

The regular monthly meeting of the Gallatin Airport Authority was held December 11, 2008 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Kevin Kelleher, Steve Williamson and Greg Metzger. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held November 13, 2008. John McKenna moved to accept the minutes; Kevin Kelleher seconded the motion and it was a unanimous decision to approve the minutes.

The second agenda item was the public comment period. Richard Roehm said that the board welcomes comments on agenda items during discussion of an agenda item, or now if the comment is not related to an agenda item. There were no public comments.

The third agenda item was the report on the annual audit – JCCS. Ted Mathis said the audit is done and that Terry Alborn, from Junkermier, Clark, Campanella and Stevens PC would make a report and answer any questions the board had. Mr. Alborn said the board had the final statement package with letters stating it is an unqualified opinion. Regarding the report on internal control there were no issues reported; for the A133 single audit report there were no issues. The auditors must also report on Passenger Facility Charge (PFC) funds collected and there were no issues on compliance. The auditors must also communicate any changes in accounting principles to the audit committee and there were no changes. The most significant estimates were the depreciation expenses. There were no difficulties encountered. Mr. Alborn said the auditors only made seven adjusting journal entries and two were for reclassification for the financial presentation. There were five other adjusting journal entries and they were standard entries they make. He said that was pretty insignificant as audits go. He said the books were in good shape when they got them.

Mr. Alborn said there were no disagreements with management. They furnish a representation letter which was signed. To his knowledge, no other accountants were consulted on any issues. He said they found nothing significant or out of the norm.

Mr. Alborn said in reference to the financials, the Management Discussion and Analysis (MD&A) in the front of the audit was a good summary and was prepared by our management. The auditors review the numbers for accuracy.

Mr. Alborn said that last year we had a significant discrepancy because the auditors prepared the audit statement. That ruling has been interpreted and if the client reviews the numbers and verifies and agrees with them, it is not a deficiency. He said JCCS gave us a draft of the financial statement and we took the numbers and prepared the MD&A, so there was no significant discrepancy this year.

Some highlights of the financial statements was a \$4.9 million increase in net assets with \$4 million from Airport Improvement grants and PFC money. With those subtracted out, income of \$919,000 was generated from operations and investment earnings. This compared to \$907,000 from last year. Cash flow from operations was \$2.2 million. Grant AIP was \$2.3 million. The Airport Authority invested in Certificates of Deposit (CDs) under \$100,000 so the CDs were all Federal Deposit Insurance Corporation (FDIC) insured. Mr. Alborn said the audit went very smoothly.

Mr. Roehm said it is usual for a board such as ours to have an audit committee and they have elected for the full board to be the committee. He asked if there were any comments Mr. Alborn would like to make outside of the presence of management and Mr. Alborn said he didn't have any comments.

Mr. Roehm thanked Mr. Alborn and said Cherie Ferguson should be commended for keeping the numbers. Steve Williamson asked what the intangible assets of \$307,000 are and

Mr. Alborn said they are for the new Master Plan. The old Master Plan has been fully amortized. Mr. Williamson asked why we were rated a high risk auditee and Mr. Alborn said we can't be audited as a low risk auditee for more than three years in a row and that it is a compliance checkmark they have to go by. Mr. Williamson asked if they have to expand their procedures and Mr. Alborn said they did. He said they didn't perform the A133 audit last year.

The fourth agenda item was the terminal expansion project – Brian Sprenger. Mr. Sprenger said there are five major items they would like discussed at this meeting: 1) discussion on terminal project budget; 2) discussion on proposed project schedule and major upcoming board decisions; 3) decision on whether to authorize design bid package I, site improvements; 4) decision on whether to authorize drilling of test wells for alternate heat source; and 5) decision on whether to authorize the creation of a construction documents task order for bid package II, structural.

