

The regular monthly meeting of the Gallatin Airport Authority was held April 8, 2010 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Steve Williamson, Kevin Kelleher and Greg Metzger. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held March 11, 2010. John McKenna moved to approve the minutes; Richard Roehm seconded the motion and it was a unanimous decision to approve the minutes.

The second agenda item was the public comment period. Phil Schneider, President of the Overland Express Restaurant, said the Overland Express has lived up to all the requirements and responsibilities asked by the airport and that he represents twenty-five families and a payroll of \$350,000 annually. He said the dollars paid to the airport for the last 13 1/2 years have always exceeded the minimum annual guarantee. He said, in his opinion, the bid process was unprofessional and unfair. The Director at all meetings stated that dollars were important, but not all important. The gift shop and restaurant and lounge bids were to have stood on their own. He said their numbers were inflated and he could understand why, if in fact you have the gift shop to go with it, it makes sense but percentage is not very high in the food and beverage business.

Catering was addressed, and he found it interesting that catering was sort of an afterthought. He said there is a tremendous amount of catering business to be had in Gallatin County, and yet there was not one question asked whether he thought that perhaps they could have made additional revenue for the airport. They were also directed that they would have five minutes to address the Board and that they would be timed. He said in his estimation

that was a bit unprofessional as you would think that the chairman who conducts the meeting would have made those decisions.

He said in 2002, after 9/11, we all had to go through a lot of changes and Ted Mathis, former Director for 28 years, Bert Hopeman from the Gift Corral, and the Overland Express got together to see if they could make it more comfortable for the flying public behind security. We worked out a situation where the Overland Express would provide the Gift Corral with food products, and the original schedule showed pop, sandwiches, bagels and muffins, etc. He stated he feels that there are items that the Gift Corral is selling that should have been purchased from the Overland Express. When he found out that you can get hot pockets in the microwave behind security, he finds that unacceptable.

He discussed the letters of reference and recommendation that accompanied the bid and his expectation that they all would be presented to the Board. Mr. Schneider said he wanted to ask the Board's indulgence by reading one letter to them that was from Korman Marketing Group. He said Korman Marketing Group is the group that brings in the people with Philip Morris and the Marlboro people. The letter addressed 12 years of KMG working with the Overland Express and serving over 50,000 of their visitors. The letter further discussed how the Overland has always promptly and professionally addressed food quality, quantity, price and menu issues brought to their attention and that they would not hesitate to continue to work with the Overland Express in the future. Mr. Schneider said that the letter tells the story about not only his experience in this business, but their passion, their integrity and the whole business. He asked the Board to review the bids before they sign the contract. Then at least they will have a lot more information to make their decision. He thanked the Board and Chair Steve Williamson thanked him.

Mr. Williamson said that the next public comment from Dennis Davies would be regarding the concession contract as well. Mr. Davies handed out a letter from Iven Rosheim, his partner in this whole deal. He shared Mr. Schneider's concerns regarding the sale of food items between the Gift Corral and the Overland Express.

He then read the letter from Mr. Iven Rosheim which addressed their perception that there were very large differences in the scope and nature of proposed services and that they believe the two concessions were not treated as separate bids and that an independent review of bids would probably award the concessions to different vendors. They asked that the Board independently and separately review the various 2010 concession bid packages to include supporting documentation attached to those packages and rule on airport management's recommendation that the existing gift-shop concessionaire be awarded both contracts jointly.

He further expressed his concerns regarding the five minute limit, lumping the restaurant and gift shop bids together and the process of what was presented to the Board. He also asked if the Airport Authority is willing to award the concession contracts to concessionaires that may be or have been in breach of their contract. He thanked the Board. Mr. Williamson thanked him.

Toni Delzer wanted to wait until agenda number five was addressed.

