

The regular monthly meeting of the Gallatin Airport Authority was held March 10, 2011 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Richard Roehm, Steve Williamson, John McKenna and Kevin Kelleher. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director–Operations and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held February 10, 2011. John McKenna moved to accept the minutes of the meeting held February 10, 2011; Richard Roehm seconded the motion and all Board members voted aye. The minutes were approved.

The second agenda item was the public comment period. There were no public comments. Mr. Williamson said anyone wanting to make comments during a particular agenda item is welcome to do so.

The third agenda item was to consider the request by Yellowstone Jetcenter, LLC to transfer their Lease and Operating Agreement for Hangars 2 & 3, and Commercial Ground Lease Agreements for Hangars 5, 57, 75, ER 1, ER 2, 305 Aviation Lane, and the Yellowstone Jetcenter Fuel Farm to Signature Flight Support Corporation.

Brian Sprenger, Airport Director, said Yellowstone Jetcenter is in the process of selling their assets to Signature Flight Support Corporation and we have the insurance papers. They will be handling any liens through the closing. They are asking the Board's approval to transfer several leases and the operating agreement. Mr. Sprenger recommended approval of this request.

Michael Scheeringa, President of Signature Flight Support, said he has been the President of Signature for two years and three months. Prior to that, he ran the second largest

operator of private jets in the world, Flight Options out of Cleveland, Ohio. He has fourteen years of commercial experience with US Air and Northwest Airlines.

Mr. Scheeringa said Signature operates 104 Fixed Base Operators (FBOs) on five different continents and over a dozen languages are spoken. This last year, their revenues were just under one billion dollars. They have been in business over forty years through their prior affiliates that came together to create Signature and have been branded Signature for twenty years.

They have a lot of stability, capital and investments. Mr. Scheeringa said Signature reports through a British holding company, BBA Aviation, which is traded on the London Stock Exchange. He said everything is public, so what you see is what you get. They are proud of their record in the industry, their investments and service. They are looking forward to growing in Bozeman. Mr. Scheeringa gave a brief history of Signature and said one in ten business jets in the United States are residents in Signature hangars across the United States. Many of their Signature customers come to Bozeman because they are customers of Yellowstone Jetcenter or the Spanish Villages. He believes it will give local GA tenants the opportunity to go to other airports and get a handshake from the Signature family.

He said they encouraged their entire management team to get their private pilots' licenses and they hope to have one hundred fifty pilots in Signature management by the end of this year.

All the employees at Yellowstone Jetcenter that are in good standing have been offered and have accepted a job with Signature. Mr. Scheeringa said in spite of the downturn, Signature did not reduce benefits. The local sign will say "Yellowstone Jetcenter by Signature Flight Support". Computers systems will be changed so customers will be

recognized as Signature customers. The phone will be answered Yellowstone Jetcenter. Things won't change much locally except their ability to invest in the future.

Mr. Roehm asked Mr. Scheeringa if he had met Arlin Wass and how Signature planned to fit in with the other major FBO. Mr. Scheeringa said he planned to meet Mr. Wass this afternoon and he and the Board members discussed how Signature works with other FBOs and how they become part of the local general aviation (GA) community. Mr. Roehm asked when they plan to take over and Mr. Scheeringa said at midnight tonight.

Mr. Roehm asked how they foresee interacting with Arlin's Aircraft Service and if they would take the high-end corporate jets and leave the small aircraft to Arlin's. Mr. Scheeringa said there is no division of customers like that. They will each have a posted price. Signature has a natural tendency to attract customers that are already Signature customers. He said if you use Signature in one city, you are about 80% likely to use Signature in another city. They think that is a growth opportunity for Signature because they are advertising within the network.

He also said from a local competition standpoint, there is no price collusion or something like that. They will independently set their price on the field, what makes sense for the field.

Mr. Roehm said that would be a first concern because they are a bigger outfit and could price somebody else out of business by lowering their costs until somebody else is out of business and then of course raise them back up, whereas a local FBO wouldn't have those resources to rely on.

Mr. Scheeringa said he thinks financially that is a correct statement that they could probably hold down prices longer than somebody else. As a practical matter that is not how they compete at all. From a Signature perspective, he thinks they compete fairly with

customers. If you were to go across their entire network, whether it's the first two-and-a-half years that he's been at the company or the prior ten years, you wouldn't find that you would have anyone that would have accused Signature of predatory pricing. One of the things you would find from them is they are a publically traded company and hold themselves to a very high standard, whether it's a safety standard, an auditing standard, financial reporting standard or competitive standard, something like that, which somebody could say they could ignore on a local basis, but they would not jeopardize their global reputation for something like that.

