

The regular monthly meeting of the Gallatin Airport Authority was held November 10, 2011 at 2:00 p.m. in the Airport Conference Room. Board members present were John McKenna, Carl Lehrkind, Ted Mathis, Steve Williamson and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director and Cherie Ferguson, Office Manager.

John McKenna, Board Chair, said anyone was welcome to comment during a particular agenda item. He said there were two people signed up regarding the artwork and they could speak during the public comment period or wait until their particular agenda item was being discussed.

1. Review and approve minutes of regular meeting held October 13, 2011

MOTION: Steve Williamson moved to approve the minutes. Kevin Kelleher seconded the motion and all Board members voted aye. The motion carried.

2. Public comment period

Tim Linn, retired from Gallatin Airport Authority, said he has been flying out of Gallatin Field since 1973. He said changing the airport name has come up numerous times and suggested names have been Bozeman Airport, Belgrade Airport, etc. He said this time he understands that Yellowstone is to be in the name. He said Gallatin Field and Bozeman Airport come up when you search the web for airports serving Yellowstone National Park. He said Gallatin Field is mentioned in the first three search items when they are opened. He said there are already two airports using Yellowstone Airport in their names; one in West Yellowstone, MT and Yellowstone Regional Airport in Cody, WY.

Mr. Linn said he recently had lunch with retired State Senator Wilbur Springs who addressed the history of Gallatin Field. He said the county and airport were named after President Madison's Secretary of Treasury, Albert Gallatin. In 1936 and 1937, the airport

was in financial difficulty and asked for help from the surrounding communities. Belgrade, Manhattan and Three Forks gave what they could. Mr. Springs said at that time it was requested of the Airport Board that the name remain Gallatin and never be called Bozeman because the City of Bozeman did not contribute anything at that time. Mr. Linn asked the current Board to keep the name as Gallatin Field Airport or Gallatin Field International Airport, if they want to add International to the name.

Mr. Linn thanked the Board. Mr. McKenna thanked him and said the Board appreciated his perspective on the subject; the Board needs to hear more about the name change and consider it further.

The other two individuals whose names were on the signup sheet will wait until their agenda item comes up.

3. Consider Audit Report

Brian Sprenger, Airport Director, said the Board should have received their copies of the Audit Report and that Troy Watling was here to discuss it with them and answer any questions they might have.

Mr. Watling, of Junkermier, Clark, Campanella and Stevens PC (JCCS), introduced himself and said he would go over the Management Letter and then go over the significant items in the financial statements for the year ending June 30, 2011. He said there was a shareholder change from Terry Alborn to Merrilee Glover and that changed the perspective of the audit a bit and a little bit of the approach.

He said overall it went really smooth and was much better than prior years because there weren't so many adjustments. He said the Management Letter was required communication by Professional Standards. In the second paragraph it states there were no new accounting policies and there were no transactions entered by the Gallatin Airport

Authority that lacked authoritative guidance. He said all significant transactions have been recognized in the financial statements.

Mr. Watling said the most significant estimate in the financial statements is the Depreciation because of an estimate on the life of the assets. The most sensitive disclosure is the 2009 Revenue Bonds because of the number of required disclosures in the financial statements and the Management Discussion and Analysis (MD&A).

He said they did not encounter any difficulties and they appreciate the fact that everyone is very easy to work with. He said there weren't any uncorrected misstatements but there was one material adjustment that they considered a correction and that was an adjustment for Standard Parking and Accounts Receivable that was overstated by about \$102,000.

Mr. Watling said they didn't have any disagreements with management and have a signed copy of the Management Representation Letter. On page 4 of the audit report is the Independent Auditors' Report that covers both the financial statement audit and the A133 single audit report because we had more than \$500,000 in Federal expenditures. The financial statements are the responsibility of Gallatin Airport Authority and the audit opinion is the responsibility of JCCS. He said it is their unqualified opinion that the financial statements referred to present fairly, in all material respects, the respective financial position of the Gallatin Airport Authority as of June 30, 2011 and 2010. The information on the major programs has been subjected to the auditing procedures and in their opinion are fairly stated in all material respects.

