

The regular monthly meeting of the Gallatin Airport Authority was held December 10, 2009 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, Kevin Kelleher, Steve Williamson, Greg Metzger and John McKenna. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Operations and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held November 12, 2009. Richard Roehm moved approval of 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. There were no public comments. Steve Williamson said that any person wanting to make comments should do so at this time or when the agenda item is being considered.

The third agenda item was meet the staff. Brian Sprenger said that Chuck Rasnick, our Operations Supervisor, is our featured staff member this month. Mr. Rasnick said that he has been with Gallatin Airport Authority for six years and became the Operations Supervisor about three months ago. He is a graduate of Big Timber High School. After that he attended the Helena College of Technology in ag diesel. He worked at Kamp Implement and then Western Plains in Billings and was the field service rep for the airport. He became involved with the Airport Authority because he used to come and perform the warranty work on the Oshkosh trucks here. He said the six years here has been great. Every day he does several different things in a shift and works both inside and outside, which he enjoys.

He and his wife have three children ages 6, 7 and 10. The children attend the Manhattan schools. His 10-year-old son is involved in sports. Mr. Rasnick said he is enjoying life and having fun. He has lived in Manhattan for 12 years and for the past five

years has been the Assistant Chief of the Volunteer Fire Department. He is medically trained and likes helping people who are sick or hurt. As part of the Gallatin County Task Force, he has been sent out on many fires, including at Glacier Park. Being part of the Aircraft Rescue Fire Fighting (ARFF) crew here is part of the draw for this job for him.

He likes to hunt and fish, mainly in Big Timber, because that's where he's used to going. He used to play softball until he came to work here. He is really heavily into sports with his kids and enjoys hiking with them. His family went up to Bracket Creek and got their Christmas tree and went sledding.

Mr. Rasnick said his wife is from Big Timber also. They are high school sweethearts and have been dating since they were juniors in high school. He thanked the Board for the opportunity to be here. The Board thanked him.

The fourth agenda item was to consider the request by Whitewing, LLC to transfer their Non-commercial Hangar Ground Lease Agreement for hangar # 128 to George J. Mandes. Mr. Sprenger said the sale approved at the last meeting fell through. He said George Mandes has a Cessna 185. John McKenna says he knows Mr. Mandes and that Mr. Mandes has more than one airplane.

Mr. Williamson asked if anything needs to be done since a different transfer was approved last month. Mr. Sprenger said the other lease agreement was not signed so nothing has to be done. Mr. McKenna moved approval of the request by Whitewing, LLC to transfer their Non-Commercial Hangar Ground Lease Agreement for hangar number 128 to George Mandes and Greg Metzger seconded the motion. The motion carried with all ayes and the transfer was approved.

The fifth agenda item was to consider the Audit Report. Mr. Sprenger said JCCS has finished the audit, and Terry Alborn is here to discuss it and answer any questions the Board

may have. Mr. Alborn said Troy Watling is present as well. Mr. Alborn said the sixth page is the independent audit report, which is their part of the report. JCCS prepared the financial statement and footnotes and management reviewed them to make sure they are in agreement. The Management Discussion and Analysis (MD&A) has been prepared by staff.

The Gallatin Airport Authority prepares the financial statements and JCCS expresses their opinion. The second paragraph tells that an audit is conducted in accordance with general auditing standards and Government Auditing Standards. JCCS examines the supporting documentation and assesses that the notes are correct. He said they write the notes with management input. They get an understanding of the control structure, and test it to see if it is implemented as it is designed and how effective it is. They check the risk of misstatements and the possibility of fraud and come up with their audit procedures. He said it is a customized approach, not boilerplate. The third paragraph is an expression of their opinion and they stated that the financial statements are material in all respects. In the last paragraph they give a report on internal control for governmental control on auditing standards. That report is on page 42 and 43 and they have noted no internal control deficiencies.

On page 7 is the MD&A, which was prepared by management. JCCS doesn't express an opinion but they do trace the numbers back to the audit. The last paragraph deals with Airport Improvement Project (AIP) Grants which is the A133 audit. This year there weren't enough expenditures, but the prior year grants were more than \$500,000 so they conducted the A133 audit.