Summit Aviation subleases from Yellowstone Jetcenter and Signature will continue to sublease to them. They also discussed Signature's plans regarding maintenance, additional hangar space and fuel prices. They have a separate program for global customers.

Mr. Roehm moved to approve the request by Yellowstone Jetcenter, LLC to transfer their Lease and Operating Agreement for Hangars 2 & 3, and Commercial Ground Lease Agreements for Hangars 5, 57, 75, ER 1, ER 2, 305 Aviation Lane, and the Yellowstone Jetcenter Fuel Farm to Signature Flight Support Corporation. Kevin Kelleher seconded the motion and all Board members voted aye.

The fourth agenda item was to consider the requests to extend the Ground Lease Agreements for Car Park II, Car Park III, Car Park IV, Car Park VI, Car Park VII, Car Park VIII and Car Park IX until September 30, 2011. Mr. Sprenger said these agreements are all coming up and we want to term them out at the same time. Mr. McKenna moved to extend the Ground Lease Agreements for Car Park II, Car Park III, Car Park IV, Car Park VI, Car Park VII, Car Park VIII and Car Park IX until September 30, 2011. Ted Mathis seconded the motion and all Board members voted aye.

The fifth agenda item was to consider the request to extend the Ground Lease Agreement for Car Park XIV for five years. Mr. Sprenger said all of our car condominium ground lease agreements were written with a ten year term with a five year option to extend. He said this is the first of the two condominium units that still have the five year option to extend. The last one will come up next year. It is part of our plan to end the leases at the end of the five year extensions. We have the space and have allocated our expansion plans to accommodate the extensions. Mr. Mathis moved to approve the request to extend the Ground Lease Agreement for Car Park XIV for five years and Mr. Roehm 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 car condominium buildings. Mr. Sprenger said this is the group who had approached us last year to build car condominium buildings but at that time a ten year lease was all that was offered at the time. Since then the Board has determined that a fifteen year lease would be acceptable. If the Board approves this request, the rent for Resort Garages, LLC will be \$.30 per square foot per year. Resort Garages will be in charge of snow removal for the condominiums. The approval for this will not restrict other companies from constructing car condominiums if they are approved by the Board. Mr. Sprenger showed where the car condominiums would be located and said they would have north/south entrances. The airport engineers, Scott Bell and Mark Maierle, are working on drainage. Leslie Knutson, from Resort Garages, said she didn't have anything to add except the design will be presented to the Board for approval at another meeting.

Mr. McKenna moved approval of the request by Resort Garages, LLC to construct two car condominium buildings. Mr. Kelleher seconded the motion and all the Board members voted aye.

The seventh agenda item was to consider the request by Douglas Hartzheim to construct a 60' x 60' non-commercial hangar. Mr. Sprenger showed the proposed location on the east side on Taxiway Victor and said Mr. Hartzheim likes the east ramp location. He currently owns EV 2 and is considering selling it. Mr. Roehm moved to approve the request by Douglas Hartzheim to construct a 60' x 60' non-commercial hangar. The motion was seconded by Mr. McKenna and the motion was approved with all Board members voting aye.

The eighth agenda item was the report on passenger boardings and flight operations – Scott Humphrey. Mr. Humphrey reported that it was another decent month. Tower operations were down 11.6%. General aviation is down due to the bad weather during part of February. Total enplaned passengers were 30,715 for February. Rolling twelve month enplanements were 371,509.

Airline landings were down 12.7% mainly because we don't have the Los Angeles flight and Frontier has cut from three flights a day to two to Denver but aircraft size has increased. Load factors were up 3.9% and the average load factor for the airlines was 86.3%. Load factors for Allegiant Air to Las Vegas and Phoenix/Mesa for February were 95%. Fuel dispensed during January was up 4.6% over January 2010.

Mr. Humphrey said we are on track for a record March for enplanements. The airlines have allocated 8% more seats from March through June 2011 than for the same period in 2010.

The Board, Mr. Humphrey and Mr. Sprenger discussed prices of Allegiant Air's tickets. Mr. Sprenger said it varies but sometimes a one-way ticket to Las Vegas is as low as \$29.00. Mr. Roehm said that a round-trip Delta ticket from Bozeman to Salt Lake City has gone up by \$100 to \$750.00 and added it is no wonder Allegiant Air's flights are full. Mr. Humphrey said he believes their load factors have gone up because the word has gone out

about Allegiant Air and we are not losing the passengers to Billings like we did before. Allegiant didn't advertise very much. He said we would like to see more Allegiant Air service to another market.

