

The regular monthly meeting of the Gallatin Airport Authority was held January 13, 2011 at 2:00 p.m. in the Airport Conference Room. Board members present were Kevin Kelleher, Ted Mathis, Richard Roehm and John McKenna. Steve Williamson was unable to attend the meeting. Vice-Chair John McKenna chaired the meeting. 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 December 9, 2010. Richard Roehm moved to accept the minutes; Kevin Kelleher seconded the motion and it was a unanimous decision to approve the minutes.

The second agenda item was the public comment period. Mr. McKenna said if anyone would like to say something that is not on the agenda, they are more than welcome to sign up. He said they are also welcome to comment on an agenda item at any time during discussion of that particular item. There were no public comments.

The third agenda item was the Airport Business Update – Hertz Rent-A-Car (Overland West). Brian Sprenger said Mike Lucero from Hertz Rent-A-Car would tell us how the rental car business is going. Mr. Lucero said Overland West, their company, has been doing business in Bozeman since 1941. Mr. Lucero said he has not been here quite that long. He said he has been with Hertz for 36 years and 30 of those have been spent in Bozeman. He said he has seen a lot of changes over the years and the biggest change he has seen in recent years has been in airport revenue with all the rental car companies coming on airport. He said he has seen it go from a \$12 million market to over a \$16 million market within the terminal, which has been very nice. It has been competitive with everybody on board sharing the pie, which has been a challenge. He said the jury is still out on how the industry is going to do as a whole.

Hertz continues to do over \$6 million of that revenue and they continue to get more opportunities. As we grow and the airport is expanded, they will do better as they move into their new location and they look forward to that. In the spot he is in now, he can just open the door and sit down. He says it is an awful lot better than having a trailer in the parking lot as he has seen at some airports. He said he hadn't been a proponent of the expansion of the airport; however, he appreciates the vision now and he can see the airlines needed the space. He said it is pretty crowded out there and it is going to be very nice when it all happens.

Regarding the future of their industry, he said you can look for more consolidation. Right now there are only four players in the market: Hertz, Enterprise, Avis Budget and Dollar Thrifty; the owners nationally. Here we also have Corpat Industries, which is National Alamo. He said it is a hopping place here at the airport, so it is really nice to be a part of and see the growth. He said he has to say that he really appreciates over the years the members of this Board. He said he hasn't always got his way but it has been awful nice because he thinks the Board is very professional. He said he has dealt with many boards over the years and in several airports and he has sat in on many meetings. Obviously this Board has done a very fine job of promoting this airport and has been really good to the rental car industry.

He said he could bore them with a lot of figures that he brought with him today but he said he won't do that. He emailed Mr. Sprenger and Scott Humphrey that Forbes Magazine and Forbes.com listed Bozeman as the number three fastest growing small town in the country. He said that is nice to see.

One thing that he wanted to talk about is the airport revenue. They have that listed as a 34.3% increase in the rental car industry within the airport from 2009 to 2010. There is about \$3½ million brought on airport approximately and of the additional million, Hertz has

been able to capture about 40% of that so things are going really well. He said he is cautiously optimistic about 2011.

Mr. Lucero said the price of airline tickets has been quite high and you can fly from Bozeman to Salt Lake for quite a bit more than you can fly from Bozeman to Salt Lake and on to Portland, which is really interesting. He said he finds that strange but yet there are probably quite a few people who fly strictly to Salt Lake so they're probably trying to get them into Portland. If the airline tickets stay high, he said he doesn't know how 2011 will be, but it appears that for the number of people flying into Bozeman and for the rental car industry here, there's no stopping what seems to be going really well. What we see in the news every day is a pretty down economy but it doesn't seem to be that way here. He said he appreciates everything the Board has done for them and he appreciates their service to the community. He asked if the Board members had any questions for him.

