

JOURNAL OF CITY COMMISSION WORK SESSION
December 1, 2020

City Commission Work Session
Civic Center, Gibson Room 212

Mayor Kelly presiding

CALL TO ORDER: 5:30 p.m.

Due to the COVID-19 health concerns, the format of the City Commission Work Session was held in a virtual video-conferencing environment.

ROLL CALL/STAFF INTRODUCTIONS: City Commission members participated electronically via Zoom Webinar: Bob Kelly, Tracy Houck, Mary Sheehy Moe, Owen Robinson and Rick Tryon. City Staff participating electronically were: City Manager Greg Doyon, Deputy City Manager Chuck Anderson, and Public Works Director Paul Skubinna.

Present were City Attorney Sara Sexe and City Clerk Lisa Kunz.

To honor the Right of Participation and the Right to Know (Article II, Sections 8 and 9 of the Montana Constitution), modifications have also been made for public participation as follows:

- Attend in person. **The City will be following the current Governor's Directives and the Public Health Officer Orders regarding public meetings conducted by, staffed by or held in the facilities of the City.** Masks will be required, social distancing will be enforced, and the total number of persons in the meeting room will be limited to a maximum of 25. Public following these directives may view and participate in the meeting from the Gibson Room. Please refrain from attending in person if you are not feeling well.
- Provide public comments via email. Comments may be sent via email before 12:00 PM on Tuesday, December 1, 2020: commission@greatfallsmt.net.
- Electronically. Register via the link on the meeting's agenda to attend the virtual Zoom Webinar or to participate by phone.
- The agenda packet material is available on the City's website: <https://greatfallsmt.net/meetings>. The Public may view and listen to the meeting on cable channel 190 or online at <https://greatfallsmt.net/livestream>.

PUBLIC COMMENT

None.

1. ANNUAL AIRPORT BOARD UPDATE

Airport Director John Faulkner introduced Airport Authority Board of Directors Vince Bakke, Deb Evans, Casey Lalonde, Todd Timboe, and Richard Gibbs. Airport Director Faulkner reviewed and discussed the attached PowerPoint slides covering:

- Objective: Passenger Recovery and Growth
- Situation: Boardings dropped 95% in April; Activity has now recovered to 50%
- Pre-Covid Boardings grew 20% in 20 years with only 2% population growth same period
- Pre-Covid GTF was at time high in daily non-Allegiant Passengers

- Challenge: Grow where there is no growth; Population stagnation = headwinds for new flights
- Economic growth in air service region; Cascade has lowest and slowest income growth
- Tourism growth from new routes is vital; Recruiting new visitors must offset stagnant local growth
- United was at record levels in 2019; Chicago boarded over 8,000 passengers in 2019 & 2019
- Covid has accelerated instability of small markets; Why we must urgently grow out of the 50-seater
- Air service growth is expensive; Other regional communities are spending millions
- Partnering for air service, now more than ever; Airports are prohibited from directly incentivizing airlines
- Montana is a community of interest with airlines; Chamber has a very small incentive pool
- Great Falls to host North American Airline Industry in 2021; Brining the airlines to our community
- Objective: revenue diversification
- Pre-Covid 9 out of past 10 years were record performances; FY2020 revenue declined 10%
- Non-traditional sources provide revenue growth; Often more durable in economic downturns than passenger revenue.

Airports are a cost recovery business with airlines picking up the residual. Development allows the Airport Authority to maintain low rates and prevent rate shocks during industry downturns.

Airport Director Faulkner reported that next on the horizon is pursuing an Airport Light Industrial Park. Last week the Airport Authority Board authorized him to begin negotiating a joint venture contract with Dick Anderson. As ecommerce expands in Montana, air cargo, trucking and fulfillment needs to expand. As logistics expands, local small manufacturers can reach new markets. This project provides space for small industry and logistics providers to collocate. The site for this opportunity is 163 acres owned by the Airport Authority between I-15 and the Airport. Logistics-based developments are being pursued in the parcels nearest I-15. At this time there is a locally-owned business that would like to acquire a unit. The plan is for the Airport to build two additional units, and Dick Anderson may decide to build some additional units that would be marketed for sale. The Airport Authority has submitted a Tax Increment Financing (TIF) application for the development, and the next step is to prepare a Development Agreement.

Phase I is development of small to medium sized mixed-use spaces to be owned by local businesses. He expects these spaces to be popular with companies that need a flexible space for construction, fabrication, final assembly, logistics and internet fulfillment related businesses due to proximity to both air cargo and interstate infrastructure. Phase II will consist of development of logistics and distribution space.

Mayor Kelly inquired about the status of the Love's Travel Stop development.

Airport Director Faulkner responded that storm water became an issue. The site is adjacent to the Montana Department of Transportation (MDT) right-of-way. The right-of-way is an extremely steep hillside. Love's storm water plan was to transit the water down the hillside when the pond reached overflow capacity. MDT is concerned about erosion damage and having a pipe on their property. Over the past three months MDT has been working on a solution such as a lease or agreement or some type of mechanism to allow some type of storm water improvement across their property. It is his understanding that MDT is close to coming back with an agreement for Love's signature that will allow them to be in a position for a permit. His best estimate is that construction would begin in early 2021.

