

The regular monthly meeting of the Gallatin Airport Authority was held March 12, 2009 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Greg Metzger, Kevin Kelleher and Steve Williamson. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Office Manager.

The first agenda item was to open bids for rental car concessions. Ted Mathis opened the five bids that were submitted for the rental car concessions. All five acknowledged Addendum Number One, all were signed and appeared to be in order. The bids were from Overland West, Inc. doing business as (dba) Hertz Rent A Car, which has been in business since 1941. They would like to operate both of their brands, Hertz and Simply Wheelz. Avis Budget Group of Parsippany, NJ representing Avis Budget Car Rental, LLC submitted a bid and would like to operate their brands, Avis Rent A Car System, LLC and Budget Rent A Car Inc. Corpat, Inc. dba Alamo/National submitted a bid for their brands, National Car Rental and Alamo Rent A Car. Enterprise Rent A Car Company of Montana and Wyoming submitted a bid and Enterprise Rent A Car is their only brand. Lewis Transportation, operating as Dollar Rent A Car and Thrifty Car Rental also submitted a bid. John McKenna moved to review the bids and award contracts to the qualified bidders. Greg Metzger seconded the motion, which carried with all board members voting aye.

The second agenda item was to review and approve the minutes of the regular meeting held February 12, 2009. Steve Williamson moved to accept the minutes of the February meeting. Kevin Kelleher seconded the motion and it was a unanimous decision to approve the minutes.

The third agenda item was the public comment period. Mr. Roehm said salient public comments were welcome now for items not on the agenda or on a specific agenda item during discussion on that item. There were no comments at this time.

The fourth agenda item was to consider proposals for bond counsel and bond underwriting. Brian Sprenger gave an update of where we are. He apologized for not sending the spreadsheet in the board mailout. He said it is a different format in order to explain how we are funding, list critical decision dates and use of the money for the funding. He said the items above the red line on the spreadsheet are fully funded without bonding. All of the design fees, Work Order 1 and Work Order 2 are funded by passenger facility charge (PFC) 4. If things go as projected, \$2,071,905, the amount of PFC4, will be completely refunded by December 2010. For Work Order 4, we plan to apply for \$1.9 million for PFC 5, which we anticipate will be completely refunded by July 1, 2012.

For Bid Package 1, site work, \$1.6 million of the \$2 million will be funded by Airport Improvement Project (AIP) 2009 entitlement, \$300,000 would come from our proposed Car Facility Charges (CFCs) and airport funds would be approximately \$85,000. If the board moves forward with the project, we will open bids at the June 11, 2009 meeting for Bid Package 2, which is the structural portion. \$9,083,407 will be reimbursed through 2009 AIP funds, 2009 discretionary funds and 2010 AIP funds, which will become available in October of this year if Congress approves them. The total of those and the previous entitlement funds for Bid Package 1 are almost \$10 million. Up through Bid Package 2, structural and site work, we expect we would be fully reimbursed by April of next year. We would also collect another \$150,000 from the proposed CFCs and invest \$793,000 of Airport funds. For both packages, the airport portion

would be \$878,000. Mr. Sprenger said that work would be completely reimbursed by 2012, with minimal airport investment.

Mr. Sprenger said the amount of PFC reimbursement may only be affected by six months. Mr. Sprenger didn't factor in the loss of interest on airport money in this projection, but did in the cash flow analysis.

The rental cars concessionaires will start collecting CFCs on October 1, 2009. Mr. Sprenger said the \$300,000 is based on our current on-airport providers and does not include Avis, Thrifty or Dollar, which account for about 15 to 20% of our rental car income.

Mr. Williamson said we have \$15 million in costs through June, if we include design. Mr. Williamson said if none of the revenue side happens, we will run out of money. Mr. Sprenger said we would have almost all of the revenue listed above the red line by this time next year. The PFC revenue of about \$2 million will continue to accrue. Mr. Sprenger said we will have approval on the 2009 funds before we open bids on June 11<sup>th</sup>.

Mr. Sprenger said that on the left hand side is the potential bond sale approximately at the end of July this year. If we stop at that point, everything will be paid for.