Ted Mathis asked him where the Bozeman station stands in relation to their other stations or franchises throughout the system and John McKenna asked him who the other ones are. Mr. Lucero had a list of their other stations, which are pretty much throughout the western United States. He said Bozeman continues to rank number 1 in their company. Mr. Mathis asked if it is even better than Boise and Mr. Lucero said even better than Boise and in many different aspects. Boise has approximately 10 to 12 competitors and has more of the business market than tourist market, so they turn their cars over every couple of days where in Bozeman it may be every 4 to 5 days. Mr. Lucero said Jackson is the one station that is probably closest to Bozeman. He said Jackson does some big numbers; however, he was just asked to move to Jackson and he declined because housing is about four times what it is here in the Bozeman area. Jackson has about five black months and seven red and Bozeman has about eleven black months with one red. Mr. Lucero said it varies quite a bit depending on

what is happening. He said Bozeman also sells cars out of Billings so they dispose of some of their fleet and that factors in also.

Mr. McKenna asked what Mr. Lucero about the mood of travelers in the last year versus two or three years ago. He asked if things are getting better in the travelers mind and what Mr. Lucero sees. Mr. Lucero said he believes the customer is very price conscious today and from that aspect, Hertz has had to make sure they are very competitive in the marketplace in order to maintain their share of the revenue and their share of the market. But overall, he thinks the mood of the traveler is good, especially into Bozeman. He said they don't see that in some of their other locations. In some of their other locations they see that a lot of the corporate people are cutting back and not traveling quite as much or the corporate people are not sending their employees as much as they did before. There aren't as many of them which cuts into their business. But overall 2010 has been Overland West's best year in the history of Bozeman.

Mr. Roehm thanked Mr. Lucero and all of the rental car agencies for being very agreeable with all the different jerking around that we've done to them during the construction. He said he knows Mr. Lucero has gone to a lot of different locations and had concerns of marketability because he wondered if they were where people could see them. Mr. Roehm said he knows it has been difficult and he wanted to thank him for staying with us. He said things will calm down eventually. Mr. Lucero thanked Mr. Roehm and said he hoped to retire soon.

Mr. McKenna said the people in the audience may not realize that the rental car people on this airport are obviously key. If there weren't people flying in here, there wouldn't be the popularity of the rental car agencies that we have had an extremely good relationship with. It makes him feel good to hear one of our key tenants say they appreciate the

relationship because it's something that the Board values and has worked really hard on and Mr. Lucero has been a key part of that. Mr. McKenna thanked Mr. Lucero for his comments.

The fourth agenda item was to consider the Commercial Advertising Policy. Mr. Sprenger said the Board received a draft commercial advertising policy they requested at the last meeting and he welcomed the Board members' thoughts or comments for any changes that might need to occur. Mr. Roehm asked if we address up front any way to review our policy periodically or our art work relationship. Mr. Sprenger said each of the advertising agreements has a clause where the advertiser can get out of the agreement. It also has a part in the clause where the airport can get out of the agreement, so while we do not have anything set up to automatically review every year, we have the opportunity depending on the individual agreement to change that as needed. Mr. Sprenger and the board discussed the fact that we can always increase the price but we have not felt that we have had an advertiser around for too long and that we should give someone else an opportunity. Mr. Roehm wants a mechanism where we are not locked in forever.

Mr. Mathis said he believes overall the advertising policy is great, but he would like to see us standardize signage on Airport Road and Aviation Lane, and he knows Mr. Sprenger is concerned about that as well. He said he would like them to be more generic and also list businesses on Airport Road for approaching customers. Mr. McKenna said this is a policy and not a rule or regulation so if this Board or future boards want to amend the policy they should be able to do so. Mr. Roehm moved approval of the Commercial Advertising Policy with the addition of Board member suggestions; the standardization of the signage on Airport Road. Mr. Kelleher seconded the motion. The motion carried unopposed.