Commissioner Robinson expressed appreciation to Airport Director Faulkner for his good work.

Commissioner Moe inquired what the Airport Board sees as the biggest challenges in the upcoming year.

Board of Director Vince Bakke responded that tourism is a huge issue. The Airport Authority needs to figure out a way to bring in more travelers to Great Falls because the business community is not going to travel as much when they can do Zoom meetings on a regular basis. United has picked up cargo projects internationally and domestically. Having facilities available for Amazon and UPS to expand into locations close to the Airport where they can bring the cargo in, disperse it around and then move it out to the local, smaller communities would potentially bring in a lot more resources. United is flying only about 25% of the passengers. It has a long way to go to get up to the passenger levels in 2019. He thinks focusing on tourism is one good thing. Also, the Airport Board used CARES Act funds to reduce a lot of debt at the Airport and thus has been able to reduce the costs of the airlines to come into the Airport. Great Falls is one of the cheapest Airports for the airlines to fly into in Montana, which could be helpful in keeping those airlines and potentially getting them to expand and to bring in some larger airplanes.

Commissioner Moe inquired of Board of Director Todd Timboe why he wanted to be reappointed to the Board and what he brings to the mix.

Board of Director Todd Timboe responded that if there were other interested volunteers in the community he would step aside. He is willing to serve and has historical perspective. He is a CPA and from a financial standpoint brings that specific representation to the Board.

Commissioner Houck commented that she is excited to hear the prospect of the Airport bringing on new tenants. She inquired about Covid impacts to current Airport tenants.

Airport Director Faulkner responded that a number of tenants, rental cars in particular, were impacted. The Airport Authority did suspend some rents for tenants for a three-month period to help them with immediate cash flow issues. By paying off debt as previously mentioned, they were able to lower rates between 25% - 33% to the end users.

2. WASTE WATER TREATMENT CONTRACT REVIEW

Public Works Director Paul Skubinna reported that Wayne Lovelis, Water Plant Manager, will be overseeing this contract. He introduced Veolia representatives: Melissa Sandvold, Dana

Audet, and Rodney Lance. Appreciation was expressed to Dana Audet for his 40+ years of service. Director Skubinna reviewed and discussed the attached PowerPoint slides covering:

- Wastewater Treatment Plant O&M Contract Renewal
- Part 1 – Introduction
- Wastewater Treatment Plant overview
- Process Overview
- Contract history
- Incentive Target Price model
- Negotiations are on-going, more to come

Also included for Commission review was a Wastewater Treatment Plant Operation and Maintenance Contract Renewal Fact Sheet, and red-lined negotiated Agreement for Operating and Maintenance of Wastewater Treatment Plant.

Mayor Kelly encouraged Commissioners to tour the plant if they have not done so already. He inquired the length of the contract.

Director Skubinna responded they are negotiating a period between five and 10 years.

Due to the shortness of time, Commissioner Robinson suggested a special work session to continue this topic since the Maclean presentation is scheduled for the next work session.

Commissioner Tryon inquired who was on the negotiating team for this contract.

Director Skubinna responded himself, Wayne Lovelis, and City Attorney Sara Sexe, in consultation with City Manager Greg Doyon and Deputy City Manager Chuck Anderson.

DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS

City Manager Greg Doyon commented that he will be in contact with Commission members about availability so that Director Skubinna can work through the rest of the contract information before it goes on an agenda for Commission action. If that doesn't work out, he will see what other options are available without pushing the Maclean discussion back that is scheduled for December 15th. The January 5, 2021, work session will consist of revised TIF allowances, and on January 19th a Neighborhood Council 7 update and a review of the City's fiscal position.

Mayor Kelly commented that he would like a discussion regarding off-street parking on a future work session. Commissioner Tryon requested an update on the aquatics facility.

ADJOURN

There being no further discussion, Mayor Kelly adjourned the informal work session of December 1, 2020 at 6:53p.m.