Kent Foster, general manager of Yellowstone Jetcenter, apologized for not being present in time to put his name on the list, and said that he wanted to bring a report to the Board for their review. He said he just found out today that they got their yearend results back from pilots who do surveys across the country and vote on the best Fixed Base Operator (FBO) and who does a good job and so on. He said last year they came in at number 24 out of all the FBOs in the country and this year they came in at number 13 with an overall score

of 8.63. He is pretty proud of that and he hopes that the airport Board is proud of that too. He said he just wanted to mention that and apologized for not being here in time to be on the public comment list beforehand. He thanked the Board and the Board members thanked him.

The third agenda item was meet the staff. Brian Sprenger said Vicki Anderson was the staff member chosen this month. Ms. Anderson said she had been with the airport for about six years. She said she is a custodian here.

Ms. Anderson said she was born in a really tiny town in the very northeastern corner of South Dakota. She said she lived on a farm there and then her family moved to Washington State, and she grew up most of her life there. She has two sons; her older son moved to Montana with his family and her younger son is a nightlife guy in downtown Seattle somewhere and loving it.

She said she started working in a pawn shop in Seattle and the wages were like \$4.25 per hour and when she left 16 years later she was managing the store. She said she left because some friends asked her to come to Bozeman and stay with them for a while and see how she liked it here. She came and loved it here and she still does. She said she loves this valley and her only regret about moving here was that she didn't do it about ten years sooner, when her kids were still wearing striped T-shirts and wranglers and she could have brought them both with her.

She said she worked at Bozeman Deaconess at night when she first moved here and had a rural mail route with the Bozeman post office during the daytime. She said she has been at the airport about six years, and she enjoys the people she works for, and she enjoys the people she works with.

She says she has one stop sign and sees about a half dozen deer every day on her way to and from work, and she loves that part rather than hundreds of vehicles. Ms. Anderson

says she has a small, miniature farm and she has miniature animals; miniature goats, miniature horses, miniature cows, and miniature dogs, way too many ducks and a few cats, and she said this job here supports that habit. She thanked the Board and Board members thanked her.

The fourth agenda item was to consider Guaranteed Maximum Price - Schedule IV B of the Terminal Expansion Project. Mr. Sprenger said the schedule includes the baggage systems, the paging systems, and the signage hardware. He said the baggage system came in very favorable at just over \$1 million under. Unfortunately, the savings on this will go to the federal government because it is the Stimulus Program for putting in in-line baggage screening at this airport. The other items came in right at budget. He said the total budget for this package was \$3.7 million, and the Guaranteed Maximum Price (GMP) amount given to us by Martel is \$2,657,798 for a total savings of \$1,046,002 compared to budget. He recommended acceptance of the GMP for the base bid from Martel in the total amount of \$2,657,798.

Mr. Williamson asked if we have bid anything that is an alternate yet and Mr. Sprenger said several months ago we had a concourse extension alternate that was approved by the Board when we had a large savings. He said the other alternates have been fairly minor; a couple of things here and there. This project does not involve an alternate that we would recommend. Mr. Williamson asked if we are doing the underground baggage and Mr. Sprenger said that several months ago we did agree to put in the infrastructure in the basement in order to accommodate that in the future. That's all we did. Mr. Williamson said he wanted to make sure that we didn't move forward with something we didn't intend to. Mr. Sprenger said we haven't had any of those.

John McKenna made a motion that we approve the \$2,657,798 Guaranteed Maximum Price for Bid Package IV B. Greg Metzger seconded the motion and it carried with all Board members voting aye.

The fifth agenda item was to consider Car Condominium Relocation Proposal. Mr. Sprenger said over the last year we have been working on a proposal that would be beneficial to both the airport and our current condo owners. He said we have talked to John Delzer who represents the management company that handles thirteen of the fifteen car condominium associations. Toni Delzer, owner of Delzer Diversified, Inc., said her husband, John Delzer, wasn't able to attend the meeting. She said she has been in contact with Rod Jude who manages the other two associations. Joby Sabol is the attorney for Delzer Diversified and they have been working on bidding out the job. She said they have been working with Martel Construction too. Because each condominium is owned by an individual owner, Delzer Diversified is surveying all the owners to see if they want to move. She said that the responses they have received from the owners are that they want to move.

