

The regular monthly meeting of the Gallatin Airport Authority was held June 12, 2008 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Steve Williamson, Greg Metzger and Kevin Kelleher. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Administrative Assistant.

The first agenda item was to open bids for the public parking lot booth canopy project. The project has two addendums and just one schedule. All four bidders acknowledged both addendums and attached their 10% bid bonds. All four bids appeared to be filled out correctly.

The first bid was from Walker Construction of Belgrade, Montana, Montana Contractor Number 7758. Their bid was \$115,910.00 and was signed by Ken Walker, President. The second bid was from Dick Anderson Construction of Bozeman, Montana, Montana Contractor Number 4391. Their bid was \$108,801.00 and was signed by Derek Didriksen. The third bid was from R & R Taylor Construction, Inc. of Bozeman, Montana, Montana Contractor number 54766. Their bid was \$143,744.00 and was signed by Russell L. Olson, President. The last bid was from Martel Construction, Inc. of Bozeman, Montana, Montana Contractor number 2124-A. Their bid was \$108,400.00 and was signed by Anthony W. Martel. John McKenna moved to refer the bids to administration and to award the bid to the lowest qualified bidder. Greg Metzger seconded the motion and it carried unanimously. Richard Roehm thanked all the bidders for their time and effort to submit bids and come to the meeting. He thanked them for their involvement in the airport.

The second agenda item was to review and approve the minutes of the regular meeting held May 8, 2008. Tom Nagorski said that on page 2, the third agenda item, it says

“Mr. Roehm welcomed Chief Dove and said as a supporter of the second amendment, he is pleased to have them here”. Mr. Nagorski said his recollection was that Mr. Roehm welcomed Chief Dove and said as a supporter of the second amendment, he is pleased to have our own militia”. Mr. Roehm said in jest he pretty much said what Mr. Nagorski said he did and asked if the board wanted to change what is in the minutes. The board members believed what was in the minutes was acceptable, so Mr. McKenna moved to accept the minutes of the May 8<sup>th</sup> meeting, Mr. Metzger seconded the motion and it passed unopposed.

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

The fourth agenda item was the terminal expansion project – Jamie Lenon. Mr. Lenon asked Brian Sprenger to make some comments.

Mr. Sprenger said that, because of the conflicting information we are receiving regarding the airline industry, he feels it is important to have a discussion regarding our air service. He reported that for the first 15 days of June, passenger numbers are up 18% over our record last year and the summer is expected to be an all time record in terms of passengers. Gallatin Field’s fares in 2007 were the highest of the top 16 airports in the Pacific Northwest and were 18% higher than the average. That is partially why Frontier Airlines is here. Available seats nationwide are expected to be down 20% by the end of the year, with airlines discontinuing service at unprofitable airports. Continental announced today they are ending service to nine cities. Montana is not immune as evidenced by Horizon discontinuing service to Butte. If energy prices continue to escalate, this may be only the first of many nationwide reductions.

Because Gallatin Field was successful last year with high fares, our numbers may stay even or we may experience a moderate decline. We could possibly even maintain some of our growth. We don't know what will happen if things get much worse, but Mr. Sprenger said he has seen where we have grown when many national markets have declined in a down economy. Because of these conflicting reasons, Mr. Mathis, Mr. Sprenger and the engineers believe it is prudent to extend the decision time until late next summer to bid on the project or put the plans on the shelf. They had been considering making that decision in December but this will give them more time to design a cost effective building while taking advantage of a potential lull in our traffic growth. They will also have a good indication of what next year's summer travel will be as they probably will have July's numbers. They will know if the Frontier bump is temporary or sustainable even in a down economy. This will keep our options open for about eight months and the only risk is we will have to continue in a constrained terminal for a bit longer. During the design process, at any time, we can stop the process and stop our design expenses if needed.

Mr. Sprenger said that Jamie Lenon, Scott Bell and Michael Spitzer will be discussing the two options, explaining which one is their preference, and if it is appropriate, requesting approval for the next task order to go into schematic design for the preferred option. The task order for the schematic design is expected to be the most costly of the task orders. By choosing one and not having to design two different options, our potential design costs will be minimized. This will give the board the opportunity to see what is happening with the economy and extend the decision period as late as possible. Our market often surprises us in a down economy and they will have that knowledge.

Ted. Mathis said that today they are recommending pressing on with determining the task order itself. They will come back at the July or August board meeting with the next task order. Mr. Sprenger said the next task order will be about two million dollars for the design process. The board will have the opportunity to decide if it is appropriate to continue moving forward.

