

The regular monthly meeting of the Gallatin Airport Authority was held June 10, 2010 at 3:00 p.m. in the Airport Conference Room. Board members present were Steve Williamson, John McKenna, Kevin Kelleher and Richard Roehm. Since Greg Metzger resigned from the Board effective May 31, 2010 and the County Commissioners haven't appointed another Board member yet, this was the full Board. 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 May 13, 2010. Kevin Kelleher 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. Steve Williamson, Board Chair, said that people could speak now or wait until the agenda item they wish to speak about is discussed.

Bert Hopeman, owner and president of Sharbert Enterprises, thanked the Board for their confidence in him. He said Airport Director Brian Sprenger and Deputy Airport Director Scott Humphrey were very helpful. He invited the Board members to try out the food at the restaurant and said that they were going to the full menu on Monday. He thanked the Board and the Board thanked him.

The third agenda item was to meet the staff. Brian Sprenger said Lee Huyser, one of our maintenance technicians, who has been with the Airport Authority for fourteen years was the featured employee this month.

Mr. Huyser said he was born in Big Timber and his family had a ranch north of town. They sold the ranch and moved to the Gallatin Valley next to the Flying V. He and all of his

brothers worked on the ranch. He came from a big family. There were four brothers and eight sisters; all had the same parents. Mr. Huyser said he never knew what boredom meant. They all worked very hard. They didn't have much money and didn't have money for toys. They built their own toys, including building sleds. He said he learned to be very creative, which helps with this job. Since he was thirteen years old, he has always worked for someone else. While the children were still living at home, their paychecks went to their parents to help make ends meet.

Mr. Huyser said he graduated from Bozeman High, went to Helena V-Tech and then went to work for the Montana Fish and Game and worked for them for twelve years. During that time he got married to a great gal and they have been married thirty-four years. They have four children. While he was working for the Fish, Wildlife and Parks, he was transferred to Bozeman. He loved working for them, but he was always gone from home. Finally he decided to get a job locally so he could stay home with his wife and help raise his children. So, he got a job at Kim Seed Potatoes and worked there for fourteen years. He did some farming, welding and fabrication in the shop, as well as irrigating. He worked there until he got a job for the Airport Authority. He said his wife Renée works for Martel Construction and has worked there for six years. The Board said they were glad to have him. Don Stueck, from Martel Construction, said that Reneé Huyser is great and that she is his right hand.

The fourth agenda item was to consider Guaranteed Maximum Price – Schedule IV-C of the Terminal Expansion Project. Mr. Sprenger said this includes the IT infrastructure, access control, CCTV and the flight information system. Overall the budget for this package was \$2,787,549.11 including indirect costs. This is 13% over budget for this part of the

project. He said we are disappointed to see an increase in this portion but we understood the technology would probably have a negative swing. This bid was 28% lower than the next lowest bid and comes from a reputable local firm and was nearly \$1 million less than the other bidders. Mr. Sprenger said, in the GMP, we are also including some of the schedule IV-C work that has been negotiated with current contractors. This will decrease the budget in Schedule V and increase the budget in Schedule IV-C by \$785,305.89. Therefore, our total GMP for Schedule IV-B is \$3,572,855.00, which includes the portion from Schedule V and the over budget amount in IV-C of about \$337,000. He said overall we are almost \$11 million under budget on the bids with only Schedule V and the loading bridges remaining. Mr. Sprenger recommended approval of the bid of \$3,572,855 by Martel Construction.

Steve Williamson asked if IV-B was included in IV-C. Mr. Sprenger said a number of items were not ready to be bid when IV-B was. He said that the onsite contractors could do the work and everyone has been pleased with the work they are doing. Mr. Williamson asked if they had been moved out of IV-B and into IV-C. Mr. Stueck said, because we have been fast-tracking the project, the electrical changes and mechanical have not been bid to this point. He said we went back to the original subcontractor to get a bid on the things that need to be modified to get caught up. He said, overall, the budget is still under the original estimate. Jamie Lenon, the airport architect, said that none of the items on this bid were change orders. They are additions that were not previously bid. He said they bid Schedule III early on to get it mainly roughed in. They didn't have the final information for the TSA, rental cars, etc. They are comfortable with the contractors, and this would have to be done. John McKenna moved to accept the guaranteed maximum price under Schedule IV-C of the

terminal expansion by Martel Construction of \$3,572,355. Mr. Roehm seconded the motion and all Board members voted aye. The motion carried unopposed.