Mr. Williamson asked if she was aware of the proposal by Resort Garages, LLC and she said she wasn't. Mr. Sprenger said he had talked to John Delzer and he is aware that the proposal was coming in.

Mr. Williamson said the Board should have input from the owners before the Board acts on anything. He asked if we are trying to get them all to move at one time and how we will deal with different contractual obligations. Mr. Sprenger said we are trying to do a one-time offer so we can get everyone who wants to move, to do it at one time. That has the economies of scale to take advantage of construction costs and do it at one time rather than piecemeal it. He said we have tried to structure it so it will benefit both the current owners that have expired original leases and are on the year-to-year leases as well as those who have

up to seven years left on their current lease and be as equitable as we can for all of them. He thinks we have come up with that and when he spoke to John Delzer and Joby Sabol, they thought we were going the right direction at that time. He said we are projecting a September 30, 2010 deadline offer so that we can have everybody that wants to move in place by October 1, 2011.

Mr. Williamson said we have two proposals; the car condominium relocation proposal and then the request by Resort Garages to build car condominium garages and he asked how they fit together or if they are compatible. Mr. Sprenger said they are two separate proposals and one is to take care of the existing car condos and the other is for future garages. He showed two locations on a map. The new garages will be set up so they can be added on to incrementally without impacting drainage and the other buildings. The new garages will accommodate larger vehicles like SUVs and hold sixteen to eighteen vehicles in each building versus twelve so that the fixed costs are a little bit more spread out. We would pay for the preliminary engineering and then be reimbursed as it is developed, but it is an upfront cost that the Board would have to consider if we go forward with this plan.

Mr. Sprenger said the annual revenue from the land rent on each two building addition would generate about \$8,000 at \$.30 a square foot, which is a five cent increase over what we are currently getting. He said that he didn't want to limit the developers from competition in this area. There is a request by Resort Garages to have the first right of refusal. He said we have limits on anything that is built on the airport that they have to enter into a lease within 90 days and construction has to begin within six months after that. He said if someone was willing to build out the whole area, that would meet that restriction because it was started within six months of the lease. If that wasn't started, then another developer would be able to come in and start developing the next section.

Because agenda item five could impact agenda items six and seven, the Board agreed to have Resort Garages make their presentation at this time.

Leslie Knutson, an owner of Resort Garages, said Paul Bierman, the contractor, was present at the meeting. The other owner, Bob Milne, was unable to attend. She said, if their request is approved, their goal is to provide a high quality, low maintenance product that is conducive to new airport expansion, to provide one call to action for all garage inquiries, and to generate a supplemental and consistent revenue stream for the airport. They would like to offer a long-term relationship with the airport as stewards of the property and provide professional management to protect and maintain the owners' investments.

Paul Bierman said they would like to propose Phase I consisting of two to four buildings, depending upon their responses. Each building will offer sixteen to eighteen units and the size of the units will be dependent upon the engineering on the site and the accessibility of the buildings. The buildings they are proposing will be 14' by 24', about 20% larger than the existing buildings. He explained the construction materials and other specifications. They plan to install a fire mitigation system to meet state requirements and landscaping is included in their proposal as well. At full build out, there would be just over 250 units. There are 180 currently.

Snow removal was discussed as well as building philosophies.

Mr. Williamson asked the Board to consider agenda item number seven. There were no objections. Mr. Sprenger said because it is a contractual obligation and they have requested the lease extension, his recommendation was for the Board to approve this agenda item. Kevin Kelleher moved to approve agenda item 7 and extend the Ground Lease Agreement for Car Park XIII for five years. Richard Roehm seconded the motion. Mr. McKenna asked if we could talk to these owners and roll them into the deal and get it all

done at once. He said we have a proposal from a new builder to build new buildings, and we will probably have a proposal from the existing company to build new garages.

Mr. Sprenger gave a recap of the car condominium relocation proposal and what we are trying to accomplish. Agenda item seven passed with all Board members voting aye.