Mr. Roehm asked Mr. Sprenger if attending the AAAE meeting altered his opinion and Mr. Sprenger said it was a big factor in their recommendation for today. He said there was a strong amount of pessimism at the national level because of the 20% reduction in seats. There are many conflicting analysts' views and that was a big part of why they are recommending waiting longer and not committing to any construction until the board feels comfortable with that decision.

Kevin Kelleher asked Mr. Sprenger if he has been in touch with the Big Sky Resort or other organizations at Big Sky and how recently. Mr. Sprenger said he spoke with Meg O'Leary about two weeks ago.

Mr. Sprenger said Delta believes daily service from Bozeman to Atlanta would be successful from December 15<sup>th</sup> through March 31<sup>st</sup>. Big Sky would be committing \$400,000 and Delta's risk would be significantly greater. Delta is coming to Big Sky and saying they think Bozeman would be successful with that. We may get seats because other markets don't have the potential and because we filled the seats at the highest fares in the region last year.

Mr. Sprenger said our fares for this coming winter are down about 10 to 15% from last year. There are some potential adjustments. We are seeing people hesitating to travel in general and that is why we want to be careful and not jump into this too quickly. He said he

doesn't believe our fares are the problem but whether people can afford a trip in general. We anticipate our fares to be competitive with other markets – more so than in the past.

Mr. Roehm thanked Mr. Sprenger for his memo of June 6<sup>th</sup> where he analyzed the options and talked about the balance between cost and impact on the traveling public. Mr. Roehm said it was very well written and appreciated.

Mr. Lenon said they are still working on Work Order No. 1. They rearranged their schedule so this decision can be made, which is crucial to the process. They postponed the overall 2025 concept design by about a month. They are not asking the board for a decision so they can jump into it right away but they want to get the decision process started.

Mr. Lenon said the board had received copies of the plans in a packet. If they choose the first plan, they will not finish as much and it won't solve a number of the issues they would like solved. The engineers and our staff are not recommending it. With the second plan, they would shell in the new area and leave part of it unfinished. There would be minimal cost to build this area and still satisfy our needs. This is what they are recommending. If the board wants them to build the new area and finish it, it is estimated to cost about \$43 million. They recommend building the new area and leaving part of it unfinished. They can finish it incrementally as they choose.

Michael Sptizer said the board has expressed that they would like to improve passenger conveniences. He said that option two would allow them to improve those services in every aspect. He said there is usually quick growth after a downturn and the first scheme wouldn't allow them to move quickly into expansion, but the second option would.

Scott Bell explained the options for the curb, loop road and sewer and storm drainage systems with the different options. He said there is a good chance we will have Airport Improvement Project (AIP) funds available in the future.

The car condominiums will have to be moved at a later date. Mr. Mathis said we have extended the leases for five years in the past and he recommended going to one year for future extensions.

The board members asked several questions and there was a general consensus that they believe it would be a bigger mistake to stop now rather than put the project on hold in six months. They have worked hard to have funds available for capital improvements and want the opportunity to move forward when the time is right. The contractor, Tony Martel, recommended taking it through the design phase and being ready to go out to bid in February. He said the bid process takes 30 days and at that point it could be put on hold.

Mr. Lenon said that paying for the design is money added to the project, if they are comfortable with the project.

Steve Williamson asked if spending the money for this jeopardizes anything else that needs to be done. Mr. Mathis said most of our pavement is in good condition. We already built the ramp for expansion. His recommendation is to move forward with the second option in a cautious manner.

Mr. McKenna said that if prices come in lower and airlines keep flying into Bozeman, we're really smart. If the airlines quit coming in and the prices are higher, we have spent design money, which we believe we have. In response to Mr. Kelleher questioning when we should design the loop road, Mr. Spitzer said they will be looking at how the building will be

filled in 20 years and will be working with Mr. Bell on the loop portion as well. In December, they will know when they should go ahead with the loop.

Mr. Metzger moved to pursue option 2 as presented and Mr. McKenna seconded the motion. Mr. Metzger clarified that by pursuit he meant getting the design done and having an estimate next month on the cost of that schematic. Mr. Lenon said they would have the task order prepared but if it goes through peer review like the first one did, it won't be resolved in a month. The board members were fine with that. The motion carried unanimously. Mr. Roehm thanked everyone who participated.

The fifth agenda item was to consider the request by Andrew M. Scherffius to transfer his interest in hangar #101 to John McKenna and Phil Egbert. Mr. McKenna will abstain from the vote. Mr. Metzger move to approve the request; Mr. Kelleher seconded the motion and it carried with all members voting aye except Mr. McKenna. Mr. McKenna abstained.