Mr. Watling went over some of the figures in the Financial Statements and the Report on Internal Control and Compliance. He said a material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that

a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. They considered an entry for Standard Parking and Accounts Receivable of about \$102,000 to be a material weakness. Their recommendation is for the Authority to establish and implement procedures to ensure receivables and revenue are properly recorded and provide reasonable assurance that errors will be prevented or detected and corrected in a timely manner. He said Management agrees with the findings and will implement the recommended procedures.

The Schedules of Expenditures of Federal Awards are on pages 49 and 50. He said the schedules have been subjected to the applicable compliance testing requirements prescribed by OMB Circular A-133. Their Report on Compliance and Internal Control Over Compliance for Passenger Facility Charge (PFC) Programs is on 52 and in their opinion, Gallatin Airport Authority complied, in all material respects, with the requirements that are applicable to PFC programs for the year ended June 30, 2011. The auditors made twenty-six closing entries last year and only five this year, plus the audit was completed one month earlier this year.

Mr. Williamson asked about the PFC revenue since we are at the \$4.50 level. Mr. Sprenger said there are a number of parameters that affect the PFC revenue. Airlines are able to subtract a small collection fee, PFCs are not collected for free tickets and PFCs are only collected for the first two outbound boarding and the last two inbound boarding airports. Mr. Watling said he and his colleagues did quite a bit of analytical procedures here and at the Helena and Billings airports to insure the numbers were reasonable.

Mr. McKenna thanked Mr. Watling on behalf of the Board for the timeliness and said it is always nice to have a good report and they appreciate that. Mr. Sprenger said he wanted to express special thanks to Cherie Ferguson. He said there were a lot of projects going on

and a lot of accounting work that needed to be done and she has done a great job. Mr. McKenna said it was a real tribute to her and staff for great audits, and it was nice to see things like cooperative and no problems.

4. Consider request by Combined Air Ventures LLC to construct a 125' x 150' commercial hangar on the east ramp

Mr. Sprenger said this hangar would be located just east of Central Copters off Aviation Lane. He believes this would be a good location for a commercial operation. He said Bryan O'Leary, the CEO of Combined Air Ventures (CAV), has been working with Ben Walton of Summit Aviation. They want to develop the hangar to be used primarily for the flight school, with part of the hangar to be used for his business. Right now, Mr. Walton's business, Summit Aviation, is operating out of an airport-owned hangar that Yellowstone Jetcenter is leasing. The lease terminates in 2015 and Yellowstone Jetcenter may possibly not be the lessor.

Mr. O'Leary, the CEO of Combine Air Ventures, said he and Loren Poulsen, his CFO and business partner, have been working with Mr. Walton. They have been in Bozeman about a year and a half and CAV's primary business is selling and supporting military and surveillance aircraft. He said this meshes with Mr. Walton's business selling general aviation aircraft. He said they are getting into training with the existing government contract they have. They are excited about the potential of putting a hangar on the frontline.

Mr. Walton, from Summit Aviation, said that at the beginning of the year he gave a report on his company and where they were going. Since that time, their school activities have more than doubled. The current building has worked for seven years but now they have outgrown it. They will be getting another airplane this month and one in February and they have no space for them in their hangar. He said this is an opportunity for them to build a

purpose built facility for a flight school. He said there is a shortage of pilots, they have more name recognition and there is potential for them to keep growing, but the building limits them.

Ted Mathis said this is further away from Arlin's, who does most of their maintenance, and on the other side of 03/21. He said at the recent tower meeting, they said the biggest problem on the airport is that intersection.

Mr. Walton said it is convenient being between both Fixed Base Operators (FBOs), especially Arlin's, but he believes they need to move. He believes having to cross the runway is good training for the students. The biggest downside where they are now is the ramp space and he believes having more ramp space at the proposed location will outweigh the distance from Arlin's.

Carl Lehrkind asked how many aircraft they have now and Mr. Walton said they have ten. Mr. Mathis said Sky River has a hangar for sale. Craig Hocevar, from Arlin's Aircraft Service, said it wouldn't work for CAV and Summit Aviation, but if someone wants to buy it, to please let him know. Mr. Mathis asked if there is enough parking for two operations at the proposed location and Mr. Sprenger said there may need to be some adjustments.

