

The regular monthly meeting of the Gallatin Airport Authority was held January 8, 2009 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Kevin Kelleher and Greg Metzger. Steve Williamson was not able to attend. 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 December 11, 2008. Greg Metzger moved to accept the minutes; John McKenna seconded the motion and it was a unanimous decision to approve the minutes.

The second agenda item was the public comment period. Chair Richard Roehm said there were a number of people present that he anticipated would comment on the car rental concession agreement agenda item and they could speak during comment on that agenda item. He asked if anyone else had any comments they would like to make regarding any other activity on the airport and no one did.

Then Mr. Roehm asked Kevin Kelleher to comment on the meeting in Big Sky. Mr. Kelleher said that an airport informational meeting was held on December 17th and that about 30 people attended. He said Brian Sprenger gave an excellent presentation on current operations, plane operations and the terminal expansion. He also fielded a number of questions regarding everything from airline services to the parking garages that is of interest to the Big Sky and West Yellowstone communities. Marysue Costello of West Yellowstone and Marnie Hayes of Big Sky, heads of their Chambers of Commerce, were present. Mr. Sprenger focused on the new nonstop service we have and our expanded air service with Frontier, Allegiant and additional non-stop to Atlanta. They also showed the DVD One Six Right featuring the Van Nuys Airport and its growth in history and the importance of general

aviation (GA). Over ten people stayed to watch that. The feedback was about the importance of general and corporate aviation at Gallatin Field.

The primary focus of questions was about a non-stop flight to JFK and the possibility of getting more non-stops to that part of the country. The general opinion was that the presentation was extremely informational and they would like to make it an annual December event for the two communities and Gallatin County.

Mr. Roehm said he was there too. He said Mr. Sprenger did the heavy lifting and was well received. Mr. Roehm said the presentation was very effectual and showed in a number of ways how unique this airport is to the community. He said the job of the board is to relate the airport to the community and to relate the community to the airport and he believes this is a great step toward doing that. Mr. Roehm thanked Mr. Kelleher and Mr. Sprenger.

The third agenda item was to consider request for proposals for rental car concession agreements. Last month Ted Mathis advised the board that the current 5-year rental car contracts run through June 30th and they have the option of issuing a request for proposals (RFP) or extending the current contracts. Those are the two options they have to consider today.

Mr. Roehm said he would like the rental car representatives to make their comments now. He said Hertz was kind enough to send a number of informational articles to the board regarding the current economic situation with all rental cars throughout the country reflecting the overall economic downturn.

Brian Sprenger said that Mr. Gary Lewis of Lewis Transportation sent an email stating he was not able to be at the meeting but he would propose a minimum annual guarantee (MAG) between \$100,000 and \$150,000 due to today's economy.

Steve Jones, representing Hertz, thanked Mr. Sprenger for all his work with the car rental agencies. He said the formula outlined in the RFP with a MAG of \$180,000 is something they agree with. Mr. Roehm thanked Mr. Jones.

Mr. Sprenger thanked the Chair for the opportunity to speak. He said the negotiation has been ongoing for the last couple of weeks with a lot of emails and discussion. They are trying to come up with an acceptable recommendation. He said there are a couple of minor adjustments to the recommendation that was sent to the board. One was, instead of extending the current agreements to August 31, 2009, the car rental agencies would like that changed to September 30, 2009 so it will be outside the summer season. He said we have no problem with that.

Also, regarding the MAG, the recommendation is for a minimum of \$180,000 annually. There have been two comments, one asking for the minimum to be lowered, the other saying it is acceptable. The recommendation is for one bid location per parent company in control of one or more brands. The Customer Facility Charge (CFC) would be \$1.00 per rental car per day to pay for rental car approved airport projects – temporary and permanent rental car facilities and parking areas. The recommendation is for five years with three options to extend for one year each. The number of counter locations will be based on the actual number of companies meeting the minimum acceptable bid, up to five. If more than five meet the recommendation, the top five would get the counters.

New terminal counter locations would be determined by the greater of actual market revenue or minimum bid, which will accommodate someone who has to step up their bid to be on the airport. The agreement would provide for the selection of temporary facilities during construction based on the highest amount to the lowest amount of the actual market revenue for ranking.