Mr. Metzger said he didn't believe that we had enough knowledge and planning to address the other two agenda items yet and doesn't think we considered everything. Mr. Sprenger explained how they evaluated similar airports to make some of the recommendations for location that they have. He also addressed other issues that Mr. Metzger brought up and said there is no urgency and the decision didn't have to be made today. He just wanted to present some things to the Board and get some discussion going. The Board members discussed possibly moving in a new direction. Mr. Sprenger said he would take their thoughts on what would be appropriate and go another direction. Mr. McKenna recommended taking a little more time and doing it right. Mr. Williamson asked if the Board wanted to defer consideration of items five and six. Mr. Kelleher said we need to think about our ground transportation needs and infrastructure as the airport changes. He believes the current car condominiums location is not compatible with our modern airport and he feels they need to be moved sooner than later. If we can come up with a proposal or a place to move them and a ground lease as has been suggested along with total responsibility for management held by an association, that increases the profit level to our airport. He thinks we need to do a project like this but he doesn't care how those people get to the terminal. He would like the Board to encourage Mr. Sprenger to do an RFP or we could be stuck with the buildings where they are.

Mr. McKenna moved on agenda items five and six to consider discussion with further consideration at a later date with additional details by staff. Mr. Kelleher seconded

the motion. Mr. Metzger said he was concerned that we have one company making a development without offering it to the general public. Mr. McKenna amended his motion to table items five and six until further information is developed by staff as to best available ground, future expansion of the airport, and when items five and six are reconsidered, an RFP could be developed to allow additional proposals for development. Mr. Kelleher seconded the motion. The motion carried with all Board members voting aye.

The sixth agenda item was to consider the request by Resort Garages, LLC to construct two condominium buildings. It was tabled per the prior motion.

The seventh agenda item was to consider the request to extend the Ground Lease Agreement for Car Park XIII for five years. This agenda item was dealt with earlier and was approved.

The eighth agenda item was to consider the Revenue Plan to offset increased operating expenses for the expanded terminal building. Mr. Sprenger said as we move into the new terminal expansion, there will be additional costs like utility costs, property insurance, operation, maintenance and personnel costs with the greatly expanded building. He said we expect that total increased cost to be about \$400,000 on an annual basis so we have been working toward offsetting that additional cost with additional revenue sources. Mr. Sprenger said they expect about \$100,000 additional revenue from the new food and beverage concession agreements and \$50,000 in additional annual advertising.

He said we could consider raising our rates in the parking lot, which we have not adjusted during the last three years. We could consider an increase because we are charging substantially below what they charge in Billings and Missoula and he recommended increasing the daily charge by \$.75 per day and the weekly charge by \$2.00. The resulting rate would be in maximum daily charge of \$7.00 and a maximum weekly rate of \$35.00.

He said we currently pay about \$270,000 to Standard Parking for management of the parking lot. We believe that as time goes on, the parking lot should become more automated. He said we reviewed whether it should be 100% automated but he recommended keeping at least one lane manned to provide customer service to those who don't want to use automation or if the automation doesn't work. If one lane is manned by our personnel and the other two are automated, we would increase our personnel costs by approximately \$140,000 and our other costs that are currently handled by Standard Parking by about \$10,000. We would end up with net savings of about \$120,000 annually by managing the parking lot and going to a single lane manned system. He said that we have considered, and would consider, doing an RFP for a single lane, but we are concerned about the service levels for a concessionaire to offer that service for only one lane and have people call in sick, employee turnover, and not have someone there, which would put us back into the position of not offering the customer service that our customers deserve. He said we have the depth in our organization if we manage the parking lot.

He said the rental car and ground transportation companies and the TSA anticipate needing additional rental space, which would provide about another \$110,000 in additional annual revenue. Mr. Sprenger said taken all together on the proposal, we would see about \$511,000 in increased revenue. However, for the first year, the automation in the parking lot would probably cost nearly \$100,000 so the first year would essentially be a wash and after that we would actually generate approximately \$100,000 annually over and above the increased costs.