Mr. Mathis asked Mr. O'Leary why CAV would operate from here and Mr. O'Leary said they sell overseas. They originally considered Reno, Nevada. He said he was exposed to Montana when he worked for Conrad Burns and fell in love with it. Right now, the aircraft they sell are completed at other locations. They outsource their maintenance and avionics but they would like to bring them here. They would need a pretty substantial building to do that.

Mr. McKenna said it seems to him that initially the building would be largely for Mr. Walton's use and ultimately a shared facility. Mr. O'Leary said they want the building to be wider than 125' and may want a larger land lease and they are looking at other potential tenants as well.

Mr. McKenna asked Mr. Sprenger if this hangar would use all the asphalt on the east ramp and Mr. Sprenger said it would. Mr. McKenna said they need to consider this carefully because when you're out of frontline space, you're out of frontline space.

Mr. Sprenger said the space was developed for this type of building. The Board, Mr. Sprenger and Mr. O'Leary discussed the type and the size of the building and said they would not exceed 200 feet. The wider they go, the more parking they would have. They would generate more activity than the other hangars on the east ramp do.

MOTION: Mr. Kelleher moved to approve the request by Combined Air Ventures to construct a hangar not to exceed 200' x 200'. Mr. Williamson seconded the motion. During discussion Mr. Mathis said he was concerned that they build at least a 100' x 150' building. Mr. Kelleher withdrew his motion and Mr. Williamson withdrew his second. Mr. Kelleher then moved to approve the request by Combined Air Ventures to construct a 125' x 150' minimum sized hangar or a 200' x 200' maximum sized hangar on the east ramp. Mr. Williamson seconded the motion. Mark Maierle said he thinks it will fit. All Board members voted aye and the motion carried without opposition. Mr. Mathis said at some point CAV will have to come back and talk to the Board about a Commercial Operating Agreement. He looks forward to having them here.

5. Consider request by Paul Bierman Construction, Inc. to construct two car condominium buildings

Mr. Sprenger said Paul Bierman constructed two car condominiums for Bozeman Airport Garages and is now proposing to construct two more. He would like approval to build them on the south portion. Mr. Sprenger talked to Mr. Maierle who sees no problem with that. Mr. Sprenger said John Delzer and Robert Olson, his construction manager, from Gallatin Field Garages, were present.

Mr. Olson said that they oppose any garages being built now because they have 40 unsold units and Bozeman Garages has 29 unsold units. He said 108 garages have been demolished and some people have moved over to their garages. He doesn't think the demand is there.

Mr. Bierman said he is requesting to build two more garages. He understands Mr. Olson's concerns but this is a free market enterprise and he is willing to take the risk.

Mr. Sprenger said lease agreements and this area were designed to accommodate more than one developer. Nine buildings have been demolished, which is 108 units. There are still 72 units in the old car condominium buildings. Each of the new buildings has 20 units, so there would be 140 new units plus 72 old units if these are built. John Delzer, from Gallatin Field Garages, said that the existing 180 units were built over a period of 20 years. They were typically presold and then buildings were built to meet demand. He said 69 of the new units have not been sold yet. He is not trying to oppose the competition but he is concerned about one or more groups failing.

The Board, Mr. Delzer, Mr. Olson, Mr. Bierman and Mr. Sprenger discussed competition and the fact that the Board shouldn't interfere in the operation, and if the builders want to build and take the risk, it is not the Board's responsibility to make sure they make a profit. They said there are hangars for sale on the airport and they have never used that as a reason to deny someone from building a new hangar.

MOTION: Mr. Williamson moved to approve the request by Paul Bierman Construction to construct two car condominium buildings and Mr. Lehrkind seconded the motion. All Board members voted aye and the motion carried unopposed.

6. Consider request by E.W. Aircraft LLC to transfer their non-commercial hangar lease on hangar #68 to ACW LLC

Mr. Sprenger said E. W. is Evert Wierda and ACW is Arlin Wass. Mr. Hocevar, from Arlin's Aircraft Service, said they would like to buy the hangar. Mr. Sprenger said the hangar was in good condition, the rent was current and he recommended approval of the request.

