

The regular monthly meeting of the Gallatin Airport Authority was held June 8, 2006 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, Deborah Dietz, Steve Williamson, John McKenna and Greg Metzger. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Melissa Whittaker, Office Assistant.

John McKenna, Chair, said that Ted Mathis has been the Airport Director at Gallatin Field for 25 years. The board presented him with a metal goose sculpture made by Jim Dolan. Mr. McKenna said it was a goose that stayed rather than flying away. The inscription said "Ted Mathis – Thank you for 25 years of service to the flying public – 2006".

The first agenda item was to review and approve the minutes of the regular meeting held May 11, 2006. Greg Metzger moved to accept the minutes as mailed, Steve Williamson seconded the motion and it passed unopposed.

The second agenda item was the public comment period. There were no public comments about items that weren't on the agenda.

The third agenda item was to consider revision of Minimum Standards for Fixed Base Operators to delete the requirement for Aircraft Charter and Air Taxi operators to provide on-call service during those times when their office is not open. Ted Mathis said he looked at this option and spoke to the three Air Charter and Air Taxi operators who operate on the airport – Doug Chapman at Montana Aircraft, Gregg Fuller at Sunbird Aviation and Mark Duffy at Central Copters. They all agree that if someone calls with an emergency, they'll do their best to help out but it's not necessary for the requirement to be in the Minimum Standards. Mr. Mathis recommended deleting this clause from the standards.

Mr. Mathis said the only other place the on-call restriction applies is in the fueling service section and he recommended that it remain there.

Mr. Williamson asked why the requirement was there to begin with. Mr. Mathis said that in 1992 when the board adopted the minimum standards for Gallatin Field, it was adopted from other airports. The charter operators that were on the airport in 1992 were put on notice that they were to be available for the specified hours.

Mr. Williamson asked if it would hurt the flying public if they strike the clause. Mr. McKenna said that we didn't have the competition before. From his standpoint, he thinks we have three operators who are willing to provide the service. Mr. Williamson asked if the board should change the language and hope the service is provided. Deborah Dietz said it is easy to give things away but hard to get them back. Mr. Metzger said he doesn't understand what the regulation does and that he would prefer to have fewer regulations rather than more.

Mr. Mathis said that legal counsel had asked the Airport Authority to put more of the language from the Minimum Standards into the leases, so Central Copters has the only lease with this language.

Mr. Williamson said that he was really confused because we have three operators; two leases don't include the language but the third does, and he asked what the board needs to do to make it an even playing field. Mr. Mathis said that the board needs to change the Minimum Standards. Mr. Williamson said he feels uncomfortable changing legal documents. Mr. Mathis said by striking one sentence, the board would just be modifying standards that the board previously approved in 1991 and not legal documents.

Richard Roehm said he was here when the board gnashed their teeth over this in 1991. They were trying to provide for the best interests of the flying public. He said he

hates to make changes, but it looks like it was only done for one person. Mr. McKenna said that if they have the term "on call" in any documents, they need to define it.

There were no more comments so Mr. Metzger moved to accept the Minimum Standards as advised by staff to delete the requirement for Air Charter or Air Taxi operators to provide on-call service during those times when their office is not open. Ms. Dietz seconded the motion, which carried without opposition.

Mr. Metzger asked the Airport Director to review the Minimum Standards and see if a further review is warranted. Mr. Mathis said he would.

The fourth agenda item was to continue consideration of the request by Central Copters, Inc. for a new Operating Agreement. Mr. Mathis said that Central Copters sold their building and needs a new operating agreement. Mr. Roehm said he wants to keep things equal and to keep playing fields level. He asked if this lease would be like everyone else's. Mr. Mathis said that the new document that we use today is a little different than what we used 20 years ago.

Mr. Metzger moved to approve the request for Central Copters for a new operating agreement which incorporates the new language and Ms. Dietz seconded the motion. The motion carried without opposition.

The fifth agenda item was to continue consideration of the request by Mark and Pam Duffy to construct a 125' x 150' commercial aircraft hangar. Mr. Mathis said that at the last meeting the board had concerns about granting a commercial hangar lease to private persons rather than to a corporation. He said that Bob Green hasn't moved forward with his lease yet. He believes Mark Duffy will move quickly and he recommended that the board approve this request.

Mr. Roehm asked if Mr. Green had come forward and Mr. Mathis said no.

Mr. Roehm said that there is so much more protection for corporate entities than individual persons that he believes it is illogical for a corporate entity to use a private name. He said he has concerns because the rules change if religion is involved. The rules don't apply to a corporation but they do for individuals.