If we continue, Bid Package 3 would be opened in September with payment for that coming from the bond sale. We have options all the way to decide if we want to continue. Decisions to be made at the April and June meetings have already been paid for. He said we have the opportunity to stop the project. Staff's recommendation is to go through Bid Package 1 because the money is available and funded right now. He said we would have everything in line for Bid Package 2 when that comes up.

Mr. Sprenger said for subsequent Bid Packages 3 and 4 we will definitely need bond funding. That is why the recommendation for bonding in July so we know how much funding

we will have, and we will see how the economy is at that point. We would want to provide minimal services and enclose the shell if we stop at that point, but we wouldn't need to heat it.

Mr. Metzger asked if the cash flow sheet from Mr. Sprenger is correct to this point and Mr. Sprenger said it is. Mr. Sprenger said we want to make sure we are addressing economic concerns in the cash flow portion.

Mr. Mathis said it is important to note there are still a number of bench marks if the economy doesn't look good, we can stop.

Mr. Sprenger said with the bond counsel and bond underwriting, we are setting up to do the bonds, not putting us in a position where we have to do the bond financing. He said there are limited costs at this point and costs incur when we actually issue the bonds, which we anticipate to be in July of this year.

We received requests for qualification (RFQ) responses from Dorsey and Whitney of Missoula, Kennedy and Graven of Minneapolis, and Koegan and Edwards of Spokane. Staff's recommendation is to contract with Dorsey and Whitney of Missoula for bond counsel.

Mr. Roehm asked Mr. Sprenger to explain commercial paper. Mr. Sprenger said commercial paper can be a good way to go, especially for short term financing. After 270 days, you have to reissue to offset the previous one. That recently has become a concern. Several companies were depending on commercial paper and all of a sudden the funds weren't available, which created a cash flow problem. Since you have to continually redo short term notes, he doesn't recommend commercial paper on this size of project.

Mr. Roehm asked if there are any other options and Mr. Sprenger said they looked at bank financing. The banks he spoke with would finance for two years or less, but after that time the savings by not bonding would be eaten up by the additional bank interest.

Mr. McKenna said that looking at the bids, it appears everybody is in a dead heat until it comes to proximity. He said that doesn't matter to him and he presumes you could negotiate whatever rates so your fees wouldn't be any different. Mr. Sprenger said that is true but one key item with that is that with our current staff we would be limited if something came up quickly. He said that dealing with someone local, we would be able to get things done in the time frame we have.

Mr. Sprenger said we received RFQ responses for bond underwriting from two firms: D.A. Davidson & Company and PiperJaffray of Helena and Denver. Both are qualified. The fees for D.A. Davidson were higher because they sell to retail. Mr. Sprenger believes there is some benefit of selling to the retail market because the interest rates would probably be lower. As of the last few months, retail customers have been more willing to buy than institutional customers. That is changing and improving, but it is a concern. D.A. Davidson will focus on Montana customers in particular.

Mr. McKenna asked if distance was the determining factor in recommending Dorsey and Whitney for bond counsel. Mr. Sprenger said that was part of it. The estimates were within \$10,000 of each other but there were other considerations. Koegan in Spokane has only experience with one airport. The other two had experience with multiple airports and multiple airports within Montana. Dorsey Whitney was involved in our previous bond issuance.

Mr. Metzger moved we contract with Dorsey Whitney, LLC of Missoula for bond counsel. Mr. Kelleher seconded the motion.

Mr. McKenna said he has some concerns and thinks we haven't explored the options enough for his comfort. He said we are on the cusp of hiring a new Airport Director and he wouldn't want to saddle someone with this without having input.

He also said he would like to see the people we would be borrowing \$16 million from. He said he isn't prepared to support the motion at this time and wants to let our new director be involved. He said he would like to make sure he has the best information and advice and would like to have our own financial advisor. He said he has some concerns about the size of the project.

Mr. Mathis said time is a big consideration at this time and we don't want to miss the construction season.

Mr. Williamson asked about the process if they approve bond counsel and underwriting now. Mr. Sprenger said first we would have to get a rating, which is extremely important for determining our financial cost on the project. He said it can make the difference of several percentage points. He said we cannot move forward on a financial plan until we know how much we will be borrowing and how much it will cost us. Mr. Sprenger said it takes about 120 days before bonds can be issued.

