

The regular monthly meeting of the Gallatin Airport Authority was held August 11, 2011 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, John McKenna, Steve Williamson, Kevin Kelleher and Carl Lehrkind IV. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director and Cherie Ferguson, Office Manager.

Board Chair John McKenna said there is a signup sheet for people to make comments unrelated to agenda items. The public is always welcome to make comments on agenda items when they are being discussed.

Mr. McKenna said he wanted to thank some folks who helped with the opening of the expansion and he thanked Martel Construction, Prugh and Lenon, RS&H, Scott Bell with Morrison Maierle, Brian Sprenger, Scott Humphrey and the entire crew. He said it was nice Mr. Sprenger and Mr. Humphrey could show off the expansion while they were wearing something other than blue jeans. He said they never said "it's not my job" and he saw them working late the night before the opening. He thanked Mr. Sprenger, Mr. Humphrey and everyone else who helped.

1. Review and approve minutes of regular meeting held July 14, 2011

Ted Mathis complimented Cherie Ferguson on the great job on the minutes.

MOTION: Mr. Mathis moved approval of the minutes. Steve Williamson seconded the motion and all Board members voted aye. The minutes of the July 14, 2011 meeting were approved.

2. Public comment period

There were no public comments.

3. Report on audit review process – Merrilee Glover

Ms. Glover said this is her first year as a senior partner on this audit. She was out here and worked on the audit six years ago, but this is her first year as a senior partner. She said the change from Terry Alborn is part of good governance as requested by the Board. The same staff members will be working on the audit as the last few years. Ms. Glover said she is a shareholder and has worked on audits for the Helena Airport, City of Bozeman and the City of Belgrade.

She handed the Board members each a letter outlining Junkermier, Clark, Campanella and Stevens' (JCCS) responsibilities, planned scope and timing of the audit. They plan to begin the fieldwork on September 12, and work at the airport Monday, Tuesday, Thursday and Friday. The audit will be issued by October 31.

Ms. Glover said they will document internal controls. This year they will perform more testing for the single A-133 audit. The fixed assets were loaded into the BNA software as of June 30, 2010. The Board members didn't have any questions and they thanked Ms. Glover for her presentation.

4. BZN Area Sector Update - FAA

Mr. Sprenger said Matt Csicsery, Executive Officer for the FAA at Salt Lake Center, was present. Mr. Csicsery said he brought a team with him and introduced those who were present at the meeting: Ray Ballantine, the Senior Adviser to the Director of Terminal Operations; Mark Reeves, the point of contact for Internal Operations; Jill Story, the Fiscal Manager for the Salt Lake hub; Chad Miller, the Salt Lake Center Operations Manager for this area; Troy Decker, the Facility Representative for the National Air Traffic Controllers Association; Joel Brown, the Area Representative for the National Air Traffic Controllers Association; and Regan Willmore, the Salt Lake Center Plans and Programs Manager.

Mr. Csicsery said last time he was here they discussed getting the project going, so he set up collaborative work groups and labor and management formed several teams. They walked away from that meeting with the understanding that this was a big project with tight time frames, and so far it has worked well. Mr. Csicsery had a handout for the Board, and he went through it and discussed what they have accomplished so far. The radios were a big concern and they had to set up two radio sites, one in Livingston and one in Bozeman. He said a lot of infrastructure is already in place and the implementation date is around the end of October, possibly sooner. He said a new airspace sector has been designed from the surface to 16,000 feet with a 40 mile radius of Bozeman and it also encompasses the Livingston airport. This will allow controllers to utilize three-mile separation criteria, and the new frequency of 118.97/226.67 will be co-located for Bozeman and Livingston.

The Boise Approach will be used so they are part of the team. On June 30, 2011 new or amended approach and departure procedures went into place. These procedures have helped bring about a 50% reduction in delays. He said he believes we will be very happy with what they have in place.

Mr. Csicsery talked about the equipment needs and training for the controllers. He said we want this to be a safe operation, and we don't want to rush and defeat safety in any way. He said authorization is a big challenge, but right now we're okay. If the project runs late, the FAA has maintenance moratoriums that start before Thanksgiving.