Page 18 deals with the statement of net assets on the balance sheet. Overall current assets are down \$1.9 million because \$6.2 went into property, plant and equipment, especially construction in progress. In the liabilities and net assets section, there is accounts

payable this year and most of it is construction in progress. There weren't any accounts payable last year. Overall, net assets are up. Mr. Alborn said there are some changes in classifications because some unrestricted money was spent for capital assets. On the next page is the statement of revenues, expenses and changes in net assets. Revenue is down about 1.4% and expense is up 4.65% and of that \$287,000 is depreciation. Overall, other expenses decreased. Depreciation is up because of the investment in capital assets. Operating income was down \$298,000. Overall, the equity went down because there were no AIP revenue grants. Next year we will receive AIP funds.

Page 20 shows the statement of cash flows and using the statement from the previous page, deals with the cash. This year's cash provided by operating activities is \$2.6 million and last year's was \$2.1 million. Net purchases of property, plant and equipment is \$6.2 million. Cash is down \$2.8 million for the year. We have \$10.8 million in CDs at First Interstate Bank through an investment system where everything is under \$250,000 and is FDIC insured. Mr. Alborn said that is a quick overview and asked if anybody had any questions.

Mr. Metzger said he doesn't understand the system of controls, and Mr. Alborn said we have good controls and we do a good job. They think with the amount of staff here we have good controls, good oversight of numbers and analytical procedures. With Jody Boyd handling the cash, there is some segregation of duties and the Board sees the disbursements. Mr. Sprenger is currently giving the Board a summary of what is going on and working on a format that everyone wants to see; budget to actual, actual to previous year, how things are going, how cash flow is going for operations and construction. He thinks that's another control the Board has over operations.

He said the number of adjusting entries they need to make is a reflection of controls and oversight. JCCS made three entries; a receivable adjustment of \$12,000, an \$800 reclassification adjustment and one for \$125,000 for parking lot true-up. There weren't any entries due to errors.

Mr. Metzger asked if depreciation means anything to the Board and Mr. Alborn said it helps for replacing items.

Mr. Alborn said the last page is a governance letter, which is a boilerplate letter and they are trying to provide reasonable assurance that the financial numbers and the disclosures are okay. Regarding significant auditing findings and accounting principles the Authority has adopted, they are supposed to tell the Board if there were changes. There were no changes so that has been consistent for the two years. There are estimates in the financial statements, especially the depreciation schedules, because we are estimating useful lives for the assets. They look at those to determine if they are reasonable. There are certain guidelines they are supposed to use for the Passenger Facility Charges so they do more in-depth auditing and therefore it is a significant note. Mr. Alborn said there were no difficulties encountered performing the audit and there weren't any corrected and uncorrected misstatements. There were no disagreements with management. Management does sign a representation letter stating there isn't anything they haven't told them. There weren't any consultations with other accountants they were aware of or any other audit issues or findings that came up.

Troy Watling introduced himself and said they were recommending the Airport Authority get standalone fixed asset software. One they feel would be a good fit is Sage FAS 50. We could get a detailed listing by category in the standalone system. In the QuickBooks balance sheet would be category totals that would match. Right now there are 18 to 20 Excel

worksheets and about a page and a half of detail accounts in QuickBooks. He said it is difficult to see what's been added in the current year. This would allow more control, we could run detailed or summary reports and it would be easier for the auditors to check also. This program is approximately \$1,300, would take about 20 to 40 hours to get everything entered and is pretty easy to maintain. He said they could provide assistance and make sure it is all okay if we want.

Mr. Watling said there are a lot of other products available and but this one is widely used. He said there are upgrades available as we grow. Mr. Metzger asked if we make it easier if they will charge less. Mr. Watling said time is what they charge for and it would still take about the same amount of time. Their concern is that they're always looking at a sample representation of the data and there may be mistakes that won't be caught. Mr. Roehm asked if it would help the auditors more, or bookkeeping and the Board. Mr. Watling said in-house bookkeeping would benefit the most. When we get a new asset, we could enter it into the system and it would automatically calculate the annual depreciation. If we get rid of the asset, the software would calculate the gain or loss and the balance sheet in QuickBooks would go from three pages to a little over one. It would make it easier for management to see what has happened in the last month.