Mr. Sprenger said if the board doesn't believe it is time to keep moving forward on the project, they will have to give up \$2 million of discretionary funds. He said if the board doesn't want to stop the project now, they will have to keep moving forward in order to get that funding. He said staff doesn't know where we would use the funding if we don't use it for this project. The FAA is very unwilling to help pay for any future land purchases and the runways are in good shape and will be for another eight to ten years. Staff and engineering have been planning this project for the last few years. He said it is important that the board members feel comfortable so they can decide if they want to continue or stop the project.

Mr. Williamson said he doesn't feel very comfortable either. He said he looked at the bond process as number two and that he's still struggling with number one, which is the decision

even to do the project. He said that early on he said he wasn't ready with #1 until he knows we have funding in place to make sure we can complete the project. He said he doesn't even want to start a project that we believe we will stop. Mr. Sprenger said he doesn't see that we'll have to stop it. Mr. Williamson said he sees that we are doing all the things we can to keep that from happening. He said he has concerns that we might lose \$5 million or \$10 million of Federal funding that we've never lost before and based on past experience, expect that we will receive. He said he doesn't have a problem with Dorsey and Whitney or D.A. Davidson. He said his only problem with bond financing is being comfortable with going ahead with the project.

Mr. Sprenger said the magic date will be the June board meeting if the schedule continues as it now is. That is when we would need to decide if we will accept the bids. We will know how the bids have come in and we will have an indication of how much the financial costs will be.

Mr. Williamson said he is more concerned about losing the \$2 million funding than losing the construction season. Mr. Sprenger said we have tried very hard to present all the positives and negatives during this process. He said we're one of the only airports that projects passenger numbers for the next month. He said we do that to try to give the board the best indication we can and, by looking at past projections and actual numbers, the board can compare how close the projections have been. He said there is always more information out there and we are always trying to see how we can get that information to the board so they can make the best decisions.

Mr. Williamson said that all the time he has been a board member, we have always had money for our projects. He said he is looking for some degree of comfort he may never get.

Mr. Metzger said he would probably feel better if an advisor gave the go ahead. He asked Mr. Mathis what he thinks, and Mr. Mathis said he thinks we're on the right course and should continue. At the June 11<sup>th</sup> meeting, the board will see how the bids come in and if they decide to stop the project, they will have a good set of plans and will have a commitment to have the site work under way.

Mr. McKenna said if we are good enough to get a rating on a bond, we should be able to get bank financing if we don't go ahead with bond underwriting and bond counsel right now. That way, if the board comes to the June 11<sup>th</sup> meeting and wants to proceed with the project and doesn't have bonds ready, the Airport Authority could get a bank loan.

Mr. Sprenger said the concern with a bank loan is the same as with credit markets and commercial paper. He said there are concerns with financing and that having \$16 million in the bank is better than wondering if we could refinance in two years.

Mr. Metzger said he thinks the board has run a great airport for a number of years and he respects their trepidation. He said Mr. Mathis has given us an excellent facility and excellent operation and he has endorsed bond counsel and underwriting. Mr. Metzger said he wouldn't make the new Airport Director have to make this decision.

Mr. Metzger said he doesn't know if we should wait a month and decide to hire an advisor and that it may be a long process to hire one. He said he could go ahead with the bond counsel and feel good about it. He believes the June date is an important milestone. He said he is going to respect Mr. Mathis' position and what the board has done, but the other board members' unease causes him concern.

He said we're building for the future and not for now. Losing 10 ½% bothers him more than losing \$2 million. He believes Montana is going to grow and prosper and the airport is in the center of that.

Mr. Roehm said when the current expansion was built for the terminal, there was considerable airline resistance but they weren't dipping into the nest egg like now and the economy was better and improving.