Mr. Metzger said he has a different view and that the airport has a better ability to collect from an individual.

Mr. Roehm said that a clever lawyer could get us eventually. He would like to approve the request but doesn't want to end up in court over it. Ms. Dietz said she doesn't feel comfortable with the request.

Mr. Williamson said they don't always have to do things just because they have done them in the past. He said he agrees with Mr. Metzger that it would be easier to collect from an individual but the fact that they want it in their personal names rather than their corporate name makes him suspicious and he wonders why they would want it that way. The Airport Authority did sign a commercial lease agreement with Brandon Speth.

Mr. Roehm moved to deny the request by Mark and Pam Duffy to construct a 125' x 150' commercial aircraft hangar. Mr. Williamson seconded the motion. All members voted aye except for Mr. Metzger. The request was denied.

The sixth agenda item was to consider the request by Adellyne Enterprises, Inc. to transfer their Auto Rental Concession Agreement and their car wash facility Lease Agreement to Avis Budget, LLC. Mr. Mathis said that Adellyne Enterprises sold their business to Avis Budget and he recommends approval of this request. Mr. Roehm asked about the Avis Budget dual brand. Mr. McKenna said that is a separate issue. Mr. Mathis

said this is a house keeping decision. Mr. Williamson moved to approve the request by Adellyne Enterprises, Inc. to transfer their Auto Rental Concession Agreement and their car wash facility Lease Agreement to Avis Budget, LLC. Mr. Roehm seconded the motion and it carried unopposed.

The seventh agenda item was to consider the request by Avis Rent A Car System to transfer their off airport rental Car Concession Agreement to Avis Budget, LLC. Mr. Mathis said that this is similar to the sixth agenda item and he recommended approval. Mr. Williamson moved to approve the request. The motion was seconded and approved without opposition.

The eighth agenda item was to consider the request by Avis Budget, LLC to operate both Avis and Budget car rental concessions (dual brand) from the current Budget Car Rental location in the airline terminal building. Mr. Mathis said that there are representatives from the corporation present to address the board. He said there are some opponents of the request who would like to speak as well. Mr. McKenna said he would like to hear from the proponents first.

Harold Callahan, representing Avis, said Avis is asking nothing more than what has been approved in the past. He said the timing is identical to the request in 2003 because the dual branding would occur during the middle of the contract. He said having Avis/Budget in the terminal would be beneficial for financial reasons. Avis has paid \$100,000 at the 5% off airport commission rate. At the 10% on airport fee rate they would pay an additional \$100,000. Avis believes that the Airport Authority should do what benefits it.

Mr. Williamson asked him to clarify the difference with the bankruptcy and asked if Budget/Avis will be more separate than Alamo/National.

Mr. Callahan said that as Alamo is more focused on vacationers and National is more focused on business, so also are Budget and Avis. The counter would have an Avis section and a Budget section.

He said dual branding would be more beneficial to the flying public as they wouldn't have to ride the bus to the off airport site.

As there were no questions and no other proponents, Robert Ward, representing Enterprise Rent A Car, spoke next as an opponent. He said the contract is the main issue. He said they had a meeting with Mr. Mathis on a "what if" basis. Enterprise representatives don't know if they are opposed or not because they haven't seen anything in writing. They are curious but can't approve of something if they don't know what it is.

He said that not a lot has changed for serving the public and that Avis had fought against having a 5<sup>th</sup> counter because there wasn't enough parking. That issue hasn't been solved, but now they are for it. He said Enterprise had to pay dearly to get on airport and the contracts are for five years.

Steven Jones, representing Hertz Rent A Car, spoke next. He said they oppose the proposal. He said there was a lot of stress to come up with a bid to remain on the airport and added that Hertz would not benefit from the dual branding. He said Budget doesn't need Avis and to do anything to change the contract would be wrong. He said the bids are sacred to them and they are against an additional counter. He said there was a process to get on airport and that it was fortunate for Budget to bid high enough and unfortunate for Avis not to.

Mr. Roehm asked if there would be a change in the minimum annual guarantee (MAG) if they allowed Avis Budget LLC to dual brand at the airport. Mr. Mathis said it would require Avis to provide a MAG.

Mr. Jones said that they know their expected revenue and they plan accordingly. If the contract is changed mid contract, it affects them. Mr. Roehm said that the number of cars is locked in for the summer and asked if it would be appropriate for the changes to take place in the fall. Mr. Jones said it would be better at that time.