Following Mr. Csicsery's presentation, the Board members and members of the FAA team discussed funding, incurring other expenses and that the new procedures at Bozeman have helped tremendously. Mr. Csicsery said he will have a solid date after the equipment comes in, a lot of effort has gone into this project, and he is pleased with the progress so far.

Mr. Mathis said he is very concerned about the level of staffing that we have at our air traffic control tower. He said Helena has 17 and have been trying to get six controllers here, but we been having a hard time even having five. He said we need to write a letter to SERCO and our Congressional delegation. Mr. Mathis is very concerned about safety, and that we are able to maintain proper staffing levels. Mr. McKenna said he knew it was becoming an issue. The Board members thanked the team for their efforts.

5. Consider request by Ben Mikaelson to transfer his non-commercial hangar lease on hangar #65 to Expert Pilots, LLC

Mr. Sprenger said Expert Pilot's principal is Dr. Wayne Vinje. He has one aircraft now and will be taking delivery of an Extra later this year. Mr. Sprenger said the rent is current and the building is in very good shape, and he recommended approval of this request.

MOTION: Kevin Kelleher moved to approve the transfer of Ben Mikaelson's non-commercial hangar lease on hangar # 65 to Expert Pilots, LLC. Carl Lehrkind seconded the motion and all Board members voted aye. The motion carried.

6. Consider request by Gallatin Field Garages, LLC to construct four car condominium buildings

Mr. Sprenger said we Master Planned a location for future car condos. There were two buildings previously approved by the Board. Delzer Realty managed the fifteen buildings across the street, and they have moved toward helping their clients move into new garages. They are asking for approval to construct four additional car condominium buildings and are requesting the Board to allow those owners to remain in the existing buildings until these are completed. Mr. Sprenger reminded the Board that they had said there would be no more extensions on the buildings that would term out. His recommendation is to approve the request for construction of the new buildings but not the extensions on the existing buildings. Nine buildings will term out September 30, 2011. The owners are supposed to be out by

September 30th and the buildings demolished by December 31, 2011. John Delzer said if all goes as planned, construction on the new buildings would be completed by December 31, 2011. There would be one lease for the four buildings.

MOTION: Mr. Mathis moved to approve the request by Gallatin Field Garages, LLC to construct four car condominium buildings and Mr. Kelleher seconded the motion. All Board members voted aye and the motion carried.

Mr. McKenna said the second piece is that the Board has been asked to extend the leases on four buildings until the new ones are completed. Those people have known for about eighteen months that September 30th was the day they had to move out. Mr. Sprenger said a concern is that one extension leads to another one. He recognizes that some of these vehicles have been kept at the airport for a long time. Right now we have 780 vehicles in the public parking lot at \$42.00 or more per week. He believes the vehicles that have been housed in the car condominiums could be parked in the public lot as well.

Holly March, on behalf of Gallatin Field Garages, LLC, said they have a substantial interest in their 70 clients who have indicated they want to move into the new units. Gallatin Field Garages' request is for extensions for four of the nine existing buildings. They would start the demolition on the other five after September 30th. She asked the Board if they would consider dedicated parking for these clients or allow the clients to stay in four of the buildings until they are to be demolished on December 31st if the Board doesn't approve the request for the extensions.

Mr. Kelleher said we can't treat them any different than the rest of the flying public by allowing them to stay in the buildings beyond the vacate date or by having dedicated parking for them. Mr. Mathis agreed with him and said we have plenty of parking.

Mr. Delzer said there have been a number of changes since they began the process. Initially they were going to try to move the buildings but enough people thought the buildings would fall apart that they abandoned that idea. There was talk about steel buildings and whether to make the units bigger. There have been some engineering issues and they had to wait while the Master Plan was being put together. He said today they got the final commitment from the engineer for the site plan. Because of all this, they haven't been able to get firm offers from the owners. It has put them in a position that they have nowhere else to put people's cars. If they can start the demolition and ground breaking, they could use some of the existing garages and can start shifting cars over and stay on schedule with both the construction and demolition. He said some of it was out of their hands.