The other change from what the board received prior to the meeting includes the allocation of ready stalls with return stalls. Mr. Sprenger said they will be discussing that as the RFP is developed. All the rental car companies feel comfortable with that.

The recommendation is for the rental rates for the stalls to remain the same at \$100 per stall per year and to correlate the counter and office rental rate with the airline rate, which is renegotiated with the airlines on an annual basis.

Mr. Sprenger said we are proposing that the off airport concession fee be increased to 10% because all the car rental companies have the opportunity to be on airport. Any off airport companies would not have to pay the CFCs, stall rental or counter rental. There will also be a clause for dealing with potential defaults and acquisitions.

Mr. Sprenger said they still have a fair amount of language to iron out and plan to meet with the car rental companies at least one more time before the next meeting. They would like to present the actual RFP at the February meeting and if approved, put it out and open the bids at the March meeting.

Mike Lucero, from Hertz, said Hertz would prefer only four counters. He said he understands with the industry the way it is, there may be more. Hertz would like the maximum to be five. He would also like to see the board extend the contract a full year to see what happens with the industry but would appreciate the extension to the end of September.

Kevin Hutchins, the regional manager for Avis/Budget said this is the first time he has been to this airport and he is impressed with it. He said they are anxious to get Avis back on the airport and don't want the extension to go beyond September 30th. He asked that the CFC be used for car rental projects only. He said he has seen where they have been used for other things at other airports.

Mr. Roehm asked Mr. Sprenger to tell a little about the CFCs. Mr. Sprenger said the CFC is an outcrop of passenger facility charges (PFC) that airline passengers pay. It is a way to charge users to help provide a better facility for their use through rental car fees. We can instigate the CFC within the agreement and have the ability to specify that the CFC be used to provide improved or additional facilities for rental car companies. The rental car companies would be involved in the consultation of project proposals and all rental car companies would have to approve the projects. The collected fees would be used to construct and provide the new facilities. It is a way for airports and car rental companies to provide for facilities that neither one could on a cash basis.

Mr. Roehm asked what the regulations specify and Mr. Sprenger said there are very few regulations regarding the use of CFCs but our intentions are that we would only use it for the rental car facilities.

Mr. Mathis said Mr. Sprenger and the rental car companies have done a lot of work on this and he is in complete agreement with the recommendation.

Mr. Metzger said he understands that the MAG is there to protect the airport. He thinks the MAG should be reduced to \$160,000 for 2 ½ years and then be increased to \$180,000. Mr. Mathis said it was a good idea. Mr. Sprenger said it would be easier if the MAG increase took place two years or three years into the term of the agreement rather than 2 ½.

Mr. Metzger moved to ask staff to prepare an RFP. He would like it to include a \$160,000 annual MAG, increasing to \$180,000 after two years. John McKenna seconded the motion. It was a unanimous decision to approve the motion. Mr. Roehm thanked everyone for helping with a very complicated issue.

The fourth agenda item was the terminal expansion project – Brian Sprenger. Mr. Sprenger said the topic would be quick today. Because of the holiday, they aren't prepared to discuss the proposed project financing or the decision on the phasing scheme. These will be addressed at the February meeting. He said they are working with Tony Martel on the general contractor/construction manager contract. Mr. Martel recommended having the design nailed down so they are not potentially being charged for the things they don't choose to do.

The fourth item is a decision on the Bid Package I (site work) Task Order for Design, which is estimated at \$148,750. It is currently going through independent review so they are asking the board's approval contingent upon the independent review meeting FAA parameters. Mr. Roehm asked when they expect the independent review to be completed and Mr. Sprenger said within the next week or two.

Mr. Metzger asked what this is for and Mr. Sprenger said it was for a \$2 million design of site improvements through the second phase of the terminal expansion. Mr. Sprenger said it would be ready to go out for bid in March and be opened at the April board meeting.

Mr. Sprenger said the \$148,750 is for Scott Bell of Morrison-Maierle Systems to design fees for the task order, which is all of the roads, relocation of utilities, and the extension of the loop road around the car condos so it is ready for whatever contingency or plan the board chooses.