Great Falls International Airport

An Update to the City Commission

GTF



GTF GREAT FALLS
INTERNATIONAL AIRPORT

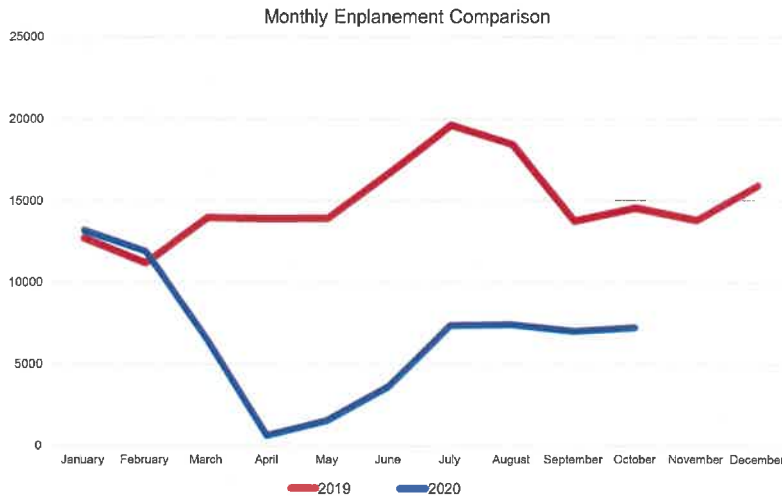
November 2020

Objective: Passenger Recovery and Growth



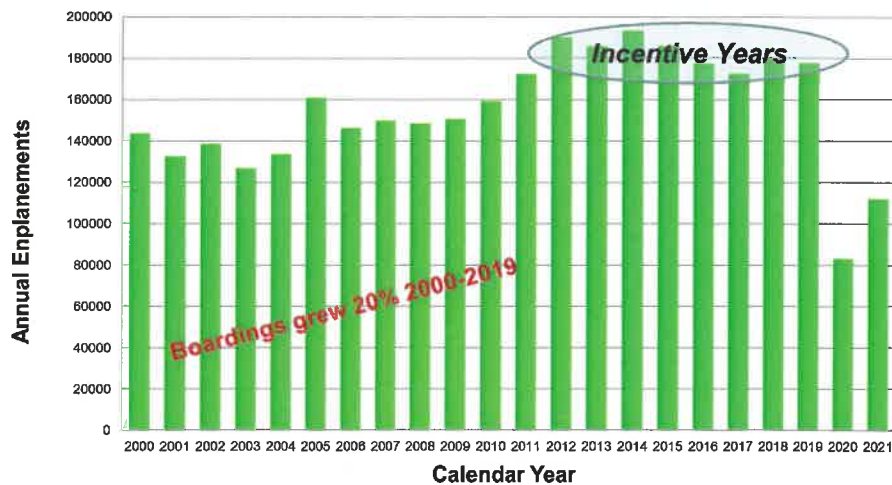
GTF GREAT FALLS
INTERNATIONAL AIRPORT

Situation: Boardings dropped 95% in April Activity has now recovered to 50%



GTF GREAT FALLS INTERNATIONAL AIRPORT

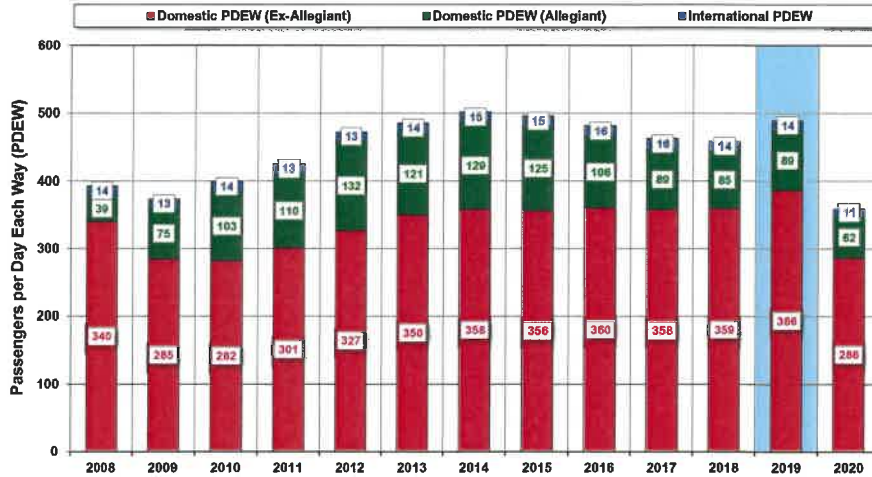
Pre-Covid Boardings grew 20% in 20 years With only 2% population growth same period



GTF GREAT FALLS INTERNATIONAL AIRPORT

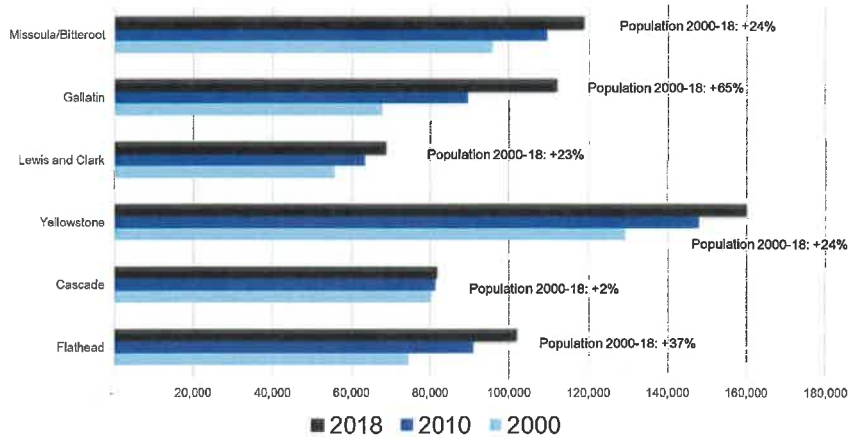
Pre-COVID GTF was at time high in daily non-Allegiant Passengers