Mr. Williamson asked if we need the land right now and Mr. Sprenger said the earliest we would need it would be spring. Mr. Williamson wanted to know if we need to move forward or cut them some slack. Mr. Kelleher said if we grant their request for extensions, we need to have a drop dead date. The Board members and Mr. Sprenger, Ms. March and Mr. Delzer discussed if there would be discrimination, to not allow any extensions beyond December 31, 2011, precedent and checking with legal counsel. Mr. McKenna said they should extend it for all nine buildings. Mr. Mathis said part of the problem is people have been told they have to be out by September 30th and, predicated on that, have purchased a new unit. Mr. Delzer said that part of the problem was that the owners wanted a firm number. Delzers had to wait for the engineering documents and they haven't had anything for the owners to bid on.

MOTION: Mr. Williamson made a motion to approve the request to extend the current leases for all nine condominium car units until December 31, 2011 with the approval of Airport's counsel. Mr. Kelleher seconded the motion. In discussion, Mr. Mathis asked Ms.

March if she represents all of the owners and she said she represents the associations. The individuals can do what they want. All the Board members voted aye and the extensions were granted subject to legal counsel approval.

7. Consider proposal by the Yellowstone Association and Yellowstone Park Foundation to provide a "Destination Yellowstone" educational store, traveler information desk and educational exhibits in the terminal

Jeff Brown, from the Yellowstone Association, introduced himself and said they are excited about the proposal and are looking forward to working with us. Karen Kress, from the Yellowstone Park Foundation, introduced herself and said they appreciate the Board's consideration. Danny Bierschwale, from the Yellowstone Association, introduced himself and thanked the Board for letting them make a proposal.

Mr. Sprenger said he believes that the best location is the fireplace to the right-hand side of the down escalator where the old west restrooms were. He said it doesn't jut out as far as the restrooms did and it's well situated for the store. The concession fee in the proposal is 2% for the first \$385,000 and 17% on anything above that. After five years we can reconsider. He believes the store and exhibits would be beneficial to the flying public as at least 20% of them who fly into Gallatin Field go to Yellowstone National Park.

MOTION: Mr. Kelleher moved to approve the proposal by the Yellowstone Association and Yellowstone Park Foundation to provide a "Destination Yellowstone" educational store, traveler information desk and educational exhibits in the terminal. Mr. Lehrkind seconded the motion.

During discussion, Mr. Mathis said it is a good location but he thinks it will create a choke point if there are any free standing kiosks jutting out into the open space. He would like staff to go back and see if they can have the traveler information desk and educational exhibits in the store. The Board members, Yellowstone Association and Yellowstone Park Foundation

representatives and Mr. Sprenger discussed the possibility of having a traveler information desk and educational exhibits in the store or another location in the terminal. They also discussed what would happen if the store doesn't make money. Don Stueck, with Martel Construction, said that if they are going to move down further, he needs to know because they are ready to cut a hole for a window in that area.

They also discussed the number of travelers, and that this might get people to come through our airport in the summer. Mr. Williamson said we usually put out a Request For Proposal (RFP) when we have a concession and we pick the best responsive bidder. We didn't do that and he is also concerned we might have a conflict. Bert Hopeman, President of Sharbert Enterprises, said he is very supportive and believes it will attract people to the airport. He thinks this will be better known as the entrance to the Park. He believes it is a win-win situation and is very excited about the possibility of them coming to the airport.

Mr. Sprenger said that we did put this potential in the Gift Concession RFP process and all the people who were interested in putting in proposals for the concession were aware that we were looking at the potential of working with a nonprofit inside the terminal building. Since then, he has talked to several other nonprofits and these are the only ones who have come through with a proposal. He talked primarily with the Museum of the Rockies and they were very interested up to a point. The only thing they thought would be beneficial would be if they could have a lot of retail so they backed out.

Mr. Mathis said the only way he would support this motion is if there is some assurance that it will not extend beyond the walls, or suitable locations will be found for the external kiosks. He asked that the space not be compromised.

All Board members voted aye except Mr. Mathis, who voted nay. The motion carried.

Dan Wenk, the Superintendent of the Yellowstone Association, said it was a pleasure to be here. He thinks it's a great opportunity for the people who visit Yellowstone to use Gallatin Field to gain information, acknowledgement and understanding about Yellowstone National Park. He appreciates the Board's support.