Mike Lucero, Gallatin Field local manager for Hertz, said that at the last contract they lost parking space due to bids front loading. They tried to buy more but weren't able to and now they are parking in the mud. He said that it would be unfair for both Budget and Avis to be on airport. They went through the same bid process as the others and Avis lost out.

Gary Lewis, representing Thrifty Car Rental, said that as an outsider, he would like to come on airport and would gladly pay 10%.

Mr. Metzger said that it is a violation of the contract and asked why it would be allowed. Mr. Mathis said that Avis Budget is similar to Corpat in that one company owns two rental car franchises. There is nothing in the agreement that says they can or cannot have two brands at the airport. The public would have better access if Avis was on airport and Avis could get rid of the buses. The MAG would be adjusted for the others for fairness. He said that Hertz wouldn't benefit, but he believes it is in the best interest of the airport and the flying public.

Mr. Metzger and Ms. Dietz said they disagreed and think Avis should have to buy the space and pay for the contract.

Mr. Roehm said he doesn't like the design but doesn't know how to make it better. He said he doesn't like changing the MAG mid contract. He said he voted in favor of having a 5<sup>th</sup> counter at the last bid process and he would like to put it in the budget in time for the next cycle.

Mr. Williamson said he would like the \$100,000 and to relieve the congestion with the buses but that he is against dual branding mid contract. He said he is against a 5<sup>th</sup> counter.

Mr. McKenna said that he is against a 5<sup>th</sup> counter and he doesn't like changing anything midstream. He said the bus ride is not that bad and that finances are not a deciding factor for him. He said he doesn't like penalizing success and he would vote against the request if he were the tiebreaker.

Mr. Roehm moved to deny the request by Avis Budget, LLC to operate both Avis and Budget car rental concessions (dual brand) from the current Budget Car Rental location in the airline terminal building and add that we ask for a 5<sup>th</sup> counter for the next cycle. No one seconded the motion. Mr. Roehm then moved to deny the request by Avis Budget, LLC to operate both Avis and Budget car rental concessions (dual brand) from the current Budget Car Rental location in the airline terminal building. Ms. Dietz seconded the motion and the motion carried unanimously. The request was denied.

The ninth agenda item was to consider the scope of work and fee schedule for the master plan update. Mr. Mathis said there is a more demanding need for work in the terminal area. He said the scope of work is completed and he requested approval and notice to proceed.

Scott Bell, airport engineer, said that it would probably be an 18-month process. If it goes quicker, it may save money. Mr. Metzger said he doesn't mind paying for high quality information. He would like to have the master plan update completed in a more timely manner and would like a more aggressive schedule. He said he would like to have an update every three years and maybe there should be a fee schedule where they plan \$50,000 every three years. He said he doesn't like paying for dead paper. Mr. Bell said that he will try to do the update plan in a year but it takes time for the public comments to be properly dealt with.

Mr. McKenna asked what would happen to the information if something should happen to Mr. Bell or if the airport changed engineering firms. Mr. Bell said the information belongs to the airport and that most engineering firms use the same CAD programs. He said that along with the master plan is the airport layout plan (ALP) that has to be updated often and approved by the FAA.

Mr. Roehm said that a while back the airport paid his firm to find all the underground lines. Mr. Roehm thought all that would have been kept track of. Mr. Bell said that they update pages in the ALP every time they need to build. The ALP is the planning bible for the airport.

Mr. Metzger moved approval of the scope of work and fee schedule for the master plan update and a quicker time frame. Ms. Dietz seconded the motion, which carried unopposed.

Mr. McKenna moved the eleventh agenda ahead of the tenth agenda item. The eleventh agenda item was the presentation by Neil Ainsworth regarding proposed development near Gallatin Field Road. Neil Ainsworth showed on a map the area they

would like to lease. He said they've purchased two other adjacent lots and said they have been working with Morrison-Maierle. He showed where they would like to put in a proposed hotel with conference center. He also pointed out proposed restaurant sites.

Mr. Roehm said that he was in favor of pursuing this and asked Mr. Ainsworth to continue working with Mr. Bell. Mr. Ainsworth said he would and that he is also working with Jason Karp in Belgrade. He said they are a couple years out at least.

Mr. Mathis said it was a well thought out presentation but that the airport needs to get a lot further with the master plan before considering such a proposal. The public has a right to know what land the airport would have available for lease. The board members are interested in pursuing this.

The tenth agenda item was to consider the preliminary budget for fiscal year 2007. Mr. Mathis said that as usual he and the staff have tried to be conservative. Revenue is up 11.34% and expenses are up 8.53%. He asked for one change on page 6 regarding the professional services. He said he would like to double the amount for legal services to \$60,000. He said he has been visiting with Donna Brents regarding her property, parcel #71. He said there is money set aside for purchase of land and easements.