1) Mr. Sprenger said that highlights of the terminal project budget are that we can build a \$27 million building by June 1, 2011 on a cash basis. With the additional AIP & PFC money for the next year, he believes we could build a \$31 million building by June 1, 2012 on a cash basis. Based on these numbers, building estimates and current expectations, scheme B is expected to be both desirable and achievable, but he asked the board to keep in mind that there is still a + or – 10% range because the building estimates are still not complete. He said scheme B is doable.

Mr. Sprenger referred to a cash flow estimate for the terminal expansion project and discussed interest income, AIP discretionary funding, PFC revenue, potential rental car customer facility charge income, operating income and expenses. The projection maintains \$3 million in the operating account for general operating expenses and also \$3 million for

projected AIP projects, non AIP projects and the I-90 interchange. The cash flow shows when we anticipate being reimbursed for the phase 1 design expenditures, scheme A, if we choose that scheme, or scheme B alternate expenditures.

Mr. Sprenger said that scheme B is desirable but he forecast scheme A so the board could consider that as well. He said actual financials may be better or worse than the cash flow projection. Mr. Sprenger said that they will have the phasing scheme for scheme A and scheme B ready for the board's approval at the January meeting. Our recommendation is to allow the bid for scheme B (moving the screening checkpoint) as an alternate at the same as scheme A, so they would be able to complete scheme B at the same time if the board is comfortable with the bids, timing and the finances at that time. He said the board could also delay the alternate one year and complete it on a cash basis. He said there is no reason to rush into decisions but he believes that next month we will recommend designing through scheme B to improve the process of the terminal building and efficiency for tenants and a customer friendly facility for our passengers. He said that was a brief explanation of the terminal expansion on a cash flow basis and asked if the board had any questions.

Mr. Roehm asked Mr. Sprenger to explain the advantages of funding the project ourselves vs. alternate sources of funding. Mr. Sprenger said they will go over that in depth in the future when they get to the point of how to finance the project. He said we will compare bank financing versus bonding because we may choose a short-term loan.

Ted Mathis said Congress may provide some stimulus funds within the next few months.

Steve Williamson said he didn't see any contingencies, which includes equipment, finishes, or costs for site work or related activities on the cash flow projection, and a big difference in any one of these could blow the project out of the water. Mr. Sprenger said that

is something they will need to discuss in the future because some of the options may be removed or delayed.

Mr. Williamson said he has a problem paying cash for this. He has concerns that the entitlements will be less than estimated. Mr. Mathis said the AIP funding is committed. Mr. Sprenger said the PFCs have been raised to \$4.50 from \$3.00 to help pay for the terminal expansion. He said the leap of faith is about \$7 million. Mr. Williamson said he believes they should consider financing options. Greg Metzger asked Mr. Sprenger to give them a paper for the next meeting regarding financing options. Mr. Williamson said municipal bonds are pretty good right now. He said it might be a good time to consider financing now, especially since we have good financials and a good project.

Mr. Roehm asked Mr. Sprenger to explain the car rental customer facility charge. Mr. Sprenger said it would be up to \$1.50 per day per car rental and the money must be used for capital improvements for car rental facilities. He said it would be a good thing for this project even though it is not big money.

Mr. Williamson believes a bank charges more, but that could be okay if it is a short term loan. He doesn't want to get backed into a corner and not be able to complete the project. Mr. Sprenger said the focus on the cash basis is not to say don't do financing. It just shows we are in a strong financial position and can give the board more comfort. Mr. Williamson said it may be possible to get a mix of some short-term and some long-term bonds.

Scott Bell said the last bond issue was for 15 years and that we could call them after 8 years. Mr. Williamson said he would like a number and that he had a vague number in mind. Mr. Metzger said he wants to see a turnkey project and a turnkey budget. He thinks we should operate from a budget and doesn't want a moving target. He thinks they should say

it's a \$31 million project and not ask for changes after it is in progress. Mr. Sprenger said we will have that number as soon as next month.