The fifth agenda item was to consider the proposal by Martel Construction to relocate the Gate 4 Passenger Boarding Bridge. Mr. Sprenger said the Board may recall that back in September we opened bids on passenger boarding bridges. One of the bid packages we opened was also the relocation of this passenger boarding bridge by the passenger boarding bridge companies; ThyssenKrupp and Jetway Systems. The bids came in at \$218,000 and \$228,000 respectively, and we felt confident that with Martel's experience that they could move this bridge for quite a bit less. They came back with a proposal of \$117,755, which was about \$100,000 less. This technically would be a change order so it will increase the guaranteed maximum price. The project has been in the budget the entire time. We will see a \$100,000 savings from what we have budgeted. Mr. Sprenger recommended approval of this proposal.

Mr. Roehm asked if the process of a competitive bid proposal had been adhered to and Mr. Sprenger said it had. In the original bid process, we had stated that we would consider the bids as an option, but that we would also consider having Martel do the work. That meets the legal requirements. Mr. Sprenger said the proposal is all-inclusive and there would be no additional charges for wiring, concrete work or engineering, etc. Mr. Kelleher moved to approve the change order for Martel construction to relocate the Gate level 4 Passenger Boarding Bridge and Mr. Mathis seconded the motion. The motion carried unopposed.

The sixth agenda item was to consider Artwork donation proposals for the expanded terminal building. Mr. Sprenger said we had been fortunate enough to receive sixteen artwork proposals. He said the Board is not restricted to accepting all of them or making a decision today. He said considering where artwork should go and what is appropriate in the new terminal is a lot to determine. He and Scott Humphrey wanted to take the opportunity

for all of the artwork to be brought in at one time and give the Board the opportunity to look at all the artwork in case we might have too many things that are similar or dissimilar and how it all plays in. We don't want to have fifteen models of the same thing or fifteen paintings of the same thing. He said they sent suggestions to the Board where they thought the different pieces of artwork might go.

As Mr. Sprenger introduced each artist, he told the Board where each item might go and asked the artists to tell the Board about their proposed artwork they were willing to donate. Tobin Capp, Dennis Harrington, Nick Kovatch, Jeff Brandner, Eli Beacon, Parks Reece, William Hunter, Cameron Burt, Stormy Barton Apgar, Pat Branting and Mark MacLeod were in attendance and presented their artwork. Tracy Penfield was not present but Mr. Sprenger showed a rendition of the tapestry she would be willing to donate and a possible location. Some items are freestanding and Mr. Sprenger didn't have a recommended location at this time. Mr. Sprenger said some artists submitted a number of items and he and Mr. Humphrey chose the ones they thought would fit. He said the Board could request to look at any or all other items if they wanted.

The Board members reiterated that they want art that is realistic. The Board discussed locations for some of the art pieces. They don't want artwork covering any of the rockwork in the terminal. Mr. Roehm is in favor of supporting local artists and depicting local scenes. Artwork would have a cast plaque with the artist's name and the name of the piece. Mr. Kelleher said he would like to see some Native American art, Lewis and Clark or local historical theme represented. The other Board members agreed. There was also some discussion on whether to allow some artwork to be sold and new artwork replace the items that were sold. The artwork that is in the current terminal building is familiar to many people and they feel like they are coming home. The Board would be hesitant to endorse the idea of

selling and replacing artwork. All artwork would be fully donated. Mr. McKenna said he would like the Board to consider having all the artists who were gracious enough to donate art present at the terminal expansion opening, or have a special evening devoted to them.

The Board thanked all the artists for being present, making a presentation in front of their peers and for the material they brought in.

Mr. Sprenger said this process doesn't stop here. That will continue as other artists have suggestions for donating art, and there could be a Native American artist. He said that he anticipates bringing in other artwork to the Board at different times throughout many, many years. This is just a good opportunity to take all these things at one time. He said it will be a hard decision for each of them because the items will become iconic in this airport.

The Board took a ten minute break.