The sixth agenda item was to consider the request by the Missoula International Airport Authority to borrow \$370,073 in FAA entitlement funds to be returned in 2009. Mr. Mathis said they have refigured and are requesting to only borrow \$270,773. We have done this in the past and it has worked well. There is the risk that one or two years from now, there might not be sufficient funds to transfer the money back to us. Mr. Bell said it can be transferred within the region, but usually is within the state. Mr. Mathis said we are authorized to apply for the funds this year but we don't need them and Missoula does, so we can allow them to use the funds. Mr. McKenna moved to approve the request by the Missoula International Airport Authority to borrow \$270,773 in FAA entitlement funds to be

returned in 2009. The motion was seconded by Mr. Kelleher. All board members voted aye and the motion carried unopposed.

The seventh agenda item was to consider the preliminary budget for fiscal year 2009. Mr. Mathis said the airline income is up about 5.8%. He believes we have done a good job of keeping our charges to the airlines reasonable and he believes they are on board with our charges. He then went through the budget line by line. The budget shows total operating income up by 3.63%.

Interest income is down considerably; tax revenue is 0% and the pavement preservation grant, which is based on fuel taxes the airlines pay, may drop some. Mr. Mathis said passenger facility charges should remain about the same and AIP funding may increase 8.61%.

Operating expenses are down 0.54%. We have been in the reconstructed fire safety building for a couple of years now so we can budget for maintenance and utilities more accurately. Insurance has increased due to required public safety department liability coverage. Employees received a 5 to 6% raise, with one individual receiving a higher merit raise. As we have our own public safety department, we won't be paying the Gallatin County Sheriff's Office for their services. Utilities are up 4.5% and capital improvements are anticipated to be pretty flat except for the parking lot and terminal expansion. Mr. Mathis gave a brief rundown of other capital improvements we hope to make during the year. There is \$500,000 in the budget for land acquisition and Mr. Roehm asked if that was enough. Mr. Mathis said he believes it is. If we have to do an appraisal, the purchase would probably be in the next fiscal year and we could budget for it. We can also move dollars from one capital improvement project into another. It might also be moved into a federal project. Mr.

Metzger said it is nice to know that we have \$1.5 million between operating revenues and expenses so that even if we have a 20% reduction in revenues we will still be able to stay in the black. He said it is an interesting budget, well written and well documented. He moved to approve the budget as presented; Mr. McKenna seconded the motion, and it was a unanimous decision to approve the budget.

The eighth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that in May there were 455 air carrier operations, 843 air taxi, 2,123 general aviation (GA) itinerant and 43 military, for a total of 3,464 itinerant operations. Local GA operations were 2,598, for a total count of 6,062 tower operations in which is off 6.62% from last year. There were 142 landings of aircraft weighing 12,500 pounds or more. This is an addition of 1 over last year, or up 0.7%.

Mr. Sprenger reported that passenger boardings were 22,178 for the month. This was down 2.5% from May 2007. Year to date, we are at 133,100. This is up 2.6% on a year to date basis. May continued the downward trend of April for the first three weeks. In the last nine days of the month, the impact of Frontier could be seen. It would have been down much further without the advent of Frontier.

Mr. Roehm asked Mr. Sprenger to publish fuel flowage information on the monthly reports. Mr. Mathis said he believes we are seeing people shopping more for fuel at other airports.

The ninth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that the approvals for hangar construction for both the Barnard/Sunbird hangar and Sky River Leasing proposed hangar have expired. He said he hasn't heard from Sky River but he

expects to get a letter from the Barnard/Sunbird folks next month requesting an extension or a new approval. They don't have their total package together yet.

Our public safety officers are all on staff. They are gearing up and qualifying and we expect a smooth transition on July 1st.

Mr. Metzger thanked the board for sponsoring him to go to the AAAE convention and paying his expenses. He said there was a lot of discussion about the TSA and the economy. He said it was very interesting listening to all the comments with some analysts saying it was going to be very bad for the airlines and some saying it will work out. He thought it was a great time to be there and very enlightening. He said our airport is being run very well, we are in a unique financial situation, and he is very proud of our airport.

The tenth agenda item was to consider the bills and approve for payment. After review and discussion, Mr. McKenna moved to pay the bills and Mr. Metzger seconded the motion. It was a unanimous decision to pay the bills.

The meeting was adjourned at 4:49 p.m.

Following the regular meeting, a closed meeting was held for the purpose of conducting the annual Airport Director performance review.

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Richard R. Roehm, Chairman