Great Falls Domestic and International Passengers per Day Each Way (PDEW)
Year-End Second Quarter



Challenge: Grow Where There is No Growth
Population stagnation = headwinds for new flights

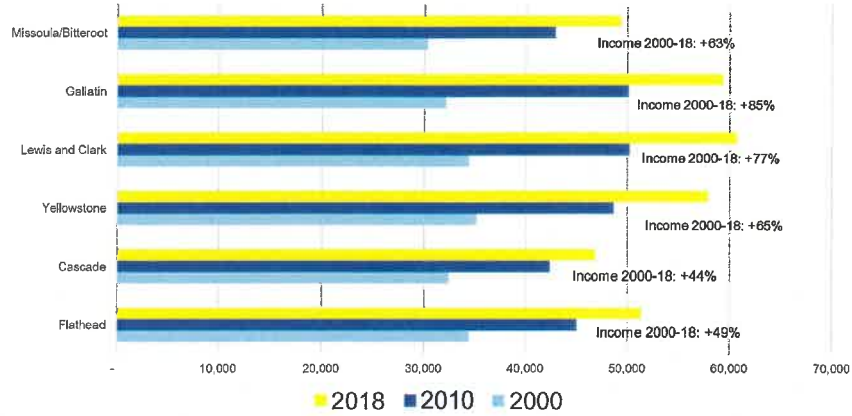
Airport Base Populations Comparison 2000 to 2018



Economic Growth in Air Service Region

Cascade has lowest and slowest income growth

Airport Service Area Economic Base Comparison
Median Household Income Growth 2000 to 2018



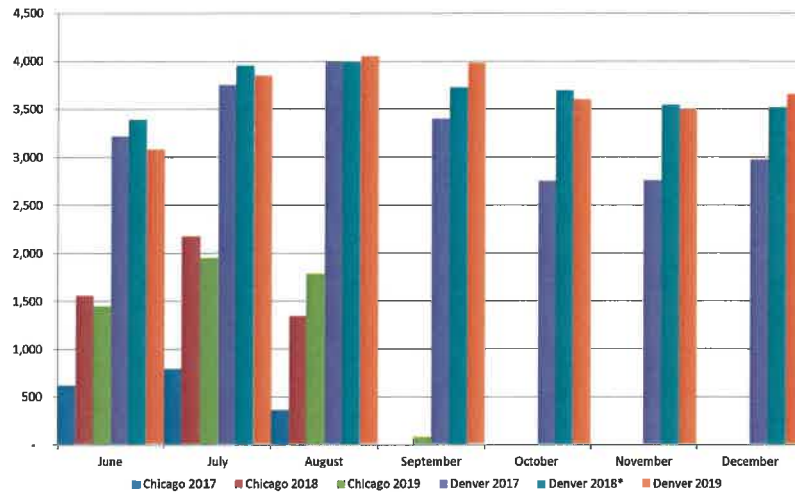
Tourism growth from new routes is vital

Recruiting new visitors must offset stagnant local growth

Chicago flights were nearly 70% inbound passenger in 2019



United was at record levels in 2019 Chicago boarded over 8,000 passengers in 2018 & 19



COVID has accelerated instability of small markets Why we MUST URGENTLY grow out of the 50-seater

- **U.S. Regional Airline Trans States to Close by Year-end** by [Gregory Polek](#) February 24, 2020, 3:08 PM
- **Another Regional Airline Falls to the Covid-19 Recession: ExpressJet's CEO says the hub-and-spoke carrier model still has a future, even if his airline doesn't.** By [Justin Bachman](#) August 4, 2020, 2:00 AM MDT
- **Small airports 'shocked' and 'disappointed' after American Airlines suspends service at 15 airports** By [Evan Hoopfer](#) Aug 20, 2020, 4:11pm EDT
- **US Regional Airports Set To Lose The Most Air Service In October** by [Jay Singh](#) August 26, 2020

Flight Global, Feb 2018: "An abundance of 50-seaters is simply unsustainable these days"

AINOnline, Jan 2018: "The FAA writes: "By 2025 only a handful of 50 seat regional jets remain in the fleet."