Mr. Roehm asked Mr. Sprenger to discuss the costs for the Bid Package II (Structural) Task Order for Construction Documents so the board can make the decision on both together. Mr. Sprenger said this is the cost for bid structural design elements for the building, which includes excavation, structural members and concrete of the building. This

is expected to be approximately 25% of the building and this part will be done under all the phases and is the initial build out of the shell. The cost is \$153,329 to create the construction documents ready to be bid beginning in May.

Mr. Sprenger is bringing these items to the meeting so the board members have knowledge of the major items that will move us to the next steps and the associated costs. Because of the holidays, the independent peer reviews were not available. The reviews are often unannounced and the engineers have to work them into their schedules. Mr. Roehm asked what the significance of the independent review is and Mr. Sprenger said the initial proposal parameters must be within 10% of the independent fee review. If not, then renegotiation takes place and if the fee can't be renegotiated, then we have to start over.

Mr. McKenna said we all are hearing about a slowdown and a lot of people are looking for work. He asked if that affects the engineering fees and Jamie Lenon said we are hiring firms based on their reputations and we haven't seen any reductions from consultants doing work for us. He said the trickle down is not seen. Mr. Bell said we will see some of the benefits on the construction side because people will be ready to bid in June.

Mr. Kelleher moved to approve bid package I as written by staff and suggested by board Chair for \$148,750, subject to approval of the independent review and FAA parameters. Mr. Metzger seconded the motion and it was a unanimous decision to approve the motion.

Mr. Metzger moved to approve bid package II task order for the amount of \$153,329.50, subject to approval of the independent review and FAA parameters. Mr. Kelleher seconded the motion and it carried unanimously.

Mr. Metzger said he would like to see the letter with the independent fee review. Mr. Sprenger said he would mail it out or have it at the next board meeting. All the board members were okay with it being mailed out.

Mr. Sprenger asked if the board wanted more information. Mr. Metzger said for him to pay \$148,750, he would appreciate a one page summary saying this is what we are spending the money for, where the money is coming from, what we are going to get and he would also like to know it is budgeted.

Mr. Sprenger said that at the December meeting the board approved the drilling and testing of wells contingent upon the price at the January meeting. He said we received two bids that were \$1,000 apart and the maximum would be \$110,000. The wells will be drilled in February. The bids came in within the budgeted test amount. Haggerty Well Drilling and Potts Well Drilling both bid. Mr. Bell said we had estimated the cost of drilling three wells, including the pumps, engineering, DNRC approval and water rights approval at \$292,000. He said the bids for the drilling are under what we estimated and this is evidence of our costs being less due to the economy. Mr. McKenna asked if we could use the well system for anything if it doesn't prove out for our cooling system and Mr. Bell said we could apply for water rights if they produce less than 35 gallons per minute.

Mr. McKenna moved to accept the well drilling contracts not to exceed \$110,000. Mr. Metzger seconded the motion and all board members voted aye.

Mr. McKenna asked who the successful bidder was and Mr. Bell said it possibly would be Haggerty Well Drilling but it depends on the size of the hole that needs to be drilled.

The fifth agenda item was to consider the request by Belgrade Senior Center for donation of four acres of Airport Authority owned property for a vehicle parking lot. Larry

Watson, the Grants and Project Administrator for Gallatin County, said he wanted to talk to the board about two projects. One is the problems facing the Belgrade Senior Center as they try to meet the demands of the senior citizens in the Belgrade area. Their current facility needs to be expanded and improved to meet those and future demands. They received a \$15,000 grant and need to have a dollar for dollar match at the local level. The Senior Center contributed \$5,000 and received \$5,000 from the Gallatin County Commission and \$5,000 from the Belgrade City Commission. This shows there is broad base support for the project.