MOTION: Mr. Williamson moved to approve the request by E. W. Aircraft LLC to transfer their non-commercial hangar lease on hangar #68 to ACW LLC. Mr. Lehrkind seconded the motion.

During discussion, Mr. Mathis said he wanted to go on record that it is a busy area by the gate and has always been a problem. He said it was a bad place to hangar a helicopter.

Mr. Hocevar said they used to use a hangar south of this one and they don't think it will be a problem because they will just pull out aircraft until they get the one they want and then pull the others back in safely and quickly. If there was a car coming, they would stop for the car to pass. He said they wouldn't have any helicopters in the hangar.

All the Board members voted aye and the motion carried unopposed.

7. Consider request by Mr. Norman A. Fox for a new ten-year non-commercial hangar ground lease for hangar #55

Mr. Sprenger said Mr. Fox wants a new ten-year lease on his hangar. Mr. Williamson asked if it's just a flat ten year lease and Mr. Sprenger said it is.

MOTION: Mr. Williamson moved to approve the request by Mr. Norman Fox for a new ten-year lease for hangar #55 and Mr. Mathis seconded the motion. The motion carried unopposed with all Board members voting aye.

8. Consider Art Proposals

Mr. Sprenger said we have received four more art proposals from four artists and the Board should have received the information on three of them. Jack Parsons has submitted two aviation related dioramas. Amber Jean is present and would like to propose a buffalo bench that had been sitting in front of Yellowstone Jetcenter.

Mr. Sprenger said Jane Reneau has submitted two paintings and Stacey Herries has a couple of pieces of artwork the Board may want to consider.

Mr. Mathis said we have quite a lot of art now and he would like the ability to change the location of various pieces and he believes the Fridley Fire needs to be relocated. Mr. Sprenger said that the Board can move artwork and the Fridley Fire will be moved. We have just been waiting for the area we want to display it to be opened.

Ms. Herries said she has been itching to do a really large piece and she thinks the space above the main fireplace by the seating area is begging for a large scale piece of art. She is proposing an angle iron frame with a large painting. She does Montana landscapes inspired by this area and the area around the highline. Prints could be sold at the gift shop and mugs could be made of the art. The artwork she would like displayed would be 8' x 8' or 8' x 10'. The Board thanked her.

Ms. Jean said she was born in Wyoming and her family moved here when she was four. She is now a professional artist living in Paradise Valley. She works mostly large scale with wood. This piece was first made with black walnut and then cast in bronze here in Belgrade. She said it is number four of a limited edition of five.

Ms. Jean said it was inspired by an experience she had in Yellowstone Park. She fell asleep while reading and when she woke up, she was surrounded by bison. She won several major awards in Cody, Wyoming, where this piece was first displayed. She named the piece "Sojourn", which means pause momentarily. She thought people could sit on the bench and have their picture taken with it.

Ms. Jean said if the airport approves the piece, it could be planned indoors or outdoors but she believes the location is important. The bison is 5'6" tall. She has the buffalo bench on a trailer in the parking lot and the Board members are invited to view it after the Board meeting if they wish. Mr. McKenna said he could think of the bison in several places in the building and he thanked Ms. Jean for her presentation.

Mr. Sprenger will mail a survey to the Board members to choose any or all of the artwork that was presented and use the surveys to make recommendations for the pieces to be displayed at a future Board meeting.

9. Consider terminal project change order

Mr. Sprenger said we have one final change order for \$115,726 on the project. The electrical portion is \$55,169, the mechanical portion is \$19,598, extra carpet is \$12,305 and the allowance portion is \$28,654 because it cost more than expected for IT data drops, cabling and controllers.

Mr. Sprenger said that overall we used \$644,547.50 of the \$1 million contingency and \$355,452.50 was unused. The contingencies were 1.73% of the project. There were eight change orders on the project.

MOTION: Mr. Williamson moved approval of the final change order of \$115,726 for this expansion project and Mr. Mathis seconded the motion. The motion carried unopposed.

