do another scoring process because one’s already been done. Our job is to evaluate the scoring process that has been done and then view that through the lens of budget prioritization and safety and what’s best for the Montana Aviation community. We’re not supposed to score that. They are supposed to score that and we’re supposed to decide. That knocks out that.

(Tim Sheehy) I think inconsistencies – sure we can take better minutes and we will. Thank you. Lack of consistent decision transparency, I don’t know what to say to that. We sat there all day from six to six and I think we did a very transparent job of doing it. So I definitely think we have to push back on that.

(Tim Sheehy) I agree with looking at what other states do. We’re always willing to learn how to make things better but we’re not going admit guilt so to speak. We need to be careful about that one and say we’re always willing to evaluate new processes but if no one in the state feels our process is flawed unanimously then why are we going to seek to change it.

(Tim Sheehy) So I think a written response from the board not from Tim - we need to be the signatory since it is directed to us, then we need to be the one writing it. But definitely we need a push back in writing and I would encourage something along the lines of that.

Q: If in fact it requires that we have a written process, would you say we need to address that?

A: (Tim Sheehy) In my opinion I just heard a written process that was read to me by MDT that is very clearly – you apply for a loan and grant, we help you with the process, we score the process, the board decides, and the grant is awarded. It sounds like it’s in writing right there in that there ring binder and it sounds suspiciously exactly like what we already did.

Q: Do the rules say all that in detail?

A: (Tim Conway) Well the part I read to you was summarized but that’s what the Administrative Rules describe.

Com: I didn’t know anything about it. I could go to that book and I’d know I need to do a spreadsheet and all the things you want done.

Com: The statute doesn’t say that. The Administrative Rule is an interpretation of the statute.

Com: (Tim Sheehy) Give me time to find what I read because it was pretty specific.

Com: I hear you but that’s the Administrative Rule, that is not the law of the land and it doesn’t say we need a 12-page written process to give out a grant.

Com: Well I learned my lesson on that one too. What you read in that book is not the whole statute.

Com: (Tim Conway) An Administrative Rule is secondary.

Com: (Charlena Toro) The Administrative Rule is the agency interpretation of the statute. The agency is then given discretion. If you would like, I'd look again at the process but that has to be a request from the board. We can definitely look into it for you.

Com: (Tim Sheehy) In my opinion in looking into and creating an issue where one doesn't exist, I think is a risk because once you do it, then you have the fruit of the poisonous tree which starts a life of its own. In my opinion, you just read a very clear Administrative Rule that very clearly outlines the process which 75% of respondents thought was very clear and easy to follow. We just heard the process in the Administrative Rule and that process sound exactly like what we did. I don't know why we would need to write a new one.

Com: The only thing, Tim, I would say to that is things like the recommendation sheet, the first cut, that's not in the Administrative Rule, that is not required anywhere, that is something that Wade and I came up with years ago that we thought would help the board.

A: (Tim Sheehy) But it's important because there needs to be the latitude to adjust how we run it. Again that is why people are in these seats and not computers automatically outputting information. If one year we get five applications because everyone stopped flying because of a great depression and no one cares anymore, then we don't need it. But if we have a year like last year with tons of applications and we have \$3 million because of fuel tax, we shouldn't have to have a statute change every time aviation changes its complexion in the state which as we know can be often. I think latitude is important so that human beings can make decisions that are best for us.

Com: The FAA created the priority ratings that Aeronautics developed already. Those numbers are the bible to the FAA. They base all of their funding on those numbers. As you know safety is a higher number than pavement and it goes on down the list. So when we developed that for use, it was just a guideline to prioritize how we make our recommendations and to help give the board guidance on how the FAA awards their monies just as a reference. But what happened is those actually become important but it wasn't cast in stone that the board had to use those numbers to make their awards. And it shouldn't be but they are a good guidance to keep you on track. Like you said, the board is there to hear each individual's story. We justify our consistency based upon their presentations and our questions.

Com: You make a very good point that that is a scoring system created by the FAA not by a board in some back room or by staff in a back room; that is created by the FAA.

Com: That is a federal funding guidelines.

Com: (Tim Sheehy) It is important that we don't tie ourselves to that. I think we say the board uses best practices as drafted by the FAA but we don't tie ourselves to that statutorily because there will be times when there are only five operations a year into this one airport but those five operations are a life-saving medivac for a Native American child that is undergoing cardiac arrest. It may only have five operations a year, but they are five really important operations so we want to put a fence around that. If we look at the numbers, the FAA would say that is a low priority. There are times when the FAA sheet will not do justice to the local reality and that's why we're here.

