

The regular monthly meeting of the Gallatin Airport Authority was held February 9, 2012 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, John McKenna, Steve Williamson, Kevin Kelleher and Carl Lehrkind. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director and Cherie Ferguson, Office Manager.

1. Review and approve minutes of regular meeting held January 12, 2012

John McKenna, Board Chair, asked if everyone received their copy of the minutes and if so, if they had any questions or corrections. Steve Williamson said he wasn't present at the last meeting, but he did have a question after reading the minutes. His question was why the commercial lease was made in Mark Duffy's name rather than Central Copters. He thought that commercial leases had to be with an LLC or some other business entity and he asked if we have the authority to require that. Mr. McKenna said in September 2002 Central Copters asked to be a Fixed Base Operator (FBO) at Gallatin Field but not be open on Saturdays during the required hours because of his religious beliefs. The case went to court and the court said corporations don't have religious beliefs. Brian Sprenger said Mark and Pam Duffy requested all of the Central Copters leases to be changed to them individually a short time after the ruling and the Board approved the changes.

Mr. Williamson said he thought that the policy was that commercial leases had to be with a business entity and asked if it would be a problem to ask for that. Mr. McKenna asked Mr. Sprenger and Scott Humphrey to research the issue.

MOTION: Ted Mathis moved approval of the minutes. Kevin Kelleher seconded the motion and all Board members voted aye. The motion carried.

2. Public comment period

Mr. McKenna said there were three people who signed up and they will speak during discussion of the FY 2013 Capital Plan.

3. Consider one year extension of Junkermier, Clark, Campanella, Stevens, P.C., Audit Agreement

Mr. Sprenger said we have one more year option with JCCS. He believes they have done a good job for us and he would recommend this extension. Mr. Williamson asked if we would do an RFP next year as usual and Mr. Sprenger said we would. Mr. Sprenger said the fee went up from \$11,800 to \$12,300. Mr. Williamson he is okay with this extension as long as we do an RFP next time. Mr. McKenna said it wouldn't be harmful to change, but we are busy enough that it might be easier to keep the same auditors this year.

MOTION: Carl Lehrkind made a motion to extend Junkermier, Clark, Campanella, Stevens, P.C.'s Audit Agreement for one year and Mr. Mathis seconded the motion. All Board members voted aye and the request was approved.

4. Consider request by Leask-Belgrade Properties, LLC represented by Compass Commercial Real Estate Services to extend their Commercial Lease located at 395 Airport Road (FedEx Site) for a period of seven years

Mr. Sprenger said this group is looking to sell the FedEx building and extending the lease would benefit them but not us. He said in the past, the only time we have considered a similar lease extension was when there was an additional benefit to the Airport Authority. He said we do not see any benefit in granting the lease extension and he recommended denying the request because it would set a negative precedent.

MOTION: Mr. Williamson made a motion to deny the request by Leask-Belgrade Properties to extend that commercial lease for seven years. Mr. Lehrkind seconded the motion and all Board members voted aye. The motion carried and the request was denied.

5. Consider FY 2013 Capital Plan

Mr. Sprenger said he wanted to discuss non-Airport Improvement Program (AIP) funded capital improvement projects for the next eight years. He had mailed the project and cash flow information previously so the Board members could review them ahead of time. Mr. Sprenger said the budget for the non-AIP funded projects is \$500,000 for this year. Within that is building improvements of \$365,000 for used passenger boarding bridges, IT equipment and some energy improvements to incorporate our ground water heat exchange system on the new part of the building to cool the existing terminal. He said we are gathering numbers now and it may run approximately \$200,000 and generate about \$30,000 savings per year.

Mr. Sprenger said the car condominium lessees paid deposits for landscaping next to the new car condominium area and we may want to do some additional landscaping there. We may also want to make some improvements to acquired land and do some fencing, especially west of Dry Creek Road. He said we are working with a group there. They are starting to move into the clear zone. There is also an old house we want to dispose of. In regard to equipment, Mr. Sprenger said we would also like to replace our 1989 F932 lawnmower/broom as it is getting pretty hard to get parts for it. We would like to purchase a half ton pickup. All of that together would be about \$500,000.

Mr. Williamson asked if we need the boarding bridges and Mr. Sprenger said we have two gate positions that don't have boarding bridges. Sometimes the airlines are doing ground level boarding now. United and Delta are the ones that would benefit the most. He said we wouldn't move ahead with purchasing them unless we found the right deal. Mr. Williamson asked if they would be put to use or just sit there and Mr. Sprenger said they would be put into use, and would be used fairly regularly.