Flight Global, Feb 2019: "no 50-seat jets have been in production since Bombardier and Embraer shifted to manufacturing larger jets more than a decade ago"

MRONetwork.com, Jan 2016: "Going forward, the number of dots on the airline map will be fewer...with the disproportionate impact being felt at the smaller markets"

AirlineGeeks.com, Oct 2017: "there are over 200 50-seat planes removed from US carrier's fleets may lead some fliers to look at previously avoided routes or hubs to fly through since the 50-seat planes are slowly being transitioned out"

But: Air Service Growth is expensive
Other regional Communities are spending millions

- **Southwest Will Get \$2.5mn In Incentives For Colorado Springs Flights**
by [Jay Singh](#) November 3, 2020
- **Bozeman:** \$8 million in new community incentives in past ten years brought new direct markets, American Airlines and Jet Blue. One of fastest growing in US
- **Billings:** \$1.6 million in community incentives for American Airlines to Dallas
- **Missoula:** \$1.4 million in community incentives for American Airlines to Dallas and Chicago
- **Kalispell:** Estimated \$2 million in incentives for American Airlines to Dallas, Chicago, Los Angeles

Partnering for air service, now more than ever
Airports are prohibited from directly incentivizing airlines

the great falls area
chamber
of commerce



Montana is a community of interest with airlines Chamber has a very small incentive pool

Unpredicted opportunity in 2021 for Rocky Mountain tourism:

- At Takeoff Airline Route Planning Conference, CEO's of Frontier & Sun Country indicate that National Park and Montana currently among most searched travel destinations.
- Alaska announces new direct flights from Missoula to several California markets.
- Southwest announced first small market service in the west – Montrose and Hayden (CO)
- Dept of Transportation announces new round of Small Community Air Service Development Grants (SCASD Grants) will open for application in December

Great Falls Low Cost Airfare Initiative targeting several goals:

- Establish new summer low cost airline service in Great Falls
- Secure new SCASD Grant for new direct service to Texas and/or California
- Use lower fares and interest in direct flights to grow regional demand for flying

GTF to Host North American Airline Industry in 2021

Bringing the airlines to our community



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BY MARRIOTT

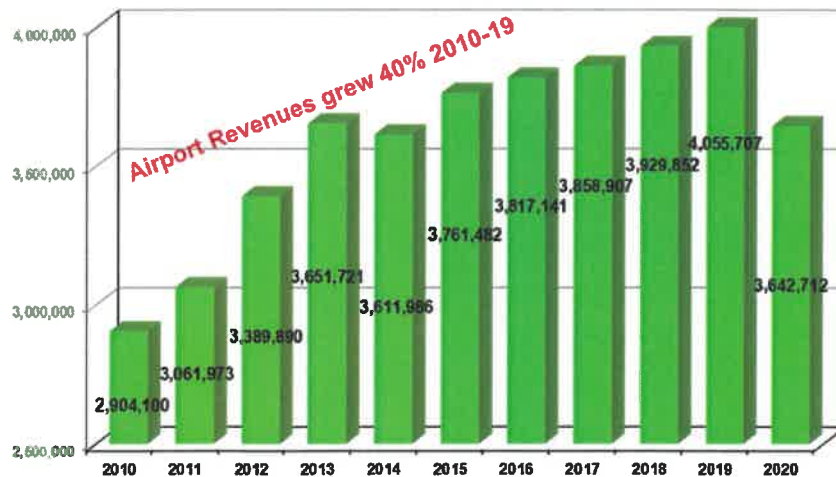
Objective: Revenue Diversification



GTF GREAT FALLS
INTERNATIONAL AIRPORT

Pre-Covid 9 out of Past 10 Years were record performances
FY 2020 Revenue declined 10%

Annual Operating Revenue 2009-2019



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INTERNATIONAL AIRPORT

Record Revenue

Non-traditional sources provide revenue growth

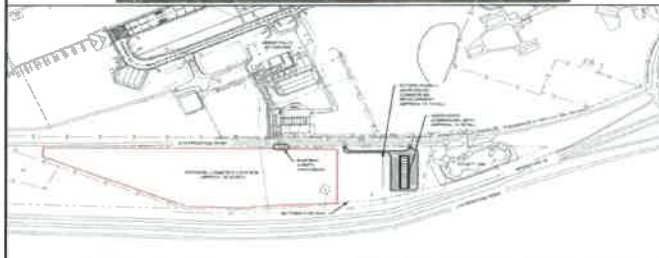
Often more durable in economic downturns than passenger revenue

- **Five deals in past five years have generated \$200,000 in new annual revenue**
 - ✓ I-State Trucking: New commercial development
 - ✓ EagleJet: Large hangar development
 - ✓ Love's Travel stops: Planned commercial development
 - ✓ Avmax: Leased GTF former snow equipment building
 - ✓ Fleet Truck and RV Repair: Leased GTF former maintenance building
- **Renegotiated FedEx lease to generate \$200,000 in new income starting FY 2021-22**

Airports are a cost recovery business with airlines picking up the residual. Development allows us to maintain low rates and prevent "rate shocks" during industry downturns.

