

The regular monthly meeting of the Gallatin Airport Authority was held May 10, 2007 at 3:00 p.m. in the Airport Conference Room. Board members present were John McKenna, Richard Roehm and Greg Metzger. Deborah Dietz and Steve Williamson were unable to attend. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Administrative Assistant.

The first agenda item was to review and approve the minutes of the regular meeting held April 12, 2007. Richard Roehm moved to accept the minutes as mailed, Greg Metzger seconded the motion and it passed unopposed.

The second agenda item was the public comment period. There were no public comments.

The third agenda item was the presentation by Joby Sabol on behalf of Epic Development (Ryen Glenn subdivision) regarding proposed water line easement. Mr. Sabol said he was there as legal counsel for Epic Development, the present developers of the Ryen Glenn Subdivision. He said Clint Lytle, the engineer for the Ryen Glenn Subdivision was present, as was Jason Leep, a representative of the Meadowlark Subdivision.

Mr. Sabol said that late last summer he had approached the Airport Authority board for an easement for a waterline parallel to Highway 10 along the southern border of the airport property. He said they expressed an urgency and immediacy because they thought they would be able to work through the winter, which they were not able to do. He said the basis of the price was the cost savings based on the review by their engineer and our engineer. The agreed upon easement price was \$561,000.

Mr. Sabol said that there is no longer an urgency and he and his clients would appreciate it if the engineers could review the cost savings again and make sure they are fair and reasonable. They would like to pay the fair market value for the easement and would

like to consider using a standard like the Department of Transportation (DOT) would use when they acquire right of ways, but would leave that discussion for another day. They would like the engineers to be able to check the numbers that were generated last fall.

Mr. Roehm asked if all the agreements were in place with the City of Belgrade and Gallatin County because he doesn't want to agree to something and then have them reject the agreement. Mr. Sabol said everything was approved. Mr. Roehm said the developers had agreed to the figure of \$561,000 and asked why they don't want to pay that now. Mr. Sabol said there was about \$200,000 difference between the amount our engineer, Scott Bell, and their engineers had come up with and they want to make sure which figure is the correct one. He said they hadn't wanted to pay that much before but agreed to that figure so they could proceed with their plans. Because they weren't able to proceed then, they would like the opportunity for the engineers to review the cost savings.

Mr. Metzger said he would be willing to release Mr. Bell if they would pay him. He wants to charge a fair price. He said it would be up to them to show him a mistake had been made. He said he wasn't comfortable with using the DOT's standards as this is a commercial deal.

John McKenna said he would have a concern if someone else would be paying Mr. Bell. He said to him it is just a review of a proposal. To him the question is if they are willing to pay a premium for one solution over another one and if we are willing to cut a different deal than before. Did they get a fair deal? He is willing to revisit the question but he is not terribly sympathetic. He also said that the next agenda item is to consider raising rates and charges for on-airport tenants and he wonders if it is fair to consider a discount to an off-airport entity.

Mr. Roehm said he is reluctant to see Mr. Bell divided further. Mr. Bell is involved in our Master Plan, the interchange and we have had a bid opening for large construction projects at the airport and will have bid openings for more at our next meeting. He said that the engineers for the subdivisions could reconsider the basis for the change.

It was agreed that, if Mr. Sabol and his client find sufficient proof of an overcharge, they should make a presentation to the airport director, Ted Mathis, and to Mr. Bell. Mr. Sabol thanked the board for their time and consideration.

The fourth agenda item was to consider general aviation rates and charges adjustment. Ted Mathis said that some time ago Mr. Roehm had asked staff to review our rates and charges. Mr. Mathis said that he has some recommended increases after reviewing them and comparing them with other airports in the state. He said the last significant increase for general aviation (GA) was 11 years ago. Most of the rates for non GA activities have been adjusted.

His recommendation is to raise landing fees on aircraft over 12,500 pounds gross landing weight (GLW) from \$1.14/1000 lbs. to \$1.38/1000 lbs. \$1.14 per 1,000 GLW was the rate charged 11 years ago. He also recommended raising the land rent fee of \$.07 per sq. ft. per year (psfpy) for noncommercial hangars to \$.085 psfpy, and the fee of \$.07 psfpy for commercial hangars to \$.10 psfpy. He said the airlines and the military don't pay fuel flowage fees to the airport but for the other GA users who do, he recommended raising the fuel flowage fee from \$.05 per gallon to \$.06 per gallon. If the board approves, GA based aircraft parking/tie down fees would be raised from \$15.00 per month to \$20.00 per month.

Mr. Mathis said we just received a bid for \$162,146.00 for a new sewer and water line project. He said that gives us an idea of the costs of running water and sewer connections. We currently charge a fee of \$1,500 and Mr. Mathis said a fee of \$10,000

would allow us to recover costs. He said that 10 to 16 hangars can connect to one line. An 8 or 10 unit T-hangar with one bathroom would have a connection fee of \$10,000. Mr. Mathis said these proposed rates are fair and very similar to rates at other airports in the state.