Mr. Roehm said what Mr. Metzger has said has merit but he would hate for the board to lose the ability to be flexible. If something horrible happens he wants to be able to say stop on the escalators. He said the optimum is what Mr. Metzger said but he doesn't want it to be so hard and fast.

Mr. Metzger thinks the number they agree to should be the cap and that is the product he shows the public. He thinks there should be a maximum. He thinks there should be flexibility if something is not a wise investment.

Mr. Sprenger said he is trying to let the board know what's going on behind the scenes. He said they are trying to make the board comfortable that they have considered all the options. Next month he will have a good number for the board and intends for the number to be in the \$31 million range.

Mr. Williamson asked about the implications of being a small hub designation. Mr. Sprenger said we are a non hub designation because our boardings are less than .05% of the passengers in the United States, which is in the 370,000 passenger range today. Our numbers are increasing this year and the national numbers are decreasing, which may change our designation. Small hub airports have limits on how they use the AIP money, particularly discretionary funding for terminal projects, and that is one of many reasons we are working on moving forward with this project. October 1st is when the FAA makes their determination. Once the project is bid, the funding isn't affected.

2) Mr. Sprenger said the board has a two-year project schedule from Martel. The site work will start in April and the building excavation will start in the summer. The third

portion, interiors and the fourth portion, finishes will be completed in the summer of 2011, which is the peak period.

Mr. Sprenger said they would like to have approval for the construction documents for structural, excavation and concrete so they can have the documents completed in time to have bids in June. The construction documents for the building shell and building finishes would come later. The bids will probably be \$7.5 million in June and \$17 million in September, so we will be spending \$1 million to \$1.8 million per month starting in September.

Mr. Metzger moved to approve the schedule, understanding that it is a moving target and the end date is the goal. Mr. Kelleher seconded the motion. In discussion, Mr. Roehm said approval of the proposal and concurrence is based on the information they currently have. Mr. Williamson said it is also contingent upon having appropriate financing. All board members voted aye.

3) Mr. Sprenger said they need to move some utilities and part of the curb for construction, plus construct a permanent third lane where the shuttle lane is now. It will cost approximately \$1 million and will be the first major decision. What they are looking for is approval to allow Mr. Bell to calculate the design cost. It has to go through the FAA for independent fee review. Mr. Williamson moved to allow Scott to design a bid package for site improvements not to exceed \$1,000 at this time. Mr. McKenna seconded the motion, which carried unopposed.

4) Mr. Roehm said the next decision is to allow drilling test wells for the alternate heating and cooling system. Mr. Bell said he would get an exact price by getting quotes from three well drillers. They would then enter into a contract with one of them. By drilling test wells, they can figure out the casing size and where to put the screens. The wells will be

close to the water pipes on the east end and in the grassy area on the west end. Mr. McKenna moved to authorize drilling test wells for the alternate heat source with that being contingent upon the final price at the January board meeting. Mr. Williamson seconded the motion, which carried unanimously.

5) Mr. Roehm said the next item was the decision to authorize the creation of construction documents for bid package II.

Mr. Sprenger said this was for the design of construction for the concrete, which is approximately 25% of the building cost. They will get a task order made up and have an independent peer review and present it at the January meeting.

Mr. Williamson asked if this is for scheme A, B, or C and Mr. Sprenger said it is for the shell and will fit any one of the schemes.

Mr. Williamson moved to authorize bid package II for structural components and task order II for construction documents and independent fee review for the work not to exceed \$10,000. Mr. Kelleher seconded the motion, which carried with all ayes.

Mr. Roehm said this was very well presented and thanked Mr. Sprenger.