Mr. Metzger asked if Mr. Watling feels like we are doing a good job with his tax payer dollars and Mr. Watling said everything has been very well organized and even the fixed assets have been tying out. Cherie Ferguson caught the adjustment for \$125,000 and the other adjustments. She goes through the process as they go through it and is always working to make her systems better and giving feedback to them. He said it has always been a very easy audit to work on and Ms. Ferguson, Mr. Sprenger and Mr. Humphrey have been a lot of help getting it done.

Mr. McKenna asked if the software would help Ms. Ferguson and it will, plus it will be a better product and will generate a cleaner audit trail. Mr. Sprenger said we're adding a lot of assets in the next couple of years and it is probably a good time to do this. He said they are always looking for ways to make Ms. Ferguson a bit more efficient. He said he would support the purchase.

Mr. McKenna asked Mr. Watling if there are better ways to do things for us and for them in a general sense, better information for the Board and more transparency for the public. He asked if we should get a new system. There followed some discussion with the auditors and the Board regarding software.

Mr. Williamson said he is more concerned with the internal controls than accounting. Mr. Alborn said there are no problems there. Mr. McKenna said that was what was behind his question because he wants it to be more efficient and accurate for everyone.

Mr. Williamson said he was glad they brought up depreciation and thanked Mr. Alborn and Mr. Watling. Mr. Roehm said he would like to put in a plug for Ms. Ferguson and thanked her for once again producing superb results for the Board. Mr. Alborn said she is a hard worker.

The sixth agenda item was to consider purchase of sign making equipment. Mr. Sprenger gave the Board a handout and said the color wasn't representational but the image was what they were trying to present. He said they want the cover that goes over the sign that provides the information. Signs are now being made as one vinyl piece instead of individual letters. The handout shows an art picture with the Bridger Mountains in the background. It is easy to do different colors and a quick change out. The equipment would allow us to change signage very quickly. For example, the signs out on the highway fade over time. We would be able to print a new image, put it over the top, laminate it and the

sign would be good for quite some time. We wouldn't have to buy a new piece of metal and imprint it. Overall we have about 1,500 signs around the terminal and the airport. There are over two hundred exterior signs by the fence that are regulated by the FAA and we have to maintain them. This is a onetime opportunity because of the terminal expansion and we have the capability to pay for it with the savings. Mr. Sprenger said traditionally we would bid out this portion and pay for it out of the project funds. If we buy the equipment, we would pay for it out of our capital expenditure funds and we would own the equipment.

Mr. Sprenger handed out another sheet showing a rendering of the ticket counters that showed we would have the ability to standardize the signs; airlines and emblems change and we want to stay current. He used Reno/Tahoe and computer screens that cost \$1,000 each for what he believes is a less effective use of money. We could establish a sign motif and could change our signage easily. He said these are some of reasons we are looking at this. He said we probably wouldn't consider it if we didn't have the terminal expansion project. It would be paid for with money we would pay for the project anyway. The sign companies will still build the sign frames. This would enable us to print the vinyl covering over the top and change it as needed. He said we do quite a bit of that.

Mr. Kelleher asked about the expediency factor with farming this out verses doing it on-site. Mr. Sprenger said the sign company could do it on an emergency basis within one to two days. He said turnaround normally is fairly lengthy if we don't expedite it. We send a draft, they send a proof back. Then we send the proof back to them. If we made the sign on site, we could print it on the same day. We would still have to install it but we install all our signs anyway.

Mr. Williamson asked if there is any artwork or design that goes into these; some expertise that a local sign guy might have that we wouldn't. Mr. Sprenger said we are paying

for an electronically created design of all these signs to be provided to us in the design package for the terminal building. These are being designed by a subcontractor through Prugh and Lenon. If we had the equipment, we could put in the material and select which signs we want to print.

