

The regular monthly meeting of the Gallatin Airport Authority was held May 12, 2011 at 2:00 p.m. in the Airport Conference Room. Board members present were John McKenna, Richard Roehm, Steve Williamson, Kevin Kelleher and Ted Mathis. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held April 14, 2011. Ted Mathis asked that a correction be made on page 9. David Weingart is with the FAA and not the TSA. Richard Roehm moved approval with the correction as noted; Kevin Kelleher seconded the motion and the motion carried unopposed.

The second agenda item was the public comment period. There were no public comments. Steve Williamson, Board Chair, said everyone is welcome to comment on a particular agenda item of interest.

The third agenda item was to consider the request by Chris Boyer for a new ten-year Non-Commercial Hangar Ground Lease Agreement for Hangar #54. Brian Sprenger said the current lease has termed out and he feels comfortable with the condition of the building. John McKenna moved to approve a new ten-year non-commercial hangar ground lease agreement for Chris Boyer for hangar #54. Mr. Roehm seconded the motion, and the motion was approved with all Board members voting aye.

The fourth agenda item was to consider the request by Ressler Motors (Toyota Rent-A-Car) to operate an off-airport rental car concession. Mr. Sprenger said after a year and a half of having all our rental car agencies in the area on the airport, we are getting requests from smaller agencies to operate off airport. He said Ressler Motors has an agreement with

Toyota Rent-A-Car to operate and pick up passengers at the airport for their business and he recommended approval of the request.

Mr. Roehm asked Mr. Sprenger to explain the arrangement for funding. Mr. Sprenger said when we put out the Request for Proposals (RFP) two years ago, we advised all the rental car agencies that we were going to raise the off-airport concession fee to 10% and part of the rationale was to encourage the off-airport rental cars companies to come on airport. Initially, when the on-airport fee was 10% and the off-airport fee was 5%, on-airport car rental agencies only paid 10% of their gross on-airport sales. Now they pay for counter space inside the terminal, rental car stalls and Customer Facility Charges (CFCs) plus the 10% concession fee. It was determined that off-airport rental car concessions should pay part of the burden. He said both Toyota and the company in agenda item four are aware of the history.

Mr. Roehm moved to approve the request by Ressler Motors, also known as Toyota Rent-A-Car, to operate an off-airport rental car concession and Mr. Kelleher seconded the motion. The request was approved without opposition.

The fifth agenda item was to consider the request by Infinite-Fish Group LLC, DBA Phasmid Rentals to operate an off-airport rental car concession. Mr. Sprenger said Phasmid Rentals is a new company in the area and has a unique plan because they equip their vehicles with things like camping gear for outdoor trips. It took a little time for them to understand what is necessary for them to pick up passengers at the airport and now they have requested to operate as an off-airport rental car concession.

Mr. Roehm asked what the capacity is to accept other companies on airport and Mr. Sprenger said we have the space but the Minimum Annual Guarantee (MAG) would be an

issue for new companies. Mr. McKenna asked where we are in accommodating new on-airport companies and Mr. Sprenger said we will offer an RFP in about three and a half years and we could look at adding space at that time and look at additional concessions.

Mr. Mathis moved we approve the request by Infinite-Fish Group LLC, DBA Phasmid Rentals to operate an off-airport rental car concession. Mr. Kelleher seconded the motion and all Board members voted aye.

The sixth agenda item was to consider the request by Aero Flight School, LLC to transfer their Flight School Operating Agreement to Robert Shropshire. Mr. Sprenger said there has been a disassociation from Aero Flight School by two former operators and we have the paperwork from Mr. Shropshire to transfer the ownership. Mr. Sprenger said there is still some unfinished business between the current operators that could affect the school in the future, but after looking at all the paperwork that has been filed, he is comfortable with the transfer of the operating agreement.

The Board members and Mr. Sprenger discussed why this is something that needs to be brought before the Board and Mr. Mathis said it is required in the operating agreements. As an example, recently there was a fairly substantial change with Yellowstone Jetcenter. This allows us a say who is on the airport.

Mr. McKenna moved to approve the request by Aero Flight School, LLC to transfer their Flight School Operating Agreement to Robert Shropshire and Mr. Mathis seconded the motion. The motion passed with all Board members voting aye.

The seventh agenda item was to consider a Customs and Border Protection facility at Gallatin Field. Mr. Sprenger said he has had interaction with the Yellowstone Club and they had hoped to have documentation by the Board meeting showing their financial commitment.

They were unable to provide this and Mr. Sprenger recommended tabling this agenda item. All Board members were okay with tabling the item.