They also discussed how Allegiant Air service from Gallatin Field compares to their service at other Montana airports. Also, Mr. Sprenger said we might achieve the FAA designation of small hub airport if our total revenue enplanements continue to grow.

The ninth agenda item was the Director's Report – Brian Sprenger. Mr. Sprenger reported that spring break has started and we got ahead of the curve by having the local radio stations make announcements that people need to arrive at the airport early enough to have sufficient time to board their plane. The TSA is opening the third checkpoint line earlier and Mr. Sprenger hopes that will help as well. He said the Board will hear of people driving to other airports because we do not have enough seats available for all those wanting to depart from the Bozeman airport.

Mr. Sprenger also reported that there was a glider operators' meeting last night regarding Runway 3/21. He said we are working with the FAA to add an additional 300 feet to make the runway 2,950 feet long. That would not impact the runway visual zone and would allow us to taxi an aircraft to the incursion road and accommodate our glider operators in a positive way. He said it was a very productive meeting and we are trying to reclaim some of the length we lost years ago. Mr. Roehm asked what has changed on the site view and Mr. Sprenger said it is mainly because we now are a towered airport.

Mr. Sprenger also reported he would like to nominate our control tower for the Willie F. Card Contract Tower Association Award. He said they have worked with us on a number of issues. When we ask for anything, they always help. He said that attitude of cooperation is not present between a lot of towers and airports and he believes they deserve recognition

from us to them. Mr. Williamson and Mr. Sprenger discussed nominating them and writing letters if anyone has had a specific good experience working with them. Mr. McKenna asked if we are willing to encourage the GA community to say something and Mr. Sprenger said yes.

Mr. Sprenger also reported that staff is considering how to use the existing gift shop area after the Montana Gift Corral moves into its new location. He said we have talked to Bert Hopeman, the owner of the Montana Gift Corral and we have also been approached by the Museum of the Rockies. Last year we were approached by the Yellowstone Association. Mr. Sprenger said the Museum of the Rockies has some interesting ideas that would not compete with the gift shop. Mr. Sprenger said if we went the direction of a nonprofit organization we would probably have to put out a very specific Request for Proposals (RFP) with a non-compete requirement and for something that would benefit the flying public. He said the difficulty in using this specific location is because it is mainly directed at people arriving off flights. He said he and staff are looking for direction or thoughts from the Board.

The Board and Mr. Sprenger discussed non-compete legal issues if they sell anything that would compete against the restaurant or gift shop, who would visit the shop, what kind of information and if it were the museum, they would have to work with other entities in the area that are tourism oriented. They also discussed if it should be a for profit or a not for profit organization. Mr. Sprenger asked the Board if staff should suggest something or come up with an RFP for the next meeting for the Board to consider. Mr. Roehm said the first step is to define the objective.

Mr. Mathis said we need to see what the flying public might want. When people fly in now, they often ask the location of a liquor store and grocery store. He said it would serve

both inbound and outbound passengers and possibly someone might suggest something we haven't thought of by putting an ad in the paper that x number of square feet are available and the Airport Authority is entertaining ideas and proposals.

Mr. Hopeman said they are surveying customers to see what they would like there. Mr. Sprenger said the Museum of the Rockies is also doing a survey and we could do some surveying ourselves. Mr. Roehm liked the idea suggested by Mr. Mathis. Mr. McKenna suggested waiting until the information comes in from the surveys. Mr. Williamson said we are interested in doing something with the area but we need more information to get a direction. Mr. Kelleher thought the bus, taxi and limousine companies might be able to use it as a central ground transportation location and have a 24 hour kiosk service. Mr. Sprenger said 80% of the ground transportation occurs during three months and about 80% of that transportation is handled by Karst Stage.

Mr. Mathis said today you can go upstairs and frequently see people sitting on their suitcases waiting for the TSA to open up. He said we will have a beautiful new structure soon with the food service and the major gift concessions behind the new security area and asked if the TSA will have the screening area open more than they do today. Mr. Sprenger said they have made a verbal commitment but nothing in writing. He said it is a very valid concern.

Mr. Roehm said we no longer have the option of getting our own screeners and it is being debated in Congress to put language in to allow the option. He asked if the screeners will become unionized and Mr. Sprenger said they will be voting next month.

The Board and Mr. Sprenger discussed a few more items regarding the TSA.

The tenth agenda item was to consider the bills and approve for payment. After review and discussion of the bills, Mr. Roehm moved to pay the bills and Mr. McKenna seconded the motion. The motion carried unopposed.

The meeting was adjourned at 3:15 p.m.



Steven H. Williamson, Chair