Next Horizon: Airport Light Industrial Park

Capitalizing on the growth in ecommerce, air cargo and I-15 location



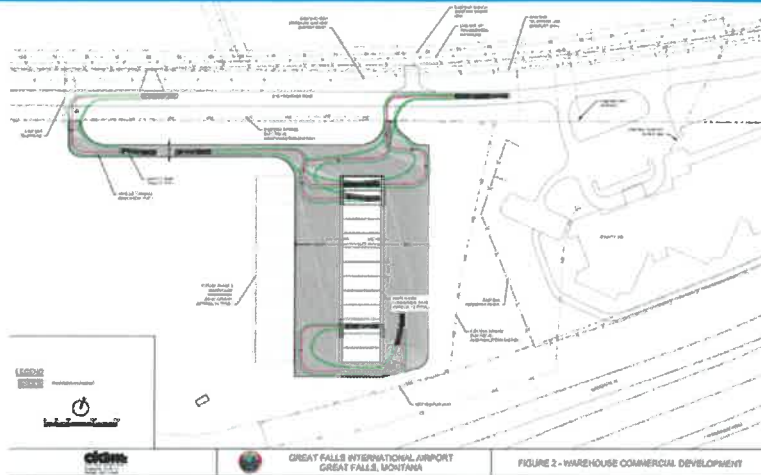
Opportunity - As ecommerce expands in Montana, air cargo, trucking and fulfillment needs to expand, as logistics expands local small manufacturers can reach new markets. This project provides space for small industry and logistics providers to colocate.

Land - The Airport Authority owns 163 developable acres sandwiched between I-15 and the Airport. Currently, we are pursuing logistic-based developments in the parcels nearest I-15.

TIF District - Most major utilities are in the vicinity of this development site and we are hoping to use TIF dollars to extend them and construct needed roads.

Access - The Logistic Park will have expectational access to both I-15 and airside cargo facilities.

Phase I: Commercial Warehouse Condominium Development Privately-owned flexible high-bay units for sale in 2021



Opportunity – Joint Venture with Dick Anderson to develop small to medium size mixed use spaces to be owned by local businesses. We expect these to be popular with companies that need a flexible space for construction, fabrication, final assembly, logistics and internet fulfillment related businesses due to proximity to both air cargo and interstate infrastructure.

GTF GREAT FALLS
INTERNATIONAL AIRPORT

New Bozeman Park Attracts Variety of Industrial Tenants GTF project could be home to dozens of start-ups and small companies

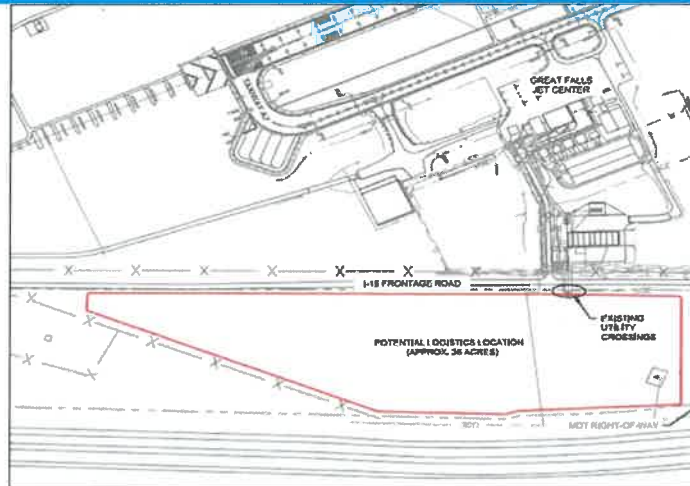


Tenants – Largest is FlasKap who makes custom drink tumblers and lids. Other tenants include lighted sign builder, industrial pump and controls company, heating and cooling company, utility trailer fabricator, industrial coating booth, produce warehouse, concrete contractor, landscaper, tile showroom, taxi and delivery company, concrete form builder, internet provider, transport and delivery company

GTF GREAT FALLS
INTERNATIONAL AIRPORT

Phase II: Logistics and Distribution Development Space

Air Cargo near and I-15 served this site is prime for logistics development



Opportunity - As ecommerce expands in Montana, air cargo, trucking and fulfillment needs to expand. Examples, a Prime Air hub will likely exist in Montana in the future, both FedEx Ground and UPS will need more space even after recent expansion.

GTF GREAT FALLS
INTERNATIONAL AIRPORT

Flexible Footprint Logistics and Light Industrial Development 2021

Individual Condo Units can be configured from 1,200 sf to 25,000 sf

- Clear-bay construction, 16-foot floor heights and doors widths up to 26 feet make these condo units attractive to wide assortment of users including: contractors, fabricators, mechanics, internet fulfillment, final assembly and transport operations.
- Layout provides flexible unit size from 1,200 sf to 25,000 sf making these units ideal for small businesses that currently have few space options in Great Falls. Also allows these small businesses to own their own shop.
- Condo Association formed to maintain building exteriors, common infrastructure (i.e., roads and oil-water separator).
- **TIF application** recently submitted to assist with extending utilities to this land for development. Current estimate is \$850,000 in utility and road cost. Bonding the airport TIF funds would make this innovative and flexible development possible.