Mr. Mathis said the expansion was done in 1992 and that Mr. Roehm was correct that the airlines launched a campaign. He said the construction went on without their financial commitment. He said if they were short sighted in any way, it was because they didn't build bigger and that they have added on three times since then. Our country wasn't in the shape it is in now. Mr. Mathis said he is extremely conservative and extremely proud to have worked with the board to put in the parking lot and still have \$14 million in the bank. He said he is extremely comfortable with moving forward, at least until the bids come in. He said he is comfortable with hiring bond counsel and underwriting. They do a good job and did a good job for us in the past. He said June 11<sup>th</sup> is an important date for the project. If any of the airlines declare bankruptcy, or the bids come in higher than we expect, that would be a good time to say stop. We would have some good infrastructure and new streets out front, plus plans and specs on the shelf for next year or the year after. It would be paid for up to that point. Mr. Mathis said the board has made a good investment that far.

Mr. Roehm said if the bond folks do the credit analysis and have it by June, we would know if any credit enhancement would be necessary. Mr. McKenna asked who does the bond credit analysis. Mr. Sprenger said D.A. Davidson works with the rating firms, who do the actual credit analysis.

Mr. McKenna said he is comfortable going to June 11<sup>th</sup> but not doing the bond counsel or underwriting. He's not comfortable going to D.A. Davidson and saying we have a job now. He asked if we can get our own bond credit rating and if we would owe anything. He asked if he could get it in the contract now that they wouldn't ask for money if we don't go with bond financing.

Mr. Roehm asked if someone from the audience could shed some light.

Craig Jones, senior Vice President of D.A. Davidson and the regional manager of public finance for D.A. Davidson, said he could provide some comfort on some points. He said they do not get compensated until the bonds are sold and only if they are sold. With respect to bond counsel, the airport would owe them some fees for structuring the financing documents and drafting those up and to that point. He said that is a necessary part of the process to get a rating. You need to do a cash flow analysis, have financing documents, and a plan of finance you are planning on to go to the rating companies and have them rate that particular plan of finance.

That would be roughly a third of their fees, which is not a terribly large investment. He said they are financial advisors and they don't just sell bonds. They have made recommendations to clients not to buy bonds, as well as to buy them. Bonds may not be the right answer for us. Credit markets are not functioning well right now but higher quality bonds are selling extremely well. Lower quality bonds are not selling very well and are at an extremely high interest rate. For that reason, he believes it is essential to find out what our credit rating is. He said they would tell us what they believe the rating will be before it goes to the rating agency. Until we get the rating, they can't tell us if bonds are the best answer for us.

He believes we would pay \$10 to \$15 thousand to get the credit rating and the resulting interest rate.

Mr. McKenna said Mr. Jones has already brought him some level of comfort. Mr. McKenna wants to make sure he knows about bonding; he wants it to be very clear how it's going to work and what he's paying for. He wants to know what happens if this goes south, if we get a bad rating, if our cash flow goes down or we are paying too much for our bonds. Mr. McKenna said he should have asked them to be at the meeting so he could ask them questions instead of asking Mr. Sprenger.

Mr. Jones said that part of their role is to tell you if it's not a good plan. The credit rating may not even allow us to access the credit markets at a reasonable interest rate. Things may change between now and then. It's not the market we have known in the past and getting the rating now will tell if bonds are the right option.

Mr. Williamson asked Mr. Jones what the status of Alternative Minimum Tax (AMT) airport bonds is and when it will sunset. Mr. Jones said it has been signed as part of the President's stimulus package and it won't sunset until the end of 2010. That means the airport can sell bonds that are not subject to AMT. The penalty for AMT is about a percent and a half and that is huge with financing \$16 million. The airport would be bank qualified and that's not going to sunset at the end of 2010. That's worth 25 to 50 basis points. Congress could extend the AMT provision before the end of 2010 too. He said it is a key issue for us if we use bonds for financing this project.

Bridget Ekstrom is with D.A. Davidson as well and lives in Bozeman. D.A. Davidson's headquarters are in Great Falls. She said they have had 45 financings in Gallatin County in the last five years and that she has done 43 of those. She said she feels good about their experience working with local issuers. She has given advice on the downtown parking garage, jail, and school facilities across the valley.