Mr. McKenna said he would take comments from the audience, followed by discussion and conclusion from the board.

Doug Chapman, owner of Montana Aircraft, and local citizen, said he had several questions. His first one was regarding the negotiation clause in each lease. He asked how the process for negotiation comes in since leases are due at different times. He has not seen the process in place and would like the wording taken out of the leases if they don't have the opportunity. He would like that addressed somehow.

Mr. Roehm asked Mr. Mathis to help out with the language. He said it is a legal issue. Mr. Mathis said it would be a benchmark if someone went through the negotiation process but that hangar owners have the right to renegotiation and there is also an arbitration clause in the leases. He said each lease has a three-year term where the rates remain the same. There is a window every third year for renegotiation. Mr. Mathis said that if this rate is implemented, it will take 3 years to implement it across the airport. He said that a process is in place if a hangar owner wants to challenge the rates and go to arbitration.

Mr. Chapman asked if it were possible for one hangar lessee to go to arbitration and be successful and pay a lower fee than another hangar owner. Mr. Roehm said it seems reasonable because the arbitrators make the final decision. If one owner makes a good presentation the decision wouldn't be binding on anyone else.

Mr. Metzger said that you would have to assume the rate was unfair. He said he doesn't think there is a problem and that the airport board charges appropriate fees. He said there has been no increase in 7 years while inflation has been approximately 3.6% per year.

He said he believes the increase is appropriate and that he is not worried about arbitration.

He believes the fairness goal would be met and exceeded because they charge less than what is fair and reasonable in Montana.

Mr. Mathis said if an arbitrator found the rates to be unreasonable, the authority would have to pass it on to others. They have to charge fair, reasonable and nondiscriminatory rates.

Mr. Chapman said he would like to keep the land that hangar owners have to lease but that is not used for hangar space in the forefront as well. He said he believes the 43% rate increase for commercial hangar land seems extreme.

He also asked if the \$420/year that is paid for sewer and water has been factored into the water and sewer connection fee for investment recovery. Mr. Mathis said it has been. The \$10,000 is just to defray the initial capital improvement costs. The annual fee pays for the maintenance and operation of the lines, which is higher than the \$35 monthly fee. Mr. Chapman said he would be interested in seeing how those numbers are derived.

Mr. Chapman also asked if it would be legal for two hangars to share the same connection and Mr. Bell said the Department of Environmental Quality (DEQ) doesn't allow it. He said the DEQ may allow some condominiums to share. He doesn't know what the City of Belgrade or the Airport Authority's stand would be.

Mr. Chapman said that he thinks a \$10,000 water and sewer connection fee is a lot for someone with a \$30,000 hangar and that a lot of municipalities don't look at the initial hookup.

Arron Wass asked if the \$10,000 hookup fee would be for the new area on the other side. He said he could kind of see that but not for the few spaces on the west. Mr. Mathis said his recommendation would be for all new hookups.

Mr. Metzger said he thinks the authority's error is to wait such a long time before raising rates and he would like to see a 2% annual increase instead of a 20% increase like this. He said he is uncomfortable with the hookup fees because the airport buys infrastructure and taxiways and he believes the hookup fees are part of that. He believes \$2,500 would be acceptable.

He asked why the commercial land rates would increase so much and Mr. Mathis said there are more expenses for commercial hangars for parking lot snow removal, GA ramp snow removal and tie-down maintenance. There is more pavement to maintain.

Mr. Roehm said they've asked Mr. Mathis to run the airport in a fiscally sound manner. He said that in all the time he has been a board member, it has been a policy to nurture GA. We have two good fixed base operators (FBOs) to draw on. He said he has encouraged young pilots but that times are tough.

He said he agrees with Mr. Metzger that gradual increases are preferable and would like to consider increases every one to two years. He said at a prior meeting, when the water and sewer connection fee was established, that \$6,000 for a sewer and water connection is too much and they are going to have to eat part of the costs. He said the airport needs a vibrant GA.

Mr. McKenna the airlines space rent has increased 53%. He said GA has a target on it and the user fees issue is on the forefront of everybody's mind. He thinks the board should be proactive in keeping rates increases close. He said they need to choose a number they can live with and he knows it's not arrived at mathematically. He said \$2,500 to \$3,000 is dirt cheap in any other area.

Mr. Mathis said the FBOS are courteous and allow aircraft operators to clean their airplanes at their facilities, there are port-a-potties and the GA pilot shelter will be available during warm months.

Mr. Roehm moved to approve the rate increase proposal, substituting \$4,000 for the \$10,000. Mr. Metzger seconded the motion. It carried without opposition.