The fifth agenda item was to consider insurance proposals. Mr. Sprenger said we received bids from Central Insurance, First West, HUB International and Northwest Insurance Group out of Hillsboro, OR. The law enforcement coverage from First West is a \$2 million policy. Staff recommends getting property, directors and officers and commercial crime coverage from Central Insurance and the auto, inland marine, general liability and law enforcement coverage from First West. Scott Humphrey said there were our two incumbents and that staff considered the relationship with them. He said that First West's bid on general liability is almost half of what we paid last year. Out of four bids, two were full bids and two were partial bids. The total bid that staff is recommending is about \$13,000 less than last year and we are about where we were three years ago. Mr. Roehm asked if we had any hesitation on coverage and Mr. Humphrey said we do not and we are not losing anything. Mr. Williamson asked if we have adequate coverage now and Mr. Humphrey said we do. He said he sat down with several of the bidders and went through our current coverage. Mr. Roehm moved acceptance of the insurance proposals as recommended by management, and Mr. Kelleher seconded the motion. The motion carried with all Board members voting aye.

The sixth agenda item was the report on the audit review process – Troy Watling. Mr. Watling said, as stated in their engagement letter, their responsibility is to express opinions about whether the financial statements prepared by management with the Board's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. They will perform an A133 single audit using the guidelines set forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.

He said the auditors would contact each of the Board members regarding the audit and see if they have any concerns. This year there will also be new testing on the bond procedures. They checked compliance in January and there were no problems. He said the bond issue would be a special report.

Mr. Watling said that the Airport Authority has purchased new software for the fixed assets. The car rental facility charges (CFCs) are new, and there will be additional work to check them. He said at the end of the audit, they will report to the Board again.

He said on June 22nd, they will come out for some preliminary testing and check the fixed assets software. At the end of August or the first part of September, they will be out to perform the full audit. The Board members and Mr. Watling discussed internal controls and what procedures the auditors follow. The Board thanked Mr. Watling.

The seventh agenda item was to continue consideration of the Car Condo Relocation Proposal. Mr. Sprenger said we knew that the terminal expansion would take place and we would need to relocate the car condos. The edges of these are condominiums are right at the 300 foot level, and there is a potential issue with the TSA. Seven condos have gone beyond the ten-year with a five-year extension term. The next two will term out in a year to eighteen months and the remaining six will term out one per year after that. We knew this was coming so we wanted to the Board to consider options. One of the options is to not renew.

The car condo companies would need to restore the land and by 2017, we would reclaim all the land.

He said he thinks it is beneficial to give another option. The average individual car condo unit generates about \$200 per year. He said we average more in the general public parking area. The new rates for the existing buildings and new condominiums would be \$.30 per square foot per year.

Airports are restricted on land use. He said staff thinks the proposed location is beneficial on the south side of the loop road. He said the next agenda item addresses the possibility of new condominiums, and they allocated enough space for the fifteen existing to relocate. Mr. Sprenger and the Board addressed if this is the best use for the land, if the airport should build the condominiums, why both sets of buildings wouldn't be together, if the airport should issue a request for proposals (RFP), and the fact that adding incrementally last time worked very well except for the lack of preliminary engineering. Mr. Sprenger said they don't know how many people would relocate and if there wasn't a large number, we may have the option of combining both sets of buildings in the same area. The Airport Authority owns the land, and it would be insured like the land the hangars are on.

The Board and Mr. Sprenger also discussed what will happen 15 to 20 years from now if that terminal needs to be expanded again. Mr. Sprenger said that they have planned for that in the Master Plan and that probably the next expansion would be a covered area for the rental cars. The Airport Authority would ask the existing car condominium companies to work with our engineers at their cost. The new build out preliminary engineering of approximately \$18,000 would be divided by the new condominiums whenever they develop a section.

Mr. Sprenger said this would be a one time offer for the existing condos and those that have an unexpired lease would get their remaining term plus ten years. The condos that have expired would receive a ten year lease. He said that is part of the inducement for them to move. If they decided not to move, then we would just wait until the term of the lease expires and they would have to tear the buildings down. We are trying to create a win-win situation. Mr. Roehm said it could be awkward if one stays and the others move. Mr. Sprenger said it is awkward and that is why we are only offering it one time. Mr. Sprenger said John Delzer and Rod Jude were in the audience.

Joby Sabol said he was the attorney for most of the condominium owners. He said he became involved when the Delzers discovered that the associations were not recorded and Mr. Sabol helped register them with the state. He said the Delzers have agreements with thirteen of the associations, which have twelve units in each building and represents 156 owners. Rod Jude manages the other two associations. Mr. Sabol said they wanted to know how many owners wanted to move so they polled their owners. They received 90 responses out of 156. Eight or nine of those were not interested in moving but the balance was generally in favor. They like the fact that staff proposed extending the lease time and most saw a benefit to the move.