Mr. Williamson asked if the professional look would deteriorate. Mr. Sprenger said it should be as good as or better than what we currently have. Mr. McKenna asked what Jamie Lenon thought. Mr. Lenon said he is on board with Mr. Sprenger's plan. Mr. Kelleher made a motion to approve \$17,895 for the purchase of the sign making equipment. Mr. Roehm seconded the motion. During discussion, Mr. Metzger said he doesn't believe we should be in the sign making business. He thinks when we dilute ourselves we lose sight of the fact that we are here to move people efficiently. He said he will vote for the equipment because of the one year payback but believes it will be obsolete in two to three years. This is the tip of iceberg; he thinks the danger is we will become a sign company. Mr. Roehm said his comments are well taken and the Board can say no once the equipment becomes obsolete. Mr. Kelleher said he doesn't think that we need to have the newest and the best equipment. He believes it will still be serviceable and a one year payout is almost a gimme. Mr. McKenna said we have a history at this airport that he is pretty proud of where the ARFF staff has done a lot of things in a cross training sort of methodology as well as doing other things. In their spare time, they built trucks but we're not truck makers. We ended up with a multi-hundred thousand dollar truck for about \$50,000 to \$60,000.

Mr. Williamson called the question and all Board members voted aye.

The seventh agenda item was to continue consideration of offering Gallatin Airport Authority employees a 457 Deferred Compensation Plan. Mr. Sprenger said at the last

meeting we had a bad weather day and told Kathy Samson she didn't need to come. She came today and will make her presentation.

Ms. Samson explained that she has been with the Montana Public Employees Retirement System (MPERA) for seventeen years. They represent seven groups, one of which is Public Employees Retirement System (PERS), and all eligible Gallatin Airport Authority employees and the Gallatin Airport Authority contribute to that for the employees. The 457 Deferred Retirement Plan would be a voluntary option available to the employees. Gallatin Airport Authority would not contribute anything to the plan.

Mr. Williamson asked if there has been an employee meeting and Mr. Sprenger said several employees had indicated an interest, but there hasn't been a meeting yet because the employer has to be willing to offer the plan.

Ms. Samson said she was here to sell the Board on providing another savings plan option for employees, not necessarily the one she represents. With a 457 Deferred Plan, the savings would be tax-deferred and there are a number of options the employee could choose for investing. Mr. Williamson said he thinks it's important that employees know what they're getting into.

Mr. Roehm asked what the Airport Authority's liability would be and Ms. Samson said it wouldn't have any liability and that the MPERA board would be liable. Fiduciary Law requires them to safeguard money for the employees and their families and to make sure they are in compliance with IRS code. She said they contract with Wiltshire and Consultants to insure certain criteria is met and the investment consultant checks that. Ms. Samson said the securities trading laws are very strict. Mr. Roehm asked how much they get from the legislature and she said they don't get any money from the legislature; the legislature cannot attach the savings accounts either.

Mr. Sprenger said there are other plans but this is a quick, easy option that doesn't cost the Airport Authority very much.

Mr. McKenna said this plan is really limited. It's easy for employers and employees. He likes having no responsibility or liability and asked Ms. Samson if she does a good job of explaining to the employees. She said she doesn't have anyone in her office who knows securities and tells employees to talk to an investment firm.

Mr. McKenna said he is strongly on the record that this Board is not endorsing any, none, investment decisions whatsoever. The only thing they are in the position of doing is making available the opportunity for the employees to save additional dollars. He would strongly recommend, strongly, to all members who are considering putting money away, you make your own decisions as to (A) which investment choices you are going to make and (B) whether this is really the best place for you to put the money or if there are other places that are better given your circumstances.

Mr. McKenna made a motion to approve the Resolution and Adoption Agreement for this 457 Deferred Compensation Plan. Mr. Kelleher seconded the motion. The Board members want Mr. McKenna's comments to be provided to every employee and for them to sign that they received this disclaimer. Mr. Sprenger said he would make sure that happens. All Board members voted aye; the motion was approved and the Board thanked Kathy Samson.