Com: And they can't vary; they are cast in stone by those numbers.

**Tim Sheehy made a motion that The Aeronautics Board will provide a written rebuttal against the Recommendation #1 based on the LAD Division of Aeronautics Performance Audit dated April 27, 2022. Robb Bergesen seconded the motion which passed unanimously. .**

Com: (Bill Lepper) It has been moved and seconded that the Board will write a letter. So it is open for discussion at this point.

Com: My only point is that this is a likely recommendation; this is not a final recommendation at this point.

Com: (Tim Sheehy) But if we don't push back and clarify it, it will become a recommendation. They always do that.

Q: Will you be the one to write the letter?

A: (Bill Sheehy) Sure.

Com: The staff has got Tim's word-for-word explanation, they have a recording and you'll create it and give it to them.

A: (Tim Conway) Yes we absolutely can.

Com: I would say if you draft a letter, share it with the board so we can make some recommendations and approve it electronically.

Q: Is that within our power to do that? Do we have the authority to do that? This board can only act as an advisory board to the Director of MDT and do loans and grants. Do we have the authority to be writing letters to agencies? Just to be clear on this.

A: I don't see why the board wouldn't have the authority to write a letter about something that we are affected by in an Audit. The Audit is technically of Aeronautics but obviously you guys are directly tied into it; it has a direct bearing on your business and well-being as a board.

Q: We have legal here, is there any reason not to do that? Should we go through Mac Long? What is your recommendation?

A: (Charlena Toro) I would suggest that if the findings are tentative, so today's discussion took a different direction than expected given that the findings are tentative. But given the board's strong desire to move forward and do something to reach out to the auditor in advance, I think since the next board meeting is in January, ideally we have some time to consider what the best response would be.

Com: It doesn't have to be a flaming missile letter; it's a letter that simply says we've received the tentative findings and we appreciate the Audit and how we can make the Department better, however, our concern is that if these items become final they will then drive statutory action to change existing Department processes in a way that we feel would be detrimental to the quality of the aviation community in Montana. Therefore, your recommendation likely of X, Y, and Z, prior to them becoming final because once they are final there is a requirement of action related to that. So we're simply stating the Audit was good, great things were outlined, and we are going to ingest many of these recommendations to the Department but these are the ones that we think are going to be problematic and we'd like to voice in writing our opposition to those findings.

A: (Charlena Toro) Board member Cebulski's question to me was whether or not there would be any legal concern regarding that. My recommendation would be to give us a little bit of time to look into that and to evaluate that. I know it seems the board wants to press ahead but my recommendation would be to allow us some time to look into what the authority is related to it more clearly and to talk with others.

Q: We can still work on the draft – we can draft it and then share it with you. Then you can look at it as tell us if we're stepping on a land mine or its fine.

A: (Charlena Toro) Certainly.

Q: Could we include likely recommendations just to soften it?

A: I can draft it up and then put it out to the board.

Q: (Tim Sheehy) I'll go back to my original comment – what are the standards we are being audited against? If you're doing a financial audit, it's clear. What are the standards that this auditor used to make that likely finding? That's what I'm really curious about; show me in the book where it says that we need to have this. They have a book and they have some standards so show me. You learn that in a 400 level college class that you need to have that kind of transparency doesn't mean the statute says we have to.

Q: Would it be appropriate based on what Charlena said if I can ask some of those questions of the auditor, get those answers, share them with the board, and maybe not jump right into a letter right away but see where some of these answers go? Would that be something the board wants to consider? I'm happy to draft a letter and we can do them simultaneously or make a couple of phone calls.

Q: Would you want to do a conference call with you and me and Chelsea?

A: (Tim Conway) Sure absolutely. That's easy.

Com: We could change that a little bit depending on the findings on whether you still have approval to do your letter if warranted. Just amend it a little bit. In case everybody says we still need to send a letter then we already have the motion.

Com: The motion was to draft a letter. We can write the letter just do it simultaneously with the phone conference call with Chelsea. Does that work?

A: Absolutely.

Com: That is how I always do it. Give them verbal feedback first "hey we're going to respond to your audit and these are going to be our points of feedback." It's not a dramatic process, but I do think we will need to be on record in writing for what we want our position to be on this.