Mr. Metzger asked staff to come up with a policy to review the leases and have an inflationary adjustment. It was agreed that it should be considered every three years.

The new rates will be effective July 1, 2007.

The fifth agenda item was the report on the audit review process – Terry Alborn. Mr. Alborn said this is a summary of the audit before the field work begins. He said they look for financial statement fraud and misappropriation of funds. If the board has any concerns, they should indicate them to the auditors. If they have any questions, they should contact him as well.

He also said they check significant areas and areas that are not significant. They look at the significant areas every year. Those include the Passenger Facility Charges (PFC), Airport Improvement Projects (AIP) and property, plant and equipment.

For the PFCs, Mr. Alborn said they check for completeness of revenue and allowable costs. They also do some checking for compliance.

They use the requirements of A133, which governs single audit reporting, to check compliance control, revenue and expenditures. They check to see that cash investments are properly recorded and properly disclosed in the financial statements. They check the revenues for completeness, if they are properly recorded, are accurate and all there. They test the documents and check to see where the revenues come from. They also check the related receivables and make sure they are recorded properly.

Salaries and wages are a significant area they check. They also go down the trial balance and check against the prior year. They talk to staff and management to get more in depth information about the operation. They also make sure we are in compliance with GASB34.

He said last year he had brought up a concern as to who prepares the financial statements. If the auditors do, it is a significant discrepancy. He has talked to the state department and they are aware that in Montana, most governmental bodies will have the auditors prepare the statements and that is just the way it is.

Mr. Alborn said they read the minutes to see what has happened over the last year and to learn about significant purchases.

He encouraged the board members to call him if they have questions or concerns. He said they work for us.

He said they will begin field work in August and should complete the audit sometime in September. Mr. Alborn said he will be the lead on the audit but will have a couple more staff members working with him.

Mr. Roehm said the board counts on the auditors to make sure we are doing everything right. He said our audits are forwarded to the state. There are several bodies that look at our audits.

He asked Mr. Alborn if they would have caught what happened with the airport manager embezzling money in Missoula. Mr. Alborn said he doesn't know because he doesn't know the details of the Missoula case. It is possible because they read the minutes and check to make sure all purchases are in the airport's name. Mr. Alborn said he doesn't know what the manager did to hide his activities. Mr. Roehm suggested that it would be beneficial for Mr. Alborn to know that and information about other embezzlement cases so



he could check for them. He said that if someone has a desire to embezzle, they may find a way to do it.

The board thanked Mr. Alborn for his presentation.

The sixth agenda item was the Master Plan project update by Scott Bell. Mr. Bell said that on April 24<sup>th</sup>, he sent a memo to the board regarding the first draft of the financial plan regarding the 20 year capital improvements identified in Chapters 3 and 4, the airside and landside. The draft also includes some post 20 year capital improvements.

The draft is a 20 year cash flow analysis, which includes income versus expenses, other funding such as AIP, PFC and the possible implementation of Car Rental Facility Charges (CFC), as well as the possibility of a \$25 million bond issue for terminal construction.

Mr. Bell thinks the 20 year plan looks fairly good. He said that improvements and maintenance costing as much as \$141 million will be completed during that time. He said the cash on hand through the 20 year period could grow from what it is now to \$25 million, depending on decisions made through the planning period by future boards.

Mr. Roehm said he doesn't like the straight line of projecting the future and asked Mr. Bell to include discussions for situations that may occur, such as loss of federal funding, fuel prices escalating, war and other situations that may occur. He said the fiscal policy has been successful while Mr. Mathis has been at the helm and he would like a formal policy established for future boards, with Mr. Mathis' help. He said he would like the assumptions addressed in the Master Plan so they wouldn't have to throw out the foundation.

He also asked for discussions on how much they need to maintain for reserves. \$7 million to \$8 million seems comfortable but with potential changes, that might change. He would like there to be 3 year revisions that could be modified by the board. He would like to

draw on the successes of the past and know how to use that information for the future. He said he would like this to be more of a projection and policy approach.

Mr. Mathis said that Mr. Roehm is right and you have to be able to roll with the punches. There are things you can control. For example, you may be able to defer overlaying the taxiway for a year or two, or you may have a 20 year old piece of equipment that would last another year or two but this may be the best time to replace it instead of waiting if federal funding is available. He said the ongoing operations such as paying for utilities and wages are things you have to do. The fiscal responsibility of the board and management comes into play. You need the ability to adapt and be able to step up when all of a sudden you have 52 Transportation Security Administration (TSA) employees, need more law enforcement, new machinery and have to expand the building to accommodate them. You also need to deal with inflation as we don't know how much \$8 million will be worth 5 years from now.