The fifth agenda item was to consider extension of current rental car concession agreements or request for proposals for new contracts. Mr. Mathis said the current five-year rental car contracts run through June 30th and have two options to extend for one year or can go out to bid. He said there is some comfort with extending contracts for another year. Two tenant representatives are at the meeting, one from Enterprise and one from Hertz. Some off airport car rental agencies would like to dual brand, share a counter or replace a current tenant. He said his recommendation is based on what is in the best interest of the Authority and the traveling public and he recommended putting out a Request for Proposals (RFP) for

new bid. At the next board meeting we could discuss having four counters or five, or talk about an extension or renegotiation.

Mr. Roehm asked if we should consider counter space in the new building rather than the number of counters. He said we want to better serve more passengers and we are expanding the terminal because we have more passengers.

Mr. Mathis said there have been innovations since the last time we put out an RFP and people can just pick up their keys. We still need to have people and they need office space. We will be considering a rental car customer facility charge (CFC). If we choose the extension option, Mr. Mathis said the existing contracts could be amended. The CFC would definitely be in the new contracts.

Marshall Price from Enterprise said Enterprise would be supportive of bidding or extending. He said the minimum annual guarantees (MAGs) are met by the number of passengers and the number of cars they can get from manufacturers. Since the big three are restructuring, there are questions now that will be answered down the road. He said if they can't get the cars, they can't meet the MAGs. There are some things they don't have control over. Mr. Price said the rental car agencies buy 1.5 million cars per year and the Honda, Nissan and Toyota plants can't produce enough cars. He said the larger metropolitan areas will get cars before we do. Mr. Mathis said car rental agencies will have to rent cars with more miles on them.

Mr. Price wants the board to consider these things before they make their decision. He said Enterprise is fine with them putting out RFPs or extending the current agreements.

Mike Lucero from Hertz asked if they would be displaced into a different area and said they are already crowded and parking in the mud. Mr. Lucero said Avis/Budget are owned by the same corporation and would probably bid dual brand or outbid someone. He

asked if we should build another counter to just tear it down. He said car manufacturers are having very difficult times and rental car business is bleak. If the RFP includes five counters, can one company bid on two counters? He said Hertz has Simply Wheels and Hertz Local Edition. Mr. Roehm said he was speaking for himself but he wants what is best for the flying public. He is not concerned about the number of counters but providing enough counter space. Mr. Lucero said he believes the car rental agencies will need less counter space because he believes there will be fewer agencies and there will be a lot of consolidation.

He said Advantage has filed bankruptcy and the owner financed a lot of Hertz vehicles. He said that institution may go bankrupt too.

Mr. Sprenger said Thrifty/Dollar and Avis would like to bid for on airport space. He said if we put out an RFP, we would involve the rental cars companies in what they would require to address their concerns.

Mr. McKenna said he has mixed emotions. He said we are planning on building a new terminal because of an increase in passengers. He said if we put out an RFP, we probably will get some information we don't know and possibly some things we don't like. It may tell us some things we need to know about our terminal design. He has been hearing we need more space and now is hearing we probably don't. On the other hand, he doesn't want to displace anyone. He said he's clearly not qualified to say what is going to happen next. He doesn't think we have a lot to lose by extending the agreement for one year. Mr. Roehm said there has been a lot of turmoil in the car rental industry. He said the off airport agencies would like the opportunity to bid to be on the airport. If we put out an RFP, we will be able to allocate spaces for the car rental companies in the new facilities and during the terminal expansion. He said it is a good time to include rental car passenger facility charges.

Mr. Mathis suggested bringing back an RFP proposal next month and seeing what the board wants to do at that time. Mr. Roehm said it would give them more information if they allow staff to proceed.

Mr. Metzger moved to authorize staff to begin working on an RFP for the rental car agreement. Mr. Williamson seconded the motion. In discussion, Mr. McKenna asked if that gives the board the ability to just extend and Mr. Mathis said it does. Mr. Williamson asked if they will have to decide how many counters they will build and Mr. Sprenger said they have allocated space for a number of people but not for counters. Mr. Williamson asked if they will pave the muddy area and Mr. Sprenger said they will if needed. He said they have delivery or removal of all vehicles about four times a year and then they have to park in the mud. He said the rest of the time they have enough space. The motion carried unanimously with all board members voting aye.