Mr. Williamson asked if it would save money to use the ground water exchange system in the existing building. Mr. Sprenger said the expected cost is around \$200,000 and the savings would be about \$30,000 annually. He said there is a possibility that we may get a NorthWestern Energy grant that would make the pay back potentially quicker. He doesn't have all the figures but wanted to put it into the budget for the Board to consider. We probably couldn't do everything for \$500,000 so some choices might have to be made later.

Mr. Lehrkind asked how you find boarding bridges and Mr. Sprenger said airports occasionally upgrade their bridges. Mr. Mathis purchased one in 2004 from Boise and our guys refurbished it. If we could find the right deal, we would purchase the bridges.

MOTION: Mr. Williamson made a motion to approve the FY 2013 Capital Plan and Mr. Kelleher seconded the motion. All the Board members voted aye, and the Capital Plan was adopted.

6. Report on Interchange/Plan use planning – Scott Bell

Mr. Bell, airport engineer with Morrison Maierle, said he and Mr. Sprenger wanted to inform the Board of progress on the East Belgrade Interchange. He brought a map that showed the area for the East Belgrade Interchange that Morrison Maierle is designing under contract with the Montana Department of Transportation. State and local funding is short \$14 million of their share of the \$43 million project. On Monday, Mr. Sprenger and Mr. Bell met with the Gallatin County Commissioners and representatives from the Montana Highway Department and City of Belgrade to start developing the funding package for this shortfall.

Mr. Bell gave a short history of the project and said the Board had agreed to participate in the project through right-of-way donations and up to \$3 million in improvements on airport property in addition to the \$300,000 that was contributed to the

environmental analysis portion of the project. That would be all the Airport Authority would contribute.

Mr. Bell said the right-of-way is scheduled to be completed and acquired by June 2012, the utilities relocated, the plans finalized and the scheduled ready date is September 2013. If the funding and everything is in line, the project would go out to bid. Construction is expected to take about two years.

In order for the Airport Authority to donate the right of way on old Highway 10 to the Department of Transportation (DOT), the FAA has to release that property from the Airport Layout Plan (ALP).

The Board, Mr. Sprenger and Mr. Bell discussed how the City of Belgrade and Gallatin County would get their funds. Mr. Williamson expressed concern that the Airport Authority may be the only one with available funds, as happened with the funds for the environmental assessment. Mr. Bell said that is why it was determined the cash participation for the airport wouldn't exceed \$3 million. Mr. Sprenger said the state is responsible to repay the \$2.5 million to the federal government if the project doesn't go forward. The County will apply for Tiger IV Discretionary Grant monies to help with the project.

Mr. Bell said each of the steps of the project have to be funded ahead of time before the Federal DOT will allow the State DOT to move to the next step in the project. Mr. Sprenger said the County and the City of Belgrade have to have cash before the project moves forward.

The FAA says we have to do an environmental assessment before they will release the property from the ALP. Mr. Bell said the land would have to go through the steps of annexing, zoning and subdivision review, and all three steps have environmental components. He said the FAA will probably accept that in place of us having to go through

an environmental assessment. The Board will have to decide if they want to move forward with the cash donation and right-of-way easement. The land owners adjacent to the airport have already started the environmental assessment process for their properties.

Mr. Bell answered a few more questions the Board members had about the project. Mr. Sprenger said the purpose of this presentation was educational for the Board. No motions are required at this time.

7. Report on Future Capital Improvements – Scott Bell

Mr. Sprenger said this is where the cash flow projection comes in. For the next two years, the Airport Improvement Project (AIP) entitlements will be reimbursement for the terminal project. We will start into the Wildlife Hazard Assessment this year. In 2013, we expect to start on the access roads that will tie in to the interchange. Mr. Sprenger said we may have to start on deicing containment because the airport has become a small hub airport. Taxiway improvement costs are also budgeted.

Mr. Sprenger said funds are budgeted for an environmental analysis for a parallel paved runway and that will probably be the main topic of discussion. He believes we need to start the discussion because of the number of aircraft operations. In the next couple of years we will need to rehabilitate taxiways and in 2018 we will need to rehabilitate the main runway. If we choose to build a parallel runway, it may be beneficial to have it in place before the pavement rehabilitation of the main runway because a lot of our activity is from the flight schools. Without an alternate runway, the impact on the flight schools would be significant. Mr. Sprenger said he doesn't expect a decision today but wants the Board to be able to consider if this is an appropriate use of funds long term.

Mr. Bell said they started tracking numbers during peak times of the day during the last two and a half years because there are days that we are nearing capacity for an hour or more on the main runway.