Mr. Kelleher said that by many, the airport is viewed this as the economic engine, the driver of Gallatin County. He thinks we should work through June 11<sup>th</sup>. A year ago gas was \$4 a gallon and now it's about half that. He said Gallatin County is depending on this report. Our boardings were up during April and May. Mr. Kelleher said it is easy to get negative and easy to look at the impact if the board makes a wrong decision. He said his opinion is that they go ahead. They are paying Mr. Mathis and Mr. Sprenger to work this day in and day out. No one can predict what the airlines will do, the oil companies or OPEC. He said we have worked hard on a good plan and he thinks it should move forward. He said we have to have faith that Montana is going to continue to move forward. We have a lot of things in place that can help us stimulate more interest in our area.

Mr. Roehm said the motion was to contract with Dorsey/Whitney LLC of Missoula to be our bond counsel. All board members voted aye. Mr. Metzger moved to contract with D.A. Davidson for bond underwriting and Mr. Williamson seconded the motion, which carried with all ayes.

The fifth agenda item was the report on Airport Director recruitment - Richard Roehm. Mr. Roehm said the Board directed that the Search Committee bring three to five qualified candidates to the Board for consideration. Starting with over 200 applicants and using our Position Description as a guide, the field was narrowed to ten by our Search Consultant, Mr. Jon Simon. Mr. Roehm said Mr. McKenna and he reviewed the résumés of these ten, and subsequently interviewed seven. Of those, Mr. McKenna and Mr. Roehm selected the following as finalists: John C. Faulkner – serving at Colorado Springs Airport, Gregory Phillips – serving at Missoula International Airport, Brian Sprenger – serving at Gallatin Field and David Ulane – serving at Aspen/Pitkin County Airport. Mr. Roehm said they didn't prioritize the candidates;

they are presented here in alphabetical order. He also said that Mr. McKenna and he will avoid giving their personal views to the other board members so as to not prejudice or adversely influence the outcome.

Mr. Roehm also said their résumés are available for public review. The candidates will be at Gallatin Field on or before April 7<sup>th</sup> to become more acquainted with our operation.

Mr. Roehm also said there would be a public “meet and greet” session for all four candidates at Arlin’s Aircraft Service at 10:00 a.m. on April 8<sup>th</sup> and another one held in the Bridger Room at the terminal at 5:30 p.m., also on April 8<sup>th</sup>. The Board solicits public comment on each of the candidates and forms will be available to pass on your thoughts.

Mr. Roehm said the Board will commence its regular board meeting at 12:15 p.m. on April 9<sup>th</sup> and each candidate will undergo approximately 50 minutes of questioning from board members. Following the four public interviews, the Board will retire into executive session to consider the candidates. Following these deliberations, the Board will again reconvene in public session to nominate and vote for our new Airport Director.

Mr. Roehm said the three other board members will be given the disc of the interviews. Each candidate forwarded additional information, which Ms. Ferguson will forward to the other three board members as they are fairly lengthy. Ms. Ferguson will print them out if the other board members want her to.

In addition, on April 9<sup>th</sup>, we will have a bid opening for the site work. Staff will open bids at 10:00 a.m. and give a recap at the meeting. At the regular meeting the board will make a decision. Board members may go to the 10:00 a.m. meeting.

The sixth agenda item was the Terminal Expansion Project - Brian Sprenger. Mr. Sprenger said he only had one item- the decision to move forward on Task Order #4, for

construction documents for Bid Packages 3(shell) and Bid Packages 4(finishes and equipment). The overall task order amount is \$1,801,902. He said we have received independent review of this and it was substantially lower than the review. The recommendation is to only approve the construction documents and not the bid process of the task order. That would be dependent on whether the board wants to move forward on a bid in May. Mr. Metzger moved to approve Task Order 4, Bid Package 3 and 4 to the total cost of \$1,548,692, which does not include the bid process. Mr. McKenna seconded the motion and all board members voted aye. There were none opposed, so the motion passed.

The seventh agenda item was the report on General Aviation security directive – John McKenna, Jr. Mr. McKenna said this is in response to TSA comments at our last board meeting that the TSA is going to require a different set of badging requirements for access to the ramp for General Aviation (GA) people. Right after the meeting, he had the opportunity to go to Washington D.C. and discuss aviation issues at eleven Congressional and Senate offices. Congressman Sam Graves from Missouri was the only one of the eleven offices he spoke to who knew about anything about the TSA's new requirements and all eleven expressed concern. Mr. McKenna said the TSA masks most of their directives as they know more than we do and we don't have a need to know.