The second topic he talked about is the I-90 interchange. Mr. Watson said the rewrites and edits of the environmental assessment are complete and they will discuss reissuing the document and holding a public hearing in February. He said that within that proposed activity is a bypass road that services the interchange on the west boundary of airport property. The land is directly adjacent to the Senior Center and if the interchange project goes through as projected, it will leave a small sliver of land that will be separated from the rest of the airport property. He said the board had a map and correspondence explaining how that land could be used to help the Belgrade Senior Center. The map shows that the expanded building may fit on the land the Belgrade Senior Center owns but lacks adequate parking. If the airport donates the land to the Senior Center, it will help with parking and also be used for matching funds for a \$500,000 construction grant that needs to have matching local funds, which they hope to submit in Aril of this year.

Mr. Roehm said he was glad Mr. Watson touched on the I-90 project. He said we need to have fair market value (FMV) for the land. Mr. Mathis said it is very difficult for the Airport Authority to donate land for non-aviation use. Mr. Watson said he just wanted to engage in conversation to see what is possible. He asked if the Airport Authority would

consider entering into a lease. Mr. McKenna said he doesn't want to sound opposed to the Senior Center and asked how much property the Senior Center currently owns.

Shannon Bondy, Director of the Senior Center, said they own the facility and all of the equipment within the building. The actual property is owned by the City. After visiting with the City, she found out the property had been vacant and 36 years ago the Senior Center approached the City to build a senior center building on the property. She said the City is willing to sign over the property to the Senior Center if they want it after going through this process. Mr. McKenna said it is difficult for us to donate property and we are also reluctant to do so. He asked if there is somewhere else the Senior Center could go.

Ms. Bondy said they have explored that and asked if it is the best location for them since the interchange may go through. She said property is pretty scarce and they have a budget of \$77,000 per year. She said they have seen such an increase in programs and services in the last two years and they are struggling to accommodate people. She said since they have the facility and equipment and are on the acreage, it might be better for them to renovate or expand. They will find that out when they go through the preliminary architectural report.

Mr. McKenna said the Belgrade Senior Center doesn't benefit the entire county and he doesn't know how to justify giving away the property. He asked what would happen if we don't give them the land and Ms. Bondy said they are looking into other funding. One way or the other, they will continue. Mr. Roehm asked about her attitude toward leasing the property rather than the airport donating it. Mr. Mathis said we would have to have fair market value and that the property is in a prime location. He said it is a very good location for the Senior Center and thinks leasing is a possibility. Mr. Roehm asked if we can continue the discussion in the future. Ms. Bondy said she appreciates Mr. Mathis working with them.

Mr. Metzger said he is very uncomfortable with giving property to the Senior Center under the current proposal. Ms. Bondy said they are exploring options. Mr. Kelleher said he agreed with Mr. McKenna and Mr. Metzger and the best alternative would be some kind of lease. Mr. Roehm said the operative words are fair market value. The board thanked Ms. Bondy and Mr. Watson.

The sixth agenda item was to consider the request by Al Kinnison to transfer his interest in Hangar #98 to Richard Wecker. Mr. Mathis said this is part of a two-unit building of Aerohaus Condominium Association and Mr. Kinnison sold #98 to Mr. Wecker. Mr. Mathis said the rent is paid and the hangar is in good condition and recommended approval. Mr. Kelleher moved to approve the transfer of Hangar #98 from Al Kinnison to Richard Wecker. Mr. McKenna seconded the motion, which carried unanimously.

The seventh agenda item was the report on Airport Director recruitment – Richard Roehm. Mr. Roehm said the career center posting to the American Association of Airport Executives (AAAE) site initiated by Mr. Jon Simon is due to expire in mid February after being posted 60 days. He said Mr. Simon had already begun preliminary screening of applicants and there had been about 60 applicants so far. It is always slow during the holidays so they expect there will be more applicants. Mr. Roehm said there will be a pool of semifinalists for the selection committee by mid February. He said the committee, Mr. McKenna and himself, can meet face to face with the semifinalists if they choose to. He said it will cost more money if they do. He said they should have a final group of three to five applicants by mid April who will be presented to the entire board. They want the new person's start date to be June 1st, the day after Mr. Mathis retires, which is May 31st. Mr. Metzger asked Mr. Mathis if he will go on vacation then and Mr. Mathis said he will take vacation before he retires.