Mr. Roehm asked if we have input on how much space the TSA needs or if they just tell us how much space they need. Mr. Sprenger said we worked with them on to make it efficient and we considered what we would want if we opted out of federal screening. He

said the TSA was cooperative. They set out their requirements but they don't mandate them. The rate is negotiated.

The Board members discussed taking over the parking lot, rate increases, automation and the parking lot proposal. Mr. Kelleher asked staff to consider owning the car condominiums and consider them for parking. Mr. Roehm cautioned us not to become greedy. He said we have a captive audience. We need to develop our budget plans to adequately take care of the flying public but we shouldn't just jack the prices up. It upsets him to go to an airport and pay \$10.00 for a sandwich. Mr. Metzger said that Mr. Sprenger asked for guidance on making the budget. He suggested making the parking lot a separate agenda item. Mr. Metzger moved that agenda item eight be considered in the development of the budget for 2011. Mr. Roehm seconded the motion and all Board members voted aye.

The ninth agenda item was to consider Fiscal Year 2011 Capital Plan (excluding Terminal Building and Car Wash Expansion). Mr. Sprenger said we have been carrying a \$200,000 capital improvement budget and we plan on spending \$120,000 this year. He said we would like to use the remaining balance of \$80,000 this year so we can fog seal all of our taxiways while we fog seal the main runway. The main runway was originally planned for this year and the taxiways for next year but we will get economies of scale by bidding both this year. That doesn't increase the budget; it just moves it to a different year.

Mr. Sprenger said Delta has asked us to consider purchasing their loading bridges. The reason that is beneficial to us is that, in the terminal design, where the bridges are now are not the best place for us to have Delta Air Lines. Delta is our largest carrier and we want the most people to have the least distance to walk and we would like to consolidate the gate area. He said we have experience in refurbishing bridges. When we bought the United bridge several years ago from Boise, we refurbished it and now we lease it out on a per flight

basis. If we own the bridges, we can move the airlines wherever we want. One bridge is in very good shape, the other one is not.

Paul Schneider said maintenance looked at the bridges to find out what repairs need to be made and Tim Garton is working on an estimate for the cost of repairs on the bridges if we purchase them and do the repairs all at one time. Mr. Sprenger said a new bridge would cost about a half a million dollars. We could purchase these two bridges for \$50,000 and they would be useable without a lot of expense for a couple of years. The purchase cost would be mostly offset by revenue on the bridges. Owning the bridges would give us flexibility and will give us two more bridges for the terminal expansion.

The Board discussed when to fog seal the runway and taxiways. Mr. Sprenger said if the Board approved the runway fog sealing now, we could get a bid and make fog sealing the taxiways an alternate. Scott Bell, airport engineer, said we have to fog seal the runway this year for FAA certification and he thinks we would see an economy of scale if we do the taxiways now. Fog sealing is messy and his recommendation is to get it all done at one time. The fog seal is already older on the taxiways. Mr. Metzger moved to put the items in the capital section of the budget with fog sealing the taxiways as an alternate. Mr. McKenna seconded the motion, which carried with all Board members voting aye.

The tenth agenda item was the report on passenger Boardings and flight operations – Scott Humphrey. Mr. Humphrey reported that we had our best March ever with 33,290 passengers, which is slightly over 1% better than last year. That is about 200 passengers more than our record March in 2008. The load factor this March was just over 83% on a seat reduction just under 7% on available seats. United Airlines is picking up the majority of the passenger increases, 48% over last year's passengers. Horizon was up 3.9% and Delta was down 16.5%. Frontier was down 22.7% and has gone from three flights a day to two.

Allegiant was down 2.4%. Mr. Humphrey said April has started out strong and we are projecting ½ a percent down to 1% above. We are guardedly optimistic that we will surpass April 2009. From June to August we are looking at 6% more seats. United is adding another weekend Bozeman to Chicago flight for the summer months.

Tower operations are down 3.7% to 6,423. Airlines were up 6.5% and air taxis were up 10.4%. Itinerant operations were up 30.3% although local general aviation (GA) was down 30%. Corporate aircraft 12,500 lbs. and above were down 3%.