Don Stueck, of Martel Construction, said on most projects of this size, change orders of 5% to 6% are not uncommon. He said Mr. Sprenger, Mr. Humphrey, airport staff, Morrison Maierle and Martel did a good job. For contingencies to be at 1.73% of the project is extraordinary and couldn't have been done without everyone working together so well. He said we got a good bang for our buck. Mr. McKenna thanked Mr. Stueck.

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

Mr. Humphrey reported that our operations were 9.4% better than last year and that was mainly because of Ben Walton's flying school. Charters helped as there were about 200 more passengers than last October. We're still continuing with 22 months of consecutive growth although there were only 3 more passengers in October than last October for boardings. He said we are just under 400,000 for twelve months rolling enplanements.

Mr. Humphrey reported that airline landings were down 19.5%. Delta pulled down their Tuesday and Wednesday flights for the shoulder season and United pulled down most of their mainline flights for the shoulder season. Load factors were at 70.3% for October last year and are 91.7% for the same period this year. Seats are down 20% but we are putting as many folks on as we did last year. Mr. Humphrey said that boardings might be up 2 1/2% for November with a 13% decrease in seats. He said we have about as many seats for this December as last December. It will be a horse race to 400,000 passengers for the year and Mr. Humphrey doesn't think we will cross that threshold, but he believes we will be close.

11. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that we had a call with the airlines about the New York direct service. Delta Air Lines, United Airlines and JetBlue have indicated interest. It doesn't appear that American Airlines will respond.

Mr. Sprenger said our retirement deposit this month went over the \$20,000 limit he has approval to pay without authorization from the Board and he asked the Board how that could best be resolved. Mr. McKenna asked if that is the only item and Mr. Sprenger said we have been making the Federal, Medicare and Social Security deposits by splitting them but they are close too. He said we have an electronic payment that goes to the Public Employees Retirement System (PERS) after we withhold the employee portion from the employees and Gallatin Airport Authority contributes their portion. This month it went over the \$20,000 limit and he had to authorize it.

MOTION: Mr. Williamson moved to exempt Mr. Sprenger from his spending authority for payments to the Internal Revenue Service for payroll taxes and the Public Employees Retirement System for employee and employer payroll contributions. Mr. Mathis seconded the motion and the motion carried unopposed.

Mr. Mathis asked how the FAA certification inspection went and Mr. Sprenger said there were two write-ups. The fueling agents need to make sure they have the correct documentation and Arlin's Aircraft Service didn't have their name on one of their fuel trucks. Mr. McKenna said congratulations. The bigger we get the bigger deal it is.

Mr. Mathis asked when Summit Air Ambulance would be up and running at the airport and Mr. Sprenger said they are working on things and expect to be in operation within the next couple of weeks. They are meeting with the tower to coordinate with them.

Mr. McKenna said it was a nice picture of the airport terminal on the cover of the Airport Improvement magazine. Mr. Stueck said that currently Martel Construction is submitting pictures of the whole terminal expansion project, including the picture on the magazine, for some awards. He said this is the third magazine that has mentioned our remodel. He will let us know if he hears anything about the awards.

Mr. McKenna said he traveled twice last week and not one of the airports that he went through came close to being as nice as ours. He congratulated Martel Construction and all of us. He said he was proud to be from Bozeman.

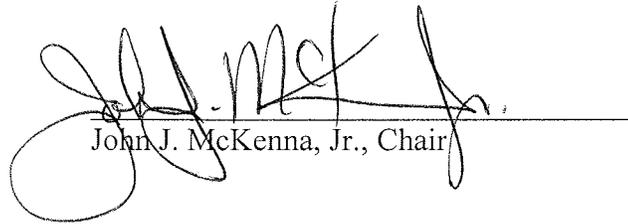
12. Consider bills and approve for payment

The thirteenth agenda item was to consider the bills and approve for payment. The Board members and Mr. Sprenger reviewed and discussed the bills.

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

13. Adjourn

The meeting was adjourned at 3:45 p.m.



John J. McKenna, Jr., Chair