The eighth agenda item was the report on passenger boardings and flight operations – Scott Humphrey. Mr. Humphrey said the good news is we were estimating November to be down 5% to 7% and it came in down 2.4%. This was partly due to a reduction in seats by 16%, or about 9,600 seats, taken out of the market in November, mainly by Northwest, Delta and Frontier. United increased seats by 1,700 and increased their load factor by 5%.

Northwest and Delta's load factors were 84.1%. Allegiant Air is the only airline here that didn't see year over year improvements in load factor and is still struggling. They have operated out of Gallatin Field about 14 months. We have started doing some advertising and hope that helps.

The 447 tower operations for November were down 17.2% from November 2008. Airline landings were down 4% and general aviation (GA) traffic was better than in September. Corporate landings were flat with 121 operations in September and November. The first half of December is soft. We are predicting December down 4% to 7% and 2% to 4% down for the calendar year (CY) compared to CY 2008.

System wide, Delta enplanements were down 2.1% in November, everyone else was up. Hopefully we are seeing a turn around.

Mr. Humphrey said that yesterday Mr. Sprenger and he met with CVBs and Mr. Sprenger would talk about it in his report. Mr. Williamson asked if weather has impacted our numbers and Mr. Humphrey said the impact was very minor. Delta and Northwest will combine their certificates at the end of January and the slowness of releasing seats before Christmas could be a byproduct of their merger. He said United has been the beneficiary. The Board thanked Mr. Humphrey.

The ninth agenda item was the Director's Report -- Brian Sprenger. Mr. Sprenger reported that they did meet with travel and tourism leaders in the region to determine air service priorities. This was in conjunction with the Board tasking them to build up air service and passenger traffic for our carriers. The priorities were Dallas-Fort Worth and New York City. As we go down the path of coordinating marketing efforts towards these priorities, the Airport Authority could contribute marketing dollars in conjunction with the other groups. We need to determine if we should advertise in the area or outside of Montana.

Local media is outlining some ads for us. Our GapWest ads have been focusing on holiday travel with a focus on Allegiant to Las Vegas.

Mr. Sprenger reported that the FAA is setting up a local comment meeting regarding approach control services at Gallatin Field at 9:00 a.m., Wednesday, January 6th at the airport fire station. We have been contacting the fixed base operators (FBOs), airlines and flight schools to see if they have any issues. So far they have been very supportive. The next step is the business case study. Mr. Sprenger said we are hopeful of being one step closer to having approach control here.

Mr. Metzger said he agreed with Mr. Sprenger and Mr. Humphrey meeting with the leaders of tourism and travel and getting input on their priorities. He asked why we are not working with Allegiant because there are people from Las Vegas who come here to ski. Mr. Sprenger said Allegiant has no interest in marketing toward the Las Vegas population at this time. Their business plan includes negotiations with the local casinos in Las Vegas. Their reservation systems are designed to support Las Vegas and other focus markets, like Orlando and Phoenix. Our airport is unique on their system because some people from Las Vegas may want to come here. Mr. Sprenger said the CVBs and tourism leaders are not very interested in bringing them here and without their support, we would have very limited impact. We are trying to get the leaders of these organizations to pool part of their resources rather than putting their marketing money in different places as they do now. The new Tourism Business Improvement District (TBID) tax means there will be increasing advertising dollars from hotels in the Bozeman market. We are really trying to encourage these entities to allocate some of their funds for target focused advertising as a group. If the group agrees to do that, Mr. Sprenger told them he would ask the Board for the airport to

participate. We're trying to be the central focus point on air service and have the opportunity to bring them together.

Mr. Metzger said Daryl Schliem, the new CEO of the Bozeman Area Chamber is a dynamo and brings people together in communities. Mr. Metzger recommended that Mr. Sprenger get together with him to get him on the band wagon, and believes his time with him would benefit the airport. Mr. Metzger said he thinks we're on the right track. He thanked Mr. Sprenger and said he admires what he is doing. He does believe we should advertise in Las Vegas because people go there from everywhere and the word would spread everywhere in the United States. He suggested that maybe a marketing department at the university might help us to see if it would be worth it.