The eighth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that in December 2008 there were 528 air carrier operations, 897 air taxi, 1,223 itinerant general aviation (GA) and 4 military, for a total of 2,652 itinerant operations. Local GA operations were 1,512, for a total of 4,164 tower operations. This is down substantially, 29.4%, from last December. Mr. Sprenger said that initially it looks bad but we need to remember we had 12 days of bad weather. If that hadn't occurred, we anticipate we would have been down 10 to 15%. There were 76,762 tower operations in 2008. This is down 4.8% from 2007's total operations of 80,606. There were 226 landings of aircraft weighing 12,500 pounds or above, down 27.1% from last December's corporate landings of 310. In 2007, there were 3,152 corporate landings, in 2008 there were 2,972, which is down 5.7%.

Mr. Sprenger said on the passenger side there was better news. The press release that will be going out tomorrow reports an all time record of 351,214 passengers boarded in 2008. This is up 4.8% over 2007 enplanements of 335,276. For the month of December we had 25,232 enplanements, which is up 5.1% in 2008 for the same month.

Mr. Roehm asked how our numbers related to the rest of Montana and regionally. Mr. Sprenger said very few airports will be able to say they had an increase last year. Montana was impacted less than most of the country. Billings probably will be down and Helena may be up because of the addition of United Express this year. Some of the other airports will be down roughly 3 to 8%. Similar sized airports in Oregon, Medford and Eugene, are showing passenger enplanements down close to 20% for October and November. For the year they are expecting to be down 5 to 8%. There are some negative indications. Las Vegas, Reno and Orlando are showing significant decreases and are adjusting budgets and projections.

Right now we seem to be holding our own, but there seems to be some weakness as January goes on, but we're looking at 2 to 5%. Mr. Sprenger believes that might hold pretty similar for February and March and may improve as we get into the peak ski season.

Mr. Roehm asked about the turmoil in the airline industry. Mr. Sprenger said in spite of the current economy, the airline industry is probably better positioned for this downturn than they have ever been. Because of oil run up during the summer, they eliminated capacity and adjusted before the downturn. Then oil prices decreased and the fuel prices more than offset the decline in passenger numbers. If fuel prices remain about the same, we may see some stability in the airline industry. Of course, that could change.

Mr. Sprenger said we are seeing a significant trend in booking with people holding off for deals and taking the deals when they are available. He said it is a shift of about 10%. In discussions with rental car companies, he said they noticed that people purchased airline tickets but didn't commit to anything else until they were almost here.

Mr. McKenna asked Mr. Sprenger if he thought Delta and Northwest would have merged if fuel prices hadn't spiked so much. Mr. Sprenger said he personally believes it was in the works because both declared bankruptcy on the same day, Northwest didn't retain their mechanics after the union strike but outsourced a few and Delta kept theirs. He said there were a lot of coincidences.

Mr. Roehm thanked Mr. Sprenger.

The ninth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that Knife River has completed the parking lot project and said it was nice over the Christmas season that people didn't have to park in the mud or the snow.

He said as Mr. Watson indicated, the Environmental Assessment for the I-90 interchange is complete and there will be a meeting on Monday to further discuss that and

see where we go from here. He said the Governor submitted his stimulus list to the president elect that includes \$20 million for the interchange, which is to a point where it could move forward pretty fast.

Mr. Mathis also reported that our maintenance staff is completing work on modifying the console in the tower cab for the new radar display and we have been told we can expect it to take place no later than mid February.

Mr. Mathis reported that Tuesday morning Senator Baucus met with the Secretary of Transportation designee and let him know our needs regarding this and also moving forward with the approach control.

Mr. Roehm thanked Mr. Mathis for his report.

The tenth agenda item was to consider the bills and approve for payment. Mr. Mathis noted that we wrote three checks to Sutey Oil totaling \$7,411.77 for diesel fuel for snowplowing due to the snowstorms we had in December. After review and discussion of the bills, Mr. McKenna moved to pay the bills and Mr. Kelleher seconded the motion. The motion carried unopposed and the bills will be paid.

The meeting was adjourned at 4:20 p.m.

Richard R. Roehm, Chairman