The seventh agenda item was the report on passenger boardings and flight operations – Scott Humphrey. Mr. Humphrey said he was going to do a year-end wrap up, as well as report on December. He reported that we had a very strong last six months of 2010. In terms of tower operations we were 7.3% better than December of 09. For the year we ended up 5.1% better in total operations. Enplanements for December were 16.3% better than December 09. For the year we are going to end up 6.6% better.

In 2010, we had a record year 365,210 enplanements. That is an increase of 22,496 more passengers enplaned than last year. Airline landings increased just 1.6%. Mr. Humphrey said we knew that was coming with Frontier Airlines' reductions from three to two flights daily. Delta Air Lines has also pulled back slightly on departures but the size of their aircraft has increased. Altogether, in December there were 446 landings, 10% lower than last year.

Corporate landings were up 11.8% for December and up 9.2% for the year.

Seat capacity is up to 1.6% for the total year. Mr. Humphrey said airline load factors are interesting. December 2010 had a load factor of 78.8%, which is almost equal to December of 09's 78.9%. We had about a 20% increase in available seats for November and December. The airlines put the seats out there for sale and people purchased them. For the year we wound up with 460,816 seats. Last year we had 442,000 so we have increased our seat capacity 4.2% for the year and increased ridership 1.6%. The airline load factor is hanging in there with the increase in seats that we have out there. Looking at January numbers going forward, right now we're at 9.3% better than 2009 and 6.5% better than our record year 2008. We expect to be about one percent better in January with 30,000 enplanements.

Billings enplaned 389,401 passengers and we boarded 365,210 for about 94% of Billings. Last year we were about 84% so we are closing the gap on Billings. We have another service that may start this summer to a west coast destination by one of our carrier here and we have a visit from another carrier this month that Mr. Sprenger will cover in his Directors Report. Conceivably by the end of 2011, if everything goes as it did last year, we could be neck and neck with Billings for boardings and there is a possibility we could surpass them in 2013. So everything on the landing and airline side has been wonderful the past six months. Looking forward we have an increase in seat capacity. We have more seats out this spring than Billings has and we are optimistic that we will have another record year. January is certainly setting up that way at about 30,000 passengers, which is about an 8% increase over where we've been. If we get the service this summer that we anticipate, we may draw more traffic out of Billings.

Mr. Sprenger said in 1992, we were about ½ the size of Billings and we are 94% now. In 1992, about 16% of the passengers into Montana came through Gallatin Field and now we

are closer to 25%. 50% of the people coming into Montana come through Gallatin Field or the airport in Billings. The number one gateway for people first coming into Montana that flew part of the way here, not necessarily flying into Montana, are the passes south of West Yellowstone and I-15, particularly Salt Lake City. We are the top airport but the top point of entry is by ground. The top point of entry for people who are returning to Montana for a second trip is Gallatin Field. 21% of all these people coming into the state of Montana are flying into Gallatin Field. Once they have come to Montana, they fly into Gallatin Field the next time.

The Board, Mr. Sprenger and Mr. Humphrey discussed the cost of flying to Salt Lake City on Delta Air Lines. Mr. Roehm said a direct flight to Salt Lake City costs \$694.00. He said it is cheaper if you are going to someplace beyond Salt Lake City. It is also cheaper to go through Seattle or Denver to Salt Lake City. It costs \$515 if you go through Denver and he doesn't think we are being treated right. He said it is cheaper to drive. Mr. Sprenger said this is an excellent example of how important competition is. If you look at all the markets that are served out of Gallatin Field, the only market that doesn't have competition is Salt Lake City. If you go through another airport to get there, you probably could have driven there in about the same amount of time. The other Montana airports have the same struggle with Delta Air Lines. Delta is concerned about having traffic through the Salt Lake City airport. They rely a lot on connecting traffic.

Mr. Sprenger and Mr. Humphrey will contact Delta to see if they will reevaluate their fares from Bozeman to Salt Lake City. It is important they know this. Mr. Humphrey said Bozeman is a high yield market for Delta. There isn't any competition to that market except I-15.