### **Update on Kalispell**

Todd Clark said I wanted to bring the board up to speed on what we're doing up in Kalispell. As everybody knows, it is kind of a pet project for me because I had my close encounter with some parachuters up there. Mike Gogan has had about three near misses in the valley. It's getting to be a real serious problem with the influx of airlines. There are ten new airlines as of last year. It slowed down during the winter months, but they are coming back again. We've got about 30,000 new residents in the Flathead Valley as well and some are pilots with airplanes. We finally got to the

point of where a group of us pilots said we need to do something. I've been talking to the Tower Chief and Rob Ratkowski, the Airport Manager, and some other people asking what we need to do to get radar in here. Kalispell is the second busiest airport in Montana now. As the influx people moving there, we're the fastest growing micropolitan area in the country. So it's gotten a little crazy up there.

So we had a meeting. It is kind of a local problem but it is Montana air space and Aeronautics has a responsibility for air space in the entire state, so we decided to form a Task Force and see what could be done to get radar or approach control in the Glacier Park Airport. I invited Tim Conway and he graciously accepted the offer and attended the meeting and he gave us a lot of good input. We had the Tower Chief, Rob Ratkowski, the Airport Manager, four or five pilots and operators in the area and we also had Chad Campbell from Senator Tester's office. I talked to Winston Taylor from Senator Daines' office and unfortunately he missed the meeting. There is a consensus that we've got to do something to get radar. The normal process is you have to have an average of 50,000 operations a year for three or four years before the FAA will even consider putting radar approach in. We're not at that point yet, we haven't hit the actual 50,000 for one year.

There are some options available to us. One is there is an old search radar on top of Black Hill Mountain that is actually still working to this day. It shows that Salt Lake Center can see the airplanes all the way to the ground but it can't be used to for approach because of the speed of it. We have a contract tower but they are not allowed to do approach control. They could have been grandfathered in but that's another story.

Another option is like Missoula, Spokane does their approach control. They have a screen in Spokane and they handle the approach radar for Missoula. We found out from Dave Leaser, the Tower Manager, that we could do the same thing but we need some newer equipment to do that. Tim you might be able to help me with that – I guess there is some much less expensive approach radar that is available. Tim said he was not familiar with it.

As it turns out Chad Campbell from Senator Tester's office said the Appropriations Committee at that time had nine weeks until they were going to meet and there was still some money available. The reason I'm bringing it to this board is because I thought I would approach the board to ask for some assistance to put the weight of the board behind this to get this to happen because it's got to happen. As Tim knows, Mike Peters who is Gogan's pilot kept using the term "are we going to wait until we have a smoking hole in the ground before something gets done here?"

Long story short, Chad Campbell said we need to get a bullet point page together, get it to him as soon as we can and he'd get it into the hands of Senator Tester. There is a possibility that there is still some money available. That is where we're at with this project. I'm hoping that maybe something will happen. I did send the same letter to Senator Daines' office and I talked to Winston Taylor yesterday and that's all been forwarded to Washington D.C. Maybe something will happen with this.

Why I'm bringing this up is because we've talked about the board being more engaged and I think there's probably projects around the state – I know Bozeman has some serious issues as well. Again, I wanted to bring everybody up to speed. If we hadn't had to react so quickly, I would have been talking more about what the board could do to help. Maybe put together letters or how we could put some muscle behind this thing. I sent a draft out and Tim responded to it with some very good points that we needed to address like the safety issue. If anyone has any ideas it would be good.

Q: So at this point, there is nothing to do until we see where you're at?

A: Yes, from our point there is nothing more that can be done. If it drags on then I may come back to the board to see if we can take some kind of action.

Com: I think we are lacking some radar systems and some control assistance in Montana. What can this board do? We don't have any political muscle necessarily but we are a state board but we don't have discretionary funding and we don't have much leverage. We can certainly go on record as being in favor of radar coverage for busy markets like Bozeman and Kalispell.

Com: Well much like we did with Fire Suppression we can take some kind of action like that.

Com: It's another stack in the leverage or legitimacy of the need.

Com: I think we should do that for a number of issues in the state. As you alluded to we're the only advocacy body for aviation in the State of Montana. If aviation in Montana needs something, we're the only group that is there to do that. It is a safety issue. Something is going to happen either up there or here or other places in the state with the growth in air traffic. I support it.

Q: So if they get outside funding then ...

A: Well the Senate Allocations Committee could give us whatever we need. I think it's around \$10 million. We actually talked about maybe some local donations from some of the operators and some of the business people to make this happen.

Q: Is GPI doing anything in terms of cost sharing with airlines who are using this as an economic hub?

A: I don't know that anybody has really approached the airlines yet.

Com: It's a great place to start.

Com: Bozeman has done a lot of that; they've definitely leaned on the airlines a lot.

Com: Up to this point until we decided to form this Task Force, it's basically been the airport management talking to the FAA.