Mr. Kelleher said he believed the marketing department at MSU would help us. Mr. McKenna commended Mr. Sprenger and Mr. Humphrey. He said he has heard from two people who were at the meeting and they were impressed, enthused and happy with the airport's leadership, innovation and willingness to be players in the game. He doesn't think this is a time to sit back and see what happens. If we don't hang together, we will hang separately. He said we need somebody from Butte. Mr. McKenna said we need to be one of the key players but we don't need to be the coach. Mr. Kelleher asked if it would be beneficial for Mr. Schliem to be at a board meeting and meet the Board, and Mr. Sprenger said he would ask him. Mr. Metzger asked Mr. Sprenger to give him information before he comes so he has some details. Mr. Metzger said he has the enthusiasm and leadership skills we need and said it would be nice if Mr. Sprenger and Mr. Humphrey could be a part of his team.

Mr. Humphrey said they emphasized to the group they met with that they want to help prioritize where to put the effort, but the airport is not the leader. It is just a player. Mr.

Williamson and Mr. McKenna agreed. Mr. Kelleher said there is a lot of enthusiasm with the terminal expansion that Mr. Schliem could use to generate some excitement.

Mr. Williamson said Mr. Sprenger prepared a financial update that Mr. Metzger requested at the last meeting, and Mr. Metzger said now he is comfortable with where we are and what we are doing, and he is pleased and proud. Mr. Williamson said it's nice to see. Mr. Metzger said he was interested where we are compared to budget. Mr. McKenna said he likes the two budget scenario and they spend a lot of time preparing the budget and asked Mr. Sprenger to let them know if there is any bad news. He said he doesn't want to hear it on the street and Mr. Sprenger said the Board would be the first to hear.

Mr. Metzger said he heard in the news the results of a survey that for the next seven months people will be traveling away from home. Mr. McKenna said there are a lot of places people may not go and he believes we are the where the people want to go. He is proud of the design of the terminal and thanked Jamie Lenon. He said he is hearing good comments from tenants regarding the contractor and he thanked all those who are involved in the terminal expansion.

The tenth agenda item was to consider the bills and approve for payment. Mr. Williamson asked if Duneman Construction was finishing their project and Mr. Sprenger said that there is \$16,000 left on the project. Mr. Williamson asked about the purchase from H&E Equipment and Mr. Sprenger said it was for a plow for the Bobcat so we could plow the sidewalks. Mr. Williamson asked about JBT and Mr. Sprenger said it is a replacement part for the United jet way.

Mr. Metzger said we have done all kinds of things to contain our costs and asked about having airport engineers on our staff. We cannot receive Airport Improvement Project (AIP) reimbursements if engineers are our employees but we can get AIP funds for

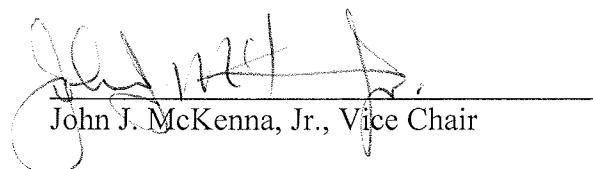
consultants. Mr. Sprenger said Billings has one staff member but has Morrison Maierle as consultants. Mr. Sprenger said he thinks all things should be constantly reviewed. Airport engineering is very specialized and there are a lot of different facets. We wouldn't have the expertise to train someone.

Mr. Roehm said Mr. Sprenger combined gift and food concession revenues on a document to the Board and that next month the Board will be considering Requests for Proposals (RFPs) for these concessions. He would like to be able to consider the gift shop and food concessions separately. He also said that we considered operating the parking concession and asked about an RFP. Mr. Sprenger said we would like to put out an RFP and may consider putting in a bid ourselves for the Board to consider. There are some efficiencies and some disadvantages of us operating it as our employees have more benefits than they do. He said we would announce it at the beginning of the RFP process.

Mr. Roehm asked if Mr. Lenon has any concerns on construction, and Mr. Lenon said things are going very well and he is happy with the contractor.

Mr. Roehm moved to pay the bills and Mr. Kelleher seconded the motion. The motion carried unopposed.

The meeting was adjourned at 5:17 p.m.



John J. McKenna, Jr., Vice Chair