8. Consider proposal by Sharbert Enterprises to sell convenience store items in the former gift shop location

Mr. Sprenger said we have looked at several opportunities for the empty store and had a lot of input. The main suggestion was to add a convenience store between baggage claim and the ground transportation area. It would be used mainly by inbound tourists. Mr. Sprenger said he has talked to Mr. Hopeman for a couple of years now and he has provided a proposal. Mr. Sprenger said Mr. Hopeman has always been the first one to take risks when we've made suggestions on new opportunities. All of these items would be within his concession agreement for food, beverages and gifts; it would just be an expansion of that. He still has 3 1/2 years left on his contract and that would give us time to evaluate if it will work. He is willing to take that risk and to invest in the facility inside the walls. We would need to replace a few ceiling tiles, and because of regulations, invest in vinyl flooring. Mr. Hopeman is also proposing the same concession fee as the Yellowstone Association where it up fronts the initial cost and labor costs that are required. Convenience stores usually have high volume and low yield. Mr. Sprenger thinks this is a good location.

Mr. Hopeman said about last spring, they wondered what would make sense and took a survey of arriving passengers walking by that area to see what they would like to see in the airport. Some of the responses were things they thought were coming, like the Yellowstone project and the Bistro, but the other things the respondents said were better signage, which has

been resolved, and fishing licenses. Mr. Hopeman said they wouldn't get into hunting licenses.

A high percent of the travelers were going to condominiums, hotels or houses and would like to pick up some basic food items. 60% of the people surveyed said they would utilize the store, if it was there. He believes it would break even at \$220,000 and could be marginally successful; possibly \$250,000. He said convenience stores outside the airport typically sell gas, cigarettes and convenience items. He said they wouldn't do the first two. He hadn't seen a convenience store in an airport, but Mr. Sprenger said he has.

Mr. Hopeman says this is a tourist destination and believes a convenience store would be an amazing amenity to the airport. Mr. Williamson said he has some experience with convenience stores and they usually don't make it if they don't sell beer, milk and cigarettes. Mr. Sprenger said Mr. Hopeman has asked in the past if he could sell cigarettes and he has been denied. Mr. Williamson said he thinks it would contribute to them being successful and Mr. Mathis said KMG, the Marlboro people, bring in a lot of our travelers.

Mr. Hopeman said they would be open from the first arrivals through the last departures and would work with Mr. Sprenger. He believes they could open in December or January and would start out with a 3 1/2 year lease amendment to the current gift concession lease. The Board members, Mr. Sprenger and Mr. Hopeman discussed selling beer and wine. Mr. Williamson said they need to sell cigarettes to be successful. After 3 1/2 years we could renegotiate. Mr. Hopeman thinks they can succeed without selling cigarettes but would be willing to if the Board was willing to allow him to. He is also willing to renegotiate the contract if they are making money so that is fair to everyone.

MOTION: Mr. Williamson moved to approve the proposal by Sharbert Enterprises to sell convenience store items in the former gift shop location and Mr. Mathis seconded the motion. All Board members voted aye and the motion carried. The Board thanked Mr. Hopeman.

Mr. Sprenger asked the Board, for his clarification, if Mr. Hopeman would be able to sell cigarettes. All the Board members agreed it would be acceptable, but only in the convenience store, and only for consumption outside the terminal.

9. Consider airport branding options

Mr. Sprenger said this may be good for the airport but could be a can of worms locally. Our current name is difficult to find. He said he has spoken to a number of people locally, including the County Commissioners, to get feedback. He said this is a good opportunity now to become international, and that might be important for people outside our area. Mr. Sprenger said he was just talking to someone who is looking at bringing about 2,000 people in from Asia, and they want to arrive in Billings because it's an "international airport". Kalispell has customs, but Billings does not. Their thinking was, if it has "international" in its name, then it must be a big airport. Because we will have customs here soon, the benefits of having international in our name may be apparent. If we put Bozeman in the name, it would be problematic to some people because they feel it is their airport and not just Bozeman's. He said, from the comments we received regarding "Destination Yellowstone" today, there is a strong benefit in having Yellowstone in the name for recognizing this airport as serving Yellowstone National Park.

When you search for the Bozeman airport or the Big Sky airport, Gallatin Field comes up first on the first page. When you search for the Belgrade airport, our airport comes up fourth and the first is in Belgrade, Serbia. Gallatin Field shows up on the fifth page, the ninth name down, when searching for airports serving Yellowstone Park. Mr. Sprenger said some

airports use the name of a park in their name. He said Gallatin has been in our name for a long time. He asked the Board's input regarding changing the name or leaving it as it is.