The eighth agenda item was to consider Terminal Project Change Orders. Mr. Sprenger said we have requests for three change orders and he had given the Board advance notice of two of them last month as they were related to the TSA. One was regarding the rental space for the TSA that will be reimbursed through their rental agreement. The second item was a change order for some equipment that would be used in the baggage screening area that will be reimbursed through our TSA grant.

The third change order is for 4,400 square feet of concrete adjacent to the terminal apron. Mr. Sprenger said we thought we could do without this project and save some money, but after considering operating pushback tractors in that area and staging aircraft for gate eight for Horizon, we felt this it would be necessary. The good news is if we were to bid it out as a separate project, it would cost us about 40% more. Mr. Sprenger believes we are getting a fair price if we do it as a change order.

Mr. Roehm moved approval of all three change orders; Mr. Mathis seconded the motion and all Board members voted aye. The change orders are approved.

The ninth agenda item was the report on passenger boardings and flight operations -- Scott Humphrey. Mr. Humphrey reported that tower operations for April were down 13.4%, mainly due to the bad weather during the month. Air carrier operations were up 23% and enplaned passengers were up 13.7%. Our rolling twelve month enplanements are 376,766. Airline landings were 5.2%. We will be getting our seasonal United Airlines Los Angeles service back the first week in June. Our fiscal year enplanements are projected to be approximately 380,000, so that is a significant boost for the last couple of years.

Corporate landings were up 5.5%. Load factors were up slightly to 81.5% with a 9% increase in seats. Fuel dispensed AvGas for General Aviation (GA) was down slightly due to the bad weather. JetA was static and JetA for the airlines was up slightly.

Mr. Humphrey reported that May enplanements are up 21% over last May, which is driven mainly by APEC. We have had a number of delegates come through since the 15th. The first of the ministers started coming through yesterday and will come through during next week. Chuck Childers, our State Department liaison, said this is one of the smoothest APEC events he has ever worked. Mr. Humphrey said things are going very well and we hope we can keep everyone and their luggage moving along smoothly.

The tenth agenda item was the Director's Report – Brian Sprenger. Mr. Sprenger reported that, as Mr. Humphrey said, APEC has gone well. It has bumped our passenger numbers for the month of May. We may show a decrease for May next year.

Mr. Sprenger also reported that on Monday we expect the Western Enroute Director and the Director of Terminal Operations to be here to advise and discuss approach control services at Gallatin Field. Mr. Sprenger would like at least two Board members to attend. It may not be what we would like as it may be out of Boise and take longer than we had hoped.

Mr. Sprenger reported that he was at the Allegiant Air conference last week to discuss service with them. Our performance in the Las Vegas and Phoenix markets is just under their system average. We are in the middle of the pack in both markets. A couple of years ago, there were some worries about the Las Vegas service. The fact that we were in the middle of the pack there and with our Phoenix service since the start are pretty good signs.

Allegiant Air invited William Swelbar from the MIT International Center for Air Transportation to make a presentation on the industry at large. He calls himself Dr. Doom in

the airline business. Mr. Sprenger said some of his key points were that the airlines are not covering the cost of their capital in general and don't have the ability to purchase new aircraft, particularly for domestic markets. Only Allegiant Air and Southwest Airlines have been covering the cost of capital. There are limited opportunities to wring more money out of cost savings. The airlines have capped labor, gone through bankruptcies, and most have brought their contracts to reasonable levels. Mergers are the last thing they can do to make their models work. There have been more mergers recently and we may also see some foreign ownership. If covering the cost of capital is not fixed, Mr. Swelbar believes we will see legacy carriers in liquidation.

Mr. Sprenger said we have seen negative news about the airline industry since the deregulation in 1978. He believes the market will take care of itself, but the turmoil is there. We may see more mergers and acquisitions.

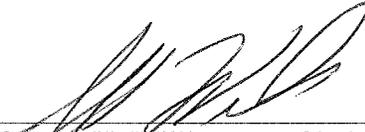
Mr. Sprenger reported that we will start using gates four and five on June 7th and the rest of the gates will be phased in by June 30th. The pre-opening celebration is planned for Friday, July 15th in the evening and we hope to be in the new terminal by July 20th. It is a bit of a conundrum because once we open, we won't be able to get people in the back areas where it is more interesting to them so we are trying to gauge the appropriate date.

Mr. Sprenger said the June meeting will be a long meeting because we will be reviewing the budget, artwork for the new terminal and the Airport Director's annual review will be held in closed session after the meeting. If anyone from the general public has comments, they can make them during the comment period at the meeting or submit comments to the Board members in advance.

Mr. Sprenger and the Board members discussed customs briefly.

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

The meeting was adjourned at 2:37 p.m.



Steven H. Williamson, Chair