Mr. McKenna asked if the airport has ever bought land under contract. Mr. Mathis said he doesn't recall ever doing that.

Mr. Roehm said that an area to consider is attitudes and information that government officials need to know up front. He would like board members to meet with other board members and lay out facts. He said that others don't realize what they do. He said hindrances affect everybody and that they should have lunch with others and discuss

concerns so they understand things from the board's perspective. He said he is saying this because it could be his last meeting.

Mr. McKenna said they should have a simple canned presentation that any one of them could make. He asked Mr. Mathis what he thought of a presentation and Mr. Mathis said that people want good data. Mr. McKenna said he thinks it's a good idea and possibly they could also get relevant information from MSU. He said that a public relations idea is right on.

Mr. Metzger asked if a tax increment is possible. Mr. Mathis said the airport needs to be self sufficient. He said he hasn't talked to the County Commissioners yet but it is a hard sell because it takes money away from other projects. The board discussed how the mill levy works. Mr. Mathis said that the county has a cap on the amount they can tax. If the County Commissioners were to approve the 2 mills the airport could request, they would lose those 2 mills from other areas in their budget. Ms. Dietz said that if we tell them we want the money, they could plan for it.

Mr. Metzger said that the airport has committed to the interchange. He said we need to get the commissioners used to giving us money. Mr. Roehm said they are used to using the money for roads, etc. and that we need to start taking it back for the airport. Ms. Dietz said she talked to the commissioners about the 2 mills when she met with them this morning. Mr. Mathis said we can apply for the money, but they won't necessarily approve the application. The county has to levy the tax for the Airport Authority if we certify that it is needed. We have to prove there is a need.

Mr. Metzger asked if we could move on and put a plan in place. Mr. Mathis said the master plan is that tool. Mr. Metzger and Ms. Dietz don't want to wait 18 months. Mr.

Roehm said we know we will need it and Ms. Dietz said the commissioners need to know to plan for it.

Mr. McKenna said the board seems to think we need the money and the director thinks we don't. Mr. Mathis said he's not saying that but that it will be hard to justify it to them when we have more money in the bank than they do.

Mr. McKenna said the time has come to have that discussion and to have a 2-member committee. He asked who would like to serve on the committee and Ms. Dietz said she would. Mr. McKenna asked Mr. Williamson to and he said he would but that he has more questions. Mr. McKenna said that any members of the public could sit in with them.

Mr. Metzger asked if there was a risk of not meeting the budget and Mr. Mathis said we have some cushion for a few years and can move money between funds if we need to.

Mr. Roehm asked if they should put the 2 mills in the budget and Ms. Dietz asked if they need to wait another year. Mr. Mathis said they have to wait. Mr. Roehm moved to approve the preliminary budget for fiscal year 2007. The motion was seconded and passed.

The twelfth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that in May there were 651 air carrier operations, 706 air taxi, 2,667 general aviation (GA) itinerant and 15 military, for a total of 4,039 itinerant operations. Local GA operations were 2,878, for a total of 6,917 tower operations, up 36.8% from May a year ago. There were 133 landings of aircraft over 12,500 pounds, up 41.49% from May 2005. May was another strong month, with local operations up a strong 73% and itinerant operations up nearly 19%.

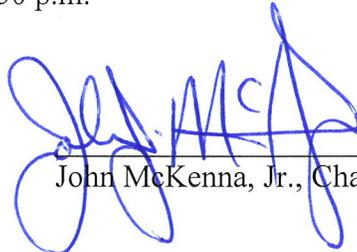
Mr. Sprenger reported that passenger boardings were 21,522, down 0.2% from May a year ago. Year to date is down 4.0% compared to the same period in 2005. May came in at expectations. We expect June to be at or slightly above last year's numbers.

The thirteenth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that we had a surprise from Northwestern Energy. They had billed the terminal gas incorrectly for 3 years, but can only go back 6 months. He said he has been surprised by past bills because the shop's bills have been higher than those for the terminal.

The board members asked if we have investigated buying recycled fuel or propane.

The fourteenth agenda item was to consider the bills and approve for payment. After review and discussion, Mr. Williamson moved to pay the bills and Mr. Roehm seconded the motion, which carried.

The meeting was adjourned at 5:50 p.m.



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John McKenna, Jr., Chair

Following the regular meeting, the Board went into closed session for the purpose of conducting the Airport Director's annual evaluation. Mr. Mathis had requested that his evaluation be conducted in private.