Mr. Sabol said that the thread of the comments was that most were in favor of the move but would like a longer lease term. He said he would take the comments back after this meeting and explain how the lease term was fashioned. He said another concern is replacing a roof that was recently replaced. Mr. Sabol said they had been working with Martel Construction and it will cost about \$11,000 per owner to move the buildings. That has been a concern and he said it makes it easier for those who have expired leases. They also wonder

how it will work when the move occurs and what will happen to the items they have stored. John Delzer told him that maybe he could get a container so that they could store the personal items as the buildings are being moved. The Board, Mr. Sprenger and Mr. Sabol discussed a few more questions, including if some people want to move and some people don't, not extending beyond ten years, the potential for the Airport Authority to make more money by using land for a parking lot, and why the buildings need to be moved.

Jim McLean said he was representing one client, Ken Ward, who wants the Board to consider the condos for long term. His client said they would be putting a lot of money into the building and would like a longer lease term because the next board might not have the same attitude as this Board. Mr. Sprenger said the Master Plan includes a long term plan for the car condominiums. Mr. Kelleher said we want to keep these people happy as well as the rest of the flying public. He thinks this offer is generous. Mr. Roehm said this Board won't encumber further boards.

Rod Jude thanked the Board for what they do and are doing. He said he is pretty much in agreement and is going to tell the owners he represents that it is a good deal. He said the owners he represents would like a five-year option and would like to keep the original configuration. He said if anybody says they don't want to move, his association would take over the unit and resell it. He said he would move quickly to get the information to the members. Mr. Roehm said he wanted to make sure communication between the Airport Authority and those who represent the car condominium owners is good and Mr. Sabol said they have been in contact with staff.

Mr. McKenna moved approval of the relocation proposal for the car condominiums as proposed by Brian and staff. Mr. Roehm seconded the motion, which carried with all Board members voting aye.

The eighth agenda item was to continue consideration of the request by Resort Garages, LLC to construct up to four car condominium buildings. Mr. Sprenger said Leslie Knutson is here representing Resort Garages. Their proposal is for the first two buildings.

Ms. Knutson said she is an owner of Resort Garages. At the April 8th meeting, she discussed with the Board what they are trying to do. Today she is here to request a lease. She said they are proposing new and larger garages at \$0.30 per square foot per year. They worked with the Board and staff to make it fit in with the terminal expansion. Their proposal is to initially start with two buildings with each building consisting of up to 18 units. Initial construction would be to begin within six months of the lease date. They are requesting the first right of refusal for all land within the pre-designated area per site plan. They are requesting a ten-year term with an automatic ten-year extension. It would be phased in by demand and they would like to work with the existing owners and offer incentives to get them to move. She said possibly they could do some lease backs and they are willing to work with everybody.

The Board and Mr. Sprenger and Ms. Knutson discussed how this would work with people who are moving and the appearance of the buildings. The Board members had concerns, like how they sort out which existing clients are enticed to the new units, if the intention is to give exclusive use of the property to Resort Garages, or if the Board would allow them the first right of refusal, the size, appearance and materials of the condominiums and lease terms. Mr. Roehm said he wouldn't be comfortable unless it was blessed by legal

counsel. Mr. Sprenger said he would recommend utilizing the existing lease agreement unless Resort Garages and the Board weren't agreeable with that. If not, he would recommend going back to the drawing board.

Mr. Kelleher said he has helped some owners clean out their units and they have had a lot more in there than a car. Kent Foster, General Manager of Yellowstone Jetcenter, said they have to take the ski racks off some of their clients' cars in order to get them into the condos.

Mr. McKenna moved to approve the request by Resort Garages to build up to two car condo buildings utilizing the existing lease structured with the current condo lease subject to design review by the Board. Mr. Kelleher seconded the motion. The current lease is a 10 year with a 5-year extension. Mr. McKenna and Mr. Williamson voted aye. Mr. Kelleher and Mr. Roehm voted nay. The motion failed. Mr. Kelleher said he was opposed to a 5-year option. Following more discussion, Mr. McKenna moved to approve the request by Resort Garages to construct up to two car condo buildings with a ten-year lease agreement with no extension and the design of the buildings to be consistent with the existing car park condos and the design to be approved by both staff and the Board. Mr. Roehm seconded the motion and all the Board members voted aye. The motion carried. Ms. Knutson thanked the Board for the opportunity.