Mr. Williamson said he is happy with the name the way it is. Mr. Lehrkind said he is happy with it as well, but he would like to capture international and Yellowstone in the name. He suggested possibly having the people of the valley have a contest, and it wouldn't be us changing the name, but the public updating it.

The Board members and Mr. Sprenger discussed different possibilities for the name. Mr. Hopeman said there are companies that do studies and could make a recommendation. He said there are also ways to get ranking. Mr. Sprenger said you can keep everybody happy by using a long name, but generally, the less words the better. Mr. McKenna said this Board is charged to think about the future. Mr. Kelleher said in the meeting with JetBlue, they said they are interested in international travel to Yellowstone National Park and they think that is the only way they could fill their planes coming to Gallatin Field.

Mr. McKenna said he thinks there is evidence that we need to move up in the ranks of the park and that changing our name or at least changing the ranking is worthy of consideration. His recommendation is to think about where we will be five or ten years from now, what this airport should look like and who we should represent. We have a gorgeous facility. He isn't worried about the political side so much because this airport belongs to more people than just Belgrade.

A lot of people who visit the Park are from Asia. Mr. Kelleher asked if the airport in West Yellowstone has international in its name. It does not and he said Yellowstone International Airport would be his target. He thinks staff is on track in thinking about the airport's name. The Board will take it under advisement.

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

Mr. Humphrey reported that total operations were down 13.5%. General aviation (GA) has not rebounded. The good news is that enplanements for July were 48,315, which is 11.5% better than July last year. He and Mr. Sprenger believe this is the largest number of enplanements for any month for any airport in Montana. This is just under 5,000 passengers better than last year. Rolling twelve-month enplanements were 390,964.

Mr. Humphrey said airline landings were down a little bit because Horizon is flying two flights per day instead of three and Delta has decreased the number of flights from Salt Lake City. The gauge is bigger though so they are bringing in more passengers. Corporate landings were up 5%, and load factors were 87.5% versus 80.6% last year. Fuel dispensed was 12.1% better than last July.

Mr. Humphrey reported that August is looking to be 7% to 8% better than last August and could be over 50,000 passengers for the month. That would put us at over 100,000 passengers through the terminal in August. In July, there were 98,224 passengers that went through the terminal, even with the opening. Mr. Humphrey thinks that we did a good job of handling all these folks. He said we will have a decrease in available seats of about 6% for September. He said that the next two months are looking pretty good. The Board thanked Mr. Humphrey for his report and his extra effort in the terminal expansion.

11. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the turf taxiways are mostly paved now. Taxiway "E" is open and Taxiway "C" will be open soon.

Mr. Sprenger also reported that the Big Sky, Yellowstone Club area submitted a proposal for a Small Community Air Service Grant in support of New York City service. Because the airport has to participate with them, we signed some of the documents. They are paying for all the requirements. Mr. Sprenger said we are not participating other than

supporting what they are doing. They are trying to get additional money to go after the New York service.

Mr. Sprenger reported that we've also been talking to SERCO. A fifth controller will be here soon and SERCO has tentatively approved a six controller and has submitted the request to the FAA. The FAA is also looking at our traffic for the first hour and last hour of the day, which we are paying for. Mr. Sprenger believes we will qualify for the first hour but our concern is that they may say we don't qualify for the last two hours. We have five airlines that come in after 11:00 p.m.

The Board thanked Mr. Sprenger for his report and for his work on the terminal expansion.

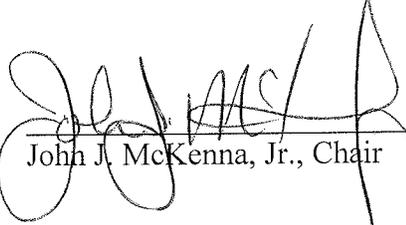
12. Consider bills and approve for payment

The Board and Mr. Sprenger reviewed and discussed the bills.

MOTION: Mr. Williamson moved to pay the bills and Mr. Lehrkind seconded the motion. The motion carried unopposed.

13. Adjourn

The meeting was adjourned at 4:20 p.m.



John J. McKenna, Jr., Chair