GTF GREAT FALLS
INTERNATIONAL AIRPORT

Air Cargo and Logistics are Vital for the Future of Small Towns GTF's Master plans Air Cargo Expansion



Parking – Existing cargo ramp has a vacant aircraft parking position for a 767-sized aircraft. Available today.

- Approved master plan includes cargo ramp expansion, with few constraints on size of aircraft or number of spots available.

Cargo Terminal – GTF has space vacant adjacent to the cargo ramp to develop practically any size air terminal desired. The white-roofed FedEx building in the photo is 70,000 sf.

Expansion Room – The master planned envisioned development below is part of a 175 acre aeronautical development parcel with room to accommodate vast logistics expansion in the future.

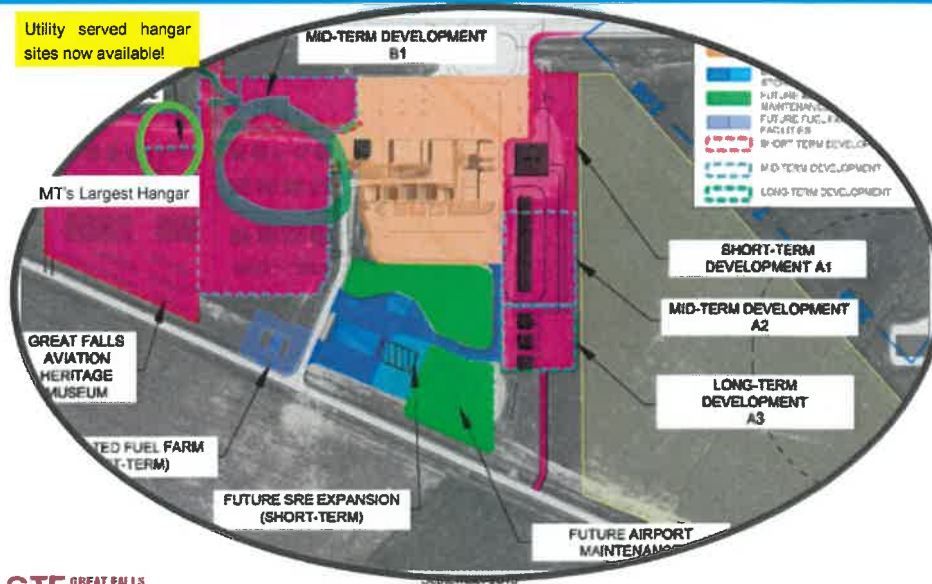
Foreign Trade Zone – All GTF land can be activated as a FTZ which could allow for delaying duty to save on cross-border shipments.

GTF GREAT FALLS INTERNATIONAL AIRPORT

1F1

Aviation Sites Ready for Development

Completed in 2020, nine utility-served hangar sites are getting some interest



For Additional Information

Contact

**John Faulkner
Airport Director
Great Falls International Airport Authority**

**2800 Terminal Drive
Great Falls, MT 59404**

406-788-2155

john@flygtf.com

The background of the slide is dark with several translucent, realistic-looking water bubbles of various sizes scattered across it.

WASTEWATER TREATMENT PLANT O&M CONTRACT RENEWAL (PART I)

COMMISSION WORK SESSION

DECEMBER 1, 2020

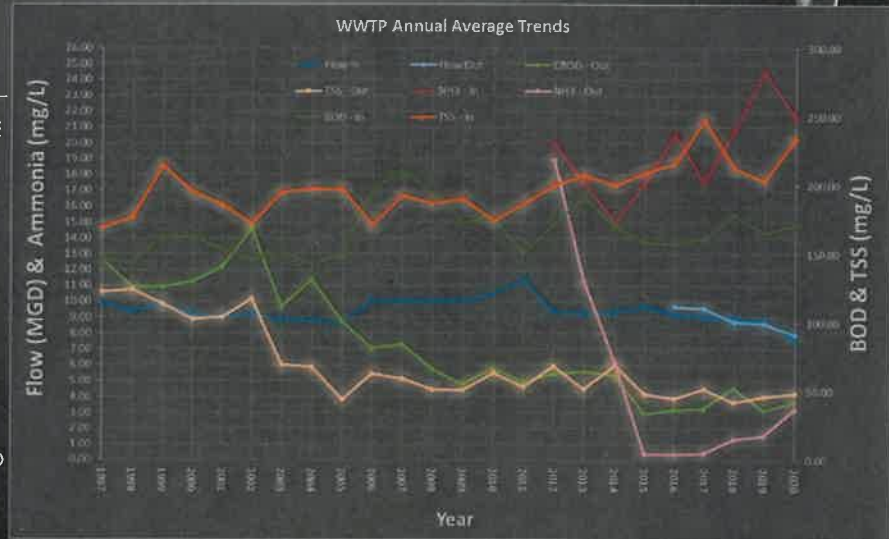
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PART 1 - INTRODUCTION