He said commercial traffic has been flat or declined slightly, operations on the corporate side dipped about three years ago and now appear to be on the up climb. General aviation (GA) itinerants have decreased over the last five years. Growth is mainly due to the flight schools. At peak hours, there have been 60 or more operations, which is acceptable, but we have seen major growth in the last year to year and a half. Mr. Bell said a diagram of the Master Plan included a 5,000' to 5,100' parallel runway. The turf runway would be shortened to 3,000', but there would still be room for it, the sprinkler system and connections to the taxiway system on the east side. They might even extend the main runway 3/21.

Mr. Bell said the VHF omnidirectional radio range (VOR) will be alright where it is now. Having both paved runways would allow for simultaneous operations of smaller and larger aircraft. It is projected to be a \$5 million project. The environmental assessment would take twelve to eighteen months and that is why they are bringing it up for consideration now.

Mr. Sprenger said there are safety issues with the flight school aircraft and student pilots being mixed in with corporate and commercial flights. Right now our capacity is fine but we are seeing trends and he believes it is time to start considering how to address the issue and get input from the Board.

Mitch Robison, the Control Tower Manager, gave some reasons he believes a new parallel runway would improve service and safety. He said we may have a significant increase in tower operations this year. There are five organizations with students at the airport and the students have special needs that the controllers are not able to meet all the

time because there is so much traffic. He said there are times when we have planes doing 360s over the race track for five to ten minutes.

He said it would also be beneficial to have two parallel paved runways during snow removal.

Mr. Robison said we have had quite a few go arounds lately. We would have far less with a second runway, and we could accommodate touch and goes and stop and goes. We also have some pilots wanting to do full runway low approaches and it is hard to do now. Mr. Robison said sometimes we have operations in an hour that exceeds capacity for a single runway.

The Board and Mr. Robison discussed parallel operations on the turf runway and the main runway and the impact of a parallel paved runway. Ben Walton, of Summit Aviation, joined the conversation and said he thinks Mr. Robison understands the conditions better than anyone else. Mr. Walton said his flight school had 60 hours of flight training in the last two days and that is a lot of operations condensed between 8:00 a.m. and 4:00 p.m. He said there were a lot of operations plus quite a mix of aircraft type. Summit Aviation is growing and is acquiring an aircraft in a month and another one the following month.

Mr. Walton said they have been using the Three Forks airport some but they prefer using this field and being in a controlled environment. He said they have had a few close calls in Three Forks.

Mr. Robison said we will have more traffic between 8:00 a.m. and 4:00 p.m. than the Spokane airport and they have parallel runways there. He said sometimes it is overwhelming.

Ryan Haskins, from Montana State University, said Mr. Robison and Mr. Walton covered most of the high points he wanted to speak about. The administration at MSU is promoting the two year college and they anticipate growth.

Mr. Mathis said he doesn't want to rain on anyone's parade but flight training has run in cycles since WWII. He said it dropped off in the late 50s and picked up again with veterans returning from Viet Nam. We are seeing retirement of baby boomers now. He said corporate is starting to pick up. He believes this is cyclical.

Mr. Williamson asked what the timeframe is and Mr. Sprenger said we have a year before we would even start the environmental assessment so we can see what is happening with the flight schools' activity by then. He said we might want to pause after the environmental assessment or, if growth continues, we might want to build the new runway before we start the main runway rehabilitation. Mr. Sprenger said he wanted to bring this up for discussion because there are times we are at capacity. He said no decision is necessary at this time but he doesn't want to surprise anyone if the need arises next year.

Mr. McKenna said he believes Mr. Mathis and he would like to see the growth. It will cost \$6 million to build the runway and then it will have to be maintained. He said the Board is obligated to see that we're not at the top of the cycle and ready to slide down the other side.

Mr. McKenna thanked everyone for their comments.

8. Report on passenger boardings and flight operations – Scott Humphrey

Mr. Humphrey reported that Ben and company pushed tower operations up 6.4% this month. Enplanements were down 2.8% mainly because there weren't enough seats. We were down 4.2% for available seats for January 2012 versus January 2011. Most of the loss

in available seats was due to Delta being down 31% to Minneapolis/St. Paul because they downgraded from an A319/A320 to an Embraer.

Mr. Humphrey reported there were 30,843 enplanements in January 2012 and rolling enplanements for the year were 396,949. Airline landings were 483 compared to 506 last January. The load factor average was 85.2%. Delta's load factor was 90.0%, Allegiant's was 93.1%, United's was 84.1%, Frontier's was 78.9% and Alaska's was 74.3%.