Mr. Roehm said we have good connections out of Bozeman. Our top five destinations are Seattle, Minneapolis, Denver, New York and Las Vegas. Phoenix will probably be one of the top five after this year because of the direct Allegiant Air service. Salt Lake City is fifteenth. It has been higher in the past. Mr. Mathis said we have approached Delta individually and as part of the Montana Airport Managers Association about high prices in the past and it didn't make any difference. The seats get filled and there isn't any competition so they continue to charge high fees.

The eighth agenda item was the Director's Report – Brian Sprenger. Mr. Sprenger reported that there are checks to Ken's Commercial Repair and Sharbert Enterprises for equipment repair, item replenishment and additional purchases of some items at the restaurant.

Mr. Sprenger also reported that next week we have a meeting with JetBlue Airlines about the possibility of service to New York.

Mr. Sprenger reported that we are in discussions with an airline for service to Los Angeles possibly for the summer and we hope to hear more about that within a month to a month and a half.

United has closed the seasonal spring gap on Chicago service and will add nonstop service to Chicago in April and May. We think there is a good chance that Chicago service will be year round.

The Asia Pacific Economic Conference (APEC) planning is getting into full swing and we expect arrivals of 1,000 to 2,000 to begin in early May. The delegates will be up at Big Sky the 3rd and 4<sup>th</sup> week of May. Arrivals will be staggered somewhat and we have been in discussions with various airlines for that period and with the transportation

committee for the efficient handling of the Trade Ministers and Ambassadors through the terminal and to ground transportation to help expedite that.

Publication of the Standard Missed Approach Procedures are still scheduled for June 30<sup>th</sup>. Tom Bowman of the FAA said the FAA is on track for delivering a decision for our approach control location at the end of this month. The next step will be getting them to deliver the product.

Mr. Sprenger reported that the terminal interior work is in full swing with steel stud framing on the second level, drywall and baggage systems on the main level, mudding, taping and painting on the basement level. He said we are at the worst part of it now. We have everything in this part of the terminal as squeezed in as we can. It is affecting our offices and the rental car companies. We need to get through the next few months. The good news is, as Mr. Lucero pointed out, all our passengers are indoors.

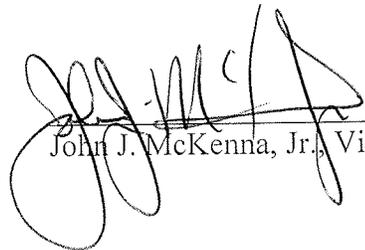
Mr. Sprenger said that next month we will have plans and estimates for work on the east end of the terminal for the roads and parking lots to accommodate relocation of the rental car parking lot to the employee lot and the employee lot relocation to the southeast portion of the public lot. The Board will have the opportunity to review the plans and estimates before they are put out to bid for spring work. The project is in the current budget.

Mr. Roehm asked if we are at sufficiently staffed for being so busy, and Mr. Sprenger said we are challenged at the moment but it will be better when the terminal is completed. We have added one public safety officer, one maintenance person and an office employee. Paul Schneider said we have a new building supervisor. He is a captain at the Central Valley Fire Department and Mr. Schneider has known him through our joint Aircraft Rescue Fire Fighting (ARFF) training.

Mr. Sprenger said we are looking at the possibility of one of our public safety officers moving into the airport owned house. He would need to have ARFF qualifications. We don't have any supervisory people who would like to move in.

The ninth agenda item was to consider the bills and approve for payment. The Board and Mr. Sprenger discussed the restaurant purchases and repairs. The Board is concerned that we will set a precedent by not requiring Overland Express to reimburse us for the expenses due to equipment repairs and replacement items that weren't there after they left. Mr. Sprenger will check with legal counsel and unless there is a legal reason to not follow up, we will send a bill for those expenses. After further review and discussion of the bills, Mr. Kelleher moved to pay them and Mr. Roehm seconded the motion. The motion carried unopposed.

The meeting was adjourned at 4:35 p.m.



John J. McKenna, Jr., Vice-Chair