The ninth agenda item was to consider the request by Kent Foster of Yellowstone Jetcenter to renew all their remaining current leases to expire on April 30, 2020. Mr. Sprenger said hangars 2 and 3 are owned by the airport so they are not part of the request. The big hangar, the old FedEx hangar and their current FBO are the leases they would like changed. The dates for the other three leases extend beyond this date.

Mr. Foster said the owners bought Sunbird and that established one date. All their buildings are necessary for their business. The next lease to become due is their terminal, which they've invested quite a lot of money into. He said the next board may not grant an extension and if they don't, Yellowstone Jetcenter (YJ) will be stuck with their other buildings and not be able to operate their business. Mr. Sprenger said Arlin's Aircraft Service would be the only other company that might make a similar request.

The Board said they didn't see any benefit to the Airport Authority to allow this. Mr. Kelleher said generally, in his business, the consolidation of leases indicates the possibility of selling. The Board and Mr. Foster discussed if there was any benefit to the airport; Mr. Foster said the risk is all YJs and they want to simplify their lease renewal process, it would only affect three out of eight leases. Mr. Roehm moved the Board reject the request by Yellowstone Jetcenter to get all their leases on the same date. Mr. Kelleher seconded the motion and it carried unopposed with all Board members voting aye. The request was rejected.

The tenth agenda item was to consider the preliminary budget for fiscal year 2011. Mr. Sprenger said the Parking Lot revenue budget does not include the additional revenue that would occur if we managed the parking lot but does include the associated expense if we do. Consequently, the expenses may be overstated by \$164,200 and the revenues understated by approximately \$200,000. Big factors on the revenue side are the CFCs and the increase in PFCs. On the expense side, the major factors are small equipment for aircraft fire fighting and law enforcement and personnel if we take over managing the public parking lot. He said the worst case scenario they expect is we would have less than \$2 million in the bank and we

would expect to obtain a line of credit for that short duration. From that point on, the bank balance should continue to grow.

Mr. Roehm said the budget is well prepared and he moved approval of the budget. Mr. Kelleher seconded the motion and it carried with all Board members voting aye.

The eleventh agenda item is the election of officers. Mr. Roehm moved the continuation of the existing officers with the exception of Kevin Kelleher as the Secretary. Mr. McKenna seconded the motion and the motion carried with all Board members voting aye. Mr. Metzger had been the Secretary.

The twelfth agenda item was the report on passenger and flight operations – Scott Humphrey. Mr. Humphrey reported that passenger boardings were up 1.2% in May. Average load factor increased 10.1%. Capacity was down 11%. Delta was down less than 1%; Horizon and Allegiant were up slightly. We spent some money for advertising and think it may have helped. June numbers are slightly ahead. Delta will be bringing in their 164 seat MD90s two times a day from Minneapolis/St. Paul.

Mr. Humphrey also reported that tower operations are down slightly from May of last year to 5,590. Local general aviation was up 10.4% and landings of corporate jets of 12,500 lbs. and above were up 12.6% to 125 operations. He said we are starting to see an uptick.

On Saturday, June 26th, the Airport Authority will host a BBQ for the GA side at the Pilot Shelter.

The eleventh agenda item was the Director's Report – Brian Sprenger. Mr. Sprenger reported that the car wash is open and being used. We should have three vacuum bays operating next week and the rest will be operational soon.

Mr. Sprenger, Mr. McKenna and former Airport Director Ted Mathis will be going to Washington D.C. for a discussion with some FAA staff and our Congressional Delegation regarding approach control. Mr. McKenna said when Billings built their TRACON six years ago, they built it with Bozeman in mind. They have the facility and the people. They said they could be ready in one week. Great Falls would have to hire some people and it would take them about two years to build. The FAA is pushing Salt Lake Center but they don't want it. Spokane might be interested. Mr. McKenna said our Congressional Delegation is more amenable to Billings or Great Falls. He said he would like to come to the next meeting with an announcement. Mr. Williamson said we need to keep pushing forward. Mr. McKenna said we shouldn't have to go back to DC. Mr. Roehm thanked Mr. McKenna for getting a foot in the door.

The twelfth agenda item was to consider the bills and approve for payment. After review and discussion of the bills, Mr. McKenna moved to pay them and Mr. Kelleher seconded the motion. The motion carried unopposed with all Board members voting aye.

The meeting was adjourned at 6:30 p.m.



Steven H. Williamson, Chair