Com: It would seem that the benefit is to the airlines primarily and the community at large, but if the airlines are suddenly finding an economic hub at Glacier Park International, I would think the locals and the airport manager would get back to the airlines and say "as a part of your concession fees we need your involvement in this if we're going to keep it a safe air space.

Com: This is all new territory for me.

Com: Those airlines will participate when it's a safety issue which this is.

Com: We're speaking theoretically if they just said it was a safety issue and we want to relegate a certain number of arrivals/departures per day, they are going to suddenly perk their ears up and say we need to do something.

Com: From an economic standpoint because we are in that Valley, all this traffic is funneled into a smaller area of air space so the density is actually much greater than Billings, Missoula or any other large airport in Montana.

Com: So you end up in a lot of holding patterns and getting flown half way to Spokane to even start on an IOS in there.

### Aviation Conference Update

Tim Conway gave an updated on the Aviation Conference. He said it made almost \$30,000. AOM voted to make a set aside of \$25,000 or 50% of the average cost of the three previous conferences. So I believe it is their intention to set aside \$25,000 and they were going to leave the balance in a fund for start-up for next year's conference. I don't have any numbers on attendance, but I can report that to you at the next meeting.

Com: Please let us know if staffing is an issue for getting next year's conference going. I know our marketing department can certainly help. Neptune has a big marketing department and Rob has lots of free time too.

Com: As you know Kevin is stepping down so Shane Ketterling has got the Aviation Conference and the Blue Angels are coming to town next year, so he's busy. Six months apart but still the planning is horrendous.

Com: A new terminal opened in Billings yesterday. Missoula opened yesterday and Butte also opened.

### Airport & Airways (Continued)

#### *Webcams*

Q: On Loans and Grants, I know we give some block grant money to aeronautics from money that was left over - \$17,000 or \$12,000 for some web cam sites. Have you determined who is going to get those sites?

A: (Karen Speeg) Basically we looked at the list of our survey of the Montana Pilots Association to see where they wanted cameras. Out of those, since this grant was for airports, we picked airport locations. We came up with Billings, Great Falls, Miles City, and Townsend who paid half of the costs. Then possibly putting some in at Ferndale because there are quite a few people who want them at Big Fork and Kalispell so we thought Ferndale might be a good location to put them. On the Townsend webcam we would only pay half and we have a lot of cameras around that area. We have them here and Three Forks received a grant and then in Helena. So, we'll probably put two in Townsend pointing in directions that may not be covered by other cameras.

Com: The key would be to be able to transition east to west through the state or north to south through the state and check cameras as you go. I know pilots are doing that; they are looking to see if they can get over this pass and get to the next. It would be helpful to have a pathway through the state so you could see the weather as you go.

Com: (Karen Speeg) We're excited to have them in Superior now. There's only two there and given the location it can really only point two directions. That will help through that corridor. Then we're hoping to get some up in Eureka and Libby because they received grants too but we're having a hard time getting some cooperation. It's kind of odd actually – the Eureka Manager didn't even know they'd applied so we're working with them. It was probably Lincoln County that applied. We are trying to get those details worked out. We're also waiting on cameras so there's a lot that we can't install until we receive the cameras that are on order. We're hoping to get them next month.

Q: As I look at your map, there is a glaring hole in the eastern side of the state where weather is a big issue.

- A: (Karen Speeg) There is and Miles City is on our list of those who are getting a block grant. I just haven't added them to the map. Billings as well.
- Q: Where was the location who didn't want to put \$700 towards it at the local level.
- A: (Karen Speeg) Libby. Those were supposed to be installed a couple of weeks ago. Derek made a trip up there but their board voted not to install them because it would have cost them about \$700 more than the \$7,500 grant so they voted against it. I notified Tim of that and we've since told them we would cover the difference since the grant was to cover the cameras. We decided to put three cameras there and it will still fall under that amount. So they are waiting until their next board meeting to decide. It was also the internet cost so we're just trying to convince them that it's worth it.

### **NEXT MEETING**

Bill Lepper said we talked about Quarterly Meetings. Do we want to meet in September next time? We may have formal findings from the audit at that time.

Com: If we have a virtual option, I would vote for that.

Q: Do we want to set a date or wait until we get the final audit findings?

A: I think it would be beneficial to have the findings unless there is something else that is pressing.

Bill Lepper said then we will leave it open for how.

The Annual Grant and Loan Award meeting was scheduled for January 17-18, 2023 in Helena. The meeting will begin at noon on the 17<sup>th</sup> and 8:00 a.m. on the 18<sup>th</sup>.

*Meeting Adjourned at 1:00 p.m.*

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Bill Lepper, Chairman

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Wade Cebulski, Vice-Chairman