We have some advertisements running right now for the flight schools. We plan to open the pilot shelter around May 15th and have a general aviation appreciation day over there soon.

Mr. Humphrey said there was an article in the paper about American Airlines. We don't have a commitment from them but they will talk to Mr. Sprenger and Mr. Humphrey in Dallas. They want to see the package. We are brokering a number of deals now. The CVBs and the Chambers are putting together a package that will entice them to come up in the winter time. We are optimistic we can put together a good package and talk to them May 18th. The Board thanked Mr. Humphrey.

The eleventh agenda item was the Director's Report – Brian Sprenger. Mr. Sprenger said that we are optimistic about the rest of the year. From July through the end of year we are seeing year over year increases and in July we have about 60 to 70 more seats per day than Billings for the first time ever. July and August are our busiest months.

Mr. Sprenger reported that we are making progress with Customs. An application would likely be approved. We have to provide space and reimbursement for personnel costs. Because we would be a user fee facility, those costs could be covered by a user fee but any shortfall would be the responsibility of the airport so we are working with different entities to

see if they would be willing to commit to covering any shortfall. We don't intend to make up any shortfall and we need partners before we can go forward. The annual cost is \$120,000 to \$140,000 in personnel costs that would go to the Customs and Border Protection and we would have additional costs of \$40,000 in rental space. We would probably want to move the TSA out of the Old Terminal Building and use that space for customs. The estimated number of international arrivals is about 170 to 200 so the cost of each arrival would be about \$1,000. We have asked the fixed base operators (FBOs) to survey their international customers to see if they would be willing to pay that fee.

Mr. Sprenger said he would be in Helena on Saturday to make a pitch for Bozeman to host the 2012 aviation conference. We haven't hosted it for eleven years. Next Tuesday and Wednesday he will be in Seattle meeting with the FAA and will be discussing approach control with them along with other matters.

Mr. Sprenger reported that our control tower manager, Todd Johnson, will be leaving to take a job as the tower manager in Bullhead City, Arizona. We have had a good relationship with him and will miss him. We wish him the best.

Mr. Sprenger also reported that NorthWestern Energy has issued us a \$100,000 grant in conjunction with our ground water heat exchange system. That was not in the budget although we thought we might get it.

Over the last month we have had in the lobby the interior materials that were selected by our focus group for review by the traveling public. We also presented an alternate version. We had over 250 people vote their preference and the majority concurred with the focus group's choice. Based on the focus group and the traveling public input, we believe we are headed in the right direction. Mr. Sprenger asked the Board if they would like to have another presentation at the May meeting and then come to a formal decision or if the

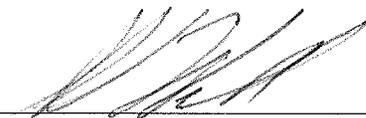
Board is comfortable with our direction and wants us to move forward. The Board members are fine with Mr. Sprenger moving forward.

Mr. Roehm said Mr. Sprenger omitted one significant issue and he was surprised he didn't cover it. Mr. Roehm said from time to time fledgling aviators are kicked out of the nest and Mr. Sprenger has now logged some pilot in command solos and three landings. Mr. Roehm and the other Board members congratulated him.

Mr. McKenna said Mr. Sprenger said once you take off, you realize the airport isn't as significant as when you are on the ground and you only recognize its significance when you come back. Mr. McKenna said it probably gives Mr. Sprenger an insight that he might not have had before that the airport is a place to come to and go from for a lot of people. Mr. McKenna said he appreciates Mr. Sprenger's efforts.

The twelfth agenda item was to consider the bills and approve for payment. Mr. Sprenger said there are a lot of bills related to the terminal expansion. Yesterday we submitted to receive \$1.8 in grant reimbursements which we should receive tomorrow. After review and discussion of the bills, Mr. McKenna moved to pay them and Mr. Kelleher seconded the motion. The motion carried unopposed.

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



Steven H. Williamson, Chair