- A. WASTEWATER PLANT OVERVIEW
- B. CONTRACT HISTORY AND STRUCTURE
- C. ITEMS UNDER NEGOTIATION

WASTEWATER TREATMENT PLANT OVERVIEW

- POPULATION SERVED ~ 64,000
- TWO "CONSECUTIVE" SYSTEMS – MALMSTROM AND BLACK EAGLE
 - TREATMENT CAPACITY - 13.3 MILLION GALLONS PER DAY (MGD)
- TREATED 3.2 BILLION GALLONS OF WASTEWATER IN 2019
- 30 LIFT STATIONS, 271 MILES OF SANITARY SEWER
- 9 MAJOR INDUSTRIAL USERS AND 100'S OF MINORS IU'S



LIQUID SIDE

- SCREENING
- PRIMARY TREATMENT
- BIOLOGICAL TREATMENT USING 3 STAGE MODIFIED LUDZACK – ETTINGER PROCESS
- SECONDARY CLARIFICATION
 - UV DISSINFECTION
- DISCHARGE TO MISSOURI RIVER

SOLIDS SIDE

- GRIT REMOVAL
- DISSOLVED AIR FLOATATION
- ANAEROBIC DIGESTION
- CENTRIFUGAL DEWATERING
 - LANDFILL DISPOSAL

PROCESS OVERVIEW



CONTRACT HISTORY

- ISSUED EFFECTIVE APRIL 1, 1977
- REISSUED IN 1979, 1982, AND 1986
- COMPETED IN 1992 AND RE-AWARDED TO VEOLIA
- EXTENDED \REISSUED IN 1995, 2000, 2005, AND 2015
- EXPIRES DECEMBER 31, 2020



"INCENTIVE TARGET PRICE" MODEL

INCENTIVE TARGET PRICE (ITP) = ACTUAL COST + INFLATION

- ACTUAL COST ARE DOCUMENTED EXPENDITURES + OVERHEAD AND PROFIT MARK-UP
- INFLATION IS BASED ON CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U) OR 5% CAP
- CITY PAYS VEOLIA A SET MONTHLY INVOICED AMOUNT EQUAL TO ITP DIVIDED BY 1.2

ANNUAL RECONCILIATION

- ACTUAL COSTS ARE TABULATED
- COSTS ARE COMPARED TO ITP
- COST SAVINGS ARE SHARED 50:50
- COST OVER-RUNS ARE SHARED 50:50 WITH A \$50,000 MAX LIABILITY TO THE CITY

VEOLIA WATER NORTH AMERICA GREAT FALLS WWTP 2019 ITP RECONCILIATION			
	ACTUAL 2019 COSTS	REVISED 2019 TARGET COSTS	BETTER (WORSE) THAN TARGET
PERSONNEL			
SALARIES & WAGES	\$621,476	\$858,085	\$237,609
OVERTIME	\$12,000	\$19,043	\$7,043
BENEFITS	\$299,020	\$317,753	\$18,733
SUBTOTAL PERSONNEL	\$1,132,296	\$1,192,761	\$60,465
OUTSIDE SERVICES	\$58,750	\$57,468	(\$1,282)
CHEMICALS	\$134,224	\$144,671	\$10,447
LANDFILL	\$284,679	\$294,293	(\$9,614)
REPAIR & MAINTENANCE	151,970.91	\$147,212	(\$4,758)
OTHER	\$131,094	\$134,030	\$2,936
TOTAL DIRECT COSTS	\$1,903,328	\$1,971,330	\$68,002
INDIRECT SUPPORT PROGRAM COSTS (19.0% OF TOTAL DIRECT COSTS)	\$361,632	\$374,554	\$12,922
TOTAL COSTS	\$2,264,960	\$2,345,883	\$80,923
PROFIT FEE (15.75% OF TOTAL COSTS)	\$356,731	\$368,478	\$11,747
SUBTOTAL ALL DIRECT & INDIRECT COSTS ADO	\$2,621,691	\$2,715,371	\$93,680
UTILITIES			
ELECTRICITY	\$0	\$0	\$0
NATURAL GAS	\$0	\$0	\$0
OTHER	\$0	\$0	\$0
SUBTOTAL UTILITIES	\$0	\$0	\$0
TOTAL ITP RECONCILIATION	\$2,621,691	\$2,715,371	\$93,680
HALF OF THE RECONCILIATION TOTAL			\$46,840
Additional Arsenic Testing			(\$238,877)
Iron Sponge			(\$15,207)
Activated Carbon			(\$0,050)
The total reconciliation results in an additional fee to the City of			\$19,744.29

NEGOTIATIONS ARE ON-GOING, MORE TO COME

- AN ADJUSTMENT OF PROFIT AND OVERHEAD
- ELIMINATION OF ELECTRICITY REDUCTION INCENTIVE PROGRAM
- LONGER TERM
- ENHANCED ASSET MANAGEMENT
- FUTURE LARGE CAP OPTION
- ANNUAL HOUSEHOLD HAZARDOUS WASTE COLLECTION DAY
- MINOR LEGAL LANGUAGE TIDY-UP