Mr. Humphrey said February's numbers are down about 2% below where they were for February last year but there is one extra day. So he believes we should end up flat or just slightly ahead of February 2011. He said we start to turn the corner on seat capacity in the April/May timeframe. From February 1 through June 1, we will be above last year's seat capacity. Delta will be bringing in the Airbuses and Frontier announced they will be bringing in Airbuses 3 days a week in May. The Oakland flights start in April and service to Newark begins in June. Jim Ferra, from United Airlines, said he is pleased with the first day's bookings westbound on the Newark flights without any advertising.

9. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that even though enplanements were down in January, they were compared to January 2011, which was up 17% from January 2010, so we have to keep things in perspective.

Mr. Sprenger said we have had the most active air service development month that an airport our size could talk about with the announcements to Oakland, Portland and Newark, and Frontier's increase to twice daily service to Denver in mid May with three of those flights being A319s.

Frontier will start service four days a week to Great Falls. The local community generated the guaranteed funds for the service.

Mr. Sprenger said we were very impressed with the involvement of our community for their financial commitment toward the Newark, New York service and asked the Board if they would like to put a thank you ad in the Chronicle for all those who supported the effort. Mr. Kelleher said that we need to be sure we don't forget anybody. Mr. Mathis said he would like it to come from the Chamber and we could support it. We are here and accommodating growth. He said a thank you isn't a bad thing. Mr. McKenna said it is another way to let folks know the service exists. Mr. Sprenger said there was a lot of effort behind the scenes. Mr. McKenna said maybe we should reach out to those who benefit from the service, like the rental car and taxi companies, for donations for the thank you ad. Mr. Williamson said he agreed with Mr. Mathis. They didn't do it for us; they did it for themselves and if it is worded properly, he would support the ad. He said we serve the flying public and the thanks should come from them.

Mr. Sprenger said the Aviation Conference is scheduled for March 1st through the 3rd. Mr. Mathis will be making a presentation on the history of the airport and past Board member Richard Roehm will also be doing a presentation on his experiences. On Thursday night we will have a Montana Airport Management Association dinner here in the old lounge and Friday night's conference dinner will be held in the terminal concourse. The restaurant will be catering the dinners. Mr. Sprenger said we are excited to showcase our terminal to the Aviation Conference delegates and he believes it will be a great evening.

Mr. Sprenger reported that Customs is coming along and should be finished by the mid March timeframe and hopefully Customs will have it staffed by then.

Mr. Sprenger asked if the Board would like just the words or if they would prefer our new logo on the sign at the entrance to the terminal. He said we would keep the wood looking background unless the Board wanted that changed too.

MOTION: Mr. Mathis moved to just use the words “Bozeman Yellowstone International Airport at Gallatin Field” and Mr. Lehrkind seconded the motion. During discussion, Mr. Kelleher said he likes getting our new name out there. Mr. McKenna said that BZN means something to us, but it doesn't to the traveler. All Board members voted aye.

Mr. Mathis said Mr. Sprenger was the luncheon speaker at the Kiwanis meeting on Monday and did a great job. He said Mr. Sprenger put on a great PowerPoint program that hit on general aviation, air freight, why we have service here and why it costs what it costs. Mr. Mathis said at the end of the meeting people were standing in line to speak to Mr. Sprenger.

Mr. Mathis said he also believes that the lights are too bright in the new lobby and he believes that designers and whoever spec'd the lights should help pay to put in new ballasts and fixtures to reduce the glare and wattage. Mr. Williamson said this is a brand-new airport and we should have good lights.

Jamie Lenon, of Prugh and Lenon Architects, said there were several factors. The fixtures came in with clear bulbs and they should have been florescent. The life expectancy of the bulbs is 40 to 50 hours and they should burn in after a number of hours. 40% of the light is going up and should diffuse into the ceiling. He didn't have an answer why they were 400 watt ballasts rather than 250 but they met the code for that area.

Mr. McKenna asked how many bulbs and fixtures we would need to replace and Mr. Sprenger said 40 at about \$300 each, so \$10,000 to \$12,000. Mr. McKenna asked Mr. Lenon to work with Mr. Sprenger and whoever spec'd the lights to see if there is a solution.

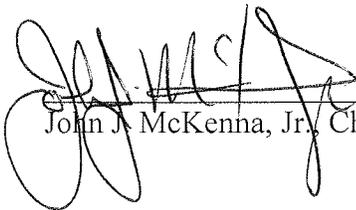
10. Consider bills and approve for payment

The tenth agenda item was to consider the bills and approve for payment. The Board members and Mr. Sprenger reviewed and discussed the bills.

MOTION: Mr. Lehrkind moved to pay the bills and Mr. Kelleher seconded the motion. The motion carried unopposed.

11. Adjourn

The meeting was adjourned at 4:20 p.m.



John J. McKenna, Jr. Chair