Mr. McKenna said our governor did write a letter to Janet Napolitano, the new Homeland Security Director, expressing fairly strong disagreement with the requirements as he is concerned with the directive being an unfunded mandate, with what it does and what kinds of costs it will put on other airports in Montana such as Lewistown, Glasgow and some of the smaller places that will also have to conform. He said there has been a huge backlash against this directive and the large aircraft security program by the Aircraft Owners and Pilots Association (AOPA). Mr.

McKenna recommended that all GA people needing access to the ramp go through the security process that they have to go through and hope the directive can be reversed. He hopes Congress will put pressure on the TSA, not to lighten up on security, but on unfunded mandates that they won't take comments on.

Mr. McKenna said our state has taken a position against this directive, and so have a number of other states.

Mr. Mathis said the rule has been pushed back to June 1<sup>st</sup>. Mr. Roehm asked if anyone from the public had any comments, as a number of people spoke out against the directive at our last board meeting. No one did but Mr. Roehm said Americans have the right to petition our government for redress of grievances.

The eighth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that tower operations for the month of February 2009 were 633 air carrier operations, 807 air taxi, 2,205 itinerant GA operations and 12 military, for a total itinerant count of 3,657. Our local GA operations came in at 2,974, for the overall count of 6,631 for the month. This was down 6.8% compared to last year. Year-to-date operations were down 0.1%. There were 246 landings of corporate aircraft weighing 12,500 pounds or more, down 34% compared to February 2008. He said year-to-date was down a disappointing 32%.

Mr. Sprenger reported that we enplaned 28,598 passengers during the month of February. That was down 4.8% from the February 2008. He said that was substantially due to there being one less day this year, a negative impact of 3.5%. Year-to-date boardings were down 5.1% at 56,125.

Passenger enplanements were up in a 28-day month for February 2009 compared to a 28-day month in February 2007. For a year-to-date comparison with 2007, enplanements were up

3.5%. Mr. Sprenger said he wanted the board to know there has been growth of more than 6% over a two-year period.

The ninth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that the tower reports that helicopter activity has added considerable count for traffic. Flight schools do a lot of touch and goes in an hour.

Mr. Mathis also reported that he and Mr. Sprenger attended the state aviation conference in Billings last week. He said they listened to a number of good speakers and sat in on an FAA session, where he brought up the fact that the air facility study was completed for our new Approach Control. Jill Story, the Western service manager said they are working to see if they can get us approach control through Great Falls, Billings or Salt Lake Center. Mr. Mathis said the FAA continues to have equipment issues. He said people from Billings and Great Falls were present at the conference and they would like to provide that service for us.

Mr. Mathis said the FAA initiated air study without us having to ask. They are aware of our need due to traffic delays, particularly during the holidays.

Mr. Mathis reported that installation of the radar screen for the tower is still scheduled for April 5<sup>th</sup>. Senator Baucus' office has been pushing to keep the project moving forward. Mr. Mathis thanked Senator Baucus' office for their assistance.

Mr. Mathis also reported that ten years ago this month Serco started operating our tower. Mr. Metzger said he would like to see comparative information for the previous year for the PFC report, monthly income report and the expenses. He would also like to see how it compares with our budget.

Mr. Kelleher asked if we have seen as large a percentage drop for corporate landings in the past as we are seeing today and Mr. Mathis said we haven't. Fewer owners from the

Yellowstone Club are flying in. He said clients who own lots are still coming here. He said jet fuel sales are down 30%. This corresponds to the decrease in landings. Mr. Sprenger said, at the current rate, the reduction in ramp fees and fuel flowage fees will be about \$40,000 to \$50,000 this year.

The tenth agenda item was to consider the bills and approve them for payment. After review and discussion, Mr. Metzger moved to pay the bills and Mr. Williamson seconded the motion. All board members voted aye and the motion carried.

Mr. Roehm asked if there was anything else for the good of aviation and hearing nothing, adjourned the meeting at 4:45 p.m.

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Richard R. Roehm, Chair