The sixth agenda item was the report on Airport Director recruitment – Richard Roehm. Mr. Roehm said the first decision was the position description and that they are looking for suggested modifications or concurrence. Mr. McKenna said they don't feel there is anything proprietary to the document. They felt they were pretty close and they have no pride of authorship.

Mr. Metzger asked in what instance we wouldn't require the director to be an American Association of Airport Executives (AAAE) member. Mr. Roehm said he and Mr. McKenna asked Jon Simon the same question and he said it opens it up a little more. You may get a qualified candidate who is not a member, such as an airport director in Iraq.

Mr. Mathis said there are some airport folks who don't care for AAAE. Mr. Roehm said it gives more flexibility. Mr. Metzger also asked why only five years of experience.

Mr. Roehm said Mr. Simon came up with that knowing about the terminal complexity, I-90 interchange, and current fiscal situation.

Mr. McKenna said Mr. Simon doesn't want fewer years than five. The heading next to that says preferred. They discussed whether to require experience and require education but chose to use preferred instead. Mr. Metzger said the more criteria we tie down the less we are apt to be sued. He said it is interesting to see five years experience. He said he would have expected ten years. Mr. McKenna said that most of the candidates will have more but they don't want to leave out someone with less. He said they have to be concerned if there is someone laying in wait. Mr. Metzger moved to approve use of the position description draft number 3. Mr. Williamson seconded the motion, which carried unanimously.

Mr. Mathis said he would send a letter to the board within a day or two with a hard date of May 31st for his last day.

The seventh agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that we enplaned 20,451 passengers during the month of November. That was down 4.7% from November 2007. Year-to-date boardings are 325,982, up 4.7%. Mr. Sprenger also reported that in November there were 475 air carrier operations, 679 air taxi, 1,896 itinerant general aviation (GA) and 10 military, for a total of 3,060 itinerant operations. Local GA operations were 2,260, for a total of 5,320 tower operations, down 4.8% from last November. There were 121 landings of aircraft weighing 12,500 pounds or more, down 29.2% from November 2007.

The eighth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that a gentleman from the FAA started to run the cable for the control tower radar display today and there would be a meeting tomorrow with Raytheon, FAA and the airport to set the project in motion. Hopefully, it will move right along and be in place in a couple of months.

Mr. Mathis also reported that last month the crew installed one set of tie downs at the pilot shelter. He said they would hold the space shuttle.

He said the public parking lot booths came in just in time as we are getting busier and the tenant was supposed to use the new booth yesterday.

Mr. Roehm asked what happened with the discussion between Mr. Mathis and Arron Wass regarding the tie downs. Mr. Mathis said for aircraft in for maintenance, there is a cap for five nights for any one stay. Mr. Roehm asked if it was amicable and agreeable and Mr. Mathis said it was. Mr. Williamson said they pay us ½ the charges for tie downs and asked if the fixed base operators (FBOs) could pay us the 50% and not charge the aircraft owner and Mr. Mathis said they could.

Mr. Roehm asked about the interchange and Mr. Mathis said we are paying a bill for it today. Mr. Bell said three weeks ago, the environmental assessment was approved but the Feds haven't signed off on it yet. Mr. Mathis said if discretionary funds are available, work may start on it soon.

Mr. Roehm asked if we could buy land at either end of the runway if it becomes available and Mr. Mathis said we could if we finance a major portion of the terminal project.

Mr. Metzger said three people had thanked him for the new parking lot. He said it costs him more to park his car than it does to park a plane on the ramp, which is alright with him.

Mr. Roehm thanked Ms. Ferguson for her work on the audit and said it was well done.

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

The meeting was adjourned at 5:06 p.m.

Richard R. Roehm, Chairman