Mr. Mathis said that historically they have depended on an updated Airport Layout Plan (ALP) each year. It is more valuable than the Master Plan (MP) and they rely on it more. He said the Master Plan is a good long-term document and they do use it. He said he still refers to the 1979 Master Plan. He said that is one of the reasons he took the job here and that it was the best plan he had ever seen for any airport. He said there were logical timelines and it is still a good document. He said the development that has occurred since 1979, and the property that has been set aside for various projects and development will bear that out.

Mr. Metzger said he appreciated Mr. Mathis' comments and said it helped him to understand the plan better. He said he understands the money side but isn't sure about the project schedule. He asked if he would need to be making a decision on the terminal next

month. Mr. Bell said the projection is based on a calendar year and not a fiscal year. Mr. Metzger said he has some homework to do and that all this gives him something to think about. He said Mr. Bell has done an admirable job.

Mr. Bell said the master spreadsheet has links to many spreadsheets so, as things change, they can look at them on an annual basis or biannual basis and put in the new construction, AIP or PFC assumptions and get a new snapshot.

Mr. McKenna said we are in the people business, whether it is employees, TSA employees, people on the GA ramp, or the flying public. He would like to see the MP identify the people side more and have empirical data how we can be best in class with our staff level as well as our customers.

Mr. Roehm said we have some considerations if we assume airport security. He asked if personnel costs and numbers are in the MP. Mr. Mathis said they are talked about weekly, but are not in the MP. He said they also talk to the board occasionally about staffing levels. One of the biggest resources is intercourse with other airports our size, what they are doing and how many people they employ.

Mr. Roehm said he would like an additional policy on who we hire and how much we pay them. He said Missoula is union and is more constrained. We have fire fighters who also mow lawns in the summer, have electrical skills and other skills and that we should pay them more. He said we should continue to pay our people well and not be unionized. He said we should continue to hire multi skilled people.

The seventh agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that in April there were 700 air carrier operations, 559 air taxi, 1,890 GA itinerant and 15 military, for a total of 3,164 itinerant operations. Local GA operations were 2,333, for a total of 5,497 tower operations in April,

down 12.2% from last April. There were 130 landings of aircraft over 12,500 pounds, down just 4 landings from April 2006, which is 3%.

Mr. Sprenger reported that passenger boardings were 21,268, up 4.8% from last April, which was a record month. Year to date is at 106,964, up 5.2% compared to the same period in 2006. Growth is at a record pace, although not by much, but it is a welcome change.

Mr. Sprenger said he has had a lot of discussions with Frontier recently. There has been a community effort to recruit Frontier to Gallatin Field. At the end of May, we expect them to announce the cities they will be coming to. He said the good news is that we may be one of those but he doesn't know if they will announce that yet. He is optimistic that we will be one of the 2008 cities, and that they may plan to start service here in the April time frame. Their focus will probably be on the Colorado ski resorts, which have a high yield in the winter time. He said this is pure supposition on his part. We would prefer to have them here this fall but we will be happy to have them come whenever we can get them.

The eighth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that, following the bid openings at the last meeting, Duneman Construction was awarded the GA sewer and water project for \$162,146, Omdahl Excavation was awarded the irrigation ditch relocation project for \$37,438.50, Summit Roofing of Missoula was awarded the old terminal reroofing project for \$88,441.00 and Rich's Carpet of Belgrade was awarded the terminal carpet project for \$77,000. He said all those bids appeared to be in order and the projects have begun.

Mr. Roehm asked if they had to take any of the bids to legal counsel and Mr. Mathis said they didn't have to because they were all in order and were the lowest bidders. The bids that were questionable were not the lowest.

Mr. Mathis also reported that we need to open bids for the summer AIP projects as soon as possible and said the best time would be June 7<sup>th</sup>, which would move our meeting up one week. He asked the board if they would be willing to do that. Mr. McKenna said it would work for him and Mr. Roehm thought he could be present. Mr. Metzger said he would have to check his schedule.

Mr. Mathis said that the three year renewal period for our insurance is ending in August and that we are being pursued by a number of companies in response to our request for proposals (RFP). This is for all areas of our insurance coverage.

Mr. Mathis also reported that it is budget time again and the budget will be ready for review at the June meeting. He asked the board members to contact him if they have any suggestions for capital improvements or other ideas for the preliminary budget.

He also said that we took delivery of our new Case tractor and mower two weeks ago. We already have 63 hours on it and the crew loves it. He said it will do a great job for us.

Mr. McKenna asked Mr. Mathis to make a recommendation regarding the house he had been living in on airport property. Mr. Mathis said he will do that.

Mr. Mathis also reported that we will receive Delta stock as the settlement from their bankruptcy. We don't know how much yet but we will sell it as soon as we can.

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

The meeting was adjourned at 4:35 p.m.

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John McKenna, Jr., Chair